



中華開發金控  
CHINA DEVELOPMENT FINANCIAL

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# China Development Financial

## 2019 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: <https://www.cdibh.com/en/IR/Financials/AnnualReportingArchive>

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**Spokesperson**

Name : Richard Chang  
Title : Executive Vice President  
Tel : (02)2763-8800  
Email : richardchang@cdibh.com

**Deputy Spokesperson**

Name : Andy Lin  
Title : Executive Vice President  
Tel : (02)2763-8800  
Email : andylin@cdibh.com

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

Address : 12F, No. 125, Sec. 5, Nanjing E. Rd., Taipei 10504, Taiwan  
Tel : (02)2753-2201  
Web : www.cdibh.com/en

**Subsidiaries****China Life Insurance**

Address : 5F, No. 125, Dunhua N. Rd., Taipei 10595, Taiwan  
Tel : (02)2719-6678  
Web : <https://www.chinalife.com.tw/>

**KGI Bank**

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

**KGI Securities**

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

**CDIB Capital Group**

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

**China Development Asset Management**

Address : 7F, No. 125, Sec. 5, Nanjing E. Rd., Taipei 10504, Taiwan  
Tel : (02)2756-8968  
Web : [www.cdibh.com/en](http://www.cdibh.com/en)

**Stock Transfer Agent**

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

**Credit Rating Agency**

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

**Auditors**

Auditors : Mei-Hui Wu, Kwan-Chung Lai  
Accounting Firm : Deloitte & Touche  
Address : 20F, No. 100, Songren Rd., Taipei 11073, Taiwan  
Tel : (02)2725-9988  
Web : [www.deloitte.com.tw](http://www.deloitte.com.tw)

**Overseas Securities Exchange : None**

**Shareholder Hotline : 0800-212-791**

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## I. Letter to Shareholders

In 2019, even if U.S. economy performed relatively well among the world's major economies, the Fed cut interest rates to boost liquidity into the market in view of U.S.-China trade uncertainty. The eurozone's economic performance has been relatively lackluster despite a quantitative easing policy adopted by the European Central Bank. China was under pressure to transform its industrial and economic structures in addition to facing the continued impact of trade wars. Driven by the repatriation of China-based Taiwanese companies and the trade diversion, Taiwan's economy grew 2.71% in 2019, on a par with the 2.75% in 2018, with the capital market performing robustly. While the turnover at the Taiwan Stock Exchange totaled NT\$29.06tn in 2019, down 9.6% YoY, averaging around NT\$120.07bn per day, down 7.8% YoY, the FINI-dominated Taiex closed the year at 11,997 points, up 23.3% from 9,727 points at the end of 2018.

China Development Financial Holdings Corporation (CDF) benefited from the solid performance of global financial markets and business growth so that the consolidated net income was NT\$19.65bn in 2019 (including NT\$6.86bn from non-controlling equity), for EPS of NT\$0.88, with consolidated ROE of 7.56%. Compared with consolidated net income of NT\$12.82bn in 2018 (including NT\$4.96bn from non-controlling equity), YoY growth was around 53% in 2019. Below are highlights of 2019 performance by each business segment.

### 1. Commercial banking business

In 2019, KGI Bank continued to focus on corporate banking, consumer banking and global markets as the three main pillars of growth, complemented by digital banking platforms and group resources from CDF to deepen product penetration, expand its client base and enhance business synergies. Banking businesses are summarized as follows:

- (1) Corporate banking: Through the effective specialization and diversified products and services, KGI Bank continues to customize project financing services and financial planning for customers, small-and medium-sized enterprises and business owners. KGI Bank has optimized credit assets and the profit structure by participating in syndicated loan projects, winning clients with supply chain cash flows, and keeping track of global M&A activities.
- (2) Consumer banking: In response to the advent of the digital era, KGI Bank has accelerated the establishment of various digital application platforms and continuously optimized the functions of mobile banking and online banking. Consequently, online applications and faster approval procedures have enabled intra-group cross selling and the attraction of external customer resources to build a solid client base. By using digital technology, KGI Bank allows customers to enjoy more convenient and user-friendly services.
- (3) Global markets: KGI Bank has actively adjusted its risk exposure of financial asset structure, and adhered to a sound operational strategy to resume profitability amid a stabilizing global investment environment. In addition, KGI Bank has cooperated with various channels to expand such businesses as investment hedging, note/ bond underwriting, financial product marketing, and asset management, developed multiple financial derivatives and strengthened customer relationships via customized integrated products to meet diverse customer needs.

## 2. Brokerage business

A favorable environment is created for the brokerage business due to a shift of the U.S. and European Central Banks to more accommodative monetary policies, government bond yields fallen significantly and global stock markets kept hitting new highs. KGI Securities maintains market leadership in such businesses as brokerage, investment banking, warrant trading, bond underwriting, and others. In the face of electronic trading and a growing new-generation clientele, KGI Securities strives to innovate, introducing smart and automated financial planning services as well as optimizing online transaction platforms and customer experience to give investment advice in a timely manner to assist customers in asset allocation. To get ready for the new system of continuous trading launched in March 2020, KGI Securities has upgraded the functions of all trading systems and built brand new trading platforms, providing customers with convenient screening criteria for investment vehicles as well as rapid and helpful tools for order placement. Via this optimal operation interface, KGI Securities assists investors in capturing profit opportunities at high-frequency trading speeds. Regarding overseas deployment, Hong Kong has emerged as the center of overseas business to integrate Greater China and ASEAN markets. KGI Securities has established cross-regional wealth management service platforms by strengthening teamwork among all business groups, cross selling products in a more integrated manner and promoting the exchange of professional talents in order to continually advance toward the goal of being a niche regional securities house.

## 3. Venture capital/ private equity investment business

Industry changes and U.S.-China trade disputes affected the valuations of certain investment positions and funds under management of CDIB Capital Group in 2019. The company completed the establishment and fund-raising of renminbi-denominated CDIB Yida Healthcare Fund and closed the second tranche of USD-denominated Global Opportunities Fund in 2019. Ten funds denominated in New Taiwan dollars, US dollars and renminbi, are currently under management, with investment mainly in the US and Greater China. These funds totaled NT\$39.8bn as of the end of 2019, of which NT\$25.8bn has been drawn down for investment and proceeds of around NT\$4bn have been received. CDIB Capital Group plans to raise new funds denominated in New Taiwan dollars and US dollars in 2020 to further expand the scale of assets under management.

In December 2019, 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 2020, major research institutions are conservative about global economic growth. In addition to uncertainties brought by the extent of implementation of the U.S.-China Phase-1 trade deal and the progress of further negotiations, global economic activity will also be affected by the rapid spread of COVID-19 in China and other major areas in the world since the start of the year. Governments across the globe have launched various stimulus policies to combat the uncertain risk. We believe that repatriation by China-based Taiwanese companies and the government's multiple supportive policies will enable the economy to slowly stabilize. However, the impact of deeper financial market volatility and growing global political and economic risks cannot be taken lightly if the pandemic becomes more severe than expected. Faced with difficult, fluid financial situations, CDF's commercial banking business will expand its niche in consumer banking via FinTech applications and diversified product offerings. In pursuit of the optimal risk exposure



framework, it will focus on a value-oriented lending strategy by optimizing credit structures and risk appetite. On the brokerage business front, it will continue to refine and upgrade products and services for wealth management and retail channels to meet customer needs. It will also capitalize on group expertise and resources, strengthening its financial service network and grabbing business opportunities in the Greater China and ASEAN regions to create value for shareholders. With regard to venture capital/ private equity businesses, CDF will continue to improve the performance of the asset management and push for fund-raising while exploring new business via recruiting investment professionals in different fields to seek more diverse and balanced profit opportunities.

CDF has long been concerned about sustainability issues. It has employed five types of capital – financial, intellectual, human, natural and social relations – to implement the five core strategy of corporate social responsibility, i.e. sustainable corporate governance, sustainable finance, sustainable human resources development, sustainable environment and sharing of sustainable values. The significant efforts CDF has made in innovation incubation, financial inclusion and green finance can be evidenced by CDF’s winning the “Growth Through Innovation”, “Social Inclusion” and “Climate Leadership” honors at the 2019 Taiwan Corporate Sustainability Awards. Other accolades CDF won in 2019 were the Corporate Comprehensive Performance Award and Corporate Sustainability Report Award (Gold). The acquisition project of Jintex Corporation Ltd. completed by subsidiary CDIB Capital Group was recognized as the “Most Innovative M&A Deal” by Taiwan M&A and Private Equity Council in 2019. CDF has been engaging in social welfare activities over a long period, with subsidiaries China Life, KGI Bank, KGI Securities and CDIB Capital Group all combining businesses with the concept of giving-back-to-the-community to implement corporate social responsibility. CDF pushes for various projects for the public good via China Development Foundation and KGI Charity Foundation, such as “Little Flying Elephant Project”, “Vocational Education Scholarship” and “Nutrition 100” to bridge urban and rural disparity and give back to the community, extending CDF’s influence to all walks of life.

CDF will continue to promote corporate governance and sustainable development by integrating environmental, social and governance (ESG) issues into our investment analysis and decision making. We will strengthen overseas deployment and accelerate internationalization to usher in a new wave of growth momentum.

Chairman	Chia-Juch Chang
President / CEO	Daw-Yi Hsu

## II. Company Profile

### 2.1 Date of Incorporation

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

Established and operated on 28 December, 2001

#### 2.1.2 Subsidiaries

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

Established and operated on 14 May, 1959

- (2) KGI Securities (KGIS) :

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

- (3) KGI Bank (KGIB) :

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

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

Established on 11 September, 2001. The mergers of four companies (CDAMC, DIBAMC, CH3AMC and CH4AMC) took place on July 1st, 2019. CDAMC was dissolved after merger and its subsidiary CH3AMC assumed all rights and obligations of the extinguished company (CH3AMC changed its name to CDAMC on the merging day). CH3AMC was established on November 5th, 2003.

- (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. KGI Bank aims to become the best trusted payment service provider for corporate customers, as this will strengthen its capability of attracting NT dollar and foreign currency deposits and access to funds at a lower cost, and consequently sharpen its operating competitiveness to create better return on equity for shareholders and commit to paying back to the society.

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 eagerly seeking potential NPL disposal opportunities to improve asset quality. Since its establishment, AMC has continued to tender offer for investment in financial institution debt, and 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.

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 evaluates and purchases real estates sold in the legal auction market or government agencies in accordance with operating guidelines set forth by the FSC to expand the asset scale. Moreover, it endeavors to repairing and optimizing existing assets, in order to raise corporate returns by either leasing or sale. It completed the consolidation with its three asset management companies in 2019 on its path to becoming 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.

## **Accolades2019**

### **CDF**

Securities and Futures Institute, top 5% in the Sixth Corporate Governance Evaluation Award  
Inclusion in TWSE Corporate Governance 100 Index  
Inclusion in FTSE4Good TIP Taiwan ESG Index  
Inclusion in TWSE RAFI® Taiwan High Compensation 100 Index  
Inclusion in TWSE RA Taiwan Employment Creation 99 Index  
Included in FTSE4Good Emerging Index  
TCSA, Taiwan Top 50 Corporate Sustainability Report Award  
TCSA, Taiwan Top 50 Corporate Sustainability Award- Overall Performance category, TCSA  
Innovative Growth Award  
TCSA, Social Integration Award  
TCSA, Climate Leader Award  
CommonWealth Magazine, Corporate Citizen Award  
Wealth Magazine, 2019 Wealth Magazine Financial Award's Fintech Innovative Application category, a.k.a. the Golden award of Best Fintech,  
Small and Medium Enterprise Administration, MOEA, Buying Power Social Innovative Products and Services Procurement Award  
Its main office passed ISO 14064-1 Greenhouse Gas certification  
Its main office passed the annual ISO 14001 environment management system certification by a third-party institution

### **China Life**

Came in second place in life insurance sector in the first review by Financial Supervisory Commission's Financial Service Industry Fair Hospitality Principle Evaluation Mechanism  
Securities and Futures Institute, top 20% in the Sixth Corporate Governance Evaluation Award  
Inclusion in FTSE4Good TIP Taiwan ESG Index  
TCSA, Taiwan Top 50 Corporate Sustainability Report Award-Platinum Award  
TCSA, Taiwan Top 50 Corporate Sustainability Award  
TCSA, Social Integration Award  
TCSA, Transparency and Integrity Award  
China Life's CSR report came in top three in CRRA 2019 Best Report, a document issued by the world's largest online report platform Corporate Register, making China Life the first company in Taiwan to be so honored  
BSI Sustainability Excellence Award  
In the Eighth Taiwan Insurance Excellence Award held by Taiwan Insurance Institute, China Life won the Golden Award of the Information Security Promotion Excellence Award for its efforts to strengthen its ability

to protect and manage personal information, implement various security-guarding measures, set up a dedicated Information Security Department, and enhance the overall information security blueprint

In the Eighth Taiwan Insurance Excellence Award held by Taiwan Insurance Institute, China Life won the Silver Award of the Human Resources Training Project Planning Excellence Award for its efforts to emphasize the cultivation and training of human resources and deployment of its self-developed i-Agent digital management sales-assisting tool

With its AI claims anti-fraud system, named by the 2019 Insurance Asia Awards held by Asian Banking & Finance (ABF) as winner of the Claims Initiative of the Year award

Inclusion in Forbes Global 2000 enterprises

In the insurance quality award competition held by Modern Insurance Magazine, China Life won the recognition of being the “Best-known” company with the “Best Sales Staff.”

In the Sixth Smart Magazine’s Insurance Awards competition, China Life won the honor of “Premium-quality insurance policy recommended by Smart Magazine” with its Chao-Kang-Tai Deductible Hospitalization Healthcare Insurance Policy-attached contract Type A

Came in sixth place in the financial sector in the top-2000 enterprise review conducted by CommonWealth Magazine

Came in sixth place in life insurance sector in China Credit Information Service’s (CRIF) 2019 top-5,000 large enterprise rankings

Small and Medium Enterprise Administration, MOEA, silver award of Buying-Power-Social Innovation Products and Services Procurement Award

For the fourth time in as many years, won from Taipei City Government the Private Enterprise and Organization Green Procurement Award, which recognizes China Life’s efforts to promote green consumption  
Its main office passed ISO 14064-1 Greenhouse Gas certification

### **KGI Bank**

Recognized by Financial Supervisory Commission and MOEA as Top Performing Financial Institution and Credit Manager for SME Corporate Credit Guaranteed Financing Business

Named by Financial Supervisory Commission as Well-Performing Domestic Bank Excelling in Granting Credit in Countries Targeted by the New Southbound Policy – Group B Well-Performing Bank

For its effort to conduct anti-money-laundering operations and crackdowns on information terrorism, KGI Bank participated in the APG Mutual Evaluation Third Round and won from Financial Supervisory Commission the recognition of Job Well Done

Named by Ministry of Finance as Well-Performing Bank in the Promotion and Export of Insurance Business

Named by the Commercial Times as the bronze medal winner in the domestic banking industry category of Grand Review of Taiwan’s Service Sector, with its first-line branch staff being recognized by the Local Bank Service Elite Award

Following the successful results of the first supervisory sandbox experimental program in 2018, 2019 once again saw the company lead the industry in becoming the first bank to be allowed to experiment with the "Application for Loans or Credit Cards using Mobile Phone Number" service after the release of the "Guidelines for Banks' Application for New Business Tryout"

By building a digital bridge between KGI Bank and KGI Securities, the first two-way digital identity authentication for banking and securities operations was created, which should create a holistic financial experience for our customers

Signed a group agreement with KGI Bank's workers' union, which received special recognition from the Ministry of Labor for creating a win-win situation for the employer and the employees

Its main office passed ISO 14064-1 Greenhouse Gas certification

### **KGI Securities**

Reviewed and Named by Financial Supervisory Commission as being in the top 20% of securities brokerages that fulfill the fair hospitality principle

Came in first place in Taiex ETF Yang-sheng Award and first place in ETF International Award in Taiwan Stock Exchange's ETP Trading and Market-making Competition

Won Taiwan Stock Exchange's 2019 Intermediary Agency Award: the Circulation of Securities Award – Best Stock Brokerage category

Came in first place in number of warrants increased, second place in number of warrants in circulation, and third place in warrants excellence in Taiwan Stock Exchange's 2019 warrant-issuer and stock brokerage trading promotion activity

Named by TPEX in 2019 as a Well-Performing Market-maker for Government Bonds

Came in at second place in the results of recommending and facilitating companies to be listed on TPEX, Emerging Stock Market, and GSIA market during the 2019 TPEX seminar on intermediary agency facilitating companies to be listed in TPEX, Emerging Stock Market, and GSIA market

Come in second in TPEX ETF warrant promotional activity I-Men-Hao-Jie

Came in third in TPEX warrant market-making competitions Quan-Mien-Qi-Fa and Quan-Li-Yao-Jing

Came in second in the category of Best Contribution from a Recommending Stock Brokerage in TPEX Emerging Stock Market market-making competition

In Taiwan Futures Exchange's Diamond Award, came in first place in futures trading facilitator transaction volume diamond award, third place in stock brokerage transaction volume diamond award, and first place in market-making efficiency diamond award

In Asset magazine's Asset Benchmark Research Awards, KGI Securities was named the best arranging agency of Taiwanese government bonds; best bond research, best lead issuer of Taiwanese corporate bonds, best trader of Taiwanese corporate bonds, best investment banking, and best trader of Taiwanese government bonds

In Asset magazine's Asset Triple-A Country Awards 2019, KGI Securities was named the best M&A financial



consultant, with projects it undertook winning the best domestic M&A deal, best cross-border M&A deal, and best LBO deal awards.

Named by FinanceAsia as winner of Best DCM House award

Named by Wealth Magazine in 2019 Wealth Magazine Financial Awards' Consumer Financial Product Award competition as winner of the Best Brokerage Image Premium Award and the Best Brokerage Service Premium Award

Named by Wealth Magazine a winner of 2019 Wealth Management Grand Prize – Best Securities Service category

Named by Excellence Magazine as winner of 2019 Excellence Securities Review Award – Best Professional Teamwork category

Its main office passed ISO 14064-1 Greenhouse Gas certification

Its main office passed the annual ISO 50001 energy management system certification by a third-party institution

CDIB Capital

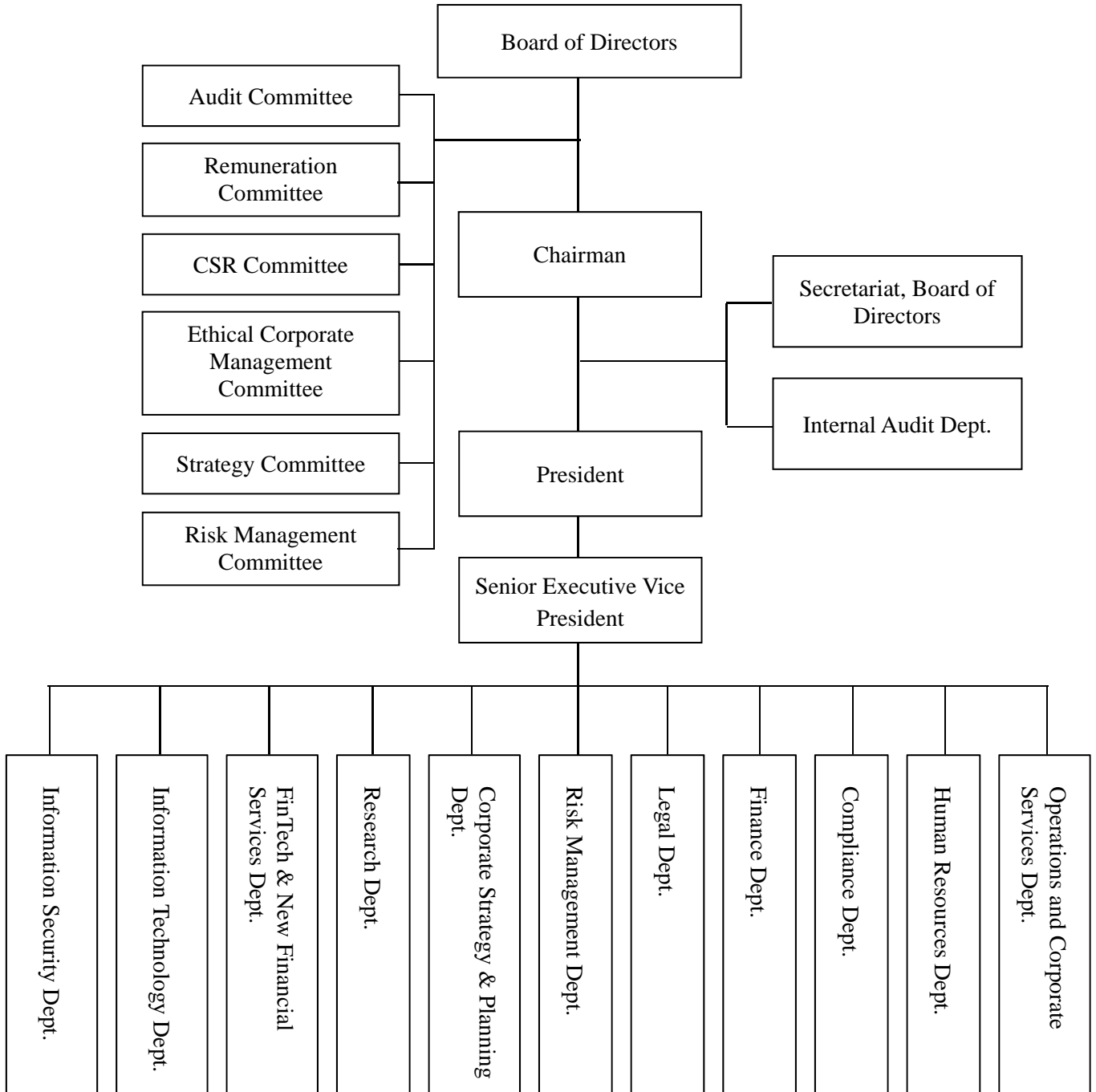
Its successful effort in purchasing a controlling stake in TPEX-listed JINTEX Corporation was named by the Taiwan M&A and Private Equity Council (MAPECT) as winner of 2019 Taiwan M&A Jinxin Awards' Most Creative M&A Award.

### III. Corporate Governance Report

#### 3.1 Organization

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

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



## B. Functions of Key departments

Secretariat, Board of Directors	In charge of 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, coordinating information management and other related affairs
FinTech & New Financial Services Dept.	The development of digital finance strategy, the Big Data analytics and financial technology investment projects
Research Department	Corporate credit checking, industry research, macroeconomic research
Corporate Strategy and Planning Department	Strategic planning, maintaining investor relations, media and general shareholder relations, executing sponsorship of charitable activities and material information disclosure
Risk Management Department	Managing credit risks, market risks, operational risks and related matters
Legal Department	Responsible for handling all legal-related matters
Financial Management Department	Responsible for financial management, capital management, and performance management; handling of all accounting, investment and M&A related matters
Compliance Department	Planning, administration and execution of compliance policy
Human Resources Department	Human resource management, employee relations, organizational planning and matters relating to the Remuneration Committee
Operations and Corporate Services Department	General affairs and administrative operations

## C. Primary duties of functional committees

### (1) Audit Committee

The powers of the Audit Committee, consisting of all independent directors of CDF, 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, and derivatives trading, ;
- 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 as well as compensation of a certified public accountant;
- The appointment or discharge of a financial, accounting or internal audit manager;

- Annual and second-quarter financial reports signed by the chairperson, officers and accounting head;
- Operational reports and proposals regarding earnings distribution or loss provision; and
- Other material matters as may be required by the Company or by the competent authority.

(2) Remuneration Committee

The powers of the Remuneration Committee, consisting of all independent directors, are as follows:

- 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 team members;
- Periodically assessing and designing the remuneration package of directors (including the chairman and vice chairman) and management team members; and
- Resolving matters authorized by the Board.

Except for matters authorized by the Board or regulations approved by the Board may be implemented upon the Remuneration Committee's approval, all resolutions passed by the Remuneration Committee must be submitted 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 that align with corporate sustainability. The CSR Committee has the following duties:

- Formulating the annual corporate social responsibility plan and strategy;
- Determining corporate social responsibility projects and activity plans;
- Monitoring and reviewing the execution results of the annual corporate social responsibility plan, strategy and activities;
- Approving the corporate social responsibility report; and
- Determining other matters related to corporate social responsibility and public affairs participation as assigned by the Board.

The CSR Committee shall convene at least twice a year or at any time if necessary.

(4) Ethical Corporate Management Committee

To foster corporate culture that upholds business ethics and to improve the management of ethical practice, the Ethical Management Committee has been established under the Board to perform the following duties:

- Incorporating business ethics into the Company's operating strategies and devising preemptive measures against business integrity as required by law.
- Formulating standard operating procedures and guidelines to prevent unethical practice.
- Installing checks and balances mechanisms for operating activities subject to higher risks of business dishonesty.
- Promoting and coordinating ethical business training.

- Devising a whistle-blowing system to ensure the effectiveness of ethical policy implementation.
- Supporting the auditing and assessment of actual business practice by the Board and management, reviewing compliance with ethical guidelines and policies on a regular basis and producing a written report.

The Ethical Management Committee should convene at least once a year, or at any time if necessary, and should report to the Board on actual implementation of the annual ethical practice plan on an annual basis.

(5) Strategic Committee

The duties of the Strategic Development Committee are as follows:

- Formulating the operating strategies, policies and guidelines for the Company and its subsidiaries, and assessing the ramification and actual performance of material management policies.
- Deliberating and assessing long-, medium- and short-term developmental plans for the Company and its subsidiaries.
- Planning events or projects assigned by the chairperson of the Company or the Board.

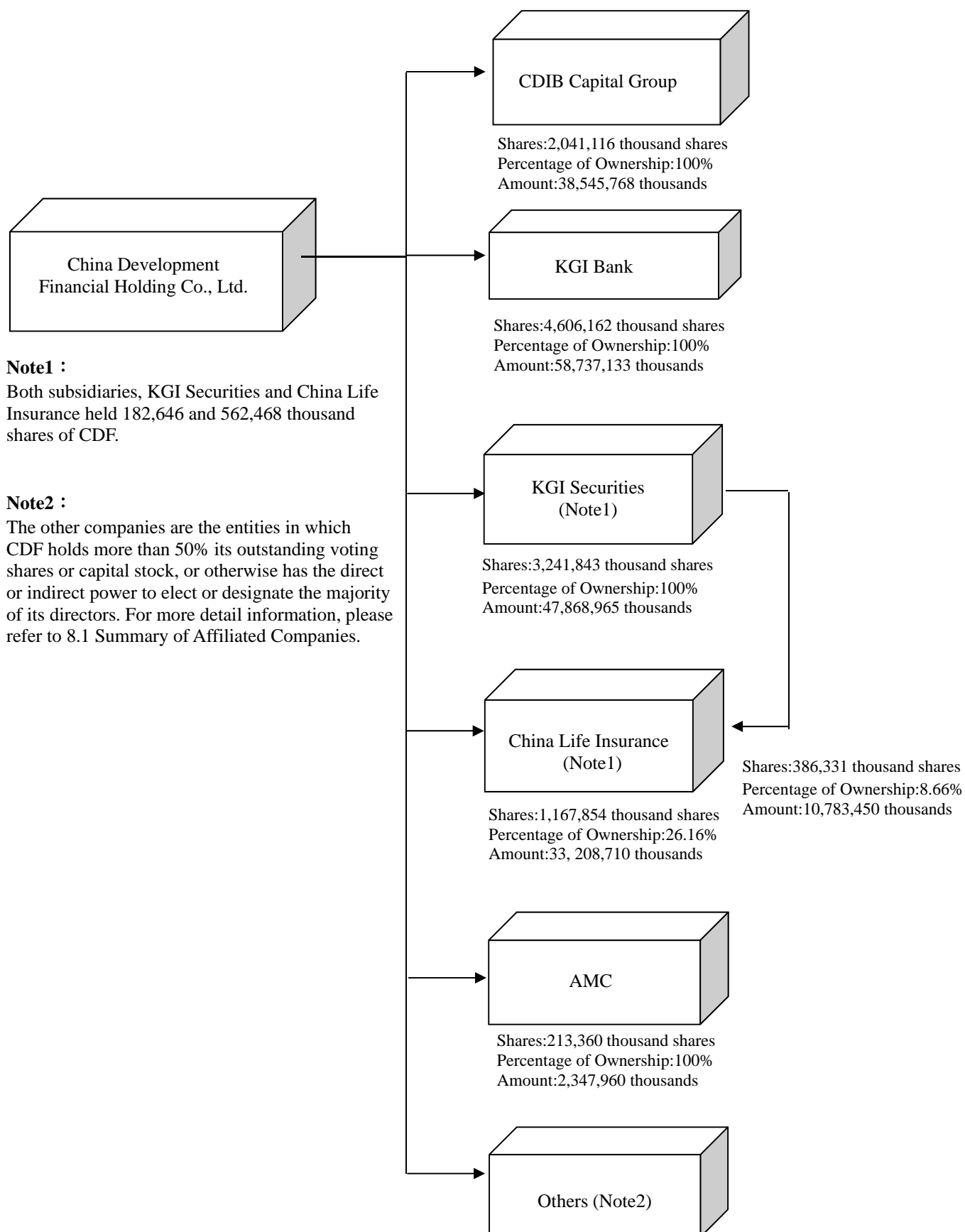
(6) Risk Management Committee

The Risk Management Committee was established to ensure the consistency, appropriateness, stability and transparency of the risk management mechanisms across CDF and its subsidiaries. The Committee coordinates, plans, oversees and manages risk areas concerning CDF and its affiliates. 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 towards markets, credit and operation, including how the Company identifies, assesses, monitors, reports and responds to those risks; establishing a top-down, cross-subsidiary and cross-function risk management reporting mechanism;
- 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 regarding markets, credit, operational, interest rate and liquidity risks to manage CDF and its subsidiaries' risk tolerance; analyzing the overall risk management performance regularly through the operation angle of CDF;
- Reporting on a quarterly basis to the Board concerning the execution of risk management across CDF and its subsidiaries, as well as proposals for improvement. Shall a material risk event occur, the Risk Committee has to supervise mitigation measures and report to the Board on a quarterly basis.

### 3.1.2 Organizational Chart

December 31, 2019



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

### 3.2.1 Directors

March 31, 2020

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			Note (2)
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Chairman	R.O.C.	Chi Jie Investment Co., Ltd.	-	06/14/2019	to 06/13/2022	04/05/2004	917,249	0.01	917,249	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; 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; 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; Director, Far Eastern Memorial Foundation; Director, Monte Jade Science & Technology Association of Taiwan	None	None	None	None
		Representative Chia-Juch Chang	M	06/14/2019	to 06/13/2022	07/01/2006 (Note3)	833,992	0.01	833,992	0.01	0	0.00	0	0.00						
Director	R.O.C.	Chi Jie Investment Co., Ltd.	-	06/14/2019	to 06/13/2022	04/05/2004	917,249	0.01	917,249	0.01	0	0.00	0	0.00	Master in Finance, National Taiwan University; Vice President, Nan Shan Life Insurance Co., Ltd.; Deputy Chief Investment Officer, Ping An Insurance (Group) Company of China, Ltd.; Executive Vice President, Senior Executive Vice President, President, Vice Chairman, China Life Insurance Co., Ltd.; Director, Vice Chairman, KGI Bank Co., Ltd. Managing Supervisor, The Life Insurance Association of the Republic of China; Member, General Chamber of Commerce of the Republic of China.	Chairman, China Life Insurance Co., Ltd.; Senior Executive Vice President, China Development Financial Holding Corporation; Managing Director, CDIB & Partners Investment Holding Corp.; Director, CCB Life Insurance Co., Ltd. Chairperson of employee welfare committee, China Life Insurance Co., Ltd.; Deputy Minister of Financial Holding Committee, The Bankers Association of the Republic of China; Director, Financial Planning Association of Taiwan.	None	None	None	None
		Representative Yu-Ling Kuo	F	04/10/2020 (Note4)	to 06/13/2022	06/18/2019 (Note4)	0	0.00	391,943	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			Note (2)
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Director	R.O.C	Jing Hui Investment Co., Ltd.	-	06/14/2019	to 06/13/2022	06/14/2019	10,000,000	0.07	180,000,000	1.20	0	0.00	0	0.00	M.B.A., University of Montana.; Vice General Manager, President Securities Corp.; Vice General Manager, Uni-President Assets Management Corp.; Vice General Manager, Yuanta Securities Co., Ltd.; Chairman & General Manager, Yuanta Securities Investment Trust Co., Ltd.; Executive Deputy General Manager, President Securities Corp.; Chairman, SysJust Co., Ltd.; Executive Deputy General Manager, KGI Securities Co., Ltd.; General Manager, Grand Cathay Securities Corporation. (renamed KGI Securities Co., Ltd.); Consultant, China Development Industrial Bank (renamed CDIB Capital Group); Chief Operating Officer, Grand Cathay Securities (Hong Kong) Limited. Shanghai Representative Office; Senior Deputy General Manager, China Development Financial Holding Corporation; Consultant, China Development Financial Holding Corporation; Consultant, Ta Ching Securities Co., Ltd.	Director, KGI Securities Co., Ltd.	None	None	None	None
		Representative Jen-Hai Wang	M	10/25/2019	to 06/13/2022	10/25/2019	216	0.00	216	0.00	0	0.00	0	0.00			None	None	None	None
Director	R.O.C	Jing Hui Investment Co., Ltd.	-	06/14/2019	to 06/13/2022	06/14/2019	10,000,000	0.07	180,000,000	1.20	0	0.00	0	0.00	LL.M. of National Taiwan University; E.M.B.A. of National Chengchi University; Assistant, criminal panel of Taipei District Court; Attorney, Lee, Tsai & Partner; Attorney, Jones Day (Taipei Office); Manager, Legal Department of Yuanta Financial Holding Co., Ltd. Director, Praxair Chemax Semiconductor Materials Co., Ltd; Partner, Zhong Yin Law Firm (Taipei); Supervisor, Chung Ying Consulting Co., Ltd.	Director, CDIB Capital Group; Director, Connection Consulting Co., Ltd.; Director, Ensurya Technology & Solution Co., Ltd.; Independent Director, Daily Polymer Corporation; Chairman, Shan Ying Co., Ltd. Director, GPPC Development Corp.	None	None	None	None
		Representative Shan-Jung Yu	F	06/24/2019	to 06/13/2022	06/24/2019	0	0.00	0	0.00	0	0.00	0	0.00			None	None	None	None



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			Note (2)
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Director	R.O.C	GPPC Chemical Corp.	-	06/14/2019	to 06/13/2022	04/05/2004	12,109,973	0.08	12,109,973	0.08	0	0.00	0	0.00	MBA, the Wharton School of the University of Pennsylvania; Associate, Lehman Brothers (NY); Senior Relationship Banker, Executive Director, Vice President, Lehman Brothers (UK); President & CEO, CDIB Capital International Corporation; Chairman & CEO, CDIB Capital International Corporation; Director & CEO, CDIB Capital Group; Director, Prime Express International Limited; Director, Prime Express Holdings Limited; Director, Jintex Corporation Ltd.; Director, Saint-Exupery Properties Limited.	Director & Co-CEO, CDIB Capital Group; President & CEO, CDIB Capital International (USA) Corporation; Director, CDIB Capital International (USA) Corporation; Director, CDIB Capital International (Hong Kong) Corporation Limited; President & Co-CEO, CDIB Capital International (Hong Kong) Corporation Limited; Director, Greenroom Inc.; Director, Asia Interactive Media Limited; Director, CDIB Capital Investment II Limited; Director, CDIB Capital Investment I Limited; Director, CDIB Global Markets Limited; Director, CDIB Capital International (Korea) Corporation; Director, CDIB Capital Asia Partners Limited; Director, World Fitness Services Ltd.; Director, World Fitness Asia Limited; Director, Eighteen48 Asset Management Limited; Director, President & Co-CEO, CDIB Capital International Corporation; Director, CDIB Intelligence Partners Limited.	None	None	None	None
	France	Representative Lionel de Saint-Exupery	M	10/25/2019	to 06/13/2022	10/25/2019	1,424,206	0.01	1,546,834	0.01	0	0.00	0	0.00						

Title	Nationality / Country of Registration	Name	Gender	Date Elected	Term (Years) (Note1)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors or Supervisors who are spouses or within second degrees of kinship			Note (2)
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Director	R.O.C	Paul Yang	M	06/14/2019	to 06/13/2022	05/04/2009	24,456,647	0.16	24,762,850	0.17	0	0.00	0	0.00	M.B.A., Harvard University; M.S. in Mechanical Engineering, Massachusetts Institute of Technology; Senior management consultant, Boston Consulting Group; Executive director, Goldman, Sachs & Co.; 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; Director, 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, Kohlberg Kravis Roberts & Co. L.P.; Director, Henwell Limited; Director, Henning Limited; Non-executive Director, Beijing Capital Grand Limited; Director, SUISHOU Technology Holding Inc. Legal Representative & Executive Director, SinoCare Group Holdings Limited; Director, Asian Equity Limited. Director, DHC One Dalton (HK) Limited; Director, Blue Light (HK) Trading Co., Limited.	None	None	None	None
Independent Director	R.O.C	Hsiou-Wei Lin	M	06/14/2019	to 06/13/2022	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.; General Convener, Accounting and Finance Field Committee, Ministry of Science and Technology ; Independent Supervisor, GO-IN Engineering Co., Ltd.; Independent Director, MStar Semiconductor, Inc.; Director, Bank of Overseas Chinese; Commissioner, Public Service Pension Fund Committee; Commissioner, National Financial Stabilization Fund Committee, Dean of Management College, Tunghai University. Independent Director, KGI Bank Co., Ltd.; Advisory committee member, Accounting and Finance Field Committee, Ministry of Science and Technology; Member of the mid-/long-term capital committee, National Development Council.	Professor, Department of International Business, National Taiwan University; Supervisor, Civil Servant and Teacher Insurance Committee; Director, GO-IN Foundation; Standing Director, Taiwan Finance Research Association.	None	None	None	None

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			Note (2)
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Independent Director	R.O.C	Tyzz-Jiun Duh	M	06/14/2019	to 06/13/2022	06/14/2019	0	0.00	0	0.00	0	0.00	0	0.00	Postdoctoral researcher, Graduate Institute of Environmental Resources Engineering, State University of New York, USA ; Ph.D. Department of Forestry, National Taiwan University ; Director General, Department of Commerce; Director General, Department of Industrial Technology; Ministry of Economic Affairs ; Director General, Industrial Development Bureau, Ministry of Economic Affairs ; Vice Minister, Minister; Ministry of Economic Affairs ; Minister, Vice Premier; Executive Yuan ; Minister, National Development Council.	Part-time associate professor, Dept. of Business Administration, Soochow University; Independent Director, CDIB Capital Group; Policy Advisor, Taiwan Electrical & Electronic Manufacturers' Association; Chief Consultant, Taiwan Transportation Vehicle Manufacturers' Association; Independent Director, USI Corporation; Independent Director, Macronix International Co., Ltd; Director, Fair Winds Foundation; Vice Chairman, San Code Foundation.	None	None	None	None
Independent Director	R.O.C	Hsing-Cheng Tai	M	06/14/2019	to 06/13/2022	06/14/2019	0	0.00	0	0.00	0	0.00	0	0.00	MA, Department of Finance, National Taiwan University; Partner, Ernst & Young; Director, Cheng-Da Management Consulting Co., Ltd.	Independent Director, KGI Securities Co. Ltd.; Independent Director, Hotel Royal Chihpen; Independent Director, Tripod Technology Corporation; Director, EY Cultural and Educational Foundation; Vice Chairman, Chinese Tax Agent Association; Vice Chairman, Taipei Tax Agent Association; Chair, International Affairs Committee, National Federation of CPA Association of the R.O.C.	None	None	None	None

Note 1: Duration for the 7th term of the Board: from June 14, 2019 to June 13, 2022.

Note 2: Where the chairman of the board of directors and the president, or a person of an equivalent post at the Company (the most senior manager), are the same person, spouses or relatives within the first degree of kinship, related information must be provided, stating the reasons, legitimacy, necessity, and the specific response measures being taken to justify such an arrangement (e.g. increasing board seats for independent directors; ensuring a majority of directors do not serve concurrently as an employee or manager, etc.)

Note 3: Not served as director between February 17, 2013 and October 26, 2014.

Note 4: Not served as director between October 25, 2019 and April 09, 2020.

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

March 31, 2020

Name of Institutional Shareholders	Major Shareholders	Percentage
Chi Jie Investment Co., Ltd.	Chen Hen-Yu	99.99
Jing Hui Investment Co., Ltd.	Shin Wen Investment Co., Ltd.	100.00
GPCC Chemical Corp.	Grand Pacific Petrochemical Corp.	100.00

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

March 31, 2020

Name of Institutional Shareholders	Major Shareholders	Percentage
Shin Wen Investment Co., Ltd.	Wei Hung Investment Co., Ltd.	100.00
Grand Pacific Petrochemical Corp.(Note)	KGI Securities Co., Ltd.	9.38
	China Life Insurance Co., Ltd.	7.06
	Fubon Life Insurance Co., Ltd.	6.06
	Chung Kwan Investment Co., Ltd.	3.05
	Jing Kwan Investment Co., Ltd.	2.19
	Citigroup (Taiwan) Custody- Norges Bank	1.95
	Vanguard Total International Stock Index Fund, A Series of Vanguard Star Fund	1.60
	Vanguard Emerging Market Stock Index Fund, Series of Vanguard International Equity Index Funds	1.28
	Dimensional Emerging Markets Value Fund	1.11
Shin Wen Investment Co., Ltd.	1.07	

Note: as of April 14, 2020

## Professional qualifications and independence analysis of directors and supervisors

April 14, 2020

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		11
Chi Jie Investment Co., Ltd. Representative Chia-Juch Chang	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chi Jie Investment Co., Ltd. Representative Yu-Ling Kuo		✓	✓			✓	✓		✓	✓		✓	✓	✓	✓	0
Jing Hui Investment Co., Ltd. Representative Jen-Hai Wang		✓	✓	✓		✓	✓	✓	✓	✓	✓		✓	✓		0
Jing Hui Investment Co., Ltd. Representative Shan-Jung Yu		✓	✓	✓		✓	✓	✓	✓	✓	✓		✓	✓		1
GPPC Chemical Corp. Representative Lionel de Saint-Exupery Paul Yang		✓	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Hsiou-Wei Lin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tyzz-Jiun Duh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Hsing-Cheng Tai		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2



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 of the company or any of its affiliates, unless the person concurrently serves as independent director for the Company, as well its parent company, a subsidiary, or another subsidiary of the parent company, appointed under the Securities and Exchange Act or laws governing the country of the affiliate.
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 manager as described in (1) or a spouse, relative within the second degree of kinship, lineal relative within the third degree of kinship, or any of the persons that meet the descriptions in (2) and (3).
5. Not a director, supervisor or employee of a corporate shareholder who either directly holds 5% or more of the Company's shares outstanding, is among the Company's five top shareholders, or who is elected the Company's director or supervisor under Paragraph I or II of Article 27 of the Company Act. This restriction does not apply to an individual concurrently serving as independent director for the Company, as well as its parent company, a subsidiary, or another subsidiary of the parent company, appointed under the Securities and Exchange Act or laws governing the country of the affiliate.
6. Not a director, supervisor or employee of other companies where over 50% of board seats and voting shares are controlled by the same person. (This restriction does not apply to persons holding concurrent positions as independent director at the Company and any of its affiliates, appointed under the Securities and Exchange Act or laws governing the country of the affiliate.)
7. Not a director, supervisor or employee of another company or institution where its chairman, president or a person of an equivalent position are either the same person or spouses. (This restriction does not apply to persons holding concurrent positions as independent director for the Company as well as any of its affiliates, appointed under the Securities and Exchange Act or laws governing the country of the affiliate.)
8. Not a director, supervisor, manager, or shareholder with 5% ownership or more, of a specified company or institution which has a financial or business relationship with the Company. (This restriction does not apply if specific affiliate companies or institutions holding over 20% to no more than 50% of the Company's shares outstanding, and holding concurrent positions as independent director for the Company as well as any of its affiliates, appointed under the Securities and Exchange Act or laws governing the country of the affiliate.)
9. Not a professional individual who, or an owner, partner, director, supervisor, or manager or a spouse thereof, of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting and related services or consultation to the Company or its affiliates, for a total compensation of not more than NT\$500,000 in the past two years, provided that this restriction does not apply to any member of the remuneration committee, public acquisition review committee, or M&A special committee who exercises powers pursuant to the Securities and Exchange Act or the Business M&A Act.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. 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 7th-term Board began on June 14, 2019 and will end on June 13, 2022. There are currently 9 directors, including 3 independent directors (making up 33% of the Board) and 1 natural person director. The Board includes one foreign national and two female members. Average age of the Board is 59 years and average tenure of 3.4 years. Board members come from a diversified background, including financial, industrial, and academic sectors, and have abundant practices in operations and management, as well as ample international experiences, professional knowledge, skills, and accomplishments. All 3 independent directors are individuals with outstanding professional backgrounds.

Title/ Name		Tenure (years)	Diversity Standards														Committee					
			Basic profile		industry experience					Professional knowledge/skill							Audit Committee	Remuneration Committee	CSR Committee	Risk Management Committee	Ethical Corporate Management Committee	Strategy Committee
			Gender	Age		Holding Company	Commercial Banking	Securities / Insurance	PE / VC Investment	Government & Public Sector	Execution & Strategic Planning	Risk Management	Financial Services	Corporate Governance	Business & Marketing Leadership	Information Technology						
40-60	61 and above																					
Chairman Chi Jie Investment Co., Ltd. Representative Chia-Juch Chang		12y 1m	M		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓			✓		✓	
Chi Jie Investment Co., Ltd. Representative Yu-Ling Kuo		4m	F		✓	✓	✓	✓			✓	✓	✓	✓	✓	✓			✓		✓	

Title/ Name		Tenure (years)	Diversity Standards												
			Basic profile		industry experience					Professional knowledge					
			Gender	Age		Holding Company	Commercial Banking	Securities / Insurance	PE / VC Investment	Government & Public Sector	Execution & Strategic Planning	Risk Management	Financial Services	Corporate Governance	Business & Marketing Leadership
				40-60	61 and above										
Director Jing Hui Investment Co., Ltd. Representative Jen-Hai Wang		6m	M		✓	✓		✓			✓	✓	✓	✓	✓
Director Jing Hui Investment Co., Ltd. Representative Shan-Jung Yu		10m	F	✓		✓			✓			✓		✓	
Director GPCC Chemical Corp. Representative Lionel de Saint-Exupery		6m	M	✓				✓	✓		✓	✓	✓	✓	
Director Paul Yang		10y 11m	M	✓		✓	✓	✓	✓		✓	✓	✓	✓	✓
Independent Director Hsiou-Wei Lin		3y 11m	M	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	

Title/ Name		Tenure (years)	Diversity Standards														Committee						
			Basic profile		industry experience					Professional knowledge/skill							Audit Committee	Remuneration Committee	CSR Committee	Risk Management Committee	Ethical Corporate Management Committee	Strategy Committee	
			Gender	Age		Holding Company	Commercial Banking	Securities / Insurance	PE / VC Investment	Government & Public Sector	Execution & Strategic Planning	Risk Management	Financial Services	Corporate Governance	Business & Marketing Leadership	Information Technology							International Experience
40-60	61 and above																						
Independent Director Tyzz-Jiun Duh		10m	M		✓				✓	✓	✓			✓		✓	✓		✓				
Independent Director Hsing-Cheng Tai		10m	M		✓	✓	✓			✓	✓	✓	✓	✓			✓	✓	✓	✓	✓		



### 3.2.3 Management Team

March 31, 2020

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			Note (3)
					shares	%	shares	%	shares	%			Title	Name	Relations	
Acting President	R.O.C	Daw-Yi Hsu	M	2020.03.04	559,801	0.00	5,600,000	0.04	0	0.00	MBA, The Ohio State University Chairman of KGI Securities EVP of CDF	Chairman of KGI Securities Co. Ltd. Director of CDIB Capital Management Corp. Director of Richpoint Company Limited Director of CPEC Huachuang Private Equity (Kunshan) Co. Ltd. Director of KG Investments Holdings Limited	-	-	-	-
Senior Executive VP	R.O.C	Yu-Ling Kuo	F	2017.12.11	391,943	0.00	0	0.00	0	0.00	Master of Finance, National Taiwan University Vice Chairman of China Life Insurance Co., Ltd. Vice Chairman of KGI Bank	Chairman of China Life Insurance Co., Ltd. Director of CCB Life Director of CDIB & Partners Investment Holding Corp.	-	-	-	-
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	949,302	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 KGI Bank Director of CDIB Capital Management Corp. Supervisor of CDIB Yida Private Equity (Kunshan) Co. Ltd. Supervisor of CDIB Private Equity (Fujian) Co., Ltd. Supervisor of CDIB Capital Creative Industries Ltd. Director of KGI Alliance Corporation Director of KGI Asset Management Limited Director of KGI Securities (Singapore) Pte. Ltd. Director of KGI Securities (Thailand) Public Company Limited	-	-	-	-
Finance Dept. and Operations and Corporate Services Dept. Executive VP	R.O.C	Andy Lin	M	2019.03.28	0	0.00	2,103,648	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 International Leasing Corp. Director of CDIB Capital Management Corp. Director of NEXT Bank Director of CDC Finance & Leasing Corp.	-	-	-	-
Corporate Strategy and Planning Dept. Executive VP	R.O.C	Richard Chang	M	2019.06.14	288,276	0.00	0	0.00	0	0.00	MBA, University of Chicago President of KGI Bank	Director of KGI Bank Director of TBCASoft, Inc.	-	-	-	-
Compliance Dept. Executive VP	R.O.C	Te En Chan	M	2017.01.01	86,000	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	-	-	-	-	
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	-	-	-	-
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.	Director of KGI Bank Director of CDC Finance & 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 Venture Capital Corp. Director of CDIB Capital Asia Partners Limited	-	-	-	-

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			Note (3)
					shares	%	shares	%	shares	%			Title	Name	Relations	
												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	-	-	-	-
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	823,152	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. Director of KGI Korea Limited 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	William Fang	M	2020.03.01	1,987,631	0.01	0	0.00	0	0.00	MBA, Drexel University President of KGI Securities	Acting President of KGI Securities Supervisor of Guann Yuan Technology Co., Ltd. Supervisor of Yitron Technology Co., Ltd.	-	-	-	-
Executive VP	R.O.C	Vincent Hung	M	2004.05.10	2,044,627	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	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 Citibank	EVP of CDIB Capital Group Supervisor of CDIB Capital Healthcare Ventures Ltd. Director of CDIB Venture Capital Corp. Supervisor of CDIB Capital Management Corp. Supervisor of CDIB Capital Creative Industries Ltd. Director of CDIB Capital International (Hong Kong) Corporation Limited Supervisor of CDIB Capital International (Korea) Corp. Director of CDIB Capital International 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			Note (3)	
					shares	%	shares	%	shares	%			Title	Name	Relations		
												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.	SVP	Steven Ching	Spouse		-
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 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 and KGI Bank	EVP 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.	-	-	-	-	-
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 Global Corp.	-	-	-	-	-
SVP	R.O.C	Alex Hung	M	2014.08.01	70,000	0.00	10,000	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	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	792,595	0.01	0	0.00	0	0.00	MBA, National Taiwan University VP of CDF	Director of GPPC Development Corp. Director of CDIB Capital International (USA) Corporation Director of CDIB Capital Investment I Limited Director of CDIB Capital Investment II Limited Director of CDIB Global Markets Limited	-	-	-	-	-
SVP	R.O.C	Sandra Yao	F	2015.05.01	182,470	0.00	0	0.00	0	0.00	Bachelor of Accounting, National	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			Note (3)
					shares	%	shares	%	shares	%			Title	Name	Relations	
											Taiwan University VP of CDF and 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	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	-	-	-	-
SVP	R.O.C	Justin Wu	M	2019.05.01	300,230	0.00	0	0.00	0	0.00	MBA, National Chengchi University VP of CDF and CDIB Capital Group	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	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	MBA, National Taiwan University AVP of CDF and CDIB Capital Group	VP of KGI Bank	-	-	-	-
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	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 CDIB Capital Group	-	-	-	-
VP	R.O.C	Wen Chung Lin	M	2013.11.01	150,018	0.00	0	0.00	0	0.00	MBA, University of Illinois AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-	-
VP	R.O.C	Judy Mao	F	2014.05.20	49,483	0.00	0	0.00	0	0.00	Master of Economics , University of Wisconsin, Madison VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-	-

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)(Note 2)	Other Positions	Managers who are Spouses or Within Second Degrees of Kinship			Note (3)
					shares	%	shares	%	shares	%			Title	Name	Relations	
VP	R.O.C	I Ling Lai	F	2014.05.20	65,962	0.00	45,208	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB Capital Group	VP of KGI Bank	-	-	-	-
VP	R.O.C	Claire Wang	F	2014.06.01	389	0.00	0	0.00	0	0.00	Bachelor of Business Mathematics, Soochow University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-	-
VP	R.O.C	Chih-Shun Wang	M	2014.06.23	157,649	0.00	0	0.00	0	0.00	MBA, Texas A&M University VP of CDIB Capital Group	VP of KGI Bank	-	-	-	-
VP	R.O.C	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	-	-	-	-	-
VP	R.O.C	Hui Ju Huang	F	2015.05.01	40,110	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	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	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	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 of CDIB Capital Group	-	-	-	-
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	0	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	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	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	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	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	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	-	-	-	-

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			Note (3)
					shares	%	shares	%	shares	%			Title	Name	Relations	
VP	R.O.C	Yen Ling Lai	F	2014.11.01	55,464	0.00	0	0.00	0	0.00	MBA, National Chengchi University 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	138,614	0.00	0	0.00	0	0.00	Master of Management Science, Tamkang University 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	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	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	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 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	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, Tamkang University of Science and Technology 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	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	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	R.O.C	Tsung Pin Huang	M	2018.06.01	101,062	0.00	0	0.00	0	0.00	Master of Economics, National Chengchi University	-	-	-	-	-

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)(Note 2)	Other Positions	Managers who are Spouses or Within Second Degrees of Kinship			Note (3)
					shares	%	shares	%	shares	%			Title	Name	Relations	
											VP of CDF and 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	185,084	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	-	-	-	-
VP	R.O.C	Caroline Ho	F	2019.05.01	0	0.00	0	0.00	0	0.00	MBA, Bernard M. Baruch College, The City University of New York AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-	-
VP	R.O.C	Harriet Tsai	F	2019.05.01	634	0.00	25	0.00	0	0.00	Master of International Business, Tamkang University AVP of KGI Bank and CDF	VP of KGI Bank	-	-	-	-
VP	R.O.C	Jen LungLai	M	2019.05.01	0	0.00	0	0.00	0	0.00	Bachelor of Chemistry Engineering, Tamkang University AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-	-
VP	R.O.C	Shouh-Jiunn Gau	M	2019.07.01	0	0.00	0	0.00	0	0.00	Master of Science, University of Massachusetts VP of KGI Bank	VP of KGI Bank	-	-	-	-
VP	R.O.C	Robert Liu	M	2019.09.09	0	0.00	0	0.00	0	0.00	Master of Accounting, National Taiwan University Senior Manager of VSO Electronics Co., Ltd.	VP of CDC Finance & Leasing Corp.	-	-	-	-

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.

Note 3: Where the chairman of the board of directors and the president, or a person of an equivalent post at the Company (the most senior manager), are the same person, spouses or relatives within the first degree of kinship, related information must be provided, stating the reasons, legitimacy, necessity, and the specific response measures being taken to justify such an arrangement (e.g. increasing board seats for independent directors; ensuring a majority of directors do not serve concurrently as an employee or manager, etc).

### 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: NTS thousands : December 31, 2019

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 or parent company (Note 11)
			Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors(C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note 6)						
			The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company		Companies in the consolidated financial statements (Note 7)		The company	Companies in the consolidated financial statements (Note 7)	
Director	Chairman	Chi Jie Investment Co., Ltd. Representative: Chia-Juch Chang	38,460	38,460	0	0	111,188	111,188	1,189	1,801	1.179	1.183	84,254	138,324	0	0	5,423	0	5,423	0	1.880	2.307	-
	Director	Chi Jie Investment Co., Ltd. Representative: Alan Wang																					
	Director	GPPC Chemical Corp. Representative: Lionel de Saint-Exupery																					
	Director	Jing Hui Investment Co., Ltd. Representative: Jen-Hai Wang																					
	Director	Jing Hui Investment Co., Ltd. Representative: Shan-Jung Yu																					
	Director	Paul Yang																					
	Former Director	GPPC Chemical Corp. Representative: Yu-Ling Kuo																					
	Former Director	Jing Hui Investment Co., Ltd. Representative: Mark Wei																					
	Former Director	Jing Hui Investment Co., Ltd. Representative: Daw-Yi Hsu																					
	Former Chairman	Kai Don Investment Co., Ltd. Representative: Chia-Juch Chang																					
	Former Director	GPPC Chemical Corp. Representative: Alan Wang																					
	Former Director	Chi Jie Investment Co., Ltd. Representative: Paul Yang																					
	Former Director	Bank of Taiwan Representative: Shu-Chen Wang																					
	Former Director	Bank of Taiwan Representative: Shing-Shiang Ou																					
	Former Managing Director	Shin Wen Investment Co., Ltd. Representative: Long-I Liao																					
Former Director	Shin Wen Investment Co., Ltd. Representative: Howe-Yong Lee	1,213	1,213	0	0	7,406	7,406	90	90	0.068	0.068	0	0	0	0	0	0	0	0	0.068	0.068	-	



Title	Name (Note 1)	Remuneration of Directors								Ratio of Total		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or parent company(Note 11)		
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors(C) (Note 3)		Allowances (D) (Note 4)		Remuneration (A+B+C+D) to Net Income%(Note 10)		Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note 6)					Compensation (A+B+C+D+E+F+G) to Net Income%(Note 10)	
		The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company		Companies in the consolidated financial statements(Note 7)			The company	Companies in the consolidated financial statements (Note 7)
																Cash	Stock	Cash	Stock			
Independent Director	Independent Director	Tyzz-Jiun Duh																				
	Independent Director	Hsing-Cheng Tai																				
	Independent Director	Hsiou-Wei Lin																				
	Former Independent Director/ Managing Director	Ching-Yen Tsay																				
	Former Independent Director	Gilbert T.C. Bao																				
		18,337	18,337	0	0	0	0	1,420	2,330	0.154	0.162	0	0	0	0	0	0	0	0	0.154	0.162	-

1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks and time, etc.

According to company's "Guidelines for Remunerations Payment to Directors and to Functional Committee Members (hereafter referred to as the Guidelines)", independent directors of the company adopt a fixed remuneration and do not participate in the distribution of directors' remuneration. According to the responsibilities, risks and investment time of each functional committee, the "Guidelines" has a standard table of monthly compensation payment for functional committees. In addition to the fixed monthly remuneration of independent directors, the independent directors of the company also receive the monthly remuneration of the functional committee according to the functions (committees or conveners) of the functional committees they hold.

For example: A independent director also serves as a member of the audit committee, a member of the Remuneration Committee, a convener of the salary and compensation committee, and a member of the risk management committee. The monthly remuneration is: Independent director monthly remuneration + Audit Committee member monthly remuneration+ Remuneration Committee member monthly remuneration + Remuneration Committee convenes monthly remuneration+ Risk Management Committee monthly remuneration

2. In addition to the disclosure in the above table, the directors of the company have received remuneration for providing services for all companies in the financial report (such as a non-employee consultant) in the most recent year : NT\$2,000,000.

3. The company offers directors with personal allowance for housing, cars, and other personal needs in the value of NT\$2,663,000; compensation for drivers was NT\$2,914,000.

4. Provision expense of retirement payments was NT\$994,000.

5. 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.

6. 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\$ 1,000,000	Paul Yang ∙ Jing Hui Investment Co., Ltd.: Daw-Yi Hsu (Former)	Paul Yang ∙ Jing Hui Investment Co., Ltd.: Daw-Yi Hsu (Former)	Paul Yang ∙ Jing Hui Investment Co., Ltd.: Daw-Yi Hsu (Former)	Paul Yang
NT\$ 1,000,000~ NT\$ 2,000,000(exclude)	-	-	-	Jing Hui Investment Co., Ltd.: Daw-Yi Hsu (Former)
NT\$2,000,000 ~ NT\$3,500,000(exclude)	GPPC Chemical Corp. : Lionel de Saint-Exupery ∙ Tyzz-Jiun Duh ∙ Hsing-Cheng Tai	GPPC Chemical Corp.: Lionel de Saint-Exupery ∙ Tyzz-Jiun Duh ∙ Hsing-Cheng Tai	GPPC Chemical Corp.: Lionel de Saint-Exupery ∙ Tyzz-Jiun Duh ∙ Hsing-Cheng Tai	Tyzz-Jiun Duh ∙ Hsing-Cheng Tai
NT\$3,500,000 ~ NT\$5,000,000 (exclude)	Jing Hui Investment Co., Ltd.: Jen-Hai Wang ∙ Bank of Taiwan: Shing-Shiang Ou(Former) ∙ Bank of Taiwan: Shu-Chen Wang (Former) ∙ Ching-Yen Tsay(Former) ∙ Gilbert T.C. Bao(Former)	Jing Hui Investment Co., Ltd.: Jen-Hai Wang ∙ Bank of Taiwan: Shing-Shiang Ou(Former) ∙ Bank of Taiwan: Shu-Chen Wang (Former) ∙ Ching-Yen Tsay(Former) ∙ Gilbert T.C. Bao(Former)	Jing Hui Investment Co., Ltd.: Jen-Hai Wang ∙ Bank of Taiwan: Shing-Shiang Ou(Former) ∙ Bank of Taiwan: Shu-Chen Wang (Former) ∙ Ching-Yen Tsay(Former) ∙ Gilbert T.C. Bao(Former)	Jing Hui Investment Co., Ltd.: Jen-Hai Wang ∙ Bank of Taiwan: Shing-Shiang Ou(Former) ∙ Bank of Taiwan: Shu-Chen Wang (Former) ∙ Ching-Yen Tsay(Former) ∙ Gilbert T.C. Bao(Former)
NT\$5,000,000 ~ NT\$10,000,000 (exclude)	GPPC Chemical Corp.: Yu-Ling Kuo (Former) ∙ Jing Hui Investment Co., Ltd.: Mark Wei (Former) ∙ Chi Jie Investment Co., Ltd. : Paul Yang(Former) ∙ Hsiou-Wei Lin	GPPC Chemical Corp.: Yu-Ling Kuo (Former) ∙ Jing Hui Investment Co., Ltd.: Mark Wei (Former) ∙ Chi Jie Investment Co., Ltd. : Paul Yang(Former) ∙ Hsiou-Wei Lin	Jing Hui Investment Co., Ltd.: Mark Wei (Former) ∙ Chi Jie Investment Co., Ltd. : Paul Yang(Former) ∙ Hsiou-Wei Lin	Chi Jie Investment Co., Ltd. : Paul Yang (Former) ∙ Hsiou-Wei Lin
NT\$10,000,000 ~ NT\$15,000,000(exclude)	Jing Hui Investment Co., Ltd.: Shan-Jung Yu ∙ GPPC Chemical Corp.: Alan Wang (Former)	Jing Hui Investment Co., Ltd.: Shan-Jung Yu ∙ GPPC Chemical Corp.: Alan Wang (Former)	Jing Hui Investment Co., Ltd.: Shan-Jung Yu	Jing Hui Investment Co., Ltd.: Shan-Jung Yu ∙ Jing Hui Investment Co., Ltd.: Mark Wei (Former)
NT\$15,000,000~ NT\$30,000,000(exclude)	Chi Jie Investment Co., Ltd. : Alan Wang	Chi Jie Investment Co., Ltd. : Alan Wang	GPPC Chemical Corp.: Yu-Ling Kuo (Former)	GPPC Chemical Corp.: Lionel de Saint-Exupery
NT\$30,000,000 ~ NT\$50,000,000(exclude)	Chi Jie Investment Co., Ltd. : Chia-Juch Chang ∙ Kai Don Investment Co., Ltd. : Chia-Juch Chang (Former)	Chi Jie Investment Co., Ltd. : Chia-Juch Chang ∙ Kai Don Investment Co., Ltd. : Chia-Juch Chang (Former)	Chi Jie Investment Co., Ltd. : Chia-Juch Chang ∙ Kai Don Investment Co., Ltd. : Chia-Juch Chang(Former) ∙ GPPC Chemical Corp. :Alan Wang(Former)	Chi Jie Investment Co., Ltd. : Chia-Juch Chang ∙ GPPC Chemical Corp.: Yu-Ling Kuo (Former) ∙ Kai Don Investment Co., Ltd. :Chia-Juch Chang(Former)
NT\$50,000,000 ~ NT\$100,000,000(exclude)	-	-	Chi Jie Investment Co., Ltd. :Alan Wang	Chi Jie Investment Co., Ltd. : Alan Wang ∙ Kai Don Investment Co., Ltd. : Alan Wang(Former)
Over NT\$100,000,000	-	-	-	-
Total	19	19	19	19

\* 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) ∙ and list directors and independent directors separately. All compensation paid must be added together. For directors who are also presidents or executive vice presidents at the Company or the subsidiaries, this and the following charts must be filled in.

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

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

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

Note 5: Payments to the director, who is also a president, executive vice president, manager, or employee, include salary, supervisory differential pay, severance pay, remuneration, and other payment to cover business expenses (including travel expenditures, allowances, reimbursements, accommodation, company cars, in-kind supplies, etc.) If residences, cars (or other transportations) or personal expenses are provided, information about the assets (including classification, cost, actual or fair market values of the rent, gasoline expenses, other perks) must be disclosed but not included in the remuneration. Compensation paid to personal drivers must be noted, when applicable, but not accumulated under the remuneration received. The recognized "share based payment" under IFRS2 in the form of employee stock options, new restricted employee shares and subscription to newly issued common stocks, etc., should also be included in the remuneration.

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

Note 7: Total remuneration paid by the Group companies (including the Company) in the consolidated statement to the director.

Note 8: Disclose remuneration paid by the Company to the director under the suitable range. Name of the receiver must be shown under the suitable range.

Note 9: Disclose remuneration paid by the Group companies (including the Company) in the consolidated statement to the director under the suitable range. Name of the receiver must be shown under the suitable range.

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

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

b. For remuneration received by Company supervisors from Non-group affiliates or parent company, the amount must be shown in the Column I under the Remuneration Range Table. The Column must be renamed to "Parent company and 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 or parent company for being a director, supervisor, or managers.

### 3.3.2 Remuneration of the President and Vice President

Unit: NT\$ thousands ; December 31,2019

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 or parent company(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													
Senior Executive VP	Yu-Ling Kuo													
Executive VP	Brian Chou													
Executive VP	Andy Lin													
Executive VP	Daw-Yi Hsu													
Executive VP	Reddy Wong													
Executive VP	Richard Chang													
Executive VP	Josephine Yang													
Executive VP	Te En Chan													
Executive VP	Mark Wei													
Executive VP	Julian Yen													
Executive VP	Marisol Wang													
Executive VP	S. L. Lee													
Executive VP	Sunny Lin													
Executive VP	James Meng													
Executive VP	Chih Yu Chou													
Executive VP	Vincent Hung	125,223	191,045	1,089	1,089	86,088	171,119	81,745	0	84,975	0	2,299	3,503	-
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	Hans Tzou													
Executive VP	Frances Tsai													
Executive VP	Guang-Yue Yeh													
Executive VP(Former)	Janet Sheng													
Executive VP(Former)	Eddy Chang													
Executive VP(Former)	Lawrence S. Liu													
Executive VP(Former)	Teresa Li													
Executive VP(Former)	David Kuo													
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\$7,361,000; compensation for drivers was NT\$7,163,000.

Note2: Provision expense of retirement payments was NT\$4,417,000.

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\$ 1,000,000	Daw-Yi Hsu 、Mark Wei 、Marisol Wang 、S. L. Lee 、Sunny Lin 、Jenny Chiang 、Michael Chang 、Janet Sheng 、David Kuo	David Kuo
NT\$1,000,000 ~ NT\$2,000,000(exclude)	Eddy Chang 、Lawrence S. Liu 、Teresa Li 、Jane Lai	Lawrence S. Liu 、Teresa Li 、Jane Lai
NT\$2,000,000 ~ NT\$3,500,000(exclude)	-	Janet Sheng
NT\$3,500,000~NT\$5,000,000(exclude)	Reddy Wong 、James Meng 、Chih Yu Chou 、Henry Chang	S. L. Lee 、James Meng 、Chih Yu Chou 、Henry Chang 、Eddy Chang
NT\$5,000,000~NT\$10,000,000(exclude)	Brian Chou 、Richard Chang 、Te En Chan 、Kiki Shih 、Richard Sun 、Chris Sun 、Winnie Huang 、Hans Tzou 、Frances Tsai 、Guang-Yue Yeh	Brian Chou 、Richard Chang 、Te En Chan 、Marisol Wang 、Sunny Lin 、Kiki Shih 、Jenny Chiang 、Richard Sun 、Chris Sun 、Michael Chang 、Winnie Huang 、Hans Tzou 、Frances Tsai 、Guang-Yue Yeh
NT\$10,000,000~NT\$15,000,000(exclude)	Josephine Yang 、Vincent Hung	Josephine Yang 、Vincent Hung
NT\$15,000,000~NT\$30,000,000(exclude)	Andy Lin 、Julian Yen	Andy Lin 、Daw-Yi Hsu 、Mark Wei 、Julian Yen
NT\$30,000,000~NT\$50,000,000(exclude)	-	Reddy Wong
NT\$50,000,000~NT\$100,000,000(exclude)	Alan Wang 、Yu-Ling Kuo	Alan Wang 、Yu-Ling Kuo
Over NT\$100,000,000	-	-
Total	33	33

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

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

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

Note 3: Payments to the President and Executive Vice Presidents to cover business expenses (including travel expenditures, allowances, reimbursements, accommodation, company cars, in-kind supplies, etc.) If residences, cars (or other transportations) or personal expenses are provided, information about the assets (including classification, cost, actual or fair market values of the rent, gasoline expenses, other perks) must be disclosed but not included in the remuneration. Compensation paid to personal drivers must be noted, when applicable, but not accumulated under the remuneration received. Including remuneration recognized as "share based payment" under IFRS2 in the form of employee stock options and new restricted employee shares.

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

Note 5: Total remuneration paid by the Group companies (including the Company) in the consolidated statement to the president and executive vice presidents.

Note 6: Disclose remuneration paid by the Company to the director under the suitable range. Name of the receiver must be shown under the suitable range.

Note 7: Disclose remuneration paid by the Group companies (including the Company) in the consolidated statement to the director under the suitable range. Name of the receiver must be shown under the suitable range.

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

Note 9: a. Remuneration amount received by directors from Non-group affiliates or parent company.

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

c. Remuneration, including salary, compensation, employee remuneration (inclusive of employees' directors' and supervisors' compensation), business allowance, etc., received

### 3.3.3 Employee Remuneration

Unit: NT\$ thousands ; December 31,2019

	Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Senior Executive VP	Yu-Ling Kuo	0	81,745	81,745	0.639
	Executive VP	Andy Lin, Daw-Yi Hsu Reddy Wong, Richard Chang, Josephine Yang, Te En Chan Mark Wei, Julian Yen				
	Executive VP	Marisol Wang, 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, Hans Tzou Frances Tsai, Guang-Yue Yeh				

### 3.3.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in 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 2018, all the remunerations paid to directors by the Company and all companies in the consolidated financial statement (excluding part-time employee compensation, same as below) as a percentage of the Company's net income were 1.649% and 1.69%, respectively. In 2019, 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 1.48% and 1.493%, respectively; and 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 net income were 3.076% and 4.708%, respectively. In 2019 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 2.299% and 3.503%, respectively.
2. Remuneration policy for the board of directors is governed by Article 28 of the Company's Articles of Incorporation, which specifies that "The board of directors are 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 “Guidelines for Remunerations Payment to Directors and to Functional Committee Members (hereafter referred to as the Guidelines)”. The Guidelines stipulate that the scope of director remuneration includes compensation for directors, fixed monthly salary and attendance fees, to be distributed as regulated by the Guidelines. In compliance with Articles 33 of the Company’s Article of Incorporation, which specifies that “The Company shall set aside no more than 1% of its profit for directors’ remuneration”. The percentage of directors’ compensation and total amount shall be submitted to the Remuneration Committee and the board for approval prior to the annual shareholders’ meeting. The percentage of total remuneration received by individual directors will be determined after the shareholders’ meeting based on the distributive weightings set by the Guidelines. Upon the approval of the Remuneration Committee and the Board, the remuneration will then be given. The independent directors of the Company are remunerated on a fixed-rate basis and do not participate in the annual distribution of directors' remuneration as provided in the Articles of Incorporation. The Company's directors' remuneration is allocated with reference to the going rate of the financial holding company industry and also taking into account each director’s degree of participation in and contribution to the operation of the Company, the nature of his or her duties, future risks and other factors, as well as the results of a comprehensive assessment of the directors' individual performance.

3. A manager’s remuneration is determined by the individual’s job function and work experience, with due consideration of the Company’s financial performance, 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 relevant with job performance and competitive to talent recruiting.

### 3.4 Status of Corporate Governance

#### 3.4.1 Information concerning the Board of Directors (the Board)

At the Company's annual shareholder meeting on June 14, 2019, directors of the 7th term of the Board were elected, for services between June 14, 2019 and June 13, 2022. The service period of the 6th term of Board directors was between May 16, 2016 and June 13, 2019. In 2019, the Board held 16 meetings (six by the 6th term and ten by the 7th term); the attendance details are as follows:

December 31, 2019

Term of the Board	Title	Name (Note)	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A)	Remark	
6 <sup>th</sup>	Chairman, Managing Director	Kai Don Investment Co., Ltd. Representative: Chia-Juch Chang	6	0	100		
	Managing Director, Independent Director	Ching-Yen Tsay	6	0	100		
	Managing Director	Shin Wen Investment Co., Ltd. Representative: Long-I Liao	6	0	100		
	Director	Shin Wen Investment Co., Ltd. Representative: Howe Yong Lee	6	0	100		
	Director	GPPC Chemical Corp. Representative: Alan Wang	6	0	100		
	Director	Chi Jie Investment Co., Ltd. Representative: Paul Yang	3	3	50		
	Director	Bank of Taiwan Co. Ltd	Representatives: Shu-Jen Wang	3	0		Appointed to replace Shing-Shiang Ou on March 28, 2019
			Representatives: Shing-Shiang Ou	2	0	67	Replaced by Shu-Jen Wang on March 28, 2019
	Independent Director	Gilbert T.C. Bao	6	0	100		
Independent Director	Hsiou-Wei Lin	6	0	100			
7 <sup>th</sup>	Chairman, Managing Director	Chi Jie Investment Co., Ltd. Representative: Chia-Juch Chang (reelected)	10	0	100		
	Director	Chi Jie Investment Co., Ltd. Representative: Alan Wang (reelected)	10	0	100		

Term of the Board	Title	Name (Note)	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A)	Remark
7 <sup>th</sup>	Director	Jin Hui Investment Co., Ltd. Representative: Shan-Rong Yu	8	0	100	Appointed to replace Dao-Yi Hsu on June 24, 2019
	Director	Jin Hui Investment Co., Ltd. Representative: Jen-Hai Wang	4	0	100	Appointed to replace Bao-Shen Wei on October 25, 2019
	Director	GPPC Chemical Corp. Representative: Lionel de Saint-Exupery	2	2	50	Appointed to replace Yu-ling Guo on October 25, 2019
	Director (natural person)	Paul Yang (reelected)	3	7	30	
	Independent Director	Hsiou-Wei Lin (reelected)	10	0	100	
	Independent Director	Tyzz-Jiun Duh	10	0	100	
	Independent Director	Hsing-Cheng Tai	10	0	100	
	Replaced Director	Jin Hui Investment Co., Ltd. Representative: Dao-Yi Hsu	2	0	100	Replaced by Shan-Rong Yu on June 24, 2019
	Replaced Director	Jin Hui Investment Co., Ltd. Representative: Bao-Shen Wei	6	0	100	Replaced by Jen-Hai Wang on October 25, 2019
	Replaced Director	GPPC Chemical Corp. Representative: Yu-Ling Guo	4	1	67	Replaced by Lionel de Saint-Exupery on October 25, 2019

Note1: Actual attendance rate of individual directors is based on the number of meetings attended divided by the number of meetings held during the service period of the director..

Note2: All three independent directors personally attended each Board meeting convened during 2019.

#### Attendance details for independent directors:

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

Term	6th / 41	6th / 42	6th / 43	6th / 44	6th / 45	6th / 46	7th / 1	7th / 2	7th / 3	7th / 4	7th / 5	7th / 6	7th / 7	7th / 8	7th / 9	7th / 10
Independent Director																
Hsiou-Wei Lin	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Tyzz-Jiun Duh	/	/	/	/	/	/	○	○	○	○	○	○	○	○	○	○
Hsing-Cheng Tai	/	/	/	/	/	/	○	○	○	○	○	○	○	○	○	○



Term	6th / 41	6th / 42	6th / 43	6th / 44	6th / 45	6th / 46	7th / 1	7th / 2	7th / 3	7th / 4	7th / 5	7th / 6	7th / 7	7th / 8	7th / 9	7th / 10
Independent Director																
Replaced Independent Director: Ching-Yen Tsay	○	○	○	○	○	○	/	/	/	/	/	/	/	/	/	/
Replaced Independent Director: Gilbert T.C. Bao	○	○	○	○	○	○	/	/	/	/	/	/	/	/	/	/

**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 28, 2019, 6 <sup>th</sup> term 41 <sup>st</sup> meeting	Long-I Liao Hsiou-Wei Lin	CDF continues to apply for a free underwriting quota for commercial notes from KGI Bank	Liao and Lin are directors of KGI Bank	Recused from voting
	Long-I Liao Hsiou-Wei Lin	KGI Bank intends to invest in pure online banking business	Liao and Lin are directors of KGI Bank	Recused from voting
	Chia-Juch Chang	Performance assessment for the chair of subsidiary CDIB Capital Group	Chang is the chairperson of the subsidiary	Recused from voting
	Chia-Juch Chang	2018 performance bonus for CDF chair	Chang is the chairperson of the Company	Recused from voting
March 25, 2019, 6 <sup>th</sup> term 43 <sup>rd</sup> meeting	Long-I Liao Hsiou-Wei Lin	Subsidiary KGI Bank has entered a joint venture named "JiangSu Suyin KGI Consumer Finance Co., Ltd."	Liao and Lin are directors of KGI Bank	Recused from voting

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
		(tentative name) in a bid to expand into the consumer financing market in China. The underlying investment contract for the joint venture will expire on April 12, 2019, and the Board intends to authorize the chairperson of KGI Bank to renew the contract or sign a new one with similar terms with investment partners.		
	Alan Wang	The Company intends to participate in the rights issue of subsidiary China Life Insurance.	Wang is the chairperson of China Life Insurance	Recused from voting
April 29, 2019, 6 <sup>th</sup> term 45 <sup>th</sup> meeting	Chia-Juch Chang Alan Wang Jen-Shu Wang Paul Yang Hsiou-Wei Lin	A list of board director and independent director nominees of the Company is presented for review.	Chang, Wang(s), Yang are the director candidates nominated by shareholders; Lin is the candidate for independent director to be reviewed	The directors and independent directors were the subject of discussion and therefore were required to recuse themselves.
	Alan Wang Jen-Shu Wang Paul Yang	To remove the non-compete clauses against the directors (including independent directors) of the Company	Wang(s) and Yang are the director candidates or representative of corporate director to be released from the non-compete restrictions.	Directors were required to recuse themselves from discussions about the removal of non-compete restrictions against themselves.
June 14, 2019, 7 <sup>th</sup> term 1 <sup>st</sup> meeting	Chia-Juch Chang Paul Yang Tzyz-Jiun Duh	To appoint directors and independent directors of the 21 <sup>st</sup> term board of subsidiary CDIB Capital Group	Chang, Yang and Du are the director or independent director candidates	Chang and Du recused themselves from the discussion. Yang appointed independent director Hsiou-Wei Lin to attend the meeting on his behalf, but Lin did not vote on Yang's behalf.
	Bao-Shen Wei Yu-Ling Guo	To appoint directors and independent directors of the 11 <sup>th</sup> term board of subsidiary KGI Bank	Wei and Guo are the board director candidates	Recused from voting
	Dao-Yi Hsu Hsing-Cheng Tai	To appoint directors and independent directors of the 12 <sup>th</sup> term board of subsidiary KGI Securities	Hsu and Dai are the director and independent director candidates	Recused from voting
	Hsiou-Wei Lin Tzyz-Jiun Duh Hsing-Cheng Tai	To appoint members of the Company's 4 <sup>th</sup> term Compensation and Remuneration Committee	Du, Dai and Lin are the candidates for the committee	Du and Dai recused themselves from voting; Yang appointed independent director Hsiou-Wei Lin to attend the meeting on his behalf, and Lin also recused himself from voting.

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
June 14, 2019, 7 <sup>th</sup> term 2 <sup>nd</sup> meeting	Chia-Juch Chang	To discuss about remuneration for CDF chairperson	Chang is the chairperson of the Company	Recused from voting
	Chia-Juch Chang Alan Wang Bao-Shen Wei Dao-Yi Hsu Yu-Ling Guo Hsing-Cheng Tai	To appoint members of the Company's 3rd term of Corporate Social Responsibility Committee	Chang, Wang, Wei, Hsu, Guo and Dai are candidates for the CSR Committee	Recused from voting
June 24, 2019, 7 <sup>th</sup> term 3 <sup>rd</sup> meeting	Chia-Juch Chang Paul Yang Tyzz-Jiun Duh	CDIB Capital Group's subsidiary GM intends to carry out a capital reduction and make a cash refund to CDIB	Chang, Yang and Du are directors of CDIB Capital Group	Recused from voting
	Chia-Juch Chang Paul Yang Tyzz-Jiun Duh	CDIB Capital Group's subsidiary CDIB Venture Capital Corporation intends to carry out a capital reduction and refund CDIB with cash and assets	Chang, Yang and Du are directors of CDIB Capital Group	Recused from voting
	Alan Wang Yu-Ling Guo	To issue a letter of intent to lease Taipei Academy New Construction to subsidiary China Life Insurance	Wang and Guo are respectively the chair and vice chair of China Life Insurance	Recused from voting
	Chia-Juch Chang Paul Yang Tyzz-Jiun Duh	To discuss the sharing of costs for Notes system conversion on a pro rata basis with nine subsidiaries and associate companies	Chang, Yang and Du are directors of CDIB Capital Group	Recused from voting
	Alan Wang Yu-Ling Guo Hsiou-Wei Lin	To appoint members of the Company's Risk Management Committee	Wang, Guo and Lin are candidates for the Risk Management Committee	Recused from voting
	Yu-Ling Guo	To remove non-compete clauses against the Company's vice president Guo Yu-ling	Guo is the subject of discussion to be released from the non-compete restrictions.	Recused from voting
	Chia-Juch Chang Alan Wang Paul Yang Yu-Ling Guo Bao-Shen Wei Shan-Rong Yu	To discuss distribution of director remunerations for 2018	Chang, Wang, Yang, Guo, Wei and Yu were directors or representatives of corporate directors in 2018	Directors were required to recuse themselves from discussions about remunerations for themselves.
July 29, 2019, 7 <sup>th</sup> term 4 <sup>th</sup> meeting	Alan Wang	To report the Company's participation in subsidiary China Life Insurance's rights issue in 2019	Wang is the chair of China Life Insurance	Wang recused himself during the presentation
October 1, 2019, 7 <sup>th</sup> term 6 <sup>th</sup> meeting	Chia-Juch Chang Yu-Ling Guo Hsiou-Wei Lin Hsing-Cheng Tai	To appoint members of the Company's 1 <sup>st</sup> term of Ethical Conduct Committee	Chang, Guo, Lin and Dai are candidates for the Ethical Conduct Committee	Chang (also not participating in voting as a proxy of Paul Yang), Lin and Dai recused themselves from voting; Wang and Guo did not participate in the voting

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
October 28, 2019, 7 <sup>th</sup> term 7 <sup>th</sup> meeting	Hsing-Cheng Tai	Global Securities Finance Corporation, a subsidiary of KGI Securities, intends to carry out multiple capital reductions and file for liquidation	Dai is an independent director of KGI Securities	Recused from voting
	Alan Wang Lionel de Saint-Exupery Paul Yang Tyzz-Jiun Duh Hsing-Cheng Tai	To discuss the sharing of costs of inviting the Bolshoi Ballet to perform in Taiwan with subsidiaries CDIB Capital Group, KGI Bank, KGI Securities and China Life Insurance	De Saint-Exupery, Yang and Du are director and independent directors of CDIB Capital Group; Dai is the independent director of KGI Securities; Wang is the chair of China Life Insurance	Wang, de Saint-Exupery, Du and Dai recused themselves from voting; Chairman Chang did not participate in voting on behalf of Paul Yang.
	Lionel de Saint Exupery Paul Yang Tyzz-Jiun Duh	CVC HK, a subsidiary of CDIB Capital Group, entered a joint venture named CDIB Yida Healthcare Fund with Hwa Dong GP1 in China. The Company shall apply for an extension for holdings finalization on behalf of CVC HK and Hwa Nan GP1 from the Financial Supervisory Commission	De Saint-Exupery, Yang and Du are director and independent directors of CDIB Capital Group	De Saint-Exupery and Du recused themselves from voting; Chairman Chang did not participate in voting on behalf of Paul Yang.
	Jen-Hai Wang	To appoint Jen-Hai Wang as director of subsidiary KGI Securities	Wang is the director candidate	Recused from voting
	Jen-Hai Wang Shan-Rong Yu Lionel de Saint-Exupery	To remove non-compete clauses against directors of the Company	Wang, Yu and de Saint-Exupery are the subject of discussion to be released from the non-compete restrictions.	Directors were required to recuse themselves from discussions about removing non-compete restrictions against themselves
November 25, 2019, 7 <sup>th</sup> term 8 <sup>th</sup> meeting	Hsing-Cheng Tai	To appoint Hsing-Cheng Tai and Yu-ling Guo as members of the Company's Risk Management Committee	Dai is a candidate for the Risk Management Committee	Recused from voting
	Shan-Rong Yu	To appoint Shan-Rong Yu as director of subsidiary CDIB Capital Group	Yu is the CDIB director candidate	Recused from voting
December 10, 2019, 7 <sup>th</sup> term 9 <sup>th</sup> meeting	Jen-Hai Wang Hsing-Cheng Tai	To discuss the candidate for KGI Securities' president	Wang and Dai are respectively the director and independent director of KGI Securities	Recused from voting
December 30, 2019, 7 <sup>th</sup> term 10 <sup>th</sup> meeting	Lionel de Saint-Exupery Shan-Rong Yu Paul Yang Tyzz-Jiun Duh	To discuss the liquidation of CCKorea, an associate of CDIB Capital Group's subsidiary CCIC	De Saint-Exupery is the director of CDIB, CCIC and CCKorea. Yang, Yu and Du are directors and independent director of CDIB	Yu and Du did not participate in voting; Chairman Chang did not vote on behalf of de Saint-Exupery; Director Wang did not vote on behalf of Yang

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
	Jen-Hai Wang Hsing-Cheng Tai	Subsidiary KGI Securities intends to close down five overseas subsidiaries	Wang and Dai are respectively the director and independent director of KGI Securities	Recused from voting
	Jen-Hai Wang Hsing-Cheng Tai	Subsidiary KGI Securities intends to reallocate investment in overseas subsidiaries	Wang and Dai are respectively the director and independent director of KGI Securities	Recused from voting
	Alan Wang Lionel de Saint-Exupery	To discuss 2020 audit plan	Wang and de Saint-Exupery are managers of entities to be audited	Recused from voting
	Lionel de Saint-Exupery Paul Yang Jen-Hai Wang Shan-Rong Yu	To appoint members of the Company's 1st term of Strategic Development Committee	De Saint-Exupery, Yang and Wang are candidates for the Strategic Development Committee	Wang and Yu recused themselves from voting; Chairman Chang did not vote on behalf of de Saint-Exupery; Director Wang did not vote on behalf of Yang

### 3. Assessment of Board performance in 2019

Frequency of assessment	(1) The Board shall conduct at least one internal performance assessment on an annual basis. (2) The Company shall hire a professional external entity, either an independent institute or a team of scholars and experts, to perform at least one external Board performance assessment every three years															
Period for assessment	January 1 to December 31, 2019															
Scope of assessment	Performance of the entire Board, individual Board members as well as all functional committees															
Assessment methods	Self evaluation by the Board and its members, and by the functional committees; external performance assessment by an independent professional organization, or a team of experts and scholars, or other applicable methods															
Assessment content	<p>(1) Internal performance assessment</p> <p>The results of the internal Board performance assessment for 2019 have been presented and documented in the 11<sup>th</sup> meeting of the 7<sup>th</sup> term Board on January 16, 2020</p> <p>1. Self-evaluation by the Board:</p> <p>Board performance assessment consists of 42 items under six categories. Of the 42, 25 were given five points (on a scale of one to five; five being the highest), followed by 16 with four points and one with three points, suggesting the Board believed it has fulfilled the corporate governance responsibilities of supervising the Company's operation and development, and of risk management by establishing an effective internal control system and proactively engaging in ESG initiatives as expected of them.</p> <table border="1" data-bbox="434 1859 1396 2085"> <thead> <tr> <th>Six categories of self evaluation</th> <th>Number of items</th> <th>Average score</th> </tr> </thead> <tbody> <tr> <td>A. Participation in company operations</td> <td>11</td> <td>4.66</td> </tr> <tr> <td>B. Improvements in the quality of Board decisions</td> <td>11</td> <td>4.99</td> </tr> <tr> <td>C. Constitution and structure of the Board</td> <td>6</td> <td>4.98</td> </tr> <tr> <td>D. Selection of Board members and continued education</td> <td>5</td> <td>4.82</td> </tr> </tbody> </table>	Six categories of self evaluation	Number of items	Average score	A. Participation in company operations	11	4.66	B. Improvements in the quality of Board decisions	11	4.99	C. Constitution and structure of the Board	6	4.98	D. Selection of Board members and continued education	5	4.82
Six categories of self evaluation	Number of items	Average score														
A. Participation in company operations	11	4.66														
B. Improvements in the quality of Board decisions	11	4.99														
C. Constitution and structure of the Board	6	4.98														
D. Selection of Board members and continued education	5	4.82														

E. Internal control	7	4.97
F. Engagement in ESG	2	4.89

2. Self evaluation by Board members:

Board member performance assessment consists of 25 items under six categories. Of the 25, 12 were given five points and 13 registered four points, suggesting Board members believed their performances were satisfactory.

Six categories of self evaluation	Number of items	Average score
A. Understanding of company objectives and missions	3	4.93
B. Understanding of a director's duties	4	4.97
C. Participation in the Company's operations	8	4.81
D. Internal networking and communication	3	4.85
E. Professionalism as a director and continued education	4	5.00
F. Internal Control	3	4.93

3. Self evaluation by Audit Committee:

Audit Committee performance assessment consists of 26 items under five categories. Of the 26, 24 were given five points and 2 registered four points, suggesting the operation of the committee was optimal and the committee overall met the requirements of corporate governance, and was able to facilitate the work of the Board.

Five categories of self evaluation	Number of items	Average score
A. Participation in the Company's operations	5	5.00
B. Understanding of the committee's duties	5	4.93
C. Improvements in the committee's decisions	7	5.00
D. Selection and constitution of the committee	4	4.92
E. Internal control	5	5.00

4. Self evaluation by Remuneration Committee:

Remuneration Committee performance assessment consists of 24 items under five categories. Of the 24, 22 were given five points and 2 registered four points, suggesting the operation of the committee was in good shape, and the committee overall met the requirements of corporate governance, and was able to facilitate the work of the Board.

Five categories of self evaluation	Number of items	Average score
A. Participation in the Company's operations	5	5.00
B. Understanding of the committee's duties	5	4.93
C. Improvements in the committee's decisions	7	5.00
D. Selection and constitution of the committee	4	4.92
E. Internal control	3	5.00

5. In order to improve the functionality of the Board and its operating efficiency, the Board shall discuss viable solutions for the item (specifically directors' attendance at annual shareholder meeting) that only scored three points. For reference, directors' attendance at the 2019 general shareholder meeting was only 56%. To

improve the attendance, it is decided that the schedule of next year's general shareholder meeting should be made available to all directors earlier so that arrangements can be made in time.

**(2)Board performance assessment by an external entity**

The Company hired Ernst & Young (EY) Advisory to perform an external performance assessment on the Board in December 2019. Through interviews with individual Board directors, document review and self-evaluation questionnaires, EY completed the assessment at end-March 2020. The results will be presented the Board in April 2020. The Company values the recommendations of the external entity and will continue the efforts to improve the performance of the Board for better corporate governance.

4. 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 has 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. Furthermore, based on a resolution of the 3<sup>rd</sup> Board meeting of the 7<sup>th</sup> term on June 24, 2019, the Risk Management Committee, which had been a president-level functional committee, was elevated to a Board-level committee. Later at the 6<sup>th</sup> Board meeting on October 1, 2019, the establishment of an Ethical Conduct Committee was approved, followed by the establishment of a Strategic Development Committee at the 10<sup>th</sup> meeting on December 30, 2019.

The Board approved the amendments of Corporate Governance Best-Practice Principles at the 8<sup>th</sup> Board meeting of the 7<sup>th</sup> term on November 25, 2019. In order to enhance the diversity of the Board and achieve better alignment with mainstream global development, the Principles were revised to specify guidelines in the selection: background conditions (including sex, age, nationality, culture and ethnicity) 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 (performance guidelines) on the 10<sup>th</sup> meeting of the 6<sup>th</sup> Board dated November, 2016. Also, to ensure better independence and effectiveness of the performance assessment, the performance guidelines were revised during the 29<sup>th</sup> Board meeting of the 6<sup>th</sup> term on January 30, 2018 and 7<sup>th</sup> meeting of the 7<sup>th</sup> term on October 28, 2019, adding regulations about assessments by an external entity and expanding the scope of assessment to functional committees, such as the Audit and Remuneration Committees, based on the Sample Template of "Self-Evaluation or Peer Evaluation of the Board of Directors of XX Co., Ltd.", released by the Taiwan Stock Exchange as a reference for all listed companies. A new scoring system (on a scale of one to five) was also adopted in place of a "Yes or No" system for the assessment.

### 3.4.2 Audit Committee

1. The Audit Committee consists of 3 independent directors and 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.

There were total 13 meetings convened in 2019. 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) 2018 internal control report and 2019 auditing plan
  - (2) List of director candidates proposed by shareholders and review of qualifications of independent director candidates
  - (3) Waiver of non-competition restrictions for directors(including independent directors)
  - (4) Reviewing the operating report, financial statement, consolidated financial report and the earning distribution of 2018. Conducting the Audit Committee Report. Reviewing 2018 and 2Q19consolidated financial reports as well as 2020 budget
  - (5) Reviewing 2018 and 2Q19consolidated financial reports as well as 2020 budget
  - (6) Appointment of and compensation for CPA in 2019
  - (7) Reviewing the amendments of major internal regulations, such as “Principles for Hierarchical Authorization”, “Procedures for Acquisition or Disposal of Assets”, “Regulations Governing the Handling of Whistleblowing Cases”, “Guidelines for Trading Transactions of Related Persons”, “Consultant Hiring and Management Guidelines” and “Regulations for Establishment of Regulations”
  - (8) Auditing Reports for 2H18 and 1H19
  - (9) Compliance Reports for 2H18 and 1H19
  - (10) Comparison table of internal control performance scores of each unit for 2019 and 2018; comparison table of internal auditing performance scores of each subsidiaries for 2019
  - (11) The assessment of the implementation of compliance for each units and subsidiaries in 2019
2. A total of 13 Audit Committee meetings (five meetings of the 3<sup>rd</sup> term and eight meetings of the 4<sup>th</sup> term) were held in2019. The attendance of the independent directors was as follows:

December 31, 2019

Term	Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Remark
3rd	Independent Director	Ching-Yen Tsay	5	0	100	
	Independent Director	Gilbert T.C. Bao	5	0	100	
	Independent Director	Hsiou-Wei Lin	5	0	100	



Term	Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Remark
4th	Independent Director	Hsiou-Wei Lin	8	0	100	
	Independent Director	Tyzz-Jiun Duh	8	0	100	
	Independent Director	Hsing-Cheng Tai	8	0	100	

Note: Actual attendance rate (%) is calculated by dividing the number of attendance in person by the number of board meetings during the director's tenure

Other items to be stated:

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

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

Date	Term	Agenda	Resolution
2019.01.28	3rd term 30 <sup>th</sup> meeting	Amendments to Principles for Hierarchical Authorization	Approved
2019.02.25	3rd term 31 <sup>st</sup> meeting	Amendments to Procedures for Acquisition or Disposal of Assets	Approved
2019.03.25	3rd term 32 <sup>nd</sup> meeting	2018 internal control report	Approved
		Appointment of and compensation for CPA in 2019	Approved
		2018 consolidated financial report	Approved
2019.04.29	3rd term 33 <sup>rd</sup> meeting	2018 business report, financial statements and consolidated financial statements	Approved
		2018 earnings distribution	Approved
		List of director candidates proposed by shareholders and review of independent director candidates list	Independent director Hsiou-Wei Lin recused himself from voting when reviewing his qualifications; He approved the list of director candidates and the qualifications of independent directors Tyzz-Jiun Duh and Hsing-Cheng Tai
		Waiver of non-competition restrictions for directors (including independent directors)	Approved
2019.05.27	3 <sup>rd</sup> term 34 <sup>th</sup> meeting	Change of CPA from 2Q19	Approved
2019.06.14	4 <sup>th</sup> term 1 <sup>st</sup> meeting	Convener of 4th Audit Committee	Independent director Hsiou-Wei Lin approved as the convener of 4th Audit Committee
2019.08.26	4 <sup>th</sup> term 4 <sup>th</sup> meeting	2Q19 consolidated financial statements	Approved
2019.10.28	4 <sup>th</sup> term 6 <sup>th</sup> meeting	Waiver of non-competition restrictions for directors	Approved
2019.12.30	4 <sup>th</sup> term 8 <sup>th</sup> meeting	2020 budget, projected statement of comprehensive income and projected balance sheets	Approved
		2020 Audit 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. Cases where an independent director recused himself/ herself due to a conflict of interest:

Date/ term	Name of independent director	Agenda	Reason	Voting
2019.04.29 3 <sup>rd</sup> term 34 <sup>th</sup> meeting	Hsiou-Wei Lin	List of director candidates proposed by shareholders and review of independent director candidates list	Independent director Hsiou-Wei Lin is an independent director candidate to be reviewed	Independent director Hsiou-Wei Lin recused himself from voting when reviewing his qualifications; He approved the list of director candidates and the qualifications of independent directors Tyzz-Jiun Duh and Hsing-Cheng Tai

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
2019.01.28	Audit Committee	Highlights of the inspection report on "Corporate Governance" by Financial Examination Bureau, FSC	Acknowledged
2019.02.25	Audit Committee	Inspection improvement report on "Corporate Governance" by Financial Examination Bureau, FSC (Table B)	Acknowledged
2019.03.25	Audit Committee	2H18 Auditing Report	Personnel involved in the dereliction of duty for subsidiary CCUSA's delayed ERA filing have been investigated for accountability and ultimately resigned.
2019.03.25	Audit Committee	2018 Internal Control Report	Approved
2019.03.25	Audit Committee	1. Audit of 2018 Consolidated Financial Statement 2. Communication in 1H19 on key auditing items, latest major IFRS	1. Approved 2. Acknowledged

Date	Method	Matters	Outcome
		issues, important amendments to FHC financial reporting rules, and declaration of remuneration information of full-time employees not holding managerial positions	
2019.06.24	Audit Committee	Highlights of a general business inspection report by Financial Examination Bureau, FSC	Acknowledged
2019.07.29	Audit Committee	General business inspection improvement report by Financial Examination Bureau, FSC (Table B)	<ol style="list-style-type: none"> <li>1. Audit shall demand compliance and risk management to supervise the Company and subsidiaries to follow through on tracking improvement items</li> <li>2. Keep up to date on the legislative progress on the drafting of whistleblower protection act</li> <li>3. Investment and credit assessment reports are advised to incorporate input deemed necessary from a decision maker perspective, and offer further analysis from other aspects to provide stronger arguments to support the position of a report</li> </ol>
2019.8.26	Audit Committee	<ol style="list-style-type: none"> <li>1. Audit of 2Q19 Consolidated Financial Statement</li> <li>2. Communication on other auditing items and key agenda for 2019, including amendments to Statements of Auditing Standards (SAS) No.62, dealing with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements, amendments to Articles 14-5 and 36 of Securities and Exchange Act, amendments to Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, and amendments to Regulations Governing the Preparation of Financial Reports by Publicly Listed Banks; regulations governing the reversal of special reserve set aside by publicly listed banks in previous years for FinTech development; and highlight of the Management, Utilization, and Taxation of Repatriated Offshore Funds Act.</li> </ol>	<ol style="list-style-type: none"> <li>1. Approved</li> <li>2. Acknowledged</li> </ol>
2019.10.01	Audit Committee	1H19 auditing report	<ol style="list-style-type: none"> <li>1. Avoid mistakes other companies have already been penalized for</li> <li>2. Keep up the improvements of firewall performance</li> </ol>
2019.11.18	Forum	Review of internal control system deficiencies in 2019	<p>Remarks:</p> <p>In light of a changing environment, independent directors inquired about the feasibility of audit personnel across the group and its subsidiaries participating in internal rotation to gain</p>

Date	Method	Matters	Outcome
			hands-on experience. Reply from the audit unit: The group's auditing personnel will first gain expertise in finance through proper training and peer sharing to raised preparedness for rotation.
2019.11.25	Audit Committee	2019 CDF department-based internal control performance scoring vs. 2018	If a department under review isn't the main source causing or isn't the unit most accountable for the deficiencies flagged by the Financial Examination Bureau, it's hoped that such discrepancy could be reflected in the final scoring
2019.11.25	Audit Committee	2019 Auditing performance scoring of subsidiaries	Subsidiaries are encouraged to get informed about the authorities on the policy front to help better prepare for self examination beforehand and avoid deficiencies.
2019.12.30	Audit Committee	Meeting minutes of 2018 internal control system deficiencies review forum	The Company is advised to engage more with externally-hired directors
2019.12.30	Audit Committee	2020 Auditing Plan of CDF	Acknowledged

### 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/CorporateGovernanceOperation>

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

Evaluation Item	Implementation Status			Deviation
	Yes	No	Summary	
<p>1. Shareholding structure and shareholder rights of financial holding company</p> <p>(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?</p> <p>(2) Does the FHC possess the list of its major shareholders as well as the ultimate owners of those shares?</p> <p>(3) Does the FHC establish and implement the risk control mechanism and firewall system between the Company and its affiliates?</p>	V		<p>(1) The Company has designated appropriate personnel to handle shareholders’ recommendations, questions, disputes and litigations.</p> <p>(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.</p> <p>(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.</p>	None
<p>2. Composition and Responsibilities of Board</p> <p>(1) In addition to the Remuneration Committee and the Audit Committee, does the FHC voluntarily establish other functional committees?</p> <p>(2) Does the TWSE/TPEX-listed financial holding company establish a board performance evaluation directive and detailed evaluation methods and conduct performance evaluation annually and periodically, and report the results of the performance evaluation to the board of directors and apply them to individual directors'</p>	V	V	<p>(1) The Company has in place a Corporate Social Responsibility Committee, a Risk Management Committee, an Integrity Committee and a Strategic Development Committee, in addition to a Compensation Committee and an Audit Committee</p> <p>(2) In order to implement corporate governance and enhance the functions of the Company's Board of Directors and establish performance targets (KPIs) to enhance the efficiency of the Board's operations, the Board of Directors of the Company has passed the stipulation of the "Board Performance Evaluation Criteria", which requires that the Board of Directors of the Company shall perform an internal performance evaluation of the Board of Directors at least once a year, which will include the evaluation of the performance of the Board as a whole, individual Board</p>	None

Evaluation Item	Implementation Status			Deviation
	Yes	No	Summary	
<p>salary compensation and nomination for reappointment</p> <p>(3) Does the FHC periodically evaluate the independence of the certified public accountants (CPA) that audit its financial statements?</p>	V		<p>members and functional committees, and that the external performance evaluation of the Board of Directors shall be performed by an external professional independent organization or external expert scholar at least once every three years starting 2018. In addition to being reported to the Board of Directors, the results of the evaluation shall also be disclosed on the Company's official website and annual report and will be used as reference for the selection of directors or the nomination of independent directors, and the directors' remuneration will be linked to the results of the directors' personal performance evaluations.</p> <p>(3) 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.</p>	
<p>3. Is the financial holding company staffed with an appropriate number of fitting corporate governance personnel and has it appointed a head of corporate governance to be responsible for corporate governance-related matters (including, but not limited to providing directors and supervisors with information necessary for the execution of business, assisting directors and supervisors in complying with laws and regulations, handling matters related to board of directors and shareholders' meetings in accordance with the law, registering companies and changes of ownership, preparing minutes of board of directors and shareholders' meetings, etc.)?</p>	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. Business execution status in 2019 is summarized as follows:</p> <ol style="list-style-type: none"> <li>1. The Company has established "Standard Operating Procedures for Handling Directors' Requests" and, at the request of directors, provides directors with the information necessary for them to conduct their business.</li> <li>2. We have assisted directors in drawing up annual study plans and arranging courses in accordance with the "Guidelines for Directors' and Supervisors' Study and Development of Listed OTC Companies" and with reference to the courses planned</li> </ol>	None

Evaluation Item	Implementation Status			Deviation
	Yes	No	Summary	
			<p>in the "Director Study Map" of the Taiwan Stock Exchange.</p> <p>3. In accordance with the Company's "Rules of Procedure for Board Meetings" and the rules of association of each functional committee, the Company has prepared information on the agenda for each board meeting, audit committee and other functional committees for the year 2019. We have alerted board director/committee members of any conflict of interests to be avoided and have completed the meeting minutes within 20 days of the meeting.</p> <p>4. We have completed the renewal of directors' and supervisors' liability insurance for the year 2019 and completed the announcement and reporting as required.</p> <p>5. In order to improve the effectiveness of the Board's performance evaluation, the Company has referenced Taiwan Stock Exchange's "XXX Corp., Ltd. Board Self-evaluation and Peer Evaluation (with example)" and completed the revision of the "Board Performance Evaluation Criteria" on October 28, 2019 to expand the scope of the Board's evaluation to include the Audit Committee and the Remuneration Committee, amended the self-evaluation questionnaire from "Yes/No" to a 5-point scale, and completed the performance evaluation of the Board of Directors for year 2019 in accordance with the revised "Board Performance Evaluation Criteria" and submitted the Board Report.</p> <p>6. Pre-registration of shareholders' meeting dates in accordance with the law, preparation of meeting notices, handbooks, minutes of proceedings, and execution of shareholder-related operations (e.g., purchase and distribution of shareholders' souvenirs) within the statutory time limit.</p> <p>7. On July 14, 2019, the Company re-elected its 7th Board of Directors at the shareholders' meeting. In order to familiarize the newly elected directors with the operation of the Company, a briefing session on the organization and operation of the Company was held on June 24, 2019, and the newly elected directors were invited to have two-way communication with the managerial department, and the "Director's Handbook", which contains information on the promotion of laws and regulations, relevant laws and regulations and various filings, was provided to all newly elected directors on June 14, 2019, to assist the directors in assuming office and complying with laws and regulations, and to complete the registration of relevant changes.</p> <p>8. Changes are registered for amendments to the Articles of Association, change of manager, and change of capital due to exercise of employee stock options and issuance of new shares of employee rights.</p> <p>9. Possession of the Company's stocks by internal persons is reported.</p>	

Evaluation Item	Implementation Status																				
	Yes	No	Summary																		
			<p>10. The Company conducts equity rights laws courses at least once a year.</p> <p>III. Progress of corporate governance Executives receive corporate governance in 2019:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Organizer</th> <th>Course</th> </tr> </thead> <tbody> <tr> <td>03/29</td> <td>Governance Professionals Institute of Taiwan</td> <td>2019Seminar on Corporate Governance Practices</td> </tr> <tr> <td>07/26</td> <td>Governance Professionals Institute of Taiwan</td> <td>Board Effectiveness and Remuneration Seminar</td> </tr> <tr> <td>11/06</td> <td>Taiwan Stock Exchange</td> <td>Advocacy for Effective Functioning of Board Directors</td> </tr> <tr> <td>11/18</td> <td>Governance Professionals Institute of Taiwan</td> <td>2019Related Party and Related Party Transactions Seminar</td> </tr> <tr> <td>11/26</td> <td>Securities and Futures Institute</td> <td>Corporate Governance and Corporate Social Responsibility in the Financial Services Sector</td> </tr> </tbody> </table>	Date	Organizer	Course	03/29	Governance Professionals Institute of Taiwan	2019Seminar on Corporate Governance Practices	07/26	Governance Professionals Institute of Taiwan	Board Effectiveness and Remuneration Seminar	11/06	Taiwan Stock Exchange	Advocacy for Effective Functioning of Board Directors	11/18	Governance Professionals Institute of Taiwan	2019Related Party and Related Party Transactions Seminar	11/26	Securities and Futures Institute	Corporate Governance and Corporate Social Responsibility in the Financial Services Sector
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Evaluation Item	Implementation Status		Summary	Deviation
	Yes	No		
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. The identification of stakeholders, communication issues, communication methods, communication frequency, and communication performance have been compiled in the Corporate Social Responsibility Committee's 2019 Annual Work Plan Implementation Report, which was submitted to the Company's Board of Directors in March 2020.	None
5. Information Disclosure (1) Does the FHC set up a website to disclose both financial standings and the status of corporate governance? (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  V		(1) The Company has set up both Chinese and English language websites to disclose information about the Company’s financials, business and corporate governance status. (2) The Company has appointed appropriate personnel to handle information collection and disclosure on the corporate website. The Company has established a spokesperson system in accordance with regulations, with a spokesperson and deputy spokesman tasked to centralize the announcement of corporate information. In accordance with the Taiwan Stock Exchange Corporation’s rules and regulations, the Company discloses its material information and financial data on the Market Observation Post System (MOPS). The Company periodically holds investor conferences and posts related information in Chinese and English on its website.	None
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		Deviation
	Yes	No	
			<p>IV. Stakeholder Interests</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol> <p>V. Continuing education of Directors</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. We held an in-house course on "Corporate Governance and Corporate Social Responsibility in the Financial Services Industry" on November 26, 2019. Professor Liu Lian Yu of the School of Law of the National Chengchi University was invited to deliver the course, and we regularly provide directors with</li> </ol>

Evaluation Item	Implementation Status		Deviation
	Yes	No	
			<p>information on external professional courses or seminars on finance, risk management (including information security), business, commercial, accounting, legal, anti-money laundering, corporate social responsibility and other areas related to corporate governance topics and help them with the course registration, so that they can use continuing education to grow in professionalism. In 2019, the Company's directors participated in the continuing education programs of the Taiwan Corporate Governance Association, the Taiwan Academy of Banking and Finance, the Taiwan Stock Exchange, KPMG Education Foundation, Securities and Futures Institute, Taipei Foundation of Finance, Accounting Research and Development Foundation, National Federation of CPA Associations of the R.O.C, Corporate Operation Association, etc. Each director has completed the annual number of hours of continuing education required by the "Essentials of Continuing Education for Directors and Supervisors of Listed Companies."</p> <p>VI. Implementation of Risk Management Policy and Risk Measurement Criteria</p> <ol style="list-style-type: none"> <li>1. The Company has instituted Risk Management Policy and established rules and guidelines to manage market risk, credit risk and operational risk.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>

Evaluation Item	Implementation Status		Deviation																																								
	Yes	No		Summary																																							
			<p>VII. Implementation of Client Policy In order to protect the interests of clients, the Company has personnel dedicated to providing both juridical- and natural-person clients with services to resolve transaction disputes.</p> <p>VIII. Purchase of Liability Insurance by the Company for Directors and Supervisors The Company has entered into liability insurance contracts with insurance companies, including AIG Taiwan, extending coverage to all directors and supervisors of the Company and its subsidiaries.</p> <p>IX. Donation to Political Parties, Stakeholders and Non-profit Organizations</p> <p>1. The company has drawn up a Guideline for Donation Management. The donations made by the company and its subsidiaries in the previous year are compiled and presented to the board as required.</p> <p>2. The company and its subsidiaries made 77 donations in 2019, all in line with the purposes of donations, for a total value of NT\$ 126,928,409. Below is a chart showing the donation values for each individual company:</p> <table border="1"> <thead> <tr> <th>Company</th> <th>No. of donations</th> <th>Gross amount (NT\$)</th> <th>% of total donations in 2019</th> </tr> </thead> <tbody> <tr> <td>China Development Financial Holding</td> <td>4</td> <td>35,256,204</td> <td>27.78</td> </tr> <tr> <td>CDIB Capital Group</td> <td>5</td> <td>11,888,431</td> <td>9.37</td> </tr> <tr> <td>CDIB Capital Management Corporation</td> <td>1</td> <td>3,891,375</td> <td>3.07</td> </tr> <tr> <td>CDIB Capital International Corp.</td> <td>2</td> <td>6,021,200</td> <td>4.74</td> </tr> <tr> <td>KGI Bank</td> <td>3</td> <td>43,098,643</td> <td>33.95</td> </tr> <tr> <td>KGI Securities</td> <td>8</td> <td>10,674,059</td> <td>8.41</td> </tr> <tr> <td>Global Corporation (note)</td> <td>6</td> <td>260,000</td> <td>0.20</td> </tr> <tr> <td>China Life Insurance</td> <td>48</td> <td>15,838,500</td> <td>12.48</td> </tr> <tr> <td>Total</td> <td>77</td> <td>126,928,409</td> <td>100</td> </tr> </tbody> </table> <p>Note: Global Securities Finance was renamed as Global Corporation on December 25, 2019.</p> <p>3.No donation to political parties by the Company and its subsidiaries.</p>	Company	No. of donations	Gross amount (NT\$)	% of total donations in 2019	China Development Financial Holding	4	35,256,204	27.78	CDIB Capital Group	5	11,888,431	9.37	CDIB Capital Management Corporation	1	3,891,375	3.07	CDIB Capital International Corp.	2	6,021,200	4.74	KGI Bank	3	43,098,643	33.95	KGI Securities	8	10,674,059	8.41	Global Corporation (note)	6	260,000	0.20	China Life Insurance	48	15,838,500	12.48	Total	77	126,928,409	100
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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 top 5% companies in the 6th Corporate Governance Evaluation in 2019.

The Company established an Integrity Management Committee in October of 2019, which is responsible for formulating and supervising the implementation of the Integrity Management Policy and Prevention Plan. The Committee held its first meeting in December 2019, and approved a statement of compliance with the Integrity Management Policy by the directors and senior managers, which was signed by the relevant personnel in February 2019. The Committee has amended the whistleblowing system of the Company and will report to the Board of Directors annually on the implementation of the Company's honest and trustworthy operations starting from 1Q20, including the implementation of relevant regulations and education and promotion.

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.

8. Succession planning for board of directors & senior management

- (1) In regard to the succession planning for board of directors (including chairman and directors), at least one of the Company's directors shall have working experiences in banking, securities or insurance, pursuant to Article 9 of "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." In addition to recruiting and nominating prominent persons with the aforementioned expertise to serve as outside directors (including independent directors), the Company has been evaluating and nurturing director candidates by conducting performance evaluation of director appointed to subsidiaries KGI Bank, KGI Securities and China Life on an annual basis, and having each subsidiary conduct performance evaluation of senior managers on an annual basis.
- (2) In regard to election of the directors, the adoption of candidates' nomination system is explicitly stipulated in the Articles of Incorporation of the Company. To diversify the board composition, the Company considers a variety of aspects such as "basic conditions and values" (including gender, age, nationality, culture and race, etc.) and professional knowledge and skills (including professional background, professional skills and industry experience) as stipulated in the Corporate Governance Best-Practice Principles. In addition to board allocation and diversity, board independence and directors' Environmental, Social, Governance (ESG) experiences are also taken into consideration. To select suitable board candidates, the Company will search for professional managers with management experiences in the financial industry or managerial experiences, scholars with professional knowledge and prominent people.
- (3) In addition,, the Company organizes training sessions that incorporate industry's best practice in corporate governance, the Company's business development and directors' professional capabilities. The session topics encompass finance, risk management, sales, business, accounting, legal affairs, AML/CFT (anti-money laundering and countering the financing for terrorism), corporate social responsibilities, internal control and financial reporting. Meanwhile, the Company encourages its directors to attend training sessions or seminars held from established institutions outside the Company. We dedicate to strengthening the directors' professional capabilities through continuous trainings.
- (4) When the management team, including presidents, executive vice presidents, senior vice presidents, vice presidents, and department heads, etc., performs necessary actions for overall business operations on behalf of the Company, such actions shall be governed by the Company's regulations .
- (5) The Company's succession planning for senior management starts with building an internal talent pool. The nurturing mechanism includes deepening and cultivating prospective talent's inter-disciplinary professional knowledge, leadership and management as well as forward-looking vision. The Company applies a 360-degree performance appraisal to evaluate qualifications, incorporating annual business goals, medium- to long-term development and market changes into the Company's cultivation and training for successors. We equip successors with thorough and immersive trainings through cross-function assignment/rotations, project-oriented planning/execution, participation in important meetings, and acting as deputies for key management positions.

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|---|
| <p>(6) Shall changes occur in the Company’s key management, the Company’s will screen qualified candidates from the internal talent pool, subject to the “Company Act” and “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.” Candidates’ education background, work experiences, performance, management capabilities and important contributions or achievements will be considered during the selection process.</p> <p>(7) Shall the Company appoint professional managers outside the Company when no suitable internal candidates are found, it should evaluate their qualifications based on the Company’s core values, mandates and corporate culture. Appointment procedures should be submitted to and approved by the board.</p> |
| <p>9. Independence of internal audit</p> <p>The Company’s internal rules stipulate that the chairman is authorized to approve appointment or dismissal, performance appraisal and remuneration of auditors while any appointment or dismissal of the chief internal auditor shall be subject to approval by the audit committee and be submitted to the board of directors for a resolution. The governing rules are disclosed on the Company’s website under the internal rules tab.</p>   |

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

#### A. The Composition

Identity (Note 1)	Name	Criteria			Independence Criteria(Note2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Others	
		Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9			10
New Chairman	Tyzz-Jiun Duh	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Newly elected
Committee Member	Hsiou-Wei Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Reelected
Committee Member	Hsing-Cheng Tai	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Newly elected
Former Chairman	Gilbert T.C. Bao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Incumbent
Former Committee Member	Hsiou-Wei Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Incumbent

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

Note 2: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (Not applicable in cases where the person is, according to Securities and Exchange Act or laws of the country in which the company in question is based, an independent director of the Company, its parent company, any subsidiary in which the Company holds, or any subsidiary also held by the same parent company.)
- (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 manager in the subparagraph (1) and 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 subparagraphs (2) and (3).
- (5) Not a shareholder who holds 5% or more the Company's issued stocks, a shareholder who ranks among the top five biggest shareholders, or a director, supervisor, or employee of an institutional investor that is required by Paragraphs 1 or 2 of Article 27 of the Company Act to appoint a representative to act as the director or supervisor of the Company. (Not applicable in cases where the person is, according to the Securities and Exchange Act or laws of the country in which the company in question is based, an independent director of the Company, its parent company, any subsidiary in which the Company holds, or any subsidiary also held by the same parent company.)
- (6) Not a director, supervisor, or employee of another company where over half of board seats or shares with voting rights are controlled by the same person. (Not applicable in cases where the person is, according to the Securities and Exchange Act or laws of the country in which the company in question is based, an independent director of the Company, its parent company, any subsidiary in which the Company holds, or any subsidiary also held by the same parent company.)
- (7) Not a board director, supervisor or employee of another company or institutions, or the board chairman or the president or equivalent of these two positions of the Company or his or her spouse. (Not applicable in cases where the person is, according to the Securities and Exchange Act or laws of the country in which the company in question is based, an independent director of the Company, its parent company, any subsidiary in which the Company holds, or any subsidiary also held by the same parent company.)

- (8) Not a director, supervisor, manager of shareholders with a stake of 5% or higher of a specific company or institution that have financial and business dealings with the Company (Not applicable in cases where this specific company or institution holds over 20% but not more than 50% of the issued stock of the Company, and where the person is, according to the Securities and Exchange Act or laws of the country in which the company in question is based, an independent director of the Company, its parent company, any subsidiary in which the Company holds, or any subsidiary also held by the same parent company.)
- (9) Not a business, legal, fiscal, accounting or professional offering related or similar service and counsel, or an owner, partner, director, supervisor or his or her spouse of a wholly-owned, joint-capital company or institution, who has provided the Company or its affiliated companies with auditing services or has in the most recent two years received accumulative compensation of no more than NT\$500,000. Not applicable in cases where the person is, in compliance with the Stock and Exchange Act or Business Mergers and Acquisitions Act or other relevant laws, performing duties as a member of the remuneration committee, public acquisition review committee, or special merger committee.
- (10) 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) Between January 1, 2019 and June 13, 2019, the third Remuneration Committee of the Company convened three times; the fourth Remuneration Committee convened five times after their election on June 14, 2019. In 2019 a total of eight meetings were convened, with attendance detailed below.

Title	Name	Actual attendance	Attendance by proxy	Actual attendance ratio (%)	Note
New Chairman	Tyzz-Jiun Duh	5	0	100	2019.6.14 Newly elected
Committee Member	Hsiou-Wei Lin	8	0	100	2019.6.14 Relected
Committee Member	Hsing-Cheng Tai	5	0	100	2019.6.14 Newly elected
Former Chairman	Gilbert T.C. Bao	3	0	100	
Former Committee Member	Hsiou-Wei Lin	3	0	100	



**Table 1 Directors' Training - 2019**

December 31, 2019

Course name	Training date		Organizer	Name of director	Training hours
	Start	End			
Introduction of M&A legal due diligence & commercial contracts	2019.09.27	2019.09.27	Taiwan Corporate Governance Association	Chia-Juch Chang	3
Financial services companies' corporate governance & CSR	2019.11.26	2019.11.26	Securities and Futures Institute	Chia-Juch Chang	3
Nominating committee' s planning for successors	2019.10.18	2019.10.18	Taiwan Corporate Governance Association	Paul Yang	3
Presentation on effectively exercising board functions	2019.11.06	2019.11.06	TWSE	Paul Yang	3
Presentation on effectively exercising board functions	2019.11.06	2019.11.06	TWSE	Lionel de Saint-Exupery	3
2019 seminar on related parties & related party transactions	2019.11.18	2019.11.18	KPMG Education Foundation	Lionel de Saint-Exupery	3
Financial services companies' corporate governance & CSR	2019.11.26	2019.11.26	Securities and Futures Institute	Lionel de Saint-Exupery	3
Latest amendments to tax laws: impact on business operations & responsive actions	2019.12.03	2019.12.03	Securities and Futures Institute	Lionel de Saint-Exupery	3
Presentation on effectively exercising board functions	2019.11.06	2019.11.06	TWSE	Shan-Jung Yu	3
Corporate financial information: analysis & decision-making	2019.11.14	2019.11.14	Securities and Futures Institute	Shan-Jung Yu	3
2019 seminar on related parties & related party transactions	2019.11.18	2019.11.18	KPMG Education Foundation	Shan-Jung Yu	3
Financial services companies' corporate governance & CSR	2019.11.26	2019.11.26	Securities and Futures Institute	Shan-Jung Yu	3
Education & training for fair treatment of customers	2019.07.25	2019.07.25	Subsidiary China Life	Alan Wang	1.5
Perspectives on IFRS17	2019.08.15	2019.08.15	Subsidiary China Life	Alan Wang	3
Advanced seminar on practices for directors, supervisors (including independent ones) & chief corporate governance officers – Discussion on public disclosure of corporate information & responsibility for fraud	2019.9.26	2019.9.26	Securities and Futures Institute	Alan Wang	3
Advanced seminar on practices for directors, supervisors (including independent ones) & chief corporate governance officers – Discussion on dealing with information security governance – Focused on legal practices	2019.10.17	2019.10.17	Securities and Futures Institute	Alan Wang	3

Course name	Training date		Organizer	Name of director	Training hours
	Start	End			
Presentation on effectively exercising board functions	2019.11.06	2019.11.06	TWSE	Alan Wang	3
Third-round sharing of mutual evaluations & strengthening future efforts in anti-money laundering and countering terrorism	2019.11.28	2019.11.28	Subsidiary China Life	Alan Wang	2
Presentation on effectively exercising board functions	2019.11.06	2019.11.06	TWSE	Jen-Hai Wang	3
2019 seminar on related parties & related party transactions	2019.11.18	2019.11.18	KPMG Education Foundation	Jen-Hai Wang	3
AI technology: development & business opportunities	2019.11.20	2019.11.20	CDF	Jen-Hai Wang	3
Financial services companies' corporate governance & CSR	2019.11.26	2019.11.26	Securities and Futures Institute	Jen-Hai Wang	3
Disclosure of material corporate information & responsibilities of directors and supervisors	2019.01.22	2019.01.22	Taiwan Corporate Governance Association	Hsiou-Wei Lin	3
Liability risk of fraudulent financial reporting for business operators	2019.08.06	2019.08.06	Taipei Foundation of Finance	Hsiou-Wei Lin	3
Discussion on practices and cases of FinTech & RegTech	2019.04.19	2019.04.19	Taiwan Corporate Governance Association	Tyzz-Jiun Duh	3
Advanced seminar on practices for directors, supervisors (including independent ones) & chief corporate governance officers –Impact of Sino-US trade war on Taiwanese businesses in China & responsive actions	2019.07.15	2019.07.15	Securities and Futures Institute	Tyzz-Jiun Duh	3
Analysis of disputable financial statement fraud cases by directors	2019.08.16	2019.08.16	Taiwan Corporate Governance Association	Tyzz-Jiun Duh	3
Introduction of M&A legal due diligence & commercial contracts	2019.09.27	2019.09.27	Taiwan Corporate Governance Association	Tyzz-Jiun Duh	3
Advanced seminar on practices for directors, supervisors (including independent ones) & chief corporate governance officers –Businesses and individuals' responsive strategies to implementation of economic substance regulation & global anti-tax evasion	2019.10.08	2019.10.08	Securities and Futures Institute	Tyzz-Jiun Duh	3
Information security governance: trends & challenges	2019.10.21	2019.10.21	Taiwan Corporate Governance Association	Tyzz-Jiun Duh	3
Risk-based auditing: approaches & applications	2019.01.29	2019.01.29	National Federation of CPA Associations	Hsing-Cheng Tai	3
Company Act: latest amendments & practice analysis	2019.03.08	2019.03.08	Taiwan Securities Association	Hsing-Cheng Tai	3

Course name	Training date		Organizer	Name of director	Training hours
	Start	End			
Economic substance regulation on offshore banking units & responsive measures by Taiwan-funded enterprises and individuals	2019.06.26	2019.06.26	National Federation of CPA Associations	Hsing-Cheng Tai	6
Economic substance legislation in tax havens: analysis & responsive measures	2019.07.04	2019.07.04	Corporate Operation Association	Hsing-Cheng Tai	3
Withholding business taxes & income taxes on cross-border ecommerce– Discussion of issues of taxing ecommerce transactions	2019.07.31	2019.07.31	National Federation of CPA Associations	Hsing-Cheng Tai	3
Training for supervisory personnel of trust enterprises(including on-the-job)	2019.08.24	2019.08.24	Taiwan Academy of Banking and Finance	Hsing-Cheng Tai	3
Financial services companies' corporate governance & CSR	2019.11.26	2019.11.26	Securities and Futures Institute	Hsing-Cheng Tai	3
Directors' responsibilities & risk management under latest corporate governance roadmap	2019.03.08	2019.03.08	Taiwan Corporate Governance Association	Mark Wei	3
Education & training for fair treatment of customers	2019.07.25	2019.07.25	Subsidiary China Life	Yu-Ling Kuo	1.5
Perspectives on IFRS17	2019.08.15	2019.08.15	Subsidiary China Life	Yu-Ling Kuo	3
Advanced seminar on practices for directors, supervisors (including independent ones) & chief corporate governance officers –Corporate governance & operations of board of directors	2019.08.28	2019.08.28	Securities and Futures Institute	Yu-Ling Kuo	3
Advanced seminar on practices for directors, supervisors (including independent ones) & chief corporate governance officers –AI principles and applications	2019.09.03	2019.09.03	Securities and Futures Institute	Yu-Ling Kuo	3

**Table 2 Managers' Corporate Governance Training - 2019**

December 31, 2019

Title	Name	Time	Organizer	Course	Hours
Chairman	Chia-Juch Chang	2019.09.27	Taiwan Corporate Governance Association	Introduction to corporate M&A due diligence and business contracts	3
		2019.11.26	Securities & Futures Institute	Corporate governance and corporate social responsibility – Financial institutions	3
President	Alan Wang	2019.07.25	China Life	Principles of treating clients fairly	1.5
		2019.08.15	China Life	IFRS 17	3
		2019.09.26	Securities & Futures Institute	Responsibility of corporate information disclosure and accountability of untrue disclosure	3
		2019.10.17	Securities & Futures Institute	Information security governance – A focus on practices of law	3
		2019.11.06	TWSE	Effective implementation of board functions	3
		2019.11.28	China Life	Results of third round of mutual evaluation and strengthening the task of anti-money laundering/ combating the financing of terrorism	2
Executive Vice President	Yu-Ling Kuo	2019.07.25	China Life	Principle of treating clients fairly	1.5
		2019.08.15	China Life	IFRS 17	3
		2019.08.28	Securities & Futures Institute	Corporate governance and board operation	3
		2019.09.03	Securities & Futures Institute	AI theory and application	3
		2019.10.04	TWSE	ESG investment forum	2
		2019.10.25	Securities & Futures Institute	Prevention of insider trading - 2019	3
		2019.11.22	China Life	Characteristics of Taiwanese FHCs and guidelines on transactions with interested parties	2
		2019.11.26	Securities & Futures Institute	Corporate governance and corporate social responsibility – Financial institutions	3
		2019.11.28	China Life	Results of third round of mutual evaluation and strengthening the task of anti-money laundering/ combating the financing of terrorism	2
Senior Vice President	Daw-Yi Hsu	2019.03.08	Taiwan Securities Association	Corporate governance - Latest revisions to Company Act and case study, 2019	3
		2019.09.26	CDF	Anti-money laundering and combating the financing of terrorism– Guidelines and practices	3
Senior Vice President	Mark Wei	2019.10.23	CDF	Anti-money laundering and combating the financing of terrorism– Guidelines and practices	2
Senior Vice President	Julian Yan	2019.03.08	Taiwan Securities Association	Corporate governance - Latest revisions to Company Act and case study, 2019	3
		2019.10.23	CDF	Anti-money laundering and combating the financing of terrorism– Guidelines and practices	2
		2019.11.26	Securities & Futures Institute	Corporate governance and corporate social responsibility – Financial institutions	3

Title	Name	Time	Organizer	Course	Hours
Senior Vice President	Andy Lin	2019.03.11	KGI Bank	Strengthening problem-solving ability for organizations – How leaders lead teams in charge of problem solving	3
		2019.05.09	CDF	Analysis of tax havens' economic substance laws and fund repatriation to Taiwan laws	2
		2019.11.20	KGI Bank	How to build a compliance culture in a bank and implementation thereof	1.5
		2019.11.26	Securities & Futures Institute	Corporate governance and corporate social responsibility – Financial institutions	3
		2019.12.19	CDF	5G technology– Challenges and opportunities	1
		2019.12.19	CDF	Digital finance trends	1
Senior Vice President	Richard Chang	2019.10.23	CDF	Anti-money laundering and combating the financing of terrorism – Guidelines and practices	2
		2019.11.26	Securities & Futures Institute	Corporate governance and corporate social responsibility – Financial institutions	3
Senior Vice President	Te En Chan	2019.01.10	Taiwan Academy of Banking and Finance	Enhancing tools and techniques for anti-money laundering/ countering financial crimes – The tenth international anti-money laundering seminar	7
		2019.01.16	Taipei Foundation Of Finance	Twenty-third cross-strait financial cooperation seminar	8
		2019.01.29	Taiwan Academy of Banking and Finance	2019 VIGOR seminar– Creating new business virtues and insights by growing sound practices of regulatory compliance practices	6
		2019.04.25	CDF	Guidelines on transactions with interested parties for FHCs	3
		2019.05.30	CDF	Closely held corporation vs. limited partnership	3
		2019.06.20	CDF	Revisions to Company Act in 2018 and their issues	3.5
		2019.06.28	Taiwan Academy of Banking and Finance	Cross-strait financial seminar – Practices of anti-money laundering and combating the financing of terrorism	4
		2019.09.11	Association of Certified Anti-Money Laundering Specialists, Taiwan Chapter	Globally combating the financing of terrorism and military expansion trends – How financial institutions develop an effective system for non-compliance penalty	3
		2019.11.06	Taiwan Academy of Banking and Finance	2019 compliance forum– Anti-money laundering case study	6
		2019.11.18	CDF	Who is afraid of insider trading	3
Senior Vice President	Brian Chou	2019.03.11	KGI Bank	Strengthening problem-solving ability for organizations – How leaders lead teams in charge of problem solving	3
Senior Vice President	Josephine Yang	2019.02.23	CDF	New era of personal information on the cloud – From the perspective of cloud computing, compliance and security	2
		2019.05.24	CDF	Personal information protection – Case study	2
		2019.08.23	CDF	The Payment Card Industry Data Security Standard(PCI-DSS) – Analysis and case study	2

Title	Name	Time	Organizer	Course	Hours
Vice President	S. L. Lee	2019.01.17	CDF	Global block chain – Trends and development	1.5
		2019.01.17	CDF	Automobile optoelectronics industry trends	1
		2019.01.24	CDF	2019 outlook for economy, finance and industries	3.5
		2019.08.23	CDF	2H19 economy and finance outlook and emerging industries	3
		2019.12.19	CDF	5G technology – Challenges and opportunities	1
		2019.12.19	CDF	Digital finance trends	1
Vice President	Jenny Chiang	2019.06.25	CDF	Anti-money laundering and combating the financing of terrorism – Case study, Series I	2
		2019.08.28	CDF	Guidelines on transactions with interested parties for FHCs	2
		2019.09.20	CDF	Brief introduction to compliance on anti-money laundering and combating the financing of terrorism for financial institutions	1.5
Vice President	Winnie Huang	2019.10.23	CDF	Anti-money laundering and combating the financing of terrorism– Guidelines and practices	2
		2019.11.26	Securities & Futures Institute	Corporate governance and corporate social responsibility – Financial institutions	3
Vice President	Frances Tsai	2019.03.22	CDF	Anti-money laundering and combating the financing of terrorism – Case study, Series I	3
		2019.04.24	CDF	Tax law update and profit-seeking enterprise income tax filing practices and noteworthy issues	3
		2019.04.25	CDF	Guidelines on transactions with interested parties for FHCs	3
		2019.05.09	CDF	Analysis of tax havens’ economic substance laws and fund repatriation to Taiwan laws	2
		2019.05.28	CDF	IFRSs– Financial statement analysis	4
		2019.06.20	CDF	Company Act revisions in 2018 and their issues	3.5
		2019.08.16	KGI Bank	2H19 economic outlook TEJ	2
Vice President	Kiki Shih	2019.04.24	CDF	Tax law update and profit-seeking enterprise income tax filing practices and noteworthy issues	3
		2019.05.09	CDF	Analysis of tax havens’ economic substance laws and fund repatriation to Taiwan laws	2
		2019.07.25	China Life	Principles of treating clients fairly	1.5
		2019.08.08	Accounting Research and Development Foundation	Latest major changes to Income Tax Act and Business Tax Act – Impact on business operations and measures to be taken	3
		2019.08.13	Accounting Research and Development Foundation	Practices of corporate governance –Impact of the new Labor Incident Act on enterprises and measures to be taken	3
		2019.08.15	China Life	IFRS 17	3
		2019.11.20	Accounting Research and Development Foundation	Guidelines on preparing IFRS-based financial statements – Key points and often-seen errors	3
		2019.11.27	Accounting Research and Development Foundation	U.S. Economic Espionage Act and R.O.C. Trade Secret Act – Comparison, legal obligations and case study	3
		2019.11.28	China Life	Results of third round of mutual evaluation and strengthening the task of anti-money laundering/ combating the financing of terrorism	2

Title	Name	Time	Organizer	Course	Hours
Vice President	Richard Sun	2019.02.23	CDF	New era of personal information on the cloud – From the perspective of cloud computing, compliance and security	2
		2019.04.19	CDF	JAVA security code	3
		2019.05.24	CDF	Personal information protection – Case study	2
		2019.05.24	CDF	Brief introduction to compliance on anti-money laundering and combating the financing of terrorism for financial institutions	2
		2019.07.25	CDF	KGI inside –Practitioner of financial inclusion and open banking	2
		2019.08.23	CDF	The Payment Card Industry Data Security Standard (PCI-DSS) – Analysis and case study	2
		2019.09.05	Taiwan Academy of Banking and Finance	Internet information security and financial crime prevention in an era where financial services are at one’s fingertips	3.5
Vice President	Sunny Lin	2019.03.11	KGI Bank	Strengthening problem-solving ability for organizations – How leaders lead teams in charge of problem solving	3
		2019.11.20	KGI Bank	How to build a compliance culture in a bank and implementation thereof	1.5
Vice President	Chih-Yu Chou	2019.03.29	GPT	2019 seminar on corporate governance practices	6
		2019.05.30	CDF	Closely held corporation vs. limited partnership	3
		2019.07.26	GPT	Seminar on effectiveness of and compensation for board of directors	3.5
		2019.11.26	Securities & Futures Institute	Corporate governance and corporate social responsibility – Financial institutions	3
		2019.12.19	CDF	5G technology – Challenges and opportunities	1
Vice President	Hans Tzou	2019.01.10	Taiwan Academy of Banking and Finance	Enhancing tools and techniques for anti-money laundering/ countering financial crimes – The tenth international anti-money laundering seminar	7
		2019.04.26	Securities & Futures Institute	Prevention of insider trading – 2019	3
		2019.05.24	CDF	Brief introduction to compliance on anti-money laundering and combating the financing of terrorism for financial institutions	2
		2019.05.30	CDF	Closely held corporation vs. limited partnership	3
		2019.06.17-2019.06.18	Taiwan Academy of Banking and Finance	58 <sup>th</sup> seminar for head of audit	13
		2019.07.25	CDF	KGI inside – Practitioner of financial inclusion and open banking	2
		2019.08.30	CDF	2019 audit personnel training	7
		2019.09.20	Financial Examination Bureau, FSC	FHC internal audit seminar	2

Title	Name	Time	Organizer	Course	Hours
Vice President	Marisol Wang	2019.01.09-2019.01.31	Taipei Bar Association	Labor Incident Act	12
		2019.01.24	CDF	2019 outlook for economy, finance and industries	3.5
		2019.03.17	Taiwan Academy of Banking and Finance	64 <sup>th</sup> financial information analysis and corporate business diagnosis	6
		2019.05.09	CDF	Analysis of tax havens' economic substance laws and fund repatriation to Taiwan laws	2
		2019.05.28	CDF	IFRS financial statement analysis	4
		2019.05.30	CDF	Closely held corporation vs. limited partnership	3
		2019.07.02	Taiwan Academy of Banking and Finance	Fund repatriation for industrial growth seminar	2.5
		2019.09.26	CDF	Anti-money laundering and combating the financing of terrorism – Guidelines and practices	3
		2019.10.22	CDF	Regulations Governing the Acquisition and Disposal of Assets by Public Companies– Revision highlights	2
		2019.11.18	CDF	Who is afraid of insider trading	3
		2019.11.20	CDF	AI technology development and business opportunities	3
Vice President	Chris Sun	2019.03.11	KGI Bank	Strengthening problem-solving ability for organizations – How leaders lead teams in charge of problem solving	3
		2019.11.20	KGI Bank	How to build a compliance culture in a bank and implementation thereof	1.5
Vice President	Michael Chang	2019.03.11	KGI Bank	Strengthening problem-solving ability for organizations – How leaders lead teams in charge of problem solving	3
		2019.05.09	CDF	Analysis of tax havens' economic substance laws and fund repatriation to Taiwan laws	2
		2019.05.28	CDF	IFRS financial statement analysis	4
		2019.05.30	CDF	Closely held corporation vs. limited partnership	3
		2019.06.20	CDF	Revisions to Company Act in 2018 and their issues	3.5
		2019.11.18	CDF	Who is afraid of insider trading	3
		2019.11.20	KGI Bank	How to build a compliance culture in a bank and implementation thereof	1.5
		2019.12.19	CDF	5G technology – Challenges and opportunities	1
		2019.12.19	CDF	Digital finance trend	1



### 3.4.6 CSR Implementation Status and Deviation from the “CSR Best Practice Principles for TWSE/TPEX-Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviation from the “CSR Best Practice Principles for TWSE/TPEX-Listed Companies” and Reasons
	Yes	No	Summary	
1. Does the Company follow principles of materiality - to evaluate ESG risks related to business operations and establish relevant risk management policies or strategies?	V		<p>(1) The CSR Committee at CDF disseminate materiality issue evaluation questionnaire to stakeholders to identify environmental, social and governance (ESG) issues related to business operations and integrated them into the Company's annual sustainability strategies.</p> <p>(2) The Company has established policies and regulatory compliance systems to address material issues in various kinds of business execution and assessment tasks, including ‘CSR Best Practice Principles,’ ‘Ethical Management Principles,’ ‘Ethical Corporate Management Best Practice Principles,’ ‘Corporate Governance Best Practice Principles,’ ‘Risk Management Policy,’ and ‘Cybersecurity Policy.’</p>	None
2. Implement corporate governance				
(1) Does the Company formulate CSR policies or systems and evaluate the implementation?	V		(1) The Company adopts business policies that focus on achieving "active participation of public affairs, and balancing economic, social and environmental development; business sustainability through corporate social responsibilities." For more details of the Company's CSR involvements in 2019, 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 CSR training on a regular basis?	V		(2) The Company organizes regular training courses on corporate social responsibilities to promote employees' awareness and knowledge of the relevant regulations.	
(3) Does the Company have a unit that specializes (or is involved) in CSR practices? Does the Board authorize the senior management to operate the unit and required them to report regularly to the Board on the progress?	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.	

Evaluation Item	Implementation Status			Deviation from the “CSR Best Practice Principles for TWSE/TPEX-Listed Companies” and Reasons
	Yes	No	Summary	
(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 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.	
3. Environmental topics (1) Does the Company endeavor to utilize all resources more efficiently and uses renewable material with low environmental impact? (2) Does the Company establish proper environment management systems based on the characteristics of the industry? (3) Does the Company assess climate-related risks and opportunities now and going forward? (4) Has the Company collected data for greenhouse gas emissions, water usage and waste quantity in the past two years,	V V V V		(1) As a financial service provider, the Company abides by international environment management systems and is dedicated to increasing the efficiency of using various recourses. In 2018, the Company adopted the ISO 50001 energy management system and received certification effective for three years. (2) Long dedicated to environmental sustainability, the Company introduced ISO 14001 environmental management system in 2015, and developed 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. In 2018, the ISO 14001 certificate was renewed for three years. (3) CDF assesses the impact of climate-risk on business operation and asset portfolios, identifies potential opportunities and constructs response strategies. It requires scenario analysis, using different impact evaluation models to identify the potential direct impacts of climate change on their physical assets and take mitigating action , such as reducing the overall credit exposure in a high-risk region through adjusting guarantee percentages or shortening the loan term to ensure long-term sustainability“ (4) In pursuit of the Paris Climate Accord’s vision of a low carbon planet and to comply with international environmental management systems, the Company has been tracking its GHG emissions, water consumption, and waste quantity	None

Evaluation Item	Implementation Status			Deviation from the “CSR Best Practice Principles for TWSE/TPEX-Listed Companies” and Reasons
	Yes	No	Summary	
and set policies for energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management?			data in the last three years and releases the data in CSR Report as a foundation for advancing the management of a variety of emission reduction and energy saving disclosures. The Company’s energy conservation and carbon reduction strategies as part of its CSR commitment include, a 2.5% reduction of GHG emissions a 2.5% reduction of electricity consumption, and a 2% reduction of water consumption, as well as expanding coverage of waste inventory to at least 38% by 2020 (base year 2016) .	
<p>4. Social topics</p> <p>(1) Does the Company develop its policies and procedures in accordance with laws and International Bill of Human Rights?</p> <p>(2) Has the Company established appropriate employee welfare measures, including compensation, leave and other benefits), and linked operational performance or achievements with employee salary and compensation?</p> <p>(3) Does the Company provide employees with a safe and healthy work</p>	V		<p>(1) The Company protect the rights and interests of employees by: (1) providing Labor Insurance and National Health Insurance coverage; (2) providing group insurance and physical examinations; (3) maintaining a pension system that complies with the Company's Employee Retirement Guidelines and the Labor Pension Act; and (4) establishing an employee welfare committee to be in charge of range of benefits. Human rights protection measures to raise awareness for all employees include an ongoing advocacy for gender equality, sexual harassment prevention, personal data protection, workplace safety, etc. CDF recognizes and strives to comply with the principles declared in international human rights bills. The CDF Human Rights Commitment applies to not only the parent company but also to all subsidiaries. The full version of the Commitment is available at:  <a href="https://www.cdibh.com/en/CSR/Governance/CorporateGovernanceRegulations">https://www.cdibh.com/en/CSR/Governance/CorporateGovernanceRegulations</a></p> <p>(2) CDF provides employees with a comprehensive welfare program, including compensation, leave and other benefits). The Company determines employees’ compensation and cash bonus based on operating results and individual performance objectives to align employees’ interests with those of CDF, so as to achieve a win-win situation for the employees, the Company and shareholders.</p> <p>(3) The Company take the following measures to ensure employees' safety and health in the work environment:</p>	None

Evaluation Item	Implementation Status			Deviation from the “CSR Best Practice Principles for TWSE/TPEX-Listed Companies” and Reasons
	Yes	No	Summary	
environment? Are employees provided with regular safety and health training?	V		<p>A.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, as well as regular cleaning of water storage tanks and air-conditioning cooling towers.</p> <p>B.Provision of group insurance coverage and physical examination. In addition, all main subsidiaries engage professional nurses and contractual 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.</p> <p>C.In accordance to regulations, 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.</p> <p>D.Strict access control: All headquarters are equipped with 24-hour security service with guards who routinely engage in safety patrol, prevent illegal intrusion and ensure the personal security of employees.</p>	
(4) Does the Company provide its employees with career development and training session?	V		<p>(4) 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 Department 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.</p>	
(5) Do the Company’s products and services comply with related regulations and international rules for customers’ health and safety, privacy, sales, labelling and set consumer protection policies and appeal procedures?	V		<p>(5) Customer privacy in connection with all financial products and services offered by CDF are protected in accordance with the Financial Consumer Protection Act and Personal Information Protection Act and relevant international standards. KGI Bank and KGI Securities promote “Financial Services Industry Principles for Fair Treatment Customers” to enhance employees’ understanding of consumer protection and to be in compliance</p>	

Evaluation Item	Implementation Status			Deviation from the "CSR Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons
	Yes	No	Summary	
(6) Does the Company set supplier management policy and request suppliers comply with related standards on environmental, occupational safety and health or labor rights topics, and their implementation status?	V		with related laws and regulations. In addition, a comprehensive "Guidelines for Handling Consumer Complaints and Disputes" and a Customer Complaint Resolution Process (CCRP) platform have been established to record and analyze the category, content, cause, handling procedure, processing time, and corrective actions of all customer suggestions.  (6) CDF's Supplier CSR Guidelines calls on suppliers to commit to upholding standards on environmental, occupational safety and health, and workers' rights issues. In 2019, CDF's CSR Commitment Letter was signed by all suppliers with single-contract procurement value of over NT\$1,000,000, and all suppliers with procurement value worth over NT\$200,000. The Company received the 2018 Private Sector Green Procurement certificate from the EPA, and the 2019 Private Sector Green Procurement Award from the Department of Environmental Protection of the Taipei City Government.	
5. Does the Company refer to international reporting rules or guidelines to publish the CSR Report to disclose non-financial information of the Company? Has the said Report acquired 3rd-party verification or statement of assurance?	V		The Company's "2019 CSR Report," published in 2020, was prepared in accordance with the core criteria of GRI standards issued by the Global Sustainability Standards Board (GSSB), and was granted Type 2-AA1000 Assurance Standard accountability verification by BSI.	None
6. If the company has established CSR principles in accordance with "CSR Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None				
7. Other information material to the understanding of corporate responsibility fulfillments: See Categories 1-4 above.				

### 3.4.7 Implementation of Ethical Corporate Management and Deviation and Causes of Deviation from Ethical Corporate Management Best Practice Principles

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles (Note 2)
	Yes	No	Summary	
<p>1. Establishment of ethical corporate management</p> <p>(1) Does the Company establish and disclose ethical corporate management policies and procedures that have been approved by the Board in its guidelines and external documents, as well as the commitment from its Board and high-ranking management to implement the policies?</p>	V		<p>(1) On November 23, 2015, the Board approved the Company's "Ethical Corporate Management Best Practice Principles" and proposed for resolution in the 2016 shareholder meeting (amendments were made in March 2020 to be proposed for resolution at the 2020 Annual General Shareholders 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.</p>	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 establish mechanisms to evaluate risks of unethical conduct for regular monitoring and analysis of operating activities that could give rise to higher risks of unethical conduct, as well as preventive policies that at least cover all the unethical conduct stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		(2) The Company revised its "Ethical Corporate Management Best Practice Principles" in March 2020 by adding a new mechanism for assessing risks of unethical conduct, and corresponding preventive action plans. The amendments will be presented to the Company's Ethical Corporate Management Committee and the Board for review in the second half of 2020.	
(3) Does the Company establish appropriate operating procedures, action guidelines, penalties and appeal systems for preventing unethical conduct, and review the aforementioned procedures and systems on a regular basis?	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.	

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles (Note 2)
	Yes	No	Summary	
<p>2 Implementation of Ethical Business Conduct</p> <p>(1) Does the Company evaluate the ethical records of all counterparties? Are there any integrity clauses in the contracts it signs with business partners?</p> <p>(2) Does the Company have a dedicated unit which promotes corporate ethical management, and reports the implementation to the Board of Director regularly?</p>	V		<p>(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.</p> <p>(2) The Company established an Ethical Corporate Management Committee in October 2019 to take care of the establishment and execution of policies related to business integrity and prevention of unethical conduct. The committee held its first meeting in December 2019 and approved the guidelines for Board directors and high-ranking management on ethical business management. Board directors and high-ranking managers signed a statement attached to the guidelines in February 2020, alongside the establishment of an internal reporting system. The committee shall report to the Board in the first quarter of each year about the actual implementation of the guidelines, including arrangement of relevant training and education programs.</p>	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 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.	
(4) Has the Company established effective accounting and internal control systems for the implementation of corporate ethical management? Are these systems reviewed by internal or external auditors on a regular basis?	V		(4) The Company has established effective accounting policies and internal control systems to ensure business integrity. According to the Company's " Ethical Corporate Management Best Practice Principles," the Internal Audit Department is required to conduct general audits at least once a year, and special audits (finance, risk management, or compliance-related) at least once every six months on the Company and its subsidiaries. The Internal Audit Department also conducts regular checks on subsidiaries with regards to their establishment, execution and compliance of business integrity principles.	

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles (Note 2)
	Yes	No	Summary	
(5) Does the Company organize internal or external training on a regular basis to enforce business integrity?	V		<p>The Company revised its "Ethical Corporate Management Best Practice Principles" in March, 2019 by adding a new mechanism for assessing risks of unethical conduct. The new risk assessment mechanism, including action plans for preventing unethical business conduct, will be presented to the Ethical Corporate Management Committee and the Board for review in the second half of 2020. The internal auditing units of the Company will formulate and carry out audit plans based on the results of unethical conduct assessments.</p> <p>(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.</p> <p>The Company produced internal training materials that fully encompass the Ethical Corporate Management Best Practice Principles in 2019 to inform all employees of the importance of business integrity and how they could help achieve business integrity. The business integrity online training program was completed by 13,052 employees in 2019, which demonstrated great learning results with 100% completion rate. All employees signed a compliance statement at the end of the program.</p>	

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles (Note 2)
	Yes	No	Summary	
<p>3. Status of Whistleblowing system</p> <p>(1) Does the Company provide incentives and means for employees to report misconducts? Has the Company assigned dedicated personnel to investigate the reported misconducts?</p> <p>(2) Has the Company implemented any standard procedures or confidentiality measures for handling reported misconducts?</p> <p>(3) Has the Company provided proper whistleblower protection?</p>	V		<p>(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.</p> <p>(2) The Company would assign dedicated persons to investigate the reported misconduct, the process and details of which would be kept confidential, and access to information would be restricted. The investigation results will be presented to the Company's Ethical Corporate Management Committee or Audit Committee depending on the job level of the person that is allegedly involved in business misconduct. A written notice on the handling of the case will be delivered to the informant. The internal control system and operating procedures of the unit in question will be reviewed to prevent the re-occurrence of the same unethical behavior in the future if the allegation stands true.</p> <p>(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.</p>	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/CorporateGovernanceRegulations>) 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/CorporateGovernanceOperation>

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 Implementation Rules of Internal Control and Audit Systems of Financial Holding Companies and Banking Industry, from January 1, 2019 to December 31, 2019, the Company established an internal control system, performed risk management, and was audited by an detached 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 as an integral part of the Company's annual report and prospectus, and shall be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

To:

Financial Supervisory Commission, R.O.C

Stated by

Chairman: Chia-Juch Chang

President: Daw-Yi Hsu

Chief Auditor: Hans Tzou

Compliance Officer: Te En Chan

Dated: March 30, 2020

### Plan for improving internal controls as of end-2019

Area for improvement	Details	Estimated time of completion
<b>KGI Bank</b>		
Violated items of Taipei City Government labor inspection 1. Workers extended working hours and female workers work at night without union consent 2. Workers were not paid for extended working hours 3. Workers' normal working hours and extended working hours totalled 13.5 hours per day	KGI Bank has obtained the union's agreement to extend working hours on June 13, 2019, and has strengthened the promotion of the relevant provisions of the Labor Standards Law.	Completed
Need to optimize the warning function of Anti-Money laundering/countering the financing of terrorism system: “A large number of customer registrations at the same address, frequent changes of occupants, or the address is not the real residential address”	The manufacturer and the Information Technology Dept. have been engaged to correct the program.	To be completed by March 2020
<b>China Life</b>		
When assessing risks of Anti-Money laundering/ financing of terrorism for clients' new insurance contracts, the calculation system was not set properly and caused underestimation of the clients' risk rating. It is not conducive to implementation for high-risk customers, should strengthen the review operation	The setting of risk scoring system has been adjusted for new contracts.	Completed
For customers who are at high Anti-Money laundering risk, China Life does not actually understand the source of their funding.	The Reviewing Table of high-risk customers has been adjusted.	Completed
When policyholder is the owner or employee of a legal person, China Life does not check i authorization, sources for premium payment, and related records	Revised the specifications and strengthen the control and evaluation mechanism for legal-person policyholders.	Completed
When BOD discussed the cases which has conflict interest with directors, the directors did not recuse from voting. The cases also did not provide evidence that the terms were not better than otherss, and relevant facts related to the transaction were not include in the board meeting minutes.	Revised the specifications and strengthen the inspection mechanism.	Completed
The prevention of conflicts of interest for equity investment was not declared on time.	Revised the application checklist, strengthen the checkup mechanism.	Completed
OIU did not properly verify the suspicious lists when assessing Anti-Money laundering.	Revised the specification and review form of the operation manual, and strengthen the process of identity confirmation.	Completed
The IT system is not designed properly to identify and evaluate customers' money laundering and terror risk risks, which is detrimental to the control of money laundering risks.	Revised the assessment of customer risk factors for online insurance.	Completed

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

None

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

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

None

2. **Any penalties, either in the form of fines imposed by the Financial Supervisory Commission (FSC) for violations of laws and regulations, or deficiencies reprimanded by the FSC, or penalties imposed by the FSC in accordance with Paragraph 1, Article 54 of the Financial Holding Company Act, or other penalties imposed by the Company for violations of its internal control systems, that could substantially affect shareholders' rights or the Company's share price should be disclosed in detail, including the nature of the case and the status of improvement:**

Nature of case and fines amount	Status of the Improvement
<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 Bao Shou 10804545442 dated July 3, 2019</p> <p>In a general business inspection performed by the FSC, subsidiary China Life Insurance was found to have:</p> <ol style="list-style-type: none"> <li>1. Failed to exercise due diligence in confirming whether an applicant of group insurance, usually a legal person or</li> </ol>	<p>China Life Insurance made the following improvements:</p> <ol style="list-style-type: none"> <li>1. Revised the insurance purpose and premium funding legality assessment mechanisms for group insurance.</li> <li>2. Strengthened the regulations</li> </ol>



Nature of case and fines amount	Status of the Improvement
<p>responsible person of a company or group, is authorized by group members or employees to enter into an insurance contract on their behalf, and failed to verify the legality of premium funding and document the application reviewing process.</p> <p>2. Failed to ask directors to recuse themselves in Board discussions and voting concerning their interests, and failing to provide evidence that transaction terms no better than other comparable counterparts were presented to the Board during the decision making process, and failed to disclose detailed facts about the transaction in Board meeting minutes.</p> <p>Fines totaling NT\$1,500,000 were imposed.</p>	<p>concerning the review of stakeholder proposals to the Board.</p>

**3. 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**

- (1) Trader at KGI Bank executed unapproved transactions and failed to follow normal procedures, resulting in loss of NT\$238.799 million
- (2) A syndicated loan customer in Hong Kong failed to make repayments within the grace period. KGI Bank has recognized the bad debt in full, resulting in loss of NT\$547.371 million.

**4. 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 2018 Business Report, financial statements and consolidated financial statements, and relevant books and reports as proposed	Reported the resolution to regulatory authorities (pursuant to Company Act, Financial Holding Company Act and other relevant laws and regulations) and announced publicly.
2. Acceptance of 2018 earnings distribution plan as proposed	The cash dividends were allocated on July 31, 2019.
3. Approval of cash distribution from capital reserve as proposed	Cash distributed on July 31, 2019
4. Approval of amendments to "Articles of Incorporation" as proposed	Amended Articles of Incorporation on June 14, 2019, and registered with the Ministry of Economic Affairs on June 25, 2019 and obtained approval letter from the Ministry of Economic Affairs on September 4, 2019.
5. Approval of amendments to "Procedures for Acquisition or Disposal of Assets" as proposed	Amended "Procedures for Acquisition or Disposal of Assets" on June 14, 2019.
6. Approval of election of 7th Board of Directors as proposed	The list of elected board members had been published on Market Observation Post System as required, and it had been registered with the Ministry of Economic Affairs on June 25, 2019 and obtained the approval letter from the Ministry on September 4, 2019.
7. Approval of removal of non-compete restrictions on directors (including corporate directors and their juristic representatives) as proposed	The resolution would be effective upon passage in the shareholders' meeting.

#### 2. Important resolutions of board meetings

##### (1) 43<sup>th</sup> board meeting of the 6<sup>th</sup>-term board on March 25, 2019

- resolution for 2018 Statement on Internal Control System
- resolution for the date, time and venue of the 2019 AGM, the book closure period and acceptance of shareholders' proposals
- resolution for 2019 AGM to elect nine directors (including three independent directors) for 7th-term Board of Directors
- resolution for amendments to the "Articles of Incorporation"
- resolution for 2018 distribution for employee's compensation and directors' remuneration
- resolution to participate capital raising plan of China Life Insurance Co., Ltd ("China Life") by cash

- (2) 45<sup>th</sup> board meeting of the 6<sup>th</sup>-term board on April 29, 2019**
- resolution for mergers of four companies (CDAMC, DIBAMC, CH3AMC and CH4AMC)
  - resolution for 2018 Business Report, financial statements, consolidated financial statements and relevant books and reports
  - resolution for 2018 earnings distribution plan
  - resolution for cash distribution from capital reserve
  - resolution for the list of director candidates proposed by shareholders and review the qualifications of each independent director candidates
  - resolution to release non-competition restrictions for directors of the board (including independent directors)
  - resolution for 2019 general shareholders' meeting agenda
- (3) 1<sup>st</sup> board meeting of the 7<sup>th</sup>-term board on June 14, 2019**
- Election of the chairman of the 7<sup>th</sup>-term Board of Directors
  - resolution for appointment of the members of the 21<sup>st</sup>-term Board of Directors of CDIB Capital Group
  - resolution for appointment of the members of the 11<sup>th</sup>-term Board of Directors of KGI Bank
  - resolution for appointment of the members of the 12<sup>th</sup>-term board of KGI Securities
  - resolution for appointment of the members of the 4<sup>th</sup>-term Remuneration Committee
- (4) 2<sup>nd</sup> board meeting of the 7<sup>th</sup>-term board on June 14, 2019**
- resolution for appointment of the members of 3<sup>rd</sup> Corporate Social Responsibility Committee
- (5) 3<sup>rd</sup> board meeting of the 7<sup>th</sup>-term board on June 24, 2019**
- resolution for appointment of members of Risk Management Committee
  - resolution for 2018 director remuneration distribution plans
  - resolution for appointment of the members of the 6<sup>th</sup>-term Board of Directors / Supervisor of CH3AMC
- (6) 4<sup>th</sup> board meeting of the 7<sup>th</sup>-term board on July 29, 2019**
- resolution for increasing the number of directors on the board of CDIB Capital Group
- (7) 5<sup>th</sup> board meeting of the 7<sup>th</sup>-term board on August 26, 2019**
- resolution for renewal of Directors' and Officers' Liability Insurance for 2019 (September 2, 2019 – September 2, 2020)
- (8) 6<sup>th</sup> board meeting of the 7<sup>th</sup>-term board on October 1, 2019**
- resolution for appointment of members for 1<sup>st</sup> Ethical Corporate Management Committee
  - resolution for appointment of the members of the Board of Directors of CDIB Capital

Group

**(9) 7<sup>th</sup> board meeting of the 7<sup>th</sup>-term board on October 28, 2019**

- resolution for appointment of the members of the Board of Directors of KGI Securities
- resolution to release non-competition restrictions for directors of the board

**(10) 8<sup>th</sup> board meeting of the 7<sup>th</sup>-term board on November 25, 2019**

- resolution for appointment of the members of the Board of Directors of CDIB Capital Group
- resolution for appointment of the members of Risk Management Committee

**(11) 10<sup>th</sup> board meeting of the 7<sup>th</sup>-term board on December 30, 2019**

- resolution for 2020 budget report, projected comprehensive income statement and projected balance sheets
- resolution for 2020 annual auditing plan
- resolution for appointment of the members of 1<sup>st</sup> Strategy Committee

**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, Auditing and Corporate Governance in the most recent year up to the publication date of this annual report:**

March 31, 2020

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
President & CEO	Alan Wang	2018.01.03	2020.03.04	Retired

### 3.5 Information Regarding CDF's Audit Fee and Independence

#### Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Mei-Hui Wu	Cheng-Hung Kuo	2019.01.01~ 2019.12.31	(Note)
	Mei-Hui Wu	Kwan-Chung Lai		

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000		-	1,635	1,635
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		6,700	-	6,700
5	NT\$8,000,001 ~ NT\$10,000,000		-	-	-
6	Over NT\$10,000,000		-	-	-

**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 (Note1)		Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
				System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Mei-Hui Wu	Cheng-Hung Kuo	6,700	-	-	-	1,635	1,635	2019.01.01~ 2019.12.31	(Note2)
	Mei-Hui Wu	Kwan-Chung Lai								

Note1: Due to the internal work adjustment in Deloitte & Touche was changed in the second quarter of 2019.

Note2: None-audit fees include fees for conducting ISAE 3000 Limited Assurance for 2018 CSR Report, 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

Due to the internal work adjustment in Deloitte & Touche, the CPA was changed from Mei-Hui Wu and Chaeng-Hung Kuo to Mei-Hui Wu and Kwan-Chung Lai in the second quarter of 2019.

### 3.7 Audit Independence

CDF's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in CDF's independent auditing firm or its affiliates during 2019:

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	2019		As of March 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Chi Jie Investment Co., Ltd.	0	0	0	0
	Representative Chia-Juch Chang	0	0	0	0
Director	Chi Jie Investment Co., Ltd.	0	0	0	0
	Representative Yu-Ling Kuo	0	0	0	0
Director	Jing Hui Investment Co., Ltd. (Major shareholders with over 1% shareholding.)	180,000,000	89,000,000	0	9,000,000
	Representative Jen-Hai Wang	0	0	0	0
Director	Jing Hui Investment Co., Ltd. (Major shareholders with over 1% shareholding.)	180,000,000	89,000,000	0	9,000,000

Title	Name	2019		As of March 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
	Representative Shan-Jung Yu	0	0	0	0
Director	GPPC Chemical Corp.	0	0	0	0
	Representative Lionel de Saint-Exupery	0	0	122,628	0
Director	Paul Yang	1,073,671	(5,700,000)	306,203	0
Independent Director	Hsiou-Wei, Lin	0	0	0	0
Independent Director	Tyzz-Jiun Duh	0	0	0	0
Independent Director	Hsing-Cheng Tai	0	0	0	0
Acting President	Daw-Yi Hsu	0	0	48,710	0
Senior Executive VP	Yu-Ling Kuo	0	0	391,943	0
Executive VP	Mark Wei	0	0	0	0
Legal Dept. Executive VP	Julian Yan	47,194	0	82,714	0
Finance Dept. and Operations and Corporate Services Dept. Executive VP	Andy Lin	110,608	0	(193,823)	0
Corporate Strategy and Planning Dept. Executive VP	Richard Chang	26,815	0	21,077	0
Compliance Dept. Executive VP	Te En Chan	17,000	0	5,000	0
Information Technology Dept. Executive VP	Josephine Yang	0	0	0	0
FinTech & New Financial Service Dept. Executive VP	Brian Chou	0	0	0	0
Risk Management Dept. Executive VP	Winnie Huang	0	0	0	0

Title	Name	2019		As of March 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Human Resources Dept. Executive VP	Jenny Chiang	0	0	0	0
Secretariat, Board of Directors Executive VP	Chih Yu Chou	0	0	0	0
Research Dept. Executive VP	S. L. Lee	0	0	0	0
Internal Audit Dept. Chief Auditor	Hans Tzou	0	0	0	0
Information Security Dept. Executive VP	Richard Sun	0	0	0	0
Executive VP	Reddy Wong	(322,333)	(200,000)	410,459	0
Executive VP	William Fang	4,130	0	307,719	0
Executive VP	Vincent Hung	0	0	23,980	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	Marisol Wang	0	0	0	0
Executive VP	Chris Sun	0	0	0	0
Executive VP	Michael Chang	0	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	Alex Hung	0	0	0	0
SVP	Lian Yin Li	0	0	0	0
SVP	Sharol Lin	0	0	0	0
SVP	Shu Ling Yang	0	0	0	0



Title	Name	2019		As of March 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
SVP	Christy Lin	0	0	33,951	0
SVP	Sandra Yao	90,000	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	Patrick Huang	0	0	0	0
SVP	Shelly Chang	0	0	0	0
SVP	Jason Wang	0	0	0	0
SVP	Connie Liu	0	0	0	0
SVP	David Chi	0	0	0	0
SVP	Justin Wu	0	0	0	0
VP	Willy Lu	0	0	0	0
VP	Chien Ping Lin	18,526	0	0	0
VP	Jessica Chen	0	0	0	0
VP	Daphne Chuang	0	0	0	0
VP	Wen Chiao Chang	0	0	0	0
VP	Amy Wang	0	0	0	0
VP	Chris Chiang	0	0	0	0
VP	Fanny Lin	25,000	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	58,437	0	0	0
VP	Hui Ju Huang	(24,000)	0	(9,000)	0

Title	Name	2019		As of March 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
VP	Yi Wen Lin	0	0	0	0
VP	Kevin Hsu	0	0	0	0
VP	Felicia Kuo	0	0	0	0
VP	Daisy Wu	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
VP	Jason Yeh	0	0	0	0
VP	Eveline Lu	0	0	0	0
VP	Eddie Chang	0	0	0	0
VP	Joanne Chien	0	0	0	0
VP	Sophia Liou	0	0	0	0
VP	Elsa Wang	0	0	0	0
VP	Chia Hui Lee	0	0	0	0
VP	Yen Ling Lai	0	0	40,464	0
VP	Gina Fang	0	0	0	0
VP	Bee Jane Hsu	97,727	0	0	0
VP	Mike Tsai	0	0	0	0
VP	Sandy Lu	0	0	0	0
VP	Jerry Li	0	0	0	0
VP	Ya-shin Liu	0	0	0	0
VP	Angel Wei	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

Title	Name	2019		As of March 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
VP	Tsui Huan Peng	0	0	0	0
VP	Paul Yen	0	0	0	0
VP	Jia Cian Tai	0	0	0	0
VP	Shan Yuan Hung	0	0	0	0
VP	Wendy Wei	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
VP	Tsung Pin Huang	85,115	0	0	0
VP	Fan Wang	0	0	0	0
VP	Hank Wang	0	0	0	0
VP	Cynthia Chen	(40,000)	0	0	0
VP	Rhoda Yang	0	0	0	0
VP	Caroline Ho	0	0	0	0
VP	Harriet Tsai	0	0	0	0
VP	Jen LungLai	0	0	0	0
VP	Shouh-Jiunn Gau	0	0	0	0
VP	Robert Liu	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 14, 2020

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	205,040,426	1.37	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 Yu-Ling Kuo	391,943	0.00	0	0.00	0	0.00	None	None	
Cathay Life Insurance CO., Ltd.	225,031,500	1.50	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	222,026,959	1.48	0	0.00	0	0.00	None	None	
Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	206,475,073	1.38	0	0.00	0	0.00	None	None	
Shin Wen Investment Co., Ltd	480,252,192	3.21	0	0.00	0	0.00	Jing Kwan Investment Co., Ltd.	With the same person as the representative	
Representative Chin-Lung Tseng	400,000	0.00	0	0.00	0	0.00			
Jing Kwan Investment Co., Ltd.	416,881,377	2.78	0	0.00	0	0.00	Shin Wen Investment Co., Ltd	With the same person as the representative	
Representative Chin-Lung Tseng	400,000	0.00	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	263,526,938	1.76	0	0.00	0	0.00	None	None	
Labor Pension Fund	220,502,435	1.47	0	0.00	0	0.00	None	None	

**3.10 Shares jointly held by CDF, subsidiaries, CDF's directors, managers, and directly/indirectly controlled entities on any single investee. Calculate shareholding percentage in aggregate of the above parties**

December 31, 2019

Affiliated Enterprises (Note 1)	Held by CDF (Note 2)		Held by Directors, Supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Shares	%	Shares	%	Shares	%
CDIB Capital Group	2,041,115,913	100.00	0	0.00	2,041,115,913	100.00
KGI Securities	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
AMC	213,360,000	100.00	0	0.00	213,360,000	100.00
China Life Insurance	1,167,854,432	26.16	394,180,746	8.84	1,562,035,178	35.00
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
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	60,233,334	46.33	60,233,334	46.33

Affiliated Enterprises (Note 1)	Held by CDF (Note 2)		Held by Directors, Supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Shares	%	Shares	%	Shares	%
CDIB Biomedical Venture Capital Corporation	0	0.00	75,000,000	42.86	75,000,000	42.86
CDIB & Partners Investment Holding Corporation	0	0.00	367,200,000	33.66	367,200,000	33.66
CDIB Bioscience Venture Management (BVI), Inc.	0	0.00	112,500	30.00	112,500	30.00
Global Corporation	0	0.00	87,958,558	22.07	87,958,558	22.07
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 14, 2020

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
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

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (NT\$'000)	Shares	Amount (NT\$'000)	Sources of Capital	Other
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. 1020052073 issued by FSC dated December 26th, 2013
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
February 2019	10	20,000,000,000	200,000,000,000	14,963,380,959	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
May 2019	10	20,000,000,000	200,000,000,000	14,965,982,132	149,659,821,320	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
October 2019	10	20,000,000,000	200,000,000,000	14,966,372,132	149,663,721,320	Change employee stock option issuance to common shares.	Decree No. 1020052073 issued by FSC dated December 26th, 2013
March 2020	10	20,000,000,000	200,000,000,000	14,968,438,026 (Note)	149,684,380,260	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 March 25, 2020



## B. Type of Stock

April 14, 2020

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	14,968,438,026 (Note)	5,031,561,974	20,000,000,000	Listed Stocks
Preferred Shares	0	0	0	

Note: Registration change approved by Ministry of Economic Affairs on March 25, 2020

### 4.1.2 Status of Shareholders

April 14, 2020

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	11	15	1,007	563,816	1,321	566,170
Shareholding (shares)	93,742	1,287,593,129	2,898,113,215	7,045,366,027	3,739,931,486	14,971,097,599 (Note)
Percentage	0.00	8.60	19.35	47.07	24.98	100.00

Note: Total shares pending for change registration (included new shares issued by exercised employee stock options): 2,659,573 shares

### 4.1.3 Shareholding Distribution Status

#### A. Common Shares

April 14, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	180,442	32,952,241	0.22
1,000 ~ 5,000	195,481	471,109,506	3.15
5,001 ~ 10,000	68,849	516,872,418	3.45
10,001 ~ 15,000	35,098	426,281,864	2.85
15,001 ~ 20,000	19,688	353,138,969	2.36
20,001 ~ 30,000	23,102	569,661,624	3.81
30,001 ~ 50,000	19,030	739,808,708	4.94
50,001 ~ 100,000	13,799	967,539,003	6.46
100,001 ~ 200,000	6,208	847,695,251	5.66
200,001 ~ 400,000	2,543	699,763,135	4.67
400,001 ~ 600,000	737	361,070,937	2.41
600,001 ~ 800,000	299	206,847,699	1.38
800,001 ~ 1,000,000	178	161,581,861	1.08
1,000,001 or over	716	8,616,774,383	57.56
Total	566,170	14,971,097,599 (Note)	100.00

Note: Total shares pending for change registration (included new shares issued by exercised employee stock options): 2,659,573 shares

## B. Preferred Shares

April 14, 2020

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

### 4.1.4 List of Major Shareholders

April 14, 2020

Shareholder's Name	Shareholding	
	Shares	Percentage
Bank of Taiwan	286,941,073	1.92
Government of Singapore	205,040,426	1.37
China Life Insurance Co., Ltd.	562,468,259	3.76
Cathay Life Insurance Co., Ltd.	225,031,500	1.50
Norges Bank	222,026,959	1.48
Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	206,475,073	1.38
Shin Wen Investment Co., Ltd.	480,252,192	3.21
Jing Kwan Investment Co., Ltd.	416,881,377	2.78
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	263,526,938	1.76
Labor Pension Fund	220,502,435	1.47

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

Unit: NT\$

Items		2018	2019	Year to date (as of March 31, 2020) (Note 8)	
Market Price per Share (Note 1)	Highest	11.70	10.30	9.89	
	Lowest	9.46	8.92	6.90	
	Average	10.67	9.60	8.97	
Net Worth per Share (Note 2)	Before Distribution	10.97	12.85	-	
	After Distribution	10.66	(Note 9)	-	
Earnings per Share	Weighted Average number of Shares		14,480,026,193	14,548,414,387	14,598,831,765
	EPS (Note 3)	Before Adjustment	0.54	0.88	-
		After Adjustment	0.54	0.88	-
Dividends per Share	Cash Dividends		0.30	0.60(Note 9)	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-	-
Return on Investment	Price / Earnings Ratio (Note 5)		19.76	10.91	-
	Price / Dividend Ratio (Note 6)		35.57	16.00(Note 9)	-
	Cash Dividend Yield Rate (Note 7)		2.81%	6.25%(Note 9)	-

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

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

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

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

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

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

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

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

Note 9: Distribution for earnings in 2019 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\$8,982,658,559 (NT\$0.6 per share)

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

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

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

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

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

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

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

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

The employee's compensation and directors' remuneration is set aside at the rates no less than 1% and no higher than 1% respectively, of pretax profit before deducting employees' compensation and directors' remuneration. In the event the amount estimated by the Board 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\$127,000,000 in cash compensation to employees and NT\$126,000,000 in remuneration to directors, both identical to the figures stated in the 2019 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 2018 as approved by the shareholders' meeting did not differ from the financial statement in 2018; NT\$80,000,000 was distributed as employee compensation and NT\$79,000,000 as remuneration to directors.

#### 4.1.9 Buyback of Treasury Stock

##### Status of CDF's treasury stock buyback (in progress)

March 31, 2020

Treasury stocks: Batch Order	16 <sup>th</sup> Batch
Purpose of buyback	To maintain the Company's credit and shareholders' equity and the shares so purchased are cancelled.
Type of shares to be bought back	Common shares
Upper limit of the buyback value	NT\$1,500,000,000
Planned duration of buyback	2020.03.19~2020.05.18
Planned amount of buyback	150,000 lots of 1,000 shares
Price range for the buyback	7.60~10.00
Type and amount of shares already bought back	Zero shares of common stock
Value of the shares already bought back	-
Ratio of shares bought back to the planned buyback (%)	-

## 4.2 Corporate Bonds

Corporate Bond Type		2014 Unsecured Corporate Bonds, Phase I	2015 Unsecured Corporate Bonds, Phase I
Issue date		March 30, 2015	September 15, 2015
Denomination		NT\$1,000,000	NT\$1,000,000
Issuing and transaction location		N/A	N/A
Issue price		Issue by denomination	Issue by denomination
Total price		NT\$6,000,000,000	NT\$2,000,000,000
Coupon rate		1.42%, fixed	1.37%, fixed
Tenor		5 year Maturity: March 30, 2020	5 years Maturity: Sep 15, 2020
Guarantee agency		None	None
Consignee		Trust Department, Taishin International Bank	Trust Department, Taishin International Bank
Underwriting institution		N/A	N/A
Certified lawyer		Rich Lin, LCS & Partners	Rich Lin, LCS & Partners
CPA		Deloitte & Touche Mei-Hui Wu and Cheng-Hung Kuo	Deloitte & Touche Yi-Chun Wu and Cheng-Hung Kuo
Repayment method		Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding principal		NT\$6,000,000,000	NT\$2,000,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause		None	None
Whether included as eligible capital		No	No
Name of credit rating agency, rating date, rating of corporate bonds		Rating agency: Taiwan Rating Co., Ltd. Rating date: March 16, 2015 Credit rating: twA+	None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A	N/A
	Issuance and conversion (exchange or subscription) method	N/A	N/A
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None
Transfer agent		None	None

As of the publication date March 31, 2020, the 1st unsecured bond issued in 2014 in the amount of TWD\$6 billion has matured. The Board has approved and the Company will proceed with new debt issuance in accordance with applicable regulations.

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 Mei-Hui Wu and Cheng-Hung Kuo	Deloitte & Touche Mei-Hui Wu and Cheng-Hung Kuo	Deloitte & Touche Mei-Hui Wu and Cheng-Hung Kuo
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
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	2019 Unsecured Corporate Bonds, Phase I	2019 Unsecured Corporate Bonds, Phase I
Issue date	August 8, 2019	August 8, 2019
Denomination	NT\$1,000,000	NT\$1,000,000
Issuing and transaction location	N/A	N/A
Issue price	Issue by denomination	Issue by denomination
Total price	NT\$2,500,000,000	NT\$2,500,000,000
Coupon rate	0.88%, fixed	1.00%, fixed
Tenor	7 year Maturity: August 8, 2026	10 years Maturity: August 8, 2029
Guarantee agency	None	None
Consignee	Trust Department, Taishin International Bank	Trust Department, Taishin International Bank
Underwriting institution	N/A	N/A
Certified lawyer	Rich Lin, LCS & Partners	Rich Lin, LCS & Partners
CPA	Deloitte & Touche Mei-Hui Wu and Kwan-Chung Lai	Deloitte & Touche Mei-Hui Wu and Kwan-Chung Lai
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding principal	NT\$2,500,000,000	NT\$2,500,000,000
Terms of redemption or advance repayment	None	None
Restrictive clause	None	None
Whether included as eligible capital	No	No
Name of credit rating agency, rating date, rating of corporate bonds	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
	Issuance and conversion (exchange or subscription) method	N/A
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None	None
Transfer agent	None	None

### 4.3 Issuance of Preferred Shares

None

### 4.4 Issuance of Global 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, 2020

Type of Stock Option	1 <sup>st</sup> Tranche, 2014 (Note)	2 <sup>nd</sup> Tranche, 2014 (Note)	2014
Approval date	July 29, 2014	July 29, 2014	December 26, 2013
Issue date	September 15, 2014	September 15, 2014	October 9, 2014
Units issued	30,862,622	11,087,749	44,850,000
Shares of ESO as a percentage of outstanding shares	0.20%	0.07%	0.29%
Duration	September 15, 2014 – May 3, 2021	September 15, 2014 – August 29, 2021	October 9, 2014 – October 8, 2021
Conversion measures	New share issuance	New share issuance	New share issuance
Conditional conversion periods and percentages (%)	September 15, 2014 – May 3, 2021 Shares 100% exercisable	September 15, 2014 – August 29, 2021 Shares 100% exercisable	October 9, 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	4,588,846 shares	4,656,746 shares	13,415,500share
Exercised amount (NT\$)	42,046,915	34,015,144	100,623,355
Number of shares yet to be converted	19,652,177shares	6,357,601shares	21,859,500shares
Adjusted exercise price for those who have yet to exercise their rights (NT\$)	7.63	6.58	7.29
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, 2020

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
Acting President	Daw-Yi Hsu	16,423	0.110	1,215	8.47 7.96 7.53 7.29	9,042	0.008	15,208	7.63 7.29 6.58	111,800	0.102
Executive Vice President	Andy Lin Richard Chang Reddy Wong Jhih-Jian Yan Marisol Wang S. L. Lee Chih Yu Chou James Meng Jenny Chiang Kiki Shih Vincent Hung Chris Sun Michael Chang Guang-Yue Yeh Hans Tzou Frances Tsai										
Senior Vice President	Justin Wu Christy Lin Sharol Lin Adrienne Chiu Sandra Yao Alex Hung David Chi Ellen Chang Patrick Huang Steven Ching Shu-Ling Yang Milly Liu Connie Liu Lian-Yin Li Lecko Lai										
Vice President	Amy Wang Fanny Lin Chien-Ping Lin Bonnie Huang Wendy Wei										
Top Ten Employees	Sherie Chiu Frank Lin										

**4.5.2 Issuance of New Restricted Employee Shares**

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**

1. In order to consolidate commercial banking businesses between subsidiaries CDIB (now known as “CDIB Capital Group) and KGI Bank, the Company transferred all commercial banking businesses of CDIB to KGI Bank. This transfer of business would be priced based on the net worth of transferred businesses 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 (the "Business Transfer" mentioned hereafter).

The Business Transfer was approved 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 subsequently signed the "Business Transfer and Assumption Agreement" and the "Supplementary Agreement" to finalize the Business Transfer and the Business Transfer was reported to and approved by Financial Supervisory Commission on April 16, 2015, pursuant to Letters No. Jin-Guan-Yin-Kong- 10400053521 and 10400053520. Chairmen of CDIB and KGI Bank agreed on April 16, 2015 to set the record date of the Business Transfer on May 1, 2015 according to Article 5 of the "Supplementary Agreement".

2. 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 pursuant to 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 tender offer to the Financial Supervisory Commission on September 6 and 7, and completed the settlement on September 13. With a 25.33% stake 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**

As of latest quarter before the publication date, there is neither any uncompleted public issue or private placement of securities nor any issue completed within the latest three years that has not yet yielded the planned benefits.

##### **4.7.1 The Plan**

None

##### **4.7.2 Implementation**

None

## V. Operational Highlights

### 5.1 Business Activities

#### 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
- 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;
- investment consultancy;
- residence and buildings lease construction and development ;
- industrial factory buildings lease construction and development ;
- specialized field construction and development ;
- public works construction and investment ;
- new county and community construction and investment ;
- land levy and delimit ;
- reconstruction within the renewal area;
- renovation and maintenance within the renewal area;
- real estate commerce;
- real estate leasing;
- 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	2017		2018		2019	
	Revenues	%	Revenues	%	Revenues	%
Share of the profit of subsidiaries, associates and joint ventures	12,687,096	100	9,353,789	100	14,177,282	100
Others	51,725	0	19,686	0	54,167	0
Total	12,738,821	100	9,373,475	100	14,231,449	100

Source: 2017-2019 audit financial report.

### ◎ China Life

Unit : NT\$ thousands

Item \ Year	2017		2018		2019	
	Revenues	%	Revenues	%	Revenues	%
Personal insurance	156,136,547	76	243,419,794	81	217,287,738	78
Personal accident insurance	2,498,825	1	2,671,927	1	2,778,397	1
Personal health insurance	18,434,257	9	19,480,326	6	20,173,228	7
Group insurance	2,227,344	1	2,424,615	1	2,607,983	1
Annuity insurance	15,479,276	7	12,682,599	4	17,557,294	6
Investment linked	11,663,546	6	21,152,699	7	19,505,474	7
Total Premium	206,439,795	100	301,831,960	100	279,910,114	100

Source: 2017-2019 China Life Insurance Annual Report.

### ◎ KGI Bank

Unit : NT\$ thousands

Item \ Year	2017		2018		2019	
	Net revenues	%	Net revenues	%	Net revenues	%
Interest profit, net	6,244,130	57	7,045,236	80	6,745,537	60
Noninterest profit and gain, net	4,729,434	43	1,749,965	20	4,525,512	40
Total	10,973,564	100	8,795,201	100	11,271,049	100

Source: 2017-2019 audit financial report.

◎ **KGI Securities**

Unit : NT\$ thousands

Item \ Year	2017		2018		2019	
	Revenues	%	Revenues	%	Revenues	%
Brokerage handling fee revenue	4,106,092	28	4,454,221	46	4,118,552	37
Revenue from borrowed securities	559,872	4	708,736	7	860,134	8
Revenue from underwriting business	591,910	4	457,990	5	401,145	4
Gain(loss) on disposal of trading securities, net	8,722,785	60	(651,843)	(7)	1,181,463	11
Interest income	1,939,526	13	2,447,555	25	2,856,246	26
Dividend income	694,196	5	350,629	4	255,296	2
Gain(loss) on trading securities measured at fair value through profit or loss, net	(2,097,118)	(14)	(1,790,951)	(18)	1,554,519	14
Gain on warrants issued, net	167,705	1	880,444	9	155,490	1
Gain (loss) on derivative financial product	(1,216,999)	(8)	1,772,683	18	(1,053,926)	(9)
Others	1,051,077	7	1,060,762	11	792,251	6
<b>Total</b>	<b>14,519,046</b>	<b>100</b>	<b>9,690,226</b>	<b>100</b>	<b>11,121,170</b>	<b>100</b>

Source: 2017-2019 audit financial report.

◎ **CDIB Capital Group**

Unit : NT\$ thousands

Item \ Year	2017		2018 (Note)		2019 (Note)	
	Revenues	%	Revenues	%	Revenues	%
Net profit of selling financial assets	1,694,965	35	0	0	0	0
Dividend income	562,633	11	242,804	9	85,987	4
Share of the profit of subsidiaries, associates and joint ventures	2,624,600	54	615,169	23	1,668,580	69
Gain (loss) on financial assets measured at fair value through profit or loss	(2,510)	0	1,770,004	67	651,972	27
Other operating revenue	16,725	0	9,083	1	6,401	0
<b>Total</b>	<b>4,896,413</b>	<b>100</b>	<b>2,637,060</b>	<b>100</b>	<b>2,412,940</b>	<b>100</b>

Source: 2017-2019 audit financial report.

Note: 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 gain (loss) on financial assets measured at fair value through profit or loss.

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

Unit : NT\$ thousands

Item \ Year	2017		2018		2019	
	Revenues	%	Revenues	%	Revenues	%
Operating revenue	182,917	82	76,934	65	427,497	93
Others	39,338	18	9,759	8	33,540	7
Total	222,255	100	118,415	100	461,037	100

Source: 2017-2019 audit financial report.

Note: As of March 13, 2017, CDF holds 100% of the shares of AMC which was previously held by CDIB Capital Group. AMC has merged with its subsidiaries, including Development Industrial Bank Asset Management Corp., Chung Hwa Growth 3 Asset Management Corp. and Chung Hwa Growth 4 Asset Management Corp. on July 1, 2019. Chung Hwa Growth 3 Asset Management Corp. was the surviving company after the merger and was renamed as China Development Asset Management Corporation (AMC) on the same day.

**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**

- Based on the principle of fairly treating customers and being customer need oriented, China Life has developed a comprehensive insurance product line with diversified protections to satisfy customer needs for life insurance, retirement, accidents, healthcare, long-term care, wealth management and protection, among others. In response to market changes and social trends, the company is proactively engaged in product innovation. In 2020, China Life continues to push for the financial inclusion policy, in answer to the need for insurance protection upgrade, assistance to the elderly and underprivileged, as well as a friendly financial environment for physically- and mentally-challenged people, by developing differentiated products such as small amount whole life insurance, micro-insurance and insurance specifically for disadvantaged groups. As Taiwan is graying, China Life is also developing spillover-effect insurance that enhances health to help customers build a comprehensive insurance protection. Moreover, in light of the increasingly diversified digital financial technology, China Life continues to use data to obtain an insight to customer demand, upgrading precision marketing to provide the most suitable products and services.
- With diversified marketing channels, a balanced development strategy and a well-versed product design team, China Life has been offering differentiated products to satisfy customers' various needs in life, creating a win-win situation for policyholders and the business.

## ◎ **KGI Bank**

- Create digital enablement programs and bringing clients with completely new experiences by delivering services such as online information search, asset overview, financial planning, and order placement via portable devices during client visits
- Continues to optimize our credit card digital service platform by increasing the mobile payment options available on our platform and analyze consumption context, such as PX Pay and Fami Pay for the convenience of our customers
- Facing the demand for more flexible payment options, the bank launched the credit card core system project in 2020 to enhance our overall operating efficiency and the project is expected to be completed in two years
- Continues to develop financial services innovation through cross-industry collaboration. With the open banking concept, the bank launches its open-source API to expand the scope of applications, integrate AI technology and commercialize the AI-supported new services. Corresponding with Financial Supervisory Commission's open banking policies, the bank will continue to launch financial services innovation on our open-source API platform to expand open banking ecosystem and provide a satisfactory seamless experience

## ◎ **KGI Securities**

- 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. In 2019, KGI Securities actively developed and launched fund-linked note (FLN), bond-linked note (BLN) and a number of novel structured products and issued by KGI Taiwan 500 ETN, making it one of the first brokerages to issue ETN products. Leveraged structured products have been popular among individual investors with professional investor qualifications, and KGI Securities has linked its structured products to interest rate metrics, bonds, equities, and more. In the future, it will seek to expand the coverage of its structured products, so that they can be linked to other targets. The goal is to provide investors with different types of derivative products that meet their needs. Also, we will go alongside with legal deregulation to apply for qualification to conduct NT dollar spot-market foreign exchange trading business, so as to expand the coverage of KGI Securities' financial services

## 5.1.2 Annual Business Plan

### ◎ China Development Financial

- Usher in the business development era of four major engines: life insurance, commercial banking, securities, and venture capital/private equity; accelerating business 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

Following are the subsidiaries' business plans for 2019:

### ◎ China Life Insurance

- Offer differentiated products to meet client needs according to the characteristics of six major sales channels.
- Focus on sales of high-value products and increase sales of regular-premium policies.
- Expand the scale of business operations and build up a brand image of professionalism and vigor.
- Expand both bancassurance and wealth management markets.
- Unearth the needs of brokerage agency and group insurance markets to create business opportunities.
- Commit to digital transformation and InsurTech applications, and develop an innovative digital business model.

### ◎ KGI Bank

Since KGI Bank's merger with CDF, it has given earnings momentum to the Group. The Bank will continue to maximize and optimize its asset portfolio and clientele through enhancing its capital efficiency and the increase of regular income to achieve the operating goals set forth by CDF. Major business plans are outlined below:

#### – Corporate Banking

- Provide trading products to help large enterprises development supply chains; provide user-friendly cash flow management solutions and diversify corporate client base to reduce credit risks.
- Focus on collateralized or self-liquidating project loans; diversify client base for project loans to enhance capital efficiency and optimize asset structure.
- Provide enterprises with syndicated loans or project loans for business expansion; seize business opportunities to lead major industry syndicated loans, elevating the Bank's market influence and establishing strategic financial alliance.
- Engage in renewable energy project loans with experiences and resources.

- Provide international M&A advisory services and solutions via our networks of private equity funds and investment banks network.

#### – **Consumer Banking**

- Expand salary account business by providing customized account opening procedures to ensure services are delivered in a timely manner; introduce special terms for opening digital accounts to meet customers' needs to add new accounts, thereby reaching out to more potential customers and improving operating efficiency.
- Introduce a new insurance planning and management system that compiles all insurance policies that our clients have purchased, including those sold by other insurers, in order to provide the best, bespoke insurance recommendations to clients.
- Establish a digital platform for online applications and transactions. Optimize the user experience on 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.
- Leverage Group resources and attract younger customers who prefer to apply for credit cards online to capture business opportunities from the “mobile payment generation”. Provide incentives for high credit card utilization (in both transaction value and volume) to generate more profits from the credit card business. In June 2019, KGI Bank introduced a digital credit card reader embedded in a telecom IoT chipset. This innovative business pattern has been well-received by many users. In 2020, the Bank will focus on the promotion of this safe payment solution for both vendors and consumers, and will launch Google Pay services.
- Diversify loan products and optimize online loan application system to allow more convenience to customers and increase market share.

#### – **Global Market**

- Aggressively seek opportunities to become the leading/associate underwriter of international and overseas bonds to expand market share and create more income.
- Enhance product development and sales capabilities to complete the pricing of high-end derivatives products and hedging strategies, with the goal to play the role of financial products wholesaler among banks.
- Diversify financial product lines and optimize cross-selling and customer service capabilities.
- Add a new slot of mid-day shift for forex trading to provide 24/7 trading services in conjunction with prudent risk management, legal compliance and strict internal control systems to ensure business sustainability in an ever-changing global financial market.

#### – **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 to increase brand visibility.
- Provide a comprehensive product offering that stretches business from financial assets to liabilities and develop business owners/senior executives' wealth management services.
- Combine 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.

- Provide project loans via the SME Credit Guarantee Fund to help small and medium enterprises upgrade their business.
- Leverage the Bank's channels to strengthen client referrals.

#### – **Corporate Banking Products**

- Expand payroll account clients through offering more efficient and convenient payment solutions. Meanwhile, launch digital deposits (category III) project that satisfy clients' demand to open an account anytime and anywhere.
- Provide well-rounded payment management services according to corporate clients' working capital management policies and financing needs; attract more corporate deposits at the Bank.
- Establish a comprehensive trade finance platform to provide trade credit insurance addition, import factoring and supply chain project planning services, which in turn would help strengthen credit risk assessment.

#### – **Digital Banking**

- Following our success to pioneer the first experimental supervisory sandbox project in 2018, KGI Bank was also the first bank approved by competent authorities to carry out a test-run program to grant loans and issue credit cards simply by customers' mobile number. The project was made possible after the promulgation of the "Implementation Rules Governing Application for New Banking Business under Trial."
- KGI Bank continues to deliver innovations through the core concept of "KGI Inside." As the first bank in Taiwan to introduce "Open Banking" business in 2017, we have worked with start-ups to provide the best B2C and B2B (applied to telecom operators and charities) services. In 2019, the Bank rolled out batch credit card payment collection services featuring real-time open API process, and service fees were charged by the number of transactions. The innovative approach has helped our corporate customers improve operating efficiency by over 40% on average.
- The Bank partnered with AlphaLoan, the largest loan comparison platform in Taiwan, introducing the first cross-bank loan bill management function that allows customers to make loan comparison, application and repayment via a single service interface. We also continue our strategic alliance with LINE, the most popular social communication App in Taiwan, introducing a new bill payment solution "KGI eBill" that allows users to pay water bills and make charity donations with credit cards of 29 banks. Besides, LINE will send push messages to remind users of overdue bills
- Enhance cross-industry collaboration to collect clients' feedback to the Bank's digital financial products, laying the foundation for value creation and marketing resource allocation.
- Invest in machine learning and automated model building programs capable of interpreting unstructured data and building prediction models more efficiently. Continue to work with academia in developing innovative data analysis technologies to assess the potential benefits of investment projects via the proof-of-concept approach as reference for future commercialization and application expansion.
- Serve as the bridge for intra-group cooperation and provide CDF Group customers with a holistic financial service experience.

◎ **KGI Securities**

Focus on product offering optimization to respond effectively to client needs and facilitate regional business development.

- Provide clients with high value-added financial services for to help clients build their wealth
- Improve cross-department collaboration and productivity to maintain its leading position in Taiwan
- Enhance regional business integration to capture new business opportunities
- Continuous investment in financial technology and IT upgrade to meet new regulatory requirements and channel development

◎ **CDIB Capital Group**

- Pursue AUM (asset under management) growth and continue to raise VC and PE funds
- Capture global opportunities through diversified portfolios with balanced risks
- Vigorously build up a Greater China investment network and strategic alliance
- Provide stewardship to pursue investees growth and value creation
- Fully implement management of its portfolio companies' asset quality, rating and liquidity risks
- Optimize investment portfolio, continue to activate assets, improve capital efficiency, and strengthen investment management to maximize added value

◎ **China Development Asset Management**

- Continue to assess, monitor, and purchase government or court auction real estate; invests in office buildings, factories, or real estate with high returns or in ones of higher capital gains and rental income in urban area or industry clusters
- Continue to track and bid for non-performing assets released by domestic financial institutions or other asset management companies
- Maintain and optimize existing assets to increase their value and rent out properties to gain income



### 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-2019, 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. In 2019, the financial holding company industry's total net profit/loss attributable to the parent companies reached NT\$357.47bn, a historical high, up 18.6% YoY on strong financial market performance that elevated investment income, wealth management income and fee income. Also, demand for financing coming from the general public and enterprises had also led to expansion of banks' lending business.

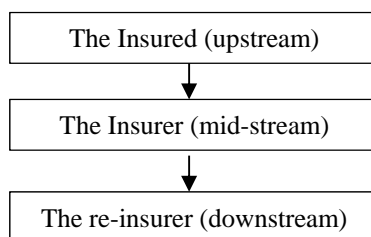
Looking ahead for 2020, the global economy is still faced with numerous challenges. The Sino-US trade war sent shockwaves through the world in 2019. And then entering 2020, the coronavirus (COVID-19) pandemic rapidly spread in China and then worldwide. Also, the financial market's and financial sector's profit bases are both high, limiting their growth upside. Fortunately, central banks worldwide have adopted neutral to loose monetary policies and governments have one by one launched economic stimulus. The Taiwanese government, in addition to improving the investment environment and employee welfare, has continued to roll out tax cuts, subsidies and other welfare policies. Also, Taiwan has, to some extent, loosened regulations on the industrial and financial industries, accelerated deployment of digital finance, and assisted enterprises in conducting industrial upgrades or transformation to mitigate external impact. Taiwan's central bank has adopted a moderately loose liquidity stance. All things considered, we can expect residents and enterprises in Taiwan will have problems getting financed and maintaining their investment confidence, which will be good for the healthy development of the financial industry.

## 2. Life Insurance

As of the end of 2019, there were twenty-two companies operating in the life insurance market, including nineteen domestic life insurance companies and three foreign ones. Their premium income totaled NT\$3,466.7bn, down 1.3% YoY, with first-year premium income coming in at NT\$1,274.7bn, down 7.6% YoY. Of the first-year premium income, life insurance premiums contributed 72.4%, annuity insurance premium contributed 23.5%, health insurance premiums contributed 3.1%, and injury insurance premiums contributed 1.0%. Affected by the overall environment, China Life grossed first-year premium income of NT\$124.09bn and aggregate premium income of NT\$279.91bn in 2019, both slightly down from 2018.

In terms of sales channels' contribution to 2019 first-year premium income, bancassurance accounted for 54%, while sales staff and other channels contributed 46% or so. In terms of product composition, investment-type policies contributed 32.6% to first-year premiums in 2019, while traditional policies accounted for 67.4%. 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 2019, there were a total of 6,290 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 3,448, or 55%, were domestic banks. As of end-2019, total deposits and loans of domestic banks amounted to NT\$34.04tn and NT\$25.95tn, respectively, or 78.4% and 89.5% 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. As of end-2019, the number had risen by two to 3,405 branches, 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 securitized vehicles, 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. However, indirect finance has remained the trend in recent years, with its contribution rising to 82.6% of combined inventory for direct and indirect finance.

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

Year	2012	2013	2014	2015	2016	2017	2018	2019
Indirect %	78.90	79.35	79.37	79.47	79.38	80.19	81.07	82.60
Direct %	21.10	20.65	20.63	20.53	20.62	19.81	18.93	17.40

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\$360.7bn in 2019. For 2020, we expect gross bank earnings to stay flat given that either domestic or international economic growth will slow and cap related capital demand. Also, the COVID-19 pandemic, as well as geopolitical and international trade conflicts will impose pressure on some enterprises, and financial markets including bonds and equities are standing at relatively high levels.

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

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Annual pretax earnings (NT\$100mn)	839	1,832	2,000	2,402	2,576	3,201	3,196	3,001	3,059	3,342	3,607
ROE (%)	4.49	9.10	9.33	10.41	10.26	11.65	10.58	9.24	8.97	9.31	9.38
ROA (%)	0.28	0.58	0.59	0.68	0.68	0.79	0.75	0.68	0.67	0.70	0.72

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 0.21% as of end-2019

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 generally declining. According to the FSC, the average NPL ratio fell to 0.21% as of end-2019. At end-2019, KGI Bank registered a NPL ratio of 0.17%, with a coverage ratio of 738.3%, both bettering peers, and the asset quality was fair.

### Average NPL ratio of Taiwanese banks

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NPL* (%)	0.61	0.43	0.40	0.38	0.25	0.23	0.27	0.28	0.24	0.21

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 2019, Sino-US trade conflict interfered with the financial market time and again, but with the negative impact tapering off, US and other major economics producing better-than-expected economic data, Fed and ECB loosen in their monetary policies to bring down sovereign bond yields significantly, global stock markets had continued to hit new highs. Amid Sino-US trade war, Taiwan benefited from order transfers that contributed to corporate earnings, which boosted Taiex to close at 11,997.14 point at end-2019 to clinch a annual gain of over 23%, the highest mark set in a decade. Daily turnover (TWSE/TPEX combined) shrank by 5.9% YoY to NT\$156.3bn on increased market volatility that made investors more conservative. For 2020, with Sino-US trade war moderating and central banks of main economies keeping monetary policies loose, global economy would have been able to turn the seven-quarter downtrend around, but now that coronavirus has rampaged the world to send global stock markets spiking or plunging over panicky sentiment, we expect market volatility to be even more drastic than in 2019.

## 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. In recent years, Taiwanese government has continued to accelerate transformation and upgrades of domestic sectors, actively channel funds back to Taiwan for investment purposes, lead private capital and resources to head into industries, come up with the five plus two industrial innovation plan that covers seven industries and projects: intelligent machinery, Asia Silicon Valley, green energy, biomedicine, national defense and aerospace, new agriculture and the circular economy, promote digital-economy innovations, cultural creative and technological innovations, railway construction projects, and water resource construction projects to act as the core of next-generation industrial growth for Taiwan and to inject new momentum into Taiwan's economic growth. The venture capital sector, other than the original focus of investment – the electronics, technology, and information sector, is also seeking new opportunities in such industries as biotech and pharmaceutical, cultural creativity, green-energy and environmental protection, AI, IoT, block chain, and so on. All in all, riding on government support and new investment themes, venture capital sector should be able to maintain steady development trend over mid-to-long trend.

## 6. Future trends

### (1) Large players become main stream

A financial holding company consolidates different types of businesses, which means they can scale up operations and diversify business as they see fit. Thus, a financial holding company 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 overseas 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 the past. 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. However, 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. In addition, the recent Sino-US trade war has prompted some enterprises to consider the plausibility of moving to Southeast Asia or returning to Taiwan to set up factories. 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) Financial and wealth management 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 financial 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 an inevitable trend and 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, it has to fine-tune its operating strategies and build a more balanced business model. Basically, this means expanding the product offering with the goal of 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) Attaching more importance to legal compliance and the trend of sustainable operations

In recent years, Taiwan's financial industry has actively deployed operations overseas. The importance foreign governments attach to corporate legal compliance and the strict international laws against money laundering have prompted Taiwan's financial industry members to become more aware of the importance of legal compliance and risk management. Thus, more investment and efforts have been directed at the implementation of legal compliance systems.

On the other hand, climate change has emerged as an increasingly important issue worldwide, with extreme weather conditions, natural disasters, energy crisis, and low-carbon economic transformation bringing both risks and opportunities. The financial industry is also growing more concerned about sustainable operations and environmental protection. As the financial industry derives its assets and resources from public trust and support, it should do more to fulfill its social responsibility as a financial intermediary that can guide corporate clients toward greater awareness of environmental protection and its public benefits, so that sustainable development of the environment and society can be achieved.

### 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

China Life adopts a comprehensive product strategy, combining product diversification, customers' demand and premium structure optimization. In response to social trends, the company is proactively engaged in product innovation to provide customers with a full range of insurance products, satisfying various groups' demand for life insurance, retirement, accidents, healthcare, long-term care, wealth management and protection.

Research and development expenses in recent years:

Unit: NT\$'000

Year	2019	2020F R&D expenses
Amount	67,335	108,105

- (1) Continue to commit to a prudent business philosophy, promoting regular-premium and high-contribution products and services to boost embedded value for the company.
- (2) Continue to promote foreign currency policies in line with market demand to provide clients with financial insurance products in a wide range of currencies
- (3) Develop variable-interest-rate products that are in line with market demand based on stringent asset-liability management and risk control
- (4) Continue to strengthen investment-linked product business and optimize policy platform services, promoting flexible investment and fixed-time, fixed-amount investment-linked product lines to provide more options in asset allocation to meet the needs of customers with different attributes.
- (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, specific injuries, major diseases, disability aids and long-term care with a focus on developing a full range of healthcare insurance products.
- (6) Commit to the strategy of enhancing health and friendly services for the physically- and mentally-challenged in order to implement the principle of treating customers fairly. Assume the corporate social responsibility of servicing the elderly and the underprivileged by taking the lead improving preventive health management spillover-effect policy for dementia and all-risk insurance specifically for the physically- and mentally-challenged.
- (7) Strengthen product innovation and digital financial applications and upgrade financial and insurance technology abilities to be in line with market changes and the digitalization trend. Continue to analyze customer profile through big data and undertake precision marketing to strength long-term

competitiveness.

- (8) Implement the government's policy to provide basic protections to the elderly. In addition to small amount whole life insurance, China Life is developing insurance purchases on the internet and small amount whole life insurance specifically for government employees and teachers. Based on the same concept, develop small-amount protection products in foreign currencies. All this targets to build basic protection networks for all group.
- (9) Continue to push for group insurance and accident insurance to meet diverse demand for protection. Also, provide micro accident insurance to the underprivileged and minority groups on a private individual or group basis, providing basic protection and implementing corporate social responsibility.

### ◎ **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 in November 2017 launched a type of digital transformation unseen in the other 37 banks in Taiwan and 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 service components (Open APIs) to create an experience of seamless integration and context-based financial services.

In December 2018, KGI Bank led the market in working with the telecom industry to use mobile telecom technology to make a breakthrough in digital identification and integrate personal information and a telecom payment scoring system, accomplishing the first FinTech innovation experiment in Taiwan, Chunghwa Telecom's mobile ID, which is a consumer loan/credit card application service that makes it possible for young customers to gain access to financial services with reasonable prices, helping them realize inclusive finance in the process.

As of December 2019, 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. Nearly 30 start-up partners, including 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, loan comparison site AlphaLoan, MoneyBook, Invoice Passbook, and Checkchick, all help with the realization of context-based financial services. Over a million payments have been made via KGI Bank's innovative services; total payments and digital loans disbursed amounted to over NT\$3bn and NT\$10bn, 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.
- In 2018, it 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. In 2019, it once again led peers in becoming the first bank to be allowed to conduct a pilot-run for an application for loans or credit cards via cellphone number after the implementation of “Directives on Banks Applying for Pilot Runs of Businesses.” Also, it was named winner of “Innovative Growth Award – Financial Regulation Sandbox” by the 2019 Taiwan Corporate Sustainability Awards (TCSA) and winner of Fintech Innovative Application Award by Wealth Magazine’s 2019 Taiwan Financial Awards.

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. In 2019, it went on to cooperate with telecoms and public welfare organizations (to-B) to cater to their needs for receiving credit card payments on a batch-to-batch basis by launching the charge-by-each-payment real-time processing service OpenAPI, which on average boosts the operating efficiency of enterprises/organizations by over 40%.

- Contextualized finance deepened. KGI Bank works with Taiwan’s largest social network communications platform, LINE, to roll out the all-new Sheng Huo Jiao Fei Wang (a payment service for utility fees) official account, creating the first ever service with which users can go through the LINE platform to access credit cards issued by twenty-nine banks to pay their water fees and to make charitable donations. For all kinds of bills, users can set up LINE push messages to automatically alert them to these payments. KGI Bank has worked with the largest loan comparison platform in Taiwan, AlphaLoan, to create Taiwan’s first ever cross-bank loan bill management service, which enable the phone-swiping generation to compare credit loan interest rates, apply for these loans, and pay back these loans on the same service interface, making it a one-stop banking service.

- 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. The bank will take advantage of payroll accounts 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
Active dialing system installation	355,410	2020.01-2021.10
Mobile banking management system installation		
Mobile banking app digital reform project		
Credit card core system installation project		
Product and service digitalization project		
Smart procedure project		

◎ **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. In 2019, KGI Securities actively developed and launched fund-linked note (FLN), bond-linked note (BLN) and a

number of novel structured products and issued KGI Taiwan 500 ETN, making it one of the first brokerages to issue ETN products. Leveraged structured products have been popular among individual investors with professional investor qualifications, and KGI Securities has linked its structured products to interest rate metrics, bonds, equities, and more. In the future, it will seek to expand the coverage of its structured products, so that they can be linked to other targets to meet investors' needs. Also, we will go alongside with legal deregulation to apply for qualification to conduct NT dollar spot-market foreign exchange trading business, so as to expand the coverage of KGI Securities' financial services.

(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 2019, KGI Securities issued 5,882 warrants with a total amount of NT\$65.2bn, 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 or premium corporate bond-linked structured products and forex-principal forex-options-linked structured products (principal unprotected). In 2019, 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, making it one of the leaders in the industry. Going forward, the company will continue to provide a full range of professional services with a view to achieving a win-win situation for investors and shareholders alike.

Estimated spending and schedule:

Unit: NT\$'000

Year	2018	2019
Amount	9,230	10,980

## 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 comprehensive financial services and become the most distinguished financial holding group among Chinese communities around the world.

#### ◎ **China Life Insurance**

- (1) Focus on business sustainability, implement fair treatment for customers and continue to provide quality products and services.
- (2) Expand and strengthen the risk management system to achieve proactive management and early warnings
- (3) Continue to optimize information security management and increase application of and investment in protective technologies
- (4) Continue to expand presence in China and seek opportunities in overseas markets
- (5) Make good use of financial technology to provide clients with quality plans for asset preservation and risk coverage
- (6) Optimize administrative processes and service quality to create brand new customer
- (7) Engage in human resources cultivation and development to strengthen corporate competitiveness

#### ◎ **KGI Bank**

- (1) Corporate banking
  - Build a comprehensive corporate customer service network for higher penetration and market share
  - Offer advisory and custom-tailored solutions to Asia-Pacific customers with regard to their special financing requirements such as cross-border M&A, leveraged buyouts, and growth capital
  - Develop unique cross-border institutional finance business in Hong Kong, China, and Taiwan; set up global corporate financial service networks; provide enterprises and investment institutions with transnational funding solutions
  - Assist clients with different types of project financing
  - Develop the first anti-money laundering (AML) platform incorporating automated screening system, which provided the corporate clients with the best management solutions, as part of KGI

Bank's innovative finance business strategy

- Grow loans steadily; optimize loan portfolio; focus on the management and development of value-added clients
- Integrate group resources to coordinate marketing efforts in promoting the entire product lines, in order to enhance the competitiveness of these products
- Continue to strengthen financial services directed at SMEs in line with government policies; utilize SME credit guarantee funds to provide all types of project financing, so as to satisfy the funding needs that SMEs at different stages of development

(2) Retail banking

- Introduce family memberships to expand client bases to include the younger clients from the second generation, and provide cross-generational wealth transfer and financial planning services
- Adapt to changes in laws by adjusting insurance product lines; direct more efforts toward promoting life and health insurance products; promote investment-linked insurance products that are meant to be held over the medium/long term, which serving both protection and investment purposes
- Brought completely new experiences to clients with digital enablement platforms

(3) Global markets business

- Search for optimal investment portfolios, diversification of targets or strategies, and risk management enhancement in the financial market. Continually explore 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
- Enhance in-house development ability in foreign exchange and interest rate derivatives and risk management capability; abide by legal regulations and keep track of market changes; provide clients with all-round, real-time hedging and investment strategies to meet the needs of clients in different sectors
- 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) Corporate banking product business

- Strengthen the automated platform for corporate online banking and cash management products; facilitate corporate clients' receipt and payment, as well as funding
- Forge alliances with external platform operators to pool resources and set up a supply-chain financing platform to expand trade finance opportunities for SMEs and to make transactions more transparent to lower risk for the bank after loan disbursement
- Integrate cash management and trade finance businesses to provide clients with a platform to manage their cash flow and funding, thus increasing clients' dependence on KGI Bank's corporate banking products

#### (5) Digital banking

- Based on KGI's Inside Concept, the bank will continue to create the best user experience through strategic alliance with partners and start-ups. It will analyze cross-industry data and implement precision marketing
- Develop diverse and innovative identity certification mechanisms; improve convenience and friendliness of online application service; help with cross-selling of in-group digital products; strengthen the competitiveness of strategic alliance
- Develop financial inclusion through a diverse range of financial services so that strategic partners such as e-commerce and FinTech companies can use API to integrate digital account-opening processes and create more user-friendly and more diverse financial contexts
- Establish an AI environment and deepen the development of such innovative FinTech realms as AI and big-data analytics to make data more valuable; plan and execute the commercialization of AI technology

#### (6) Overseas market development

- Take advantage of our experience in consumer banking by integrating big data analysis with multiple channels. Set up Bank of Jiangsu KGI Consumer Finance Company Limited 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

#### ◎ **KGI Securities**

KGI Securities will strive to be the most competitive investment bank in Taiwan via organizational and operational transformation, as well as utilization of cross-border resources.

- (1) Retail brokerage business will undergo comprehensive organizational and operational transformation.

- (2) Expand institutional investor brokerage business and enhance earnings via optimization of service quality and maximization of the pool of stocks to lend out from.
- (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) Balanced stress on equity capital market (ECM) and debt capital market (DCM) to maintain its leading edge among Taiwanese investment banks and boost earnings.
- (5) Combine information engineering and financial engineering skill sets to emerge as the best automated market-making and arbitrage trading team in Taiwan.

◎ **CDIB Capital Group**

- (1) Continue to monetize assets to lower investment position.
- (2) Primarily invest in CDIB Capital Group-managed external funds, followed by participating in thirty-party private-equity funds offering premium co-investment opportunities. Continue to expand the scale of assets under management. Expand toward Asia-Pacific markets to implement regional developments.
- (3) Aim to become a top-notch equity investment and asset management company in Asia-Pacific region.

◎ **China Development Asset Management Corp.**

- (1) Strive to lobby for deregulation; deploy more profit-generating products
- (2) Use Scale up assets via real estate investment business
- (3) Evaluate foreclosed properties on behalf of clients; participate in urban renewal projects
- (4) Cooperate with peers to jointly expand the business range and scale

## 5.2 Cross-Selling and Synergy

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 regulatory approval 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. Have the addition of life insurance subsidiary strengthen our ability to devise and integrate financial products on our own to meet client needs, launch trendy product before it is no longer popular to cash in on business opportunities. With our involvement in insurance, banking, securities businesses and our cooperation with all kinds of capital channels, we strive to provide individual and corporate clients with more comprehensive financial services, which will elevate the stickiness and business contribution of each and every client and maximize the proceeds of the financial holding company as a whole.

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 related internal regulations to protect customers' rights and interests.



## 5.3 Market and Business Overview

### ◎ China Development Financial Holding (CDF)

As of end-4Q19, there were a total of 16 financial holding companies in Taiwan, according to the Financial Supervisory Commission (FSC), with a respective gross asset and equity value of NT\$60.1tn and NT\$4.4tn. While these 16 companies have dominated Taiwan's financial industry in recent years, they are facing increasing complexities following the outbreak of the global financial crisis in 2008 and the subsequent euro debt overhang. Financial holding companies are finding it more challenging to manage daily operations given changing environmental and regulatory requirements. Taiwan's financial holding companies have, however, benefited from the cross-strait financial deregulation and the economic boom in China, as well as rapid growth in Southeast Asia, and therefore have been accelerating deployment across the Taiwan Strait and in Southeast Asia, and will 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). Both CDIB Capital Group and KGI Securities have become the respective leaders in Taiwan's investment banking and capital markets. With the addition of the life insurance subsidiary in September 2017, CDF has now evolved into a full-fledged business group with four pillars of growth drivers - life insurance, banking, securities and venture capital/ private equity, with the utmost priority of advancing business growth.

### ◎ China Life

#### 1. Major products and markets

China Life's sales channels spread throughout the island of Taiwan and Penghu, with nine branches and 144 district offices in 2019. 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\$146,874 in 2019
- 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 sales of products gearing up for retirement will remain strong.
- 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 (%)
2018	3,511,559	301,832	8.60
2019	3,466,679	279,910	8.07

### 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 2019, the RBC ratio was 304.94% and net profit was NT\$13.6bn 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
- A focus on products that meet customer needs and are tailored to the underprivileged, implementing the concept of treating customers fairly
- Information security control is rigorous and in line with global practices, with ISO 27001 certification obtained. The control was BS10012 certified without any shortcomings in 2017 encompassing the latest international standards and with the requirements of EU's General Data Protection Regulation (GDPR) included in advance. The company has upgraded its mobile APP's information security protection ability with MAS certification, providing financial and insurance services to customers with the highest standards in terms of information security.

#### (2) Negative factors

- Given the murky global political and economic outlook and the potential impact of COVID-19 on the global economy, main international forecast institutions are by and large conservative on the global economic growth next year. This combined with a series of preventive and control measures launched by regulators due to International Financial Reporting Standards 17 (IFRS 17) will bring more severe challenges to the Taiwan insurance market than in 2019.

### **(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
- In response to government policies, continue to strengthen the development and promotion of protection-type and financial inclusion products
- 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 upgrade the ability of digitizing all channels to strengthen competitiveness in the digital financial market. Meet different clients' product and service needs by fully integrating online and off-line services
- Digital Marketing Technology Department, Digital Process Technology Department, and Data and Investment System Department have been aggressively developing digital tools and services to provide the foundation necessary for business and operational transformation. Meanwhile, the aftersales service team continues to optimize supportive services for all channels to boost business execution efficiency, optimize policyholders' service experience and upgrade corporate image as well as customer satisfaction.
- Capitalizing on the implementation of IFRS 17, the company will build a management decision platform that supports big data analysis to upgrade long-term competitiveness and achieve the goal of continual value growth.
- 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 have also launched impaired-risk policy to take care of the sub-health group and introduced 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, focus on growing corporate value, optimize business structures and improve operational efficiencies while giving priority to customers' interests.

- 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, formerly known as Cosmos Bank, engages in main business activities including 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 commends the highest market share on cash-card business in Taiwan. Since its commencement in February 1992, Cosmos Bank 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 renamed as KGI Bank. As of the end of 2019, KGI Bank had 54 branches nationwide. In terms of 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 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. Due to the global economic recovery, financial market stability and banking consolidation, Taiwanese banks have seen stable financial structures and profitability in recent years. However, squeezed by stagnant growth in the domestic market and sliding profit resulting from narrowing spread Taiwanese banks have followed Taiwanese enterprises to make inroads into overseas markets to strengthen profitability. Aside from the China, Hong Kong and Taiwan markets, the banking industry has been exploring Southeast Asia and Australia in recent years, driven by the government's new south-bound policy, to establish a more comprehensive overseas network. In order to maintain stability of financial system and financial institutions' operation, regulators have been striving to employ international standards in financial supervision and strengthen 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 2019, with the global economic recovery peaking out, Taiwan's GDP growth, though still stable, lost pace on rising trade tensions across the world. Looking into 2020, we expect Taiwan's banking

sector will see limited growth in business performance and asset quality on uncertainty over US-China trade negotiations, geopolitical risks, and the COVID-19 impact on industries and demand. As far as the overall marketplace is concerned, severe competition in the retail banking segment continues, while corporate banking is vulnerable to 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, and therefore persistent oversupply, and stiff competition coupled with performance pressure has led to more inappropriate sales behaviors. In addition to fines and punishments by domestic and foreign 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**

As a result of digital evolution, changing user habits, and the authorities' opening up the regulatory sandbox in which companies can try out new businesses, banks have accelerated their application of digital technologies, which range from prevalence of digital accounts and mobile payment to development of cross-sector cooperation and establishment of internet banks. All of these will help boost the overall penetration of financial services, which will unleash growth potential for the highly-competitive banking sector. The emergence of new types of services not only fills up the void of past financial services to offer an array of convenient financial services, but also stirs up waves of products and services that can change the banking sector. If banks can apply reliable data from third parties to structuralize the big data that was not used and to strengthen credit-checking to provide users with more reasonable risk-based pricing and quotas, then not only the financial services can be improved, but also the real economy can be injected with more momentum under stricter risk control.

## **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
- One of the few banks that can continue to engage in cash-card business. The lending team tops peers in terms employee productivity, with competitive credit limit, interest rates and speed of approval
- Both the retail and corporate banking businesses meticulously cater to the needs of target customer groups and improve marketing and risk management capabilities to boost customer loyalty and contribution
- Leverage business flexibility of a medium-sized bank with modularization of digital products and services and fast cooperation with strategic partners to secure new partners and clients

### **(2) Threats**

- Interest rate cuts and abundant liquidity weigh on the interest spreads of the entire banking industry
- The authorities' adjustment of the regulatory mechanism might affect the sales of insurance

policies and mutual funds

- The bank has fewer overseas and domestic branches than tier-one peers, which caps its business development
- Non-bank competitors have been aggressive in making inroads into the financial service market

### **(3) Response strategies**

- Abundant group resources, including the group companies, employees, and clients lay a solid foundation for strengthening business cooperation, jointly establishing a comprehensive investment/ financing funding platform across the Greater China region and deepening penetration into quality corporate customers. Moreover, this regional platform will be supplemented by the establishment of planned overseas branches
- Accelerate the upgrade of internet banking/ mobile banking and other digital application platforms to overcome limitations coupled with branch network
- Capitalize on the capabilities of customizing loan products and assessing financial products' valuation to meet clients' strategy needs in a flexible way and to mitigate price competition in lending
- In response to the digital FinTech trend, the bank will integrate financial services provided through online and offline channels, as well as strengthen strategic alliance with partners, and accelerate the acquisition 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 declined from 229 as of December 31, 1996 to 104 as of March 31, 2020 while the number of securities firms' operating outlets expanded from 420 to 851 in the same period, 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 shareholders' 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 decreased by NT\$9.7bn (or 5.87%), from NT\$165.3bn (TWSE: NT\$130.2bn /TPEX: NT\$35.1bn) in 2018 to NT\$155.6bn (TWSE: NT\$120.1bn /TPEX: NT\$35.5bn) in 2019. In terms of operating performance, of the 67 securities firms covered by the TSA and that report to the Taiwan Stock Exchange (TWSE), 60 were profitable in 2019 and 7 were loss-making, with average EPS of NT\$1.289, up from NT\$0.927 in 2018. Integrated securities firms posted average EPS of NT\$1.288, below dedicated brokerages' NT\$1.347. Foreign securities firms earned average EPS of NT\$2.475, better than domestic securities firms' NT\$1.222. Domestic integrated securities firms raked in average EPS of NT\$1.236, better than domestic dedicated brokerages' NT\$0.691. Foreign dedicated brokerages recorded average EPS of NT\$4.057, better than foreign integrated securities firms' NT\$2.289.

As for the profitability of individual securities firms, in terms of 2019 EPS, the top three securities firms in Taiwan, Citigroup Global Markets, Goldman Sachs Group and Credit Suisse Group were all foreign securities firms. Even though these firms operate at a relatively smaller scale, they have strong ties with institutional clients thanks to their global research resources, which local securities firms could barely compete with. However, in terms of net profit, the top three performers in Taiwan in 2019, Yuanta Securities, KGI Securities and Fubon Securities were all local securities firms. While brokerage fees are still the major source of income for securities firms, the brokerage commission has been decreasing in recent years as the local market becomes saturated, commission rates being cut down significantly because of peer competition and online trading (via Internet and mobile device). Moreover, as brokerage fees income is highly correlated to stock market performance, securities industry's revenue is highly volatile.

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

The TAIEX extended its bullish run above 10,000 points in 2019, with the second highest average daily turnover in nearly 12 years, boosting combined profits of all securities firms to NT\$40.7bn, up 38% YoY, thanks to proprietary trading and underwriting income, while brokerage fee income shrank 16% YoY due to market competition. With the evolution of FinTech, brokerage firms have rolled out more user-friendly online trading platforms and mobile apps to retain clients. As continuous trading system was launched in March 2020, securities firms will need to invest heavily in IT systems. This in turn will bring about structural changes in the securities industry. Independent small-sized brokerage firms without resources from a parent financial holding company may find it more difficult to survive the competition simply through trading volume. 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, brokerage firms have witnessed an increasing proportion of sub-brokerage and wealth management services, transforming their dependence solely on stock trading into balanced development between trading and asset allocation. However, securities firms' profitability is still expected to grow as the competent authorities allow more innovative financial products to be introduced to the market, establish trading mechanisms, and optimize funding environment that strengthen and expand Taiwan's capital market. Such measures as continuous trading, delisting and market-making for quality stocks, odd-lot trades in day trading, and

permission to launch inverse ETNs could increase TAIEX trading volume and momentum, in turn boosting the profitability of securities firms.

While global stock markets have been hit by the COVID-19 outbreak, TAIEX dividend yields have topped global peers given its solid fundamentals and high dividend yields supported by the strong willingness of listed firms to distribute dividends on earnings. In 2019, listed firms paid a total of NT\$1.3tn in cash dividends, resulting in the high retention of local and foreign investors. Moreover, with a relatively healthy structure, the TAIEX has long been favored by international funds. In 4Q19, FINI net inflows was around US\$11bn, with FINI holdings reaching a record high of 43.02% at end-2019. With a lower FINI turnover ratio than average, FINI investments can be seen as long-term investment compared to other types of investors, underscoring the healthy structure of Taiwanese listed firms. Currently, more than 50 listed firms have approved the payment of quarterly or biannual dividend distribution, which is positive for enhancing market liquidity, as investors' dividend reinvestment in the TAIEX will inject more liquidity into the market.

#### **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 to become 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 trade 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 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 76 branches all over Taiwan, the second largest 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) Resourceful professional staff with global vision**

In order to provide diversified regional wealth management services, KGI Securities has recruited the high caliber 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, KGI Securities 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 FinTech 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 collaborate with their local peers
- 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 KGI Securities attract more high-net-worth clients, which is conducive to the development of the wealth management business.

### **(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 mid and long-term NT dollar bond yields could shave investment gains for securities firms.
- The entry of foreign high-frequency and program traders into 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 markets 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 continuous 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 to establish regional wealth management platform and grasp opportunities arising from volatility.

## © 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. As of the end of 2019, the investment mix by region was Taiwan (41%), China (33%), the US (21%) and others (5%).

### 2. Future supply-demand dynamics

#### 2.1 Demand status and growth

- (1) Investment by China-based Taiwanese firms to be primary driver for Taiwan economic growth as economic activity slows on global COVID-19 spread.

In 2019, investment slowed on economic uncertainty triggered by the Sino-US trade war and high tariffs levied on Chinese goods by the Trump administration. Fortunately, the US Fed lowered the benchmark rates preemptively and stopped shrinking its balance sheet, leading central banks across the globe to undergo monetary easing to support economies. On January 15, 2020, China and the US signed a phase-1 trade deal, temporarily alleviating economic tensions between the two world superpowers. In February, COVID-19 broke out in China, bringing about new risks which have since impacted economies in the Asia-Pacific region significantly and prompted global supply chains to ponder relocation strategies. The consumption, travel, transportation and tourism sectors have particularly been hit hard. Due to less consumption, exports have seen more uncertainties, slowing overall economic growth.

One piece of good news for Taiwan amid the slew of risk events is that China-based Taiwanese companies are returning to Taiwan to seek investment opportunities. This and the fact that semiconductor makers continue to invest and the government is pushing for infrastructure projects and offshore wind energy investment will be a solid investment base in the public and private sectors, supporting Taiwan’s economic developments.

- (2) Overseas investment growth slowed in 2019

Investment in Southeast Asia grew significantly, driven by the government’s New Southbound Policy and a global production reshuffle. According to the Investment Commission and the Ministry

of Economic Affairs, there were 638 overseas investment cases in 2018, up 27.1% YoY, for a total of US\$14.29bn, up 23.5% YoY, with the number of investment cases in Vietnam and Malaysia increasing from 127 to 219. In contrast, overseas investment cases increased just 5.01% YoY in 2019 to 670, with the investment amount retreating 52% YoY from US\$14.29bn to US\$6.851bn, as investment in China plunged while that in Southeast Asia flattened. Overall, the uncertainty of the China-US trade war slowed overseas investment by corporations in 2019.

In 2020, the COVID-19 pandemic will make China-based Taiwanese companies accelerate the relocation of their supply chains out of China. Coupled with limited room for improving cross-Strait relations in the short term, this will prompt these firms to invest more in Taiwan. We forecast their investment in China will slow further in 2020. Accelerating their return to Taiwan and investment in Southeast Asia are their next-stage investment plans.

## **2.2 Supply status and growth**

Almost all of Taiwan's 16 financial holding companies have established venture capital companies, such as CDIB Capital Group which was established by CDF, Fubon Financial Holding Venture Capital by Fubon FHC, Cathay Venture by Cathay FHC, CTBC Venture Capital by CTBC FHC, Mega Venture Capital and Global Venture Capital by Mega FHC and Yuanta Venture Capital by Yuanta FHC. Statistics compiled by the Taiwan Venture Capital Association shows that CDF, Yuanta FHC and Taishin Holdings are the top three FHCs in terms of investment in venture capital business by fund size.

In 2H17, the Financial Supervisory Commission (FSC) allowed banks to hold 100% of a venture capital firm and investment trust companies to establish private equity funds. A string of venture capital firms and private equity funds have since been set up by the banking and investment trust industries, such as Tai Chi Venture Capital (invested by Taiwan Business Bank), CHB Venture Capital, Union Bank Venture Capital and Cathay Private Equity Corp. (established by Cathay Securities Investment Trust). We expect more companies to engage in the venture capital business. In addition, in order to attract investment in the "5+2" industry, the government is helping accelerate insurance funds to invest in industries. Thus, insurance companies can invest in private equity funds established by quasi-national investment companies. As of the end of 2019, there were 269 venture capital companies with combined paid-in capital of around NT\$161.8bn. Since the FSC is more inclined to adopt an open attitude, and given that the government is pushing for industry upgrades and innovation, the venture capital market should have more room to grow and will face more fierce competition.

The private equity fund market in China has been growing rapidly in recent years, thereby becoming a funding source for venture capital. As of the end of 2019, 24,471 private equity fund managers were registered with the Asset Management Association of China and 81,739 private equity funds were recorded, valued at Rmb13.7tn.

## **3. Operating targets**

### **(1) Transform into private equity fund manager**

CDIB Capital Group will continue to enhance its competitiveness and expand its addressable market from Taiwan to other countries in Asia. The core business of CDIB Capital Group has been on venture capital and private equity fund businesses. CDIB Capital Group 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 Capital Group 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.

## **(3) Investment strategies customized for institutions**

With a wealth of experience and expertise in the private equity fund field, CDIB Capital Group provides institutional investors with fund consultation services and institutions with recommendations regarding investment in private equity funds to achieve diversification and optimize returns. Also, it provides total solutions to build quality private equity fund portfolios and positions for customers.

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

### **(1) Positives**

- 60 years of industry experience and broad-based client network  
As a private equity/venture capital firm, CDIB Capital Group 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 Capital Group 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 Capital Group 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 Capital Group 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 Capital Group 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 Capital Group to further consolidate resources within financial holding company (FHC) and create maximum synergies.
- Increasing global exposure  
Under liberalization of the global capital market, CDIB Capital Group's strategy is to establish more operating units overseas via direct overseas investment, overseas M&As and overseas stock listings, 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 Capital Group 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 Capital Group 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 Capital Group 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

- Integrate group and globalization resources to mitigate competition from peers

As CDIB Capital Group was formally an industrial bank, the company had long been focused on principal investment and corporate banking (e.g. medium- and long-term credit). Based on the Financial Holding Company Act, financial institutions can integrate banking, insurance, securities, bills and venture capital businesses to serve as a “financial department store” to replace the previous business model where each business was developed on a standalone basis. Consequently, many FHCs have established venture capital companies, effectively entering the direct investment field and intensifying competition in the market.

Facing a new competitive landscape, CDIB Capital Group 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 (rebranded CDIB Capital Group on March 15, 2017) to focus more on private equity fund management. Going forward, CDIB Capital Group 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 Capital Group’s revenue primarily comes from capital gains coupled with the disposal of principal investments. During the bull cycle of stock market, CDIB Capital Group is able to deliver robust returns; but in times of global economic weakness the stock market loses momentum, thereby capping disposal gains for CDIB Capital Group. In order to reduce earnings volatility, CDIB Capital Group aims to transform into a top-tier global PE/VC fund manager. CDIB Capital Group 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. In addition, CDIB Capital Group strives to develop diversified-product businesses and enter the global credit-type investment market via structured private placement and negotiation, which helps grow medium-sized enterprises and financing companies, aiming to gain rich risk-adjusted returns.

- Recruit global senior management talent and integrate resources to tackle globalization challenges

Given its aggressive expansion in Asia-Pacific markets, CDIB Capital Group has faced increasing competition from bellwether global financial peers in recent years. The company intends to strengthen employee training and introduce more international senior management talent to sharpen business competitiveness. In the meantime, investment in innovative industries is also deemed important as CDIB Capital Group seeks to develop and explore new businesses. CDIB Capital Group 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		2018	2019	As of March 31, 2020
Numbers of Employee	China Development Financial	172	147	150
	China Life (Note1)	5,785	5,955	6,015
	KGIB (Note2)	2,540	2,551	2,527
	KGIS (Note2)	3,816	3,769	3,726
	CDIB Capital (Note2)	221	224	231
	AMC	13	13	13
	Total	12,547	12,659	12,662
Average Age (Note 2)		41.17	42.21	41.91
Average Years of Service (Note 2)		7.49	9.40	9.68
Education	Ph.D.	0.2%	0.1%	0.1%
	Master	14.7%	15.5%	15.5%
	Bachelor's Degree	65.4%	68.6%	68.5%
	Senior High School (& below)	19.7%	15.8%	15.9%
Certification and Qualification	CFA	15	15	16
	CPA(domestic)	26	27	28
	CPA(overseas)	5	5	5
	CISA	1	2	2
	FRM	30	37	35
	IPMA Level D	1	1	1
	Attorney at law, R.O.C.	16	18	18
	Attorney at law, USA	3	3	3
	Attorney at law, Australia	1	1	1
	Internal Auditor	21	25	25
	Certified Financial Services Auditor	1	2	2
	Certified Public Bookkeeper (for Specialized Professionals and Technicians)	3	3	3
	Proficiency test for foreign exchange transaction	70	69	68
	Proficiency test for corporate basic internal control	68	70	66
Investment trust and consulting laws exam	1,189	1,198	1,184	

Year		2018	2019	As of March 31, 2020
Certification and Qualification	Investment trust and consulting specialist exam	947	947	949
	Proficiency test for Stock Affairs Specialist	83	87	84
	Proficiency test for junior foreign exchange personnel	471	479	472
	Proficiency test for junior credit personnel	710	740	722
	Proficiency test for advanced credit personnel	45	42	41
	Proficiency test for financial risk management	8	9	7
	Proficiency test for credit collateral valuation	13	13	13
	Financial knowledge and professional ethics exam	1,946	2,034	1,795
	Trust laws exam	111	114	112
	Trust personnel exam	3,114	3,098	3,066
	Certified Project Management Professional	12	12	15
	Proficiency test for Certified Financial Planner	722	719	712
	Bill Finance Specialist exam	73	71	71
	Futures Commission Merchant Specialist exam	2,489	2,468	2,454
	Futures Brokerage Merchant Specialist exam	11	12	12
	Futures Trading Analyst exam	24	24	26
	Futures Fund Specialist exam	1,225	1,169	1,161
	Structured Instrument Specialist exam	702	670	659
	Proficiency test for Bond Specialist	64	69	67
	Proficiency test for basic asset securitization	30	31	31
	Bank internal control and internal audit exam	1,988	1,995	1,958
	Securities Margin Trading Specialist exam	678	663	651
	Securities Investment Analyst exam	64	65	65
	Senior Securities Specialist exam	2,170	2,168	2,142
	Securities Specialist exam	2,089	2,100	2,096
	Certified Financial Planner (CFP)	18	18	17
	Life insurance representative	3,038	2,980	2,950
Life insurance representative exam for sale of foreign currency non-investment linked insurance policies	1,754	1,745	1,732	
Property insurance representative	2,632	2,594	2,575	

Year		2018	2019	As of March 31, 2020
Certification and Qualification	Investment-linked policy representative	1,976	1,951	1,924
	General exam for investment-linked insurance and financial system	251	254	254
	Securities exchange regulations and practices exam	285	290	290
	Proficiency test for debt collector	392	391	386
	Securities practitioner exam (SAC)	9	9	9
	Securities lending specialist exam	218	214	209
	Professional in Business Analysis	1	1	1
	CFSSME	17	15	14
	Elementary ERP planner	1	1	1
	Advanced calculation method on Capital adequacy ratio of securities firms exam	5	5	5
	Property insurance broker	5	8	8
	Life insurance broker	7	9	9
	CAIA	1	1	1
	MFP	2	2	2
	Grade b special exam for finance specialist	1	1	1
	Life insurance agent	3	4	4
	Chartered Life Underwriters	1	1	1
	Junior professional and technical examinations for realtors	2	2	2
	Assistant real estate broker	5	5	4
	Proficiency test for deposit business	174	171	171
	Basic Test of the FinTech Knowledge	16	17	18
	Financial derivatives specialist exam	93	168	165
	Proficiency test for risk management	13	15	15
	International Trade Specialist	1	1	1
	Accounting grade c subject test	22	22	22
	Licensing examination for securities Futures Intermediaries(Asset Management)	1	2	2
	Licensing examination for securities Futures Intermediaries(Corporate Finance)	1	1	1
	Licensing examination for securities Futures Intermediaries(Securities)	3	4	4
	Certified Anti-Money Laundering Specialists (CAMS)	24	67	66



Year		2018	2019	As of March 31, 2020
Certification and Qualification	Legal Profession Qualification Certificate	4	1	1
	Futures Practitioners Qualifying Exam	1	1	1
	AMAC Fund Qualification Exam- Basic Knowledge of Private Equity Fund	9	8	8
	AMAC Fund Qualification Exam- Regulations and Ethics Standards	10	10	11
	AMAC Fund Qualification Exam-Basic Knowledge of Securities Investment Fund	4	5	5
	License for Fund Practitioners	0	0	1
	Fellow, Life Management Institute	1	2	2
	Anti-Money Laundering/Countering the Financing of Terrorism Specialist exam	21	46	45
	CPA(China)	0	1	1
	Securities Practitioner's Qualify exam- Basic Knowledge of Securities Market	0	1	1
	Securities Practitioner's Qualify exam- Securities Investment Analysis	0	1	1
	Wealth Management Planner	2	2	2
	Property Insurance Agent	2	4	4
	Property Insurance Underwriters	1	2	2
	Claim Adjuster for Property Insurance	1	1	1
	Proficiency test for corporate governance	0	1	1
Total		32,267 (Note3)	32,330	31,789

Note 1: Employee headcount excluded Independent contractors

Note 2: the shown figure include employees of all subsidiaries

Note 3: the shown figure is different from last year annual report due to the adjustment on some licenses stated

## 5.4.2 Education and Training for Employees in 2019

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 2019, 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 934,693. On average, each employee received 73.8 hours of training in 2019. 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 88%.

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.

Here's what we accomplished in 2019:

#### ➤ Social emergency aid

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
CDIB Education and Cultural Affairs Foundation	Financial Assistance to Student Victims of Formosa Fun Coast Explosion	A long-term aid program covering the cost of school fees for student victims of the incident since 2015. The objective is to support them through graduation.	Student victims of trauma	<input type="checkbox"/> Grants total NT\$1.75mn, benefiting 54 students <input type="checkbox"/> All distributed grants since 2015 total NT\$19.12mn, benefiting 562 students
KGI Charity Foundation	Emergency Aid for Affected Students & Families	Financial aid and emergency funds for students whose families experience sudden upheavals	Low-income students	<input type="checkbox"/> Grants total NT\$1.76mn, benefiting 48 students

#### ➤ Remote communities & special needs organizations

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
China Life	Yu-Cheng Social Welfare Foundation's art contest for children with special needs	Sponsoring a painting contest organized by the Yu-Cheng Social Welfare Foundation for children with mental disorders, in addition to promoting the Foundation's sheltered workshop merchandise for the amazing talent and hard work of our youth with special needs to touch more people through their art	Children with mental and developmental challenges	Beneficiary: Over 5,000 individuals with special needs and their families

## 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 provides free event space, but also enables 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.

Here’s what we accomplished in 2019:

### ➤ Educational aid

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
CDIB Education and Cultural Affairs Foundation	Heritage 100 X Tutelage 100	Set up in 2006 and impacting students in need for the last 13 years, CDF’s Heritage 100 X Tutelage 100 program is unlike most scholarships as it requires the recipients of the NT\$50,000 grants to put in 100 hours to helping underprivileged students with their school work. Since the environments in which these volunteers grew up in were similar to those of the students they helped, they were more empathetic, which made it easier for them to offer eye-opening experiences to help the students discover new options in life.	College students in poverty	In 2019, grants of NT\$5mn in total were provided to 100 college students, who offered a 10,000 tutorial hours to 100 underprivileged children, benefiting 100 schools. Since 2006, the program has given out NT\$65mn and impacted 2,600 individuals.
CDIB Education and Cultural Affairs Foundation	The Flying Elephant in Our Class: Little Talents with Big Futures	The decade-long project is committed to developing young talents in music, sports, and the arts living in poverty through elementary and junior-high school, helping them explore and live out their full potential. Over the year, the Foundation is proud to have fostered outstanding young talents like NCAA player Oscar Gao and choreographer Jya-ming Li.	Young talents as individuals and in ensemble	NT\$1.37mn was granted to sponsor 20 schools, benefiting 109 students
CDIB Education and Cultural Affairs Foundation	Little Flying Elephant Basketball Summer Camp Performance	Creating a platform for participants of the Little Flying Elephant Project to show a few of their moves, the 2019 CDF Little Flying Elephant Summer Camp put the project’s young talents in charge as junior coaches and invited family members of CDF employees to sign up for a training session. The event ended with a goodwill match between the project’s members and CDF employees.	Underprivileged students, CDF employees & their family members	NT\$55,000 was budgeted; 32 employees took part in the event with their families
CDIB Education and Cultural Affairs	Scholarship for skilled vocational high school students	In the spirit of the Flying Elephant Project, the Foundation set up the Vocational Skills Scholarship program in 2017 to provide long-term support for high school, college and graduate	High school and higher education students living in poverty	NT\$1.84mn was granted to benefit 102 students

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
Foundation		school students living below the poverty line to stay focused on their aspirations and technical training, with a view to helping them master a potential future profession.	pursuing formal technical training	
CDIB Education and Cultural Affairs Foundation	Charitable educational grants	Extending the Vocational Skills Scholarship program of the Foundation, inviting the program's long-term recipients who are now graduates to offer courses at CDF to enrich employee activities and gain experience as class instructors, as they apply knowledge and skills in practice. Since 2018, they have opened courses in dance and watercolor painting.	Underprivileged students, CDF employees & their family members	70 employees signed up for the courses instructed by the recipients
China Life	Socially-Minded Young CEO initiative	For 13 years and running, China Life has called on university students to join the cause for charity and expand their capacity to serve the community. China Life offers to sponsor student initiative proposals supporting the company's cause for protecting the environment, promoting education, elevating underprivileged communities, or personal financial and insurance planning advocacy. By being involved in charitable causes, they contribute to the force of positivity driving our society forward. By continuing to hold charity relays around the country, the initiative will spread the love and pay it forward.	Higher education students, rural school-age children & local residents	Sponsored 10 colleges and universities, benefiting 1,634 rural students & residents
China Life	Read Across 319 Townships	Heading to elementary schools across all of Taiwan's 319 townships to foster reading education, the program adopts a diverse classroom approach, incorporating DIY lessons, storytelling and interactive games, etc. in a context-based curriculum, seeking to foster a culture of independent reading and learning for kids in rural areas, while helping them build an integral values system, encompassing fundamental concepts like money management and insurance, green living, food safety, and ethics, etc. spark children's interest in learning and discover their potential.	451 school children and 75 participating teachers from rural areas	Out of the 11 schools we visited, we helped 2 schools organize reading events, and 3 schools curate their own edition of illustrated guide for visitors, and produced a rural-community-themed shorts series in collaboration with 4 schools
China Life	Aesthetic Education Plan	In the name of charity, we also bring together art-based social enterprises along with cutting-edge emerging artists to introduce aesthetics education to schools in rural areas that encourages incorporating unique elements about the local culture and the campus into their artwork to inspire connection to the hometown and raise self awareness. The Aesthetic Education Plan has won the Buying	Rural elementary schools	Since the inception, we have granted NT\$2.5mn to the Plan and collected 227 pieces of artworks from participating schools, two of which have become the packaging art for goodwill farm foods gift boxes (as China Life's 56th anniversary

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
		Power – Social Innovation Product and Service Procurement Award for a third consecutive year, and is a winner of TCSA’s Social Inclusion Award in 2019. We also helped students’ artistic talent be discovered by a wider audience by making their artwork into merchandise and souvenir, such as e-cards and key visuals for China Life’s 56th anniversary campaign, and packaging for the annual Chinese New Year PR gift boxes for stakeholders, creating a virtuous cycle.		celebration and Chinese New Year souvenirs)

➤ Remote communities & special needs organizations

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
CDIB Education and Cultural Affairs Foundation	Perfect Nutrition	Subsides to food budgets	Elementary and junior high schools in rural areas	NT\$4.83mn was granted to 215 schools, benefiting 11,186 students
CDIB Education and Cultural Affairs Foundation	Taipei National Theater and Concert Hall “Zero Distance in Art”	A sponsor of the National Theater and Concert Hall’s “Zero Distance in Art” program since 2009, the Foundation has been inviting rural and underprivileged school children and “Heritage 100” volunteers to see art performances for free at the National Theater and Concert Hall, in an effort to bridge the city-rural disparity in art education. In 2019, the program selected 64 of these students to attend art performances, and received exquisite feedback from them.	Underprivileged families & rural school children	Total sponsorship of NT\$200,000 benefited 64 show-attending students
CDIB Education and Cultural Affairs Foundation	National Taichung Theater “Open House project” & NTT Academy	To make art events more accessible to the public, the Foundation joined the Open House project initiative of the National Taichung Theater in 2017, and has since invited nearly a thousand students and teachers from remote areas in central and southern Taiwan to visit the opera house for high-quality productions on an international stage. In 2019, 300 students and teachers from 8 schools gathered here to see “Düsseldorf Duisburg 7” by Germany’s Ballet am Rhein, and “Blak Whyte Gray” by Britain’s Boy Blue. To foster professionals specialized in performing arts administrative work in central Taiwan, NTT Academy was officially launched in 2019 to offer training courses for high school students interested in performing arts and looking to pursue a career in the field of performing arts administration.	Rural elementary & junior high school students; high school students	Total sponsorship of NT\$500,000 benefited 300 students & teachers from 8 schools

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
KGI Charity Foundation	Let Love Flower	Assisting students from economically disadvantaged backgrounds and rural areas to have fair opportunity in terms of nutrition and quality education	Rural students in poverty	Grants to 31 rural schools totaled NT\$5.07mn
China Life	Green Academy Program for Food Safety	Periodically purchasing seasonal fruits from eco-friendly small-scale local farmers to donate to rural students and students in poverty. As the children benefit from a healthy diet, it's also important that they acknowledge the value of local farmers. Green Academy takes social enterprises deep into rural schools. Through food education and sponsoring campus farming, rural children, who are already in close proximity to nature, are also able to get behind the ideas of eating well and living in harmony with the land.	Rural elementary schools, social enterprises	Buying and sending local farm goods to 4 rural elementary schools and 1 social welfare organization, benefiting over 310 school children
China Life	Yu-Cheng Social Welfare Foundation's art contest for children with special needs	Supporting Yu-Cheng Foundation's painting contest for children with mental disorders for 11 years in a row, China Life is also committed to promoting the Foundation's sheltered workshop merchandise to let more people see the amazing talent and hard work of our children with special needs through their art	Children with mental and developmental challenges	Beneficiary: Over 5,000 individuals with special needs and their families

➤ Low income & underprivileged households

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
CDF	Education Charity Fund	A supportive program of the Taiwan Financial Services Roundtable to help underprivileged students complete their study	Underprivileged students	A NT\$2.5mn donation was made
CDIB Capital Group	Sponsorship & assistance to Chung Yi Social Welfare Foundation & the children of Chung Yi Orphanage	<ul style="list-style-type: none"> <li>Participating in the 2020 education fundraising project</li> <li>To spearhead the "2020 Symphony" journal and notebook charity sale</li> </ul>	The orphans	NT\$58,000 was raised for the education project; NT\$21,241 was raised from the charity sale
KGI Charity Foundation	Love, Starting From Elementary School	Supporting low-income students with financial aids to ensure their basic human rights to survival and education	Students in poverty	NT\$3.97mn was granted to 287 students from 93 schools. Since 2012, the Foundation has provided over NT\$30mn in scholarships to more than 1,000 students of underprivileged families to protect their rights to an education.
KGI Securities Thailand	Dream Come True Bicycle Donation Drive III	Ensure students are free from risks of stopping their education short simply because of commuting	Children aged 8-15 who have difficulties commuting to school	NT\$1.49mn was spent to sponsor 213 schools, benefiting

		challenges		1,140 school children
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➤ Social & micro enterprises

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
KGI Bank	Donation to SME Credit Guarantee Trust Fund	Long-standing support for SMEG Fund, and for micro and social enterprises to be qualified for credit guarantees and access to loans	Micro & social enterprises	Donation: NT\$32,571,761

➤ Other categories

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
China Life	Charity Fairs	This has evolved from simply a vending platform for eco-friendly small local farmers and welfare organizations to displaying their merchandise to doubling as a stage for a talent show for these groups and underprivileged children to express themselves, which is an excellent way to engage people, accept praise and boost confidence. In 2019, China Life issued Charity Fairs coupons, which have been ordered by over 70% of employees around the country who wish to show support for underserved groups and eco-friendly local farmers through action.	Social welfare organizations; eco-friendly small local farmers	China Life has held 1 Charity Fair event and 3 charity gift box briefings, engaging 13 social welfare organizations and local farmers. Merchandise sales proceeds surpassed NT\$1.0mn, up over 350% YoY.

### 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.

Here's what we've accomplished in 2019:

➤ Educational grants

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
CDIB Education and Cultural Affairs Foundation	Artist cultivation	Sponsored a variety of performance events, including the TIFA Taiwan International Art Festival, the Lanyang International Double Bass Summer Camp (along with its master classes). Russia's Kuban Cossack Chorus was invited to perform at the	Art and culture groups; schools and employees	Sponsorship: NT\$16.56mn Turnout: 69,679 attendees



Sponsor	Project	Description	Demographics engaged	Highlights in 2019
		CDF-sponsored 2019 Kuandu Arts Festival and participate in PR events in celebration of CDF's diamond jubilee, along with other academic engagements to raise CDF's brand image.		
CDIB Capital Management Corporation / CDIB Capital International Corporation (CCIC)	Working with MIT and Wharton to help Taiwanese start-ups enter overseas markets	Collaborating with globally renowned MIT and Wharton to advance exchange between Taiwan and US elites, explore opportunities for entrepreneurs to work together, generate opportunities for startups in Taiwan to get connected overseas, and drive the VC business to penetrate globally, which in the long run bodes well for the company's international presence and the group's global footprint. <ul style="list-style-type: none"> <li>Sponsor the "Wharton Partnerships for Recruiters and Corporations" program</li> <li>Sponsor the "MIT Entrepreneurship and Maker Skills Integrator (MEMSI)" project and "Demo Day" organized by MIT Hong Kong Innovation Node</li> </ul>	<ul style="list-style-type: none"> <li>Wharton students, Taiwan &amp; US enterprises</li> <li>Students of MIT &amp; HKU, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Sponsorship for Wharton Partnerships for Recruiters and Corporations: US\$100,000</li> <li>Sponsorship for MEMSI : US\$100,000; organized MEMSI Demo Day on January 19, 2019, where 34 teams of students from Hong Kong and MIT were selected to make presentations</li> </ul>

➤ Art cultivation

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
KGI Securities	Sponsorship program for Rong-Shing Cultural Foundation	Title sponsorship with company logo on peripherals such as posters and brochures	Rong-Shing Cultural Foundation	<ul style="list-style-type: none"> <li>Enhance brand awareness and media exposure</li> <li>Total donation: NT\$200,000</li> <li>Musical events attract around 1,800 people each year</li> </ul>

➤ Social & micro enterprises

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
CDF	Strategic partnership with AAMA Taipei Cradle Program	Through building long-term strategic partnership with the AAMA Taipei Cradle Program to develop distinguished startups and form in-depth mentorship with each season's shortlisted entrepreneurs, CDF will not only gain a solid footing in the incubation centers ecosystem, but could also attract new opportunities to liaison with the startup network for potentially mutually beneficial long-term relationships.	Entrepreneurs shortlisted by the AAMA Taipei Cradle Program	Coordinating with AAMA to set up incubation, the Accelerator hosted AAMA's season 8 final elimination on May 25, and a meet and greet for mentors and finalists on July 5. Team members from the CDIB Capital Innovation Advisors were appointed AAMA startup mentors to help with problem-solving. Startups continue to benefit from group resources and generate cross-selling synergies.

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
				AAMA startups having completed cross-selling transactions (and the service or product involved) in 2019 include: PicSee (wage transfer); Unicorn (travel insurance); Mr. Living (travel insurance) Jollywiz (credit loan authorization); KooData (wage transfer).
CDIB Capital Group	CDIB Capital Innovation Accelerator	The CDIB Capital Innovation Accelerator Fund has built the largest innovation and start-up platform in Taiwan. Eyeing both roles as a principal investor and incubator, the Fund offers top-of-the-line professional investment services, in addition to corporate matching, physical networking space, mentorship, startup courses, and more, providing startups and investors the resources they need for growth, making the Accelerator a major springboard for competing on the world stage. This platform also provides CDF with access to exploring startups with huge potentials to add to its portfolio.	Social enterprise/start-ups/CDF's subsidiaries, investors & customers	<ul style="list-style-type: none"> <li>• Invested in 11 start-ups</li> <li>• Held 13 one-day start-up board of directors meetings under the exclusive investee mentorship program</li> <li>• Organized 3 start-up afternoon tea sessions</li> <li>• 111 innovation and startup forums in the Accelerator's free networking space in 2019, attended by 3,593 participants.</li> <li>• Cumulative attendances since day 1: 16,328</li> </ul>
KGI Bank	Online charitable donation platform	KGI Bank launched a charitable donation platform and cooperated with 28 domestic charitable organizations to enable various non-profit organizations to gain morae exposure opportunities and provide a safe and convenient donation platform service. Encourage customers transform love to action and donate through credit cards and debit cards.	Charitable organizations	Over 1,000 donations have been made since launch, for nearly NT\$1.0mn in value

#### 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.

Here's what we've accomplished in 2019:

- Educational grants; disabilities; low income & underprivileged households; care for underserved seniors

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
China Life	Love to Go Volunteer Team	Approaching its 10th anniversary, the Love to Go Volunteer Team operates on China Life's 'we share, we link' core	Individuals with disabilities; orphanage children;	In 2019, back-office employees received information on nearly

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
		value in its liaison with close to 10 social welfare organizations offering services like helping the disabled adapt to new environments, keeping orphanage kids and underserved seniors company, beach clean-up, and goodwill products packaging, etc. To encourage employee participation, the company began offering one day of volunteer leave each year in 2014. Teams and team leaders with strong participation are honored and rewarded every quarter as a means to shore up volunteer participation.	underprivileged seniors	3,000 volunteer events, for a total 7,096 volunteer hours.

➤ Remote communities & special needs organizations

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
CDIB Education and Cultural Affairs Foundation	Lunch Dates	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.	Elementary students and teachers from rural areas	11 participating employees served 100 teachers and students
KGI Securities	Gift Shoebox of Love	KGI Securities staff collected shoebox presents in winter time, sending their loving thoughts to children in rural areas.	Students in rural areas in Chiayi	400 employees collected and delivered over 500 shoebox presents

➤ Low income & underprivileged households

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
CDIB Education and Cultural Affairs Foundation	Bread Love	Ever since the charity bakery launched in 2014, CDF employees have made a commitment to monthly orders of bakery from sheltered workshops like Hsinchu's Huakuang Social Welfare Foundation placed at the start of the year. And each month they receive a bag of products from the sheltered workshops. A voluminous and steady stream of orders is key for these workshops to sustain operations. Not only do the orders provide the sheltered staff with salary, they are offered more opportunities to gain hands-on experience.	Students with physical or mental disabilities	<ul style="list-style-type: none"> <li>About NT\$260,000 was raised from 200 employees, benefiting 200 sheltered bakery chefs</li> </ul>
KGI Securities	Charity bakery	Purchasing baked goods from two sheltered workshops every month, and giving away some of the items to orphanages and food banks to maximize the love.	<ul style="list-style-type: none"> <li>Bakery chefs with disabilities living in sheltered homes</li> <li>Solitary senior folks living in solitude</li> <li>Orphanage kids</li> <li>School children</li> </ul>	<ul style="list-style-type: none"> <li>NT\$620,000 was raised</li> <li>27 bakery chefs at shelter workshops had an income</li> <li>50 orphans received the end product;</li> <li>145 elderly living</li> </ul>

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
			<ul style="list-style-type: none"> <li>living in poverty or rural areas</li> <li>Children with mental and developmental challenges</li> </ul>	<ul style="list-style-type: none"> <li>alone received the end product;</li> <li>412 employees took part</li> </ul>
China Life	Charitable Group Buying	Using the term payment model common to the insurance industry, China Life encourages employees to participate in charitable group buying activities and sustain long-term support and steady income for underprivileged groups and eco-friendly micro-farmers, making charitable deeds more affordable and easier to turn into action. After an order is placed, the employee can opt to receive the orders themselves or turn them into donations to charities to further pay it forward and bring people's hearts closer.	<ul style="list-style-type: none"> <li>Underprivileged groups</li> <li>Eco-friendly micro-farmers</li> <li>Social welfare organizations</li> </ul>	<ul style="list-style-type: none"> <li>In 2019, orders exceeded NT\$1.13mn, yielding nearly NT\$600,000's worth of resources to benefit almost 400 individuals being cared for</li> </ul>

➤ Social and micro enterprises

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
CDIB Education and Cultural Affairs Foundation	Annual Charity Day Event	The annual social enterprise charity fair event was held on January 14, where performances took place and the group's employees turned out enthusiastically. 12 social enterprise and charity group partners were invited as merchandise booth vendors. To boost purchases, the Foundation held a promotional pre-sale of subsidized coupons in limited availability. At the end of the day, the fair raked in a whopping NT\$820,000 in sales.	Social enterprise & social welfare organizations	<ul style="list-style-type: none"> <li>A decent turnout with about 1,000 employees</li> <li>The charity fair grossed NT\$820,000 in sales</li> </ul>

➤ Care for underserved seniors

Sponsor	Project	Description	Demographics engaged	Highlights in 2019
KGI Bank	KGI Volunteer Day	In cooperation with the United Way of Taiwan, KGI Bank created Volunteer Day which offers participants a compensatory one-day volunteer leave to encourage employees to spend half a day a month during the weekend to offer companionship to the elderly at senior care centers throughout Taipei, Taichung and Kaohsiung.	About 350 elderly residents at senior care facilities	<ul style="list-style-type: none"> <li>1,360 employees participated since KGI Volunteer Day kicked off in 2013</li> <li>222 volunteer trips were made, putting in a total 888 services hours in 2019</li> </ul>

## **5.6 Number of non-executive full-time employees, and the average and median annual employee compensation and differentials from the previous year**

In 2019, the total number of non-executive full-time employees was 7,032, up 10.5% YoY. The average annual compensation was NT\$1.118 million, up 14.4% YoY. The median annual compensation for non-executive full-time employees was NT\$0.917 million.

## **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

- Email platform conversion project
- Backbone network update project
- Office automation system replacement project t

### 2. China Life

- iAgent optimization
- Smart insurance approval model
- AI R&D
- Diagnosis certificate for claims and receipt image identification
- Policy digital process system and process platform n

### 3. KGIB

- Financial market new system project
- New credit card system project
- Fund, bond, ETF system project
- RPA function upgrade project
- New mobile banking installation project
- Block chain certification project
- CMS project
- Email platform conversion project
- Backbone network update project
- Privileged account & Audit management system project

### 4. KGIS

- Non-paired securities trading system project
- Smart customer service project
- Client data collection project
- Discretionary trust investment management middle tier system installation project
- New investment trust official website and EC platform installation project
- FX Futures mobile APP project
- Foreign exchange (demand deposit) system project
- High-frequency R&D project
- Strategic trading advancement project
- Introduction of robotics to RPA process project
- Email platform conversion project
- Windows 7 EOS project

### 5. CDIB Capital Group

- Email platform conversion project
- Subsidiary network framework adjustment and information security enhancement 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. China Life was certified in 2015 and re-certified in 2018. KGI Securities was certified in 2016, completed the management system and process adjustment, and was re-certified in 2019. In December 2019, CDF and KGI Bank obtained ISO 27001:2013 Information Security Management Systems (ISMS) certification.
- In order to enhance information security governance, CDF established "Information Security Dept." in January 2019 as a unit dedicated for information security. The unit is in charge of CDF’s entire information security governance, planning, supervision and implementation, and it regularly reports to the board of directors on the information security governance situation, building full-fledged information security capacity and upgrading information security awareness for employees.
- In order to lessen the impact of unexpected, urgent, or dangerous incidents or abnormal events that may disrupt information processing, in 2019 CDF commissioned professional consultants to assist in conducting an information security assessment and drills. The effectiveness of planned contingency strategies and means of handling situations is verified through drills to ensure that information processing operations continue.

## **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 Recent losses resulting from employment disputes as of 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 labor management 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 publication date of this annual report are as follows:

◎ **KGI Bank**

Punishment date and letter number	Articles violated	Shortcomings and punishment
Letter, No. 10860093292 from Taipei City government, March 8, 2019	Labor Standards Act, Article 32 paragraph 1	Penalty of NT\$600,000 due to making employees work overtime without consent of the labor union
Letter, No. 10842553891 and 10842553892 from New Taipei City government, April 26, 2019	Labor Standards Act, Article 32 paragraph 1, Article 49 paragraph 1	1. Penalty of NT\$550,000 due to making employees work overtime without consent of the labor union 2. Penalty of NT\$200,000 due to making female employees work during nighttime without consent of the labor union
Letter, No. 10860097782 from Taipei City government, April 29, 2019	Labor Standards Act, Article 24 paragraph 1	Penalty of NT\$300,000 due to no overtime payment to employees when they extend working hours
Letter, No. 10860159722 from Taipei City government, July 16, 2019	Labor Standards Act, Article 32 paragraph 2	Penalty of NT\$300,000 due to employees working over 12 hours calculated based on the regular daily working hours combined with extended working hours
Letter, No. 1080170639 from Taichung City government, July 22, 2019	Labor Standards Act, Article 32 paragraph 1	Penalty of NT\$20,000 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	2019.9.2 to 2020.9.2	<ol style="list-style-type: none"> <li>1. Liability insurance for directors, supervisors and key staff</li> <li>2. Compensation for securities liabilities</li> <li>3. Compensation for employment liabilities</li> <li>4. Remedial liabilities</li> </ol>	Exclusions include but are not limited to: Claims made between U.S. insured parties, claims for known losses, and claims relating to hazards, pollution and money-laundering activities.

### ◎ 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 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

◎ **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 Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Consolidated Condensed Balance Sheet

Unit : NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Cash and cash equivalents, Due from the central bank and call loans to financial institutions		112,215,613	100,196,911	97,636,786	86,038,806	129,444,209	N/A
Financial assets at fair value through profit or loss		157,780,085	159,280,102	125,949,607	374,931,034	492,082,632	
Available-for-sale financial assets		70,643,015	106,359,065	558,889,116	—	—	
Financial assets at fair value through other comprehensive income		—	—	—	485,335,934	539,623,924	
Debt investments measured at amortized cost		—	—	—	970,536,279	1,028,887,835	
Securities purchased under resell agreements		52,622,253	29,883,158	55,150,889	39,770,534	46,789,881	
Receivables, net		100,754,149	92,190,214	100,219,420	101,604,537	104,305,699	
Current tax assets		990,101	855,145	745,603	1,168,303	759,762	
Discount and loans, net		217,780,328	252,376,992	325,147,363	369,131,396	376,535,852	
Reinsurance assets, net		—	—	302,104	534,353	533,134	
Held-to-maturity financial assets, net		402,564	300,000	198,886,022	—	—	
Investments accounted for using the equity method, net		10,775,665	12,675,804	16,375,012	16,102,926	17,403,840	
Restricted assets		29,776,730	27,933,924	40,973,737	29,109,621	24,970,721	
Other financial assets		59,869,095	64,285,076	752,610,493	103,675,320	121,067,495	
Investment property, net		2,048,311	2,179,356	25,450,094	25,432,420	25,341,556	
Property and equipment, net		14,717,160	14,512,916	30,880,691	31,717,297	34,904,312	
Right-of-use assets, net		—	—	—	—	18,548,919	
Intangible assets, net		8,584,490	7,948,378	22,169,720	21,171,147	20,441,634	
Deferred tax assets		5,561,925	4,912,053	9,081,862	12,652,560	9,888,920	
Other assets, net		22,197,691	16,308,415	32,055,871	48,902,361	35,757,679	
Total assets		866,719,175	892,197,509	2,392,524,390	2,717,814,828	3,027,288,004	
Deposits from the central bank and financial institutions		10,024,399	31,078,769	28,867,956	22,434,914	24,560,878	
Financial liabilities at fair value through profit or loss		39,898,179	51,565,266	55,729,704	87,786,725	94,068,987	
Notes and bonds issued under repurchase agreements		119,611,868	119,560,443	100,177,627	125,478,900	96,137,331	
Commercial paper payable, net		13,139,202	17,549,797	20,549,392	14,985,902	12,634,684	

Item \ Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2020 (Note 2)	
	2015	2016	2017	2018	2019		
Payables	57,152,044	60,337,328	85,630,607	79,293,203	86,839,670	N/A	
Current tax liabilities	911,029	826,620	5,443,513	967,872	1,168,811		
Deposits and remittances	325,312,132	315,451,964	362,729,069	398,286,010	395,861,002		
Bonds payable	28,618,692	27,684,236	30,000,000	31,150,000	42,450,000		
Other borrowings	21,809,459	19,878,458	25,704,261	18,818,061	20,968,007		
Provisions	1,419,454	1,373,667	1,288,449,104	1,557,304,939	1,742,247,176		
Other financial liabilities	65,475,084	62,753,830	109,126,375	121,887,440	149,722,533		
Lease liabilities	—	—	—	—	5,615,681		
Deferred tax liabilities	1,460,166	1,487,885	9,391,454	7,275,275	12,933,858		
Other liabilities	13,116,729	15,552,208	21,501,190	28,582,681	45,614,232		
Total liabilities	Before distribution	697,948,437	725,100,471	2,143,300,252	2,494,251,922		2,730,822,850
	After distribution	705,435,443	732,588,342	2,152,274,629	2,498,741,717		(Note 4)
Equity attributable to owners of the parent							
Capital	Before distribution	151,125,441	149,744,213	149,768,196	149,633,560		149,684,080
	After distribution	151,125,441	149,744,213	149,768,196	149,633,560		(Note 4)
Capital surplus	654,803	1,104,521	1,173,719	1,630,992 (Note 3)	1,093,745		
Retained earnings	Before distribution	18,507,160	16,798,782	20,870,156	22,095,706		30,976,678
	After distribution	11,020,154	9,310,911	11,895,779	18,429,040		(Note 4)
Other equity	(2,746,831)	(1,782,652)	73,567	(10,522,131)	8,907,903		
Treasury shares	(2,376,747)	(2,376,747)	(4,205,566)	(3,605,444)	(3,137,278)		
Non-controlling interests	3,606,912	3,608,921	81,544,066	64,330,223	108,940,026		
Total equity	Before distribution	168,770,738	167,097,038	249,224,138	223,562,906	296,465,154	
	After distribution	161,283,732	159,609,167	240,249,761	219,073,111	(Note 4)	

Note 1: Financial statements of CDF in 2015 to 2019 were audited.

Note 2: As of the publication date, the financial statements of the first quarter of 2020 have not been reviewed by CPA.

Note 3: The shareholder's meeting of CDF of 2019 resolved cash dividends \$823,129 from capital surplus.

Note 4: Distribution for earnings in 2019 has not yet been resolved by the shareholder's meeting.

## 6.1.2 Unconsolidated Condensed Balance Sheet

Unit : NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Cash and cash equivalents		2,665,707	1,357,441	1,014,547	4,570,426	2,914,480	N/A
Financial assets at fair value through profit or loss		—	—	—	471,765	—	
Available-for-sale financial assets		1,226,972	1,199,734	1,344,910	—	—	
Receivables, net		139	115	4,689	50,567	49,216	
Current tax assets		1,438,314	1,436,182	1,234,121	1,881,337	2,013,945	
Investments accounted for using the equity method, net		186,684,329	186,391,735	200,445,118	185,756,820	214,485,554	
Other financial assets		300	300	300	500,300	300	
Right-of-use assets, net		—	—	—	—	6,285	
Property and equipment, net		10,094	9,906	21,488	28,054	45,078	
Other assets, net		540,719	541,742	29,946	33,988	37,747	
Total assets		192,566,574	190,937,155	204,095,119	193,293,257	219,552,605	
Commercial paper payable		5,099,745	3,999,774	9,899,365	9,898,975	3,849,741	
Payables		649,830	554,345	699,065	722,528	937,194	
Current tax liabilities		1,021,390	857,328	472,630	1,129,319	418,779	
Bonds payable		18,000,000	18,000,000	22,000,000	19,000,000	23,000,000	
Other borrowings		2,599,847	3,999,892	3,299,950	3,299,951	3,799,796	
Provisions		31,627	37,290	41,362	6,946	12,807	
Lease liabilities		—	—	—	—	6,555	
Other liabilities		309	409	2,675	2,855	2,605	
Total liabilities	Before distribution	27,402,748	27,449,038	36,415,047	34,060,574	32,027,477	
	After distribution	34,889,754	34,936,909	45,389,424	38,550,369	(Note 4)	
Capital	Before distribution	151,125,441	149,744,213	149,768,196	149,633,560	149,684,080	
	After distribution	151,125,441	149,744,213	149,768,196	149,633,560	(Note 4)	
Capital surplus		654,803	1,104,521	1,173,719	1,630,992 (Note 3)	1,093,745	
Retained earnings	Before distribution	18,507,160	16,798,782	20,870,156	22,095,706	30,976,678	
	After distribution	11,020,154	9,310,911	11,895,779	18,429,040	(Note 4)	
Other equity		(2,746,831)	(1,782,652)	73,567	(10,522,131)	8,907,903	
Treasury shares		(2,376,747)	(2,376,747)	(4,205,566)	(3,605,444)	(3,137,278)	
Total equity	Before distribution	165,163,826	163,488,117	167,680,072	159,232,683	187,525,128	
	After distribution	157,676,820	156,000,246	158,705,695	154,742,888	(Note 4)	

Note 1: Financial statements of CDF in 2015 to 2019 were audited.

Note 2: As of the publication date, the financial statements of the first quarter of 2020 have not been reviewed by CPA.

Note 3: The shareholder's meeting of CDF of 2019 resolved cash dividends \$823,129 from capital surplus.

Note 4: Distribution for earnings in 2019 had not yet been resolved by the shareholder's meeting.

### 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, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Interest revenues	14,245,989	11,391,971	27,465,994	64,564,921	73,119,570	N/A
Interest expenses	(5,138,176)	(4,332,469)	(5,395,582)	(7,982,593)	(9,642,040)	
Interest profit, net	9,107,813	7,059,502	22,070,412	56,582,328	63,477,530	
Noninterest profits and gains, net	20,600,798	20,068,226	63,343,239	195,767,549	176,904,570	
Net revenues	29,708,611	27,127,728	85,413,651	252,349,877	240,382,100	
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	329,789	(751,478)	(613,750)	(45,761)	(347,979)	
Net change in reserve for insurance liabilities	—	—	(48,277,392)	(213,695,965)	(191,941,972)	
Operating expenses	(20,595,413)	(19,265,421)	(22,002,711)	(25,166,272)	(26,526,342)	
Net profit before income tax from continuing operations	9,442,987	7,110,829	14,519,798	13,441,879	21,565,807	
Income tax expense	(827,812)	(1,123,925)	(2,154,331)	(627,239)	(1,911,986)	
Net profit from continuing operations	8,615,175	5,986,904	12,365,467	12,814,640	19,653,821	
Net income	8,615,175	5,986,904	12,365,467	12,814,640	19,653,821	
Other comprehensive income for the year, net of income tax	(3,116,463)	802,045	4,499,766	(35,062,270)	50,599,660	
Total comprehensive income for the year	5,498,712	6,788,949	16,865,233	(22,247,630)	70,253,481	
Net profit attributable to owners of parent	8,528,231	5,923,081	11,695,285	7,852,688	12,795,690	
Net profit attributable to non-controlling interests	86,944	63,823	670,182	4,961,952	6,858,131	
Total comprehensive income attributable to owners of parent	5,415,879	6,736,201	13,408,973	(4,995,817)	32,007,360	
Total comprehensive income attributable to non-controlling interests	82,833	52,748	3,456,260	(17,251,813)	38,246,121	
Earnings per share (In dollar)	0.58	0.40	0.80	0.54	0.88	

Note 1: Financial statements of CDF in 2015 to 2019 were audited.

Note 2: As of the publication date, the financial statements of the first quarter of 2020 have not been reviewed by CPA.



## 6.1.4 Unconsolidated Condensed Statement of Comprehensive Income

Unit : NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Share of the profit of subsidiaries, associates and joint ventures	9,590,588	6,787,470	12,687,096	9,353,789	14,177,282	N/A
Other revenues and gains	79,871	68,441	51,725	19,686	54,167	
Operating expenses	(790,869)	(807,444)	(1,026,932)	(993,269)	(1,200,044)	
Other expenses and losses	(345,682)	(304,713)	(338,275)	(547,105)	(411,211)	
Net profit before income tax from continuing operations	8,533,908	5,743,754	11,373,614	7,833,101	12,620,194	
Income tax benefit (expense)	(5,677)	179,327	321,671	19,587	175,496	
Net profit for the year	8,528,231	5,923,081	11,695,285	7,852,688	12,795,690	
Other comprehensive income for the year, net of income tax	(3,112,352)	813,120	1,713,688	(12,848,505)	19,211,670	
Total comprehensive income for the year	5,415,879	6,736,201	13,408,973	(4,995,817)	32,007,360	
Earnings per share (In dollar)	0.58	0.40	0.80	0.54	0.88	

Note 1: Financial statements of CDF in 2015 to 2019 were audited.

Note 2: As of the publication date, the financial statements of the first quarter of 2020 have not been reviewed by CPA.

## 6.1.5 Auditors' Opinions from 2015 to 2019

Year	Accounting Firm	CPA	Audit Opinion
2019	Deloitte & Touche	Mei-Hui Wu Kwan-Chung Lai	Unqualified Opinion
2018	Deloitte & Touche	Mei-Hui Wu Cheng-Hung Kuo	Unqualified Opinion
2017	Deloitte & Touche	Mei-Hui Wu Cheng-Hung Kuo	Unqualified Opinion
2016	Deloitte & Touche	Mei-Hui Wu Cheng-Hung Kuo	Unqualified Opinion
2015	Deloitte & Touche	Yi-Chun Wu Cheng-Hung Kuo	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, 2020 (Note 3)
			2015	2016	2017	2018	2019	
Operating ratio	Total assets turnover (Times)		0.03	0.03	0.05	0.10	0.08	N/A
	Ratio of loans to deposits (KGI Bank)		62.38	74.55	79.07	80.69	82.41	
	NPL ratio (KGI Bank)		0.34	0.34	0.21	0.17	0.17	
	Average revenue per employee		3,858	3,585	6,842	19,898	19,221	
	Average net income per employee		1,119	791	991	1,010	1,572	
Profitability ratio	Ratio of return on total assets (%)		0.96	0.68	0.75	0.50	0.68	
	Ratio of return on stockholders' equity (%)		5.00	3.57	5.94	5.35	7.56	
	Profit margin ratio (%)		29.00	22.07	14.48	5.08	8.18	
	Basic Earnings per share (in dollar)		0.58	0.40	0.80	0.54	0.88	
Financial structure (%)	Ratio of debt to assets		80.53	81.27	89.58	91.77	90.21	
	Ratio of debt to net worth		413.55	433.94	859.99	1,115.68	921.13	
	Double Leverage Ratio of Financial Holding Company		113.77	114.74	120.34	116.95	114.38	
	According to Article 41 of Financial Holding Company Law		(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	
Leverage ratio	Operating leverage ratio		1.12	1.31	4.49	17.08	10.07	
	Financial leverage ratio of Financial Holding Company		1.04	1.05	1.03	1.05	1.03	
Ratio of growing	Ratio of assets growing		(5.76)	2.94	168.16	13.26	11.39	
	Ratio of income growing		(19.83)	(24.70)	104.19	(7.42)	60.44	
Cash flow	Cash flow ratio		(16.86)	(12.73)	20.94	35.95	38.97	
	Cash flow adequacy ratio		(Note 7)	(1.84)	1.10	17.47	26.18	
	Cash flow content ratio		(33.11)	(3,706.61)	249.82	102.82	145.34	
Operating Scale	Market share of assets		2.14	2.08	4.56	4.85	5.04	
	Market share of equity		5.86	5.41	6.70	6.06	6.67	
	Market share of deposit (KGI Bank)		0.99	0.92	0.94	1.05	0.99	
	Market share of assets loans (KGI Bank)		0.81	0.92	1.03	1.12	1.09	
Capital Adequacy Ratio	Subsidiaries' Capital Adequacy Ratio calculated by regulation	KGI Bank	14.96	13.23	14.18	13.39	15.38	
		KGI Securities	340	329	295	327	336	
		CDIB Capital Group	108.63	148.43	(Note 8)	(Note 8)	(Note 8)	
		China Life Insurance	(Note 9)	(Note 9)	350	272	305	
	Qualified capital of subsidiaries	KGI Bank	53,303,814	53,986,254	57,719,776	63,912,516	73,132,603	
		KGI Securities	20,503,870	17,895,797	18,167,949	19,780,482	23,161,337	
		CDIB Capital Group	14,497,173	20,910,410	52,975,226	47,686,090	42,672,343	
		AMC	(Note 10)	(Note 10)	2,421,554	2,358,918	2,597,981	
		China Life Insurance	(Note 9)	(Note 9)	28,422,520	28,048,402	37,487,589	

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2020 (Note 3)	
		2015	2016	2017	2018	2019		
Capital Adequacy Ratio	Net Group qualified capital		66,777,653	69,883,202	110,250,824	119,768,805	136,906,856	N/A
	Legal requirement of subsidiaries' capital	KGI Bank	28,497,462	35,206,376	37,661,494	47,125,976	49,915,933	
		KGI Securities	9,042,459	8,151,174	9,237,377	9,081,894	10,346,016	
		CDIB Capital Group	1,067,612	1,215,027	27,081,901	24,636,062	22,121,983	
		AMC	(Note 10)	(Note 10)	1,627,981	1,595,846	1,401,765	
		China Life Insurance	(Note 9)	(Note 9)	16,262,902	20,653,219	24,587,139	
	Legal requirement of group capital		227,063,385	232,710,468	293,713,849	289,929,125	322,984,021	
	Group Capital Adequacy Ratio		165.38	150.87	118.21	114.97	126.18	
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	107.83	114.16	249.75	331.78	879.60		
	The same Group	26.44	22.29	71.27	206.23	493.70		
Reasons for changes in financial ratios in the recent 2 years:								
1. The decrease of total assets turnover was mainly due to the decrease of consolidated net revenues of 2019.								
2. The increase of average net income per employee, ratio of return on total assets, ratio of return on stockholders' equity, profit margin ratio and basic earnings per share was mainly due to the increase of net profit of 2019.								
3. The decrease of operating leverage ratio and the increase of ratio of income growing were mainly due to the increase of net profit before income tax of 2019.								
4. The increase of cash flow adequacy ratio was mainly due to the increase of net cash flows generated from operating activities of 2019.								
5. The increase of cash flow content ratio was mainly due to the decrease of cash flows used in investing activities of 2019.								
6. 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 2019 with the same customer and with the same group.								

Note 1 : Financial statements of CDF in 2015 to 2019 were audited.

Note 2 : None.

Note 3 : As of the publication date, the financial statements of the first quarter of 2020 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 CDF's wholly owned subsidiary through a share swap. Cosmos Bank renamed as KGI Bank from 2015.

Note 7 : Cash flow adequacy ratio is not applicable due to the financial statements are based on R.O.C GAAP before 2011.

Note 8 : On May 1, 2015, CDF's board of the directors approved the transfer to KGI Bank of (a) all assets and liabilities associated with the commercial banking business of CDF and (b) CDF's holdings of shares in CDF'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 CDF will continue to expand its assets management business.

Note 9: On August 15, 2017, CDF's board of directors approved the acquisition of 25.33% shares of China Life Insurance through public tender offer. After CDF acquired shares through public tender offer, China Life Insurance became a subsidiary of CDF as defined by the Financial Holding Company Act. On March 25, 2019, CDF's board of directors approved to apply for the participation of capital increase by cash of China Life Insurance. After CDF acquired ordinary shares, CDF holds 26.16% of the ordinary shares of China Life Insurance. The acquired shares plus 8.66% shares of China Life Insurance held by a subsidiary, KGI Securities (excluding KGI Securities' hedging accounts of derivative products) are equivalent to 34.82% shares of China Life Insurance.

Note 10 : As of March 13, 2017, CDF holds 100% of the shares of AMC which was previously held by CDIB Capital Group. AMC has merged with its subsidiaries, including Development Industrial Bank Asset Management Corp., Chung Hwa Growth 3 Asset Management Corp. and Chung Hwa Growth 4 Asset Management Corp. on July 1, 2019. Chung Hwa Growth 3 Asset Management Corp. was the surviving company after the merger and was renamed as China Development Asset Management Corporation (AMC) on the same day.

### **6.3 Audit Committee's Report for the Most Recent Year r**

#### **China Development Financial Holding Corporation Audit Committees' Review Report**

The Board of Directors has prepared this Company's 2019 business report, financial statements and the earnings distribution plan, among which the financial statements have been audited by CPAs Mei-Huei Wu and Kwan-Chung Lai 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:

2020 Annual General Meeting of the Shareholders

Audit Committee  
Convener Hsiou-Wei, Lin

Date: April 10, 2020

## **6.4 Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report**

### **China Development Financial Holding Corporation and Subsidiaries**

#### **Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 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, 2019 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

March 30, 2020

## 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, 2019 and 2018, 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, 2019 and 2018, 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 and issued into effect 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, 2019. 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 of the Group's consolidated financial statements for the year ended December 31, 2019 are as follows:



### Impairment of Discounts, Loans, and Receivables

As stated in Note 5, to determine the impairment loss of discounts, loans, and receivables, the management should (1) judge whether 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, 2019.

Refer to Notes 4, 5 and 54 for the critical accounting policies, judgment, estimation uncertainty and related disclosure of the impairment for discounts, loans, and receivables.

We understood and assessed the internal controls related to the discounts, loans, and receivables. 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, and receivables 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 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 a 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, 2019.

Refer to Notes 4, 5 and 54 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.

### **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, 2019 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 Kuan-Chung Lai.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 30, 2020

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 48)	\$ 101,141,145	3	\$ 59,607,423	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS (Notes 7 and 48)	28,303,064	1	26,431,383	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 17, 48 and 49)	492,082,632	16	374,931,034	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 10, 48, 49 and 55)	539,623,924	18	485,335,934	18
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 11, 17, 48 and 55)	1,028,887,835	34	970,536,279	36
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	46,789,881	2	39,770,534	1
RECEIVABLES, NET (Notes 4, 13, 48, 49 and 55)	104,305,699	3	101,604,537	4
CURRENT TAX ASSETS	759,762	-	1,168,303	-
DISCOUNTS AND LOANS, NET (Notes 4, 14, 48 and 56)	376,535,852	12	369,131,396	13
REINSURANCE ASSETS, NET (Note 15)	533,134	-	534,353	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 16 and 17)	17,403,840	1	16,102,926	1
RESTRICTED ASSETS (Notes 18 and 49)	24,970,721	1	29,109,621	1
OTHER FINANCIAL ASSETS (Notes 19, 48 and 49)	121,067,495	4	103,675,320	4
INVESTMENT PROPERTY, NET (Notes 4, 20 and 49)	25,341,556	1	25,432,420	1
PROPERTY AND EQUIPMENT, NET (Notes 4, 21 and 49)	34,904,312	1	31,717,297	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 22)	18,548,919	1	-	-
INTANGIBLE ASSETS, NET (Note 23)	20,441,634	1	21,171,147	1
DEFERRED TAX ASSETS (Note 44)	9,888,920	-	12,652,560	-
OTHER ASSETS, NET (Notes 24, 48 and 49)	35,757,679	1	48,902,361	2
<b>TOTAL</b>	<b>\$ 3,027,288,004</b>	<b>100</b>	<b>\$ 2,717,814,828</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from the Central Bank and financial institutions (Notes 25 and 48)	\$ 24,560,878	1	\$ 22,434,914	1
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 48)	94,068,987	3	87,786,725	3
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 11, 26 and 48)	96,137,331	3	125,478,900	5
Commercial paper payable, net (Notes 27 and 49)	12,634,684	-	14,985,902	1
Payables (Notes 28 and 48)	86,839,670	3	79,293,203	3
Current tax liabilities	1,168,811	-	967,872	-
Deposits and remittances (Notes 29 and 48)	395,861,002	13	398,286,010	15
Bonds payable (Note 30)	42,450,000	1	31,150,000	1
Other borrowings (Notes 31, 48 and 49)	20,968,007	1	18,818,061	1
Provisions (Notes 4 and 32)	1,742,247,176	58	1,557,304,939	57
Other financial liabilities (Notes 34, 48 and 49)	149,722,533	5	121,887,440	4
Lease liabilities (Notes 4 and 22)	5,615,681	-	-	-
Deferred tax liabilities (Note 44)	12,933,858	-	7,275,275	-
Other liabilities	45,614,232	2	28,582,681	1
<b>Total liabilities</b>	<b>2,730,822,850</b>	<b>90</b>	<b>2,494,251,922</b>	<b>92</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 35, 36 and 37)</b>				
Capital				
Common stock	149,663,721	5	149,622,812	5
Advance receipts for capital stock	20,359	-	10,748	-
Capital surplus	1,093,745	-	1,630,992	-
Retained earnings				
Legal reserve	7,561,404	-	6,776,135	-
Special reserve	10,797,899	-	565,041	-
Unappropriated earnings	12,617,375	1	14,754,530	1
Other				
Exchange differences on translation of financial statements of foreign operations	(1,790,483)	-	(930,286)	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	1,556,416	-	(66,615)	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	7,794,213	-	(5,071,947)	-
Other comprehensive income (loss) reclassified using the overlay approach	1,347,757	-	(4,451,944)	-
Others	-	-	(1,339)	-
Treasury shares	(3,137,278)	-	(3,605,444)	-
<b>Total equity attributable to owners of the parent</b>	<b>187,525,128</b>	<b>6</b>	<b>159,232,683</b>	<b>6</b>
<b>NON-CONTROLLING INTERESTS (Notes 35 and 36)</b>	<b>108,940,026</b>	<b>4</b>	<b>64,330,223</b>	<b>2</b>
<b>Total equity</b>	<b>296,465,154</b>	<b>10</b>	<b>223,562,906</b>	<b>8</b>
<b>TOTAL</b>	<b>\$ 3,027,288,004</b>	<b>100</b>	<b>\$ 2,717,814,828</b>	<b>100</b>

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 38 and 48)	\$ 73,119,570	30	\$ 64,564,921	25	13
INTEREST EXPENSE (Notes 38 and 48)	<u>(9,642,040)</u>	<u>(4)</u>	<u>(7,982,593)</u>	<u>(3)</u>	21
INTEREST PROFIT, NET	<u>63,477,530</u>	<u>26</u>	<u>56,582,328</u>	<u>22</u>	12
NONINTEREST PROFITS AND GAINS, NET					
Service fee and commission, net (Notes 19, 39 and 48)	(2,570,420)	(1)	(1,713,009)	(1)	50
Net income from insurance operations (Notes 40 and 48)	156,799,174	65	184,725,121	73	(15)
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss, net (Notes 4, 8, 41 and 48)	48,372,448	20	(26,109,031)	(10)	285
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Notes 4 and 42)	7,068,050	3	2,543,975	1	178
Gain (loss) on disposal of financial assets measured at amortized cost (Note 4)	1,006,116	-	(850,917)	-	218
Foreign exchange gain (loss), net	(20,468,273)	(8)	17,302,371	7	(218)
Impairment loss on assets, net (Note 4)	(172,408)	-	(31,478)	-	448
Share of the profit (loss) of associates and joint ventures	905,635	-	(305,739)	-	396
Gain (loss) on reclassification using the overlay approach (Note 8)	(17,557,763)	(7)	15,784,002	6	(211)
Others (Note 48)	<u>3,522,011</u>	<u>2</u>	<u>4,422,254</u>	<u>2</u>	(20)
Total noninterest profits and gains, net	<u>176,904,570</u>	<u>74</u>	<u>195,767,549</u>	<u>78</u>	(10)
TOTAL NET REVENUE	<u>240,382,100</u>	<u>100</u>	<u>252,349,877</u>	<u>100</u>	(5)

(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
ALLOWANCE FOR BAD DEBTS AND LOSSES ON COMMITMENTS AND GUARANTEES, NET	\$ (347,979)	-	\$ (45,761)	-	660
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	(191,941,972)	(80)	(213,695,965)	(85)	(10)
OPERATING EXPENSES (Notes 22, 33, 43 and 48)					
Employee benefits	(16,702,862)	(7)	(15,293,934)	(6)	9
Depreciation and amortization	(3,297,943)	(1)	(2,417,238)	(1)	36
Other general and administrative expenses	(6,525,537)	(3)	(7,455,100)	(3)	(12)
Total operating expenses	(26,526,342)	(11)	(25,166,272)	(10)	5
NET PROFIT BEFORE INCOME TAX	21,565,807	9	13,441,879	5	60
INCOME TAX EXPENSE (Note 44)	(1,911,986)	(1)	(627,239)	-	205
NET PROFIT FOR THE YEAR	19,653,821	8	12,814,640	5	53
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss, net of income tax					
Remeasurement of defined benefit plans	(194,820)	-	(133,082)	-	46
Share of the other comprehensive income (loss) of associates and joint ventures	761,011	-	(244,410)	-	411
Gain (loss) on equity instruments measured at fair value through other comprehensive income	1,696,425	1	(5,053,240)	(2)	134
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Note 44)	(98,407)	-	1,055,355	-	(109)

(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that will be reclassified subsequently to profit or loss, net of income tax					
Exchange differences on translation of financial statements of foreign operations	\$ (750,399)	-	\$ 965,962	-	(178)
Share of the other comprehensive income (loss) of associates and joint ventures	(228,967)	-	149,173	-	(253)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 44)	(8,110,159)	(4)	4,881,814	2	(266)
Gain (loss) on debt instruments measured at fair value through other comprehensive income	39,967,213	17	(20,899,840)	(8)	291
Other comprehensive income (loss) reclassified using the overlay approach (Note 8)	<u>17,557,763</u>	<u>7</u>	<u>(15,784,002)</u>	<u>(6)</u>	211
Other comprehensive income (loss) for the year, net of income tax	<u>50,599,660</u>	<u>21</u>	<u>(35,062,270)</u>	<u>(14)</u>	244
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 70,253,481</u>	<u>29</u>	<u>\$ (22,247,630)</u>	<u>(9)</u>	416
<b>NET PROFIT ATTRIBUTABLE TO:</b>					
Owners of parent	\$ 12,795,690	5	\$ 7,852,688	3	63
Non-controlling interests	<u>6,858,131</u>	<u>3</u>	<u>4,961,952</u>	<u>2</u>	38
	<u>\$ 19,653,821</u>	<u>8</u>	<u>\$ 12,814,640</u>	<u>5</u>	53
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>					
Owners of parent	\$ 32,007,360	13	\$ (4,995,817)	(2)	741
Non-controlling interests	<u>38,246,121</u>	<u>16</u>	<u>(17,251,813)</u>	<u>(7)</u>	322
	<u>\$ 70,253,481</u>	<u>29</u>	<u>\$ (22,247,630)</u>	<u>(9)</u>	416

(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
EARNINGS PER SHARE (Note 48)					
Basic	<u>\$0.88</u>		<u>\$0.54</u>		
Diluted	<u>\$0.88</u>		<u>\$0.54</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, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Equity Attributable to Owners of the Parent													Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity	
	Capital			Retained Earnings			Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Other Equity		Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interests				Total Equity
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach							
BALANCE AT JANUARY 1, 2018	\$ 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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Legal reserve	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-	-	-		
Cash dividends - NT\$0.6 per share	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)		
Special reserve	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-	-	-		
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		
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	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		
Appropriation of the 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Legal reserve	-	-	-	785,269	-	(785,269)	-	-	-	-	-	-	-	-	-		
Special reserve	-	-	-	-	10,232,858	(10,232,858)	-	-	-	-	-	-	-	-	-		
Cash dividends - NT\$0.245 per share	-	-	-	-	-	(3,666,666)	-	-	-	-	-	-	(3,666,666)	-	(3,666,666)		
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(362)	-	-	-	-	-	-	-	-	-	(362)	-	(362)		
Issuance of cash dividends from capital surplus	-	-	(823,129)	-	-	-	-	-	-	-	-	-	(823,129)	-	(823,129)		
Other changes in capital surplus	-	-	54,273	-	-	-	-	-	-	-	-	-	54,273	-	54,273		
Net profit for the year ended December 31, 2019	-	-	-	-	-	12,795,690	-	-	-	-	-	-	12,795,690	6,858,131	19,653,821		
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(121,894)	(860,174)	14,388,715	-	5,805,023	-	-	19,211,670	31,387,990	50,599,660		
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	12,673,796	(860,174)	14,388,715	-	5,805,023	-	-	32,007,360	38,246,121	70,253,481		
Disposal of the Corporation's shares, as treasury shares	-	-	177,897	-	-	-	-	-	-	-	-	460,867	638,764	-	638,764		
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	123,668	-	-	-	-	-	-	-	-	-	123,668	-	123,668		
Changes in percentage of ownership interests in subsidiaries	-	-	(67,610)	-	-	(996)	(23)	(11,727)	-	(5,322)	-	7,299	(78,379)	6,220,045	6,141,666		
Share-based payments	40,909	9,611	(1,984)	-	-	(9,671)	-	-	-	-	1,339	-	40,204	-	40,204		
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	149,752	149,752		
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(112,203)	-	112,203	-	-	-	-	-	-	-		
Net change in special reserve of subsidiaries	-	-	-	-	-	(3,288)	-	-	-	-	-	-	(3,288)	(6,115)	(9,403)		
BALANCE AT DECEMBER 31, 2019	\$ 149,663,721	\$ 20,359	\$ 1,093,745	\$ 7,561,404	\$ 10,797,899	\$ 12,617,375	\$ (1,790,483)	\$ 9,350,629	\$ -	\$ 1,347,757	\$ -	\$ (3,137,278)	\$ 187,525,128	\$ 108,940,026	\$ 296,465,154		

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before income tax	\$ 21,565,807	\$ 13,441,879
Adjustments for reconciliation with net profit		
Depreciation expenses	1,953,288	1,060,720
Amortization expenses	1,344,655	1,356,518
Allowance for bad debts and losses on commitments and guarantees, net	347,979	45,761
Loss (gain) on financial assets and liabilities measured at fair value through profit or loss, net	(38,662,480)	33,567,261
Interest expense	9,642,040	7,982,593
Interest revenue	(73,119,570)	(64,564,921)
Dividend income	(10,515,569)	(8,047,472)
Net changes in insurance liabilities	185,744,463	219,261,788
Net changes in reserve for changes in foreign exchange valuation	(802,292)	465,568
Share of loss (profit) of associates and joint ventures	(894,005)	315,648
Loss (gain) on reclassification using the overlay approach	17,557,763	(15,784,002)
Gain on disposal of investments	(5,455,493)	(4,036,172)
Unrealized loss (gain) on foreign currency exchange	16,895,961	(20,285,967)
Others	188,225	(1,820,322)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to financial institutions	212,165	8,069,859
Financial assets at fair value through profit or loss	(25,164,217)	(39,738,891)
Financial assets at fair value through other comprehensive income	8,012,366	(45,611,801)
Debt investments measured at amortized cost	830,168	(6,446,000)
Securities purchased under resell agreements	-	1,147,446
Receivables	(7,150,077)	1,914,048
Discounts and loans	(7,863,424)	(43,303,363)
Other financial assets	(6,777,025)	(22,870,231)
Other assets	17,721,708	5,682,292
Deposits from the Central Bank and financial institutions	2,125,964	(6,433,042)
Financial liabilities at fair value through profit or loss	(48,712,179)	(10,425,324)
Notes and bonds issued under repurchase agreements	(29,341,569)	25,301,273
Payables	13,762,909	(4,826,786)
Deposits and remittances	(2,425,008)	35,556,941
Other financial liabilities	13,439,416	11,078,148
Other liabilities	<u>3,636,598</u>	<u>984,625</u>
Cash generated from operations	58,098,567	73,038,074
Interest received	63,537,104	49,201,826
Dividends received	10,381,943	8,408,148
Interest paid	(8,588,948)	(6,251,961)
Income tax paid	<u>(974,988)</u>	<u>(5,776,433)</u>
Net cash generated from operating activities	<u>122,453,678</u>	<u>118,619,654</u>

(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$(157,737,960)	\$(137,595,284)
Proceeds from sale of financial assets at fair value through other comprehensive income	138,976,385	90,952,094
Acquisition of financial assets measured at amortized cost	(187,748,649)	(153,040,348)
Proceeds from maturity of sale of financial assets measured at amortized cost	91,581,550	12,947,132
Principal from financial assets measured at amortized cost	35,805,715	22,650,548
Acquisition of equity-method investments	(318,401)	(223,159)
Acquisition of property and equipment	(3,898,654)	(1,938,950)
Cash received through mergers	-	49,856,478
Others	<u>(914,870)</u>	<u>1,025,994</u>
Net cash used in investing activities	<u>(84,254,884)</u>	<u>(115,365,495)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	2,116,808	(6,030,609)
Increase (decrease) in commercial paper payable	(2,351,219)	(5,563,490)
Proceeds from corporate bonds	9,200,000	-
Repayments of corporate bonds	(1,000,000)	(5,200,000)
Proceeds from bank debentures	3,100,000	6,350,000
Proceeds from long-term borrowings	499,846	-
Repayments of long-term borrowings	(466,707)	(855,590)
Repayments of the principal portion of lease liabilities	(978,350)	-
Cash dividends paid	(4,366,127)	(8,686,848)
Sale of treasury shares	638,763	570,393
Net Changes in non-controlling interests	6,096,079	(1,993,427)
Others	<u>37,787</u>	<u>56,111</u>
Net cash (used in) generated from financing activities	<u>12,526,880</u>	<u>(21,353,460)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(88,760)</u>	<u>338,272</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	50,636,914	(17,761,029)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>114,495,133</u>	<u>132,256,162</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 165,132,047</u>	<u>\$ 114,495,133</u>

(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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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, 2019 and 2018:

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Cash and cash equivalents in consolidated balance sheets	\$ 101,141,145	\$ 59,607,423
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined in IAS 7	17,201,021	15,117,176
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined in IAS 7	<u>46,789,881</u>	<u>39,770,534</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 165,132,047</u>	<u>\$ 114,495,133</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

China Development Financial Holding Corporation (the Corporation) was established by CDIB Capital Group (formerly China Development Industrial Bank) through a share swap on December 28, 2001 made under the Financial Holding Company Act and related regulations. CDIB Capital Group became a wholly owned subsidiary of the Corporation after the share swap.

The Corporation acquired First Taiwan Securities Corporation (First Taiwan) and Grand Cathay Securities Corporation (Grand Cathay) through a share swap on November 8, 2002. The effective date of the merger between Grand Cathay and First Taiwan was December 31, 2003. Grand Cathay was the survivor company after the merger.

On April 30, 2012, the Corporation's board of the directors approved the acquisition of 100% shares of KGI Securities through a tender offer. The Corporation acquired 81.73% of KGI Securities' shares during the public tender offer period. The Corporation acquired KGI Securities' remaining 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% equity interests of China Development Asset Management Corporation which was previously held by CDIB Capital Group. China Development Asset Management Corporation has merged with its subsidiaries, including Development Industrial Bank Asset Management Corp., Chung Hwa Growth 3 Asset Management Corp. and Chung Hwa Growth 4 Asset Management Corp. on July 1, 2019. Chung Hwa Growth 3 Asset Management Corp. was the surviving company after the merger and was renamed as China Development Asset Management Corporation on the same day.

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. After the Corporation acquired ordinary shares through public tender offer, China Life Insurance became a subsidiary of the Corporation as defined by the Financial Holding Company Act. On March 25, 2019, the Corporation's board of directors approved to apply for the participation of capital increase by cash of China Life. After the Corporation acquired ordinary shares, The Corporation holds 26.16% of the ordinary shares of China Life Insurance. The acquired shares plus 8.66% shares of China Life Insurance held by a subsidiary, KGI Securities (excluding KGI Securities' hedging accounts of derivative products) are equivalent to 34.82% shares of China Life Insurance.

The Corporation invests in and manages the businesses of finance-related institutions and investees.

The Corporation's shares have been listed on the Taiwan Stock Exchange (TSE).

CDIB Capital Group was incorporated under the Company Act and relevant regulations and started operations on May 14, 1959. Effective January 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. 10600025880.

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, 2019, KGI Securities had a head office and 76 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, 2019, 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 (formerly Chung Hwa Growth 3 Asset Management Corp.) was established on November 5, 2003, 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, 2019, 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 7 (attached).

## **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the board of directors and authorized for issue on March 30, 2020.

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

- IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

The Group elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

#### The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payment. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

- b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The range of lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.73%-9.79%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 7,780,478
Less: Recognition exemption for short-term leases	(60,173)
Less: Recognition exemption for leases of low-value assets	<u>(9,371)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 7,710,934</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 4,384,963
Add (less): Adjustments as a result of a different treatment of extension and termination options	<u>1,481,786</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 5,866,749</u>

The Group as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019

With the application of IFRS 16, right-of-use assets and lease liabilities increased by \$19,046,650 thousand and \$5,866,749 thousand, and prepayments decreased by \$13,179,901 thousand on January 1, 2019. Lease assets of \$85,505 thousand and payables of \$44,819 thousand with the application of IAS 17 were reclassified to right-of-use assets and lease liabilities, respectively.

- b. The IFRS endorsed by the FSC for application starting from 2020

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

As of the date the consolidated financial statements were authorized for issue, the Group assessed the possible impact that the application of the standards mentioned above and interpretations will have no 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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

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 Group's interest as an unrelated investor 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 Group's interest as an unrelated investor in the associate, i.e. the Group's share of the gain or loss is eliminated.

2) IFRS 17 "Insurance Contract"

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

Level of aggregation

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

- a) A group of contracts that are onerous at initial recognition, if any;

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Subsequent measurement

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is remeasured to be the sum of the liability for remaining coverage and the liability for incurred claims, both determined as at that date. The liability for remaining coverage comprises the fulfilment cash flows related to the allocated future service and the contractual service margin; the liability for incurred claims comprises the fulfilment cash flows related to the allocated past service. If a group of insurance contracts becomes onerous (or more onerous) on subsequent measurement, the Group recognizes loss immediately.

#### 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, 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 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 accounting policies of the subsidiary are applied consistently with the Corporation.

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, 2019 and 2018, the consolidated entities included in the consolidated financial statements included 60 and 63 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.

### 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.

#### a. Measurement category

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.

##### 1) 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 53.

##### 2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) 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:

- a) 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

- b) 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.

3) Investments in debt instruments at FVTOCI

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

- a) 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
- b) 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.

4) 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.

b. 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.”



c. 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.

d. Impairment of financial assets

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:

- 1) 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.
- 2) 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.
- 3) Total unsecured portion of loans overdue and receivable on demand.
- 4) 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.

e. Derecognition of financial assets

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.

f. Equity instruments

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

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

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

g. Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is 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 is 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.

h. Adoption of overlay approach on financial assets

China Life Insurance 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:

- 1) The amount of profit or loss of the designated financial assets in accordance with IFRS 9; and
- 2) 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:

- 1) 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
- 2) 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:

- 1) The asset is accounted for on initial recognition; or
- 2) 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.

China Life Insurance shall continuously adopt overlay approach to those designated financial assets until derecognition. However, China Life Insurance 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 IAS 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 remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, (the effect of the changes to the asset ceiling) and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit 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.”

### **Leases**

#### 2019

At the inception of a contract, the Group assesses whether the contract is (or contains) a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the net investment in a lease is measured at (a) the present value of the sum of the installment accounts receivable and lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a 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 installment accounts receivable and lease payments receivable 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.

### **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.

For reinsurance contracts that have their significant insurance risk transferred, if China Life Insurance can separate and measure the individual deposit component, then the reinsurance contracts need to be recognized separately as the insurance component and the deposit component. That is, China Life Insurance receives (or pays) the contract's value minus the insurance component, recognizing it as financial liabilities (or assets), and not as incomes (or expenses). The financial liabilities (or assets) are recognized with the fair value approach and uses the present value of future cash flow as the basis for the fair value approach.

## 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 discounts, loans, receivables

The management regularly reviews portfolios of loans and receivables 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.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash in banks	\$ 88,688,236	\$ 48,315,132
Due from banks	5,835,189	3,922,906
Short-term notes	3,513,936	3,366,859
Others	<u>3,103,784</u>	<u>4,002,526</u>
	<u>\$ 101,141,145</u>	<u>\$ 59,607,423</u>

Cash and cash equivalents as of December 31, 2019 and 2018 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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Call loans to financial institutions	\$ 10,171,730	\$ 6,643,433
Deposit reserve - demand accounts	9,638,736	8,854,579
Deposit reserve - checking accounts	7,029,291	9,467,197
Due from the Central Bank - interbank settlement funds	1,300,735	1,300,216
Deposit reserve - foreign currencies	<u>162,572</u>	<u>165,958</u>
	<u>\$ 28,303,064</u>	<u>\$ 26,431,383</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.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial instrument		
Interest rate swap contracts	\$ 18,721,948	\$ 14,276,585
Currency swap and forward exchange contracts	14,804,506	9,911,136
Options and futures contracts	5,519,664	4,143,945
Others	5,134,107	1,423,617
Non-derivative financial assets		
Mutual funds	131,559,176	44,986,204
Shares	129,406,800	116,361,335
Operating securities (Note 9)	74,477,290	51,128,316
Bank debentures	39,401,337	53,166,795
Corporate bonds	14,455,908	13,439,633
Commercial papers	10,882,423	7,020,871
Others	<u>13,618,761</u>	<u>9,815,994</u>
	<u>457,981,920</u>	<u>325,674,431</u>
<u>Financial assets designated as at FVTPL</u>		
Government bonds	11,683,340	20,515,907
Others	<u>22,417,372</u>	<u>28,740,696</u>
	<u>34,100,712</u>	<u>49,256,603</u>
Financial assets at FVTPL	<u>\$ 492,082,632</u>	<u>\$ 374,931,034</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial liabilities held for trading</u>		
Derivative financial instrument		
Interest rate swap contracts	\$ 21,486,645	\$ 16,967,047
Options and futures contracts	17,278,382	22,123,276
Currency swap and forward exchange contracts	11,511,583	8,882,350
Others	4,031,962	2,870,703
Non-derivative financial liabilities		
Borrowed securities payable	2,535,693	4,339,043
Others	<u>156,947</u>	<u>402,286</u>
	<u>57,001,212</u>	<u>55,584,705</u>
<u>Financial liabilities designated as at FVTPL</u>		
Bank debentures payable	29,558,877	27,131,475
Structured products	5,715,467	3,155,241
Others	<u>1,793,431</u>	<u>1,915,304</u>
	<u>37,067,775</u>	<u>32,202,020</u>
Financial liabilities at FVTPL	<u>\$ 94,068,987</u>	<u>\$ 87,786,725</u> (Concluded)

As of December 31, 2019 and 2018, bank debentures issued by the Group designated as at FVTPL were as follows:

Bank Debenture Number	<u>December 31</u>		Issuance Period	Method of Paying Principles and Interests	Interest Rate
	2019	2018			
15KGIB1	\$ 3,191,236	\$ 3,257,698	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16KGIB1	3,311,660	3,380,630	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB2	3,311,660	3,380,630	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB3	2,408,480	2,458,640	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17KGIB1	6,021,200	6,146,600	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
P18KGIB1	6,021,200	6,146,600	January 30, 2018 - January 30, 2048 (Note 3)	Principal due on maturity	0%
P18KGIB2	<u>4,816,960</u>	<u>4,917,280</u>	February 27, 2018 - February 27, 2048 (Note 3)	Principal due on maturity	0%
Valuation adjustments	29,082,396 <u>476,481</u>	29,688,078 <u>(2,556,603)</u>			
	<u>\$ 29,558,877</u>	<u>\$ 27,131,475</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. 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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 132,953,651	\$ 43,632,536
Shares	116,849,773	101,694,025
Bank debentures	38,265,166	52,914,479
Corporate bonds	<u>14,049,557</u>	<u>12,961,579</u>
	<u>\$ 302,118,147</u>	<u>\$ 211,202,619</u>

For the years ended December 31, 2019 and 2018, reclassification amount under profit or loss and other comprehensive income of designated as at adoption of the overlay approach financial assets is described as follows:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Gain (loss) on application of IFRS 9	\$ 38,470,698	\$ 1,545,759
Loss (gain) on application of IAS 39	<u>(20,912,935)</u>	<u>(17,329,761)</u>
Gain (loss) on reclassification using the overlay approach	<u>\$ 17,557,763</u>	<u>\$ (15,784,002)</u>

Due to the adjustment of the overlay approach, gain on financial assets measured at FVTPL decreased from \$48,372,448 thousand to \$30,814,685 thousand for the year ended December 31, 2019; and 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, 2019 and 2018 are summarized as follows:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Currency swap and forward exchange contracts	\$ 1,903,307,612	\$ 2,083,698,557
Interest rate swap contracts	1,164,621,830	1,302,045,596
Options and futures contracts	653,640,172	744,617,319
Non-deliverable forward contracts	340,390,515	240,344,692
Cross-currency swap contracts	23,246,594	32,681,055
Assets swap contracts	22,712,148	27,162,701
Structured products contracts	13,104,718	7,205,434
Credit default swap contracts	2,509,323	2,959,775
Commodity swap contracts	197,412	964,180
Equity derivative financial contracts	34,023	123,291



As of December 31, 2019 and 2018, financial assets at fair value through profit or loss with aggregate carrying values of \$41,750,306 thousand and \$47,273,587 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 of by 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 49.

## 9. OPERATING SECURITIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Dealing		
Overseas securities	\$ 33,466,901	\$ 25,976,409
Corporate bonds	8,613,938	8,433,846
Government bonds	8,608,122	8,038,635
Listed, OTC and emerging market stock	5,063,093	2,376,519
Others	<u>4,256,382</u>	<u>1,337,879</u>
	<u>60,008,436</u>	<u>46,163,288</u>
Underwriting		
Corporate bonds	868,699	486,298
Listed and OTC stock	299,007	46,981
Others	<u>151,425</u>	<u>-</u>
	<u>1,319,131</u>	<u>533,279</u>
Hedge positions		
Mutual funds	5,274,380	2,085,719
Listed and OTC stock	3,913,309	2,129,947
Corporate bonds	3,629,153	-
Others	<u>332,881</u>	<u>216,083</u>
	<u>13,149,723</u>	<u>4,431,749</u>
	<u>\$ 74,477,290</u>	<u>\$ 51,128,316</u>

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Investments in debt instruments at FVTOCI		
Government bonds	\$ 175,950,289	\$ 185,779,230
Corporate bonds	148,038,886	118,547,705
Bank debentures	116,466,661	103,734,454
Negotiable certificates of deposit	62,617,894	48,698,585
Less: Security deposit	<u>(9,804)</u>	<u>(9,861)</u>
	<u>503,063,926</u>	<u>456,750,113</u>
Investments in equity instruments at FVTOCI		
Common stocks	24,487,082	17,050,968
Preferred stocks	<u>12,072,916</u>	<u>11,534,853</u>
	<u>36,559,998</u>	<u>28,585,821</u>
	<u>\$ 539,623,924</u>	<u>\$ 485,335,934</u>

a. Investments in debt instruments at FVTOCI

As of December 31, 2019 and 2018, investments in debt instruments at FVTOCI, with aggregate carrying values of \$42,222,421 thousand and \$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 49.

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at FVTOCI, please refer to Note 55.

b. Investments in equity instruments at FVTOCI

For the years ended December 31, 2019 and 2018, the Group sold its shares in order to manage its investment portfolio. The sold shares had a fair value of \$5,802,258 thousand and \$5,113,201 thousand, respectively. The Group transferred a loss of \$112,203 thousand and a gain of \$215,673 thousand from other equity related-unrealized gain on financial assets at fair value through other comprehensive income to retained earnings.

For the years ended December 31, 2019 and 2018, dividend income for \$816,561 thousand and \$603,544 thousand, respectively, and those related to investments held as of December 31, 2019 and 2018 were \$669,727 thousand and \$538,225 thousand, respectively, and those related to investments derecognized as of December 31, 2019 and 2018 were \$146,834 thousand and \$65,319 thousand, respectively.

There are no any investments in equity instruments at FVTOCI pledged as collateral for the Group.

## 11. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Bank debentures	\$ 602,974,328	\$ 554,605,427
Corporate bonds	285,933,203	265,513,453
Government bonds	90,300,863	91,516,528
Others	<u>49,679,441</u>	<u>58,900,871</u>
	<u>\$ 1,028,887,835</u>	<u>\$ 970,536,279</u>

As of December 31, 2019 and 2018, investments in debt instruments at amortized cost, with aggregate carrying values of \$0 thousand and \$291,964 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

There are no any investments in debt instruments at amortized cost that are pledged as collateral for the Group.

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at amortized cost, please refer to Note 55.

## 12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Corporate bonds	\$ 21,288,455	\$ 15,196,326
Commercial papers	11,121,028	10,244,264
Government bonds	7,282,924	6,589,991
Bank debentures	6,697,474	6,689,953
Negotiable certificates of deposit	<u>400,000</u>	<u>1,050,000</u>
	<u>\$ 46,789,881</u>	<u>\$ 39,770,534</u>
Resold amounts	<u>\$ 46,829,845</u>	<u>\$ 39,819,654</u>
Last maturity date	March 2020	January 2019

## 13. RECEIVABLES, NET

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Receivable accounts for settlement	\$ 32,299,471	\$ 20,612,656
Margin loans receivable, securities financing refundable deposits and deposits payable for securities financing	24,160,899	21,181,502
Interest receivable	16,871,726	16,287,188
Accounts receivable factoring without recourse	6,572,390	8,180,472
Trading securities receivable	5,381,773	8,031,155
Installment accounts and lease receivables	3,996,787	3,703,463
Accounts receivable - forfeiting	3,947,653	8,122,872
Exchange clearing receivable	3,045,497	6,525,869
Others	<u>9,783,429</u>	<u>10,864,376</u>
	106,059,625	103,509,553
Less: Allowance for bad debts	(1,537,825)	(1,706,909)
Unrealized interest revenue	<u>(216,101)</u>	<u>(198,107)</u>
	<u>\$ 104,305,699</u>	<u>\$ 101,604,537</u>

For the amount of receivables pledged as collateral for the Group, please refer to Note 49.

For the information on credit risk management and impairment loss analysis of receivables, please refer to Note 55.

## 14. DISCOUNTS AND LOANS, NET

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Short-term loans	\$ 76,377,723	\$ 82,152,934
Medium-term loans	195,726,309	191,493,381
Long-term loans	75,411,830	67,260,197
Loans reclassified to nonperforming loans	376,103	423,086
Export negotiations	30,866	56,079

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Policy loans	\$ 27,350,483	\$ 26,403,907
Automatic premium loans	<u>5,849,666</u>	<u>5,822,457</u>
	381,122,980	373,612,041
Less: Allowance for bad debts	(4,477,678)	(4,352,345)
Discounts on loans	<u>(109,450)</u>	<u>(128,300)</u>
	<u>\$ 376,535,852</u>	<u>\$ 369,131,396</u>
		(Concluded)

For the information on credit risk management and impairment loss analysis of discounts and loans, please refer to Note 55.

#### 15. REINSURANCE ASSETS, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Claims recoverable from reinsurers	\$ 415,320	\$ 456,849
Due from reinsurers and ceding companies	48,572	175
Reinsurance reserve assets		
Ceded unearned premium reserve	55,487	50,125
Ceded reserve for claims	<u>13,755</u>	<u>27,204</u>
	<u>69,242</u>	<u>77,329</u>
	<u>\$ 533,134</u>	<u>\$ 534,353</u>

No impairment loss was recognized for reinsurance assets.

#### 16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Carrying Amount</b>	<b>Carrying Amount</b>
CDIB & Partners Investment Holding Corporation	\$ 6,548,806	\$ 5,364,742
CDIB Capital Asia Partners L.P.	3,688,253	3,587,002
KGI Securities (Thailand) Public Company Limited	2,602,334	2,416,178
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	1,525,410	1,648,309
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	1,331,616	1,421,496
CDIB Capital Health Ventures Limited	704,247	749,682
CDIB Capital Creative Industries Limited	620,994	696,239
Others	<u>382,180</u>	<u>219,278</u>
	<u>\$ 17,403,840</u>	<u>\$ 16,102,926</u>

As of December 31, 2019 and 2018, financial assets designated as at FVTPL of associates that are not individually material were \$1,580,146 thousand and \$574,064 thousand, respectively

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Group's share of:		
Net profit (loss) for the year	\$ 919,090	\$ (308,046)
Other comprehensive income (loss)	<u>534,254</u>	<u>(84,485)</u>
Total comprehensive income (loss) for the year	<u>\$ 1,453,344</u>	<u>\$ (392,531)</u>

The investments accounted for using the equity method and the Group's share of earnings and other comprehensive income of CDIB Asia Partners L.P. are calculated based on unreviewed financial statements; those of other affiliates are calculated based on reviewed financial statements. Management believes that the financial statements of these investees had not been reviewed, there would have been no significant effect on the consolidated financial statements.

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

## 17. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

### a. Investment in structured entities

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

#### December 31, 2019

	<b>Partnership Fund</b>	<b>Asset Securitization</b>	<b>Total</b>
Financial assets at fair value through profit or loss	\$ 8,888,639	\$ 3,635,108	\$ 12,523,747
Debt instruments measured at amortized cost	-	51,003,028	51,003,028
Maximum exposure	8,888,639	54,638,136	63,526,775

#### December 31, 2018

	<b>Partnership Fund</b>	<b>Asset Securitization</b>	<b>Total</b>
Financial assets at fair value through profit or loss	\$ 6,824,619	\$ 1,751,160	\$ 8,575,779
Debt instruments measured at amortized cost	-	60,397,100	60,397,100
Maximum exposure	6,824,619	62,148,260	68,972,879

### 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.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Management on partnership equity fund</u>		
Total assets	\$ 24,475,759	\$ 22,431,078
Total liabilities	173,055	102,172
Investments accounted for using the equity method	6,839,970	6,831,114
Financial assets designated as at FVTPL	1,258,060	476,289
Maximum exposure	8,098,030	7,307,403

## 18. RESTRICTED ASSETS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Restricted demand deposits	\$ 24,784,579	\$ 28,906,743
Others	<u>186,142</u>	<u>202,878</u>
	<u>\$ 24,970,721</u>	<u>\$ 29,109,621</u>

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

After the filing of certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 50), 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, stock investments and the related accrued revenue. Because of the inaccessibility of these funds, these financial assets reclassified as "restricted assets".

For the information on restricted assets pledged as collateral for the Group, please refer to Note 49.

## 19. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Separate-account insurance products	\$ 77,922,118	\$ 63,501,665
Customer margin accounts	37,144,902	32,808,971
Others	<u>6,000,475</u>	<u>7,364,684</u>
	<u>\$ 121,067,495</u>	<u>\$ 103,675,320</u>

## Separate account Insurance Products

### a. Separate account insurance products - assets and liabilities

	<b>Assets</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash in banks	\$ 512,650	\$ 387,402
Financial assets at fair value through profit or loss	77,315,680	63,050,586
Other receivables	<u>93,788</u>	<u>63,677</u>
	<u>\$ 77,922,118</u>	<u>\$ 63,501,665</u>
	<b>Liabilities</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Reserve for separate account	\$ 77,833,832	\$ 63,353,697
Other payables	<u>88,286</u>	<u>147,968</u>
	<u>\$ 77,922,118</u>	<u>\$ 63,501,665</u>

### b. Separate account insurance products - revenues and expenses

	<b>Revenues</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Premium income	\$ 5,580,500	\$ 6,268,728
Gain (loss) from financial assets and liabilities at fair value through profit or loss	5,084,666	(2,890,490)
Interest income	611	776
Other revenues	178,534	184,274
Foreign exchange gains	<u>(271,188)</u>	<u>376,083</u>
	<u>\$ 10,573,123</u>	<u>\$ 3,939,371</u>
	<b>Expenses</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Insurance claim payments	\$ 4,926,607	\$ 5,814,370
Net change in separate-account reserve	3,711,539	(3,898,334)
Custodian fee	<u>1,934,977</u>	<u>2,023,335</u>
	<u>\$ 10,573,123</u>	<u>\$ 3,939,371</u>

- c. The rebate from counterparties in the investment-linked insurance business, which recognized as service fee revenue, for the years ended December 31, 2019 and 2018 was \$462,966 thousand and \$403,688 thousand, respectively.

For the information on other financial assets pledged as collateral for the Group, please refer to Note 49.

## 20. INVESTMENT PROPERTY, NET

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Land	\$ 20,180,044	\$ 20,024,687
Buildings and facilities	<u>5,161,512</u>	<u>5,407,733</u>
	<u>\$ 25,341,556</u>	<u>\$ 25,432,420</u>

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

	<u>For the Year Ended December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Cost</u>		
Beginning balance	\$ 26,368,648	\$ 26,147,467
Additions	108,382	-
Disposals	(17,539)	(136,462)
Reclassification	<u>(7,575)</u>	<u>357,643</u>
Ending balance	<u>26,451,916</u>	<u>26,368,648</u>
<u>Accumulated depreciation</u>		
Beginning balance	(438,850)	(198,324)
Depreciation	(215,935)	(212,660)
Disposals	859	5,400
Reclassification	<u>39,494</u>	<u>(33,266)</u>
Ending balance	<u>(614,432)</u>	<u>(438,850)</u>
<u>Accumulated impairment</u>		
Beginning balance	(497,378)	(499,049)
Reclassification	989	-
Disposals	-	1,663
Reversal of impairment loss	<u>461</u>	<u>8</u>
Ending balance	<u>(495,928)</u>	<u>(497,378)</u>
Carrying amount	<u>\$ 25,341,556</u>	<u>\$ 25,432,420</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	30-60 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, 2019 and 2018 were \$25,108,005 thousand and \$25,033,305 thousand, respectively. Investment property was categorized into Level 3.



The Corporation’s subsidiaries had development of the vacant land and prepayments for buildings without construction license, and the carrying amount was \$2,521,063 thousand and \$2,520,610 thousand, respectively, at December 31, 2019 and 2018. Because its fair value cannot be reliably determined, it was excluded from the amount of fair value above mentioned.

Valuation of fair values above mentioned, except the fair values of investment properties held by CDIB Capital Group, KGI Securities and subsidiaries of KGI Securities for the year ended December 31, 2019 and 2018 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.

The Group’s investment property is mainly based on leased building with lease terms of 1 to 10 years and some lessees have priority to rent the leased building. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 were as follows:

	<b>December 31, 2019</b>
Year 1	\$ 443,999
Year 2	398,185
Year 3	234,419
Year 4	164,062
Year 5	146,828
Year 5 onwards	<u>198,314</u>
	<u>\$ 1,585,807</u>

The investment property leased by the Group for operating leases is depreciated on a straight-line basis over their estimated useful lives as follows:

	<b>Estimated Useful Lives</b>
Buildings	30-60 years

All of the Group’s investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged for the Group to secure borrowings were reflected in Note 49.

## 21. PROPERTY AND EQUIPMENT, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Land	\$ 20,175,361	\$ 20,222,381
Buildings and facilities	5,896,237	6,144,281
Machinery and computer equipment	1,352,168	826,709
Leasehold improvements	324,519	315,272
Other equipment	312,856	304,436
Transportation equipment	288,467	6,079
Leased assets	<u>-</u>	<u>658,309</u>
	28,349,608	28,477,467
Prepayments for acquisition of properties	<u>6,554,704</u>	<u>3,239,830</u>
	<u>\$ 34,904,312</u>	<u>\$ 31,717,297</u>
		<b>December 31, 2019</b>
Assets used by the Group		\$ 34,258,809
Assets leased under operating leases		<u>645,503</u>
		<u>\$ 34,904,312</u>

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

	Land	Buildings and Facilities	Computer Equipment	Leasehold Improvements	Other Equipment	Transportation Equipment	Leased Assets	Prepayments for Acquisition of Properties	Total
<b>Cost</b>									
Balance at January 1, 2018	\$ 20,570,378	\$ 8,883,962	\$ 1,759,548	\$ 807,714	\$ 1,817,285	\$ 18,670	\$ 715,471	\$ 1,754,925	\$ 36,327,953
Additions	-	62,714	203,909	84,457	53,352	464	144,864	1,389,190	1,938,950
Disposals	(70,148)	(94,955)	(361,687)	(31,383)	(97,019)	(10,692)	(83,062)	-	(748,946)
Reclassification	(223,748)	(173,046)	61,545	2,386	6,585	-	77,538	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>869,783</u>	<u>1,795,494</u>	<u>8,399</u>	<u>854,811</u>	<u>3,239,830</u>	<u>37,393,450</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2018	(54,254)	(2,393,901)	(913,300)	(469,863)	(1,461,681)	(10,188)	(144,075)	-	(5,447,262)
Additions	153	(227,777)	(286,985)	(111,348)	(111,139)	(2,796)	(108,015)	-	(847,907)
Disposals	-	51,918	360,471	30,022	96,793	10,692	55,498	-	605,394
Reclassification	-	35,366	550	(162)	(661)	-	112	-	35,205
Effect of exchange rate changes	-	-	(4,003)	(3,160)	(14,370)	(28)	(22)	-	(21,583)
Balance at December 31, 2018	<u>(54,101)</u>	<u>(2,534,394)</u>	<u>(843,267)</u>	<u>(554,511)</u>	<u>(1,491,058)</u>	<u>(2,320)</u>	<u>(196,502)</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>\$ 315,272</u>	<u>\$ 304,436</u>	<u>\$ 6,079</u>	<u>\$ 658,309</u>	<u>\$ 3,239,830</u>	<u>\$ 31,717,297</u>
<b>Cost</b>									
Balance at January 1, 2019	\$ 20,276,482	\$ 8,678,675	\$ 1,669,976	\$ 869,783	\$ 1,795,494	\$ 8,399	\$ 854,811	\$ 3,239,830	\$ 37,393,450
Adjustments on initial application of IFRS 16	(3,923)	(15,430)	(139,976)	-	-	-	-	-	(159,329)
Additions	-	40,294	359,517	89,544	120,588	107,378	-	3,181,334	3,898,655
Disposals	(43,180)	(62,276)	(273,022)	(78,701)	(179,525)	(78,169)	-	-	(714,873)
Reclassification	(3,996)	(8,889)	1,147,520	16,186	(546,326)	446,490	(854,811)	133,540	329,714
Effect of exchange rate changes	-	-	(20,859)	(6,112)	2,352	48	-	-	(24,571)
Balance at December 31, 2019	<u>20,225,383</u>	<u>8,632,374</u>	<u>2,743,156</u>	<u>890,700</u>	<u>1,192,583</u>	<u>484,146</u>	<u>-</u>	<u>6,554,704</u>	<u>40,723,046</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2019	(54,101)	(2,534,394)	(843,267)	(554,511)	(1,491,058)	(2,320)	(196,502)	-	(5,676,153)
Adjustments on initial application of IFRS 16	3,923	15,430	66,576	-	-	-	-	-	85,929
Additions	156	(224,435)	(316,372)	(95,367)	(103,849)	(99,148)	-	-	(839,015)
Disposals	-	27,038	270,841	77,843	179,271	53,140	-	-	608,133
Reclassification	-	(19,776)	(586,084)	-	538,086	(147,338)	196,502	-	(18,610)
Effect of exchange rate changes	-	-	17,318	5,854	(2,177)	(13)	-	-	20,982
Balance at December 31, 2019	<u>(50,022)</u>	<u>(2,736,137)</u>	<u>(1,390,988)</u>	<u>(566,181)</u>	<u>(879,727)</u>	<u>(195,679)</u>	<u>-</u>	<u>-</u>	<u>(5,818,734)</u>
Balance at December 31, 2019, net	<u>\$ 20,175,361</u>	<u>\$ 5,896,237</u>	<u>\$ 1,352,168</u>	<u>\$ 324,519</u>	<u>\$ 312,856</u>	<u>\$ 288,467</u>	<u>\$ -</u>	<u>\$ 6,554,704</u>	<u>\$ 34,904,312</u>

The above items of self-use property and equipment are depreciated on a straight-line basis over the estimated economic lives as follows:

Buildings and facilities	3-60 years
Machinery and computer equipment	3-15 years
Transportation equipment	4-10 years
Other equipment	3-12 years
Leasehold improvements	Depend on the age or the durable life of lease, whichever is shorter

The operating lease of the group's subsidiaries are mainly based on leased light passenger vehicle with lease terms of 1 to 5 years without an option to extend for any additional years.

The maturity analysis of lease payments receivable was as follows:

	<b>December 31, 2019</b>
Year 1	\$ 100,367
Year 2	58,458
Year 3	17,886
Year 4	2,844
Year 5	<u>335</u>
	<u>\$ 179,890</u>

The investment property leased by the Group for operating leases is depreciated on a straight-line basis based over their estimated useful lives as follows:

	<b>Estimated Useful Lives</b>
Machinery equipment	4-20 years
Transportation equipment	2-5 years

For the information on property and equipment pledged as collateral for the Group, please refer to Note 49.

## 22. LEASE ARRANGEMENTS

### a. Right-of-use assets, net

	<b>December 31, 2019</b>
Carrying amounts	
Royalty-surface rights	\$ 12,977,018
Buildings and facilities	3,343,302
Land	2,066,274
Computer equipment	114,978
Transportation equipment	32,434
Other equipment	<u>14,913</u>
	<u>\$ 18,548,919</u>

	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 610,926</u>
Depreciation of right-of-use assets	
Royalty-surface rights	\$ 202,605
Buildings and facilities	803,330
Land	32,243
Computer equipment	67,719
Transportation equipment	19,089
Other equipment	<u>11,838</u>
	<u>\$ 1,136,824</u>

The depreciation expense of the right-of-use asset recognized in profit or loss for the year ended December 31, 2019 were \$898,340 thousand.

b. Lease liabilities

	<b>December 31, 2019</b>
Carrying amounts	<u>\$ 5,615,681</u>

Range of discount rate for lease liabilities were as follows:

	<b>December 31, 2019</b>
Buildings and facilities	0.75%-9.79%
Land	3.50%
Computer equipment	0.82%-1.07%
Transportation equipment	0.12%-1.08%
Other equipment	0.05%-1.20%

The maturity analysis of lease liabilities were as follows:

	<b>December 31, 2019</b>
Not later than 1 year	\$ 960,612
Later than 1 year and not later than 5 years	2,183,641
Later than 5 years	<u>5,796,179</u>
	<u>\$ 8,940,432</u>

c. Material lease-in activities and terms

The Group leases land, building, computer equipment, transportation equipment and other equipment with lease terms of 1 to 10 years. In the contract, the Group has options to lease the building at the end of the lease terms. The lease contract for the right of superficies has been established indicates that China Life Insurance also leases land with lease terms of 70 years.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment for the Group, please refer Notes 20 and 21, respectively.

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 91,012</u>
Expenses relating to low-value asset leases	<u>\$ 3,724</u>
Total cash outflow for leases	<u>\$ 1,073,299</u>

The Group leases certain assets which qualify as short-term leases and certain assets which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

### 23. INTANGIBLE ASSETS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Purchase policy value	\$ 12,402,062	\$ 12,767,519
Operation rights	3,554,400	4,191,909
Goodwill	3,190,820	3,369,090
Computer software	1,257,956	806,233
Others	<u>36,396</u>	<u>36,396</u>
	<u>\$ 20,441,634</u>	<u>\$ 21,171,147</u>

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

	<b>Purchase Policy Value</b>	<b>Operation Rights</b>	<b>Goodwill</b>	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<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>

(Continued)

	Purchase Policy Value	Operation Rights	Goodwill	Computer Software	Others	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 13,320,077	\$ 8,542,562	\$ 3,369,090	\$ 1,713,217	\$ 51,994	\$ 26,996,940
Adjustments on initial application of IFRS 16	-	-	-	(12,105)	-	(12,105)
Additions	-	-	-	781,569	-	781,569
Decreases	-	-	(163,886)	(283,689)	-	(447,575)
Reclassification	-	-	-	22,161	-	22,161
Effects of exchange rate changes	-	-	(14,384)	80	-	(14,304)
Balance at December 31, 2019	<u>13,320,077</u>	<u>8,542,562</u>	<u>3,190,820</u>	<u>2,221,233</u>	<u>51,994</u>	<u>27,326,686</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2019	(552,558)	(4,350,653)	-	(906,984)	(15,598)	(5,825,793)
Amortization	(365,457)	(637,509)	-	(339,583)	-	(1,342,549)
Decreases	-	-	-	283,449	-	283,449
Reclassification	-	-	-	(454)	-	(454)
Effects of exchange rate changes	-	-	-	295	-	295
Balance at December 31, 2019	<u>(918,015)</u>	<u>(4,988,162)</u>	<u>-</u>	<u>(963,277)</u>	<u>(15,598)</u>	<u>(6,885,052)</u>
Balance at December 31, 2019, net	<u>\$ 12,402,062</u>	<u>\$ 3,554,400</u>	<u>\$ 3,190,820</u>	<u>\$ 1,257,956</u>	<u>\$ 36,396</u>	<u>\$ 20,441,634</u>

(Concluded)

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

## 24. OTHER ASSETS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Security borrowing margins	\$ 16,655,194	\$ 10,778,769
Operating guarantee deposits	7,931,702	7,438,483
Guarantee deposits paid	7,921,332	13,733,989
Prepaid expense	1,406,399	1,265,709
Prepayment - surface rights	-	13,179,623
Others	<u>1,843,052</u>	<u>2,505,788</u>
	<u>\$ 35,757,679</u>	<u>\$ 48,902,361</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. The Group adapted IFRS 16 from January 1, 2019, and did not restate the comparative consolidated financial statement by the transaction of IFRS 16.

## 25. DEPOSITS FROM THE CENTRAL BANK AND FINANCIAL INSTITUTIONS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Call loans from financial institutions	\$ 24,370,732	\$ 22,242,268
Deposits from Chunghwa Post Co., Ltd.	<u>190,146</u>	<u>192,646</u>
	<u>\$ 24,560,878</u>	<u>\$ 22,434,914</u>

## 26. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Corporate bonds	\$ 43,378,844	\$ 58,385,910
Bank debentures	29,609,111	36,276,317
Government bonds	22,794,538	30,237,248
Commercial paper	<u>354,838</u>	<u>579,425</u>
	<u>\$ 96,137,331</u>	<u>\$ 125,478,900</u>
Repurchased amounts	<u>\$ 96,297,724</u>	<u>\$ 125,952,224</u>
Last maturity date	March 2020	May 2019

## 27. COMMERCIAL PAPER PAYABLE, NET

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Commercial paper payable	\$ 12,636,085	\$ 14,989,859
Less: Unamortized discount	<u>(1,401)</u>	<u>(3,957)</u>
	<u>\$ 12,634,684</u>	<u>\$ 14,985,902</u>
Range of rate	0.54%-1.78%	0.60%-2.59%

As of December 31, 2019, Mega Bills Finance Corporation, Dah Chung Bills Finance Corporation, International Bills Finance Corporation, China Bills Finance Corporation, Taiwan Cooperative Bills Finance Corporation, and Ta Ching Finance Corporation guaranteed the above commercial paper. However, some commercial paper which amounted to \$12,072,794 thousand, had no guarantee.

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, Taiwan Business Bank and Far Eastern International Bank guaranteed the above commercial paper. However, some commercial paper which amounted to \$11,668,008 thousand, had no guarantee.

## 28. PAYABLES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Accounts payable for settlement	\$ 43,834,058	\$ 35,105,692
Accrued expenses and payable on insurance policies	12,997,313	11,126,598
Deposits payable for securities financing	11,351,628	14,465,995
Interest payable	5,011,466	3,736,713
Exchange clearing payable	4,354,972	4,838,810
Others	<u>9,290,233</u>	<u>10,019,395</u>
	<u>\$ 86,839,670</u>	<u>\$ 79,293,203</u>

## 29. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Time deposits	\$ 211,308,116	\$ 229,617,422
Saving deposits	117,915,084	93,330,058
Demand deposits	53,009,869	55,634,932
Negotiable CDs	10,380,300	17,211,000
Checking deposits	3,065,960	2,440,582
Inward remittance	<u>181,673</u>	<u>52,016</u>
	<u>\$ 395,861,002</u>	<u>\$ 398,286,010</u>

## 30. BONDS PAYABLE

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Corporate bonds payable	\$ 32,000,000	\$ 23,800,000
Bank debentures payable	<u>10,450,000</u>	<u>7,350,000</u>
	<u>\$ 42,450,000</u>	<u>\$ 31,150,000</u>

### Corporate Bonds Payable

Name	<u>December 31</u>		Issuance Period	Method of Paying Principle and Interests	Interest Rate
	2019	2018			
1st corporate bonds in 2011 - the Corporation	\$ -	\$ 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 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 2019 - the Corporation	5,000,000	-	Bond A 2019.08.08-2026.08.08	Interest payable annually; principal due on maturity	Bond A 0.88%
			Bond B 2019.08.08-2119.08.08		Bond B 1.00%
1st corporate bonds in 2015 - KGI Securities	4,800,000	4,800,000	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%
1st corporate bonds in 2019 - KGI Securities	4,200,000	-	Bond A 2019.11.12-2022.11.12	Interest payable annually; principal due on maturity	Bond A 0.73%
			Bond B 2019.11.12-2024.11.12		Bond B 0.78%
			Bond C 2019.11.12-2026.11.12		Bond C 0.83%
Net amount	<u>\$ 32,000,000</u>	<u>\$ 23,800,000</u>			
Fair value	<u>\$ 32,230,073</u>	<u>\$ 24,225,699</u>			



## Bank Debentures Payable

Name	December 31		Issuance Period	Method of Paying Principle and Interests	Interest Rate
	2019	2018			
P06 KGIB 1	\$ 1,000,000	\$ 1,000,000	2017.05.19-2020.05.19	Interest payable annually; principal due on maturity	0.90%
P07 KGIB 1	3,000,000	3,000,000	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	3,350,000	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
P08 KGIB 1	<u>3,100,000</u>	<u>-</u>	2019.06.26-2034.06.26	Interest payable annually; principal due on maturity	1.40%
	10,450,000	7,350,000			
Unamortized discount	<u>-</u>	<u>-</u>			
Net amount	<u>\$ 10,450,000</u>	<u>\$ 7,350,000</u>			
Fair value	<u>\$ 10,641,460</u>	<u>\$ 7,360,509</u>			

Note: 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.

## 31. OTHER BORROWINGS

	December 31	
	2019	2018
Short-term credit borrowings	\$ 12,029,866	\$ 10,021,939
Note issuance facility	4,499,595	4,339,771
Short-term secured borrowings	4,438,546	4,329,666
Long-term credit borrowings	<u>-</u>	<u>126,685</u>
	<u>\$ 20,968,007</u>	<u>\$ 18,818,061</u>
Range of rate	0.61%-5.95%	0.72%-8.55%
Last maturity date	December 2022	July 2021

## 32. PROVISIONS

	December 31	
	2019	2018
Insurance liabilities	\$ 1,738,260,215	\$ 1,552,528,196
Foreign exchange valuation reserve	2,367,039	3,169,331
Provisions for employee benefits	1,093,389	1,040,517
Others	<u>526,533</u>	<u>566,895</u>
	<u>\$ 1,742,247,176</u>	<u>\$ 1,557,304,939</u>

## Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

As at December 31, 2019 and 2018, China Life Insurance's movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Reserve for life insurance liabilities	\$ 1,698,741,135	\$ 1,513,115,547
Unearned premium reserve	4,291,429	3,854,791
Reserve for claims	2,225,347	1,686,742
Special reserve	6,907,466	6,364,597
Premium deficiency reserve	6,627,546	7,504,145
Other reserve	<u>19,467,292</u>	<u>20,002,374</u>
	<u>\$ 1,738,260,215</u>	<u>\$ 1,552,528,196</u>

a. Reserve for life insurance liabilities:

	<b>December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Life insurance	\$ 1,340,799,216	\$ 57,182,189	\$ 1,397,981,405
Health insurance	133,612,862	-	133,612,862
Annuity insurance	676,207	164,534,387	165,210,594
Investment-linked insurance	<u>1,792,716</u>	<u>-</u>	<u>1,792,716</u>
	<u>\$ 1,476,881,001</u>	<u>\$ 221,716,576</u>	<u>\$ 1,698,597,577</u>

Note: The total amount of liability reserve is \$1,698,741,135 thousand on December 31, 2019 after reserve for life insurance-accrued paid is added.

	<b>December 31, 2018</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
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.

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

Movement in reserve for life insurance liabilities is summarized below:

	<b>For the Year Ended December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 1,298,519,952	\$ 214,435,925	\$ 1,512,955,877
Reserve	254,349,016	26,204,109	280,553,125
Recover	(69,927,882)	(18,388,212)	(88,316,094)
Foreign exchange gains	(6,061,329)	(535,246)	(6,596,575)
Other (Note 1)	<u>1,244</u>	<u>-</u>	<u>1,244</u>
Ending balance (Note 2)	<u>\$ 1,476,881,001</u>	<u>\$ 221,716,576</u>	<u>\$ 1,698,597,577</u>

Note 1: The amount of the acquisition of a partial traditional insurance policies of Allianz Life Insurance is based on the contract to cover the deficiency during the replenishment period.

Note 2: The total amount of liability reserve is \$1,698,741,135 thousand on December 31, 2019 after reserve for life insurance-accrued paid is added.

	<b>For the Year Ended December 31, 2018</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
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)
Foreign exchange gains	4,341,192	763,453	5,104,645
Other (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.

b. Unearned premium reserve

	<b>December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance	\$ 1,072	\$ -	\$ 1,072
Individual injury insurance	1,414,617	-	1,414,617
Individual health insurance	2,249,115	-	2,249,115
Group insurance	568,302	-	568,302
Investment-linked insurance	58,248	-	58,248
Annuity insurance	<u>-</u>	<u>75</u>	<u>75</u>
	<u>4,291,354</u>	<u>75</u>	<u>4,291,429</u>
Less ceded unearned premium reserve			
Individual life insurance	15,728	-	15,728
Individual injury insurance	1,324	-	1,324
Individual health insurance	30,079	-	30,079
Group insurance	3,145	-	3,145
Investment-linked insurance	<u>5,211</u>	<u>-</u>	<u>5,211</u>
	<u>55,487</u>	<u>-</u>	<u>55,487</u>
Net amount	<u>\$ 4,235,867</u>	<u>\$ 75</u>	<u>\$ 4,235,942</u>
	<b>December 31, 2018</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
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	<u>-</u>	<u>53</u>	<u>53</u>
	<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	<u>5,074</u>	<u>-</u>	<u>5,074</u>
	<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>

Movement in unearned premium reserve is summarized below:

	<b>For the Year Ended December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 3,854,738	\$ 53	\$ 3,854,791
Reserve	4,291,355	75	4,291,430
Recover	(3,854,738)	(53)	(3,854,791)
Foreign exchange gains	(1)	-	(1)
Ending balance	<u>4,291,354</u>	<u>75</u>	<u>4,291,429</u>
Less ceded unearned premium reserve			
Beginning balance	50,125	-	50,125
Increase	56,521	-	56,521
Decrease	(51,159)	-	(51,159)
Ending balance	<u>55,487</u>	<u>-</u>	<u>55,487</u>
Net amount	<u>\$ 4,235,867</u>	<u>\$ 75</u>	<u>\$ 4,235,942</u>
	<b>For the Year Ended December 31, 2018</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
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)
Foreign exchanges gains	1	-	1
Others (Note)	36,201	-	36,201
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	(49,879)	-	(49,879)
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.

c. Reserve for claims

	<b>December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance			
Reported but not paid claim	\$ 210,684	\$ 93,692	\$ 304,376
Unreported claim	2,073	-	2,073
Individual injury insurance			
Reported but not paid claim	28,821	-	28,821
Unreported claim	433,328	-	433,328
Individual health insurance			
Reported but not paid claim	98,979	-	98,979
Unreported claim	750,813	-	750,813
Group insurance			
Reported but not paid claim	121,051	-	121,051
Unreported claim	405,053	-	405,053
Investment-linked insurance			
Reported but not paid claim	11,029	-	11,029
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	69,705	69,705
Unreported claim	-	119	119
	<u>2,061,831</u>	<u>163,516</u>	<u>2,225,347</u>
Less ceded reserve for claims			
Individual life insurance	3,925	-	3,925
Individual injury insurance	-	-	-
Individual health insurance	5,030	-	5,030
Group insurance	4,800	-	4,800
	<u>13,755</u>	<u>-</u>	<u>13,755</u>
Net amount	<u>\$ 2,048,076</u>	<u>\$ 163,516</u>	<u>\$ 2,211,592</u>
	<b>December 31, 2018</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
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

(Continued)

	<b>December 31, 2018</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
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	3,000	-	3,000
	<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> (Concluded)

Movement in reserve for claims is summarized below:

	<b>For the Year Ended December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 1,589,965	\$ 96,777	\$ 1,686,742
Reserve	2,061,797	164,457	2,226,254
Recover	(1,589,965)	(96,777)	(1,686,742)
Gain (loss) on foreign exchange	34	(941)	(907)
Ending balance	<u>2,061,831</u>	<u>163,516</u>	<u>2,225,347</u>
Less ceded unearned premium reserve			
Beginning balance	27,204	-	27,204
Increase	13,755	-	13,755
Decrease	(27,204)	-	(27,204)
Ending balance	<u>13,755</u>	<u>-</u>	<u>13,755</u>
Net amount	<u>\$ 2,048,076</u>	<u>\$ 163,516</u>	<u>\$ 2,211,592</u>

	<b>For the Year Ended December 31, 2018</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
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)
Gain (loss) on foreign exchange	(513)	(57)	(570)
Other (Note)	<u>9,046</u>	<u>-</u>	<u>9,046</u>
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	<u>(12,484)</u>	<u>-</u>	<u>(12,484)</u>
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.

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

	<b>December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Participating policies dividend reserve	\$ 6,907,466	\$ -	\$ 6,907,466
Dividend risk reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,907,466</u>	<u>\$ -</u>	<u>\$ 6,907,466</u>



	<b>December 31, 2018</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
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>

Movement in special reserve is summarized below:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Insurance Contract</b>	<b>Insurance Contract</b>
Beginning balance	\$ 6,364,597	\$ 6,259,742
Adjustment to IFRS 9	<u>-</u>	<u>(6,676)</u>
Adjusted beginning balance	6,364,597	6,253,066
Reserve for participating policy dividend revenue	2,264,499	1,963,273
Recover for participating policy dividend revenue	(1,733,385)	(1,720,408)
Gain (loss) on equity instruments from participating dividend policy measured at FVTOCI	<u>11,755</u>	<u>(131,334)</u>
Ending balance	<u>\$ 6,907,466</u>	<u>\$ 6,364,597</u>

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

	<b>December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance	\$ 1,743	\$ -	\$ 1,743
Individual injury insurance	875,865	-	875,865
Individual health insurance	2,536,247	-	2,536,247
Group insurance	3,212,019	-	3,212,019
Annuity insurance	<u>-</u>	<u>759</u>	<u>759</u>
	<u>\$ 6,625,874</u>	<u>\$ 759</u>	<u>\$ 6,626,633</u>

	<b>December 31, 2018</b>		
	<b>Financial Instruments with Discretionary Participation Feature</b>		
	<b>Insurance Contract</b>	<b>Participation Feature</b>	<b>Total</b>
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>

f. Premium deficiency reserve

	<b>December 31, 2019</b>		
	<b>Financial Instruments with Discretionary Participation Feature</b>		
	<b>Insurance Contract</b>	<b>Participation Feature</b>	<b>Total</b>
Individual life insurance	\$ 6,503,281	\$ -	\$ 6,503,281
Individual health insurance	<u>124,265</u>	<u>-</u>	<u>124,265</u>
	<u>\$ 6,627,546</u>	<u>\$ -</u>	<u>\$ 6,627,546</u>

	<b>December 31, 2018</b>		
	<b>Financial Instruments with Discretionary Participation Feature</b>		
	<b>Insurance Contract</b>	<b>Participation Feature</b>	<b>Total</b>
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>

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

Movement in premium deficiency reserve is summarized as below:

	<b>For the Year Ended December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 7,504,145	\$ -	\$ 7,504,145
Reserve	2,403,191	-	2,403,191
Recover	(3,247,243)	-	(3,247,243)
Gain (loss) on foreign exchange	<u>(32,547)</u>	<u>-</u>	<u>(32,547)</u>
Ending balance	<u>\$ 6,627,546</u>	<u>\$ -</u>	<u>\$ 6,627,546</u>

	<b>For the Year Ended December 31, 2018</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 9,164,460	\$ -	\$ 9,164,460
Reserve	1,385,231	-	1,385,231
Recover	(3,073,841)	-	(3,073,841)
Gain (loss) 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.

g. Other reserve

	<b>December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Others	<u>\$ 19,467,292</u>	<u>\$ -</u>	<u>\$ 19,467,292</u>

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

Movement in other reserve is summarized as below:

	<b>For the Year Ended December 31, 2019</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 20,002,374	\$ -	\$ 20,002,374
Recover	<u>(535,082)</u>	<u>-</u>	<u>(535,082)</u>
Ending balance	<u>\$ 19,467,292</u>	<u>\$ -</u>	<u>\$ 19,467,292</u>

	<b>For the Year Ended December 31, 2018</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
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

	<b>Insurance Contract and Financial Instruments with Discretionary Participation Feature</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Reserve for life insurance liabilities	\$ 1,698,597,577	\$ 1,512,955,877
Unearned premium reserve	4,291,429	3,854,791
Premium deficiency reserve	6,627,546	7,504,145
Special reserve	6,907,466	6,364,597
Other reserve	<u>19,467,292</u>	<u>20,002,374</u>
Book value of insurance liabilities	<u>\$ 1,735,891,310</u>	<u>\$ 1,550,681,784</u>
Estimated present value of cash flows	<u>\$ 1,299,369,920</u>	<u>\$ 1,256,360,366</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

<b>December 31, 2019</b>	
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2018), and discount rates were evaluated with consideration of current information.

<b>December 31, 2018</b>	
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2017), 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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance Reserve	\$ 3,169,331	\$ 2,703,763
Compulsory reserve	1,850,078	1,065,269
Extra reserve	<u>3,568,203</u>	<u>2,533,566</u>
	5,418,281	3,598,835
Recover	<u>(6,220,573)</u>	<u>(3,133,267)</u>
Ending balance	<u>\$ 2,367,039</u>	<u>\$ 3,169,331</u>

3) Effects due to foreign exchange valuation reserve

<b>Item</b>	<b>For the Year Ended December 31, 2019</b>		
	<b>Inapplicable Amount</b>	<b>Applicable Amount</b>	<b>Effects</b>
Net income	\$ 12,956,044	\$ 13,597,878	\$ 641,834
Earnings per share (dollar)	3.05	3.20	0.15
Foreign exchange valuation reserve	-	2,367,039	2,367,039
Equity	143,220,130	142,669,561	(550,569)

Item	For the Year Ended December 31, 2018		
	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)

### 33. RETIREMENT BENEFIT PLANS

#### a. Defined contribution plans

The Corporation and domestic subsidiaries adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. The total expenses recognized in profit or loss were \$615,933 thousand in 2019 and \$614,054 thousand in 2018, respectively.

The Corporation’s foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulation and amounting to \$8,064 thousand and \$7,528 thousand for the years ended December 31, 2019 and 2018, respectively.

#### b. Defined benefit plans

The Corporation and domestic subsidiaries adopted a defined benefit pension plan for all formal employees based on the Labor Standards Act. Benefit payments are based on service periods and basic salaries and wages at the time of retirement.

Under the defined benefit plan, CDIB Capital Group has made monthly contributions at 13% of salaries and wages to a pension fund. In February 2006, CDIB Capital Group changed the contribution rate from 13% to 4.5% and then further adjusted the contribution rate from 4.5% to 3.14% in November 2008. The fund is managed by the Employees’ Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, CDIB Capital Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, CDIB Capital Group is required to fund the difference in one appropriation that should be made before the end of March of the next year.

KGI Securities and domestic subsidiaries contributes monthly an amount equal to 2% of the monthly salaries to a defined benefit pension fund and to the employees’ individual defined contribution pension funds. The funds are managed by the Employees’ Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, KGI assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, KGI is required to fund the difference in one appropriation that should be made before the end of March of the next year.

KGI Bank places its monthly contributions to the non-managers’ pension fund at authorized ratios in the Employees’ Pension Reserve, which is deposited in the Bank of Taiwan. Managers’ pension funds are managed by the Employee Retirement Fund Management Committee and deposited in KGI Bank’s Zhonghe Branch in the committee’s name. Before the end of each year, KGI Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, KGI Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year.

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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligation	\$ 3,169,236	\$ 3,001,474
Fair value of plan assets	<u>(2,126,435)</u>	<u>(2,013,124)</u>
Net defined benefit liabilities	<u>\$ 1,042,801</u>	<u>\$ 988,350</u>

Movements in net defined benefit liabilities (assets) were as follows:

The Group

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2019	<u>\$ 3,001,474</u>	<u>\$ (2,013,124)</u>	<u>\$ 988,350</u>
Service cost			
Current service cost	16,598	-	16,598
Net interest expense (income)	<u>34,446</u>	<u>(23,526)</u>	<u>10,920</u>
Recognized in profit or loss	<u>51,044</u>	<u>(23,526)</u>	<u>27,518</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(26,272)	(26,272)
Actuarial gain - changes in demographic assumptions	90,479	-	90,479
Actuarial gain - changes in financial assumptions	145,759	-	145,759
Actuarial gain - experience adjustments	<u>3,180</u>	<u>(18,326)</u>	<u>(15,146)</u>
Recognized in other comprehensive income	<u>239,418</u>	<u>(44,598)</u>	<u>194,820</u>
Contributions from the employer	-	(167,894)	(167,894)
Benefits paid	(122,707)	122,707	-
Change in exchange rate	<u>7</u>	<u>-</u>	<u>7</u>
Balance at December 31, 2019	<u>\$ 3,169,236</u>	<u>\$ (2,126,435)</u>	<u>\$ 1,042,801</u> (Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
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> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.



The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

The Corporation

	<b>Valuation at</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	0.90%	0.90%
Expected rates of salary increase	2.50%	2.50%

CDIB Capital Group and subsidiaries

	<b>Valuation at</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	0.70%	0.90%
Expected rates of salary increase	2.50%	2.50%

KGI and subsidiaries

	<b>Valuation at</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	0.78%-7.75%	1.18%-8.25%
Expected rates of salary increase	2.00%-4.00%	2.00%-4.00%

KGI Bank and subsidiaries

	<b>Valuation at</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	0.700%-0.875%	0.900%-1.250%
Expected rates of salary increase	2.500%-3.000%	2.500%-3.000%

China Life Insurance

	<b>Valuation at</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	0.80%	1.13%
Expected rates of salary increase	0.00%-1.58%	0.00%-1.41%

China Development Asset Management Corporation

	<b>Valuation at</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	0.70%	0.90%
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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25-0.50% increase	<u>\$ (149,041)</u>	<u>\$ (132,837)</u>
0.25-0.50% decrease	<u>\$ 160,085</u>	<u>\$ 156,211</u>
Expected rate(s) of salary increase		
0.25-1.00% increase	<u>\$ 173,005</u>	<u>\$ 172,731</u>
0.25-1.00% decrease	<u>\$ (159,908)</u>	<u>\$ (147,174)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the plan for the next year	<u>\$ 153,048</u>	<u>\$ 159,564</u>
The average duration of the defined benefit obligation	6.37-25.00 years	6.66-18.93 years

**34. OTHER FINANCIAL LIABILITIES**

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Separate-account product liabilities	\$ 77,922,118	\$ 63,501,665
Principal received on structured products	35,134,804	26,253,350
Customers' equity accounts - futures	36,222,720	31,746,572
Others	<u>442,891</u>	<u>385,853</u>
	<u>\$ 149,722,533</u>	<u>\$ 121,887,440</u>

**35. EQUITY**

a. Capital

Common stock

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Number of shares authorized (in thousands)	<u>20,000,000</u>	<u>20,000,000</u>
Shares authorized	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>14,968,408</u>	<u>14,963,356</u>
Shares issued	<u>\$ 149,684,080</u>	<u>\$ 149,633,560</u>

b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Arising from treasury stock transactions	\$ 927,908	\$ 1,449,472
Share-based payments awards	84,814	86,798
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	80,994
Others	<u>29</u>	<u>13,728</u>
	<u>\$ 1,093,745</u>	<u>\$ 1,630,992</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 or according to Rule No. 09900738571 issued by FSC, the Corporation reclassified the legal reserve which exceed paid-in capital, then reversed the surpass part to retained earnings in line with the approval of FSC.

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 14, 2019, the board of the directors approved the earnings appropriation and capital surplus cash payment of 2018. On June 22, 2018, shareholders' meeting approved the resolution on the appropriations from the earnings of 2017, including bonus to employees and remuneration to directors and supervisors, as follows:

	<b>Earnings Appropriation</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<u>Earnings appropriation</u>				
Legal reserve	\$ 785,269	\$ 1,169,529		
Appropriation (reversal) of special reserve	10,232,858	(1,713,561)		
Cash dividends	3,666,666	8,974,377	\$ 0.245	\$ 0.600
<u>Capital surplus cash payment</u>				
Capital surplus	823,129	-	0.055	-

The appropriation of earnings of 2019 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 on website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 64,330,223	\$ 81,544,066
Effect of retrospective application and retrospective restatement	-	1,743,732
Attributable to non-controlling interests		
Share of profit for the period	6,858,131	4,961,952
Exchange differences on translation of financial statements of foreign operations	(16,514)	13,473
Actual losses arising from defined benefit plans	(49,095)	(11,162)
Gain (loss) on equity instruments measured at FVTOCI	827,363	(2,531,844)
Gain (loss) on debt instrument measured at FVTOCI	19,825,564	(10,386,628)
Other comprehensive income (loss) reclassified using the overlay approach	10,800,672	(9,297,604)
Payment of cash dividends by subsidiaries	(61,211)	(1,993,427)
Changes in percentage of ownership interests in subsidiaries	6,220,045	-
Changes in non-controlling interests arising from paying dividends to subsidiaries	109,986	219,503
Others	<u>94,862</u>	<u>68,162</u>
Ending balance	<u>\$ 108,940,026</u>	<u>\$ 64,330,223</u>

**36. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS**

Subsidiaries	The Main Place of Business	<b>Non-controlling Interests Held by the Proportion of Equity</b>	
		<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
China Life Insurance Company Limited	Taipei	65.18%	65.04%
		<b>Net Income Attributed to Non-controlling Interests</b>	
		<b>For the Year Ended December 31</b>	
		<b>2019</b>	<b>2018</b>
China Life Insurance Company Limited		<u>\$ 6,835,155</u>	<u>\$ 4,864,607</u>
		<b>Non-controlling Interests</b>	
		<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
China Life Insurance Company Limited		<u>\$ 105,327,753</u>	<u>\$ 60,661,102</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Total assets	\$ 2,021,995,862	\$ 1,734,540,477
Total liabilities	<u>1,861,406,605</u>	<u>1,642,279,604</u>
Equity	<u>\$ 160,589,257</u>	<u>\$ 92,260,873</u>
Equity attributable to:		
Owners of parent	\$ 55,261,504	\$ 31,599,771
Non-controlling interest	<u>105,327,753</u>	<u>60,661,102</u>
	<u>\$ 160,589,257</u>	<u>\$ 92,260,873</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue	<u>\$ 336,223,438</u>	<u>\$ 336,039,489</u>
Net profit for the period	\$ 10,498,362	\$ 7,479,224
Other comprehensive income	<u>48,245,435</u>	<u>(34,149,476)</u>
Total comprehensive income	<u>\$ 58,743,797</u>	<u>\$ (26,670,252)</u>
Net profit attributable to:		
Owners of parent	\$ 3,663,207	\$ 2,614,617
Non-controlling interest	<u>6,835,155</u>	<u>4,864,607</u>
	<u>\$ 10,498,362</u>	<u>\$ 7,479,224</u>
Comprehensive income attributable to:		
Owners of parent	\$ 20,517,639	\$ (9,323,493)
Non-controlling interest	<u>38,226,158</u>	<u>(17,346,759)</u>
	<u>\$ 58,743,797</u>	<u>\$ (26,670,252)</u>
Cash flows		
From operating activities	\$ 117,875,493	\$ 117,989,262
From investing activities	(84,011,020)	(116,730,330)
From financing activities	<u>9,115,824</u>	<u>(3,029,119)</u>
Net increase (decrease) in cash	<u>\$ 42,980,297</u>	<u>\$ (1,770,187)</u>
Dividend payment to non-controlling interests	<u>\$ -</u>	<u>\$ 1,970,187</u>

### 37. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Period (In Thousands)	Share Increase During the Period (In Thousands)	Share Decrease During the Period (In Thousands)	Shares at End of the Period (In Thousands)
For the year ended <u>December 31, 2019</u>				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	<u>443,531</u>	<u>      -</u>	<u>65,038</u>	<u>378,493</u>
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>

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 \$1,777,144 thousand and \$2,399,876 thousand on December 31, 2019 and 2018, 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 China Life Insurance are also treated as treasury stock and recognized book value by the proportion of shares acquired on the purchase date of acquisition. The market prices of the shares were \$1,905,596 thousand and \$1,911,243 thousand on December 31, 2019 and 2018, respectively.

In order to maintain the Corporation's credit position and shareholders' rights and benefits, the Corporation's board of directors planned to repurchase its own shares. Therefore, in accordance with the board resolution dated March 18, 2020 and pursuant to Article 28-2 of the Securities and Exchange Act, the Corporation scheduled to repurchase 15,000 thousand of its own shares during the period from March 19, 2020 to May 18, 2020 at the repurchase price range from \$7.6 to \$10.00 per share in accordance with Article 2 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, and will continue to repurchase the Corporation's own shares in the event that the then-current price per share falls below the lower limit of such repurchase price range.

Under the Securities and Exchange Act, the Corporation should not acquire treasury stock in excess of 10% of its total shares outstanding. In addition, the Corporation should not spend more than the aggregate amount of the retained earnings, paid-in capital in excess of par value, and realized capital surplus arising from gains on disposal of properties and donated capital. The Corporation should not use treasury shares to secure any of its obligations and should not exercise any shareholders' rights on those shares.

### 38. INTEREST PROFIT, NET

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Interest revenues</u>		
Securities	\$ 56,500,940	\$ 48,498,726
Discounts and loans	11,871,880	11,006,918
Margin loans and refinancing margin	1,460,983	1,903,225
Due from and call loans to banks	370,949	448,502
Others	<u>2,914,818</u>	<u>2,707,550</u>
	<u>73,119,570</u>	<u>64,564,921</u>
<u>Interest expenses</u>		
Deposits	5,039,026	4,389,190
Notes and bonds issued under repurchase agreements	2,445,873	1,773,728
Borrowing interest expense	493,899	427,123
Deposit from banks	434,189	447,386
Corporate bonds	399,701	416,878
Others	<u>829,352</u>	<u>528,288</u>
	<u>9,642,040</u>	<u>7,982,593</u>
Interest profit, net	<u>\$ 63,477,530</u>	<u>\$ 56,582,328</u>

### 39. SERVICE FEE AND COMMISSION, NET

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Service fee revenue and commission income</u>		
Brokerage	\$ 7,752,664	\$ 9,025,024
Security lending	875,906	708,736
Commission income - insurance	601,868	649,031
Trust	572,648	533,313
Others	<u>2,267,189</u>	<u>2,021,438</u>
	<u>12,070,275</u>	<u>12,937,542</u>
<u>Service fee expense and commission expense</u>		
Commission expense - insurance	11,421,142	11,680,517
Brokerage	1,297,175	1,290,490
Others	<u>1,922,378</u>	<u>1,679,544</u>
	<u>14,640,695</u>	<u>14,650,551</u>
Service fee and commission, net	<u>\$ (2,570,420)</u>	<u>\$ (1,713,009)</u>



#### 40. INSURANCE BUSINESS, NET

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Insurance business income</u>		
Premium income	\$ 261,807,875	\$ 282,450,044
Reinsurance premium expense	(1,335,913)	(1,230,840)
Changes in unearned premium reserve	<u>(431,277)</u>	<u>(433,453)</u>
Retained earned premium	260,040,685	280,785,751
Separate-account insurance products revenues	<u>10,573,123</u>	<u>3,939,371</u>
	<u>270,613,808</u>	<u>284,725,122</u>
<u>Insurance business expense</u>		
Insurance claim payments	(104,329,343)	(95,841,742)
Claims recovered from reinsures	<u>740,223</u>	<u>731,146</u>
Retained claim payments	(103,589,120)	(95,110,596)
Brokerage expense	(12,534)	(9,741)
Disbursements toward industry stability fund	(442,149)	(474,725)
Changes in foreign exchange valuation reserve	802,292	(465,568)
Separate-account insurance products expenses	<u>(10,573,123)</u>	<u>(3,939,371)</u>
	<u>(113,814,634)</u>	<u>(100,000,001)</u>
Insurance business, net	<u>\$ 156,799,174</u>	<u>\$ 184,725,121</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Stocks	\$ 24,560,218	\$ 1,906,500
Mutual funds	10,588,671	1,878,864
Bonds	4,523,505	3,458,909
Operating securities	3,696,524	(2,095,404)
Derivatives	322,494	(29,059,013)
Others	<u>4,681,036</u>	<u>(2,198,887)</u>
	<u>\$ 48,372,448</u>	<u>\$ (26,109,031)</u>

For the years ended December 31, 2019 and 2018, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of \$5,555,366 thousand and \$4,016,390 thousand, respectively, dividend income of \$9,699,008 thousand and \$7,443,928 thousand, respectively and interest expense of \$1,401,053 thousand and \$1,270,786 thousand, respectively.

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Gain on bond disposal	\$ 6,251,489	\$ 1,940,431
Dividend income	<u>816,561</u>	<u>603,544</u>
	<u>\$ 7,068,050</u>	<u>\$ 2,543,975</u>

#### 43. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Employee benefit expense		
Salaries and wages	\$ 13,859,207	\$ 12,727,048
Employee insurance	1,059,309	1,018,292
Pension	651,516	667,832
Others	<u>1,132,830</u>	<u>880,762</u>
	<u>\$ 16,702,862</u>	<u>\$ 15,293,934</u>
Depreciation and amortization expenses	<u>\$ 3,297,943</u>	<u>\$ 2,417,238</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 2019 and 2018 which have been approved by the board of directors on March 30, 2020 and March 25, 2019, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors for 2018 were reported on the shareholders meeting on June 14, 2019.

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Employees' compensation to employees	\$ 127,000	\$ 80,000
Remuneration of directors and supervisors	126,000	79,000

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, 2019 and 2018.

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>).

#### 44. INCOME TAX

Under Rule No. 910458039 issued by the Ministry of Finance on February 12, 2003, a financial holding company and its domestic subsidiaries holding over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings in accordance with Article 49 of Financial Holding Company Act and Article 40 of Business Mergers and Acquisitions Act. Thus, the Corporation adopted the linked-tax system for income tax filing with its eligible subsidiaries, income tax and unappropriated earnings tax filings.

The accounting treatment applied to linked-tax system for income tax filings is to adjust the difference between the consolidated current/deferred taxes and the individual current/deferred taxes of the Group, and allocate income tax expense/benefit to the Corporation and each subsidiary's pro rata; related amounts are recognized as current tax assets or current tax liabilities.

a. Income tax expense recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax		
Current period	\$ 1,694,682	\$ 1,082,289
Prior years	(340,836)	(357,936)
	<u>1,353,846</u>	<u>724,353</u>
Deferred income tax		
Current period	558,140	600,680
Adjustment in tax rate	-	(697,794)
	<u>558,140</u>	<u>(97,114)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,911,986</u>	<u>\$ 627,239</u>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Income tax expenses at the statutory rate	\$ 5,521,627	\$ 3,565,810
Permanent differences	(5,535,102)	(3,497,627)
Unrecognized temporary differences	582,343	315,601
Loss carryforwards	98,046	606,451
Prior year's adjustments	(340,682)	(356,425)
Additional income tax under the Alternative Minimum Tax Act	1,616,718	558,374
Others	(30,964)	(564,945)
	<u>\$ 1,911,986</u>	<u>\$ 627,239</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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	122,014	(1,076,129)
(Gain) loss on debt instruments at fair value through other comprehensive income	7,158,091	(3,661,565)
Actuarial gain (loss) on defined benefit plans	(23,607)	(42,149)
(Gain) loss on reclassification using the overlay approach	952,068	(1,457,479)
Deferred income tax related to tax losses and reversals	-	(121,476)
Income tax expense (benefit)	<u>\$ 8,208,566</u>	<u>\$ (5,937,169)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax (benefit)		
Disposal of equity instruments at fair value through other comprehensive income	\$ (131,545)	\$ -
Income tax recognized in equity dividend policy	-	(1,135)
Deferred income tax (benefit)		
Gain (loss) on equity instruments at fair value through other comprehensive income	131,545	-
Deferred income tax related to tax losses and reversals	<u>(136,619)</u>	<u>27,602</u>
	<u>\$ (136,619)</u>	<u>\$ 26,467</u>

e. Deferred tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax assets</u>		
Unrealized loss on foreign exchange	\$ 6,317,894	\$ 2,555,594
Loss carryforwards	2,411,730	5,219,346
Allowance for bad debts	476,677	611,455
Financial products valuation	208,622	3,763,949
Others	<u>443,997</u>	<u>502,216</u>
	<u>\$ 9,888,920</u>	<u>\$ 12,652,560</u>
<u>Deferred tax liabilities</u>		
Gain on financial asset at fair value through profit or loss	\$ 6,337,854	\$ 460,432
Purchase policy value	2,480,412	2,553,504
Goodwill	986,154	1,069,814
Investment property	883,234	902,231
Debt instruments measured at amortized cost	816,199	922,659
Land value increment tax	768,050	768,784
Others	<u>661,955</u>	<u>597,851</u>
	<u>\$ 12,933,858</u>	<u>\$ 7,275,275</u>

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

The information of the Corporation is as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Deductible amount of taxable income		
Expiry in 2021	<u>\$ 213,819</u>	<u>\$ 378,146</u>

The information of CDIB Capital Group is as follows:

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Deductible amount of taxable income		
Expiry in 2021	<u>\$ 215,144</u>	<u>\$ 380,488</u>

The information of KGI Bank is as follows:

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Deductible amount of taxable income		
Expiry in 2018	\$ -	\$ 12,613,743
Expiry in 2019	5,550,934	6,160,060
Expiry in 2020	<u>644,227</u>	<u>-</u>
	<u>\$ 6,195,161</u>	<u>\$ 18,773,803</u>

g. Amount of unused loss carryforwards

As of December 31, 2019, the loss carryforwards related information of KGI Bank is as follows:

<b>Amount of Unused Carryforwards</b>	<b>Final Carryforwards Year</b>
\$ 5,550,934	2019
2,624,589	2020
<u>1,240,412</u>	2021
<u>\$ 9,415,935</u>	

h. Income tax assessments

The Corporation's income tax returns through 2014 had been examined by the tax authorities.

The income tax returns of CDIB Management Consulting Corporation and CDC Finance & Leasing Corp. through 2017 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.

The income tax returns of KGI Securities for the years through 2014 had been examined by the tax authorities.

The income tax returns of KGI Securities Investment Advisory Co., Ltd., KGI Insurance Brokers Co., Ltd., KGI Venture Capital Co., Ltd., KGI Securities Investment Trust Co., Ltd., KGI Futures Co., Ltd., Global Corporation and KGI Information Technology Co., Ltd. through 2017 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 2017 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2016 and as of 2014 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 2017 had been examined by the tax authorities.

Capital Life Insurance's income tax returns through 2017 had been examined by the tax authorities.

#### 45. EARNINGS PER SHARE

(New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Basic EPS	<u>\$ 0.88</u>	<u>\$ 0.54</u>
Diluted EPS	<u>\$ 0.88</u>	<u>\$ 0.54</u>

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

##### Net Profit for the Period

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Earnings used in the computation of EPS	<u>\$ 12,795,690</u>	<u>\$ 7,852,688</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of common shares outstanding in computation of basic EPS	14,548,414	14,480,026
Effect of dilutive potentially common shares:		
Employee share options	12,665	18,044
Restricted shares	<u>574</u>	<u>2,468</u>
Weighted average number of common shares outstanding in computation of diluted EPS	<u>14,561,653</u>	<u>14,500,538</u>

#### 46. SHARE-BASED PAYMENT ARRANGEMENTS

##### a. Employee share option plan of the Corporation

The Corporation acquired 100% of KGI Bank share through a share swap. In accordance with this contract, the Corporation granted options to replace KGI Bank's options granted in May and August 2011. Qualified employees of KGI Bank were granted 30,862 and 11,088 thousand options on conversion date. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 6.64 and 6.96 years and exercisable at certain percentages from now.

Besides, the Corporation granted 44,850 thousand employee stock options in October 2014. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 7 years and exercisable 2 years after the issuance date.

For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	56,166	\$ 7.54	64,118	\$ 7.93
Options exercised	(5,052)	7.39	(7,182)	7.61
Options invalid	<u>(600)</u>	7.48	<u>(770)</u>	7.81
Balance at December 31	<u>50,514</u>	7.33	<u>56,166</u>	7.54
Options exercisable, end of period	<u>50,429</u>	7.33	<u>48,298</u>	7.55
Weighted-average remaining contractual life (years)	1.59		2.6	

The weighted-average share price at the date of exercise of share options from January 1 to December 31, 2019 and 2018 were \$9.80 and \$10.73, 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, 2019 and 2018 were \$1,540 thousand and \$6,009 thousand.

b. Issue restricted share plan

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, 2019 and 2018, the Corporation recognized \$1,339 thousand and \$6,983 thousand as compensation cost.

#### 47. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 25, 2019, the Group subscribed for the additional new shares issued by of China Life Insurance at a percentage different from its existing ownership percentage, resulting in a reduction of its equity interests in China Life Insurance from 34.96% to 34.82%.

The above transactions were accounted for as equity transactions, since there is no change of the Group's control over China Life Insurance.

	<b>China Life Insurance</b>
Cash consideration received	\$ 6,157,290
Changes in non-controlling interests	(6,235,645)
Reattribution of other equity to (from) non-controlling interests	
- exchange differences on translation of financial statements of foreign operations	23
- unrealized gain (loss) on financial assets at FVTOCI	11,727
- other comprehensive income reclassified using the overlay approach	5,322
Treasury shares	(7,299)
Capital surplus	<u>216</u>
Differences recognized from equity transactions	<u>\$ (68,366)</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - changes in percentage of ownership interests in subsidiaries	\$ (67,394)
Retained earnings	<u>(972)</u>
	<u>\$ (68,366)</u>



#### 48. 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)

	<b>Amount</b>	<b>%</b>
December 31, 2018	\$ 291,210	-

For the years ended December 31, 2019 and 2018, the interest revenues from cash in bank were \$47 thousand and \$371 thousand, respectively.

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

	<b>Amount</b>	<b>%</b>
December 31, 2018	\$ 200,611	-

For the years ended December 31, 2019 and 2018, the interest revenues from due from banks were all \$0 thousand.

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

	<b>Amount</b>	<b>%</b>
December 31, 2019	\$ 12,062,866	2
December 31, 2018	6,032,510	2

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

	<b>Amount</b>	<b>%</b>
December 31, 2018	\$ 2,571,674	-

For the years ended December 31, 2019 and 2018, the interest revenues from bank debentures were \$49,257 thousand and \$97,513 thousand, respectively.

5) Purchase and sale of bonds

	<b>Purchase of Bonds</b>	<b>Sale of Bonds</b>
<u>For the year ended December 31, 2019</u>		
Other related parties	\$ 49,636	\$ 739,213
<u>For the year ended December 31, 2018</u>		
Other related parties	1,277,470	1,942,918

6) Purchase and sale of securities

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

7) Revenue receivable (recognized as receivables, net)

	<b>Amount</b>	<b>%</b>
December 31, 2019	\$ 103,463	-
December 31, 2018	123,303	-

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

	<b>Amount</b>	<b>%</b>
December 31, 2019	\$ 28,999	-
December 31, 2018	15,935	-

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

	<b>Amount</b>	<b>%</b>
December 31, 2019	\$ 23,300	-
December 31, 2018	22,433	-

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

	<b>Amount</b>	<b>%</b>
December 31, 2018	\$ 459,512	-

11) Other receivables (recognized as receivables, net)

	<b>Amount</b>	<b>%</b>
December 31, 2019	\$ 28,412	-
December 31, 2018	40,374	-

12) Discounts and loans, net

KGI Bank

	Amount	%	Interest Rate (%)
December 31, 2019	\$ 1,140,878	-	1.54-15.00
December 31, 2018	1,150,686	-	1.54-15.00

For the years ended December 31, 2019 and 2018, the interest revenues from discounts and loans were \$17,513 thousand and \$16,667 thousand, respectively.

**For the Year Ended December 31, 2019**

(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	\$ 38,362	\$ 18,667	\$ 18,667	\$ -	None	Yes
Residential mortgage loans	90	1,437,353	1,110,300	1,110,300	-	Real estate	Yes
Others	7	17,070	11,911	11,911	-	Real estate	Yes

**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

China Life Insurance

	Amount	%
December 31, 2019	\$ 15,714	-
December 31, 2018	4,134	-

13) Capital increase by cash of China Life Insurance

	<b>For the Year Ended December 31 Amount</b>
<u>2019</u>	
Other related parties	\$ 139,531

14) Temporary payments (recognized as other assets, net)

	<b>December 31, 2019</b>	
	<b>Amount</b>	<b>%</b>
Other related parties	\$ 140,000	-

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

	<b>December 31, 2018</b>	
	<b>Amount</b>	<b>%</b>
Other related parties	\$ 908,555	4

For the years ended December 31, 2019 and 2018, the interest expenses from call loans from banks were \$14,477 thousand and \$41,016 thousand, respectively.

16) Other payables (recognized as payables)

	<b>Amount</b>	<b>%</b>
December 31, 2019	\$ 55,337	-
December 31, 2018	21,006	-

17) Deposits and remittances

	<b>Amount</b>	<b>%</b>	<b>Interest Rate (%)</b>
December 31, 2019	\$ 1,885,195	-	0-5.58
December 31, 2018	1,117,220	-	0-5.58

For the years ended December 31, 2019 and 2018, the interest expenses from deposits and remittances were \$11,894 thousand and \$8,651 thousand, respectively.

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

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Other related parties	\$ 10,297	-	\$ 13,192	1

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

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Other related parties	\$ 235,226	-	\$ 270,764	1

20) Consulting service revenue (recognized as other noninterest profits and gains, net)

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Other related parties	\$ 625,571	19	\$ 560,535	43

21) Donation (recognized as other general and administrative expense)

	2019		2018	
	Amount	%	Amount	%
Other related parties	\$ 40,000	1	\$ 10,000	-

22) Gain (loss) on financial assets or liabilities measured at FVTPL-dividend income

	For the Year Ended December 31	
	Amount	%
<u>2019</u>		
Other related parties	\$ 171,341	-

23) 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

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 08, 2018 - February 14, 2019	US\$ 295,000	Financial liabilities at FVTPL	17,414

KGI Securities

December 31,  
2019

Structured products

Other related parties \$ 30,133

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

December 31,  
2018

Other related parties \$ 540,000

25) Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Salary and short-term benefits	\$ 683,633	\$ 435,620
Share-based payment	1,924	5,795
Post-employment benefits	<u>3,073</u>	<u>2,920</u>
	<u>\$ 688,630</u>	<u>\$ 444,335</u>

The terms of the transactions with related parties were similar to those for third parties, except for certain preferential interest rates for employees' savings in and borrowings from KGI Bank.

Based on the Banking Act 32 and 33, except for consumer loans and government loans, credits extended by KGI Bank to any related party were fully secured, and the other terms of these credits were similar to those for third parties.

c. Related-party transactions were at costs or prices of at least NT\$100 million

The significant transactions and relationship of the Corporation's subsidiaries with related parties were summarized below:

KGI Bank and subsidiaries

<b>Related Party</b>	<b>Relationship with the KGI Bank and Subsidiaries</b>
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.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

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

	<b>December 31, 2018</b>	
	<b>Amount</b>	<b>%</b>
Other related parties	\$ 200,611	3

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

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<u>Cash and cash equivalents</u>				
Subsidiary of the parent company	\$ 178,856	2	\$ 244,242	4

	<b>December 31, 2018</b>			
	<b>Amount</b>	<b>%</b>		
Financial assets at fair value through profit or loss				
Subsidiary of the parent company	\$ 219,882	-		
3) Bank debentures (recognized as debt instruments measured at amortized cost)				
	<b>December 31, 2018</b>			
	<b>Amount</b>	<b>%</b>		
Other related parties	\$ 921,744	8		
4) Purchase and sale of bonds				
	<b>Purchase of Bonds</b>	<b>Sale of Bonds</b>		
<u>For the year ended December 31, 2019</u>				
Subsidiary of the parent company	\$ 456,295	\$ 712,331		
<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	-		
5) Call loans from securities company (recognized as other financial assets)				
	<b>December 31, 2019</b>			
	<b>Amount</b>	<b>%</b>		
Subsidiary of the parent company	\$ 903,180	46		
6) Call loans from other banks (recognized as deposits from the Central Bank and banks)				
	<b>December 31, 2018</b>			
	<b>Amount</b>	<b>%</b>		
Other related parties	\$ 908,555	4		
7) Payable on parent (recognized as current tax liabilities)				
	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Parent company	\$ 600,802	100	\$ 530,563	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

	<b>Amount</b>	<b>%</b>	<b>Interest Rate (%)</b>
<u>December 31, 2019</u>			
Parent company	\$ 2,871,141	1	0-0.73
Subsidiary of the parent company	21,843,622	5	0-1.03
<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

9) Temporary receipts (recognized as other liabilities)

	<b>For the Year Ended December 31</b>	
	<b>Amount</b>	<b>%</b>
<u>2019</u>		
Subsidiary of the parent company	\$ 2,188,412	37

10) Service fee revenue

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Other related parties	\$ 317,992	15	\$ 307,771	15

11) Outstanding derivative financial instrument

December 31, 2019

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 12, 2019 - September 30, 2022	\$ 190,000	\$ 5,980	Financial assets at FVTPL	\$ 5,980
	Asset swap - options	March 12, 2019 - September 16, 2022	190,000	(20,442)	Financial liabilities at FVTPL	20,442
	Currency swap contracts	October 3, 2019 - August 26, 2020	14,015,287	(165,646)	Financial assets at FVTPL	4,303
					Financial liabilities at FVTPL	169,949



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 - options	January 18, 2017 - December 31, 2019	602,120	52,985	Financial liabilities at FVTPL	14,231
					Financial assets at FVTPL	544
	Interest rate swap contracts	November 04, 2016 - November 06, 2020	636,173	(101)	Financial liabilities at FVTPL	4,544
Financial assets at FVTPL					49,613	
Currency swap contracts	July 19, 2018 - February 27, 2019	15,520,165	36,905	Financial liabilities at FVTPL	12,709	

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.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 1,992,881	12	\$ 2,738,863	20

2) Financial assets at fair value through profit and loss - current

	December 31			
	2019		2018	
	Amount	%	Amount	%
<u>Open ended fund and money market instruments</u>				
Other related parties	\$ 578,634	1	\$ 465,958	1
<u>Operating securities</u>				
Other related parties	1,089,190	1	26,311	-

3) Financial assets at fair value through other comprehensive income - current

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<u>Stocks</u>				
Parent company	\$ 1,777,144	8	\$ 2,399,876	17

4) Purchase and sale of bonds

	<b>Purchase of Bonds</b>	<b>Sale of Bonds</b>
<u>For the year ended December 31, 2019</u>		
Subsidiary of the parent company	\$ 3,164,523	\$ 13,307,285
Other related parties	-	739,213
<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

5) Guarantee deposits received in futures contracts

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 208,032	1	\$ 919,916	4

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

	<b>December 31, 2019</b>	
	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 306,467	1

7) Restricted assets (recognized as other current assets)

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 9,775,316	18	\$ 1,202,572	3

8) Temporary payments (recognized as other current assets)

	<b>December 31, 2019</b>	
	<b>Amount</b>	<b>%</b>
Other related parties	\$ 140,000	-

9) Short-term borrowings

	<u>December 31, 2019</u>	
	Amount	%
Subsidiary of the parent company	\$ 903,180	5

10) Customers' equity accounts - futures

	<u>December 31</u>			
	<u>2019</u>		<u>2018</u>	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 182,705	1	\$ 394,377	2

11) Payables

	<u>December 31, 2018</u>	
	Amount	%
Subsidiary of the parent company	\$ 644,738	1

12) Current tax liabilities

	<u>December 31</u>			
	<u>2019</u>		<u>2018</u>	
	Amount	%	Amount	%
Parent company	\$ 737,608	82	\$ 740,985	81

13) Other operating revenue

	<u>For the Year Ended December 31</u>			
	<u>2019</u>		<u>2018</u>	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 399,496	21	\$ 337,512	39

14) Other operating expenses

	<u>For the Year Ended December 31</u>			
	<u>2019</u>		<u>2018</u>	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 209,187	6	\$ 126,520	3

15) Other income and loss

	<u>For the Year Ended December 31</u>	
	Amount	%
<u>2018</u>		
Parent company	\$ 169,551	8

16) Outstanding derivative financial instruments

a) Currency swap contracts

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Contract Amount (Principal)</b>	<b>Contract Amount (Principal)</b>
Subsidiary of the parent company	\$ 620,424	\$ -

b) Asset swap IRS contracts value

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Contract Amount (Principal)</b>	<b>Contract Amount (Principal)</b>
Subsidiary of the parent company	\$ 190,000	\$ 602,120

c) Asset swap options contracts

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Contract Amount (Principal)</b>	<b>Contract Amount (Principal)</b>
Subsidiary of the parent company	\$ 190,000	\$ 602,120

d) Interest rate swap contracts

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Contract Amount (Principal)</b>	<b>Contract Amount (Principal)</b>
Subsidiary of the parent company	\$ -	\$ 636,173

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

	<b>December 31, 2018</b>
Other related parties	\$ 540,000

CDIB Capital Group and subsidiaries

<b>Related Party</b>	<b>Relationship with CDIB Capital Group and Subsidiaries</b>
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.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

- 1) Cash in banks (recognized as cash and cash equivalents and other current assets)

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 5,786,872	47	\$ 6,566,990	40

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

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Other related parties	\$ 201,174	71	\$ 150,215	65

- 3) Sale of securities receivable (recognized as other receivables)

	<b>December 31, 2018</b>	
	<b>Amount</b>	<b>%</b>
Other related parties	\$ 459,512	41

- 4) Receivables from parent (recognized as current tax assets)

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Parent company	\$ 211,214	79	\$ 317,267	98

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

5) Purchase and sale of securities

	<b>Sale of Securities</b>
<u>2018</u>	
Other related parties	\$ 510,569

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

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Parent company	\$ 515,983	77	\$ 523,096	96

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

7) Consulting service revenue

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Other related parties	\$ 211,554	31	\$ 240,906	37

China Development Asset Management Corp.

<b>Related Party</b>	<b>Relationship with the China Development Asset Management Corp. Group and Subsidiaries</b>
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
Others	Other related parties

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

	<b>Amount</b>	<b>%</b>
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
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
CDIB Capital Group	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
Others	Other related parties

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

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 3,996,654	5	\$ 6,719,483	16
Other related parties	-	-	223,286	1

2) Receivables

	<b>December 31, 2019</b>	
	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 2,832,529	11

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

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 10,113,305	3	\$ 5,159,700	2

4) Financial assets at fair value through other comprehensive income

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>

Stocks

Parent company	\$ 5,472,816	1	\$ 5,467,191	2
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5) Financial assets measured at amortized cost

	<b>December 31, 2018</b>	
	<b>Amount</b>	<b>%</b>
Other related parties	\$ 1,649,930	-

6) Investment balances appointed to related parties' discretionary investment

	<b>December 31, 2019</b>
Subsidiary of the parent company	\$ 1,867,336

7) Purchase and sale of bonds

	<b>Purchase of Bonds</b>	<b>Sale of Bonds</b>
<u>For the year ended December 31, 2019</u>		
Subsidiary of the parent company	\$ 12,850,481	\$ 2,452,192
<u>For the year ended December 31, 2018</u>		
Subsidiary of the parent company	10,529,442	2,544,662

8) Service fee revenue

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 213,145	19	\$ 131,397	13

9) Dividend income (recognized as realized gain on financial assets measured at fair value through other comprehensive income)

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Parent company	\$ 168,740	2	\$ 337,481	6

10) Commission fee

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 706,814	6	\$ 639,433	5



## 11) Outstanding derivative financial instrument

December 31, 2019

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	October 3, 2019 - August 26, 2020	US\$ 445,000	Financial assets at FVTPL	\$ 169,924

December 31, 2018

(In Thousands of New Taiwan 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 08, 2018 - February 14, 2019	US\$ 295,000	Financial liabilities at FVTPL	17,414

## 49. 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	
	2019	2018
Financial assets at fair value through other comprehensive income - negotiable certificate of deposit	\$ 18,198,972	\$ 16,198,186
Property and equipment, net	4,488,821	4,743,952
Other financial assets - pledged time deposits	2,635,569	2,367,110
Accounts receivable - installment accounts receivables and lease receivables	2,506,872	2,380,148
Financial assets at fair value through other comprehensive income - bonds	1,065,864	181,348
Financial assets at fair value through profit or loss - bonds	704,580	203,177
Investment property, net	271,404	392,390

Note: 88,500 thousand of China Life Insurance shares held by KGI Securities on December 31, 2019 and 2018 have been pledged.

## 50. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 53 and 55 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\$373,788 thousand based on the exchange rate of December 31, 2019) was reclassified to “other financial liabilities”. The litigation had not yet been concluded as of December 31, 2019. 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 in August 2010.
- 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. On November 29, 2019, the Taipei District Court judged that CDIB Capital Management Corporation partially lost the lawsuit, and should pay \$31,010 thousand plus 5% interest (from November 13, 2013 till the date of payment). CDIB Capital Management Corporation has appealed on January 9, 2020, and could not estimate the related possible loss because the case was currently pending with the Supreme 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 revoked 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. On November 9, 2018, the lawsuit is currently proceeded by The Supreme Court as of the day the Corporation's board of the directors approve the consolidated financial statements.
- f. In response to the rapid business development and IT demands for innovative products, KGI Bank plans to outsource its IT operations to improve IT service levels and to rapidly respond to the business development and changes in external regulations. The board of directors' meeting held on October 30, 2012 approved the plan for outsourcing the IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. Except for extra services will be charged by professional rates, the basic framework, support service, IT application service, integration and transformation of server and so on are charged by the contract. In response to information age and to improve quality of service, KGI Bank keeps replacing its core system and other related systems. After that, KGI Bank will reduce its demand on the basic framework and IT application services mentioned before. The contract about related service scope, which was approved by the board of directors on August 21, 2018, came into effect on January 1, 2019. As of December 31, 2019, KGI Bank has to pay a total of \$220,516 thousand in the future contract periods.
- 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, 2019, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is \$4,199,706 thousand and unpaid amount is \$1,424,207 thousand.

## **51. BUSINESS COMBINATIONS**

### **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:

	<b>Fair Value on Settlement Date</b>
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 Group for the year ended December 31, 2018 would have been \$252,610,506 thousand and \$13,776,102 thousand, respectively.

## 52. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF CDFH, KGI BANK, KGI SECURITIES AND CHINA LIFE INSURANCE

### Consolidated Profitability

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.75	0.53
	After income tax	0.68	0.50
Return on net worth	Before income tax	8.29	5.61
	After income tax	7.56	5.35
Profit margin		8.18	5.08

### Profitability of CDFH

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	6.31	4.10
	After income tax	6.35	4.07
Return on net worth	Before income tax	7.28	4.73
	After income tax	7.38	4.74
Profit margin		92.59	88.97

### Profitability of KGI Bank

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.70	0.46
	After income tax	0.54	0.34
Return on net worth	Before income tax	7.71	4.83
	After income tax	5.89	3.59
Profit margin		32.00	24.39

### Profitability of KGI Securities

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	2.93	2.30
	After income tax	2.95	2.11
Return on net worth	Before income tax	9.57	6.94
	After income tax	9.62	6.38
Profit margin		54.42	38.85

### Profitability of China Life Insurance

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.79	0.60
	After income tax	0.73	0.64
Return on net worth	Before income tax	13.53	11.02
	After income tax	12.60	11.67
Profit margin		4.01	3.01

## 53. 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:

<b>December 31, 2019</b>				
<b>(In Thousands of New Taiwan Dollars)</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Non-derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 131,402,365	\$ 52,410	\$ 9,110,674	\$ 140,565,449
Bond investments	45,927,020	58,464,782	-	104,391,802
Others	138,489,917	20,667,569	9,686,958	168,844,444
Financial assets designated as at FVTPL	6,338,783	26,181,783	1,580,146	34,100,712
Financial assets at FVTOCI				
Stock investments	19,148,474	81,094	17,330,430	36,559,998
Bond investments	285,144,217	155,301,815	-	440,446,032
Others	-	62,617,894	-	62,617,894
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	2,692,640	-	-	2,692,640
Financial liabilities designated as at FVTPL	-	31,350,997	-	31,350,997
<u>Derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	925,372	43,073,878	180,975	44,180,225
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	588,862	51,073,529	2,646,181	54,308,572
Financial liabilities designated as at FVTPL	1,311	5,715,467	-	5,716,778
<b>December 31, 2018</b>				
<b>(In Thousands of New Taiwan Dollars)</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Non-derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 111,453,828	\$ 81,132	\$ 10,367,081	\$ 121,902,041
Bond investments	41,989,438	61,457,028	191,943	103,638,409
Others	47,323,015	15,470,248	7,585,435	70,378,698
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
<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

## 2) Evaluation technology at fair value

For financial assets and liabilities at fair value through profit or loss 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) Transfer between the Level 1 and Level 2

	For the Year Ended December 31, 2019		For the Year Ended December 31, 2018	
	Level One Converted Into Level Two	Level Two Converted Into Level One	Level One Converted Into Level Two	Level Two Converted Into Level One
Financial assets at FVTPL - stock investments	\$ -	\$ 7,100	\$ -	\$ -
Financial assets at FVOCI - bond investments	8,223,225	2,375,436	8,193,853	10,483,913

Because of changes in market liquidity, evaluation sources applied by some bond and stock investments 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, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) 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 mandatorily classified as at FVTPL	\$ 18,312,006	\$ 1,006,817	\$ 5,353,980	\$ -	\$ (5,522,199)	\$ (171,997)	\$ 18,978,607
Financial assets designated as at FVTPL	574,064	77,115	929,332	-	(365)	-	1,580,146
Financial assets at FVTOCI	11,111,094	966,006	5,333,500	-	(80,170)	-	17,330,430

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) 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 mandatorily classified as at FVTPL	\$ 18,303,060	\$ 2,638,685	\$ 5,290,833	\$ -	\$ (7,511,460)	\$ (409,112)	\$ 18,312,006
Financial assets designated as at FVTPL	457,036	14,024	165,293	-	(62,288)	-	574,064
Financial assets at FVTOCI	16,853,104	(5,690,731)	70,637	-	(121,916)	-	11,111,094

Note: For parts of stock investments, the Corporation's subsidiaries acquired their observable market material, causing the applicable level of stock investment transfer from level 3.



The movements of financial liabilities with Level 3 fair value were as follows:

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) 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	\$ 771,524	\$ 153,476	\$ 2,080,880	\$ -	\$ (359,699)	\$ -	\$ 2,646,181

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) 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

The total gains or losses for the years ended December 31, 2019 and 2018 included a loss of \$796,479 thousand and \$114,234 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, 2019	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTOCI	\$ 380,744	Market approach, net asset method	P/B, P/E, Discount for lack of liquidity and control	1.06-13.10, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
Financial assets at FVTPL	180,629	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	180,444	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, 2018	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTOCI	\$ 381,396	Market approach, net asset method	P/B, P/E, Discount for lack of liquidity and control	1.15-9.94, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
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.

## 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, 2019

	<u>Valuation Techniques</u>	<u>Significant Unobservable Inputs</u>	<u>Quantification Information</u>	<u>The Relationship Between Inputs and Fair Value</u>
<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 liquidity	23%-26%	Assets at fair value is inversely proportional to discount for lack of liquidity.
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 - options	Martingale pricing technique	History volatility	17.09%-45.71%	According to condition of contract, fair value of asset may be higher or lower.
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	0.07%-17.16%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity options (put option)	Martingale pricing technique	History volatility	15.12%-45.34%	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.

December 31, 2018

	<u>Valuation Techniques</u>	<u>Significant Unobservable Inputs</u>	<u>Quantification Information</u>	<u>The Relationship Between Inputs and Fair Value</u>
<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 liquidity	23%-26%	Assets at fair value is inversely proportional to discount for lack of liquidity.
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 - options	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.
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	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 options (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.

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, 2019

	<b>Sensitivity Analysis of Relationship Between Inputs and Fair Value</b>		<b>Recognized to Profit or Loss</b>	
	<b>Inputs</b>	<b>Positive/Negative Change</b>	<b>Positive Impact</b>	<b>Negative Impact</b>
<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%	\$ 104	\$ 104
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Historical volatility	+ 25%/-25%	249	193
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Historical volatility	- 25%/+25%	-	-
Equity derivative instruments - premium - options (put option)	Historical volatility	- 25%/+25%	15	17

December 31, 2018

	<b>Sensitivity Analysis of Relationship Between Inputs and Fair Value</b>		<b>Recognized to Profit or Loss</b>	
	<b>Inputs</b>	<b>Positive/Negative Change</b>	<b>Positive Impact</b>	<b>Negative Impact</b>
<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 products - options	Historical volatility	+25%/-25%	2,173	1,997
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put option)	Historical volatility	-25%/+25%	(12)	(12)

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, 2019	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	\$ 14,340,132	Market approach	P/B P/S Discount for lack of liquidity	0.68-2.61 0.43-5.56 23%-29%	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
		Discounted cash-flow method	Discount for lack of liquidity WACC Growth rate	23%-29% 9.97%-13.58% 4.50%-7.00%	When the higher the discount for lack of liquidity, 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	Discount for lack of liquidity Non-controlling interest discount	23%-29% 11%	When the higher the discount for lack of liquidity, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	32.21%-33.65%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

	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	\$ 15,426,051	Market approach	P/B P/S Discount for lack of liquidity	0.66-2.06 0.31-9.44 23%-29%	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
		Discounted cash-flow method	Discount for lack of liquidity WACC Growth rate	23%-29% 10.33%-14.14% 3.00%-7.00%	When the higher the discount for lack of liquidity, 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	Discount for lack of liquidity Non-controlling interest discount	23%-29% 11%	When the higher the discount for lack of liquidity, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	39.05%-39.20%	When the higher returns on stock value volatility, the higher of fair value.
		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:

<b>December 31, 2019</b>				
<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Quantification Information</b>	<b>Relationship Between Inputs and Fair Value</b>	
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	Asset approach	Discount for liquidity and minor interests	0%-10%	The higher the discount for liquidity and minor interests, 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 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	6.10%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for liquidity, the lower the estimated fair value.
Asset approach	Discount for liquidity and minor interests	0%-30%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.	

<b>December 31, 2018</b>				
<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Quantification Information</b>	<b>Relationship Between Inputs and Fair Value</b>	
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	Options	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 estimated fair value.
	Asset approach	Discount for liquidity and minor interests	0%-10%	The higher the discount for liquidity and minor interests, 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 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 liquidity, the lower the estimated fair value.
Asset approach	Discount for liquidity and minor interests	0%-10%	The higher the discount for liquidity and minor interests, 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 derivative 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

Assets and liabilities measured at cost, excluding debt investments measured at amortized cost, guarantee deposits paid, bank debentures payable, have carrying amounts that are reasonably close to their fair value; thus, their fair values are not disclosed.

Fair value of bonds payable with quoted price 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.

## **54. 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 risk 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 reseed, 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, 2019, 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 32 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	12	
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	\$ 2,803,020	
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	2,941,824		
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	3,145,541			
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	3,354,835				
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,748	3,056,337					
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,053,040	3,054,855						
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,303,753	4,317,090							
2015	3,530,448	4,420,482	4,498,438	4,510,113	4,516,573								
2016	3,721,820	4,648,280	4,743,133	4,757,525									
2017	4,320,234	5,400,952	5,537,543										
2018	4,775,948	5,950,536											
2019	5,257,484												
													\$ 1,658,279
													440,383
													126,685
													<u>\$ 2,225,347</u>

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims  
Claim reserve for discount on no claim

Reserve for claims balance

b) Retained business loss development trend

Accident Year	Development Year												Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	12	
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	\$ 2,739,557	
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	2,875,219		
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	3,074,324			
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	3,278,879				
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,586	2,987,140					
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,983,916	2,985,691						
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,206,313	4,219,348							
2015	3,468,881	4,336,525	4,407,051	4,408,435	4,414,314								
2016	3,657,093	4,560,257	4,647,033	4,649,868									
2017	4,244,930	5,298,470	5,424,716										
2018	4,692,869	5,837,265											
2019	5,165,606												
													\$ 1,653,474
													431,433
													126,685
													<u>\$ 2,211,592</u>

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims  
Claim reserve for discount on no claim

Reserve for claims balance

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, 2019 and 2018, the maturity analysis of liquidity risk for insurance contract liabilities are as follow:

	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
<u>December 31, 2019</u>					
Insurance liabilities of investment contracts with discretionary participation features	\$ (34,198,799)	\$ 55,226,404	\$ 143,257,385	\$ 623,765,357	\$ 3,612,295,531
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
<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	-	-	-	-	-

Note 1: This table estimates net cash flow of all related insurance liabilities at it starting point.

Note 2: The actual maturity date will change according to the exercise of termination right by the policyholders.

Note 3: The table cannot match with the liabilities of balance sheet because the above contracts use the undiscounted contractual cash flow analysis. In addition, it includes the cash inflows of future renewal premiums.

6) Market risk:

Pursuant to the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, when China Life Insurance measures insurance liabilities, it sets aside the reserve by using the discount rate required by the authorities. Since the discount rate assumption does not move in the same direction with the interest rate, changes in market risks have no significant influence on China Life Insurance’s profit or loss and equity for insurance contracts. However, changes in market risks may have influence on liability adequacy test evaluated based on available information. But, it has little influence on the adequacy of current recognized insurance liabilities.

## 55. 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 director 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 appetite, 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 Corporation'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 risk appetite management.

To ensure the efficacy of the estimation 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

KGI Securities sets proper credit limits by considering KGI Securities' net value, risk measurement and concentration of risk, and by taking into account the credit rating of issuers or counterparties, the features 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.

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. Also, set different pre-settlement risk (PSR) limitation amount base on countries, groups, high-risk industries/groups, etc. Also, routinely examine KGI Securities' credit risk exposure, credit risk change of issuers or counterparties, and the use of various credit risk limitation amount to enforce management of capital allocation.

##### 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.

Each business unit is responsible for examining and controlling its own operation risk. In addition to the compliance of law and regulation, the internal audit department would implement examination according to 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 the risk management committee and unit supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. CDIB Capital Group also has an operating risk committee and 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 irrevocable collateral or 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Irrevocable loan commitments, guarantees and letters of credit	\$ 48,223,480	\$ 37,251,576

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					Total
	December 31, 2019					
	Stage 1	Stage 2	Stage 3		The Adjustment under the Recognition/Discount	
12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset			
Short-term loans	\$ 50,171,454	\$ 842,330	\$ 723,169	\$ -		\$ 51,736,953
Short-term secured loans	24,640,770	-	-	-		24,640,770
Medium-term loans	128,966,552	106,882	456,700	-		129,530,134
Medium-term secured loans	66,098,880	50,705	45,100	-		66,194,685
Long-term loans	1,675,199	272,462	465,350	-		2,413,011
Long-term secured loans	71,473,302	85,194	525,080	69,951		72,153,527
Loans reclassified to nonperforming loans	-	-	376,103	-		376,103
Export negotiations	30,866	-	-	-		30,866
Total book values	343,057,023	1,357,573	2,591,502	69,951		347,076,049
Impairment allowance	(1,450,530)	(81,745)	(597,543)	-		(2,129,818)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					\$ (2,334,800)	(2,334,800)
Adjusting for discounts and loans premium					(109,450)	(109,450)
	<u>\$ 341,606,493</u>	<u>\$ 1,275,828</u>	<u>\$ 1,993,959</u>	<u>\$ 69,951</u>	<u>\$ (2,444,250)</u>	<u>\$ 342,501,981</u>

	Receivables					Total
	December 31, 2019					
	Stage 1	Stage 2	Stage 3		The Adjustment under the Regulation	
12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset			
Credit card business	\$ 2,816,692	\$ 191,782	\$ 104,575	\$ -		\$ 3,113,049
Accounts receivable - forfeiting	3,947,653	-	-	-		3,947,653
Accounts receivable factoring without recourse	6,572,098	111	214	-		6,572,423
Acceptances	281,925	-	-	-		281,925
Installment accounts and lease receivables	3,668,294	48,705	63,687	-		3,780,686
Total book value	17,286,662	240,598	168,476	-		17,695,736
Impairment allowance	(43,103)	(32,391)	(57,586)	-		(133,080)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					\$ (135,321)	(135,321)
	<u>\$ 17,243,559</u>	<u>\$ 208,207</u>	<u>\$ 110,890</u>	<u>\$ -</u>	<u>\$ (135,321)</u>	<u>\$ 17,427,335</u>

	Discounts and Loans					Total
	December 31, 2018					
	Stage 1	Stage 2	Stage 3		The Adjustment under the Recognition/Discount	
12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset			
Short-term loans	\$ 59,431,415	\$ 1,121,576	\$ 614,463	\$ -		\$ 61,167,454
Short-term secured loans	20,978,083	2,600	4,797	-		20,985,480
Medium-term loans	135,657,957	192,409	361,245	-		136,211,611
Medium-term secured loans	55,203,609	62,808	11,912	-		55,278,329
Long-term loans	929,979	277,446	402,542	-		1,609,967
Long-term secured loans	63,377,413	96,527	1,010,702	-		64,484,642
Loans reclassified to nonperforming loans	-	-	420,512	-		420,512
Export negotiations	56,079	-	-	-		56,079
Total book values	335,634,535	1,753,366	2,826,173	-		340,214,074
Impairment allowance	(1,415,427)	(102,703)	(495,451)	-		(2,013,581)
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)	(128,300)
	<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>

<b>Receivables</b>						
<b>December 31, 2018</b>						
	<b>Stage 1</b>		<b>Stage 2</b>		<b>Stage 3</b>	
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Purchased or Originated Credit-impaired Financial Asset</b>	<b>The Adjustment under the Regulation</b>	<b>Total</b>
Credit card business	\$ 2,449,428	\$ 196,501	\$ 91,043	\$ -		\$ 2,736,972
Accounts receivable - forfaiting	8,122,872	-	-	-		8,122,872
Accounts receivable factoring without recourse	8,180,068	280	160	-		8,180,508
Acceptances	140,770	-	-	-		140,770
Installment accounts and lease receivables	<u>3,365,564</u>	<u>47,465</u>	<u>92,327</u>	-		<u>3,505,356</u>
Total book value	22,258,702	244,246	183,530	-		22,686,478
Impairment allowance	(65,519)	(27,975)	(66,189)	-		(159,683)
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>

Maximum exposures to credit risk of financial instrument not applicable to impairment were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Financial assets at FVTPL		
Debt instrument	\$ 33,078,636	\$ 35,640,472
Derivatives instruments	30,493,327	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 were as follows:

December 31, 2019

	<b>Total Book Value</b>	<b>Credit Impairment</b>	<b>Amount of Risk Exposure (Amortized Cost)</b>	<b>Collaterals Value</b>
Impaired asset:				
Accounts receivable				
Credit card business	\$ 104,575	\$ 27,085	\$ 77,490	\$ -
Accounts receivable factoring	214	13	201	-
Installment receivables and lease receivables	63,687	30,488	33,199	-
Discounts and loans	<u>2,661,453</u>	<u>597,543</u>	<u>2,063,910</u>	<u>2,410,802</u>
Total amount of impaired asset	<u>\$ 2,829,929</u>	<u>\$ 655,129</u>	<u>\$ 2,174,800</u>	<u>\$ 2,410,802</u>

December 31, 2018

	<b>Total Book Value</b>	<b>Credit Impairment</b>	<b>Amount of Risk Exposure (Amortized Cost)</b>	<b>Collaterals Value</b>
Impaired asset:				
Accounts receivable				
Credit card business	\$ 91,043	\$ 28,013	\$ 63,030	\$ -
Accounts receivable factoring	160	10	150	-
Installment receivables 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>2,267,860</u>
Total amount of impaired asset	<u>\$ 3,009,703</u>	<u>\$ 561,640</u>	<u>\$ 2,448,063</u>	<u>\$ 2,364,309</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 \$1,064,868 thousand and \$581,078 thousand for the years ended December 31, 2019 and 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 in a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes 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, 2019		December 31, 2018	
	Amount	%	Amount	%
Public and private enterprise	\$ 220,692,107	63.59	\$ 223,928,501	65.82
Natural person	126,046,099	36.31	115,908,259	34.07
Non-profit organization	337,843	0.10	377,314	0.11
Total	\$ 347,076,049	100.00	\$ 340,214,074	100.00

b) By region

Region	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Domestic	\$ 259,269,771	74.70	\$ 249,109,901	73.22
Overseas	87,806,278	25.30	91,104,173	26.78
Total	\$ 347,076,049	100.00	\$ 340,214,074	100.00

c) By collateral

Collateral	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Non-collateral	\$ 183,987,284	53.01	\$ 199,322,970	58.59
Collateral				
Financial collateral	8,251,419	2.38	7,522,386	2.21
Property	130,830,276	37.69	112,842,633	33.17
Guarantee	16,624,750	4.79	14,661,938	4.31
Other	7,382,320	2.13	5,864,147	1.72
Total	\$ 347,076,049	100.00	\$ 340,214,074	100.00

7) 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.

	December 31	
	2019	2018
Management of foreclosed collateral	\$ 588,985	\$ 1,802,487
Accumulated impairment	<u>(588,985)</u>	<u>(1,802,487)</u>
	<u>\$ -</u>	<u>\$ -</u>

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 net other noninterest profit and gain.

8) Disclosures required in the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of nonperforming loan and overdue credits

Item		December 31, 2019					
		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 92,042	\$ 81,043,580	0.11%	\$ 999,765	1,086.21%	
	Unsecured	134,564	146,452,112	0.09%	1,674,612	1,244.47%	
Consumer loan	Mortgage (Note 4)	23,498	56,169,271	0.04%	844,093	3,592.26%	
	Cash card	133,100	13,243,858	1.00%	320,797	241.02%	
	Micro credit (Note 5)	207,616	24,270,640	0.86%	351,414	169.26%	
	Other (Note 6)	Secured	13,892	25,875,914	0.05%	273,690	1,970.15%
		Unsecured	-	20,674	-	247	-
Total		604,712	347,076,049	0.17%	4,464,618	738.31%	
		Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	
Credit card		22,830	3,113,049	0.73%	62,442	273.51%	
Account receivable - factored without recourse (Note 7)		8	6,572,423	0.00%	88,340	1,088,060.08%	

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%	

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, 2019		December 31, 2018	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 8,483	\$ 117	\$ 11,518	\$ 88
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	53,852	6,597	44,921	4,653
Total	\$ 62,335	\$ 6,714	\$ 56,439	\$ 4,741

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, 2019**

**(In Thousands of New Taiwan Dollars, %)**

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 016811 Real estate activities for sale and rental	\$ 8,001,538	12.47
2	B Group - 016429 Activities of other holding companies	6,587,563	10.27
3	C Group - 011850 Manmade fiber manufacturing	5,573,808	8.69
4	D Group - 016700 Real estate development activities	4,920,000	7.67
5	E Group - 016811 Real estate activities for sale and rental	4,859,521	7.57
6	F Group - 012411 Iron and steel smelting	4,328,309	6.74
7	G Group - 012711 Computer manufacturing	4,127,652	6.43
8	H Group - 012831 Electric wires and cables manufacturing	4,078,035	6.35
9	I Group - 012712 Monitor and terminal manufacturing	3,654,104	5.69
10	J Group - 016700 Real estate development activities	3,594,237	5.60

December 31, 2018

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	K Group - 012711 Computer manufacturing	\$ 7,924,071	13.57
2	C Group - 012331 Cement manufacturing	7,185,684	12.31
3	L Group - 012613 Packaging and testing of semi-conductors	4,933,506	8.45
4	A Group - 016811 Real estate activities for sale and rental	4,539,571	7.78
5	M Group - 015100 Civil aviation transportation	4,215,415	7.22
6	D Group - 016700 Real estate development activities	3,850,000	6.60
7	G Group - 012711 Computer manufacturing	3,378,104	5.79
8	E Group - 016811 Real estate activities for sale and rental	3,181,523	5.45
9	F Group - 012411 Iron and steel smelting	3,011,595	5.16
10	J Group - 016700 Real estate development activities	2,855,537	4.89

9) 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 indicators and supporting information (including prospective information) were as the 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.

## 10) Definition of default and impaired credit of financial assets

The definition of default of the financial assets of the KGI Bank is the same as that of the impaired credit assets. If one or more of the following conditions are met, KGI Bank determines that the credit asset has defaulted and the credit is 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.

### 11) 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 of within the period which specified in a).
- e) Obtaining the documentary evidence or supporting documents with the assessments that it is not possible to recover the loan.

### 12) 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.

### 13) 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.

<b>Business</b>	<b>Combination</b>	<b>Definition</b>
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 I 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"). Multiply by the Exposure at default ("EAD") and taking into account the impact of the time value of money, the expected credit losses for 12 months and duration are calculated.

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 credit business are based on internal historical information (such as credit loss experience, etc.) of each group, and adjust the history data 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's exposure at default 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.

#### 14) 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.

15) Changes of provisions for off-balance-sheet guarantees and commitments

The off-balance-sheet guarantees and commitments provisions for the years ended December 31, 2019 and 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	\$ 150,970	\$ 896	\$ -	\$ 1,670	\$ -	\$ 153,536	\$ 62,440	\$ 215,976
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(19)	19	-	-	-	-	-	-
From conversion to credit-impaired financial assets	(5)	(22)	-	27	-	-	-	-
To 12-month ECL	511	(277)	-	(234)	-	-	-	-
Derecognizing financial assets during the current period	(63,461)	(464)	-	(430)	-	(64,355)	-	(64,355)
Purchased or originated new financial assets	41,901	236	-	-	-	42,137	-	42,137
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	130,007	130,007
Write-off	-	-	-	-	-	-	-	-
Recovery of written-off	-	-	-	-	-	-	-	-
Effect of exchange rate changes and others	(21,008)	339	-	724	-	(19,945)	-	(19,945)
Balance at December 31, 2019	\$ 108,889	\$ 727	\$ -	\$ 1,757	\$ -	\$ 111,373	\$ 192,447	\$ 303,820

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 for the year ended December 31, 2019. Net increase of \$41,818,329 thousand change in total book value resulted in abovementioned provisions increased by \$87,844 thousand in comparison to the prior period.

	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 period:								
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, 2018	\$ 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.

16) 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. As of December 31, 2019 and 2018, loss allowance for debt instruments measured at amortized cost due to the slight adjustment of the portfolio were \$3,198 thousand and \$3,581 thousand, respectively.

17) Loss allowance for receivables

The reconciliation statement of loss allowance for receivables for the years ended December 31, 2019 and 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	\$ 69,740	\$ 28,458	\$ 5	\$ 1,183,155	\$ -	\$ 1,281,358	\$ 237,888	\$ 1,519,246
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(154)	7,331	-	(7,177)	-	-	-	-
From conversion to credit-impaired financial assets	(112)	(1,072)	-	1,184	-	-	-	-
To 12-month ECL	273	(210)	-	(63)	-	-	-	-
Derecognizing financial assets during the current period	(27,997)	(1,227)	(5)	(4,298)	-	(33,507)	-	(33,507)
Purchased or originated new financial assets	27,807	45	-	2,930	-	30,782	-	30,782
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	(86,706)	(86,706)
Write-off	-	-	-	(56,725)	-	(56,725)	-	(56,725)
Recovery of written-off	-	-	-	46,129	-	46,129	-	46,129
Effect of exchange rate changes and others	(23,294)	(400)	1	(27,948)	-	(51,641)	-	(51,641)
Balance at December 31, 2019	\$ 46,283	\$ 32,925	\$ 1	\$ 1,137,187	\$ -	\$ 1,216,396	\$ 151,182	\$ 1,367,578

	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 period:								
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, 2018	\$ 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 years ended December 31, 2019 and 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	\$ 27,184,310	\$ 251,010	\$ 17	\$ 1,891,476	\$ -	\$ 29,326,813
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
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	(53,373)	34,435	-	18,938	-	-
Purchased or originated new receivables	8,413,712	489	-	6,318	-	8,420,519
Write-off	-	-	-	(58,770)	-	(58,770)
Derecognition	(14,840,376)	(39,048)	(9)	(76,180)	-	(14,955,613)
Effect of exchange rate changes and others	(178,945)	(1)	-	(23,025)	-	(201,971)
Balance at December 31, 2019	\$ 20,525,328	\$ 246,885	\$ 6	\$ 1,758,759	\$ -	\$ 22,530,978



	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)
Effect of exchange rate changes and others	380,760	(82)	-	(7,430)	-	373,248
Balance at December 31, 2018	\$ 27,184,310	\$ 251,010	\$ 17	\$ 1,891,476	\$ -	\$ 29,326,813

#### 18) Loss allowance for discounts and loans

The reconciliation statement of allowance for bad debts of discounts and loans for the years ended December 31, 2019 and 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	\$ 1,415,427	\$ 95,618	\$ 7,085	\$ 495,451	\$ -	\$ 2,013,581	\$ 2,320,761	\$ 4,334,342
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(1,218)	11,587	-	(10,369)	-	-	-	-
From conversion to credit-impaired financial assets	(12,472)	(36,226)	(2,106)	50,804	-	-	-	-
To 12-month ECL	3,523	(2,598)	-	(655)	-	-	-	-
Derecognizing financial assets during the current period	(574,215)	(28,259)	(255)	(98,452)	-	(701,181)	-	(701,181)
Purchased or originated new financial assets	1,073,941	4	-	118	-	1,074,063	-	1,074,063
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	(1,004,464)	-	(1,004,464)	14,039	14,039
Write-off	-	-	-	703,083	-	703,083	-	(1,004,464)
Recovery of written-off	-	-	-	-	-	-	-	703,083
Effect of exchange rate changes and others	(454,186)	40,140	(3,245)	462,027	-	44,736	-	44,736
Balance at December 31, 2019	\$ 1,450,530	\$ 80,266	\$ 1,479	\$ 597,543	\$ -	\$ 2,129,818	\$ 2,334,800	\$ 4,464,618

	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 period:								
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	-	-	-	(442,684)	-	(442,684)	368,504	368,504
Write-off	-	-	-	725,908	-	725,908	-	(442,684)
Recovery of written-off	-	-	-	(4,574)	-	(4,574)	-	725,908
Effect of exchange rate changes and others	(180,910)	2,501	(1,616)	-	-	(184,599)	-	(184,599)
Balance at December 31, 2018	\$ 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 years ended December 31, 2019 and 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	\$ 335,634,555	\$ 1,729,750	\$ 23,616	\$ 2,826,173	\$ -	\$ 340,214,074
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	(583,927)	-	(7,020)	590,947	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(764,988)	(80,012)	-	845,000	-	-
Purchased or originated new discounts and loans	481,526,667	55	-	326	338,284	481,865,332
Write-off	-	-	-	(1,004,464)	-	(1,004,464)
Derecognition	(470,962,421)	(299,877)	(10,274)	(655,486)	(268,333)	(472,196,391)
Effect of exchange rate changes and others	(1,792,843)	432	903	(10,994)	-	(1,802,502)
Balance at December 31, 2019	\$ 343,057,023	\$ 1,350,348	\$ 7,225	\$ 2,591,502	\$ 69,951	\$ 347,076,049

	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)
Effect of exchange rate changes and others	(3,278,645)	(165,282)	(202)	(210,742)	-	(3,654,871)
Balance at December 31, 2018	\$ 335,634,535	\$ 1,729,750	\$ 23,616	\$ 2,826,173	\$ -	\$ 340,214,074

## KGI Securities and subsidiaries

### Credit risk analysis

#### 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 margin loans receivable, trading securities receivable, futures trading margin receivable and 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) Customer margin accounts

The exclusive account for depositing customer 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 and subsidiaries holds the foregoing borrowed securities simultaneously, it can effectively reduce the risk of the counterparty's credit risk.

h) Financial assets measured at amortized cost

On December 31, 2018, 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 domestic 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 of overseas subsidiaries, 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:

<b>Degree of Credit Risk</b>	<b>Indicators</b>	<b>Measurement of Expected Credit Loss</b>
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 years ended December 31, 2019 and 2018.

Disclosure of total book value and allowance loss for financial assets' expected credit loss

- 1) Summary of KGI Securities and subsidiaries' total book value and allowance loss as of December 31, 2019 and 2018 are listed as follows:

Financial assets at fair value through other comprehensive income

Total book value and allowance loss for financial assets at debt instruments at fair value through other comprehensive income were \$26,859,655 thousand and \$16,110,773 thousand, respectively, and allowance loss for financial assets at fair value through other comprehensive income were \$10,992 thousand and \$5,447 thousand, respectively.

Accounts receivable and othersDecember 31, 2019

	<b>Total Book Value</b>	<b>Less: Allowance Loss</b>	<b>Total</b>
Cash and cash equivalents	\$ 16,640,481	\$ (54)	\$ 16,640,427
Bonds purchased under resell agreement	18,188,175	-	18,188,175
Margin loans receivables	24,157,751	(1,887)	24,155,864
Trading securities receivables	5,365,585	(519)	5,365,066
Customer's margin accounts	37,536,024	(384)	37,535,640
Futures commission merchant receivable	167,493	(160,587)	6,906
Accounts receivable	27,580,924	(1,450)	27,579,474
Other current assets	37,512,606	(5,429)	37,507,177
Other non-current assets	<u>4,374,460</u>	<u>(1,752,929)</u>	<u>2,621,531</u>
	<u>\$ 171,523,499</u>	<u>\$ (1,923,239)</u>	<u>\$ 169,600,260</u>

December 31, 2018

	<b>Total Book Value</b>	<b>Less: Allowance Loss</b>	<b>Total</b>
Cash and cash equivalents	\$ 13,849,068	\$ (532)	\$ 13,848,536
Bonds purchased under resell agreement	19,448,839	(17)	19,448,822
Margin loans receivables	21,181,502	(1,871)	21,179,631
Trading securities receivables	8,031,155	(1,223)	8,029,932
Customer margin accounts	34,123,313	(48)	34,123,265
Futures commission merchant receivable	188,951	(176,333)	12,618
Accounts receivable	24,764,645	(1,113)	24,763,532
Other current assets	32,774,799	(12,958)	32,761,841
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>



2) Changes in allowance losses of KGI Securities and subsidiaries for the years ended December 31, 2019 and 2018 are as follows:

a) Financial assets at fair value through other comprehensive income

	<b>12 Months Expected Credit Loss</b>
January 1, 2019	\$ 5,447
Increase	5,732
Change in exchange rate	<u>(187)</u>
December 31, 2019	<u>\$ 10,992</u>
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>

Investments in debt instruments at FVTOCI increased, and the allowance loss increased accordingly for the years ended December 31, 2019 and 2018.

b) Receivables and others

	<b>12 Months Expected Credit Loss</b>	<b>Lifetime Expected Credit Loss (Collective)</b>	<b>Credit Impaired Financial Assets (Lifetime Expected Credit Loss)</b>	<b>Lifetime Expected Credit Loss (Simplify)</b>	<b>Total</b>
January 1, 2019	\$ 15,875	\$ 217	\$ 1,975,004	\$ 3,580	\$ 1,994,676
Addition (reversal)	(7,028)	(286)	(4,279)	(241)	(11,834)
Derecognizing financial assets during the current period	(3,426)	-	(40,227)	-	(43,653)
Written-off	-	-	(6,808)	-	(6,808)
Change in exchange rate	<u>(158)</u>	<u>471</u>	<u>(9,455)</u>	<u>-</u>	<u>(9,142)</u>
December 31, 2019	<u>\$ 5,263</u>	<u>\$ 402</u>	<u>\$ 1,914,235</u>	<u>\$ 3,339</u>	<u>\$ 1,923,239</u>
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>

c) The aforementioned total book value of receivables and other financial assets does not have a significant change. In February 2018 the futures trader of the subsidiary company defaulted due to deficiency of futures guarantee deposits. For the year ended December 31, 2018, KGI Securities and subsidiaries recognized an impairment loss of \$89,771 thousand for the unrecovered futures commission merchant receivable.

### 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 part 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

a) 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, 2019

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$ 59,222,242	\$ 18,687,554	\$ 8,016,222	\$ -	\$ -	\$ 85,926,018
Financial assets at fair value through profit or loss	25,533,331	8,950,753	16,606,529	1,224,110	-	52,314,723
Financial assets at fair value through other comprehensive income	74,743,643	110,640,035	77,612,643	80,575,074	-	343,571,395
Financial assets at amortized cost	133,360,531	238,509,983	248,102,345	372,806,878	18,256,497	1,011,036,234
Refundable deposits - bonds	6,708,195	-	-	-	-	6,708,195
	<u>\$ 299,567,942</u>	<u>\$ 376,788,325</u>	<u>\$ 350,337,739</u>	<u>\$ 454,606,062</u>	<u>\$ 18,256,497</u>	<u>\$ 1,499,556,565</u>
Proportion	<u>19.98%</u>	<u>25.13%</u>	<u>23.36%</u>	<u>30.31%</u>	<u>1.22%</u>	<u>100.00%</u>

### 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	5,965,762	-	-	-	-	5,965,762
	<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>

- b) 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, 2019

<b>Location</b>	<b>Northern Areas: Taipei and Eastern Counties</b>	<b>Central Area: Taichung to Changhua and Nantou</b>	<b>Southern Area: Counties Below Tainan</b>	<b>Total</b>
Secured loans	\$ 414,446	\$ 211,086	\$ 208,190	\$ 833,722
Overdue receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 414,446</u>	<u>\$ 211,086</u>	<u>\$ 208,190</u>	<u>\$ 833,722</u>
Proportion	<u>49.71%</u>	<u>25.32%</u>	<u>24.97%</u>	<u>100.00%</u>

December 31, 2018

<b>Location</b>	<b>Northern Areas: Taipei and Eastern Counties</b>	<b>Central Area: Taichung to Changhua and Nantou</b>	<b>Southern Area: Counties Below Tainan</b>	<b>Total</b>
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>
	<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>

3) 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:

- Investment grade means credit rating reaches at least BBB-granted by a credit rating agency.
- Non-investment grade means no credit rating or credit rating lower than BBB-granted by a credit rating agency.

Grading of credit risk quality were as follows:

December 31, 2019

<b>Financial Assets</b>	<b>Investment Grade</b>	<b>Non-investment Grade</b>
Cash and cash equivalents	\$ 85,926,018	\$ -
Financial assets at fair value through profit or loss	52,314,723	-
Financial assets at fair value through other comprehensive income	336,578,279	6,993,116
Financial assets at amortized cost	1,011,036,234	-
Refundable deposits	<u>6,708,195</u>	<u>-</u>
	<u>\$ 1,492,563,449</u>	<u>\$ 6,993,116</u>
Proportion	<u>99.53%</u>	<u>0.47%</u>

December 31, 2018

<b>Financial Assets</b>	<b>Investment Grade</b>	<b>Non-investment Grade</b>
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>

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, 2019 and 2018. The assessment indicates those investments belongs to lower credit risk. 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, 2019 and 2018 are as follows:

	<b>Measured Fair Value Through Other Comprehensive Income</b>	<b>Measured at Amortized Cost</b>	<b>Other Receivables</b>
Total book value on December 31, 2019 (Note)	<u>\$ 311,747,682</u>	<u>\$ 1,017,837,593</u>	<u>\$ 10,760,410</u>
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 years ended December 31, 2019 and 2018 are as follows:

	<b>Measured Fair Value Through Other Comprehensive Income</b>	<b>Measured at Amortized Cost</b>	<b>Other Receivables</b>
January 1, 2019	\$ 27,070	\$ 86,642	\$ 1,044
Disposal	(9,134)	(9,419)	(212)
Addition	20,255	21,242	483
Change in model/risk factors	1,649	6,056	64
Change in exchange rate and others	<u>(380)</u>	<u>(1,553)</u>	<u>(17)</u>
December 31, 2019	<u>\$ 39,460</u>	<u>\$ 102,968</u>	<u>\$ 1,362</u>
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 years ended December 31, 2019 and 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:

December 31, 2019

<b>Credit Risk Ratings</b>	<b>Measurement of Expected Credit Loss</b>	<b>Guarantee Loans</b>	<b>Other Receivables</b>
Low credit risk	12 months expected credit loss	\$ 835,898	\$ 847
Credit risk significantly increase	Lifetime expected credit loss	1,685	9
Impairment	Lifetime expected credit loss	<u>9,199</u>	<u>14</u>
Total book value		<u>\$ 846,782</u>	<u>\$ 870</u>

December 31, 2018

<b>Credit Risk Ratings</b>	<b>Measurement of Expected Credit Loss</b>	<b>Guarantee Loans</b>	<b>Other Receivables</b>
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 years ended December 31, 2019 and 2018 are as follows:

	<b>12 Months Expected Credit Loss</b>	<b>Lifetime Expected Credit Loss - Collective</b>	<b>Lifetime Expected Credit Loss - Individual</b>	<b>Impairment Recognized In Accordance with IFRS 9</b>	<b>Impairment Recognized In Accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts By Insurance Enterprises</b>	<b>Total</b>
January 1, 2019	\$ 73	\$ 342	\$ 1,256	\$ 1,671	\$ 16,332	\$ 18,003
Change due to financial assets recognized at the beginning of the period						
Change to duration expected credit loss	-	-	-	-	-	-
Change to 12 months expected credit loss	99	-	(99)	-	-	-
Disposal	(10)	-	(345)	(355)	-	(355)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(4,381)	(4,381)
Change in exchange rate and others	<u>(109)</u>	<u>5</u>	<u>(103)</u>	<u>(207)</u>	<u>-</u>	<u>(207)</u>
December 31, 2019	<u>\$ 53</u>	<u>\$ 347</u>	<u>\$ 709</u>	<u>\$ 1,109</u>	<u>\$ 11,951</u>	<u>\$ 13,060</u>
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 period						
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 years ended December 31, 2019 and 2018 are as follows:

	<b>Receivables</b>
January 1, 2019	\$ 7,915
Reversal	(70)
Written-off due to uncollectable	<u>-</u>
December 31, 2019	<u>\$ 7,845</u>
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, securities purchased under resell agreement, accounts receivable, and discounts and loans.



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)

<b>December 31, 2019</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Deposits from the Central Bank and banks	\$ 10,123,296	\$ -	\$ -	\$ 166,850	\$ -	\$ 10,290,146
Notes and bonds issued under repurchase agreement	5,791,571	-	-	-	-	5,791,571
Deposits and remittances	56,190,343	73,918,182	63,886,282	71,397,928	17,967,649	283,360,384
Bank debentures payable	-	-	1,000,000	-	9,450,000	10,450,000
Other capital outflow on maturity	3,174,240	977,602	610,172	632,082	2,508,531	7,902,627
<b>Total</b>	<b>\$ 75,279,450</b>	<b>\$ 74,895,784</b>	<b>\$ 65,496,454</b>	<b>\$ 72,196,860</b>	<b>\$ 29,926,180</b>	<b>\$ 317,794,728</b>

(In Thousands of New Taiwan Dollars)

<b>December 31, 2018</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 63,323,229</b>	<b>\$ 70,681,309</b>	<b>\$ 60,715,711</b>	<b>\$ 87,056,542</b>	<b>\$ 31,853,741</b>	<b>\$ 313,630,532</b>

(In Thousands of U.S. Dollars)

<b>December 31, 2019</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Deposits from the Central Bank and banks	\$ 196,000	\$ 185,000	\$ 30,000	\$ -	\$ -	\$ 411,000
Notes and bonds issued under repurchase agreement	34,308	129,787	-	-	-	164,095
Deposits and remittances	1,475,688	1,040,336	497,607	710,207	16,677	3,740,515
Bank debentures payable	-	-	-	-	1,014,758	1,014,758
Other capital outflow on maturity	23,118	31,544	7,225	460	235,970	298,317
<b>Total</b>	<b>\$ 1,729,114</b>	<b>\$ 1,386,667</b>	<b>\$ 534,832</b>	<b>\$ 710,667</b>	<b>\$ 1,267,405</b>	<b>\$ 5,628,685</b>

(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

## 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, 2019	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	\$ (164,347,333)	\$ (268,369,855)	\$ (133,746,346)	\$ (83,336,388)	\$ (981,280)	\$ (650,781,202)
Cash inflow	151,878,212	246,852,094	130,914,798	78,914,741	-	608,559,845
Interest rate derivatives instruments						
Cash outflow	(191,930)	(404,974)	(11,308)	-	(23,503,490)	(24,111,702)
Cash inflow	166,765	379,890	11,010	-	-	557,665
Cash outflow subtotal	(164,539,263)	(268,774,829)	(133,757,654)	(83,336,388)	(24,484,770)	(674,892,904)
Cash inflow subtotal	152,044,977	247,231,984	130,925,808	78,914,741	-	609,117,510
Net cash flow	\$ (12,494,286)	\$ (21,542,845)	\$ (2,831,846)	\$ (4,421,647)	\$ (24,484,770)	\$ (65,775,394)

(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 U.S. Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (5,750,775)	\$ (9,001,291)	\$ (4,941,888)	\$ (3,195,125)	\$ (39,760)	\$ (22,928,839)
Cash inflow	6,494,421	9,827,038	4,757,470	3,276,983	71,760	24,427,672
Interest rate derivatives instruments						
Cash outflow	(64,773)	(104,723)	(61,874)	(7,424)	(59,508)	(298,302)
Cash inflow	42,890	93,676	46,775	2,148	-	185,489
Others						
Cash outflow	(42)	-	-	-	-	(42)
Cash inflow	301	-	-	-	-	301
Cash outflow subtotal	(5,815,590)	(9,106,014)	(5,003,762)	(3,202,549)	(99,268)	(23,227,183)
Cash inflow subtotal	6,537,612	9,920,714	4,804,245	3,279,131	71,760	24,613,462
Net cash flow	\$ 722,022	\$ 814,700	\$ (199,517)	\$ 76,582	\$ (27,508)	\$ 1,386,279

(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

## 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, 2019	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	\$ 15,435,073	\$ 4,342,895	\$ 3,866,860	\$ 11,583,264	\$ 12,995,388	\$ 48,223,480

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

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:

<b>December 31, 2018</b>	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
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

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)

<b>December 31, 2019</b>	<b>0-10 Days</b>	<b>11-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Main capital inflow on maturity	\$ 151,970,909	\$ 126,185,567	\$ 293,006,276	\$ 163,421,009	\$ 140,933,669	\$ 180,673,425	\$ 1,056,190,855
Main capital outflow on maturity	127,341,482	129,000,673	375,874,625	225,921,766	211,322,106	217,972,573	1,287,433,225
Gap	24,629,427	(2,815,106)	(82,868,349)	(62,500,757)	(70,388,437)	(37,299,148)	(231,242,370)

(In Thousands of New Taiwan Dollars)

<b>December 31, 2018</b>	<b>0-10 Days</b>	<b>11-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
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)

b) Maturity analysis of KGI Bank's assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

<b>December 31, 2019</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Main capital inflow on maturity	\$ 7,178,580	\$ 10,541,976	\$ 5,173,672	\$ 3,582,959	\$ 2,980,884	\$ 29,458,071
Main capital outflow on maturity	7,717,297	10,837,581	5,899,218	4,610,817	2,933,121	31,998,034
Gap	(538,717)	(295,605)	(725,546)	(1,027,858)	47,763	(2,539,963)

(In Thousands of U.S. Dollars)

<b>December 31, 2018</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
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)

## KGI Securities and subsidiaries

### 1) Cash flow analysis

#### Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2019	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 5,696,868	\$ 10,953,559	\$ -	\$ -	\$ -	\$ 16,650,427
Financial assets measured at FVTPL - current	63,269,847	5,028,733	3,976,634	9,531,757	20,357	81,827,328
Financial assets measured at FVTOCI - current	17,490,965	2,763,329	727,176	-	-	20,981,470
Securities purchased under resell agreement	-	18,221,682	-	-	-	18,221,682
Receivables	36,369,508	2,953,477	17,790,823	-	-	57,113,808
Customer margin accounts	37,535,640	-	-	-	-	37,535,640
Stock borrowing collateral price and security lending deposits	1,023,538	10,110,005	5,647,820	-	-	16,781,363
Other financial assets - current	-	-	3,126,037	-	-	3,126,037
Current tax assets	-	-	12,683	4,259	286	17,228
Other current assets	35,613,718	509,440	1,384,019	-	-	37,507,117
Financial assets measured at FVTPL - non-current	-	-	-	716,206	2,375,584	3,091,790
Financial assets measured at FVTOCI - non-current	-	-	-	-	8,058,407	8,058,407
Investments accounted for using the equity method	-	-	-	-	16,385,894	16,385,894
Others non-current assets	-	-	-	329	2,578,969	2,579,298
Total	\$ 197,000,084	\$ 50,540,225	\$ 32,665,192	\$ 10,252,551	\$ 29,419,497	\$ 319,877,549
Percentage	61.59%	15.80%	10.21%	3.20%	9.20%	100.00%

#### Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2019	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 18,789,210	\$ -	\$ -	\$ -	\$ 18,789,210
Commercial papers payable	-	6,043,308	-	-	-	6,043,308
Financial liabilities measured at FVTPL - current	3,882,975	1,334,940	4,227,440	5,771,703	1,057,325	16,274,383
Bonds issued under repurchase agreements	-	77,526,773	-	-	-	77,526,773
Payables	48,220,935	2,258,885	4,164,112	-	-	54,643,932
Guarantee deposits received from security lending	-	8,145,992	15,072,197	-	-	23,218,189
Futures customers' equity	36,405,424	-	-	-	-	36,405,424
Amounts collected for others/other payables/other current liabilities	565,630	1,241,103	11,667,891	37	-	13,474,661
Other financial liabilities - current	-	4,888,051	187	1,457	860	4,890,555
Lease liabilities-current	-	130,877	361,339	-	-	492,216
Current tax liabilities	-	-	160,908	-	739,950	900,858
Long-term liabilities - current portion	-	-	4,800,000	-	-	4,800,000
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve - non-current	-	-	-	24,753	195,457	220,210
Lease liabilities - non-current	-	-	-	752,538	-	752,538
Others non-current liabilities	-	-	609	685,100	68,013	753,722
Total	\$ 89,074,964	\$ 120,359,139	\$ 40,454,683	\$ 10,135,588	\$ 3,361,605	\$ 263,385,979
Percentage	33.82%	45.70%	15.36%	3.85%	1.27%	100.00%

#### Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2019	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 197,000,084	\$ 50,540,225	\$ 32,665,192	\$ 10,252,551	\$ 29,419,497	\$ 319,877,549
Cash outflow	89,074,964	120,359,139	40,454,683	10,135,588	3,361,605	263,385,979
Amount of cash flow gap	\$ 107,925,120	\$ (69,818,914)	\$ (7,789,491)	\$ 116,963	\$ 26,057,892	\$ 56,491,570

**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	8,151,851	5,575,724	643,797	-	-	14,371,372
Securities purchased under resell agreement	-	19,494,037	-	-	-	19,494,037
Receivables	31,774,433	4,088,892	15,752,425	2,371,131	-	53,986,881
Customer margin accounts	34,123,265	-	-	-	-	34,123,265
Stock borrowing collateral price and security lending deposits	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	30,703,794	986,209	1,071,838	-	-	32,761,841
Financial assets measured at FVTPL - non-current	-	-	-	549,334	2,233,090	2,782,424
Financial assets measured at FVTOCI - non-current	-	-	-	-	4,218,151	4,218,151
Financial assets at amortized cost - non-current	-	-	-	298,653	198,054	496,707
Investments accounted for using the equity method	-	-	-	-	11,170,844	11,170,844
Others non-current assets	70,000	-	100,000	259,621	2,814,781	3,244,402
<b>Total</b>	<b>\$ 157,911,943</b>	<b>\$ 42,916,752</b>	<b>\$ 37,033,499</b>	<b>\$ 3,868,360</b>	<b>\$ 21,273,945</b>	<b>\$ 263,004,499</b>
Percentage	60.04%	16.32%	14.08%	1.47%	8.09%	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	-	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	50,508,869	1,603,369	5,143,243	96,648	-	57,352,129
Guarantee deposits received from security lending	-	5,908,005	11,910,455	-	-	17,818,460
Futures customers' equity	32,140,949	-	-	-	-	32,140,949
Amounts collected for others/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
Liabilities reserve - non-current	-	-	-	21,840	205,228	227,068
Others non-current liabilities	-	-	-	694,628	67,593	762,221
<b>Total</b>	<b>\$ 86,797,623</b>	<b>\$ 94,613,530</b>	<b>\$ 25,372,653</b>	<b>\$ 6,738,676</b>	<b>\$ 1,080,647</b>	<b>\$ 214,603,129</b>
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	\$ 157,911,943	\$ 42,916,752	\$ 37,033,499	\$ 3,868,360	\$ 21,273,945	\$ 263,004,499
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	\$ 71,114,320	\$ (51,696,778)	\$ 11,660,846	\$ (2,870,316)	\$ 20,193,298	\$ 48,401,370

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, 2019 and 2018, show that the sums from deducting cash outflow from cash inflow are \$56,491,570 thousand and \$48,401,370 thousand, respectively, all indicating sufficient fund liquidity.

Although an analysis of funds gap shows that the cash outflow during partial periods. Net cash inflow calculated from net spot financial assets are sufficient to cover the net cash outflows generated from subsequent periods, 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.

On a quarterly basis, KGI Securities also offers suggestions of an adequate safety level of capital and reports it to the general manager. The department reviews the available capital including cash and cash equivalents, short-term investments that are readily convertible into cash, and line of credit facility and will take the following action if available capitals are below 120% of the aforementioned level of capital:

- a) Except for those due payable and those payables with a business nature whose use of capital cannot be restricted due to the nature of their business, all other requests for capital uses from all business departments need to be approved by the fund-dispatching department in order to ensure the maintenance of an adequate safety level of capital.
- b) Fund-dispatching department will immediately propose to the related departments contingency measures, which include disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, obtaining financing from securities finance corporations or exploring other fund-raising methods that will increase available funds of 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, 2019 and 2018, CDIB Capital Group and subsidiaries' other financial liabilities are \$373,788 thousand and \$381,410 thousand, respectively, and will be paid by financial assets and the rest of non-derivative financial liabilities are \$985,757 thousand and \$905,189 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, etc.

b) Maturity analysis of non-derivative financial liabilities

The analysis of cash outflows to China Life Insurance is listed below and based on the residual term from the date of balance sheet to the maturity. The disclosed amount is in accordance with cash flows on contracts, so the partial disclosed items are not the same as related items in the balance sheet.

Non-derivative financial instruments

	<b>December 31, 2019</b>			
	<b>In 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Payables	\$ 19,381,881	\$ 35,415	\$ -	\$ 19,417,296
Lease liabilities (Note)	165,162	370,132	4,835,373	5,370,667
	<b>December 31, 2018</b>			
	<b>In 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Payables	\$ 10,698,549	\$ 28,537	\$ -	\$ 10,727,086

Note: China Life applied IFRS 16 on January 1, 2019 and decided not to retrospect comparison period.



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:

	<b>December 31, 2019</b>				<b>Total</b>
	<b>In 90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>	
Financial liabilities at fair value through profit or loss	<u>\$ 1,357,762</u>	<u>\$ 43,560</u>	<u>\$ 24,748</u>	<u>\$ -</u>	<u>\$ 1,426,070</u>
	<b>December 31, 2018</b>				
	<b>In 90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
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>

3) Maturity analysis of lease commitment

a) Operating lease commitment - China Life Insurance as the lessee

The commercial lease contracts for offices, vehicles and equipment signed by China Life Insurance are within one to four 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, 2019 and 2018 are as follows:

	<b>December 31, 2019 (Note)</b>	<b>December 31, 2018</b>
Less than one year		\$ 111,219
More than one year but less than five years		438,883
More than five years		<u>4,834,881</u>
		<u>\$ 5,384,983</u>

Note: China Life applied IFRS 16 on January 1, 2019 and decided not to retrospect comparison period.

The minimum lease payments of operating lease for the three and year ended December 31, 2018 amounted to \$63,301 thousand.

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 fifteen 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, 2019 and 2018 are as follows:

	<b>December 31, 2019 (Note)</b>	<b>December 31, 2018</b>
Less than one year		\$ 407,686
More than one year but less than five years		873,984
More than five years		<u>223,248</u>
		<u>\$ 1,504,918</u>

Note: China Life applied IFRS 16 on January 1, 2019 and decided not to retrospect comparison period.

d. Market risk

KGI Bank and subsidiaries

1) Source and definition of market risk

Market risk is defined as an unfavorable change in macroeconomic and financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading.

2) Risk management policies

In order to have a common-language of market risk management, definition, communication and measurement, the KGI Bank has developed “Market Risk Policy” based on Regulations Governing the Capital Adequacy Ratio of Banks and on market risk calculation tables announced by FSC, international standards, and CDFH’s market risk management policy framework.

The “Market Risk Policy” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of the KGI Bank related market risk calculation tables and the KGI Bank’s book management approach to financial instrument handling.

Following the “Market Risk Policy”, the KGI Bank sets up the “Market Risk Management Procedure to Trading Activities” to manage market risk throughout the Firm. This procedure includes risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

3) The procedure of market risk measuring, monitoring, and reporting

The KGI Bank’s market risk limits include position sensitivities, stop-loss limits, Value-at-Risk (VaR).

Risk factors analyzed through the KGI Bank’s risk measurement systems are sufficient to determine all market risks of trading positions on balance sheet, including interest rates risk, foreign exchange risk, equity risk and commodity risk, as well as volatility risks which arise out of the option transactions.

The KGI Bank's market risk report includes profit or loss on trading positions, limits usage, stress testing, trading portfolio risk assessment, as well as significant exception if any.

The risk management unit of the KGI Bank independently performs daily market risk limit controls, and monthly reports to both the Risk Management Committee and CDFH's Risk Management Committee. Besides, the above reports are regularly presented to the Board for reference.

4) Mitigation of risks or hedging of market risk

The KGI Bank's market risk positions or hedging positions are marked to market on a daily base through techniques such as model evaluation. All market parameters are updated at least daily in accordance with changes in market conditions to conduct value assessment of products. Market Risk Limits are reviewed and controlled based on the revaluation results of traders' position risk value, position sensitivity and profit and loss figure on the daily basis.

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, 2019			For the Year Ended December 31, 2018		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	\$ 139,196	\$ 226,896	\$ 66,552	\$ 172,030	\$ 263,393	\$ 72,541
Equity risk	1,145	10,137	-	13,929	27,333	3,477
Exchange rate risk	5,129	12,638	1,458	5,034	34,521	2,163

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)

	<b>December 31, 2019</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate (Dollar)</b>	<b>New Taiwan Dollar</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,748,558	30.11	\$ 173,066,073
EUR	459,981	33.76	15,528,947
HKD	3,767,759	3.87	14,566,157
CNY	1,005,243	4.32	4,345,667
ZAR	1,003,988	2.14	2,149,539
JPY	7,580,733	0.28	2,100,621
GBP	42,533	39.55	1,682,188
CAD	60,132	23.08	1,387,854
AUD	26,957	21.10	568,800
SGD	18,231	22.37	407,817
NZD	19,918	20.27	403,736
<u>Financial liabilities</u>			
Monetary items			
USD	7,193,801	30.11	216,576,559
CNY	4,143,416	4.32	17,911,985
EUR	290,357	33.76	9,802,438
ZAR	3,007,386	2.14	6,438,814
AUD	111,802	21.10	2,359,021
JPY	5,261,286	0.28	1,457,902
HKD	252,039	3.87	974,382
GBP	8,083	39.55	319,679
NZD	5,250	20.27	106,419

(In Thousands of New Foreign Currencies/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

Financial liabilities

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

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, 2019

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 303,272,809	\$ 19,249,480	\$ 36,383,885	\$ 58,866,755	\$ 417,772,929
Interest rate-sensitive liabilities	131,600,466	133,057,975	28,756,714	11,734,678	305,149,833
Interest rate sensitivity gap	171,672,343	(113,808,495)	7,627,171	47,132,077	112,623,096
Net worth					60,871,214
Ratio of interest rate-sensitive assets to liabilities (%)					136.91
Ratio of interest rate-sensitive gap to net worth (%)					185.02

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

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, 2019**

(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	\$ 2,853,130	\$ 113,902	\$ 45,528	\$ 1,017,195	\$ 4,029,755
Interest rate-sensitive liabilities	3,559,953	402,898	336,081	998,504	5,297,436
Interest rate sensitivity gap	(706,823)	(288,996)	(290,553)	18,691	(1,267,681)
Net worth					109,641
Ratio of interest rate-sensitive assets to liabilities (%)					76.07
Ratio of interest rate-sensitive gap to net worth (%)					(1,156.21)

**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)

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 interest rate-sensitive liabilities in U.S. dollars).

## KGI Securities and subsidiaries

Market risk is the risk of potential loss or change in valuation for securities or financial products that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and commodity risk.

KGI Securities utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities also holds regular stress test to help the management understand the 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)**

<b>Risk Sensitivity</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Interest rate risk	\$ 6,516	\$ 5,774
Equity securities risk	7,025,663	2,710,631
Exchange rate risk	4,587,344	957,905
Commodity risk	2,694	10,758

### 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:

	<b>For the Year Ended December 31, 2019</b>			<b>December 31, 2019</b>
	<b>Average VAR</b>	<b>Minimum VAR</b>	<b>Maximum VAR</b>	<b>Ending VAR</b>
Equity securities	\$ 97,014	\$ 52,400	\$ 178,336	\$ 75,799
Interest rate	94,274	60,944	161,965	84,423
Exchange rate	24,821	6,749	41,791	22,203
Commodity	15,277	729	74,792	8,851

	<b>For the Year Ended December 31, 2018</b>			<b>December 31, 2018</b>
	<b>Average VAR</b>	<b>Minimum VAR</b>	<b>Maximum VAR</b>	<b>Ending VAR</b>
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

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)

	<b>December 31, 2019</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate (Dollar)</b>	<b>New Taiwan Dollar</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,526,736	30.09	\$ 76,026,980
EUR	309,281	33.76	10,440,653
HKD	113,315	3.86	436,901
CNY	66,949	4.32	289,403
JPY	998,477	0.28	275,883
Nonmonetary items			
USD	1,862,991	30.11	56,087,221
CNY	1,333,592	4.32	5,765,119
AUD	36,172	21.10	763,236
EUR	10,783	33.76	364,023
Investments accounted for using the equity method			
USD	86,389	30.11	2,600,838

(Continued)



	<b>December 31, 2019</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate (Dollar)</b>	<b>New Taiwan Dollar</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 4,887,513	30.10	\$ 147,101,061
EUR	311,723	33.76	10,523,105
AUD	26,646	21.10	562,228
HKD	73,636	3.85	283,827
CNY	51,765	4.32	223,764
JPY	732,425	0.28	202,163
Nonmonetary items			
USD	279,293	30.11	8,408,404
AUD	8,594	21.10	181,324
CNY	26,862	4.32	116,126
			(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	<b>December 31, 2018</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate (Dollar)</b>	<b>New Taiwan Dollar</b>
<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
<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

## 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)**

	<b>December 31, 2019</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate (Dollar)</b>	<b>New Taiwan Dollar</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 151,924	30.106	\$ 4,573,833
CNY	218,454	4.323	944,375
HKD	81,115	3.866	313,592
JPY	414,683	0.277	114,909
Nonmonetary items			
USD	179,269	30.106	5,397,072
CNY	89,591	4.323	387,301
THB	159,162	1.010	160,753
KRW	3,851,200	0.026	100,393
Investment accounted for using the equity method			
USD	94,240	30.106	2,837,176
CNY	660,890	4.323	2,857,026
<u>Financial liabilities</u>			
Monetary items			
USD	15,869	30.106	477,763

(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
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

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	
	2019	2018
Monetary items		
USD	\$ 40,961	\$ 64,062
CNY	8,970	8,171
HKD	3,131	2,180
JPY	1,149	1,154
KRW	443	1,760

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of December 31, 2019 and 2018 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 years ended December 31, 2019 and 2018 would increase/decrease by \$162,521 thousand and \$176,008 thousand, respectively as a result of the changes in fair value of financial assets at fair value through profit or loss.

## 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, 2019**

<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>Changes in Income</b>	<b>Changes in Equity</b>
Equity risk (stock index)	+1%	\$ -	\$ 1,669,270
Interest rate risk (yield curve)	+1BP	-	(583,242)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(2,118,730)	(632,610)

**December 31, 2018**

<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>Changes in Income</b>	<b>Changes in Equity</b>
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)

- 7) China Life Insurance's foreign currency financial assets and liabilities with significant influence as of December 31, 2019 and 2018 are as follows:

**(In Thousands of Foreign Currencies/New Taiwan Dollars)**

	<b>December 31, 2019</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate (Dollar)</b>	<b>New Taiwan Dollar</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 37,169,001	30.1060	\$ 1,119,007,204
AUD	3,964,377	21.0983	83,641,608
Non-monetary items			
USD	987,605	30.1060	29,732,838
<u>Financial liabilities</u>			
Monetary items			
USD	290,758	30.1060	8,753,554

(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	\$ 32,439,523	30.7330	\$ 996,964,533
AUD	1,994,104	21.6760	43,224,203
Non-monetary items			
USD	442,376	30.7330	13,595,540
<u>Financial liabilities</u>			
Monetary items			
USD	15,470	30.7330	475,440

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, 2019					
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	\$ 3,210,485	\$ 3,046,369	\$ 3,210,485	\$ 3,046,369	\$ 164,116
Financial assets at FVTOCI	16,624,605	15,703,472	16,624,605	15,703,472	921,133

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	\$ 307,248	\$ 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

#### 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 was listed below:

December 31, 2019					
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	\$ 67,060,739	\$ 64,889,744	\$ 67,060,739	\$ 64,889,744	\$ 2,170,995
Transaction - borrowed securities	1,291,917	1,808,684	1,291,917	1,808,684	(516,767)

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)



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 were 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, 2019	Call option	\$ 11,705,100	\$ 1,115,752	\$ 1,115,752	\$ -	\$ 1,115,752
December 31, 2018	Call option	11,074,500	654,271	654,271	-	654,271

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, 2019	Call option	\$ -	\$ 318,000	\$ 4,362,400	\$ 7,024,700	\$ -	\$ 11,705,100
December 31, 2018	Call option	-	241,400	1,875,100	8,958,000	-	11,074,500

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, 2019	Call option	\$ 2,970	\$ (54,734)	\$ (51,764)
December 31, 2018	Call option	(12,172)	(357,181)	(369,353)

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, 2019						
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	\$ 18,686,598	\$ -	\$ 18,686,598	\$ 18,655,848	\$ 30,750	\$ -
Derivative instruments	30,493,327	-	30,493,327	5,239,990	3,229,772	22,023,565
Total	\$ 49,179,925	\$ -	\$ 49,179,925	\$ 23,895,838	\$ 3,260,522	\$ 22,023,565

December 31, 2019						
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	\$ 18,749,841	\$ -	\$ 18,749,841	\$ 18,745,805	\$ 4,036	\$ -
Derivative instruments	46,196,967	-	46,196,967	5,239,990	6,207,146	34,749,831
Total	\$ 64,946,808	\$ -	\$ 64,946,808	\$ 23,985,795	\$ 6,211,182	\$ 34,749,831

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 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

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, 2019						
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 instruments	\$ 3,206,002	\$ -	\$ 3,206,002	\$ -	\$ 462,937	\$ 2,743,065
Securities purchased under resell agreements	18,188,175	-	18,188,175	18,188,175	-	-
Total	\$ 21,394,177	\$ -	\$ 21,394,177	\$ 18,188,175	\$ 462,937	\$ 2,743,065

December 31, 2019						
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 instruments	\$ 6,297,339	\$ -	\$ 6,297,339	\$ -	\$ 1,579,943	\$ 4,717,396
Notes and bonds issued under repurchase agreements	77,387,490	-	77,387,490	77,387,490	-	-
Total	\$ 83,684,829	\$ -	\$ 83,684,829	\$ 77,387,490	\$ 1,579,973	\$ 4,717,396

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 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 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

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, 2019						
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	\$ 9,761,846	\$ -	\$ 9,761,846	\$ 1,363,504	\$ 5,495,549	\$ 2,902,793

December 31, 2019						
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	\$ 1,426,070	\$ -	\$ 1,426,070	\$ 1,363,504	\$ -	\$ 62,566

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

## 56. 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, 2019		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		\$ 197,312,133	\$ 214,611,185
KGI Bank	100.00	73,132,603	49,915,933
KGI	100.00	23,161,337	10,346,016
CDIB Capital Group	100.00	42,672,343	22,121,983
China Development Asset Management Corp.	100.00	2,597,981	1,401,765
China Life Insurance	34.82	37,487,589	24,587,139
Deduct items		239,457,130	214,485,554
Subtotal		136,906,856 (A)	108,498,467 (B)
Group's CAR (C)=(A)÷(B)			126.18 (C)

(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)

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)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Common stock	\$ 149,663,721	\$ 149,622,812
Capital instruments of comply with Tier 1 capital requirement	-	-
Other preferred stock and subordinated bonds	9,800,000	10,000,000
Reserve for raising capital	20,359	10,748
Capital surplus	1,093,745	1,630,992
Legal reserve	7,561,404	6,776,135
Special reserve	10,797,899	565,041
Retained earnings	12,617,375	14,754,530
Equity adjustment	8,907,903	(10,522,131)
Deduction: Capital items	<u>(3,150,273)</u>	<u>(3,610,810)</u>
	<u>\$ 197,312,133</u>	<u>\$ 169,227,317</u>

The Group's CARs were 126.18% and 114.97% as of December 31, 2019 and 2018, 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.

## 57. 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	<b>December 31</b>		Trust Liabilities	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
Bank deposits	\$ 1,838,862	\$ 585,926	Payables	\$ 149,274	\$ 151,212
Short-term investments	27,804,068	28,539,061	Payables on securities under custody	5,664,385	4,839,320
Financial assets at FVTPL	10,440	11,640	Other liabilities	74,328	57,865
Receivables	25,931	50,719	Donated assets received	1,906	1,811
Other financial assets	16,545	16,450	Trust capital	43,984,697	29,835,976
Real estate, net	13,522,176	534,259	Accumulated earnings	<u>33,505</u>	<u>675,725</u>
Intangible assets - surface right	984,534	984,534			
Securities under custody	5,664,385	4,839,320			
Other assets	<u>41,154</u>	<u>-</u>			
Total	<u>\$ 49,908,095</u>	<u>\$ 35,561,909</u>	Total	<u>\$ 49,908,095</u>	<u>\$ 35,561,909</u>

### Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Trust income and gains		
Dividend income	\$ 10,834	\$ 9,976
Interest income	1,452,195	1,506,809
Rental income	27,657	28,367
Other income	<u>7,471</u>	<u>8,800</u>
Total trust income and gains	<u>1,498,157</u>	<u>1,553,952</u>
Trust expenses		
Properties transaction losses	(655,279)	(1,171,300)
Administrative expenses	(50,820)	(32,716)
Loss on financial assets at FVTPL, net	-	(3,753)
Other expenses	<u>(22,958)</u>	<u>(11,531)</u>
Total trust expenses	<u>(729,057)</u>	<u>(1,219,300)</u>
Net income	<u>\$ 769,100</u>	<u>\$ 334,652</u>

The above income from trust operations were excluded from KGI Bank's income.

### Trust Property Accounts

(In Thousands of New Taiwan Dollars)

<b>Investment Portfolio</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Bank deposits	\$ 1,838,862	\$ 585,926
Short-term investments		
Funds	25,711,359	26,786,220
Bonds	1,824,642	1,410,880
Common shares	70,200	73,200
Structured notes	93,766	93,766
ETF	104,101	174,995
Financial assets at FVTPL	10,440	11,640
Other financial assets	42,476	67,169
Real estate, net	13,522,176	534,259
Intangible assets - surface right	984,534	984,534
Securities under custody	5,664,385	4,839,320
Other assets	<u>41,154</u>	<u>-</u>
Total	<u>\$ 49,908,095</u>	<u>\$ 35,561,909</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**

(In Thousands of New Taiwan Dollars)

Trust Assets	December 31		Trust Liabilities	December 31	
	2019	2018		2019	2018
Bank deposits	\$ 1,030,073	\$ 1,043,226	Payables	\$ 24,674	\$ 11,274
Financial assets	28,466,294	21,051,505	Trust capital	26,212,975	21,967,226
Receivables	<u>402,789</u>	<u>33,903</u>	Reserves and retained earnings	<u>3,661,507</u>	<u>150,134</u>
Total	<u>\$ 29,899,156</u>	<u>\$ 22,128,634</u>	Total	<u>\$ 29,899,156</u>	<u>\$ 22,128,634</u>

**Income Statements of Trust Accounts**

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	2018
Trust income	\$ 4,301,782	\$ 2,431,829
Trust expenses	<u>(2,381,197)</u>	<u>(3,579,009)</u>
Income before income tax	1,920,585	(1,147,180)
Income tax expenses	<u>-</u>	<u>-</u>
Income after income tax	<u>\$ 1,920,585</u>	<u>\$ (1,147,180)</u>

The above income from trust operations were excluded from KGI Securities' income.

**Trust Property Accounts**

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31	
	2019	2018
Bank deposits	\$ 1,030,073	\$ 1,043,226
Stocks	11,891,410	10,733,485
Funds	14,146,389	9,350,380
Structured notes	1,979,707	957,456
Bonds	<u>448,788</u>	<u>10,184</u>
Total	<u>\$ 29,496,367</u>	<u>\$ 22,094,731</u>

**58. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT**

Please refer to Table 9 (attached).

## **59. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP**

Please refer to Table 10 (attached).

## **60. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCES SHARING IN THE GROUP**

### **a. Business or trading behaviors**

Please refer to Note 48 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.

## **61. CONTINGENCIES AND COMMITMENTS, DISASTER DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES**

Please refer to Note 50 to the consolidated financial statements. Information on disaster damages: None.

## **62. SUBSIDIARIES’ ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK**

Please refer to Notes 52 and 55 to the consolidated financial statements.

## **63. 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.

## 64. 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	December 31				Standard	Meet Standard
		2019		2018			
		Formula	%	Formula	%		
17	$\frac{\text{Equities}}{\text{Total liabilities minus customers' equity accounts}}$	$\frac{\$1,600,505}{\$61,353}$	= 26.09	$\frac{\$1,791,507}{\$413,737}$	= 4.33	$\geq 1$	Yes
17	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$1,898,585}{\$60,759}$	= 31.25	$\frac{\$2,330,195}{\$412,737}$	= 5.65	$\geq 1$	Yes
22	$\frac{\text{Equities}}{\text{Capital stock}}$	$\frac{\$1,600,505}{\$400,000}$	= 400.13%	$\frac{\$1,791,507}{\$400,000}$	= 447.88%	$\geq 60\%$ $\geq 40\%$	Yes
22	$\frac{\text{Adjusted net capital}}{\text{Client and proprietary account}}$	$\frac{\$1,373,156}{\$240,585}$	= 570.76%	$\frac{\$1,091,064}{\$244,118}$	= 446.94%	$\geq 20\%$ $\geq 15\%$	Yes

### b. KGI Futures Corp.

Rule No.	Formula	December 31				Standard	Meet Standard
		2019		2018			
		Formula	%	Formula	%		
17	$\frac{\text{Equities}}{\text{Total liabilities minus customers' equity accounts}}$	$\frac{\$3,476,758}{\$481,786}$	= 7.22	$\frac{\$3,416,097}{\$387,747}$	= 8.81	$\geq 1$	Yes
17	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$24,648,866}{\$22,526,171}$	= 1.09	$\frac{\$24,284,147}{\$22,117,410}$	= 1.10	$\geq 1$	Yes
22	$\frac{\text{Equities}}{\text{Capital stock}}$	$\frac{\$3,476,758}{\$760,000}$	= 457.47%	$\frac{\$3,416,097}{\$760,000}$	= 449.49%	$\geq 60\%$ $\geq 40\%$	Yes
22	$\frac{\text{Adjusted net capital}}{\text{Client and proprietary account}}$	$\frac{\$2,916,462}{\$5,418,240}$	= 53.83%	$\frac{\$3,005,408}{\$5,059,084}$	= 59.41%	$\geq 20\%$ $\geq 15\%$	Yes

## 65. 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.	612,519	\$ 107,011
He Ding Venture Capital Investment Corporation	295,000	14,226
Lien Ding Venture Capital Investment Corporation	210,000	<u>26,212</u>
		<u>\$ 147,449</u>

#### KGI International Holdings Limited

(In U.S. Dollars)

	Number of Shares	Carrying Amount
Financial assets at FVTPL - non-current		
Sogo Financial Group Inc.	62,166.55	\$ 2,375,000

### 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	\$ 27,014,865	\$ (181,454)

c. Asset management revenues, service and litigation matters: Note 50(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.

## 66. 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 partial 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 prices of at least NT\$300 million or 10% of the issued capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT\$300 million or 10% of the issued capital): For KGI Bank and subsidiaries' information: None. Not applicable to KGI Securities and subsidiaries and China Life Insurance. The Corporation, CDIB Capital Group and other subsidiaries' information please refer to Table 4 (attached).
  - 5) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the paid-in 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 48 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, 53 and 55 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).

## 67. 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, 2019						
Interest profit (loss), net	\$ 6,955,421	\$ 1,588,454	\$ 160,972	\$ 55,220,774	\$ (448,091)	\$ 63,477,530
Noninterest profits and gains, net	<u>4,373,687</u>	<u>14,727,897</u>	<u>3,429,396</u>	<u>156,674,448</u>	<u>(2,300,858)</u>	<u>176,904,570</u>
Net revenue	11,329,108	16,316,351	3,590,368	211,895,222	(2,748,949)	240,382,100
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	(365,413)	11,746	-	5,013	675	(347,979)
Net change in reserve for insurance liabilities	-	-	-	(191,941,972)	-	(191,941,972)
Operating expenses	<u>(6,102,201)</u>	<u>(11,694,439)</u>	<u>(1,505,695)</u>	<u>(4,988,360)</u>	<u>(2,235,647)</u>	<u>(26,526,342)</u>
Net profit (loss) before income tax	4,861,494	4,633,658	2,084,673	14,969,903	(4,983,921)	21,565,807
Income tax benefit (expense)	<u>(1,228,194)</u>	<u>(142,562)</u>	<u>(3,096)</u>	<u>(1,003,848)</u>	<u>465,714</u>	<u>(1,911,986)</u>
Net profit (loss) for the year	<u>\$ 3,633,300</u>	<u>\$ 4,491,096</u>	<u>\$ 2,081,577</u>	<u>\$ 13,966,055</u>	<u>\$ (4,518,207)</u>	<u>\$ 19,653,821</u>
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 profits and gains, 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 revenue	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 commitments and guarantees, net	49,299	(111,815)	-	16,755	-	(45,761)
Net change in reserve for 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>
Net profit (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 profit (loss) for the year	<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>

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:

	<b>Revenue from External Customers</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Taiwan	\$ 234,268,255	\$ 245,895,973
Others	<u>6,113,845</u>	<u>6,453,904</u>
	<u>\$ 240,382,100</u>	<u>\$ 252,349,877</u>

c. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2019 and 2018.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	\$ 3,612,720	\$ 3,612,720	\$ 903,180	Floating	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 14,328,714 (Note 1)	\$ 14,328,714 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	4,214,840	4,214,840	-	Floating	Short-term financing	-	Working capital	-	-	-	14,328,714	
2	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	481,696	-	-	Floating	Short-term financing	-	Working capital	-	-	-	14,275,663 (Note 2)	14,275,663 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,505,300	1,505,300	-	Floating	Short-term financing	-	Working capital	-	-	-	17,919,543 (Note 3)	17,919,543 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	797,809	797,809	797,809	Floating	Short-term financing	-	Working capital	-	-	-	17,919,543	

Note 1: Richpoint Company Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 2: KG Investments Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 3: KGI International Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.



## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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 Period	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	KGI Securities	KGI Securities (Singapore) Pte. Ltd.	Note 1	\$ 6,739,999	\$ 715,840	\$ 715,840	\$ 715,840	\$ -	1.06%	\$ 26,959,996 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	17,919,543	1,317,183	933,286	30,106	-	5.21%	17,919,543 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	17,919,543	4,034,204	3,733,144	1,087,733	-	20.83%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	17,919,543	195,689	195,689	-	-	1.09%		No	No	No
		KGI Finance Limited	Note 1	17,919,543	129,456	129,456	-	-	0.72%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	17,919,543	2,253,171	2,253,171	-	-	12.57%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	17,919,543	903,180	903,180	-	-	5.04%		No	No	No
		KGI Asia (Holdings) Pte. Ltd.	Note 1	17,919,543	4,000,532	4,000,532	2,202,539	-	22.32%		No	No	No
3	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,079,965	1,655,830	-	-	-	0.00%	4,079,965 (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.

TABLE 3

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(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, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	Stocks							
	Logitech Inc.	-	Financial assets at fair value through profit or loss	3,261,773	\$ 36,332	10.69	\$ 36,332	
	Solar Fine Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	241,403	9,804	10.83	9,804	
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	4,225,979	77,462	6.04	77,462	
	National Glory Development Corp.	-	Financial assets at fair value through profit or loss	646,884	4,709	6.47	4,709	
	Hair O'right International Corp.	-	Financial assets at fair value through profit or loss	1,735,837	130,188	8.53	130,188	
	DaBomb Protein Corp.	-	Financial assets at fair value through profit or loss	2,400,568	57,974	8.21	57,974	
	Power Venture Co.	-	Financial assets at fair value through profit or loss	677,245	5,318	5.68	5,318	
	Ori Vita Bio Application Inc.	-	Financial assets at fair value through profit or loss	858,690	5,715	0.42	5,715	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,000,000	34,420	9.91	34,420	
	HealthStream Taiwan Inc.	-	Financial assets at fair value through profit or loss	4,774,523	47,478	13.96	47,478	
	Subtron Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	12,316,000	150,502	4.28	150,502	
	Orgchem Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,067,220	13,016	1.95	13,016	
	General Life Biotechnology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,520,000	55,777	8.4	55,777	
	Mec Imex Inc.	-	Financial assets at fair value through profit or loss	4,802,000	54,681	10.52	54,681	
	Yieh United Steel Corp.	-	Financial assets at fair value through profit or loss	5,991,622	34,572	0.23	34,572	
	Hua-jie (Taiwan) Corp.	-	Financial assets at fair value through profit or loss	1,300,403	12,099	6.45	12,099	
	AMIA Co.	-	Financial assets at fair value through profit or loss	6,000,000	117,000	9.54	117,000	
	Up Sciencetech Materials Corp.	-	Financial assets at fair value through profit or loss	4,651,344	67,215	6.85	67,215	
	PlexBio Co., Ltd.	-	Financial assets at fair value through profit or loss	3,526,000	63,962	3.43	63,962	
	Riselinck Restructuring Fund Corporation	-	Financial assets at fair value through profit or loss	986,905	15,795	12.5	15,795	
	Orient Pharma Co., Ltd.	-	Financial assets at fair value through profit or loss	2,857,800	41,438	1.83	41,438	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	7,567,424	103,440	5.64	103,440	
	Eastern Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss	4,348,680	29,594	6.47	29,594	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets at fair value through profit or loss	2,083,107	121,445	2.08	121,445	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,746,720	109,792	5.98	109,792	
	Kaohsiung Rapid Transit Corporation.	-	Financial assets at fair value through profit or loss	3,845,330	33,059	1.38	33,059	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,743,026	89,423	4.43	89,423	
	DragonJet Corporation	-	Financial assets at fair value through profit or loss	3,534,481	23,535	4.77	23,535	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	2,544,195	29,034	5.28	29,034	
	Terawins, Inc.	-	Financial assets at fair value through profit or loss	1,913,996	8,298	6.30	8,298	
	Feature Integration Technology Inc.	-	Financial assets at fair value through profit or loss	477,822	7,158	1.59	7,158	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through profit or loss	2,731,098	21,442	10.57	21,442	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,150,536	12,127	10.43	12,127	
	Overseas Investment & Development Corp.	-	Financial assets at fair value through profit or loss	2,600,000	12,102	2.89	12,102	
	Microprogram Co., Ltd.	-	Financial assets at fair value through profit or loss	2,550,000	46,168	7.95	46,168	
	TAK Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,467,706	1,104	4.14	1,104	
	Engineering & IP Advanced Technologies Ltd.	-	Financial assets at fair value through profit or loss	4,216	1	0.00	1	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	104,605	4.81	104,605	
	JHL Biotech, Inc.	-	Financial assets at fair value through profit or loss	8,382,844	320,587	3.97	320,587	
	Easten Power and Electric Company Limited	-	Financial assets at fair value through profit or loss	3,201,019	160,753	12.00	160,753	
	Beauty Essentials International Ltd.	-	Financial assets at fair value through profit or loss	86,503,067	195,851	8.02	195,851	
	Neo Solar Power Corp.	-	Financial assets at fair value through profit or loss	3,675,000	21,936	0.15	21,936	
	Engineering & IP Advanced Technologies Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	6,392,765	1,399	0.35	1,399	
	Lightel Technologies, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	3,000,000	89,971	43.44	89,971	
	Apexigen, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	4,970,588	231,910	4.81	231,910	
	CDIB Capital Management Corporation	Subsidiary	Investments accounted for using the equity method	33,093,889	624,539	100.00	624,539	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	5,585,664	28.71	5,585,664	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	50,440,000	519,032	38.80	519,032	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company
CDIB Capital Group	<p>CDIB Capital Healthcare Ventures Limited  CDIB Venture Capital Corporation  CDIB Bio Science Ventures I, Inc.  CDIB Bioscience Venture Management (BVI), Inc.  CDIB Capital Innovation Accelerator Ltd.  CDIB Capital Investment II Limited  CDIB Global Markets Limited  CDIB Capital Investment I Limited  CDIB Capital International Corporation</p> <p><u>Fund</u>  Samara Capital Partners Fund I Limited  THL Equity Fund VI Investors (Ceridian), L.P.</p> <p><u>Corporate bond</u>  Belta (Cayman) Holding Limited</p> <p><u>Government bonds</u>  A00109  A01105</p>	<p>Associate  Subsidiary  Associate  Associate  Associate  Subsidiary  Subsidiary  Subsidiary  Subsidiary</p> <p>-  -</p> <p>-  -</p>
CDIB Capital Management Inc.	<p><u>Stocks</u>  ATEN International Co., Ltd.  Kwan's International Co., Ltd.  MCM Stamping Co., Ltd.  ARCOA Communication Co., Ltd.  EVA Technologies Co., Ltd.  CDIB Capital Innovation Advisors Corporation  CDIB Capital Creative Industries Limited  CDIB Capital Healthcare Ventures Limited  CDIB Private Equity (Hong Kong) Corporation Limited</p> <p><u>Funds</u>  CDIB Capital Growth Partners L.P.  KGI Victory Money Market Securities Investment Trust Fund</p>	<p>-  -  -  -  -  Subsidiary  Associate  Associate  Subsidiary</p> <p>Associate  Managed by KGI Securities Investment Trust Co., Ltd.</p>
CDIB Private Equity (Hong Kong) Corporation Limited	<p><u>Stocks</u>  CDIB Private Equity (China) Corporation  CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)  CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)</p>	<p>Subsidiary  Subsidiary  Subsidiary</p>
CDIB Private Equity (China) Corporation	<p><u>Stocks</u>  CDIB Private Equity (Fujian) Co., Ltd.  CDIB Yida Private Equity (Kunshan) Co., Ltd.</p>	<p>Subsidiary  Subsidiary</p>
CDIB Private Equity (Fujian) Co., Ltd.	<p><u>Stocks</u>  CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)</p>	<p>Subsidiary</p>
CDIB Yida Private Equity (Kunshan) Co., Ltd.	<p><u>Stocks</u>  CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)</p> <p><u>Funds</u>  Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)</p>	<p>Subsidiary</p> <p>Associate</p>

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
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 10,263	-	CNY 10,263	
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 9,996	-	CNY 9,996	
CDIB Venture Capital Corporation	<u>Stocks</u>							
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	811,659	14,878	1.16	14,878	
	Azotek Co., Ltd.	-	Financial assets at fair value through profit or loss	989,400	24,826	0.00	24,826	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	4,303	1.24	4,303	
	Hotai Finance Corporation	-	Financial assets at fair value through profit or loss	1,297,000	115,303	0.25	115,303	
	Fukuta Co., Ltd.	-	Financial assets at fair value through profit or loss	1,872,753	183,019	4.68	183,019	
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	133,480	4,038	0.11	4,038	
	Handa Pharmaceuticals Inc.	-	Financial assets at fair value through profit or loss	2,809,000	83,764	2.43	83,764	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	75,000	1.55	75,000	
	Regal Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,101,000	33,140	2.86	33,140	
	Sino-American Silicon Products Inc.	-	Financial assets at fair value through profit or loss	3,114,000	309,532	0.53	309,532	
	Fusheng Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	788,000	141,446	0.60	141,446	
	M2Communication, Inc.	-	Financial assets at fair value through profit or loss	3,238,763	17,526	14.80	17,526	
	GSD Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	5,482,702	375,565	16.13	375,565	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	3,725,007	86,159	4.69	86,159	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	5,528,901	180,242	8.92	180,242	
	Greatland Electronics Taiwan Ltd.	-	Financial assets at fair value through profit or loss	1,920,000	12,060	5.50	12,060	
	Shengzhuang Holdings Limited	-	Financial assets at fair value through profit or loss	610,590	3,823	6.11	3,823	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	104,605	4.81	104,605	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	514,821	2,157	0.00	2,157	
	Cvie Therapeutics Company Limited	-	Financial assets at fair value through profit or loss	560,000	23,107	4.15	23,107	
	Viscovery (Cayman) Holding Company Limited	-	Financial assets at fair value through profit or loss	195,317	5,880	1.85	5,880	
	Kkday.com International Company Limited	-	Financial assets at fair value through profit or loss	3,000,000	31,376	1.03	31,376	
	I-Serve Holding Ltd.	-	Financial assets at fair value through profit or loss	2,232,219	153,854	4.17	153,854	
	Hartec Asia Pte. Ltd.	-	Financial assets at fair value through profit or loss	2,800,000	99,626	10.23	99,626	
	Windtree Therapeutic, Inc.	-	Financial assets at fair value through profit or loss	594,552	76,073	1.46	76,073	
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	5,105,377	30,474	0.20	30,474	
	iCHEF Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	11,167,513	102,558	40.74	102,558	
	4Gamers Entertainment Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	24,000	15,896	20.00	15,896	
	Viscovery (Cayman) Holding Company Limited - Preferred stock	-	Financial assets at fair value through profit or loss	304,878	9,179	8.20	9,179	
	Citiesocial Holding Cayman Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	479,635	15,053	18.18	15,053	
	Umbo CV Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,394,145	21,074	10.29	21,074	
	CCMODA Corp. - Preferred stock	-	Financial assets at fair value through profit or loss	1,250,000	16,182	20.00	16,182	
	Asia Parents Holdings Limited	-	Financial assets at fair value through profit or loss	248,889	16,859	14.74	16,859	
	Kneron Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,469,072	198,141	9.50	198,141	
	Elixiron Immunotherapeutics (Cayman) Limited-Preferred stock	-	Financial assets at fair value through profit or loss	4,559,686	90,318	28.57	90,318	
	Cloud Mile Inc. -Preferred stock	-	Financial assets at fair value through profit or loss	502,934	18,064	10.00	18,064	
	Zentera Systems, Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,324,503	81,334	39.35	81,334	
	FUNP Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	400,000	43,353	20.00	43,353	
	Achieve Made International Limited - Preferred stock A	-	Financial assets at fair value through profit or loss	168,138	12,042	6.67	12,042	
	CBA Sports International Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	2,402,500	3,364	13.73	3,364	
	Viscovery (Cayman) Holding Company Limited - Preferred stock A	-	Financial assets at fair value through profit or loss	200,000	6,021	10.96	6,021	
	CCMODA Corp. - Preferred stock A	-	Financial assets at fair value through profit or loss	465,116	6,021	9.40	6,021	
	FunNow Ltd. - Preferred stock A	-	Financial assets at fair value through profit or loss	185,184	33,605	20.00	33,605	
	4Gamers Entertainment Inc. - Preferred stock B	-	Financial assets at fair value through profit or loss	8,727	5,780	4.80	5,780	
	Kkday.com International Company Limited - Preferred stock B	-	Financial assets at fair value through profit or loss	5,654,616	59,140	8.66	59,140	
	Traveler Co., Ltd. - Preferred stock B	-	Financial assets at fair value through profit or loss	32,077	24,085	10.85	24,085	
	Achieve Made International Limited-Preferred stock E	-	Financial assets at fair value through profit or loss	336,276	24,085	10.00	24,085	
	Kuo Heng Investment Holding Corp.	Associate	Investments accounted for using the equity method	5,000,000	49,533	38.46	49,533	
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	1,010,000,000	3,652,833	100.00	3,652,833	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note	
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value		
CDIB Venture Capital Corporation	<u>Fund</u> CDIB Capital Growth Partners L.P.	Associate Managed by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	-	\$ 607,545	-	\$ 607,545		
	KGI Victory Money Market Securities Investment Trust Fund		Financial assets at fair value through profit or loss	-	201,174	-	201,174		
	<u>Corporate bond</u> Capital Excel Investment Limited		-	Financial assets at fair value through profit or loss	-	41,245	-	41,245	
	<u>Convertible (exchange) corporate bond</u> Kkday.com International Company Limited		-	Financial assets at fair value through profit or loss	-	48,170	-	48,170	
CDIB Venture Capital (Hong Kong) Corporation Limited	<u>Fund</u> CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 383,393	-	HK\$ 383,393		
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 336,826	-	HK\$ 336,826		
	Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Associate	Financial assets at fair value through profit or loss	-	CNY 96,882	-	CNY 96,882		
CDIB Capital Investment I Limited	<u>Stocks</u> Best Inc.	-	Financial assets at fair value through profit or loss	1,500,000	US\$ 8,340	0.38	US\$ 8,340		
	Casper Sleep, Inc.	-	Financial assets at fair value through profit or loss	266,690	US\$ 8,217	1.00	US\$ 8,217		
	CCAP Best Logistics Holdings Limited	-	Financial assets at fair value through profit or loss	1,000	US\$ 3,072	11.11	US\$ 3,072		
	Mestay Cayman Islands Limited - Preferred stock	-	Financial assets at fair value through profit or loss	13,722,047	US\$ 4,795	3.40	US\$ 4,795		
	Viking 3 Holdings Corporation - Preferred stock	-	Financial assets at fair value through profit or loss	18,000,000	US\$ 18,262	100.00	US\$ 18,262		
	Giddy Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	666,755	US\$ 7,287	6.26	US\$ 7,287		
	Great Team Backend Foundry Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,636,800	US\$ 945	1.81	US\$ 945		
	Rokid Corporation Ltd - Preferred stock	-	Financial assets at fair value through profit or loss	615,642	US\$ 5,000	1.51	US\$ 5,000		
	SCBS 1 Holding Corporation	Subsidiary	Investments accounted for using the equity method	3,578	US\$ 2,958	100.00	US\$ 2,958		
	<u>Fund</u> Carlyle Asia Partners II, L. P.	-	Financial assets at fair value through profit or loss	-	US\$ 127	-	US\$ 127		
	KKR Talk Co-invest L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 9,289	-	US\$ 9,289		
	CC KDC CO-INVEST L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 22,013	-	US\$ 22,013		
	Ripley Cable Holdings I, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 887	-	US\$ 887		
	MSD Sports Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 513	-	US\$ 513		
	BCP QualTek Investor Holdings, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 11,692	-	US\$ 11,692		
	CDIB Capital Global Opportunities Fund L.P.	Associate	Financial assets at fair value through profit or loss	-	US\$ 7,922	-	US\$ 7,922		
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US\$ 94,112	-	US\$ 94,112		
	<u>Corporate bond</u> Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	41,875,000	US\$ 7,222	-	US\$ 7,222		
	<u>Convertible (exchange) corporate bond</u> Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	28,094,510	US\$ 12,470	-	US\$ 12,470		
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US\$ 3,600	-	US\$ 3,600		
SCBS 1 Holding Corporation	<u>Stocks</u> Simplify Compliance Holdings, LLC	-	Financial assets at fair value through profit or loss	2,833,333	US\$ 2,789	2.91	US\$ 2,789		
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\$ 3,335	2.46	US\$ 3,335		
	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\$ 5,161	2.88	US\$ 5,161		
	Indostar Everstone - Preferred stock	-	Financial assets at fair value through profit or loss	860,332	US\$ 6,995	8.12	US\$ 6,995		
	CBA Sports International Ltd. - Preferred stock A	-	Financial assets at fair value through profit or loss	2,375,000	US\$ 111	13.57	US\$ 111		
CDIB Global Markets Limited	<u>Stocks</u> GoPro, Inc.	-	Financial assets at fair value through profit or loss	51,878	US\$ 225	0.04	US\$ 225		
	Flemingo International (BVI) Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	1,048	US\$ 42,868	50.19	US\$ 42,868		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Global Markets Limited	<u>Fund</u>			-				
	Huaxing Capital Partners II LP	-	Financial assets at fair value through profit or loss	-	US\$ 9,722	-	US\$ 9,722	
	GS TDN Investors Offshore, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 187	-	US\$ 187	
	CX Partners Fund Alpha Limited	-	Financial assets at fair value through profit or loss	-	US\$ 6,031	-	US\$ 6,031	
	Carlyle Asia Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,497	-	US\$ 1,497	
	Riverwood Capital Partners L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 5,060	-	US\$ 5,060	
	ECP II (Cayman) Ltd. A	-	Financial assets at fair value through profit or loss	-	US\$ 7,293	-	US\$ 7,293	
	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\$ 7,957	-	US\$ 7,957	
	Carlyle Asia Partners IV, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 18,914	-	US\$ 18,914	
	Carlyle Giovanna Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,519	-	US\$ 1,519	
	Tenaya Capital V, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 2,523	-	US\$ 2,523	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 3,849	-	US\$ 3,849	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 945	-	US\$ 945	
	Industry Ventures Fund VI, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,601	-	US\$ 1,601	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 5,262	-	US\$ 5,262	
	Tenaya Capital VI, LP	-	Financial assets at fair value through profit or loss	-	US\$ 7,441	-	US\$ 7,441	
	Formation8 Partners Fund I, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 8,458	-	US\$ 8,458	
Blue Point Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 6,011	-	US\$ 6,011		
Riverwood Capital Partners II L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 21,712	-	US\$ 21,712		
CDIB Capital International Corporation	<u>Stocks</u>							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US\$ 6,435	100.00	US\$ 6,435	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	557,678	US\$ 2,254	100.00	US\$ 2,254	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US\$ 2,236	100.00	US\$ 2,236	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	100	US\$ 60	100.00	US\$ 60	
China Development Asset Management Corp.	<u>Stocks</u>							
	Waterland Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	8,302,564	54,592	1.07	54,592	
	Victor Taichung Machinery Works Co., Ltd.	-	Financial assets at fair value through profit or loss	94,266	627	0.05	627	
	Pine Street Asset Management Corp.	-	Financial assets at fair value through other comprehensive income	3,886,190	23,834	12.25	23,834	
CDIB Management Consulting Corp.	<u>Stocks</u>							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	649,415	76.04	649,415	
CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	61,026	100.00	61,026		
CDC Finance & Leasing Corp.	<u>Stocks</u>							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	61	19.00	61	
Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	546,231	-	0.07	-		
Richpoint Company Limited	<u>Stocks</u>							
	Dragon Investment Fund I Co., Ltd.	-	Financial assets at fair value through profit or loss	612,519	US\$ 107	6.48	US\$ 107	
	He Ding Venture Capital Investment Corporation	-	Financial assets at fair value through profit or loss	295,000	US\$ 14	5.00	US\$ 14	
	Lien Ding Venture Capital Investment Corporation	-	Financial assets at fair value through profit or loss	210,000	US\$ 26	3.00	US\$ 26	
	KG Investments Holdings Limited	Subsidiary	Investments accounted for using the equity method	156,864,163	US\$ 489,264	100.00	US\$ 489,264	
KGI Investment Advisory (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	US\$ 938	100.00	US\$ 938		
KGI Venture Capital Co., Ltd.	<u>Stocks</u>							
	Gingy Technology Inc.	-	Financial assets at fair value through profit or loss	1,148,837	6,562	4.25	6,562	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	203,490	30,524	0.63	30,524	
	Wiltrom Co., Ltd.	-	Financial assets at fair value through profit or loss	399,000	11,970	1.51	11,970	
	Yongda Food Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,100,000	7,533	4.02	7,533	
	Global Tek Fabrication Co., Ltd.	-	Financial assets at fair value through profit or loss	149,000	7,599	0.22	7,599	
	Drewloong Precision, Inc.	-	Financial assets at fair value through profit or loss	370,614	47,994	1.04	47,994	
	Yield Microelectronics Corp.	-	Financial assets at fair value through profit or loss	525,000	26,775	1.96	10,200	
	PharmaEssentia Corp.	-	Financial assets at fair value through profit or loss	137,373	15,111	0.06	15,111	
	WinWay Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	386,051	181,100	1.27	181,100	
	Jmc Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	550,000	44,385	0.55	44,385	
	San Neng Group Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	700,000	25,620	1.15	25,620	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
KGI Venture Capital Co., Ltd.	<u>Stocks</u>							
	Fitech Co., Ltd.	-	Financial assets at fair value through profit or loss	639,000	\$ 75,402	1.05	\$ 75,402	
	Deluxe Technology Group.	-	Financial assets at fair value through profit or loss	542,149	5,791	0.88	5,791	
	UPI Semiconductor Corp.	-	Financial assets at fair value through profit or loss	190,665	8,189	0.27	8,189	
	JG Environmental Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	106,000	3,386	0.52	3,386	
	Asia Metal Industries, Inc.	-	Financial assets at fair value through profit or loss	650,000	43,089	3.60	43,089	
	Top Bright Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	381,000	41,148	0.74	41,148	
	Allied Supreme Corporation	-	Financial assets at fair value through profit or loss	430,000	48,203	0.63	48,203	
	Chen Feng Optronics Corporation	-	Financial assets at fair value through profit or loss	1,601,752	41,646	2.81	41,646	
	Young Shine Electric Co., Ltd.	-	Financial assets at fair value through profit or loss	899,000	60,754	4.50	60,754	
Taiwan Chinsan Electronic Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	-	8,316	-	8,316		
KGI Information Technology Co., Ltd.	<u>Fund</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	-	20,151	-	20,151		

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.

Note 5: Regent Investment Holding Corp. had been renamed as "Kuo Heng Investment Holding Corp." in 4Q 2019.

(Concluded)

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL)  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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	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	-	-	52,711,215	\$ 703,034 (Note 1)	-	\$ -	52,711,215	\$ 495,353	\$ 703,034	\$ (207,681)	-	\$ -
	China Life Insurance Co., Ltd.	Investment accounted for using the equity method	-	-	1,016,752,000	23,371,430	151,102,432	18,577,310 (Note 2)	-	-	-	-	1,167,854,432	41,948,740
CDIB Capital Group	<u>Stocks</u> Taiwan Stock Exchange	Financial assets at fair value through profit or loss	-	-	18,449,638	3,188 (Note 1)	-	-	18,449,638	1,438,617	3,188	1,435,429	-	-
	CDIB Global Markets Limited	Investments accounted for using the equity method	-	-	339,392	9,142,006	-	-	-	-	2,581,558 (Note 3)	-	339,392	6,560,448
CDIB Venture Capital Corporation	<u>Fund</u> THL Equity Fund VI Investors (Ceridian) VI, L.P.	Financial assets at fair value through profit or loss	-	-	-	201,335 (Note 1)	-	-	-	576,860	140,685	436,175	-	60,650 (Note 1)
	<u>Stocks</u> CDIB Venture Capital (Hong Kong) Corporation Limited	Investments accounted for using the equity method	-	-	870,000,000	3,337,455	140,000,000	315,378 (Note 4)	-	-	-	-	1,010,000,000	3,652,833
CDIB Global Markets Limited	<u>Fund</u> Carlyle Giovanna Partners, L.P.	Financial assets at fair value through profit or loss	-	-	-	US\$ 587 (Note 1)	-	-	-	US\$ 14,351	US\$ 587	US\$ 13,764	-	-
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	Financial assets at fair value through profit or loss	-	-	-	US\$ 4,414 (Note 1)	-	-	-	US\$ 13,710	US\$ 3,063	US\$ 10,647	-	US\$ 1,351 (Note 1)
CDIB Capital Investment I Limited	<u>Stocks</u> Viking 3 Holdings Corporation - Preferred stock	Financial assets at fair value through profit or loss	-	-	-	US\$ -	18,000,000	US\$ 18,000	-	-	-	-	18,000,000	US\$ 18,000 (Note 1)
	<u>Fund</u> CDIB Capital Asia Partners L.P.	Investments accounted for using the equity method	-	-	-	US\$ 88,975	-	US\$ 5,137 (Note 5)	-	-	-	-	-	US\$ 94,112
	CC KDC CO-INVEST LP	Financial assets at fair value through profit or loss	-	-	-	US\$ -	-	US\$ 20,441	-	-	-	-	-	US\$ 20,441 (Note 1)
	MSD Sports Partners, L.P.	Financial assets at fair value through profit or loss	-	-	-	US\$ 292,908	-	-	-	US\$ 11,577	US\$ 7,859	US\$ 3,718	-	US\$ 285,049 (Note 1)

Note 1: Initial acquisition cost.

Note 2: Consists of cost of purchase \$3,112,710 thousand, investment gain \$2,700,475 thousand, reduction of treasury stocks \$43,625 thousand, increase of paid-in capital \$419,018 thousand, increase of retained earnings \$63,094 thousand, reduction of exchange differences on translating foreign operations of \$5,329 thousand, reduction of investments in equity instruments at FVTOCI of \$208,275 thousand, increase of gains of investments in debt instruments at FVTOCI of \$7,883,827 thousand and increase of other comprehensive income reclassified using the overlay approach \$4,238,865 thousand.

Note 3: Consists of capital reduction \$2,799,900 thousand, investment gain \$323,037 thousand and exchange loss on translating foreign operations of \$104,695 thousand.

Note 4: Consists of issuance of common stock for cash \$561,904 thousand, investment loss \$122,368 thousand and exchange loss on translating foreign operations of \$124,158 thousand.

Note 5: Consists of issuance of common stock for cash \$14,798 thousand and investment loss \$3,479 thousand and \$6,182 thousand of return of investment cost.



## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
The Corporation	CDIB Capital Group	Subsidiary	\$ 515,983 (Note 1)	-	\$ -	-	\$ -	\$ -
	KGI Bank	Subsidiary	600,802 (Note 1)	-	-	-	-	-
	KGI Securities Co., Ltd.	Subsidiary	737,608 (Note 1)	-	-	-	-	-
China Life Insurance	KGI Bank	Subsidiary of the parent company	2,188,412	-	-	-	2,188,412	-
	KGI Securities Co., Ltd.	Subsidiary of the parent company	644,117	-	-	-	644,117	-
Richpoint Company Limited	KG Investments Holdings Limited	Subsidiary	904,782	-	-	-	904,782	-
KGI International Holdings Limited	PT KGI Sekuritas Indonesia	Subsidiary	797,809	-	-	-	316,113	-

Note 1: Tax receivable result from linked-tax system.

Note 2: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEE  
DECEMBER 31, 2019  
(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	\$ 42,672,343	\$ 2,231,889	2,041,115,913	-	2,041,115,913	100.00	
	KGI Securities	Taipei City, Taiwan	Financial service	100.00	61,553,043	5,459,898	3,241,843,251	-	3,241,843,251	100.00	
	KGI Bank	Taipei City, Taiwan	Commercial bank	100.00	65,713,447	3,448,618	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	2,597,981	287,322	213,360,000	-	213,360,000	100.00	
	China Life Insurance	Taipei City, Taiwan	Financial insurance	26.16	41,948,740	2,700,475	1,562,035,178	-	1,562,035,178	35.00	

Note 1: All present shares and virtual shares of investee company held by the Company, directors, supervisors, the Corporation's managers and affiliates should be included.

Note 2: a. The virtual shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed and linked to investee company's equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 36, Item 2 and Article 37 of the Company Act.

b. The equity securities mentioned above are specified as those securities under the provision of Article 11, Item 1 of the bylaws to the ROC Securities and Exchange Act, for example, convertible bond and warrant.

c. The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the 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, 2019  
(In Thousands of New Taiwan Dollars)**

1. Summary of sold nonperforming loans

Transaction Date	Counter Party	Type of Loans	Carrying Value	Selling Price	Disposal Gain (Loss)	Other Condition	Relationship of Counter-party with the Subsidiaries
2019.03.25	A	Secured loans	\$ 863	\$ 1,620	\$ 757	-	-

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, 2019

Consolidated entities

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
The Corporation	CDIB Capital Group	Venture fund	100.00	100.00	
	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	(Note 1)
	China Life Insurance Co., Ltd.	Life insurance	26.16	25.33	(Note 2)
CDIB Capital Group	CDIB Capital Management Corporation	Management and consulting	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	
	CDIB Global Markets Limited	Investment	100.00	100.00	
	CDIB Capital Investment I Limited	Investment	100.00	100.00	
	CDIB Capital Investment II Limited	Investment	100.00	100.00	
	CDIB Capital International Corporation	Private equity advisory service	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Private equity advisory service	100.00	100.00	
	CDIB Capital International (USA) Corporation	Private equity advisory service	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Private equity advisory service	100.00	100.00	
	CDIB Capital Asia Partners Limited	Private equity advisory service	100.00	100.00	
CDIB Capital Investment I Limited	SCBS 1 Holding Corporation	Investment holdings	100.00	-	
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	
CDIB Capital Management Corporation	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	
	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)	Fund management	27.08	27.08	
	CDIB Private Equity (China) Corporation	Management and consulting	100.00	100.00	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund management	56.00	56.00	
CDIB Private Equity (China) Corporation	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Fund management	65.00	65.00	
	CDIB Private Equity (Fujian) Co., Ltd.	Fund management	70.00	70.00	

(Continued)

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
CDIB Private Equity (Fujian) Co., Ltd.	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund management	20.00	20.00	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Fund management	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	100.00	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	
	Global Corporation	Stock loans and financing purchase of securities	22.07	21.99	(Notes 3 and 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	
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	(Note 5)
	KGI International Limited	Investment holdings	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	(Note 5)
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	
	KGI Capital Asia Limited	Securities investment	100.00	100.00	
	KGI Asset Management Limited	Asset management	100.00	100.00	
	TG Holborn (HK) Limited	Other	-	100.00	(Note 6)
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00	(Note 7)
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	(Notes 7 and 8)
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	(Note 7)
	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	

(Continued)

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd.	Securities and futures investment services	100.00	100.00	
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	(Note 1)
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	100.00	(Note 1)
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	100.00	(Note 1)

Note 1: China Development Asset Management Corp., Development Industrial Bank Asset Management Corp., and Chung Hwa Growth 4 Asset Management Corp. was acquired by Chung Hwa Growth 3 Asset Management Corp. on July 1, 2019. Also, Chung Hwa Growth 3 Asset Management Corp. was renamed as “China Development Asset Management Corp.” on the same day.

Note 2: The Corporation and the subsidiary, KGI securities, jointly held 34.82% and 34.96% of shares of China Life Insurance Co., Ltd. on December 31, 2019 and 2018, respectively.

Note 3: KGI Securities obtained more than half of the seats in the board of director, therefore, Global Securities Finance Corporation (GSFC) should be included in the consolidated financial statements.

Note 4: The former Global Securities Finance Corporation held the shareholder's meeting on November 29, 2019 to resolve termination of being securities finance enterprises, ceasing its status as a public company and changed its name to Global Corporation Ltd. It was approved by the authorities on the December 13, 2019 and the change of company registration was completed on December 25, 2019.

Note 5: Supersonic Services Inc. and Bauhinia 88 Ltd. submitted application for going out of business, and had been approved by the competent authority in Taiwan on January 20, 2020. The application will subject to the approval of the competent authority of local governments.

Note 6: TG Holborn (HK) Limited was closed on June 26, 2019.

Note 7: KGI Korea Limited、KGI Capital (Singapore) Pte. Ltd. and KGI Alliance Corporation. submitted application for going out of business, and had been approved by the Competent Authority in Taiwan on January 20, 2020. The application will subject to the approval of the competent authority of local governments.

Note 8: KGI Capital (Singapore) Pte. Ltd. has been discontinued.

(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, 2019****(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.	\$ 207,664	110.74
AT&T Inc.	31,029	16.55
Taipower Corporation	30,746	16.40
CITIGROUP INC	27,451	14.64
BANK OF AMERICA CORP	24,962	13.31
GOLDMAN SACHS GROUP INC.	24,384	13.00
COMCAST CORP	24,004	12.80
EDF	21,704	11.57
JPMORGAN CHASE & CO	21,681	11.56
FANNIE MAE	21,653	11.55
NOMURA INTL FUNDING PTE	20,919	11.16
SOCIETE GENERALE	20,050	10.69
DEUTSCHE BANK AG	19,719	10.52
Natixis S.A.	19,002	10.13
MORGAN STANLEY	18,952	10.11
Cathay Securities Investment Trust	18,548	9.89
ROYAL BANK OF CANADA	18,265	9.74
Republic Of Indonesia	18,021	9.61
BNP-PARIBAS SA	17,789	9.49
FREDDIE MAC	17,732	9.46
QNB FINANCE LTD	17,707	9.44
Fubon Asset Management Co., Ltd.	17,433	9.30
RUSSIAN FEDERATION	17,324	9.24
WELLS FARGO & COMPANY	17,261	9.20
UNITED MEXICAN STATES	17,178	9.16
ADCB Finance (Cayman) Limited	16,807	8.96
Yuanta Securities Investment Trust Co., Ltd.	16,397	8.74
Malayan Banking Berhad	15,558	8.30
VERIZON COMMUNICATIONS	15,481	8.26
Capital Investment Trust Corporation	15,378	8.20
Barclays PLC	15,366	8.19
SAUDI INTERNATIONAL BOND	15,031	8.02

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Anheuser-Busch Inbev Worldwide Inc.	\$ 14,979	7.99
KG Investment Holdings Ltd	14,723	7.85
STANDARD CHARTERED PLC	14,619	7.80
FIRST ABU DHABI BANK PJSC	14,150	7.55
Alibaba Group Holding Limited	14,074	7.51
Comision Federal de Electricidad	13,728	7.32
BANK OF NOVA SCOTIA	13,548	7.22
COOPERATIEVE RABOBANK UA	12,777	6.81
HSBC HOLDINGS PLC	12,717	6.78
NATIONAL BANK OF CANADA	12,705	6.78
TRANSCANADA PIPELINES	12,534	6.68
TSMC	12,378	6.60
CODELCO INC	12,144	6.48
CCB Life Insurance Co., Ltd.	12,003	6.40
Saudi Arabian Oil Company	11,732	6.26
GOVERNMENT NATL MORTGAGE ASSOCIATION	11,555	6.16
Anheuser-Busch Inbev Finance Inc	11,417	6.09
Emirates NBD Bank PJSC	11,028	5.88
MUFG BANK, LTD.	10,989	5.86
Credit Suisse Group AG	10,942	5.83
KOMMUNALBANKEN AS	10,537	5.62
BARCLAYS BANK PLC	10,495	5.60
E.SUN Commercial Bank, Ltd.	10,232	5.46
Bank of Montreal	10,133	5.40
DBS Bank Ltd.	9,949	5.31
BPCE SA	9,915	5.29
Hon Hai Precision Industry Co., Ltd.	9,886	5.27
Cathay Financial Holdings Co., Ltd.	9,860	5.26
KGI Securities Co. Ltd.	9,749	5.20
Fuh Hwa Securities Investment Trust Co., Ltd.	9,398	5.01
NATIONAL AUSTRALIA BANK LIMITED	9,203	4.91
CTBC Investments Co., Ltd.	8,972	4.78
WESTPAC BANKING CORP	8,797	4.69
LLOYDS BANK PLC	8,796	4.69
Nan Ya Plastics Corporation	8,681	4.63
FORMOSA CHEMICALS and FIBRE Corp.	8,568	4.57
CTBC Financial Holding Co., Ltd.	8,532	4.55
CVS Health Corp	8,299	4.43
RELIANCE INDUSTRIES LIMITED	8,289	4.42
CHINA DEVELOPMENT BANK	7,985	4.26
Taiwan Cement Corp.	7,783	4.15
International Bank for Reconstruction and Development	7,739	4.13
CTBC Bank Co., Ltd.	7,713	4.11
CPC Coporation, Taiwan	7,666	4.09
CREDIT SUISSE LONDON BRANCH (GFX)	7,527	4.01
AXA SA	7,523	4.01

(Continued)



Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
MEGA FINANCIAL HOLDING COMPANY LIMITED	\$ 7,427	3.96
PCA Life Assurance Co., Ltd.	7,393	3.94
Cathay United Bank	7,379	3.93
Lloyds Banking Group PLC	7,193	3.84
HSBC BANK PLC	7,076	3.77
PT Pertamina (Persero)	7,020	3.74
Qatar	6,774	3.61
FORMOSA PLASTICS CORPORATION	6,706	3.58
CDIB & PARTNERS INVESTMENT HOLDING CORPORATION	6,563	3.50
ISHARES IBOXX INVESTMENT GRA	6,520	3.48
Southern Copper Corporation	6,475	3.45
Taishin Financial Holding Co., Ltd.	6,453	3.44
FED REPUBLIC OF BRAZIL	6,393	3.41
COMMONWEALTH BANK	6,381	3.40
Telefonica Emisiones SAU	6,352	3.39
China Development Bank	6,252	3.33
Perusahaan Listrik Negara PT	6,140	3.27
APPLE INC	6,029	3.22
GRUPO TELEVISIA SAB	5,845	3.12
UNITED TECHNOLOGIES CORP	5,570	2.97
ABERDEEN STANDARD INVEST LIMITED	5,419	2.89
Far Eastern New Century Corporation	5,392	2.88
ING Groep NV	5,380	2.87
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	5,358	2.86
CITIC Limited	5,291	2.82
Swiss Re Finance (Luxembourg) S.A.	5,280	2.82
LANDESBANK BADEN-WUERTTEMBERG	5,193	2.77
CREDIT AGRICOLE SA	5,171	2.76
Cathay Life Insurance Co., Ltd.	5,027	2.68
Blackstone Holdings Finance Co. L.L.C.	4,986	2.66
Tencent Holdings Ltd.	4,894	2.61
STANDARD LIFE ABERDEEN	4,812	2.57
First Financial Holding Co., Ltd.	4,811	2.57
Qualcomm Inc	4,777	2.55
PHOENIX LEAD LTD	4,519	2.41
M&G Lux Investment Funds 1	4,516	2.41
EUROPEAN INVESTMENT BANK	4,504	2.40
China Cinda Finance (2017) III Limited	4,487	2.39
MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	4,128	2.20
Deutsche Bank	4,091	2.18
The Export-Import Bank of the Republic of China	4,081	2.18
CTCI Development Corp.	3,963	2.11
NATIONAL BK OF ABU DHABI	3,914	2.09
Industrial and Commercial Bank of China Limited	3,906	2.08
Land Bank of Taiwan	3,904	2.08
FIRST COMMERCIAL BANK CO., LTD.	3,849	2.05

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
HUARONG FINANCE 2017 CO LTD	\$ 3,836	2.05
CDIB Capital Asia Partners	3,778	2.01
CHINA GOVERNMENT BOND	3,753	2.00
CNOOC FINANCE 2012 LTD	3,703	1.97
TAIWAN MOBILE CO., LTD.	3,685	1.97
Chang Hwa Commercial Bank, Ltd.	3,615	1.93
REPUBLIC OF COLOMBIA	3,583	1.91
DELTA ELECTRONICS, INC.	3,570	1.90
OVPH LTD	3,564	1.90
Nan Shan Life Insurance Company, Ltd.	3,527	1.88
KGI Futures Co., Ltd.	3,486	1.86
Wanbao Development Co., Ltd.	3,460	1.85
COMMERZBANK AG	3,437	1.83
Taishin International Bank Co., Ltd.	3,399	1.81
Fubon Securities Co., Ltd.	3,391	1.81
The Export-Import Bank of China	3,266	1.74
CRED SUIS GP FUN LTD	3,240	1.73
GRAND PACIFIC PETROCHEMICAL CORPORATION	3,163	1.69
Fubon Life Insurance Co., Ltd.	3,107	1.66
Petronas Capital Limited	3,080	1.64
SWEDISH EXPORT CREDIT CORP	3,011	1.61
American International Group Inc	3,011	1.61
INTL FINANCE CORP	3,011	1.61
MORGAN STANLEY FIN LLC	3,011	1.61
Mizuho Securities Co., Ltd.	3,011	1.61
Pfizer Inc.	3,011	1.61
Total	\$ 1,694,468	879.60
2. The same group		
BPCE Group	\$ 28,918	15.42
Lin Yuan Group	28,866	15.39
CITI Group	27,669	14.75
AB InBev Group	26,967	14.38
COMCAST Group	26,587	14.18
Barclays Bank Group	25,882	13.80
Bank of America Group	25,292	13.49
HSBC Group	25,233	13.46
Goldman Sachs Group	24,952	13.31
Deutsche Bank Group	24,001	12.80
JPMorgan Chase Group	23,061	12.30
Morgan Stanle Group	21,962	11.71
Credit Suisse Group	21,710	11.58
Nomura Group	20,973	11.18
Societe Generale Group	20,071	10.70
Royal Bank of Canada Group	19,304	10.29
BNP Paribas Group	18,415	9.82

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
FAB Group	\$ 18,064	9.63
China Construction Bank Group	17,638	9.41
Fubon Group	17,488	9.33
Wells Fargo Bank Group	17,280	9.21
CTBC Group	16,693	8.90
LLOYDSBK Group	15,989	8.53
Foxconn Technology Group	15,455	8.24
Standard Chartered Group	15,085	8.04
China Development Bank Group	14,237	7.59
ScotiaBank Group	13,548	7.22
Mega Financial Holding Group	13,417	7.15
TSMC Group	12,781	6.82
Far Eastern Group	12,682	6.76
Formosa Plastic Group	12,349	6.59
DBS Group	12,345	6.58
E.SUN Financial Holding Group	11,758	6.27
Taishin Group	11,563	6.17
Westpac Banking Group	11,209	5.98
Mitsubishi UFJ Financial Group	10,989	5.86
World Bank Group	10,749	5.73
CITIC Group	9,926	5.29
CK Hutchison Group	9,858	5.26
First Financial Holding Group	9,456	5.04
National Australia Bank Group	9,203	4.91
Ruentex Group	9,051	4.83
Nanya Plastics Group	8,714	4.65
Formosa Chemicals and Fiber Group	8,596	4.58
RELIANCE INDUSTRIES LIMITED Group	8,590	4.58
Taiwan Cement Group	8,128	4.33
ICBC Group	8,075	4.31
Gateway Real Estate Fund Group	8,002	4.27
Sinopec Group	7,073	3.77
Commonwealth Bank of Australia Group	6,381	3.40
YFY Group	5,830	3.11
China Cinda Group	5,691	3.03
ING Group	5,542	2.96
CTCI Group	5,532	2.95
Crédit Agricole Group	5,475	2.92
Australia and New Zealand Banking Group	5,358	2.86
CNOOC Group	5,002	2.67
Tencent Group	4,894	2.61
Bank of China Group	4,829	2.58
ASE Group	4,680	2.50
Walsin Group	4,643	2.48
Taiwan Cooperative Group	4,439	2.37
Qsan Technology Group	4,271	2.28

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
UBS Group	\$ 4,081	2.18
China Steel Group	4,027	2.15
Yuanta Group	3,856	2.06
China Huarong Group	3,836	2.05
AU Optronics Group	3,709	1.98
Chailease Group	3,697	1.97
GRAND PACIFIC PETROCHEMICAL Group	3,642	1.94
Farglory Group	3,599	1.92
Delta Electronics Group	3,570	1.90
Shin Kong Group	3,549	1.89
Evergreen Group	3,538	1.89
COMMERZBANK Group	3,437	1.83
Mizuho Financial Group	3,357	1.79
The Export-Import Bank of China Group	3,266	1.74
Yulon Group	3,184	1.70
Wistron Group	3,045	1.62
<b>Total</b>	<b>\$ 925,814</b>	<b>493.70</b>

(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	
	2019	2018
Cash and cash equivalents	\$ 2,914,480	\$ 4,570,426
Financial assets at fair value through profit or loss	-	471,765
Receivables, net	49,216	50,567
Current tax assets	2,013,945	1,881,337
Investments accounted for using the equity method, net	214,485,554	185,756,820
Other financial assets	300	500,300
Right-of-use assets, net	6,285	-
Property and equipment, net	45,078	28,054
Other assets, net	<u>37,747</u>	<u>33,988</u>
Total	<u>\$ 219,552,605</u>	<u>\$ 193,293,257</u>
<b>Liabilities and Equity</b>		
Commercial paper payable, net	\$ 3,849,741	\$ 9,898,975
Payables	937,194	722,528
Current tax liabilities	418,779	1,129,319
Bonds payable	23,000,000	19,000,000
Other borrowings	3,799,796	3,299,951
Provisions	12,807	6,946
Lease liabilities	6,555	-
Other liabilities	<u>2,605</u>	<u>2,855</u>
Total liabilities	<u>32,027,477</u>	<u>34,060,574</u>
<b>Equity</b>		
Capital		
Common stock	149,663,721	149,622,812
Advance receipts for capital stock	20,359	10,748
Capital surplus	1,093,745	1,630,992
Retained earnings		
Legal reserve	7,561,404	6,776,135
Special reserve	10,797,899	565,041
Unappropriated earnings	12,617,375	14,754,530
Other		
Exchange differences on translation of financial statements of foreign operations	(1,790,483)	(930,286)
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	1,556,416	(66,615)
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	7,794,213	(5,071,947)
Other comprehensive income (loss) reclassified using the overlay approach	1,347,757	(4,451,944)
Others	-	(1,339)
Treasury shares	<u>(3,137,278)</u>	<u>(3,605,444)</u>
Total equity	<u>187,525,128</u>	<u>159,232,683</u>
Total	<u>\$ 219,552,605</u>	<u>\$ 193,293,257</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>	
	2019	2018
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	\$ 14,177,282	\$ 9,353,789
Others	<u>54,167</u>	<u>19,686</u>
Total revenues	<u>14,231,449</u>	<u>9,373,475</u>
EXPENSES AND LOSSES		
Operating expenses	(1,200,044)	(993,269)
Others	<u>(411,211)</u>	<u>(547,105)</u>
Total expenses and losses	<u>(1,611,255)</u>	<u>(1,540,374)</u>
NET PROFIT BEFORE INCOME TAX	12,620,194	7,833,101
INCOME TAX BENEFIT	<u>175,496</u>	<u>19,587</u>
NET PROFIT FOR THE YEAR	<u>12,795,690</u>	<u>7,852,688</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	(6,997)	11,442
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures	1,424,792	(2,229,298)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	(31,852)	385,487
Items that will be reclassified subsequently to profit or loss, net of income tax		
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	20,666,457	(12,722,740)
Income tax relating to the items that may be reclassified subsequently to profit or loss	<u>(2,840,730)</u>	<u>1,706,604</u>
Other comprehensive income (loss) for the year, net of income tax	<u>19,211,670</u>	<u>(12,848,505)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 32,007,360</u>	<u>\$ (4,995,817)</u>
BASIC EARNINGS PER SHARE	<u>\$0.88</u>	<u>\$0.54</u>
DILUTED EARNINGS PER SHARE	<u>\$0.88</u>	<u>\$0.54</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 for Capital Stock		Capital Surplus	Retained Earnings			Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares	
	Common Stock	Stock		Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE AT JANUARY 1, 2018	\$ 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	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-
Cash dividends - NTS0.6 per share	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)
Reversal of special reserve	-	-	-	-	(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
Appropriation of the 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	785,269	-	(785,269)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	10,232,858	(10,232,858)	-	-	-	-	-	-	-
Cash dividends - NTS0.245 per share	-	-	-	-	-	(3,666,666)	-	-	-	-	-	-	(3,666,666)
Cash dividends - NTS0.245 per share	-	-	-	785,269	10,232,858	(14,684,793)	-	-	-	-	-	-	(3,666,666)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(362)	-	-	-	-	-	-	-	-	-	(362)
Issuance of cash dividends from capital surplus	-	-	(823,129)	-	-	-	-	-	-	-	-	-	(823,129)
Other change in capital surplus	-	-	54,273	-	-	-	-	-	-	-	-	-	54,273
Net profit for the year ended December 31, 2019	-	-	-	-	-	12,795,690	-	-	-	-	-	-	12,795,690
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(121,894)	(860,174)	14,388,715	-	5,805,023	-	-	19,211,670
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	12,673,796	(860,174)	14,388,715	-	5,805,023	-	-	32,007,360
Disposal of the Corporation shares, as treasury shares	-	-	177,897	-	-	-	-	-	-	-	-	460,867	638,764
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	123,668	-	-	-	-	-	-	-	-	-	123,668
Changes in percentage of ownership interests in subsidiaries	-	-	(67,610)	-	-	(996)	(23)	(11,727)	-	(5,322)	-	7,299	(78,379)
Share-based payments	40,909	9,611	(1,984)	-	-	(9,671)	-	-	-	-	1,339	-	40,204
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(112,203)	-	112,203	-	-	-	-	-
Net change in special reserve of subsidiaries	-	-	-	-	-	(3,288)	-	-	-	-	-	-	(3,288)
BALANCE AT DECEMBER 31, 2019	\$ 149,663,721	\$ 20,359	\$ 1,093,745	\$ 7,561,404	\$ 10,797,899	\$ 12,617,375	\$ (1,790,483)	\$ 9,350,629	\$ -	\$ 1,347,757	\$ -	\$ (3,137,278)	\$ 187,525,128

(Continued)

#### 4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before income tax	\$ 12,620,194	\$ 7,833,101
Adjustments for:		
Depreciation and amortization expenses	7,886	4,986
(Gain) Loss on financial assets at fair value through profit or loss, net	(23,588)	135,770
Interest expenses	395,931	409,873
Interest income	(25,154)	(14,130)
Dividend income	-	(13,616)
Share-based payment compensation cost	1,433	9,286
Share of profit of subsidiaries, associates and joint ventures	(14,128,202)	(9,300,102)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	495,353	737,375
Receivables	1,780	(70,049)
Other financial assets	500,000	(500,000)
Other assets	(11,331)	(3,753)
Payables	207,761	48,573
Other liabilities	(1,386)	(22,794)
Interest paid	(383,148)	(437,378)
Interest received	26,504	11,678
Dividend received	5,466,966	11,600,918
Income tax refund (paid)	<u>(669,433)</u>	<u>55,684</u>
Net cash generated from operating activities	<u>4,481,566</u>	<u>10,485,422</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equity investment under equity method	(3,112,710)	-
Acquisition of property and equipment	(21,025)	(9,446)
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	<u>3,000,000</u>	<u>5,000,000</u>
Net cash generated from (used in) investing activities	<u>(133,735)</u>	<u>4,990,554</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in commercial paper payable	(6,049,234)	(390)
Proceeds from corporate bonds	5,000,000	-
Repayments of corporate bonds	(1,000,000)	(3,000,000)
Proceeds from other borrowings	499,845	1
Cash dividends paid	(4,489,795)	(8,974,377)
Others	<u>35,407</u>	<u>54,669</u>
Net cash used in financing activities	<u>(6,003,777)</u>	<u>(11,920,097)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,655,946)	3,555,879
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,570,426</u>	<u>1,014,547</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,914,480</u>	<u>\$ 4,570,426</u>

(Continued)



KGI Bank

## 1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents, due from the Central Bank and call loans to banks	\$ 36,394,030	\$ 33,083,932
Financial assets at fair value through profit or loss	78,108,576	81,922,752
Financial assets at fair value through other comprehensive income	135,245,604	151,669,704
Debt instruments measured at amortized cost	11,136,022	11,965,807
Securities purchased under resell agreements	18,686,598	15,164,692
Receivables, net	17,457,148	24,305,714
Assets held for sale, net	-	29,649
Discounts and loans, net	342,501,981	335,751,432
Investments accounted for using the equity method, net	1,744,809	1,654,220
Other financial assets, net	1,983,930	1,476,948
Property and equipment, net	5,334,376	5,374,246
Right-of-use assets, net	2,194,830	-
Investment property, net	1,102,245	1,108,910
Deferred tax assets	1,348,260	2,176,684
Other assets, net	<u>9,142,730</u>	<u>13,491,511</u>
<b>Total assets</b>	<b><u>\$ 662,381,139</u></b>	<b><u>\$ 679,176,201</u></b>
Deposits from the Central Bank and banks	\$ 22,965,260	\$ 21,359,259
Financial liabilities at fair value through profit or loss	76,747,276	73,866,749
Notes and bonds issued under repurchase agreements	18,749,841	60,303,682
Payables	8,441,522	6,940,026
Current tax liabilities	600,802	530,563
Deposits and remittances	421,415,142	421,726,228
Bank debentures payable	10,450,000	7,350,000
Principal received on structured notes	30,248,517	24,020,358
Other financial liabilities	66,667	3,716
Provisions	428,589	331,602
Lease liabilities	2,196,166	-
Deferred tax liabilities	24,660	24,413
Other liabilities	<u>5,875,067</u>	<u>4,345,130</u>
<b>Total liabilities</b>	<b><u>598,209,509</u></b>	<b><u>620,801,726</u></b>
Common stock	46,061,623	46,061,623
Capital surplus	7,251,306	7,251,173
Retained earnings	10,004,687	6,567,132
Others	<u>854,014</u>	<u>(1,505,453)</u>
<b>Total equity</b>	<b><u>64,171,630</u></b>	<b><u>58,374,475</u></b>
<b>Total liabilities and equity</b>	<b><u>\$ 662,381,139</u></b>	<b><u>\$ 679,176,201</u></b>

(Continued)

2. Condensed statements of comprehensive income

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest revenue	\$ 13,511,243	\$ 13,051,990
Interest expense	<u>(6,765,706)</u>	<u>(6,006,754)</u>
Interest profit, net	6,745,537	7,045,236
Noninterest profits and gains, net	<u>4,525,512</u>	<u>1,749,965</u>
Total net revenues	11,271,049	8,795,201
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	(404,715)	(15,111)
Operating expenses	<u>(6,142,534)</u>	<u>(5,891,545)</u>
Net profit before income tax	4,723,800	2,888,545
Income tax expense	<u>(1,117,192)</u>	<u>(743,091)</u>
Net profit for the year	3,606,608	2,145,454
Other comprehensive income (loss) for the year net of income tax	<u>2,190,414</u>	<u>(1,788,002)</u>
Total comprehensive income for the year	<u>\$ 5,797,022</u>	<u>\$ 357,452</u>
Basic earnings per share	<u>\$0.78</u>	<u>\$0.47</u>

(Continued)

## KGI Securities

### 1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 180,711,551	\$ 136,199,128
Noncurrent assets	<u>49,800,020</u>	<u>43,193,399</u>
Total assets	<u>\$ 230,511,571</u>	<u>\$ 179,392,527</u>
Current liabilities	\$ 156,714,996	\$ 114,059,600
Noncurrent liabilities	<u>6,396,585</u>	<u>6,914,191</u>
Total liabilities	<u>163,111,581</u>	<u>120,973,791</u>
Common stock	32,418,432	32,418,432
Capital surplus	8,648,567	8,648,158
Retained earnings	25,428,702	21,243,911
Others	<u>904,289</u>	<u>(3,891,765)</u>
Total equity	<u>67,399,900</u>	<u>58,418,736</u>
Total liabilities and equity	<u>\$ 230,511,571</u>	<u>\$ 179,392,527</u>

### 2. Condensed statements of comprehensive income

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Revenues	\$ 11,121,170	\$ 9,690,226
Costs and expenses	<u>(9,206,654)</u>	<u>(8,717,146)</u>
Profit from operations	<u>1,914,516</u>	<u>973,080</u>
Share of profit (loss) of subsidiaries, associates and joint ventures	3,118,475	2,269,197
Other income and loss	<u>986,473</u>	<u>856,844</u>
Total non-operating income or loss	<u>4,104,948</u>	<u>3,126,041</u>
Net profit before income tax	6,019,464	4,099,121
Income tax expense	<u>33,093</u>	<u>(334,296)</u>
Net profit for the year	6,052,557	3,764,825
Other comprehensive income (loss)	<u>4,557,555</u>	<u>(2,981,994)</u>
Total comprehensive income (loss) for the year	<u>\$ 10,610,112</u>	<u>\$ 782,831</u>
Basic earnings per share	<u>\$1.87</u>	<u>\$1.16</u>

(Continued)

## CDIB Capital Group

### 1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2019	2018
Current assets	\$ 5,333,409	\$ 6,813,888
Noncurrent assets	<u>39,121,770</u>	<u>42,775,502</u>
Total assets	<u>\$ 44,455,179</u>	<u>\$ 49,589,390</u>
Current liabilities	\$ 944,851	\$ 941,433
Noncurrent liabilities	<u>837,985</u>	<u>961,867</u>
Total liabilities	<u>1,782,836</u>	<u>1,903,300</u>
Common stock	20,411,159	20,411,159
Capital surplus	590,409	589,866
Retained earnings	21,147,266	26,234,466
Others	<u>523,509</u>	<u>450,599</u>
Total equity	<u>42,672,343</u>	<u>47,686,090</u>
Total liabilities and equity	<u>\$ 44,455,179</u>	<u>\$ 49,589,390</u>

### 2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2019	2018
Operating revenues	\$ 2,412,940	\$ 2,637,060
Operating expenses	<u>(477,625)</u>	<u>(408,289)</u>
Profit from operations	1,935,315	2,228,771
Non-operating income and expenses	<u>171,343</u>	<u>248,282</u>
Net profit before income tax	2,106,658	2,477,053
Income tax benefit (expense)	<u>125,231</u>	<u>(165,652)</u>
Net profit for the year	2,231,889	2,311,401
Other comprehensive income (loss) for the year, net of income tax	<u>67,828</u>	<u>441,682</u>
Total comprehensive income (loss) for the year	<u>\$ 2,299,717</u>	<u>\$ 2,753,083</u>
Basic earnings per share	<u>\$1.09</u>	<u>\$1.13</u>

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	<u>December 31</u>	
	<b>2019</b>	<b>2018 (After Restated)</b>
Current assets	\$ 34,475	\$ 856,667
Noncurrent assets	<u>2,772,137</u>	<u>2,427,116</u>
Total assets	<u>\$ 2,806,612</u>	<u>\$ 3,283,783</u>
Current liabilities	\$ 137,331	\$ 923,166
Noncurrent liabilities	<u>71,300</u>	<u>1,699</u>
Total liabilities	<u>208,631</u>	<u>924,865</u>
Common stock	2,133,600	2,260,000
Capital surplus	139,538	129,957
Retained earnings	348,387	108,764
Others	(23,544)	-
Prior interest under common control	<u>-</u>	<u>(139,803)</u>
Total equity	<u>2,597,981</u>	<u>2,358,918</u>
Total liabilities and equity	<u>\$ 2,806,612</u>	<u>\$ 3,283,783</u>

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	<u>For the Year Ended December 31</u>	
	<b>2019</b>	<b>2018 (After Restated)</b>
Revenues and gains	\$ 461,037	\$ 191,141
Expenses and losses	<u>(91,936)</u>	<u>(109,169)</u>
Net profit before income tax	369,101	81,972
Income tax expense	<u>(81,779)</u>	<u>(46,770)</u>
Net profit for the year	287,322	35,202
Other comprehensive income (loss) for the year, net of income tax	<u>(3,520)</u>	<u>(98)</u>
 Total comprehensive income (loss) for the year	 <u>\$ 283,802</u>	 <u>\$ 35,104</u>
 Net profit attributable to:		
Owners of parent	\$ 274,126	\$ 52,321
Prior interest under common control	<u>13,196</u>	<u>(17,119)</u>
	 <u>\$ 287,322</u>	 <u>\$ 35,202</u>
 Total comprehensive income attributable to:		
Owners of parent	\$ 272,015	\$ 52,321
Prior interest under common control	<u>11,787</u>	<u>(17,217)</u>
	 <u>\$ 283,802</u>	 <u>\$ 35,104</u>
 Basic earnings per share	 <u>\$1.35</u>	 <u>\$0.16</u>

Note: The prior interest under common control is included in the financial information of China Development Asset Management Corp.

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 85,927,723	\$ 42,947,426
Receivables	26,826,102	17,549,054
Current tax assets	526,131	499,407
Financial assets at fair value through profit or loss	312,985,212	215,549,254
Financial assets at fair value through other comprehensive income	382,691,543	323,006,735
Financial assets measured at amortized cost	1,011,036,234	950,482,240
Investment property	23,136,905	23,143,854
Loans	34,033,871	33,379,965
Reinsurance assets	533,134	534,353
Property and equipment	14,113,541	10,722,338
Right-of-use assets	15,174,273	-
Intangible assets	190,409	230,128
Deferred tax assets	8,264,170	9,949,639
Other assets	6,876,554	19,859,278
Separate account product assets	<u>77,922,118</u>	<u>63,501,665</u>
<b>Total assets</b>	<b><u>\$ 2,000,237,920</u></b>	<b><u>\$ 1,711,355,336</u></b>
Payables	\$ 19,417,296	\$ 10,727,086
Current tax liabilities	714,434	-
Financial liabilities at fair value through profit or loss	1,426,070	2,469,127
Lease liabilities	2,206,846	-
Insurance liabilities	1,738,260,215	1,552,528,196
Foreign exchange valuation reserve	2,367,039	3,169,331
Provisions	209,328	134,940
Deferred tax liabilities	7,286,894	1,342,297
Other liabilities	7,758,119	4,388,310
Separate account product liabilities	<u>77,922,118</u>	<u>63,501,665</u>
<b>Total liabilities</b>	<b><u>1,857,568,359</u></b>	<b><u>1,638,260,952</u></b>
Common stock	44,635,823	40,135,823
Capital surplus	7,214,523	2,289,273
Retained earnings	61,240,158	48,243,509
Others	<u>29,579,057</u>	<u>(17,574,221)</u>
<b>Total equity</b>	<b><u>142,669,561</u></b>	<b><u>73,094,384</u></b>
<b>Total liabilities and equity</b>	<b><u>\$ 2,000,237,920</u></b>	<b><u>\$ 1,711,355,336</u></b>

(Continued)

2. Condensed statements of comprehensive income

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 339,115,451	\$ 338,495,113
Operating costs	(318,713,973)	(325,583,910)
Operating expenses	<u>(5,810,662)</u>	<u>(4,954,851)</u>
Profit from operations	14,590,816	7,956,352
Non-operating income and expenses	<u>10,910</u>	<u>1,646,887</u>
Income from continuing operations before income tax	14,601,726	9,603,239
Income tax benefit (expense)	<u>(1,003,848)</u>	<u>574,748</u>
Net income	13,597,878	10,177,987
Other comprehensive income (loss) for the year net of income tax	<u>46,561,453</u>	<u>(35,428,214)</u>
Total comprehensive income (loss) for the year	<u>\$ 60,159,331</u>	<u>\$ (25,250,227)</u>
Basic earnings per share	<u>\$3.20</u>	<u>\$2.54</u>

(Concluded)



## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
DECEMBER 31, 2019  
(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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					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	\$ -
Beauteek (Shanghai) Co., Ltd.	Cosmetics and sin care products sales.	US\$ 1,700 thousand	Note 1,b,1)	-	US\$ 53 thousand	-	US\$ 53 thousand	(Note 3)	-	-	1,633	-
Shanghai Derby Software 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),19)	US\$ 228 thousand	-	-	US\$ 228 thousand	(Note 3)	1.79	-	6,864	-
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),20)	US\$ 182 thousand	-	-	US\$ 182 thousand	(Note 3)	5.00	-	6,147	-
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),18)	US\$ 948 thousand	-	-	US\$ 948 thousand	(Note 3)	2.36	-	7,049	-
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),18)	US\$ 33 thousand	-	-	US\$ 33 thousand	(Note 3)	2.36	-	247	-
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),18)	CNY 297 thousand	-	-	CNY 297 thousand	(Note 3)	2.36	-	2,207	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale.	US\$ 500 thousand	Note 1,b,5),18)	US\$ 42 thousand	-	-	US\$ 42 thousand	(Note 3)	2.36	-	309	-
Jiangyin Suda Huicheng Composite Material Co., Ltd.	Lithium battery with extruded composite film.	CNY 19,812 thousand	Note 1,b,18)	US\$ 4,938 thousand	-	-	US\$ 4,938 thousand	(Note 3)	3.89	-	36,707	-
CDIB Private Equity (China) Corporation	Management and consulting.	US\$ 7,000 thousand	Note 1,b,8)	US\$ 7,000 thousand	-	-	US\$ 7,000 thousand	24,861	100.00	24,861	245,516	-
CDIB Private Equity (Fujian) Co., Ltd.	Fund Management.	CNY 10,000 thousand	Note 9	-	-	-	-	21,671	70.00	15,169	81,138	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund Management.	CNY 12,000 thousand	Note 1,b,8)	CNY 6,686 thousand	\$ -	\$ -	CNY 6,686 thousand	\$ (2,330)	70.00	\$ (1,631)	\$ 36,053	\$ -
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	(195,415)	-	(68,395)	1,525,410	-
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Fund Management.	CNY 7,000 thousand	Note 10	-	-	-	-	15,180	65.00	9,867	55,884	-
CDIB Yida Private Equity Management (Kushan) Enterprise (Limited Partnership)	Fund Management.	CNY 12,000 thousand	Note 1,b,8)	CNY 3,250 thousand	-	-	CNY 3,250 thousand	(1,620)	65.00	(1,053)	33,669	-
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	(139,379)	-	(41,814)	1,331,616	-
GSD Industrial (China) Co., Ltd.	Pumps manufacture and sale.	CNY 50,000 thousand	Note 1,b,9)	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,10)	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,11)	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),12)	US\$ 2,311 thousand	-	-	US\$ 2,311 thousand	(Note 3)	7.70	-	69,578	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK\$ 195,686 thousand	Note 1,b,6),12)	US\$ 1,678 thousand	-	-	US\$ 1,678 thousand	(Note 3)	7.70	-	50,528	-
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),21)	US\$ 9,248 thousand	-	-	US\$ 9,248 thousand	(Note 3)	5.46	-	55,093	-
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, 13)	US\$ 7,417 thousand	-	-	US\$ 7,417 thousand	(Note 3)	2.67	-	55,136	-
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, 14)	US\$ 211 thousand	-	-	US\$ 211 thousand	(Note 3)	-	-	2,566	-
Viscovery	Business in software development	US\$ 2,860 thousand	Note 1,b, 15)	US\$ 36 thousand	-	-	US\$ 36 thousand	(Note 3)	1.80	-	1,084	-
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	(106,919)	100.00	(106,919)	61,026	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US\$ 4,000 thousand	Note 1,b,16)	US\$ 4,000 thousand	\$ -	\$ -	US\$ 4,000 thousand	\$ (8,069)	100.00	\$ (8,069)	\$ 28,233	\$ -
CCB Life Insurance Company Limited	Life insurance.	CNY 7,120,461 thousand	Note 1,a	7,401,464	5,479,505	-	12,880,969	3,063,935	19.90	-	14,523,031	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,17)	US\$ 381 thousand	-	-	US\$ 381 thousand	(Note 3)	0.88	-	1,354	-
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,17)	US\$ 107 thousand	-	-	US\$ 107 thousand	(Note 3)	0.88	-	378	-
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,22)	US\$ 2,000 thousand	-	-	US\$ 2,000 thousand	(Note 3)	1.01	-	60,212	\$ -
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,22)	US\$ 3,000 thousand	-	-	US\$ 3,000 thousand	(Note 3)	1.01	-	90,318	-
Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Equity investment	CNY 285,000 thousand	Note 1,b,7), 8)	-	CNY 89,224 thousand	-	CNY 89,224 thousand	(37,052)	-	(11,997)	387,305	-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$19,914,367	US\$826,038 thousand	\$168,624,355

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 Pte 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) GSD Technologies Co., Ltd.
  - 10) Shengzhuang Holdings Limited.
  - 11) Lightel Technologies, Inc.
  - 12) CBA Sport International Limited.
  - 13) CCAP Tutwo Holdings (Hong Kong) Limited.
  - 14) Best Logistics.
  - 15) Viscovery (Cayman) Holding Company Limited.

(Continued)

- 16) Richpoint Company Limited.
- 17) Deluxe Technology Group Co., Ltd.
- 18) CDIB Capital Asia Partners L.P.
- 19) Great Team Backend Foundry, Inc.
- 20) Sungjoo Design Tech & Distribution Inc.
- 21) Great Rich Technologies Limited.
- 22) 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: 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 5: 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 6: Subsidiary of the Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yangzhou Enteres Industrial Co., Ltd., Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.

Note 7: 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 8: 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 9: In 2017, CDIB Private Equity (Fujian) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 10: In 2017, CDIB Yida Private Equity (Kunshan) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 11: 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 12: 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 13: 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.

Note 14: CCB Life Insurance Company Limited raised CNY6,000,000 thousand on 2019. The seasoned equity offering had already collected full proceeds and completed capital verification on April 2019. The total paid-in capital after right offering is subject to approval of China Banking and Insurance Regulatory Commission as of March 30, 2020.

(Concluded)

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	CDIB Capital Group	1	Current tax assets	\$ 515,983	Note 4	0.02%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	515,983	Note 4	0.02%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	211,214	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	211,214	Note 4	0.01%
0	The Corporation	KGI Bank	1	Current tax assets	600,802	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	600,802	Note 4	0.02%
0	The Corporation	KGI Securities	1	Current tax assets	737,608	Note 4	0.02%
3	KGI Securities	The Corporation	2	Current tax liabilities	737,608	Note 4	0.02%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	2,871,141	Note 4	0.09%
2	KGI Bank	The Corporation	2	Deposits and remittances	2,871,141	Note 4	0.09%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	4,878,628	Note 4	0.16%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	4,878,628	Note 4	0.16%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	2,176,749	Note 4	0.06%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other financial assets	306,467	Note 4	0.01%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposits and remittances	2,483,216	Note 4	0.07%
3	KGI Securities	KGI Bank	3	Other financial assets	208,032	Note 4	0.01%
2	KGI Bank	KGI Securities	3	Deposits and remittances	208,032	Note 4	0.01%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities	KGI Bank	3	Restricted assets	\$ 9,775,316	Note 4	0.32%
2	KGI Bank	KGI Securities	3	Deposits and remittances	9,775,316	Note 4	0.32%
4	China Life Insurance	KGI Bank	3	Cash and cash equivalents	3,996,654	Note 4	0.13%
2	KGI Bank	China Life Insurance	3	Deposits and remittances	3,996,654	Note 4	0.13%
5	CDIB Capital Management Corporation	KGI Bank	3	Cash and cash equivalents	147,067	Note 4	0.00%
5	CDIB Capital Management Corporation	KGI Bank	3	Other financial assets	149,500	Note 4	0.00%
2	KGI Bank	CDIB Capital Management Corporation	3	Deposits and remittances	296,567	Note 4	0.01%
6	CDIB Venture Capital (Hong Kong) Corporation Limited	KGI Bank	3	Cash and cash equivalents	502,481	Note 4	0.02%
2	KGI Bank	CDIB Venture Capital (Hong Kong) Corporation Limited	3	Deposits and remittances	502,481	Note 4	0.02%
7	CDIB Venture Capital Corporation	KGI Bank	3	Cash and cash equivalents	109,195	Note 4	0.00%
2	KGI Bank	CDIB Venture Capital Corporation	3	Deposits and remittances	109,195	Note 4	0.00%
3	KGI Securities	KGI Bank	3	Other financial liabilities	903,180	Note 4	0.03%
2	KGI Bank	KGI Securities	3	Other financial assets	903,180	Note 4	0.03%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other financial liabilities	178,856	Note 4	0.01%
2	KGI Bank	KGI Securities and its subsidiaries	3	Cash and cash equivalents	178,856	Note 4	0.01%
4	China Life Insurance	KGI Bank	3	Financial assets at fair value through profit or loss	168,318	Note 4	0.01%
2	KGI Bank	China Life Insurance	3	Financial liabilities at fair value through profit or loss	168,318	Note 4	0.01%
4	China Life Insurance	KGI Bank	3	Receivables, net	2,188,412	Note 4	0.07%
2	KGI Bank	China Life Insurance	3	Other liabilities	2,188,412	Note 4	0.07%
4	China Life Insurance	KGI Securities	3	Receivables, net	644,117	Note 4	0.02%
3	KGI Securities	China Life Insurance	3	Payables	644,117	Note 4	0.02%

(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)
3	KGI Securities and its subsidiaries	China Life Insurance	3	Service fee revenue and commission income	\$ 393,015	Note 4	0.16%
4	China Life Insurance	KGI Securities and its subsidiaries	3	Service fee expense and commission expense	393,015	Note 4	0.16%
4	China Life Insurance	KGI Securities and its subsidiaries	3	Service fee revenue and commission income	209,187	Note 4	0.09%
3	KGI Securities and its subsidiaries	China Life Insurance	3	Service fee expense and commission expense	209,187	Note 4	0.09%
2	KGI Bank	China Life Insurance	3	Service fee revenue and commission income	313,800	Note 4	0.13%
3	China Life Insurance	KGI Bank	3	Service fee expense and commission expense	313,800	Note 4	0.13%
3	KGI Securities	KGI Futures Co., Ltd.	3	Service fee revenue and commission income	185,052	Note 4	0.08%
8	KGI Futures Co., Ltd.	KGI Securities	3	Service fee expense and commission expense	185,052	Note 4	0.08%
3	KGI Securities	KGI Insurance Brokers Co., Ltd.	3	Other noninterest profits and gains, net	158,118	Note 4	0.07%
9	KGI Insurance Brokers Co., Ltd.	KGI Securities	3	Other noninterest profits and gains, net	158,118	Note 4	0.07%
3	KGI Securities	KGI Securities Investment Advisory Co., Ltd.	3	Operating expenses	159,171	Note 4	0.07%
10	KGI Securities Investment Advisory Co., Ltd.	KGI Securities	3	Other noninterest profits and gains, net	159,171	Note 4	0.07%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	935,550	Note 4	0.03%
8	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	935,550	Note 4	0.03%
11	Richpoint Company Limited	KG Investments Holdings Limited	3	Receivables, net	904,782	Note 4	0.03%
12	KG Investments Holdings Limited	Richpoint Company Limited	3	Other borrowings	904,782	Note 4	0.03%
8	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Financial assets at fair value through profit or loss	123,377	Note 4	0.00%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	123,377	Note 4	0.00%
8	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	1,137,249	Note 4	0.04%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	1,137,249	Note 4	0.04%
14	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Payables	241,658	Note 4	0.01%
15	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Receivables, net	241,658	Note 4	0.01%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
14	KGI Asia Limited	KGI Securities (Singapore) Pte. Ltd.	3	Payables	\$ 151,647	Note 4	0.01%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Asia Limited	3	Receivables, net	151,647	Note 4	0.01%
14	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Receivables, net	114,660	Note 4	0.00%
15	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Payables	114,660	Note 4	0.00%
14	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Financial liabilities at fair value through profit or loss	510,839	Note 4	0.02%
15	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Other financial assets	510,839	Note 4	0.02%
16	KGI Futures (Hong Kong) Limited	KGI Finance Limited	3	Futures customers' equity	377,219	Note 4	0.01%
17	KGI Finance Limited	KGI Futures (Hong Kong) Limited	3	Other financial assets	377,219	Note 4	0.01%
16	KGI Futures (Hong Kong) Limited	KGI Securities (Singapore) Pte. Ltd.	3	Futures customers' equity	125,101	Note 4	0.00%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial assets	125,101	Note 4	0.00%
16	KGI Futures (Hong Kong) Limited	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	202,743	Note 4	0.01%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial liabilities	202,743	Note 4	0.01%
18	KGI Hong Kong Limited	KGI Asia Limited	3	Other noninterest profits and gains, net	1,716,431	Note 4	0.71%
14	KGI Asia Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	1,716,431	Note 4	0.71%
18	KGI Hong Kong Limited	KGI Futures (Hong Kong) Limited	3	Other noninterest profits and gains, net	202,398	Note 4	0.08%
16	KGI Futures (Hong Kong) Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	202,398	Note 4	0.08%
18	KGI Hong Kong Limited	KGI Investments Management Limited	3	Other noninterest profits and gains, net	120,291	Note 4	0.05%
19	KGI Investments Management Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	120,291	Note 4	0.05%
18	KGI Hong Kong Limited	KGI International (Hong Kong) Limited	3	Other noninterest profits and gains, net	514,272	Note 4	0.21%
15	KGI International (Hong Kong) Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	514,272	Note 4	0.21%

(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)
20	KGI International Finance Limited	KGI International (Hong Kong) Limited	3	Interest revenue	\$ 105,950	Note 4	0.04%
15	KGI International (Hong Kong) Limited	KGI International Finance Limited	3	Interest expense	105,950	Note 4	0.04%
21	KGI International Holdings Limited	PT KGI Sekuritas Indonesia	3	Receivables, net	797,809	Note 4	0.03%
22	PT KGI Sekuritas Indonesia	KGI International Holdings Limited	3	Other borrowings	797,809	Note 4	0.03%
23	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Receivables, net	108,369	Note 4	0.00%
24	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Payables	108,369	Note 4	0.00%
23	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Other noninterest profits and gains, net	276,544	Note 4	0.12%
24	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Operating expenses	276,544	Note 4	0.12%
24	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Other noninterest profits and gains, net	183,976	Note 4	0.08%
25	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Operating expenses	183,976	Note 4	0.08%

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - 0; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the midterm/Total consolidated net profit.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT\$100 million.

(Concluded)

TABLE 13-1

## KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS  
DECEMBER 31, 2019

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)
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 25,626	\$ 3,489	\$ 15,428	\$ 6,566,827
Other receivables - related parties	30,000,000	-	-	-
Other current assets	<u>211,600</u>	<u>-</u>	<u>-</u>	<u>51,003</u>
Total current assets	<u>30,237,226</u>	<u>3,489</u>	<u>15,428</u>	<u>6,617,830</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - noncurrent	147,449	-	-	-
Financial assets at fair value through other comprehensive income - noncurrent	-	-	2,375,000	-
Investments accounted for using the equity method	490,201,518	596,178,189	616,695,329	-
Property and equipment	-	-	-	3,372
Other noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,640</u>
Total noncurrent assets	<u>490,348,967</u>	<u>596,178,189</u>	<u>619,070,329</u>	<u>79,012</u>
<b>TOTAL</b>	<u>\$ 520,586,193</u>	<u>\$ 596,181,678</u>	<u>\$ 619,085,757</u>	<u>\$ 6,696,842</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 44,590,000	\$ -	\$ -	\$ -
Commercial paper payable	-	-	797,541	-
Other payables	54,043	53,218	168,461	11,221
Other payables - related parties	<u>-</u>	<u>121,948,532</u>	<u>22,905,150</u>	<u>-</u>
Total current liabilities	<u>44,644,043</u>	<u>122,001,750</u>	<u>23,871,152</u>	<u>11,221</u>
<b>NONCURRENT LIABILITIES</b>				
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>44,644,043</u>	<u>122,001,750</u>	<u>23,871,152</u>	<u>163,221</u>
<b>EQUITY</b>				
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)	314,724,615	294,010,065	317,447,159	(18,755,797)
Other equity	<u>13,301,829</u>	<u>13,469,104</u>	<u>13,469,104</u>	<u>-</u>
Total equity	<u>475,942,150</u>	<u>474,179,928</u>	<u>595,214,605</u>	<u>6,533,621</u>
<b>TOTAL</b>	<u>\$ 520,586,193</u>	<u>\$ 596,181,678</u>	<u>\$ 619,085,757</u>	<u>\$ 6,696,842</u>

**KGI SECURITIES AND ITS SUBSIDIARIES**

**BALANCE SHEETS**

**DECEMBER 31, 2019**

**(Expressed in U.S. Dollars)**

<b>ASSETS</b>	<b>KGI Limited</b>	<b>Supersonic Service Inc.</b>	<b>KGI International Limited</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 432
Total current assets	-	-	432
<b>NONCURRENT ASSETS</b>			
Investments accounted for using the equity method	453,287,344	-	72,743,596
Total noncurrent assets	453,287,344	-	72,743,596
<b>TOTAL</b>	<b>\$ 453,287,344</b>	<b>\$ -</b>	<b>\$ 72,744,028</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Other payables - related parties	\$ 80,893,170	\$ -	\$ 2,755,403
Total current liabilities	80,893,170	-	2,755,403
Total liabilities	80,893,170	-	2,755,403
<b>EQUITY</b>			
Common stock	308,341,129	100	81,511,717
Retained earnings (accumulated deficit)	64,053,045	(100)	(11,523,092)
Total equity	372,394,174	-	69,988,625
<b>TOTAL</b>	<b>\$ 453,287,344</b>	<b>\$ -</b>	<b>\$ 72,744,028</b>

**TABLE 13-3****KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2019****(Expressed in U.S. Dollars)**

ASSETS	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 422,682	\$ -
Prepayments	-	-	1,039,251	-
Other receivables	-	-	50,723	-
Other receivables - related parties	-	-	-	1
Other current assets	<u>-</u>	<u>1</u>	<u>2,127,257</u>	<u>-</u>
Total current assets	<u>-</u>	<u>1</u>	<u>3,639,913</u>	<u>1</u>
<b>NONCURRENT ASSETS</b>				
Property and equipment	-	-	4,520,453	-
Right-of-use assets	<u>-</u>	<u>-</u>	<u>16,897,194</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>21,417,647</u>	<u>-</u>
<b>TOTAL</b>	<u><u>\$ -</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 25,057,560</u></u>	<u><u>\$ 1</u></u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Other payable	\$ -	\$ -	\$ 19,500,793	\$ -
Other payable - related parties	-	-	1,767,088	-
Lease liabilities - current	<u>-</u>	<u>-</u>	<u>4,719,390</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>	<u>25,987,271</u>	<u>-</u>
<b>NONCURRENT LIABILITIES</b>				
Lease liabilities - noncurrent	-	-	12,662,876	-
Other noncurrent liabilities	<u>-</u>	<u>-</u>	<u>1,784,046</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>14,446,922</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>40,434,193</u>	<u>-</u>
<b>EQUITY</b>				
Common stock	2	1	15,000	1
Special reserve	-	-	58,265	-
Accumulated deficit	<u>(2)</u>	<u>-</u>	<u>(15,449,898)</u>	<u>-</u>
Total equity	<u>-</u>	<u>1</u>	<u>(15,376,633)</u>	<u>1</u>
<b>TOTAL</b>	<u><u>\$ -</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 25,057,560</u></u>	<u><u>\$ 1</u></u>

**TABLE 13-4****KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2019****(Expressed in U.S. Dollars)**

<b>ASSETS</b>	<b>KGI Korea Limited</b>	<b>TG Holborn (HK) Limited</b>	<b>KGI Asia (Holdings) Pte. Ltd.</b>	<b>KGI Capital (Singapore) Pte. Ltd.</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 117,757	\$ -
Other receivable - related parties	<u>72,750</u>	<u>-</u>	<u>-</u>	<u>3,699,353</u>
Total current assets	<u>72,750</u>	<u>-</u>	<u>117,757</u>	<u>3,699,353</u>
<b>NONCURRENT ASSETS</b>				
Investments accounted for using the equity method	<u>-</u>	<u>-</u>	<u>169,477,393</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>169,477,393</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 72,750</u>	<u>\$ -</u>	<u>\$ 169,595,150</u>	<u>\$ 3,699,353</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ -	\$ -	\$ 73,150,074	\$ -
Financial liabilities at fair value through profit or loss - current	-	-	181,454	-
Other payable	-	-	110,743	1,188
Other payable - related parties	<u>-</u>	<u>-</u>	<u>33,258,046</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>	<u>106,700,317</u>	<u>1,188</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>106,700,317</u>	<u>1,188</u>
<b>EQUITY</b>				
Common stock	10,000	-	75,749,306	5,738,175
Retained earnings (accumulated deficit)	62,750	-	(13,198,915)	(1,794,173)
Other equity	<u>-</u>	<u>-</u>	<u>344,442</u>	<u>(245,837)</u>
Total equity	<u>72,750</u>	<u>-</u>	<u>62,894,833</u>	<u>3,698,165</u>
<b>TOTAL</b>	<u>\$ 72,750</u>	<u>\$ -</u>	<u>\$ 169,595,150</u>	<u>\$ 3,699,353</u>

**TABLE 14-1****KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Richpoint Company Limited</b> (In U.S. Dollars)	<b>KG Investments Holdings Limited</b> (In U.S. Dollars)	<b>KGI International Holdings Limited</b> (In U.S. Dollars)	<b>KGI Investment Advisory (Shanghai) Co., Ltd.</b> (In CNY)
<b>REVENUES</b>				
Other operating income	\$ 1,230	\$ (297,353)	\$ (460,619)	\$ 102,082
Total revenues	<u>1,230</u>	<u>(297,353)</u>	<u>(460,619)</u>	<u>102,082</u>
<b>COSTS AND EXPENSES</b>				
Financial costs	(1,232,043)	(351,525)	(1,511,571)	-
Employee benefit expenses	-	-	-	(939,027)
Depreciation and amortization expenses	-	-	-	(2,638)
Other operating expenses	<u>(25,495)</u>	<u>(26,500)</u>	<u>(38,978)</u>	<u>(969,303)</u>
Total costs and expenses	<u>(1,257,538)</u>	<u>(378,025)</u>	<u>(1,550,549)</u>	<u>(1,910,968)</u>
<b>LOSS FROM OPERATIONS</b>	<u>(1,256,308)</u>	<u>(675,378)</u>	<u>(2,011,168)</u>	<u>(1,808,886)</u>
<b>SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES</b>	39,529,843	40,368,356	41,935,802	-
<b>OTHER PROFITS (LOSSES)</b>	<u>1,115,379</u>	<u>97,806</u>	<u>443,722</u>	<u>7,015</u>
<b>NON-OPERATING REVENUE AND EXPENSE</b>	<u>40,645,222</u>	<u>40,466,162</u>	<u>42,379,524</u>	<u>7,015</u>
<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<u>39,388,914</u>	<u>39,790,784</u>	<u>40,368,356</u>	<u>(1,801,871)</u>
<b>OTHER COMPREHENSIVE INCOME (LOSSES)</b>	<u>8,676,384</u>	<u>8,694,224</u>	<u>8,694,224</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 48,065,298</u>	<u>\$ 48,485,008</u>	<u>\$ 49,062,580</u>	<u>\$ (1,801,871)</u>

**KGI SECURITIES AND ITS SUBSIDIARIES**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In U.S. Dollars)**

	<b>KGI Limited</b>	<b>Supersonic Services Inc.</b>	<b>KGI International Limited</b>
<b>REVENUES</b>			
Other operating income	\$ (442)	\$ -	\$ -
Total revenues	<u>(442)</u>	<u>-</u>	<u>-</u>
<b>COSTS AND EXPENSES</b>			
Other operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total costs and expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>PROFIT FROM OPERATIONS</b>	<u>(442)</u>	<u>-</u>	<u>-</u>
<b>OTHER PROFIT (LOSSES)</b>	<u>92,843,085</u>	<u>-</u>	<u>-</u>
<b>NON-OPERATING REVENUE AND EXPENSE</b>	<u>92,843,085</u>	<u>-</u>	<u>-</u>
<b>NET PROFIT FOR THE YEAR</b>	<u>92,842,643</u>	<u>-</u>	<u>-</u>
<b>OTHER COMPREHENSIVE INCOME (LOSSES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR</b>	<u>\$ 92,842,643</u>	<u>\$ -</u>	<u>\$ -</u>

**TABLE 14-3****KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In U.S. Dollars)**

	<b>Bauhinia 88 Ltd.</b>	<b>Global Treasure Investments Limited</b>	<b>KGI Hong Kong Limited</b>	<b>KGI Nominees (Hong Kong) Limited</b>
<b>REVENUES</b>				
Other operating income	\$ -	\$ -	\$ (604,353)	\$ -
Total revenues	-	-	(604,353)	-
<b>COSTS AND EXPENSES</b>				
Financial costs	-	-	(1,003,806)	-
Employee benefits	-	-	(63,153,635)	-
Depreciation and amortization	-	-	(6,895,092)	-
Other operating expenses	-	-	(12,434,106)	-
Total costs and expenses	-	-	(83,486,639)	-
<b>LOSS FROM OPERATIONS</b>	-	-	<b>(84,090,992)</b>	-
<b>OTHER REVENUE AND EXPENSE</b>	-	-	<b>84,568,860</b>	-
<b>NON-OPERATING REVENUE AND EXPENSE</b>	-	-	<b>84,568,860</b>	-
<b>NET PROFIT FOR THE YEAR</b>	-	-	<b>477,868</b>	-
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 477,868</b>	<b>\$ -</b>



**TABLE 14-4****KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In U.S. Dollars)**

	<b>KGI Korea Limited</b>	<b>TG Holborn (HK) Limited</b>	<b>KGI Asia (Holdings) Pte. Ltd.</b>	<b>KGI Capital (Singapore) Pte. Ltd.</b>
<b>REVENUES</b>				
Derivative assets - counter	\$ -	\$ -	\$ 118,668	\$ -
Other operating income	-	24	451,747	-
Total revenues	-	24	570,415	-
<b>COSTS AND EXPENSES</b>				
Financial costs	-	-	(1,896,159)	-
Other operating expenses	-	-	(857,485)	(1,399)
Total costs and expenses	-	-	(2,753,644)	(1,399)
LOSS FROM OPERATIONS	-	24	(2,183,229)	(1,399)
OTHER REVENUE AND EXPENSE	-	-	4,543,361	-
NON-OPERATING REVENUE AND EXPENSE	-	-	4,543,361	-
NET PROFIT FOR THE YEAR	-	24	2,360,132	(1,399)
OTHER COMPREHENSIVE INCOME	-	-	771,119	45,321
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	\$ -	\$ 24	\$ 3,131,251	\$ 43,922

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

### CASH AND CASH EQUIVALENTS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description			Amount
Cash in banks	Time deposits			\$ 40,082,207
	Checking deposits and demand deposits			<u>48,606,029</u>
				<u>88,688,236</u>
		Foreign currencies		
	<u>Currency</u>	<u>(dollar)</u>	<u>Exchange rate</u>	
Due from banks	USD	77,581	30.1060	2,335,655
	JPY	5,096,711	0.2771	1,412,299
	CAD	60,131	23.0800	1,387,833
	Others (Note 1)			<u>699,402</u>
				<u>5,835,189</u>
Short-term transactions instruments	Interest rate: 0.42%-0.56%; Last maturity date: February 2020			3,513,936
Others (Note 2)				<u>3,103,784</u>
				<u>\$ 101,141,145</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, 2019

(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										
Mutual funds						\$ 129,074,391		\$ 131,599,176	\$ -	
Shares						128,587,425		129,406,800	-	
Operating securities								74,477,290	-	
Bank debentures						37,600,586		39,401,337	-	
Others (Note 1)								<u>83,097,317</u>	<u>(370,459)</u>	Note 2
								<u>457,981,920</u>	<u>(370,459)</u>	
Financial assets designated as at FVTPL										
Government bonds						11,946,453		11,683,340	-	
Others (Note 2)								<u>22,417,372</u>	-	
								<u>34,100,712</u>	-	
								<u>\$ 492,082,632</u>	<u>\$ (370,459)</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 49.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

DECEMBER 31, 2019

(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 2210					\$ 162,844,808	\$ 13,105,481		\$ 175,950,289	Note 2
Corporate bonds	Expires before 2059					138,617,045	9,421,841		148,038,886	
Bank debentures	Expires before 2048					106,449,379	10,017,282		116,466,661	
Negotiable certificates of deposit	Expires before 2021					62,620,000	(2,106)		62,617,894	Note 2
Others (Note 1)						<u>33,239,233</u>	<u>3,310,961</u>		<u>36,550,194</u>	
						<u>\$ 503,770,465</u>	<u>\$ 35,853,459</u>		<u>\$ 539,623,924</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 49.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES****SECURITIES PURCHASED UNDER RESALE AGREEMENTS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Face Value</b>	<b>Carrying Amount</b>	<b>Note</b>
Corporate bonds	\$ 21,288,111	\$ 21,288,455	
Commercial papers	11,135,000	11,121,028	
Government bonds	7,276,576	7,282,924	
Bank debentures	6,635,679	6,697,474	
Negotiable certificates of deposit	<u>400,000</u>	<u>400,000</u>	
	<u>\$ 46,735,366</u>	<u>\$ 46,789,881</u>	

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

### ACCOUNTS RECEIVABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Amount	Allowance for Impairment Loss	Net Value	Note
Receivable accounts for settlement	\$ 32,299,471	\$ (75)	\$ 32,299,396	
Receivables on margin loans, refinancing margin and refinancing deposits receivable	24,160,899	(1,887)	24,159,012	
Interest receivable	16,871,726	(13,836)	16,857,890	
Accounts receivable factoring without recourse	6,572,390	(88,306)	6,484,084	
Trading securities receivable	5,381,773	(519)	5,381,254	
Others (Note)	<u>20,557,265</u>	<u>(1,433,202)</u>	<u>19,124,063</u>	
	<u>\$ 105,843,524</u>	<u>\$ (1,537,825)</u>	<u>\$ 104,305,699</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, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
1. Claims recoverable from reinsurers			
	Individual health insurance	\$ 283,323	
	Group insurance	47,588	
	Individual life insurance	47,396	
	Individual accident insurance	22,295	
	Investment-linked insurance	<u>14,718</u>	
		<u>\$ 415,320</u>	
2. Due from reinsurers and ceding companies			
	MÜNCHENER RÜCKVERSICHERUNGS-GESELLSCHAFT	\$ 32,192	
	Swiss Reinsurance Company	7,311	
	Central Reinsurance Corporation	5,254	
	GENERAL REINSURANCE AG	2,888	
	Others (Note)	<u>927</u>	
		<u>\$ 48,572</u>	
3. Reinsurance reserve assets			
	Ceded unearned premium reserve	\$ 55,487	
	Ceded reserve for claims	<u>13,755</u>	
		<u>\$ 69,242</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## DEBT INVESTMENT MEASURED AT AMORTIZED COST

DECEMBER 31, 2019

(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			\$ 1,688,401,047	0.00-7.75	\$ (59,189)	\$ (1,085,367,530)	\$ 602,974,328	
Corporate bonds	Expires before 2069			284,811,143	0.00-8.20	(39,605)	1,161,665	285,933,203	
Government bonds	Expires before 2110			93,183,219	1.13-7.75	(5,088)	3,821,123	96,999,254	
Others	Expires before 2054			50,786,423	2.50-5.00	(2,285)	(1,104,697)	49,679,441	
				<u>\$ 2,117,181,832</u>		<u>\$ (106,167)</u>	<u>\$ (1,081,489,439)</u>	1,035,586,226	
Less: Security deposit								(6,698,391)	
								<u>\$ 1,028,887,835</u>	



## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

**INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Investees	Balance, January 1, 2018		Additions in Investment		Decrease in Investment		Balance, December 31, 2019			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	\$ 5,364,742	-	\$ 1,184,064	-	\$ -	367,200	34	\$ 6,548,806	17.83	\$ 6,548,806		
CDIB Capital Asia Partners L.P.	-	3,587,002	-	101,251	-	-	-	-	3,688,253		3,688,253		
KGI Securities (Thailand) Public Company Limited	696,614	2,416,178	-	186,156	-	-	696,614	35	2,602,334	4.50	3,137,969		
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	-	1,648,309	-	-	-	122,899	-	-	1,525,410		1,525,410		
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	-	1,421,496	-	-	-	89,880	-	-	1,331,616		1,331,616		
CDIB Capital Healthcare Ventures Limited	74,998	749,682	-	-	-	45,435	74,998	43	704,247	9.39	704,247		
CDIB Capital Creative Industries Limited	69,495	696,239	-	-	-	75,245	69,495	46	620,994	8.96	620,994		
Others (Note 4)		<u>219,278</u>		<u>162,902</u>		<u>-</u>			<u>382,180</u>		<u>382,180</u>		
		<u>\$ 16,102,926</u>		<u>\$ 1,634,373</u>		<u>\$ 333,459</u>			<u>\$ 17,403,840</u>		<u>\$ 17,939,475</u>		

Note 1: 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 2: 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 3: 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, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Separate-account insurance products		\$ 77,922,118	
Guarantee deposits received on futures contracts			
Overseas guarantee deposits received on future contracts		17,568,058	
Cash in banks		14,578,240	
Settlement of futures clearing agency		2,909,770	
Settlement of other futures dealer		2,080,181	
Others (Note 1)		<u>8,653</u>	
		37,144,902	
Others (Note 2)		<u>6,000,475</u>	
		<u>\$ 121,067,495</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

## STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Royalty-Surface Right	Buildings and Facilities	Land	Computer Equipment	Transportation Equipment	Other Equipment	Total	Remark
Cost								
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Adjustments arising from initial application of accounting standards	13,179,623	3,654,737	2,098,517	152,825	32,549	13,904	19,132,155	
Additions	-	548,312	-	29,872	19,896	12,846	610,926	
Deductions	-	(48,303)	-	-	(3,792)	(14)	(52,109)	
Reclassification	-	(14,183)	-	-	-	-	(14,183)	
Effects of exchange rate changes	-	(18,874)	-	-	-	-	(18,874)	
Balance at December 31, 2019	<u>13,179,623</u>	<u>4,121,689</u>	<u>2,098,517</u>	<u>182,697</u>	<u>48,653</u>	<u>26,736</u>	<u>19,657,915</u>	
Revaluation of lease liability								
Balance at January 1, 2019	-	-	-	-	-	-	-	
Adjustments arising from initial application of accounting standards	-	-	-	-	-	-	-	
Additions	-	-	-	-	19	-	19	
Deductions	-	(2,992)	-	-	-	-	(2,992)	
Balance at December 31, 2019	<u>-</u>	<u>(2,992)</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>(2,973)</u>	
Accumulated depreciation								
Balance at January 1, 2019	-	-	-	-	-	-	-	
Additions	(202,605)	(803,330)	(32,243)	(67,719)	(19,089)	(11,838)	(1,136,824)	
Deductions	-	22,303	-	-	2,851	15	25,169	
Effects of exchange rate changes	-	5,632	-	-	-	-	5,632	
Balance at December 31, 2019	<u>(202,605)</u>	<u>(775,395)</u>	<u>(32,243)</u>	<u>(67,719)</u>	<u>(16,238)</u>	<u>(11,823)</u>	<u>(1,106,023)</u>	
Carrying amounts at December 31, 2019	<u>\$ 12,977,018</u>	<u>\$ 3,343,302</u>	<u>\$ 2,066,274</u>	<u>\$ 114,978</u>	<u>\$ 32,434</u>	<u>\$ 14,913</u>	<u>\$ 18,548,919</u>	

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## COMMERCIAL PAPER PAYABLE

DECEMBER 31, 2019

(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	2020/02/11	0.65	\$ 1,000,000	\$ (48)	\$ 999,952	Non-collateral	\$ -
Commercial paper payable	Non-guaranteed	2020/02/12	0.65	1,000,000	(50)	999,950	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/13	0.54	1,000,000	(52)	999,948	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/02/10	0.56	550,000	(95)	549,905	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/02/05	0.67	300,000	(14)	299,986	Non-collateral	-
				<u>3,850,000</u>	<u>(259)</u>	<u>3,849,741</u>		
China Development Asset Management Corp.								
Commercial paper payable	China Bills Finance Corporation	2020/02/17	1.01	<u>20,000</u>	<u>(26)</u>	<u>19,974</u>	Non-collateral	-
KGI Bank and its subsidiaries								
Commercial paper payable	Non-guaranteed	2020/02/06	1.02	300,000	(14)	299,986	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/06/18	1.19	300,000	(60)	299,940	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/21	1.02	200,000	(5)	199,998	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/08	1.02	200,000	(11)	199,989	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	1.02	150,000	(5)	149,995	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/10/25	1.19	150,000	(29)	149,971	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/02/10	1.02	130,000	(7)	129,993	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/10/25	1.29	120,000	(4)	119,996	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/02/24	1.02	120,000	(62)	119,938	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	1.02	100,000	(4)	99,996	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/08	1.32	100,000	(10)	99,990	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/20	1.04	100,000	(11)	99,989	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/20	1.02	100,000	(13)	99,987	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/10/26	1.19	70,000	(17)	69,983	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/13	1.02	40,000	(3)	39,997	Non-collateral	-
Commercial paper payable	International Bills Finance Corporation	2020/01/03	1.04	100,000	(2)	99,998	Non-collateral	-
Commercial paper payable	Ta Ching Finance Corporation	2020/01/10	1.04	100,000	(8)	99,992	Non-collateral	-
Commercial paper payable	Mega Bills Finance Corporation	2020/02/04	1.04	100,000	(22)	99,978	Non-collateral	-
Commercial paper payable	Taiwan Finance Corporation	2020/01/15	1.04	75,000	(14)	74,986	Non-collateral	-
Commercial paper payable	Dah Chung Bills Finance Corporation	2020/01/02	1.04	70,000	-	70,000	Non-collateral	-
Commercial paper payable	China Bills Finance Corporation	2020/02/03	1.04	35,000	(17)	34,983	Non-collateral	-
Commercial paper payable	Dah Chung Bills Finance Corporation	2020/01/17	1.04	30,000	(3)	29,997	Non-collateral	-
Commercial paper payable	China Bills Finance Corporation	2020/02/25	1.04	17,000	(14)	16,986	Non-collateral	-
Commercial paper payable	China Bills Finance Corporation	2020/01/21	1.04	<u>15,000</u>	<u>(4)</u>	<u>14,996</u>	Non-collateral	-
				<u>2,722,000</u>	<u>(339)</u>	<u>2,721,661</u>		

(Continued)

Item	Guarantee Agency	Contract Maturity Date	Interest Rate (%)	Amount			Collateral Item	Carrying Value
				Issue Amount	Unamortized Discounts	Carrying Amount		
KGI Securities and its subsidiaries								
Commercial paper payable	Non-guaranteed	2020/01/03	0.67	\$ 1,000,000	\$ (37)	\$ 999,963	Non-collateral	\$ -
Commercial paper payable	Non-guaranteed	2020/01/10	0.71	1,000,000	(175)	999,825	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/07	0.72	920,000	(109)	919,891	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/08	0.69	600,000	(79)	599,921	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	0.68	500,000	(46)	499,954	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/08	0.71	500,000	(68)	499,932	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/10	0.71	500,000	(87)	499,913	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	0.70	400,000	(38)	399,962	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/07	0.72	300,000	(35)	299,965	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	0.71	300,000	(29)	299,971	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	0.78	<u>24,085</u>	<u>(74)</u>	<u>24,011</u>	Non-collateral	-
				<u>6,044,085</u>	<u>(777)</u>	<u>6,043,308</u>		
				<u>\$ 12,636,085</u>	<u>\$ (1,401)</u>	<u>\$ 12,634,684</u>		

(Concluded)

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2019

(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									
Interest rate swap contracts							\$ 21,486,645	\$ (23,077)	
Option and futures contracts							17,278,382	(55)	
Currency swap and forward exchange contracts							11,511,583	(1,392)	
Borrowed securities payable							2,535,693	-	
Others (Note)							<u>4,188,909</u>	<u>(697,468)</u>	
							<u>57,001,212</u>	<u>(721,992)</u>	
Financial liabilities designated as at FVTPL									
Bank debentures payable									
15KGIB1	Principal due on maturity; maturity date: 2045/03/24	106	1,000	US\$ 106,000	0.00		3,206,278	-	
P16KGIB1	Principal due on maturity; maturity date: 2046/05/03	110	1,000	US\$ 110,000	0.00		3,329,742	-	
P16KGIB2	Principal due on maturity; maturity date: 2046/05/27	110	1,000	US\$ 110,000	0.00		3,334,100	-	
P16KGIB3	Principal due on maturity; maturity date: 2046/11/08	80	1,000	US\$ 80,000	0.00		2,343,106	-	
P17KGIB1	Principal due on maturity; maturity date: 2047/01/23	200	1,000	US\$ 200,000	0.00		6,027,377	-	
P18KGIB1	Principal due on maturity; maturity date: 2048/01/30	200	1,000	US\$ 200,000	0.00		6,266,756	-	
P18KGIB2	Principal due on maturity; maturity date: 2048/02/27	160	1,000	US\$ 160,000	0.00		5,051,518	-	
Structured products									
Others (Note)							5,715,467	-	
							<u>1,793,431</u>	-	
							<u>37,067,775</u>	-	
							<u>\$ 94,068,987</u>	<u>\$ (721,992)</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, 2019**

**(In Thousands of New Taiwan Dollars)**

Title	Face Value	Carrying Amount	Note
Corporate bonds	\$ 44,284,124	\$ 43,378,844	
Bank debentures	31,969,158	29,609,111	
Government bonds	22,738,384	22,794,538	
Commercial paper	<u>355,000</u>	<u>354,838</u>	
	<u>\$ 99,346,666</u>	<u>\$ 96,137,331</u>	

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES**

**PROVISION  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Item	Beginning Balance	Changes	Other Changes	Ending Balance	Note
Insurance liabilities					
Reserve for life insurance liabilities	\$ 1,513,115,547	\$ 192,237,031	\$ (6,611,443)	\$ 1,698,741,135	Note 1
Premium deficiency reserve	7,504,145	(844,052)	(32,547)	6,627,546	Note 2
Special reserve	6,364,597	531,114	11,755	6,907,466	Note 3
Unearned premium reserve	3,854,791	436,639	(1)	4,291,429	Note 4
Reserve for claims	1,686,742	539,512	(907)	2,225,347	Note 5
Other reserve	20,002,374	(535,082)	-	19,467,292	
Foreign exchange valuation reserve	3,169,331	(802,292)	-	2,367,039	
Other (Note 6)	<u>1,607,412</u>	<u>12,510</u>	<u>-</u>	<u>1,619,922</u>	
	<u>\$ 1,557,304,939</u>	<u>\$ 191,575,380</u>	<u>\$ (6,633,143)</u>	<u>\$ 1,742,247,176</u>	

Note 1: Other changes include \$1,244 thousands of traditional insurance policies generated from Allianz Life Insurance on May 18, 2018, \$6,596,575 thousands of gains on foreign exchanges, and \$16,112 thousands of reserve for life insurance - payables for the insured.

Note 2: Other changes include \$32,547 thousands of gains on foreign exchanges.

Note 3: Other changes include gain on equity instruments dividend policy measured at FVTOCI transferred to unappropriated earnings and reduce the amount of special reserve.

Note 4: Other changes include \$1 thousand of gains on foreign exchanges.

Note 5: Other changes include \$907 thousands of gains on foreign exchanges.

Note 6: The amount of each item in others does not exceed 5% of the account balance.



**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES**

**STATEMENT OF LEASE LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Lease Term</b>	<b>Discount Rate (%)</b>	<b>Balance, End of Year</b>
Building and facilities	Mainly for the use of branches, parking spaces and offices	1 to 10 years	0.75-9.79	\$ 3,368,574
Land	For surface rights	65 years	3.50	2,089,952
Computer equipment	For operation use	1 to 5 years	0.82-1.07	97,471
Transportation equipment	For operation use	1 to 7 years	0.12-1.08	40,936
Other equipment	For operation use	1 to 3 years	0.05-1.20	<u>18,748</u>
				<u>\$ 5,615,681</u>

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

### SHARE OF THE PROFIT (LOSS) OF ASSOCIATED AND JOINT VENTURES FOR THE YEAR ENDED DECEMBER 31, 2019 (In Thousands of New Taiwan Dollars)

Investees	Amount	Note
Share of the profit (loss) of associated and joint ventures		
CDIB & Partners Investment Holding corporation	\$ 713,670	
KGI Securities (Thailand) Public Company Limited	339,530	
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	(68,953)	
CDIB Capital Asia Partners L.P.	(45,835)	
CDIB Capital Healthcare Ventures Limited	(45,435)	
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	(42,284)	
Other (Note)	<u>43,312</u>	
	(894,005)	
Others	<u>11,630</u>	
	<u>\$ 905,635</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, 2019**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	<b>Note</b>
Allowance for bad debts - discounts and loans	\$ (458,967)	
Reversal of allowance for bad debts - accounts receivable	187,270	
Allowance for bad debts - guarantee liabilities	(74,571)	
Reversal of allowance for bad debts - loan commitments	(14,397)	
Allowance for bad debts - overdue loans	11,746	
Others	<u>940</u>	
	<u>\$ (347,979)</u>	

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES****NET CHANGE IN INSURANCE LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	<b>Note</b>
Reserve for life insurance liabilities	\$(192,237,031)	
Premium deficiency reserve	844,052	
Reserve for claims	(552,961)	
Special reserve	(531,114)	
Other reserve	<u>535,082</u>	
	<u>\$(191,941,972)</u>	

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

### EMPLOYEE BENEFITS EXPENSE

DECEMBER 31, 2019

(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	\$ 13,859,207	\$ 4,054,602	\$ -	\$ 17,913,809	
Employee insurance	1,059,309	-	-	1,059,309	
Pension	651,516	-	-	651,516	
Remuneration of directors and supervisors	294,428	-	-	294,428	
Other employee benefits	<u>838,402</u>	<u>-</u>	<u>-</u>	<u>838,402</u>	
	<u>\$ 16,702,862</u>	<u>\$ 4,054,602</u>	<u>\$ -</u>	<u>\$ 20,757,464</u>	

Note:

- As of December 31, 2019 and 2018, the number of employees in the Group were 12,506 and 12,682, including 31 and 30 directors who are not concurrently serving as employees, respectively.
- As of December 31, 2019 and 2018, the average employee benefits were \$1,640 thousand and \$1,491 thousand, respectively.
- As of December 31, 2019 and 2018, the average salaries and wages were \$1,436 thousand and \$1,302 thousand, respectively.
- The average salaries increased by 10% year over year.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES**

**DEPRECIATION AND AMORTIZATION  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	<b>Note</b>
Intangible assets	\$ 1,342,549	
Building and facilities	1,243,700	
Computer equipment	384,091	
Others (Note)	<u>327,603</u>	
	<u>\$ 3,297,943</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

**6.5 Any financial distress experienced by CDF or its affiliated enterprises and impact on CDF'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	2019.12.31	2018.12.31	Difference	
				Amount	%
Cash and cash equivalents, Due from the central bank and call loans to financial institutions		129,444,209	86,038,806	43,405,403	50
Financial assets at fair value through profit or loss		492,082,632	374,931,034	117,151,598	31
Financial assets at fair value through other comprehensive income		539,623,924	485,335,934	54,287,990	11
Debt investments measured at amortized cost		1,028,887,835	970,536,279	58,351,556	6
Securities purchased under resell agreements		46,789,881	39,770,534	7,019,347	18
Receivables, net		104,305,699	101,604,537	2,701,162	3
Current tax assets		759,762	1,168,303	(408,541)	(35)
Discount and loans, net		376,535,852	369,131,396	7,404,456	2
Reinsurance assets, net		533,134	534,353	(1,219)	(0)
Investments accounted for using the equity method, net		17,403,840	16,102,926	1,300,914	8
Restricted assets		24,970,721	29,109,621	(4,138,900)	(14)
Other financial assets		121,067,495	103,675,320	17,392,175	17
Investment property, net		25,341,556	25,432,420	(90,864)	(0)
Property and equipment, net		34,904,312	31,717,297	3,187,015	10
Right-of-use assets, net		18,548,919	0	18,548,919	NA
Intangible assets, net		20,441,634	21,171,147	(729,513)	(3)
Deferred tax assets		9,888,920	12,652,560	(2,763,640)	(22)
Other assets, net		35,757,679	48,902,361	(13,144,682)	(27)
Total assets		3,027,288,004	2,717,814,828	309,473,176	11
Deposits from the central bank and financial institutions		24,560,878	22,434,914	2,125,964	9
Financial liabilities at fair value through profit or loss		94,068,987	87,786,725	6,282,262	7
Notes and bonds issued under repurchase agreements		96,137,331	125,478,900	(29,341,569)	(23)
Commercial paper payable, net		12,634,684	14,985,902	(2,351,218)	(16)
Payables		86,839,670	79,293,203	7,546,467	10
Current tax liabilities		1,168,811	967,872	200,939	21
Deposits and remittances		395,861,002	398,286,010	(2,425,008)	(1)
Bonds payable		42,450,000	31,150,000	11,300,000	36



Item \ Year	2019.12.31	2018.12.31	Difference	
			Amount	%
Other borrowings	20,968,007	18,818,061	2,149,946	11
Provisions	1,742,247,176	1,557,304,939	184,942,237	12
Other financial liabilities	149,722,533	121,887,440	27,835,093	23
Lease liabilities	5,615,681	0	5,615,681	NA
Deferred tax liabilities	12,933,858	7,275,275	5,658,583	78
Other liabilities	45,614,232	28,582,681	17,031,551	60
Total liabilities	2,730,822,850	2,494,251,922	236,570,928	9
Equity attributable to owners of parent				
Capital	149,684,080	149,633,560	50,520	0
Capital surplus	1,093,745	1,630,992	(537,247)	(33)
Retained earnings	30,976,678	22,095,706	8,880,972	40
Other equity	8,907,903	(10,522,131)	19,430,034	185
Treasury shares	(3,137,278)	(3,605,444)	468,166	13
Non-controlling interests	108,940,026	64,330,223	44,609,803	69
Total equity	296,465,154	223,562,906	72,902,248	33

Analysis of changes in financial status:

1. The increase of Cash and cash equivalents, Due from the central bank and call loans to financial institutions was mainly due to the increase of Cash in banks.
2. The increase of financial assets at fair value through profit or loss was mainly due to the increase of mutual funds.
3. The decrease of current tax assets was mainly due to the decrease of income tax refund receivable.
4. The decrease of deferred tax assets was mainly due to the increase of valuation of financial instruments.
5. The increase of right-of-use assets, net and lease liabilities were mainly due to the recognition and reclassification by IFRS16 adoption on January 1, 2019.
6. The decrease of other assets, net was mainly due to the reclassification of right-of-use assets, net by IFRS16 adoption on, January 1, 2019.
7. The decrease of notes and bonds issued under repurchase agreements was mainly due to better use of working capital.
8. The increase of current tax liabilities was mainly due to the increase of income tax payable.
9. The increase of bonds payable was mainly due to the increase of corporate bonds payable.
10. The increase of other financial liabilities was mainly due to the increase of separate-account product liabilities and principal received on structured products.
11. The increase of deferred tax liabilities was mainly due to the increase of valuation of financial instruments.
12. The increase of other liabilities was mainly due to the increase of deposits received.
13. The decrease of capital surplus was mainly due to the cash dividends from capital surplus in 2019.
14. The increase of retained earnings was mainly due to the increase of net profit of 2019.
15. The increase of other equity and non-controlling interests were mainly due to the increase of unrealized gain 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	2019	2018	Difference	
				Amount	%
Interest profit, net		63,477,530	56,582,328	6,895,202	12
Noninterest profits and gains, net					
Service fee and commission, net		(2,570,420)	(1,713,009)	(857,411)	50
Net income from insurance operations		156,799,174	184,725,121	(27,925,947)	(15)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net		48,372,448	(26,109,031)	74,481,479	285
Realized gain (loss) on financial assets measured at fair value through other comprehensive income		7,068,050	2,543,975	4,524,075	178
Gain (loss) on disposal of financial assets measured at amortized cost		1,006,116	(850,917)	1,857,033	218
Foreign exchange gain (loss), net		(20,468,273)	17,302,371	(37,770,644)	(218)
Impairment loss on assets, net		(172,408)	(31,478)	(140,930)	448
Share of the profit (loss) of associates and joint ventures		905,635	(305,739)	1,211,374	396
Gain (loss) on reclassification using the overlay approach		(17,557,763)	15,784,002	(33,341,765)	(211)
Others		3,522,011	4,422,254	(900,243)	(20)
Total net revenues		240,382,100	252,349,877	(11,967,777)	(5)
Allowance for bad debts and losses on commitment and guarantees, net		(347,979)	(45,761)	(302,218)	660
Net change in reserve for insurance liabilities		(191,941,972)	(213,695,965)	21,753,993	(10)
Operating expenses		(26,526,342)	(25,166,272)	(1,360,070)	5
Net profit before income tax		21,565,807	13,441,879	8,123,928	60
Income tax expense		(1,911,986)	(627,239)	(1,284,747)	205
Net profit for the year		19,653,821	12,814,640	6,839,181	53

1. Analysis of changes in financial performance:
2. The decrease of service fee and commission, net was mainly due to the decrease of brokerage fee.
3. The increase of gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net was mainly due to the increase of the income from stocks, mutual fund and derivatives.
4. The increase of realized gain (loss) on financial assets measured at fair value through other comprehensive income was mainly due to the increase of the gain on bond disposal.
5. The increase of gain (loss) on disposal of financial assets measured at amortized cost was mainly due to the increase of the gain on bond disposal.
6. The decrease of foreign exchange gain (loss), net was mainly due to the exchange rate fluctuation.
7. The increase of impairment loss on assets, net and allowance for bad debts and losses on commitment and guarantees, net were mainly due to the increase of allowance.
8. The increase of share of the profit of associates and joint ventures was mainly due to the increase of investment income.
9. The decrease of the gain (loss) on reclassification using the overlay approach was due to the increase of China Life Insurance.
10. The decrease of others was mainly due to the bargain purchase gain result from the partial acquisition of the traditional insurance business of Allianz Taiwan Life Insurance as of 2018.
11. The increase of income tax expense was mainly due to the recognition of tax income by the adjustment in tax rate as of 2018.

## 7.3 Analysis of Cash Flow

### 7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2019	2018	Variance (%)
Cash Flow Ratio (%)	38.97	35.95	8.40
Cash flow adequacy ratio (%)	26.18	17.47	49.86
Cash Flow Content Ratio (%)	145.34	102.82	41.35
Analysis of financial ratio change:			
1. The increase of cash flow adequacy ratio was mainly due to the increase of net cash flows generated from operating activities of 2019.			
2. The increase of cash flow content ratio was mainly due to the decrease of cash flows used in investing activities of 2019.			

### 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	
①	②	③	① + ② + ③	Investment Plans	Financing Plans
2,914,480	10,438,506	(7,896,783)	5,456,203	—	—
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 the cash dividend paid.					

### 7.4 Major Capital Expenditure Items

None

## **7.5 Investment policies in the last year; describe any causes of profit or loss, improvement plans, and investment plans for the next year**

### **7.5.1 Investment policy in the most recent year**

The Company made no significant changes to its investment policy in the last year. It has been supporting the government's strategies while establishing itself as the most distinguished financial group among the world's Chinese-speaking population. The Company's investments have been aimed toward achieving long-term growth and stable returns.

### **7.5.2 Causes of profit and improvement plans**

In 2019, even if U.S. economy performed relatively well among the world's major economies, the Fed cut interest rates to boost liquidity into the market in view of U.S.-China trade uncertainty. The eurozone's economic performance has been relatively lackluster despite a quantitative easing policy adopted by the European Central Bank. China was under pressure to transform its industrial and economic structures in addition to facing the continued impact of trade wars. Driven by the repatriation of China-based Taiwanese companies and the trade diversion, Taiwan's economy grew 2.71% in 2019, on a par with the 2.75% in 2018, with the capital market performing robustly. While the turnover at the Taiwan Stock Exchange totaled NT\$29.06tn in 2019, down 9.6% YoY, averaging around NT\$120.07bn per day, down 7.8% YoY, the FINI-dominated TaieX closed the year at 11,997 points, up 23.3% from 9,727 points at the end of 2018.

China Development Financial Holdings Corporation (CDF) benefited from the solid performance of global financial markets and business growth so that the consolidated net income was NT\$19.65bn in 2019 (including NT\$6.86bn from non-controlling equity), for EPS of NT\$0.88, with consolidated ROE of 7.56%. Compared with consolidated net income of NT\$12.82bn in 2018 (including NT\$4.96bn from non-controlling equity), YoY growth was around 53% in 2019. Below are highlights of 2019 performance by each business segment.

Looking forward to 2020, major research institutions are conservative about global economic growth. In addition to uncertainties brought by the extent of implementation of the U.S.-China Phase-1 trade deal and the progress of further negotiations, global economic activity will also be affected by the rapid spread of COVID-19 in China and other major areas in the world since the start of the year. Governments across the globe have launched various stimulus policies to combat the uncertain risk. We believe that repatriation by China-based Taiwanese companies and the government's multiple supportive policies will enable the economy to slowly stabilize. However, the impact of deeper financial market volatility and growing global political and economic risks cannot be taken lightly if the pandemic becomes more severe than expected. Faced with difficult, fluid financial situations, CDF's commercial banking business will expand its niche in consumer banking via FinTech applications and diversified product offerings. In pursuit of the optimal risk exposure framework, it will focus on a value-oriented lending strategy by optimizing credit structures and risk appetite. On the brokerage business front, it will continue to refine and upgrade products and services for wealth

management and retail channels to meet customer needs. It will also capitalize on group expertise and resources, strengthening its financial service network and grabbing business opportunities in the Greater China and ASEAN regions to create value for shareholders. With regard to venture capital/private equity businesses, CDF will continue to improve the performance of the asset management and push for fund-raising while exploring new business via recruiting investment professionals in different fields to seek more diverse and balanced profit opportunities.

### **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. Its risk management organization and framework are composed of the Board of Directors, senior management and the Risk Management Committee (and its sub-committees) 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.

The risk management units of the company and its main subsidiaries are as follows:



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 has established risk management policies in accordance with global risk management practices and regulations, combining business management with risk management to solidify operations and development. The policies are guidelines for risk management at the company and its subsidiaries.

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 is also concerned about the impact of emerging risk, including climate change, on financial markets and the economic environment, therefore, the Company will adjust its investment and financing policies accordingly. The Company, while aiming 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. Meanwhile, risk management meetings are held on a regular basis.

#### (2) 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.

#### (3) 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 Risk Metrics 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 Credit Metrics 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. Revised “Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers” (announced on December 27, 2018)
  - The Board of Directors of the Company approved the appointment of a Company Secretary on February 25, 2019, and formulated “Standard Operating Procedure of Handling the Requirements of the Board Directors.”
2. Revised “Corporate Governance Best Practice Principles for Financial Holding Companies” (announced on March 25, 2019)
  - CDF revised its Corporate Governance Best Practice Principles for CDF accordingly, which were approved by the Board of Directors on June 24, 2019.
3. Revised “Securities and Exchange Act” twice (announced on April 17 and June 21, 2019)
  - CDF revised the “Audit Committee Charter of CDF” in accordance with the regulatory authority’s “Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.”
4. Revised “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” (announced on May 23, 2019)
  - CDF established an Ethical Management Committee based on the newly-formulated “Ethical Management Committee Charter” and revised the “Guidelines for Handling Illegal, Unethical or Dishonest Operating Behaviors” followed by revision of its “Ethical Corporate Management Best Practice Principles of CDF”.
5. Revised “Principles for Reinvested Asset Management Companies for Financial Holding Companies (Banks)” (announced on May 24, 2019)
  - CDF supervised its asset management subsidiary to revise “Asset Management Operating Guidelines” and “Asset Management Principles,” and to formulate “Guidelines for Interest Party Transaction” for compliance.
6. Revised the “Regulations Governing the Exercise of Powers by Audit Committees of Public Companies” and “Regulations Governing Procedure for Board of Directors Meetings of Public Companies” (announced on January 15, 2020)
  - CDF revised its “Audit Committee Charter of CDF” and “Rules of Procedures for Board Meetings of CDF” accordingly.

## **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. In response to the digital era, KGI Bank has in recent years been launching various innovative FinTech products and services. Through Open Banking, KGI Bank has expanded traditional banking services to third-party strategic alliances to provide customers with full-fledged banking services that are rapid, convenient and without geographic limitations. Moreover, 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, block chain 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 unappeasable 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 Commercial Bank Co., Ltd. ("KGI Bank")**

On December 19, 2012, Chinatrust Commercial Bank and Shanghai Commercial & Savings Bank (collectively referred to as the "Plaintiffs") claimed that the third mortgage (the "Disputed Mortgage") that Prince Motor Co., Ltd. ("Prince Motor") and Prince Investments Ltd. ("Prince Investments") had placed upon Dunnan Prince Building (the "Disputed Property," which was jointly owned by Prince Motor and Prince Investments) in September 2007, to secure a payment obligation of up to NT\$

1,950,000,000 in favor of KGI Bank, was made without consideration and therefore an act detrimental to the other creditors. The Plaintiffs requested to revoke the Disputed Mortgage and remove the registration thereof. Given the fact that the Disputed Property was already entrusted to United Real Estate Management Co., Ltd. ("URMC") in January 2008, the Plaintiffs further demanded to have KGI Bank return NT\$ 1,786,318,000 received from the disposal of the Disputed Property back to URMC. On February 14, 2014, Taipei District Court ruled to revoke the Disputed Mortgage and that KGI Bank was liable to pay NT\$ 1,786,318,000 to URMC. Upon KGI Bank's appeal, the ruling was overturned by Taiwan High Court on July 26, 2017 (i.e. KGI won the case on all counts). The Plaintiffs later appealed to the Supreme Court which reversed and remanded the case to the High Court for a new trial on October 31, 2018, and the case is currently before the High Court.

◎ **KGI Securities Co., Ltd. ("KGI Securities")**

On September 24, 2002, investor Huang brought certificates of 11,000,000 shares of Jen-Hsin Securities Co., Ltd. ("JHSC") to JHSC's stock affairs department in an attempt to have them transferred to a third party; but because of incomplete documentation, the transfer could not be completed and the share certificates were placed under temporary custody of the stock affairs department. These share certificates were later taken away by JHSC's Vice President Yang. JHSC applied to court for an injunction on November 6, 2002 ordering Yang to surrender the shares. The application turned into litigation as Yang repudiated. After acquiring JHSC, KGI Securities assumed the case and notified Huang to join the litigation. On August 29, 2003, Taipei District Court ruled against 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, and on May 21, 2019, the Court ruled that KGI Securities should pay NT\$90,379,000 to Huang while Huang assigns the rights of claims for returning possession and damages in tort against Yang to KGI Securities owing to losing possession of JHSC's stocks and simultaneously dismissed Huang's remaining appeals. Then, KGI Securities has filed an appeal against the sixth-time decision of Taiwan High Court to the Supreme Court, and the appellate proceedings are still ongoing.

◎ **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. The Court ruled that the case entered to the substantive trial stage after the procedures in respect of discovery, deposition and expert discovery. The case is still pending in the Supreme Court of the State of New York.

◎ **CDIB Capital Management Corporation (“CCM”, previous name: CDIB Private Equity Corporation)**

On November 12, 2013, CCM (previously known as "CDIB Private Equity Corp.") received a brief of complaint from Securities and Futures Investors Protection Center (SFIPC), claiming that Powercom Co., Ltd. ("PCM") had misstated or omitted information in financial statements dated between 2009 first quarter and 2011 third quarter as a result of negligence by CCM's director representatives at PCM (two director representatives were appointed during this time). SFIPC then held CCM jointly responsible for PCM's release of false financial information that resulted in investors' losses, and thus made a claim of NT\$ 592,648,000 plus statutory interest against CCM, PCM and the two directors. The New Taipei District Court ruled against part of CCM's claims, i.e., CCM and the appointed director representatives jointly pay NT\$31,010,000 with the interest calculated at 5 % per annum from November 13, 2013 to the date of payback, and therefore, CCM has filed an appeal against the decision of New Taipei District Court, and the appeal is currently before the High 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**

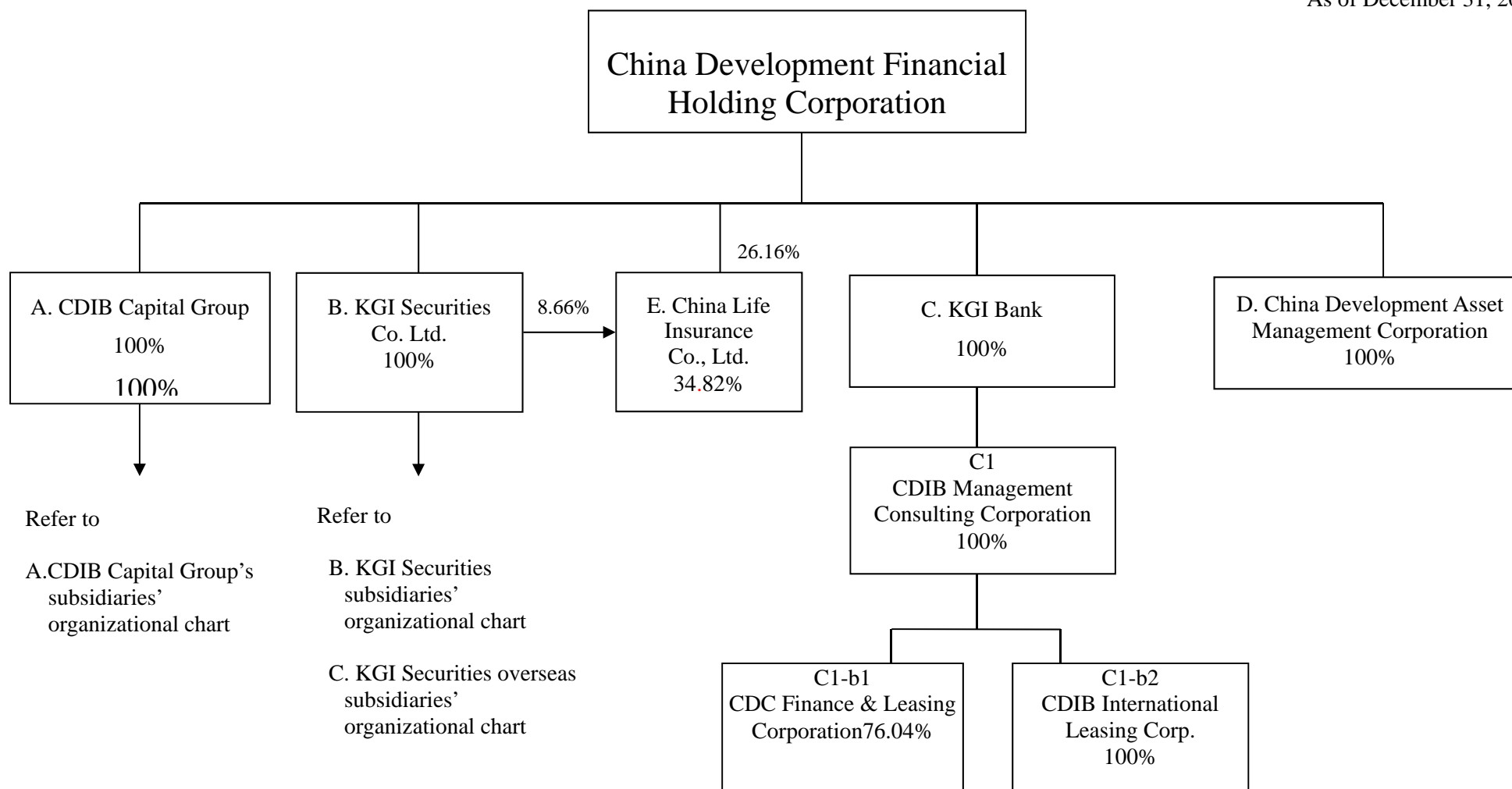
None

## VIII. Special Disclosure

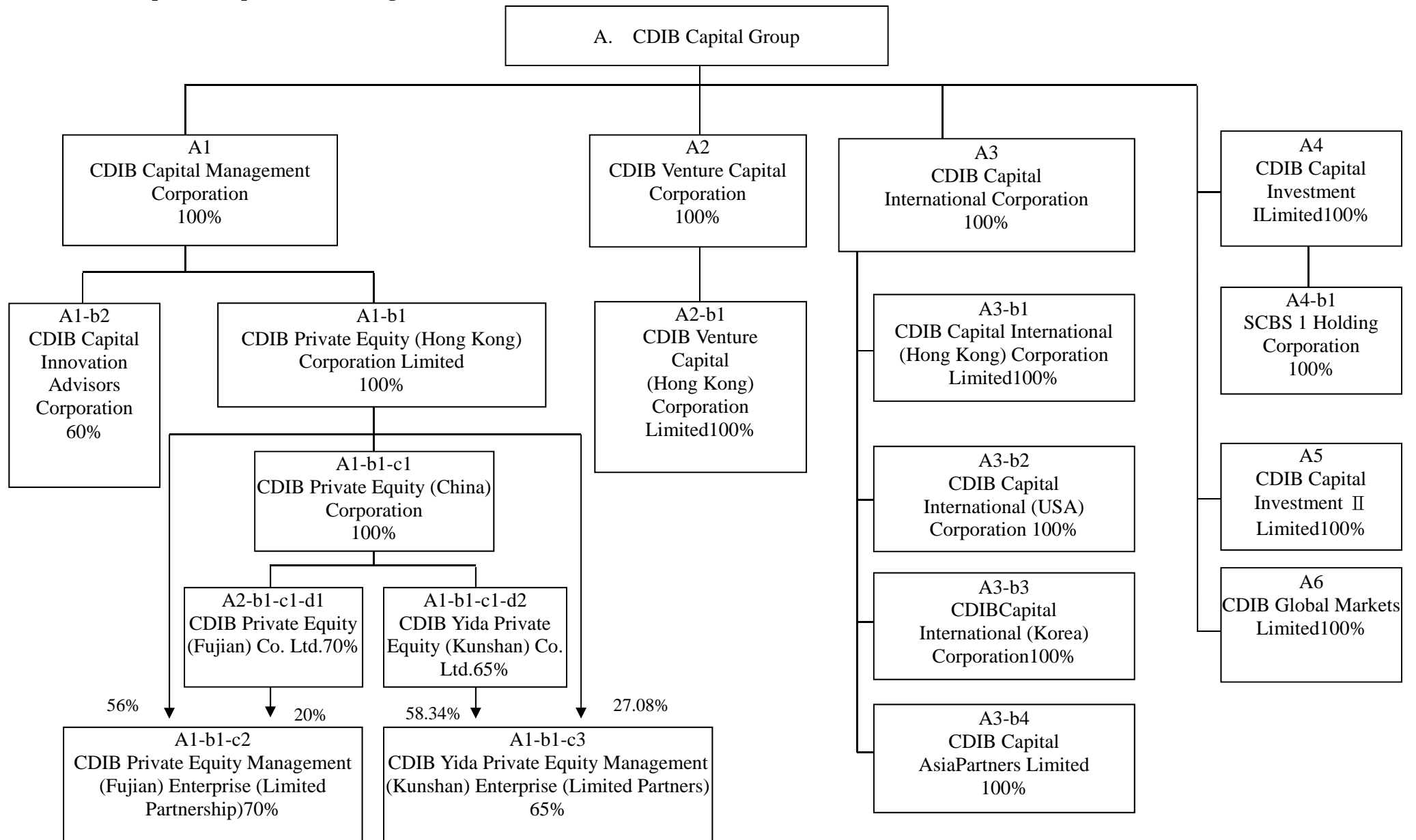
### 8.1 Summary of Affiliated Companies

#### 8.1.1 Organizational Chart

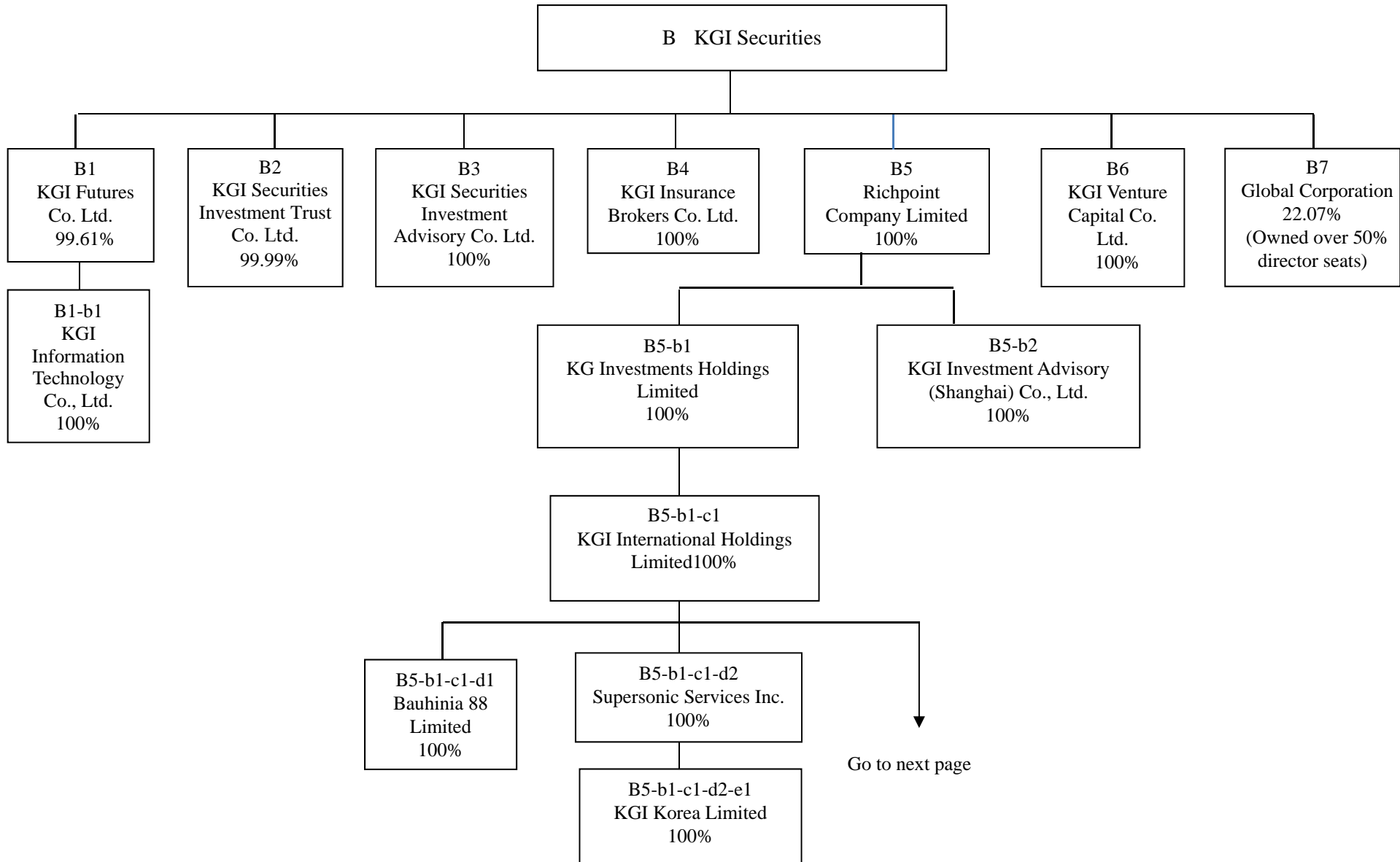
As of December 31, 2019



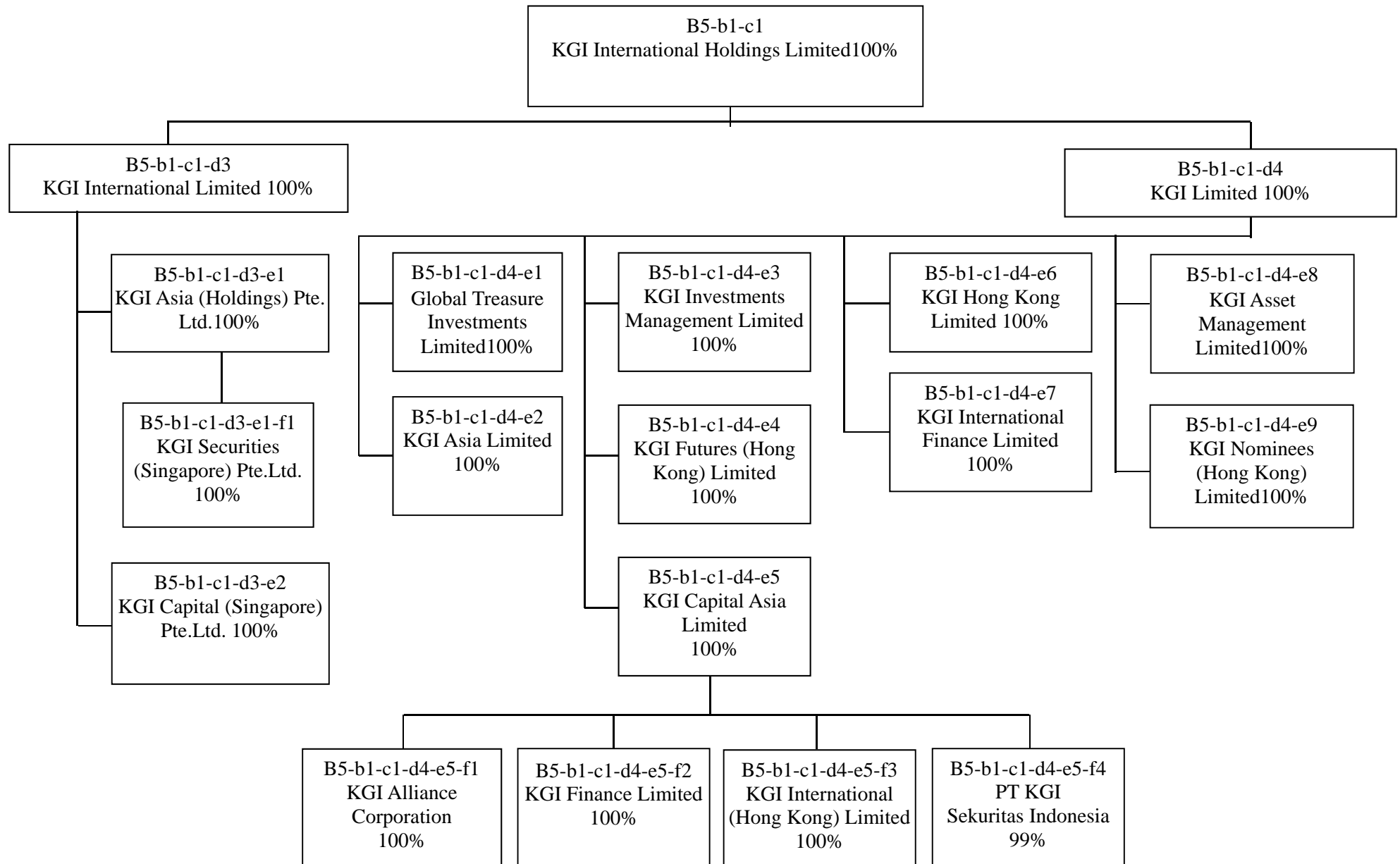
**A. CDIB Capital Group subsidiaries' organizational chart**



**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, 2019  
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	2003.11.05	7F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	2,133,600	Financial Institution Creditor's Right(Money) Purchase & Management	
E	China Life Insurance	1963.04.25	5F, No.122, Dun Hua N. Rd., Songshan Dist., Taipei City, Taiwan	44,635,823	Life Insurance	

### ◎ CDIB Capital Group

December 31, 2019  
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	Fund Management	
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	Fund Management	

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	Fund Management	
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 1,010,000	Venture Capital	
A3	CDIB Capital International Corporation	2009.05.11	Cayman Islands	USD 4,700	Private Equity Advisory Services	
A3-b1	CDIB Capital International (Hong Kong) Corporation Limited	2009.06.15	Hong Kong	HKD 15,400	Private Equity Advisory Services	
A3-b2	CDIB Capital International (USA) Corporation	1997.07.14	New York, USA	USD 0.8	Private Equity Advisory Services	
A3-b3	CDIB Capital International (Korea) Corporation	1997.01.29	Seoul, Korea	KRW 2,788,390	Private Equity Advisory Services	
A3-b4	CDIB Capital Asia Partners Limited	2014.03.21	Cayman Islands	USD 0.1	Private Equity Advisory Services	
A4	CDIB Capital Investment I Limited	1996.12.27	British Virgin Islands	USD 132,800	Investment	
A4-b1	SCBS 1 Holding Corporation	2019.03.25	Delaware, USA	USD 0.00358	Investment Holding	
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 85,282	Investment	

◎ **KGI Securities**

December 31, 2019

Unit : NT\$/000/US\$/000/HKD\$/000 /SGD\$/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	SGD 7,000	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
B5-b1-c1-d4-e2	KGI Asia Limited	1996.10.01	Hong Kong	USD 95,000	Securities

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
B5-b1-c1-d4-e3	KGI Investments Management Limited	1986.03.04	Hong Kong	HKD 41,931	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 207,963	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 190,000	Derivative
B5-b1-c1-d4-e5-f4	PT KGI Sekuritas Indonesia	2016.08.31	Indonesia	IDR 100,000,000	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	KGI Asset Management Limited	2014.12.22	Hong Kong	HKD 12,840	Asset Management
B5-b1-c1-d4-e9	KGI Nominees (Hong Kong) Limited	1994.07.19	Hong Kong	HKD 0.003	Trust
B5-b2	KGI Investment Advisory (Shanghai) Co. Ltd.	2013.11.25	Shanghai, China	USD 4,000	Investment Advisory
B6	KGI Venture Capital Co. Ltd.	2012.11.26	6F, No. 700, Mingshui Rd., Taipei City, Taiwan	700,000	Venture Capital
B7	Global Corporation	1995.05.04	17F, No.54, Sec. 2. Keelung Rd., Taipei City, Taiwan	4,000,000	Investment Advisory, Management Advisory

Note: KGI Capital (Singapore) Pte. Ltd. is currently not in operation.

◎ **KGI Bank**

December 31, 2019  
Unit : NT\$'000

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
C1	CDIB Management Consulting Corporation	2011.7.22	3F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	1,531,719	Management Consulting
C1-b1	CDC Finance & Leasing Corporation	1996.05.01	5-6F, No. 224, Sec.3, Nanjing E. Rd., Taipei City, Taiwan	767,048	Leasing
C1-b2	CDIB International Leasing Corp.	2012.03.27	12F, No. 1228, Qianjin E. Rd., Kunshan, China	USD 30,000	Leasing

**8.1.3 Common Shareholders among Controlling and Controlled Entities**

None

**8.1.4 Backgrounds of directors, supervisors and presidents of affiliated enterprises: as of the publication date of annual report. Unit: shares;**

© **China Development Financial Holding (CDF)**

December 31, 2019

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	Angelo J.Y.Koo Chia-Juch Chang Lionel de Saint-Exupery Shan-Jung Yu Melanie Nan Jamie Huang Paul Yang Shaio-Tung Chang William Ho Tyzz-Jiun Duh Jui-Te Yu Yin Jeng William Ho	2,041,115,913	100
B	KGI Securities	Director / CDF  Independent Director  President(proxy)	Daw-Yi Hsu Osama Salman Abbasi Falco Mi Howe Yong Lee Fortune Ju Jen-Hai Wang James Tai Wen-Yeu Wang Kai-Chieh Chia Osama Salman Abbasi	3,241,843,251	100
C	KGI Bank	Director / CDF  Independent Director  President	Mark Wei Yu-Ling Kuo Amy Tsao Richard Chang Julian Yen Winnie Huang Lee Rong Wang Tien Cheng Lee Ko Chia Cheng Amy Tsao	4,606,162,291	100
D	China Development Asset Management Corporation	Director / CDF  Supervisor / CDF President	Tien-Sung Lee Long I Liao Kiki Shih Steve Hsu Cheng-Hung Lin	213,360,000	100
E	China Life Insurance	Director / CDF  Director / Tai li investment Director / EVER-RICH Independent Director  President	Alan Wang Yu Ling Kuo Kiki Shih Stephanie Hwang Tony T. M. Hsu Lauren Hsieh Johnson F.H.Huang Wei-Ta, Pan Wen-Yen Hsu Stephanie Hwang	1,167,854,432  579,914 158,435	26.16  0.01 0.00

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	Sherie Chiu William Ho Melanie Nan Kathy Young Julian Yen Daw-Yi Hsu Lawrence Liu Frances Tsai Cathy Han Kathy Young	33,093,889	100
A1-b1	CDIB Private Equity (Hong Kong) Corporation Limited	Director	Melanie Nan Sherie Chiu Kathy Young Frances Tsai Jenny Chiang	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	William Ho Sherie Chiu Melanie Nan Kathy Young James Ho 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 Ching-Yen Tsay 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	Sherie Chiu Eddy Chang Kathy Young Frances Tsai Jenny Chiang Marisol Wang	1,022,790,915	100
		Supervisor / CDIB Capital Group President	Kathy Young		
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	Director President	Frances Tsai Eddy Chang Kathy Young Kathy Young	1,010,000,000	100
A3	CDIB Capital International Corporation	Director President	Angelo J.Y.Koo Sherie Chiu Melanie Nan Frances Tsai Jenny Chiang Lionel de Saint-Exupery Lionel de Saint-Exupery	4,700,000	100
A3-b1	CDIB Capital International (Hong Kong) Corporation Limited	Director President	Angelo J.Y.Koo Sherie Chiu Melanie Nan Frances Tsai Jenny Chiang Lionel de Saint-Exupery Hamilton Tang Lionel de Saint-Exupery	15,400,000	100
A3-b2	CDIB Capital International (USA) Corporation	Director President	Melanie Nan Christy Lin Sandra Yao Lisa Guo Pietro Cinquegrana Lionel de Saint Exupery Lionel de Saint-Exupery	8,000,000	100
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	557,678	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	100	100

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A4	CDIB Capital Investment I Limited	Director	Sherie Chiu Melanie Nan Frances Tsai Christy Lin Lionel de Saint Exupery	132,800,000	100
A4-b1	SCBS 1 Holding Corporation	Director	Grant Chuan Lin Siyuan Zheng	3,578	100
A5	CDIB Capital Investment II Limited	Director	Sherie Chiu Melanie Nan Frances Tsai Christy Lin 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.

◎ **KGI Securities**

December 31, 2019

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B1	KGI Futures Co. Ltd.	Director  Supervisor President	Falco Mi James Chen Shao-Ching Hung 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 Steven Liao Bruce Wang Chang-Ti Liu  Yen-Min Chu	5,000,000	100



Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B4	KGI Insurance Brokers Co. Ltd.	Director / KGI Securities Supervisor / KGI Securities President	William Fang Chih-Cheng Cheng Yao-Min Chou Kuei-Ling Lee Kuan-Yu Chen	500,000	100
B5	Richpoint Company Limited	Director	William Fang Daw-Yi Hsu Albert Ding	147,043,557	100
B5-b1	KG Investments Holdings Limited	Director	Daw-Yi Hsu Wong Hoe Choon Reddy Abbasi, Osama Salman	156,864,163	100
B5-b1-c1	KGI International Holdings Limited	Director	Jenny Huang Wong Hoe Choon Reddy Abbasi, Osama Salman	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	Wong Hoe Choon Reddy	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 Christopher	75,749,305	100
B5-b1-c1-d3-e1-f1	KGI Securities (Singapore) Pte. Ltd	Director	Falco Mi Teo Cheng Hoe Christopher 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 Wong Hoe Choon Reddy Lin Patrick C Lee Mei Ching Alva Chan Hin Geung Mark	95,000,000	100

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
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	41,930,600	100
B5-b1-c1-d4-e4	KGI Futures (Hong Kong) Limited	Director	Chu Kuan Hsun Lee Man Sik Falco Mi Wong Hoe Choon Reddy Lee Siu Lun	45,000,000	100
B5-b1-c1-d4-e5	KGI Capital Asia Limited	Director	Jenny Huang Lee Siu Lun Wong Hoe Choon Reddy Fan Ching Yee	207,962,769	100
B5-b1-c1-d4-e5-f1	KGI Alliance Corporation	Director	Jenny Huang Julian Yen Teo Cheng Hoe Christopher	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	190,000,000	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
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	KGI Asset Management Limited	Director	Chan Hin Geung Mark Wong Hoe Choon Reddy Julian Yen Chu Kuan Hsun Lee Mei Ching Alva	64,200	100
B5-b1-c1-d4-e9	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

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B6	KGI Venture Capital Co. Ltd.	Director / KGI Securities Supervisor / KGI Securities President	William Fang Jocelyn Huang Yao-Min Chou Shao-Ching Hung Chun-Che Chen	70,000,000	100
B7	Global Corporation	Director / KGI Securities  Director / Tuntex Petrochemicals, Inc. Supervisor Supervisor / CDIB & Partners Investment Holding Corporation President	Yung-Sheng Kao Adrienne Chiu Kuo-Pin Kao Chi-Yu Li  Mu-Hsien Chen Chao-Chiu Lin  Yung-Sheng Kao	87,958,558	22.07

Note: KGI Capital (Singapore) Pte. Ltd. is currently not in operation.

◎ **KGI Bank**

December 31, 2019

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	Amy Tsao Andy Lin Wen-Yan Hsu Kiki Shih Sheng-Yu Wu	153,171,873	100
C1-b1	CDC Finance & Leasing Corporation	Director / CDIB Management Consulting Corporation  Director Director / Pacific Resource Co. Ltd. Supervisor Supervisor President	J.M. Meng Andy Lin Winnie Huang Tony Lin Stanley Liu Jack Hung Qian Lee Hua 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 President	Ke-Jun Wu Andy Lin Chih-Chin Wang Wen-Yan Hsu Lee Hua Kiki Shih Sheng-Yu Wu	none	100

## 8.1.5 Performance of affiliated enterprises:

### ◎ China Development Financial Holding Corporation

Date : December 31, 2019

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	44,455,179	1,782,836	42,672,343	2,412,940	1,935,315	2,231,889	1.09
B	KGI Securities Co., Ltd.	32,418,432	230,511,571	163,111,581	67,399,900	11,121,170	1,914,516	6,052,557	1.87
C	KGI Bank Co., Ltd.	46,061,623	662,381,139	598,209,509	64,171,630	11,271,049*	11,271,049*	3,606,608	0.78
D	China Development Asset Management Corporation	2,133,600	2,806,612	208,631	2,597,981	427,497	341,656	287,322	1.35
E	China Life Insurance Co., Ltd.	44,635,823	2,000,237,920	1,857,568,359	142,669,561	339,115,451	14,590,816	13,597,878	3.20

Note\*:It is "Net revenue".

### ◎ CDIB Capital Group

Date : December 31, 2019

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	807,677	183,138	624,539	269,394	83,957	73,848	2.23
A1-b1	CDIB Private Equity (Hong Kong) Corporation Limited	200,645	311,244	427	310,817	23,108	22,367	22,410	—
A1-b1-c1	CDIB Private Equity (China) Corporation	197,298	288,279	42,763	245,516	66,377	27,381	24,861	—
A2-b1-c1-d1	CDIB Private Equity (Fujian) Co., Ltd.	43,230	171,726	55,814	115,912	80,384	26,436	21,671	—
A1-b1-c1-d2	CDIB Yida Private Equity (Kunshan) Co., Ltd.	30,261	153,722	67,747	85,975	95,527	21,867	15,180	—
A1-b1-c2	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	51,876	51,834	330	51,504	(1,954)	(2,484)	(2,330)	—
A1-b1-c3	CPEC Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	51,876	52,058	259	51,799	(1,394)	(1,713)	(1,620)	—
A1-b2	CDIB Capital Innovation Advisors Corporation	20,000	37,135	12,819	24,316	30,714	4,201	3,509	1.75
A2	CDIB Venture Capital Corporation	10,227,909	10,270,833	145,931	10,124,902	783,898	687,307	620,691	0.61
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	3,904,660	3,668,280	526	3,667,754	(126,264)	(127,276)	(122,368)	—
A3	CDIB Capital International Corporation	141,498	986,141	319,806	666,335	656,753	68,514	74,818	—

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
A3-b1	CDIB Capital International (Hong Kong) Corporation Limited	59,536	347,468	153,738	193,730	276,544	27,405	23,181	—
A3-b2	CDIB Capital International (USA) Corporation	24	101,358	34,026	67,332	85,785	7,083	9,245	—
A3-b3	CDIB Capital International (Korea) Corporation	72,688	76,869	9,001	67,868	40,608	2,299	174	—
A3-b4	CDIB Capital Asia Partners Limited	3	2,009	213	1,796	0	(503)	(491)	—
A4	CDIB Capital Investment I Limited	3,998,077	8,061,541	25,001	8,036,540	443,195	289,694	330,284	—
A4-b1	SCBS 1 Holding Corporation Limited	0	90,447	1,382	89,065	(16,668)	(18,933)	(19,161)	—
A5	CDIB Capital Investment II Limited	1,354,770	1,248,897	100,957	1,147,940	(327,684)	(359,975)	(340,224)	—
A6	CDIB Global Markets Limited	2,567,490	6,561,082	634	6,560,448	476,831	246,539	323,037	—

© **KGI Securities**

Date : December 31, 2019

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	26,075,941	22,599,183	3,476,758	1,627,731	21,237	475,797	5.53
B1-b1	KGI Information Technology Co., Ltd.	50,000	48,950	702	48,248	0	(504)	(212)	(0.04)
B2	KGI Securities Investment Trust Co. Ltd.	300,000	607,847	173,481	434,366	632,889	85,947	67,580	2.25
B3	KGI Securities Investment Advisory Co. Ltd.	50,000	167,647	107,798	59,849	169,268	2,838	3,002	0.60
B4	KGI Insurance Brokers Co. Ltd.	5,000	187,550	76,947	110,603	535,885	124,870	100,603	201.21
B5	Richpoint Company Limited	4,426,907	15,672,768	1,344,054	14,328,714	38	(38,847)	1,217,976	—
B5-b1	KG Investments Holdings Limited	4,722,548	17,948,655	3,672,992	14,275,663	(8,941)	(20,322)	1,197,948	—
B5-b1-c1	KGI International Holdings Limited	6,299,620	18,638,203	718,660	17,919,543	(13,879)	(60,543)	1,215,319	—
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	301	2,198	0	2,198	0	0	0	—
B5-b1-c1-d3	KGI International Limited	2,454,000	2,190,031	82,942	2,107,089	0	0	0	—

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
B5-b1-c1-d3-e1	KGI Asia (Holdings) Pte. Ltd.	2,280,499	5,105,827	3,212,310	1,893,517	17,160	(65,721)	71,050	—
B5-b1-c1-d3-e1-f1	KGI Securities (Singapore) Pte. Ltd.	3,076,501	20,142,871	17,675,835	2,467,036	979,408	(245,183)	4,365	—
B5-b1-c1-d3-e2	KGI Capital (Singapore) Pte. Ltd. (Note)	156,590	111,362	30	111,332	0	(30)	(30)	—
B5-b1-c1-d4	KGI Limited	9,282,914	13,646,658	2,435,364	11,211,294	(12)	(12)	2,795,131	—
B5-b1-c1-d4-e1	Global Treasure Investments Limited	0	0	0	0	0	0	0	—
B5-b1-c1-d4-e2	KGI Asia Limited	2,860,070	40,171,761	31,161,637	9,010,124	1,884,184	1,555,758	499,157	—
B5-b1-c1-d4-e3	KGI Investments Management Limited	162,105	68,642	5,690	62,952	98,326	98,326	(18,425)	—
B5-b1-c1-d4-e4	KGI Futures (Hong Kong) Limited	1,354,770	5,771,772	3,516,802	2,254,970	204,450	192,618	56,659	—
B5-b1-c1-d4-e5	KGI Capital Asia Limited	6,260,934	6,245,159	813	6,244,346	23,483	23,483	(30,136)	—
B5-b1-c1-d4-e5-f1	KGI Alliance Corporation	3,011	530,137	433,978	96,159	0	(3)	61,567	—
B5-b1-c1-d4-e5-f2	KGI Finance Limited	1,291,969	1,164,651	233,442	931,209	361	(1,054)	(13,578)	—
B5-b1-c1-d4-e5-f3	KGI International (Hong Kong) Limited	5,720,140	29,562,948	23,894,199	5,668,749	1,070,027	914,560	450,085	—
B5-b1-c1-d4-e5-f4	PT KGI Sekuritas Indonesia	220,000	1,240,186	953,848	286,338	220,918	61,958	45,912	—
B5-b1-c1-d4-e6	KGI Hong Kong Limited	452	754,366	1,217,306	(462,940)	(18,184)	(2,531,644)	14,391	—
B5-b1-c1-d4-e7	KGI International Finance Limited	301,060	1,668,926	1,281,462	387,464	12,073	(48,350)	91,793	—
B5-b1-c1-d4-e8	KGI Asset Management Limited	49,639	49,344	0	49,344	181	181	482	—
B5-b1-c1-d4-e9	KGI Nominees (Hong Kong) Limited	0	0	0	0	0	0	0	—
B5-b2	KGI Investment Advisory (Shanghai) Co Ltd	120,424	28,938	705	28,233	457	(8,100)	(8,069)	—
B6	KGI Venture Capital Co. Ltd.	700,000	1,036,549	36,083	1,000,466	291,109	280,359	270,432	3.86
B7	Global Corporation	4,000,000	4,234,987	4,548	4,230,439	113,086	91,968	23,913	0.06

Note: KGI Capital (Singapore) Pte. Ltd. is currently not in operation.

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	789,253	7,586	781,667	(75,009)	(81,375)	(81,142)	(0.53)
C1-b1	CDC FINANCE & LEASING Corp.	767,048	4,641,577	3,787,565	854,012	330,798	45,446	41,963	0.55
C1-b2	CDIB International Leasing Corp.	811,641	73,342	12,316	61,026	13,951	(34,664)	(106,919)	—

## 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
KGI Securities	32,418,432	—	100%	2019	—	64,255,000 shares NT\$638,763,000	—	182,645,796 shares NT\$1,777,144,000	—
				As of the date of publication of this report	—	9,175,000 shares NT\$89,925,000	—	173,470,796 shares NT\$1,287,153,000	—
China Life	44,635,823	—	26.16%	2019	—	—	—	562,468,259 shares NT\$5,472,816,000	—
				As of the date of publication of this report	—	—	—	562,468,259 shares NT\$4,173,514,000	—

## **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**

1. The Company's directors (including independent directors) of the 7<sup>th</sup>-term were elected at Shareholders' Meeting on June 14, 2019 and please find the list of elected board members published at the section "3.4.1 Information concerning the Board of Directors (the Board)" in the 2020 annual report.
2. The Company's President and CEO, Alan Wang, retired on March 4<sup>th</sup>, 2020 and subsequently the Company appointed Executive Vice President, Daw-Yi Hsu, as Acting President.



China Development Financial Holding Co., Ltd.

Chairman Chia-Juch Chang