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2018



中華開發金控

CHINA DEVELOPMENT FINANCIAL



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CHINA DEVELOPMENT FINANCIAL

2018

Content

1	Letter to Shareholders	2
2	About Us	6
3	Professional Services	16
4	Operating Performance	62
	Office Locations	70

Letter to Shareholders



Chairman Chia-Juch Chang

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

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

A. Commercial banking business

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

- (1) Corporate banking: By providing tailor-made financial solutions for domestic and foreign corporate clients, and through the effective organization of professionals and diversified product services, KGI Bank continues to customize project financing services for customers and to proactively cross-sell financial plans to companies and company owners for better wealth management. KGI Bank has increased credit portfolio and optimized the profit structure by jointly participating in syndicated loan projects, winning clients with supply chain cash flows, and keeping track of M&A activities involving local and foreign private equity funds and international investment banks.
- (2) Consumer banking: In response to the advent of the digital era, KGI Bank has accelerated the implementation of various digital platforms, and has continuously optimized the functions of mobile banking and online banking. It has also reduced the difficulty of applying for financial services and products via online acceptance and has accelerated cross-selling within the group, while introducing external customer resources to build a solid customer base.
- (3) Global markets: Despite fluctuations in the global investment environment, KGI Bank has actively adjusted its financial asset risk exposure structure, and adheres to a sound operational strategy to obtain more stable investment income under the premise of risk control. In addition, in order to provide customers with diversified services, KGI Bank has cooperated with various channels to expand such businesses as investment hedging, note/ bond underwriting, financial product marketing, and asset management. It has also strengthened customer relationships via customized integrated products and enhanced financial innovation and product development capabilities to meet diverse customer needs.

B. Brokerage business

Benefiting from recovering capital markets and economies, which is conducive to the operation of the brokerage business, KGI Securities maintains market leadership in such businesses as brokerage, investment banking, warrant trading, bond underwriting, and others. As investor

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

C. Venture capital / private equity investment business

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

In November 2017, Taiwan Ratings announced CDF's long-term and short-term ratings of "twA+" and "twA-1", respectively, while CDF's outlook was again rated as "stable." These rankings were in recognition of CDF's strong capitalization, established franchise in Taiwan's corporate banking and securities business, and business diversification.

Looking forward to 2019, it is expected that global economic growth will slow and the US will maintain steady growth, but that downside risks associated with the eurozone and Japan will increase; China may adopt policy adjustments, hoping the economy will slowly stabilize; emerging markets might benefit from the US Federal Reserve's slowing pace of interest rate hikes and experience less pressure from capital outflow, but the risks of political instability, fiscal debt and regional geopolitics cannot be ignored. Taiwan's economy is expected to maintain stability under the support of the government's continued implementation of various policies, but it must not neglect the impact of global financial market volatility and political and economic risks. In the face of volatile financial conditions, KGI Bank will develop digital solutions to expand its client base and optimize service platforms to improve the user experience. Also, in addition to keeping risks and operating cost under control, KGI Bank will resort to raising fee income to boost ROA. Regarding KGI Securities, it will carry out the transformation of the traditional brokerage business at home and abroad, establish a financial innovation technology platform, deepen risk management according to regional and business attributes, actively strengthen

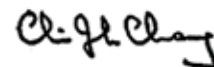
product innovation design and distribution/ sales capabilities, strengthen Asia-Pacific regional platform synergies to boost overseas earnings, and continue to promote group synergy. On the other hand, CDIB Capital Group, in addition to continuing with asset monetization, will focus on fund-raising and asset management, as well as providing customized private equity fund investment advisory services for institutional investors, to further expand fund advisory business.

CDF has long been concerned with sustainability issues and has incorporated the concept of sustainability into its corporate culture. In 2018, CDF's long-term commitment to sustainability is evidenced by our being selected as a component stock of the FTSE4Good Emerging Index for the second year, being ranked 33rd in the large-enterprise category of Commonwealth Magazine's "Corporate Citizenship Award". In addition, CDF participated in the "Taiwan Corporate Sustainability Award" and won the "Corporate Sustainability Report Top 50 Platinum Award", the "Corporate Comprehensive Performance Top 50 Sustainable Corporate Award" and the "Best Performance of Specific Category - Social Inclusion Award." Our sustainability achievements have also been highly recognized by the sustainability rating agencies at home and abroad. CDF has integrated sustainability into its core businesses by having KGI Bank and KGI Securities sign the "Stewardship Principles for Institutional Investors", in the hope that the pursuit of long-term and stable earnings are accompanied by CDF having a major and positive impact on the market and invested companies. In addition, KGI Bank's efforts to promote inclusive finance have also been well received by the community, such as the launch of "Giving You A Hand Revolving Loan Project", showing the Company cares for economically disadvantaged groups in society and assists promising youth in their efforts to explore their dreams; the "Taxi Driver's Small Revolving Loan Project", backed by big-data analysis, provides financial services for taxi drivers; and the FinTech Innovation Experiment Plan, in collaboration with ChungHwa Telecom, just to name a few. Through these projects, CDF hopes to give socially-disadvantaged groups a helping hand, develop customized financial services, promote financial inclusion, and boost society integration.

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

Best Regards,

Chairman, Chia-Juch Chang



2

Ahead of the Pack; A New Era of Resource Consolidation

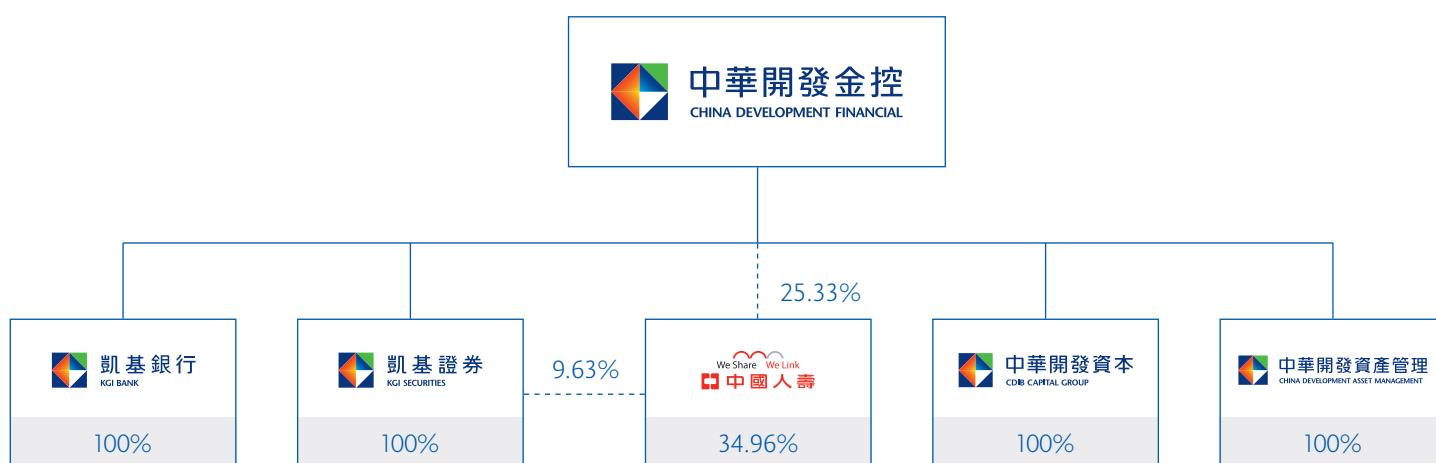
In 2018, China Development Financial (CDF) successfully entered a new era of four business engines, providing life insurance, commercial banking, securities and venture capital & private equity investment services. A brand-new operating model and business culture has come into existence. CDF will provide clients with the most comprehensive financial services, ranging from institutional to retail services. CDF has shaped corporate culture with the aim of generating a steady income stream via well-balanced deployment among retail and institutional businesses within the group.



About Us

2-1	China Development Financial	9
2-2	China Life	11
2-3	KGI Bank	13
2-4	KGI Securities	14
2-5	CDIB Capital Group	15

Organization Chart – Main Subsidiaries



Domestic Subsidiaries

- CDC Finance & Leasing Co.

Overseas Subsidiaries

- CDIB International Leasing Co.

Domestic Subsidiaries

- KGI Futures Co. Ltd.
- KGI Securities Investment Advisory Co. Ltd.
- KGI Securities Investment Trust Co. Ltd.
- KGI Insurance Brokers Co. Ltd.
- KGI Venture Capital Co. Ltd.
- Global Securities Finance Co. Ltd

Overseas Subsidiaries

- Mainland China
- KGI Investments Advisory (Shanghai) Co. Ltd
 - KGI Asia Limited Shanghai Representative office
 - KGI Asia Limited Shenzhen Representative office
- Hong Kong
- KGI Asia Ltd.
 - KGI Futures (Hong Kong) Ltd.
 - KGI Capital Asia Ltd.
 - KGI Asset Management Ltd.
- Singapore
- KGI Securities (Singapore) Pte. Ltd.
- Indonesia
- PT KGI Sekuritas Indonesia

Domestic Subsidiaries

- CDIB Capital Management Corp.
- CDIB Capital Innovation Advisors Corp.

Overseas Subsidiaries

- CDIB Capital International Corp.
- CDIB Capital International (Hong Kong) Corp. Ltd.
- CDIB Capital International (USA) Corp.
- CDIB Capital International (Korea) Corp.
- CDIB Private Equity (China) Corp.
- CDIB Private Equity (Fujian) Co. Ltd.
- CDIB Yida Private Equity (Kunshan) Co. Ltd.

2-1 China Development Financial

China Development Financial (CDF) was established in 2001. Major subsidiaries include China Life, KGI Bank, KGI Securities, and CDIB Capital Group. CDF is dedicated to increasing shareholder returns as well as focusing on environmental, social and governance (ESG) initiatives, positioning itself as a leading regional financial institution with comprehensive deployment in Asia.

China Life – The Most Trustworthy Insurance Expert

China Life holds a dedicated vision of maximizing benefits and value for its insured, shareholders, employees and the society, as well as becoming the most trusted life insurer in Taiwan. China Life provides a wide range of life insurance products and related services, including individual traditional life insurance, individual injury insurance, individual health insurance, group insurance, annuities, and investment-linked insurance. Meanwhile, China Life manages the use of funds pursuant to regulatory requirements to invest in securities, real estate, overseas markets and loans. Amid rising awareness of health management, China Life has built a safety net that captures demand based on customers' risk attributes, policyholders' age and preparation for life milestones as well as clients' needs regarding the gaps of caretaking, in alignment with national long-term care policies. In addition, a specialized "Digital Application Development Department" has been set up to promote digitalization services as China Life aspire to provide policyholders with comprehensive health management and protection plans through FinTech, and to be the policyholders' first choice of life insurer.

KGI Bank – Offering a Full Range of Quality Commercial Banking Services

KGI Bank aspires to be a provider of top-notch financial services. KGI Bank has actively launched a variety of innovative products and services to keep pace with the digital era in recent years, providing swift services from traditional services to internet- and mobile device-based platforms at customers' fingertips. KGI Bank will continue to differentiate and diversify its financial services to earn the support and trust of customers, aiming to become a top notch bank with a local foundation and relentless innovation.

KGI Securities – Market Leadership in Underwriting Business & International Presence

Not only is KGI Securities the leading brokerage house in Taiwan, it is also ranked number one in the underwriting market. In addition to Taiwan, KGI Securities has a presence in Hong Kong, Thailand, Singapore, and Indonesia. Being the first local securities firms to expand abroad enables KGI Securities to benefit from the industry's most well-established overseas presence. Going forward, investment banking business, the opening of offshore securities units (OSU), and its presence in mainland China will be the driving momentum for KGI Securities to capitalize on and accelerate growth as it aspires to become an exceptional investment bank in the Asia-Pacific region.

CDIB Capital Group – Focusing on Private Equity Investment & Asset Management

CDIB Capital Group, formerly China Development Industrial Bank, was the first private development-oriented financial institution in Taiwan. It has long worked in close partnership with the government to play a pivotal role in supporting Taiwan's industrial development and economic growth through pioneering the local venture capital and investment banking markets. Today, CDIB Capital Group remains the predominant leader in private equity investment in Taiwan. Backed by a wealth of experience supporting Taiwan's industrial development, CDIB Capital Group has been proactively engaged in the administration's call for a structural upgrade in the financial sector by focusing on raising and managing private equity funds in recent years. Looking forward, CDIB Capital Group aims to become one of the best private equity investment and asset management companies in the Asia-Pacific region.

Aspiring to Become a Leading Financial Institution in Chinese communities

Over the years, CDF has not only established a close-knit industrial network, but also been an important driving force in the process of Taiwan's industrial development. Looking forward, CDF will boost its ROE through the four balanced profit drivers of life insurance, banking, securities and venture capital / private equity and continue its commitment to corporate governance and sustainability responsibilities to become a leading financial institution in Chinese communities.

At year-end 2018, the consolidated net worth of CDF was NT\$ 223.6 billion, with consolidated assets of NT\$ 2,717.8 billion.

2-2 China Life

Founded in 1963, China Life was renamed China Life Insurance Co., Ltd. in 1981 with its headquarter office located at No. 122, Tun Hwa North Road, Taipei City. The common stock of China Life began trading on Taiwan Stock Exchange in 1995 under the ticker 2823. China Life became a subsidiary of China Development Financial Holding Corp. in 2017. To provide more comprehensive and swift services, China Life has branch offices and sales staff throughout the island. The current chairman, Mr. Alan Wang, first joined China Life as a manager, and started to build a professional team with risk management as its core competitiveness. The team consists of the existing employees and newly-recruited talented individuals to support Mr. Wang. Throughout the years, China Life continues to communicate with shareholders upon business integrity since its establishment and continues to have outstanding business performance, making it a role model in the life insurance industry.

To expand its business scope, China Life acquired Winterthur Taiwan from AXA in 2007. In 2009, it acquired PCA Life's major assets and liabilities from UK-based Prudential Life. In 2018, China Life acquired part of the traditional life insurance policies business from Allianz Taiwan Life Insurance Co., a subsidiary of German insurer Allianz SE. China Life continues to provide the transferred policyholders as well as existing policyholders with complete and excellent services. During the global financial crisis in 2008, China Life was widely recognized by investors and the market as it did not suffer any asset impairment losses due to no investment in sub-prime assets. In addition to consolidating its position in the home market, China Life has been expanding its footprint in China. In 2010, it acquired a 19.9% stake in CCB Life, the insurance subsidiary of China Construction Bank, and supported CCB Life with its industry knowledge, experience and technology. The partnership serves as a solid foundation from which China Life has expanded its business. CCB Life continues to grow its profitability and asset size to support China Life's long-term development and business footprint. China Life's asset size reached the milestone of NT\$ 1 trillion in the first quarter of 2014. Furthermore, China Life continuously maintains a stable growth momentum and delivers sustainable performance, underscoring our steady performance.

China Life is committed to maximizing the benefits and value for policyholders, shareholders, employees, and the society at large in the hope of becoming the most reliable life insurance company in Taiwan. It cares about policyholders' interests, and thus develops diversified products and provides comprehensive services to meet customers' demands. Many campaigns have been launched, such as an upgraded service to promote pharmacist home visits, and continuing to promote microinsurance and small-amount life insurance products, in response to the cause of financial inclusion. Responding to the current trend of FinTech, China Life is also committed to strengthening its information technology and Research & Development resources for digital transformation, talent cultivation and cross-industry cooperation to ensure the long-term competitiveness of the company. Having adopted the latest corporate governance guidance introduced by the authorities, China Life is ranked top 5% of listed companies in the Corporate Governance Evaluation Awards for four consecutive years. Going forward, China Life will continue to uphold the core spirit of "We Share, We Link". By combining a strong, forward-thinking view and strong financial solvency, as well as prudent corporate governance and risk management systems, China Life will work together with its shareholders to realize common values and execute a long-term business vision, aiming to achieve the vision of corporate sustainability.

At year-end 2018, the consolidated net worth of China Life was NT\$ 73.1 billion, with consolidated assets of NT\$ 1.7 trillion.

2-3 KGI Bank

KGI Bank, a wholly-owned subsidiary of CDF, holds the customer-centric core value “Focus on You” to heart, aiming to provide clients with high-quality financial services in its commercial banking operations, including deposits / loans, credit cards, wealth management, consumer banking, corporate banking, equity trading, fixed income, currencies and commodities. KGI Bank has actively launched a variety of innovative products and services to keep pace with the digital era in recent years, introducing the concept of Open Banking to extend swift services from the traditional format to internet- and mobile device-based platforms at customers’ fingertips.

Since its merger with CDF, KGI Bank has continued to maximize and optimize its asset portfolio while improving its investment performance to boost the return on equity with dynamic risk management and the minimization of valuation volatility. Furthermore, KGI Bank continues to leverage the group resources of CDF to further deepen customers’ relationship and expand business opportunities through affiliate alliance. In order to expand the wealth management business, KGI Bank targets on corporate payroll accounts, securities & mortgage accounts, and insurance & mutual fund clients to develop wealth management business. KGI Bank also focuses on strengthening its capability of attracting NTD and foreign currency deposits in order to stabilize funding sources as well as accelerating the introduction of new platforms and new clients to enforce the “KGI inside” innovation strategy.

In support of the overseas development of Taiwanese enterprises and the government’s economic policy, KGI Bank plans to establish branches overseas in areas such as the Greater China Region and ASEAN via integration into the operations of KGI Securities’ business network, and eventually develop local wealth management and corporate banking businesses with an edge. Leveraging its existing advantages in consumer banking, financial leasing business and the network of local partners in joint ventures, KGI Bank plans to co-found “Jiangsu Suyin KGI Consumer Finance” with the Bank of Jiangsu in mainland China, which lays the foundation to expand consumer finance business in Greater China region.

At year-end 2018, the consolidated net worth of KGI Bank was NT\$ 58.6 billion, with consolidated assets of NT\$ 683.3 billion.

2-4 KGI Securities

KGI Securities, a wholly-owned subsidiary of CDF, is a market leader in its portfolio of securities businesses covering brokerage, wealth management, fixed income, derivatives, underwriting, and proprietary trading. Following the evolving footprint of Taiwan's investors, the brokerage business is committed to transforming into a dual-engine model that incorporates wealth management services, while combining digital technology and client clustering techniques to offer differentiated wealth management services for investors. KGI Securities' institutional operations in fixed income, derivatives and institutional brokerage are well recognized among high-profile international financial media and by local regulatory authorities for its innovative capabilities and superlative service quality. Furthermore, KGI Securities has the most experienced underwriting team in Taiwan. By integrating the resources of CDF's subsidiaries, KGI Securities is able to command the lion's share of the equity capital market in Taiwan and provide the most comprehensive investment-banking services at home and abroad. As for the proprietary trading of equities and bonds, KGI Securities has consistently delivered steady performance given its balance of returns and risk management.

By integrating the resources of its local subsidiaries, such as KGI Futures, KGI Securities Investment Trust, KGI Securities Investment Advisory, KGI Insurance Brokers, KGI Venture Capital, and Global Securities Finance, KGI Securities has extended its business horizons to offer more wealth management services such as futures trading, mutual funds, equity research, insurance products, and securities borrowing and lending as well as building a private equity/venture capital portfolio of unlisted firms with strong potential. KGI Securities is also known for its wide deployment in overseas regional markets, which contributes stable earnings. By leveraging its regional business platform, which connects the markets across Taiwan, Hong Kong, Thailand, Singapore, Indonesia and China, KGI Securities is well positioned to capture the latest global economic trends, and is thus able to provide the most complete product lines and asset management services to customers at home and abroad.

At year-end 2018, the consolidated net worth of KGI Securities was NT\$ 61.8 billion, with consolidated assets of NT\$ 277.5 billion.

2-5 CDIB Capital Group

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. Since its inception, CDIB Capital Group has concentrated on the principal investment and corporate banking business. It has invested in and provided financial services to domestic and overseas clients in over 100 industries, and it continues to play a critical role in Taiwan's venture capital market.

CDIB Capital Group has long worked in close partnership with the Taiwanese government to support the nation's economic growth. It has not only made a significant contribution to the nation's economic and industrial development, but also played the role as a pioneer among local investment banks. The evolution of Taiwan's industrial structure is neatly encapsulated in the changes of CDIB Capital Group's investment and credit portfolio. CDIB Capital Group's invested in traditional textiles and petrochemicals industries in the 60s and 70s; it shifted its focus in the 80s and 90s to foster high-tech industries, such as the electronics and information technology industry, and the semiconductor industry. From 2000, CDIB Capital Group has been actively involved in industries such as optoelectronics, alternative energy, medical, healthcare, consumer goods and services as well as culture creative industries. The investment history of CDIB Capital Group virtually reflects well the history of Taiwanese industrial and economic development.

CDIB Capital Group has transferred its corporate banking and global markets business to KGI Bank on May 1, 2015. Upon completion of the business transfer, CDIB Capital Group has delved right into the private equity /venture capital asset management businesses in Taiwan, mainland China, the Asia-Pacific region, and the U.S. to continuously generate management fee. Moreover, as to adapt in advance to future financial market trends, China Development Industrial Bank has, on March 15, 2017, transformed into CDIB Capital Group, with a business focus on raising and managing private equity funds to expand its asset management business. Looking forward, CDIB Capital Group aims to become one of the best private equity and asset management companies in the Asia-Pacific region with the joint efforts of our professional team.

At year-end 2018, the consolidated net worth of CDIB Capital Group was NT\$ 47.8 billion, with consolidated assets of NT\$ 50.4 billion.

3

A Leader in Innovative Financing & Digital Transformation

To CDF, innovation is not a slogan but an actual achievement. KGI Bank's promotion of financial inclusion and moving ahead of peers to launch various businesses as well as investing private-equity funds in line with global development trends are instances of CDF subsidiaries working actively to provide superb services that are innovative to the financial industry and maximize profits for shareholders.



Professional Services

3-1	China Life	18
3-2	KGI Bank	22
3-3	KGI Securities	34
3-4	CDIB Capital Group	46
3-5	Research	54
3-6	Human Resources	58
3-7	Risk Management	60

3-1 China Life

Guided by a customer-centric focus, China Life's product development continues to highlight differentiation catering to demographics with a product strategy that addresses the latest market dynamics. In an aging society with a low birthrate, China Life continues to promote microinsurance and small-amount life insurance products along with a comprehensive range of offerings designed to meet the needs of underserved and special communities, supporting the cause of financial inclusion. In response to the rising demand of online policy purchasing and digital marketing in recent years, China Life is committed to developing digital marketing by deploying InsurTech and big data analysis, in order to advance precision marketing. China Life also provides a wide range of protection products and asset management services to overseas clients through Offshore Insurance Units (OIU) to provide foreign clients who come to Taiwan with products to satisfy their financial planning needs.

Product Strategy

China Life continues to develop innovative products and help clients strengthen their risk management, financial and protection planning with life, pension, accident, medical, and long-term care plans through its diverse distribution channels, helping clients build a complete coverage plan via integration of cross-field services.

- Upholding our commitment to stable operations while promoting regular premium and high-value products in order to increase the China Life's embedded value.
- Responding to market needs, China Life continues to promote multi-currency policies to give customers a wider range of life insurance product choices.
- Developing interest-sensitive products with prudent asset and liability management and risk controls to meet market demand.
- Continuing to enhance investment-linked life policies and optimize policy platform services, thus offering flexible investment schemes and comprehensive, regular-paid fund offerings with a wider range of asset allocation options that fulfill clients' financial objectives.
- Responding to the aging population, national pension system reforms, and government financial inclusion policies, China Life develops protection products and pension products that further diversify our financial product lines while enhancing customer guarantees and asset planning support. As China Life focuses on the development of comprehensive health insurance products, retirement planning, medical treatment protection, long-term care, insurance are offered for people who are diagnosed with special illness, disabilities. or IC card holders for critical illness.
- Developing the new generation market by offering innovative portfolio protection plans designed for young adult clientele.
- In response to new market trends and the wave of digitalization, China Life actively develops innovative and FinTech products, including spillover-effect life insurance and precision marketing

tools, such as clientele analysis with big data analytics. China Life continues to deepen its competitiveness through commitment to developing InsurTech.

- Promoting small-amount life insurance and providing it to citizens with a more affordable premium in order to increase the average assured amount of life insurance.
- Promoting group insurance and personal accident insurance to meet policyholders' diverse needs for protection. Providing basic protection to underserved communities with accident microinsurance products for individuals and groups as part of our corporate social responsibility duty.
- Promoting Offshore Insurance Unit (OIU) business to meet overseas customers' needs to purchase insurance.

Distribution Channel Strategy

China Life operates through six main distribution channels: agent force, bancassurance, brokers, financial services, group insurance and e-commerce channel. China life's market share continues to expand, as each year we have managed to achieve business growth through our diverse distribution channels and a balanced strategy. China life is able to offer differentiated products by leveraging the strengths exclusive to each channel. Meanwhile, China Life is moving towards mobile digitalization to enhance its competitiveness as well as completing the horizontal integration and optimizing the insurance process in order to boost channel sales performance.

1. Agent Force:

China Life continues to expand the scale of the organization and its capacity with around 13,000 agents currently (office staff included). In 2018, China Life launched an insurance agent channel transformation project to optimize the channel through scientific and data-based methods, in an effort to build a robust and strong sales force, advancing the business both in terms of quality and scale. Going forward, China Life remains the organization's objective to boost channels' performance growth by leveraging the nature and strengths of each channel to develop differentiated coverage and protection portfolios tailored for each demographic segment. Thanks to our digitalization efforts in the architecture of our mobile cloud business infrastructure, China Life's agents can be reached digitally and on-the-go, creating a new customer experience with quick and real-time response, elevating customer satisfaction and competitiveness in our service.

2. Bancassurance:

China Life develops close partnerships with banks. Through unique Bancassurance channels, China Life promotes life insurance and annuities to fulfill customers' demands for protection and asset accumulation. China Life also increases promotion of regular premium insurance products and investment-linked product lines to expand the portfolio of financial management tools available to Bancassurance customers. In response to the coming of the digital financial era, China Life will actively work with banks to develop financial technologies to increase operational efficiency.

3. Brokerage:

China Life focuses on expanding market share, we work closely with brokerage firms to promote long-term regular premium insurance products and healthcare insurance products. China Life

provides a wide range of products and services to enhance long-term business and profits while guaranteeing stable performance.

4. Financial Services

The financial service channels continue to cultivate long-term relationships with high-net-worth clients and develop new clients, providing a variety of products and multi-currency choices to fulfill their demands for asset allocation. We actively introduce auxiliary digital marketing and service tools to help high-net-worth clients monitor the movement of asset values to fulfill the needs of diversified asset allocation.

5. Group Insurance

China Life provides corporate clients with comprehensive group insurance solutions through our group insurance channel. We continue to expand our business and services in this field, and provide a wide range of products and access channels for corporate staffs and their family members in order to enhance customer satisfaction.

6. E-commerce

In addition to providing protection and retirement products, the e-commerce channel is committed to developing products involving special issues, expanding its online sales affiliation with banks and brokers, as well as online-to-offline channel collaborations with third-party partners. China Life will develop the e-commerce channel in line with the relaxation of government laws and regulations, including expanding the product types sold online such as small-amount life insurance, and increasing the assured amount of travel insurance to seize the market opportunity of today's young generation and special clientele by providing a variety of products step by step.

Competitive Advantages

- China Life leverages the group's resources as well as the operating and sales platforms among subsidiaries with the improvement of strengthening the linkage across digital platforms and simplifying the identification verification process to become a one-stop financial service provider with customer-centric initiative.
- Promoting sales of regular premium products with high value to increase the company's long-term embedded value. Quickly grasping social dynamics to develop healthcare-oriented policies with spillover effect and promote sales of protection-type products. Strengthening demographic-based clientele management by implementing big data analytics to develop differentiated and tailor-made risk protection.
- Hiring an internationally-renowned consulting firm to lead an agent channel transformation project, injecting a scientific and data-based operating business mode while actively developing innovative digital applications, optimizing processes, and upgrading procedural and IT service performance. Continuing to improve channel development by optimizing the services of insurance online purchasing and electronic policy applications. Spearheading service innovations, such as resolving insurance claims and digitalizing policy application processing and review mechanisms by the adoption of video call, to lay the foundation for China Life's long-term FinTech competency.

- China Life launched the upgraded “Pharmacist Home Visitation Healthcare 2.0”, and will be expanding its cross-field collaborations to build toward a comprehensive healthcare safety net that captures customers’ demands, endeavoring to engage policyholders with an efficient and thoughtfully-crafted experience, in order to create value-based services.
- China Life has been certificated the ISO27001 Information Security Management System with a three-year reassessment and recertification starting from 2018, and established a division with an independent department head in 2018 to lead the charge of data security. A corporate-level IT risk management system will be introduced in 2019 with a solid IT security infrastructure to safeguard the data of policyholders to enhance information governance.
- China Life’s overseas strategy continues to focus in-depth on mainland China, where it materialized localization through the equity investment in CCB Life. CCB Life continues to expand geographically to advance business development. As the industry’s supervisory policy shifts toward risk protection in China, the product focus of CCB Life will transition toward a business model aiming for regular premium-based products with high value to optimize business structure and management, in an effort to lay a solid foundation for a possible public listing in the future.

3–2 KGI Bank

Corporate Banking

KGI Banks' corporate banking division has over 1,000 clients domestically and abroad, including medium-/ large-scale corporate and conglomerate clients. The corporate banking division continues to provide total solutions to meet the financing needs of clients in a rapidly changing world. It plays the role of financial advisor for corporations on the back of its top-notch products and services. In addition, the division utilizes its expertise and long-term experience in the industry to help clients build the business relationship across their business supply chain through various project financing as well as trade financing. In response to clients' business expansion and trade cycle, the division also provides medium- to long-term syndicated loans to support capital expenditure and working capital needs.

While pursuing corporate development, KGI Bank also hopes to fulfill its social responsibilities, adhere to the concept of sustainable development and implement environmental protection, and continue to pay attention to climate change and environmental issues. In order to mitigate the greenhouse warming effect and reduce the impact of economic activities on the environment, and assist the green energy technology industry in raising funds, KGI Bank has issued NT\$ 1 billion worth of green bonds in 2017, and all the funds raised went to direct or related loan demands within the scope of green investment projects, in hopes that contribution could be made to the sustainable development of the environment.

As of the end of 2018, the outstanding loans of KGI Bank in the related industries of green energy sector amounted to approximately NT\$ 17.6 billion. In 2018, a number of significant renewable energy project financing deals were closed, including:

- Acted as one of the mandated lead arrangers (“MLA”) in the NT\$ 3.5 billion syndicated loan project to Xin Ri Tai Energy Company's 100 MW solar power plant, whose main shareholders are Cathay Life Insurance and United Renewable Energy. It's the first solar power stations syndicated loan deal in Taiwan.
- Acted as one the mandated lead arrangers (“MLA”) in the NT\$ 18.3 billion syndicated loan to the 128 MW offshore wind farm project located at the coast of Zhunan, whose main shareholders include Macquarie, Ørsted and Swancor Holding Co., Ltd. As the pioneer offshore wind farm project in Taiwan and the Asia-Pacific region, the borrower received three times oversubscribed firm commitments from 11 financial institutions (7 foreign institutions and 4 Taiwanese institutions) and Danish export credit agency, Eksport Kredit Fonden (EKF).
- KGI Bank provided NT\$ 324 million bilateral loan to Chenya Energy Kaohsiung Ah-gong-dian Reservoir 10 MW floating solar power plant project whose main shareholder is private-equity fund I Square Capital. It is the first large-scale floating solar power plant project in Taiwan.

- **Industrial Banking**

The industrial banking team provides comprehensive professional financial services such as credit-granting, foreign exchange, cash management, wealth management and trade finance for large-scale enterprises and conglomerate customers from sectors such as consumer goods and services, industrial production, electronics and semi-conductor technology, and others.

- **Institutional Banking**

The institutional banking team targets clients that are in the industry of financial services, financial-related businesses and government agencies to provide them with a full range of financial services, including cash management, trade finance, fixed income, currencies and commodities as well as inter-bank transactions.

- **Banking for Greater China**

The team of banking for Greater China has deployed a corporate financial services network in Greater China to provide financial-related products and services such as cross-border capital solutions and supply chain financing for corporate clients.

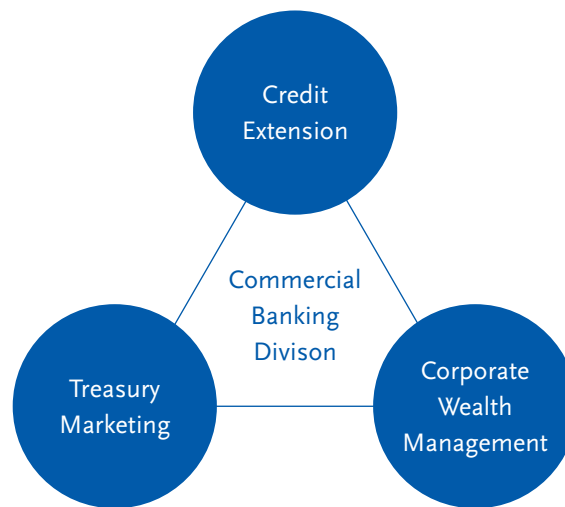
- **Project Financing**

KGI Bank is recognized as a market leader in various types of project financing, with comprehensive experience and a proven track record in financing coal-fired or renewable energy power plants, industrial parks, factories and machinery as well as leveraged buy-outs (LBOs). This is complemented by other extensive services such as providing associated investment, leasing, trust, financial advisory and syndicated loans, etc.

Commercial Banking

The commercial banking division offers unlisted corporate clients a full range of tailored financial products & services and diverse funding channels. The commercial banking division helps clients maintain solid operations and stable growth. By focusing on target clients and trade-oriented products, the commercial banking division continues to track cash flow, bring in risk-free assets income, and provide hedging tools linked to foreign exchange, interest rates and commodities, along with structured products to fulfill hedging needs.

Key Products and Services of Commercial Banking Division



- **Credit Extension**

Targeting large unlisted companies and their cross-border trading business, the commercial banking division mainly provides short-term loans for working capital and medium-term syndicated or secured loans with maturity less than five years. Besides credit, the division also offers comprehensive products / services for foreign exchange, cash management and trade finance.

- **Treasury Marketing**

The commercial banking division provides optimized product portfolios based on clients' demands and risk appetites, helping to perfect capital allocation and risk management.

- **Corporate Wealth Management**

Via resource integration within CDF, the commercial banking division offers a complete range of financial services that include deposits, insurance, mutual funds, bonds, stocks, trust, financial consulting, and others.

Merchant Banking

KGI Bank's merchant banking division offers corporate clients financial advisory and structured finance services, focusing on core financial advisory and lending businesses for corporate mergers & acquisitions (M&As), spin-off/strategic alliances, industrial cooperation, asset monetization, debt restructuring, recapitalization, the referral of private equity fund, acquisition financing and leveraged buy-out (LBO) financing. Through full integration of cross-marketing, cross-selling and cross-border operations, the division offers comprehensive financial services to investment partners and corporate clients of KGI Bank and CDF.

Structured Finance Business

M&As, LBO financing and structured finance are the key products of the merchant banking division. With rich experience in international capital markets, KGI Bank boasts comprehensive financial advisory services and the ability to benefit from CDF's deep industry knowledge in the Asia-Pacific region and its closely-knit private equity fund and investment banking network. As such, the division targets the clients based in the Asia-Pacific region with special capital needs such as financing for cross-border M&As, LBO or growth capital. In short, the merchant banking division mainly provides the following structured finance services: LBO financing, mezzanine financing, share financing and bridge financing, etc.

Consumer Banking

Since its establishment, KGI Bank has committed to retail banking, with focus on personal loans, credit / cash cards, and mortgage loans. It continues to develop diversified and customized financial products that cater to various wealth management needs. KGI Bank offers comprehensive payment services and lines of credit, including personal loans, cash cards, credit cards and mortgage loans. Meanwhile, differentiated preferential conditions are provided to the employees of quality corporate clients. KGI Bank also offers new forms of consumer loans such as stock collateral loans and revolving credit loans for securities and mutual fund clients. With an eye on providing the best service to clients in the digital era, and supporting the Financial Supervisory Commission's (FSC) call for financial inclusion, KGI Bank and Chunghwa Telecom jointly landed Taiwan's first sandbox experiment project, using telecom mobile identity authentication technology to enable borrowers to apply for loans with their registered mobile accounts. Through FinTech, KGI bank strives to extend the scope of services in virtual channels, in an effort to highlight convenience and efficiency with its financial products and services for the benefit of everyone.

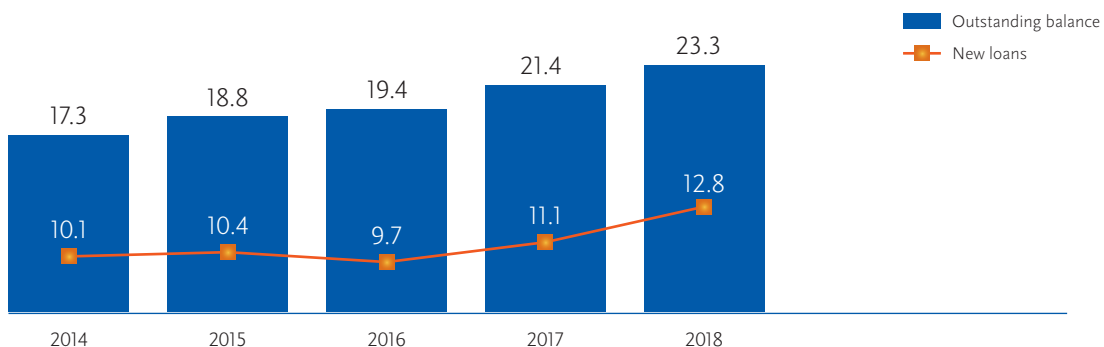
Personal Loans

In 2018, the outstanding balance for personal loans increased 9% YoY to NT\$ 23.3 billion, with its market share rising steadily. KGI bank continues to provide differentiated and innovative products such as offering preferential interest rate loans to professionals and quality office workers. It also taps into its corporate banking channels to explore business opportunities in large listed companies, government agencies, and educational institutions. With a segmented pricing strategy, it aims to widen and deepen its operations with different customer groups and the employees of their corporate clients. Supported by our FinTech solutions, KGI Bank launched online lending services, allowing customers to apply for loans at home or on their phone, sparing the trouble of making the trip themselves to the physical branches.

As part of our financial service innovations, KGI Bank and Chunghwa Telecom jointly launched mobile loan application service for our customers, which was the first experimental FinTech service integrating big data analysis and telecom data in Taiwan. Utilizing synchronized personal risk information on the telecom end, the application offers a more detailed risk profile of customers and helps young adult borrowers get financing at a fair price.

Steadily Increasing Outstanding Balance in Personal Loans

Unit: NT\$ billion



Credit Card & Cash Card

KGI Bank issued the first cash card in Taiwan in 1999 with a long-lasting, dominant market share ever since. Addressing the demand of flexible fund use, KGI Bank continues to expand the client base via its rich experience in project planning and cooperation with strategic partners. In order to implement the environmental, social and governance (ESG) policy, KGI Bank launched the “Giving You a Hand” preferential loan campaign, targeting low-income households, creative crowdfunding proposals, and licensed individuals specialized in technical services. In our collaboration with Taiwan Taxi, the leading national fleet, we are able to provide taxi drivers the access to loans by analyzing passenger trips and daily cash flows via big data analytics, and further expand our reach to other drivers from other fleets to support the government’s call for financial inclusion. The campaign was recognized by the Taiwan Institute for Sustainable Energy and honored with the Social Inclusion Award.

As of year-end 2018, credit cards in circulation were around 420,000, with 46% being active, up from 40% at year-end 2017, and the revolving balance was around NT\$ 1.06 billion. Given the existing scale, the key strategy for the credit card business is to adjust the product mix to boost profitability. It looks to raise client loyalty by deeply engaging with wealth management clients, offering differentiated services and rights with the introduction of wealth management membership. CDF’s precision clustering cross-selling scheme also helps bring in high-net-worth clientele. KGI Bank is also committed to digital platform building. On September 14, 2018, the credit card digital application service was rolled out with streamlined procedures to improve customer experience. On December 25, 2018, KGI Bank introduced “Interactive Bills” to enhance the customers’ billing experience and provide real-time extension service.

With regard to mobile payments, KGI bank has linked its system with popular apps like JKOPAY and Taiwan Taxi with promotional transaction rewards, and launched Apple Pay in April, 2018 to satisfy customer payment needs on the go.

Mortgage Loans

As of the end of 2018, mortgage loans exceeded NT\$ 74.7 billion, up 23% YoY, helping KGI Bank balance its loan mix with the steady growth and asset quality. With regard to target customers, KGI Bank continues to develop premium clients to ensure loan quality and increase cross-selling cooperation with wealth management services. Collateral properties are mostly located in metropolitan areas or regions where home prices are stable. In order to expand business scale, KGI Bank has been optimizing the capability of sales team and establishing diversified channels by wholesale lending to homeowners in the same residential project and expanding cooperation with realtors. For existing customers, KGI Bank contacts them regularly and reports early repayment internally to retain these customers as well as to prevent balance transfer. The mortgage business will continue to develop new types of mortgage loans and provide special offers to increase business scale and profitability.

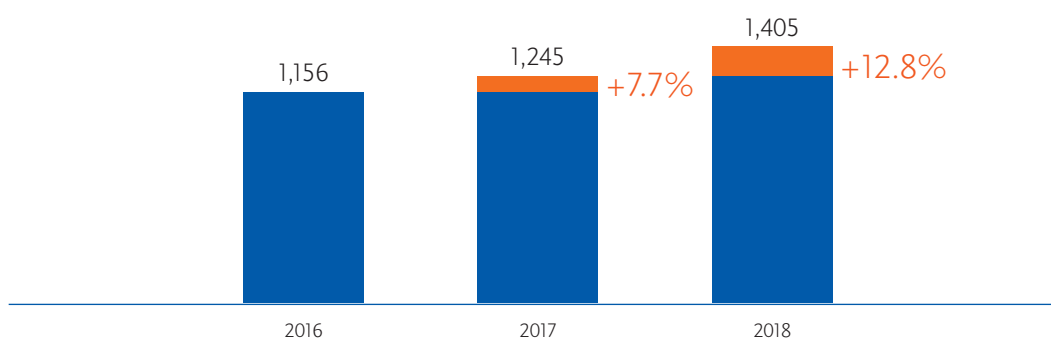
Wealth Management

KGI Bank's customer-centric wealth management team helps clients evaluate their financial state and provides financial plans that cater to their needs at different stages of life. Both individuals and families are able to formulate financial goals with KGI Bank's consulting services and financial products.

KGI Bank has 54 branches around Taiwan, with 22 in the greater Taipei area, 8 in Taoyuan, Hsinchu and Miaoli, 7 in central Taiwan (Taichung and Changhua), 8 in Yunlin, Chiayi and Tainan, 6 in southern Taiwan (Kaohsiung and Pingtung) and 3 in eastern Taiwan (Yilan, Hualien and Taitung). The comprehensive network around the island forms a robust business network and sales platform. The main products offered by the wealth management team include wealth management, local and foreign currency deposits, investment products, insurance, mortgage loans, personal loans, and payroll accounts, etc. KGI Bank also offers personal financial services bundling with securities / futures brokerage and payroll accounts to leverage the resources within CDF.

KGI Bank's Wealth Management Fee Saw Steady Growth Every Year

Unit: NT\$ million



Focus on Customer Relationship Management

KGI Bank seeks to provide individual customers with thorough financial planning according to their financial status and needs at different stages of life. KGI Bank aims to provide customized credit cards and mortgage and personal loan products to ensure the best wealth management experience for our customers.

Financial Planning with Our Expert Teams

KGI Bank provides timely investment insight to wealth management clients on the back of its well-planned product lineup as well as the research resources of CDF. Our financial advisors are equipped with comprehensive financial knowledge to structure personalized financial advices to satisfy every client's needs, allowing clients to consult about investment strategy, financial products, personal finance and taxation.

Comprehensive Products

KGI Bank has a full line of financial services and products for individuals, including local and foreign currency deposits, insurance, mutual funds, exchange traded funds (ETFs), foreign bonds, structured products in various currencies. In response to changes in the market and customers' needs, KGI Bank offers solutions that feature principal protection and income generation simultaneously as well as a variety of loan offers.

Omni Channel Banking Services

KGI Bank offers omni-channel banking services through internet, mobile, phone banking and over the counter, allowing our customers to complete transactions smoothly and seamlessly with any of the options above.

Digital Banking

In keeping with digital technology developments and the rise of the digital generation, KGI Bank took the lead by establishing the digital banking division in 2014. Thereafter, in order to improve service quality and strengthen its commitment to digital technology, the “FinTech & New Financial Services Division” and “Corporate and Institutional Banking Product Division” were set up in 2017, aiming to provide online and offline financial products and services to institutional and individual clients.

Innovative FinTech

Under the “KGI inside” innovation, KGI Bank is using its technical capabilities to fragment and modularize financial services into an API-type existence, so as to turn the innovative financial services required by new entrepreneurs into components, including collections and payments, mobile identity authentication, risk management, big-data, online applications, and so on. This new collaborative model will provide partners with seamless plug-and-play integration with financial services. This in turn serves to incorporate “KGI inside” plug-ins into clients’ own innovative services in the simplest and fastest manner possible, generating more business opportunities, lowering development costs, and greatly enhancing customer experience and adhesion.

Cash Management

Cash management includes account and collection & payment management. Via professional cash management products and services, KGI Bank provides collection, payment, foreign exchange and corporate finance networks platforms to large multinational companies, startups and micro-enterprises in different industries, significantly increasing their cash management efficiency and reducing operational costs to satisfy the needs for working capital management.

Trade Finance

The trade finance business provides corporate clients with a comprehensive trade finance planning service, satisfying clients’ financing needs by incorporating efficient procedures and integrated e-commerce platform services. The factoring business provides corporate clients with access to banking risk transfer tools such as credit insurance and international factoring to circumvent corporate client-related bad debt risks and to strengthen the quality of client account receivable.

"KGI inside" applications	Services & Performance
Payments	<p>By opening up "KGI inside" API to business to business (B2B) partners to develop financial service modules, KGI Bank now offers start-up allies access to debit and credit card payments of over ten of the most common consumer bills, including telecom, credit card, utilities, parking, mortgage repayments and management fees.</p> <p>KGI Bank has teamed up with more than ten partners, including LINE, Taiwan's largest instant messaging app; Pi, a mobile wallet app with the broadest penetration nationwide for parking fee payments; and CWMoney, a bookkeeping app popular among young adults.</p> <p>Since launched in 2017 and as of end-2018, mobile payment transactions processed by KGI Bank have totaled NT\$ 437 million.</p>
Online applications	<p>Opening API to FinTech platforms, allowing platform members to digitally apply for banking products and services on their own customer service interface without additional downloads or linking back to KGI Bank's app or website. Now, platforms can be linked up with services for applying for KGI Bank's credit card products and credit loans.</p> <p>Customers may expedite online applications by authorizing auto-fill application forms with the platform's membership information.</p> <p>In 2018, KGI Bank approved NT\$ 4.96 billion in loan applications from digital channels.</p>
Big data analysis	<p>Crafting sector-specific tailored data modules for partners (Chunghwa Telecom, iCHEF, etc.) as analytic and application tools.</p> <p>Continuing AI predictive modeling R&D in collaboration with academic and business institutions to resolve limitations in human-operated data processing in terms of volume and complexity, and to improve the effectiveness and precision in developing decision-making models.</p>
Risk management	<p>Providing know-how on data processing and risk management to enhance partners' engagement with members.</p>

Global Markets

The global markets division provides domestic and foreign individuals, corporates and financial institutions with cash and derivative financial products and transactions, including currency, foreign exchange, interest rate, commodity, stock warrant and other financial derivatives. The scope of business covers financial markets of major nations and economies across the world. Aiming to provide an efficient and competitive service, through long-term close cooperation, not only KGI Bank is the leading bank in domestic market, but also it has become a close trading partner with major international banks. Through transactions with international banks, the global markets division of KGI Bank has grasped the development trend of novel financial products, and has relied on the efforts of financial engineering personnel to provide domestic and foreign individual investors, institutional investors and financial peers with competitively-priced products that are more in line with their needs.

As for business expansion, the offshore banking unit (OBU) of KGI Bank was the first OBU being approved in Taiwan and engaged in securities brokerage as a side business. In 2016, KGI Bank expanded its business scope to bill financing. According to statistics of Taiwan Depository & Clearing Corporation, KGI Bank's bill financing business has grown significantly in a short time span. Among the 35 adjunct bill dealers, KGI Bank captured a 10.6% market share in 2018, or 5.6% among the 43 dealers (adjunct and dedicated alike) in Taiwan. In terms of bond underwriting, KGI Bank advanced 9 places from the 19th in 2017 to the 10th in 2018 on Bloomberg's ranking of local bond underwriters by value (based on the numbers compiled by Taiwan Securities Association), with market share surging from 0.536% to 3.12%, suggesting KGI Bank's expertise and professional services were highly recognized by debt market customers.

As for investment performance, KGI Bank intends to strengthen internal control and maintain stringent risk limits in conjunction with top-down investment strategies to pursue consistent and sustainable returns.

KGI Bank's business statistics

Results / year	2016	2017	2018
Derivatives transactions volume (NT\$ million) *1	2,355,125	2,713,673	3,404,103
Market share in derivatives transactions	4.79%	5.70%	5.70%
Common unsecured short-term notes and unsecured fixed-rate commercial paper (FRCP) underwriting volume (NT\$ million) *2	20,630	180,305	398,542
Market share in common unsecured short-term notes and unsecured fixed- rate commercial paper (FRCP) underwriting volume	0.6%	2.5%	5.6%
International Board bond underwriting volume (US\$ million) *3	0	215.00	1052.37
Ranking of International Board bond underwriting volume	0	19	10
Market share in International Board bond underwriting	0	0.54%	3.12%

Notes:

1. Derivatives transactions volume (Central Bank)
2. Common unsecured short-term notes and unsecured fixed-rate commercial paper underwriting volume (Taiwan Depository & Clearing Corporation)
3. International Board bond underwriting volume (Bloomberg)

3-3 KGI Securities

Retail Brokerage & Wealth Management

KGI Securities is committed to integrating brokerage and wealth management, with an aim to develop a one-stop service model, combining brokerage and wealth management business. KGI Securities offers professional investment research and analysis, a comprehensive financial planning team and FinTech analytics for investors to cater to different customers' needs, including TWSE stocks, futures, sub-brokerage, wealth management and Offshore Securities Unit (OSU) services. Our professional research team and specialized salespeople have worked closely to make sure customers are given professional investment recommendations and have access to the most diversified investment products, including onshore and offshore mutual funds, bonds, onshore and offshore structured product, securities borrowing & lending as well as insurance, etc. KGI Securities aims to help the customers achieve their financial goals through asset allocation and diversified risk management.

Customer Needs-Oriented Wealth Management Services

For high-net-worth customers, KGI Securities launched several onshore and offshore structured products, such as those linked to funds or preferred shares with leverage, to help boost investment returns in different market conditions and for various customer needs. We also provide short-selling products as hedging tools, which allow customers to make profits in a bear market. For TWSE investors, we recommend the use of securities lending services to earn additional income from their positions. We have also lowered the threshold of bond investment to US\$ 10,000, so that customers can diversify their asset allocations to withstand market volatility. For the mass, KGI Securities provides thousands of onshore and offshore mutual funds, TWSE stocks and US stock ETFs as regular saving plan options to accumulate wealth through investing in equity-related products. For retirees, we recommend low-risk and interest-bearing products. Our automatic transfer interest service also ensures that the interest payments are automatically wired to accounts designated by customers each month. KGI Securities has built an Offshore Securities Unit (OSU) platform, aiming to attract overseas investors by offering one-stop services for overseas ETF, mutual funds, private equity funds, hedge funds, bonds, structured products, and more.

Providing Consistent and Swift E-Trading Services

KGI Securities provides an integrated and easy-to-use e-trading platform that allows our customers to open new accounts online, and choose from our diversified products for investment via multiple devices. KGI Securities has put in place an asset management application for customers to manage their portfolios on a mobile device. For high-frequency traders, we provide customized order matching options that would best fit their trading demand. As part of our initiative in Mobile Customer Relationship Management, KGI Securities has established a 360-degree customer view through scientific analysis of big data to help sales staff gain an effective grasp of each customer's various wealth management needs. KGI Securities also has been working on introducing a smart wealth management system to help customers reach their goals. Going forward, KGI Securities will provide around-the-clock services with our Smart Customer Service Team to further improve customer satisfaction.

Aggressive Development in Digital Communities

KGI Securities' LINE and Facebook pages have been running smoothly, and we hope to provide existing customers with better services and acquire new customers via social media. Customers can choose to link their stock accounts with their LINE accounts so that they can receive push messages regarding order confirmation, transaction confirmation, and latest breaking news on competitive auction. Furthermore, KGI Securities' official LINE page also provides customers with stock information, industry news, daily trading recaps, and information on marketing events. Meanwhile, many famous financial bloggers are being invited to write for the "online magazine" column on KGI Securities' official website and Facebook page to interact with users via quality content. Besides providing investment insights, this page also covers lifestyle topics, with discussions and recommendations on reading, wine, films, and more. KGI Securities have consistently won the trust and recognition of our customers and thus have been able to deliver stellar business growth. In 2018, KGI Securities' retail brokerage and wealth management business operated 78 branches, with the second highest overall brokerage market share in Taiwan. By providing a full range of financial services, KGI Securities' wealth management team has maintained its leadership in terms of customer base and trust assets under management. Sub-brokerage turnover, insurance premium and the assets for securities borrowing and lending also picked up by leaps and bounds in 2018.

Investment Banking

The capital markets department assists domestic and foreign companies in handling capital market transactions such as initial public offerings in the TWSE or TPEX markets, the issuances of securities to raise funds, providing consulting services regarding corporate finance or business planning, business spin-offs, strategic alliances, mergers & acquisitions, etc.

KGI Securities will continue to cultivate industries such as tech, non-tech, retail, biotech and medical services, fully grasp market development trends, expand the market share of various capital market businesses through the integration of group resources of CDF, leverage advantages in corporate financing, leasing, and direct investment, and deepen the layout of cross-strait enterprises to provide complete and high-quality investment banking services to Chinese and Taiwanese customers worldwide.

In 2018, there were 60 TWSE and TPEX IPOs in Taiwan's capital markets, reaching the highest in five years. In addition, there were 68 secondary public offerings (SPOs), 58 convertible bond (CB) issuances, and 4 preferred stock issuances. In total, there were 190 underwriting projects, up 24% from 153 in 2017. The underwriting market value totaled NT\$ 96.7 billion in 2018, up 20% from NT\$ 80.6 billion in 2017.

In 2018, KGI Securities acted as the lead underwriter for 27 IPO / CB / SPO projects (including preferred stock issuances), accounting for a leading 14% of the total number of projects in the market. The outstanding business performance was highly recognized by customers, and KGI Securities obtained a number of awards from the competent authorities. In addition to being awarded such honors as the runner-up of "Over-the-Counter Market Fund-raising Efficiency by TPEX", KGI Securities also won the following two honors from TWSE: runner-up of "Equity-market Liquidity-boosting as an Underwriter" Award and second runner-up of "Economy-boosting in terms of IPO Funds Raised" Award.

In terms of underwriting business, KGI Securities has been committed to cultivating niche and specialty industries. In 2018, KGI successfully underwrote the TWSE / TPEX IPOs of Panion & BF Biotech, Global Tek, E&E Recycling, Foresee Pharmaceuticals, Shane Global Holding, Chien Shing Harbour Service, GMM Corporation, Cherng Tay Technology, and Compal Broadband Networks from industries including electric / electromechanical, biomedical, environmental protection / recycling, chemical, marine transportation, and furniture manufacturing. Among them, Shane Global Holding is a high-end customized furniture maker, whose main clients are all well-known high-end brands in North America, with the White House also ordering customized furniture from Shane. In terms of fundraising, KGI Securities also acted as the lead underwriter for 9 SPOs (including one for preferred stock) and 9 convertible bond issuances in collaboration with TWSE / TPEX-listed companies such as MPI Corporation, Tanvex-KY, HIWIN, FOCl Fiber Optic Communications, LemTech Holdings-KY, Episil-Precision, Casetek Holdings-KY, Taiwan Semiconductor Co., General Plastic Industrial Co., Formosa Laboratories, DACIN Construction, and Yulon (preferred stock). Overall, in 2018, KGI Securities ranked as the market leader in terms of the number and value of underwritten projects, and successfully assisted a number of companies to raise funds in the TWSE and TPEX markets.

In addition, KGI Securities has also performed well in the financial advisory business. In 2018, it has undertaken more than 20 well-known mergers and acquisitions projects, including multiple cross-border M&As, such as Nitto Boseki Co's (Japan) acquisition of BAOTEK, Inc. (Taiwan), Energy Absolute Public Company's (Thailand) public acquisition of Amita Technologies Inc. (Taiwan), and Nidec Corporation's (Japan) public acquisition of Chaun-Chcung Technology Corp. (Taiwan), plus domestic M&As such as ASE's acquisition of SPIL and its later transformation into an investment/holding company, Chilisun Electronics Corp.'s acquisition of Magic Technology, Neo Solar Power Corp.'s merger with Gintech and Solartech Energy Corp., Jamicon's acquisition of Bothhand, Utechzone's acquisition of Favite, etc. ASE's acquisition of SPIL, in particular, was named by The Asset as the "Best M&A" and by Finance Asia as the "Best Taiwan Deal as a Financial Advisor". According to Bloomberg, KGI Securities continued to lead the market in the number of financial advisory projects undertaken in 2018, which indicates that KGI Securities excels in financial advisory in a way that is recognized by professional organizations and the industry in general.

Fixed Income Business

The principal activities of the KGI Securities fixed income department include the outright or conditions-attached trading of bonds denominated in various currencies and fixed-income products, the primary-market issuance and underwriting, and the processing of the transactions of such derivatives as interest-rate-based, bond-based, credit-related, asset swaps, and other structured financial products. In addition, the fixed income department is engaged in foreign exchange spot and derivative transactions.

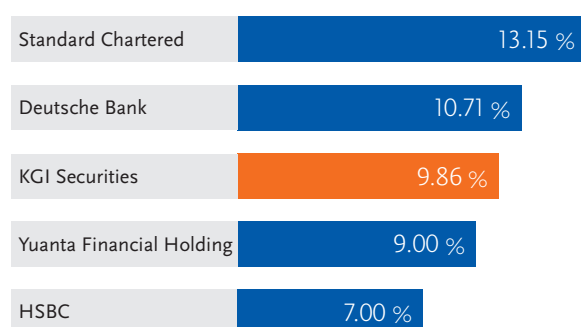
In terms of business strategy, KGI Securities continues to cultivate its primary issuance business. In addition to serving domestic corporate issuers, it also introduced high-quality foreign enterprises to issue bonds in Taiwan, providing diversified investment targets to investors, and actively playing the role of market-maker in secondary bond transactions to boost market liquidity. Regarding the derivatives business, it has strengthened the function of product development and design within the KGI Securities in recent years, and cooperated with the sales unit to launch structured products linked to the domestic mutual funds, strictly selecting targets featuring better volatility and earnings performance. The goal is to enrich the product portfolio and meet the demand for various channels to enhance customer coverage. In addition, KGI Securities will continue to cultivate a full range of fixed-income talents, actively delve into the R&D and innovation of various financial products, and provide fixed-income research in the form of daily reviews and weekly reports of the Taiwan bond market, while enhancing interaction and cooperation with various domestic institutional investors.

The performance of KGI Securities' fixed income business continued to lead the market in 2018. The underwriting amount of NT dollar-bonds in 2018 reached NT\$ 43.9 billion, and the underwriting amount of foreign currency-denominated international bonds reached US\$ 3.32 billion. Combined, the total underwriting amount of domestic and international bonds was approximately NT\$ 145.9 billion, for a market share of 9.86%, the highest among domestic peers. As for secondary-market bond market transactions, according to the statistics of the TPEX website, KGI Securities' outright buying and selling of Taiwan's government bonds, Taiwanese corporate bonds, and financial debentures amounted to approximately NT\$ 178 billion in 2018, with a leading market share of 10.05%. In addition, KGI Securities also received awards from the competent authorities and professional financial media, including TPEX, which selected KGI Securities as an Excellent Market Maker of Central Government Bonds in the first half of 2018, the FinanceAsia, which named KGI Securities as the Best DCM House in 2018, and the Asset which awarded KGI Securities with four awards including the Top Sellside Firms in Research, the Top Sellside Firms in the Secondary Market in Government Bonds, the Top Sellside Firms in the Secondary Market in Corporate Bonds, and the Top Arrangers-Investors' Choice for Primary Issues in Corporate Bonds. These awards indicate that KGI Securities' commitment to providing financial professional services has been recognized.

Going forward, KGI Securities will continue to adhere to its sound management principles. KGI Securities will maintain its leadership position by providing the best investment advice and products to customers, and by sticking to its core principles of integrity, professionalism and innovation, which will create the most value for its customers and shareholders.

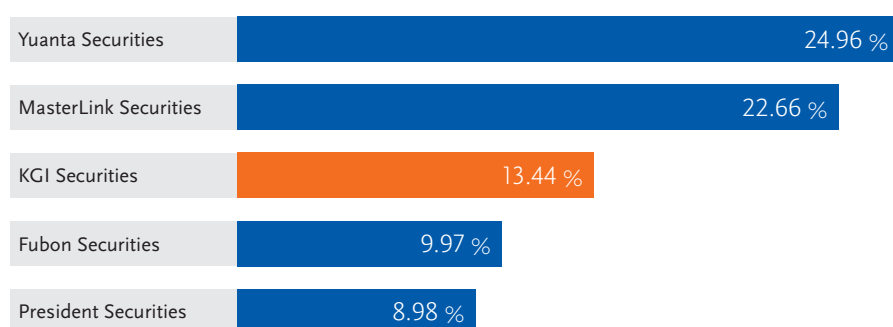
Corporate Bond / Bank Debenture / International Bond Underwriting Market Share in 2018

Source: Bloomberg



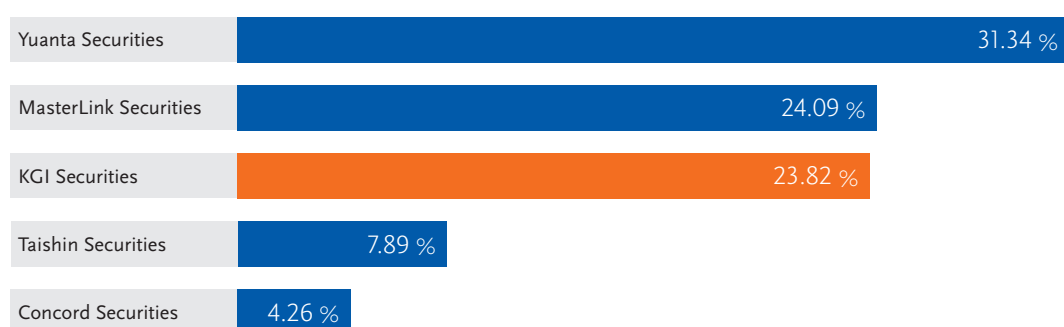
100% Principle Guaranteed Note Market Share in 2018

Source: Taiwan OTC



Asset Swap (Credit Side) Outstanding Balance Market Share in 2018

Source: Taiwan OTC



Derivatives Business

KGI Securities' spirit of professionalism and innovation spurs us to continually develop new derivatives products for our clients. KGI Securities is a market leader in warrants, structured products, convertible bond asset swaps (CBAS), and equity options. Derivatives personnels, who derive product valuation by using trading modules and research hedging strategies, have had great success in the design and issuance of warrants and structured notes, which is deeply recognized by clients.

In 2018, both the number and value of warrants issued in Taiwan reached record highs. Through the promotion and market-making efforts of players in the warrant business, the domestic market has boomed. KGI Securities provides investors a full range of warrants through its proactive initiatives in warrant issuance, and as a result, KGI Securities ranked second in warrant trading in 2018. Moreover, KGI Securities has continued to adopt proactive market-making strategies and has strengthened the effectiveness and stability of its market-making system, aiming to make warrant pricing more transparent, more sensitive to changes of bids and offers, and more economical in elated trading costs. In recognition of this success, KGI Securities was awarded “No. 2 in OTC Warrant Issuer and Trader Volume” by Taipei OTC.

Capitalizing on our competitive advantages in financial innovation, our structured product business has also led the market. KGI Securities ranked third in the total notional amount of equity-linked notes (ELN) and convertible bond asset swap (CBAS) in 2018. Regarding asset swaps, KGI Securities ranked third among peers in the value of asset swap options it underwrote. KGI Securities also led in equity options business, with a market share of close to 40% in 2018. Overall, KGI Securities has achieved outstanding results in the derivatives business.

Aiming to continually increase the number of investors and volume of transactions, KGI Securities will strive to improve the warrant market-making system and website, organize various promotional activities and inject more resources into the warrant business. Looking ahead, KGI Securities will continue to establish derivative product platforms in the Asia-Pacific region and provide customers with a more comprehensive range of products, while creating stable profit for KGI Securities.

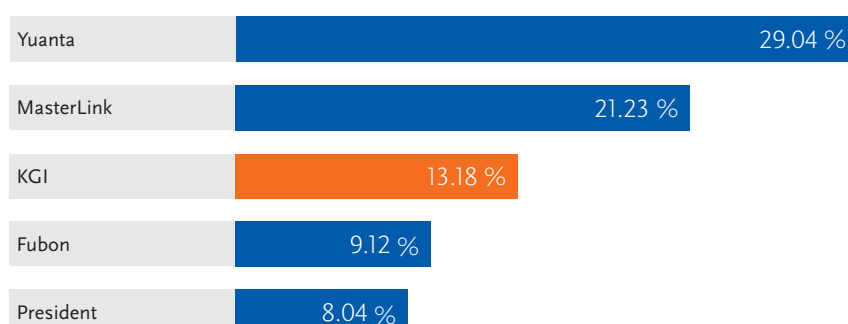
2018 Warrant Issuance statistics

Source: TSE & Taiwan OTC

Securities	Yuanta	Capital	KGI	SinoPac	President
Number of issuance	7,766	4,691	4,505	3,596	1,762
Premium issue amount (NT\$ Million)	87,693	52,053	46,776	32,260	25,894

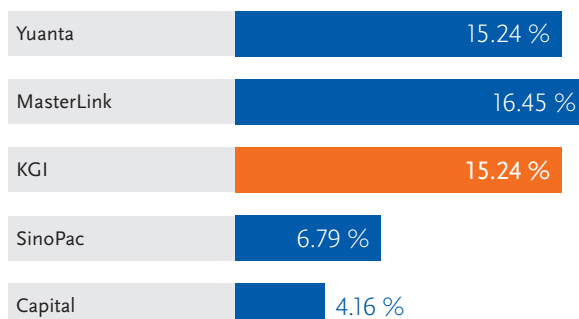
Top 5 Companies by Structured Product Market Share in 2018

Source: Taipei Exchange



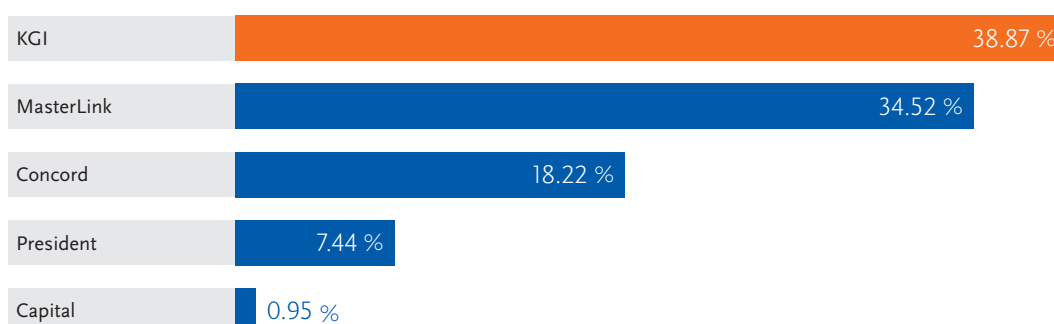
Top 5 Companies by CBAS Option Market Share in 2018

Source: Taipei Exchange



Top 5 Companies by OTC Option Market Share in 2018

Source: Taipei Exchange



FINI Equity & Sales

KGI Securities' FINI equity & sales department comprises a team of experienced sales and traders with strong execution and trading capabilities, providing foreign institutional investors (FINIs) with the highest quality investment advice and trading strategies. KGI Securities also provides basket trading services, serving clients across Asia, Europe, and North America, with many famous brokerage firms in the world being our long-term clients. KGI Securities has been ranked as the top broker in Taiwan for best execution by FINIs. Besides stellar trading performance and the capability to provide comprehensive research, KGI Securities' proven track record in executing pair and block trades leads peers, making it a top choice for FINIs. Through KGI Securities, our clients have access to the second largest stock pool in Taiwan and complete services for both securities lending and borrowing (SLB), thereby satisfying FINIs' trading needs.

KGI Securities is also dedicated to providing investors with corporate access in the form of company visits, teleconferences, analyst marketing trips, and non-deal roadshows, jointly held with listed companies or competent authorities. We also provide in-depth analysis and investment views gleaned from company management and our research team, creating a win-win for both companies and investors via our one-stop services.

In successfully managing over 6,000 FINI trading accounts, KGI Securities has proven itself the top choice for foreign capital seeking access to Taiwan's securities market and one of the best brokers in Taiwan. Our strong research team provides clients with real-time and in-depth analysis, assisting with the optimization of investment portfolios and global asset allocation.

Going forward, KGI Securities will continue to construct a comprehensive array of trading modes to attract FINI business. In other areas, we'll continue with rapid expansion of securities lending and borrowing business to satisfy FINI's SLB needs.

With a versatile trading system, comprehensive SLB business, solid institutional investor services, and top-quality research reports, KGI Securities has been rated a leader among its local peers in terms of FINI brokerage market share for eight consecutive years. KGI Securities also enjoys the No. 2 position in SLB business among local brokerage firms.

Registry & Transfer Agency Services

The registry and transfer agency services department provides a wide range of registry and transfer agency services for enterprises, such as arrangements of shareholders' meetings, handling of dividend payments and rights issues, tax withholding, and special shareholder services. Internal and external training sessions are offered to team members in order to enhance their professional competence. Moreover, the department emphasizes the sharing of practical and operational experience to hone team members' skills. It is committed to keeping clients updated on recent changes of regulations and securities services operations.

Cross-selling among CDF subsidiaries or across departments of KGI Securities allows us to provide clients with diversified services, raising the odds of winning mandates, and increasing customer retention. Meanwhile, rising M&A activity due to enterprises responding to changes in industries and competition means more tender offer related business opportunities that we can capitalize on. KGI Securities, built on a foundation of professional services, will continue to provide a large number of stock issuing companies and investors with a wide range of top-quality brokerage registry and transfer services.

KGI Securities is the only registry and transfer agency in Taiwan that has a service location for brokerage registry and transfer services in Kaohsiung to better serve shareholders in southern Taiwan. Our personal data protection process has passed the British Standards Institution (BSI) certification as we implement strict protection of shareholder data and work closely with clients, thereby maintaining good relationships, while also preserving a solid industry reputation. By the end of 2018, KGI Securities had acted as a proxy for a total of 334 companies, including 95 listed companies, 56 over-the-counter traded companies, 24 emerging stock market companies and 159 unlisted companies. This represents a total of 4.53 million shareholders. By offering an unparalleled professional experience, KGI Securities is the first choice for enterprises requiring registry and transfer services.

Number of Customers by Industry for Registry & Transfer Agency Services

industry	Electronics	Semiconductor	Consumer goods /services	Industrial production	Biotechnology	Total
Listed company	71	13	23	53	8	168
Unlisted company	67	7	54	22	16	165
Total	138	20	77	75	24	334

Proprietary Trading Business

The proprietary trading business of KGI Securities consists of transactions involving marketable securities on the stock market and over-the-counter market for capital gains. Securities traded are from a wide array of sectors, including high-tech, financial, and non-tech sectors. Our trading profits have been among the top three for years. KGI Securities' proprietary trading team has accumulated a wealth of experience in industry research and equity trading. With a solid knowledge base of market fundamental and technical analysis, our traders stay on top of industry trends. With the support of our research team, the proprietary trading team utilizes division of labor and collaboration to achieve profit targets.

Integration of the Securities and Futures Platforms

Relaxation of securities trading restrictions domestically and internationally, as well as the internationalization of Taiwan's futures markets have resulted in an environment favorable to the diversified development of proprietary trading business. KGI Securities has integrated resources in securities and futures departments to build a cross-border and cross-market trading platform, making our strategies work in different countries and across spot and futures markets.

Diversified Investment Strategies

The proprietary trading department's core competency lies in our traders possessing both research and investment capabilities. Built on the sharing of practical trade experience and risk management among staff, our investment strategies have grown increasingly diversified.

■ Short-Term Investment Strategies

KGI Securities takes advantage of short-term investment opportunities brought about by results announcements and investment themes through continuous industry and equity research, frequent company visits both domestically and abroad, and flexible position adjustments to control risk.

■ Long-Term Investment Strategies

KGI Securities' trading strategies are based on fundamental analysis such as mid- to long-term industry growth potential and profitability. We also resort to technical analysis, refer to political and economic changes at home and abroad, and utilize futures and index products as hedging tools to participate in stocks with long-term growth trends.

Balancing Overseas and Domestic Investment

Following A-shares inclusion in the MSCI Index with a rising weighting, global funds will accelerate into China, thus crowding out investments in other emerging markets. After the competent authorities liberalized regulations governing trading in foreign securities, our proprietary trading department has gradually increased overseas trading, in China and the US in particular, taking liquidity and investment opportunities into consideration. This has resulted in a better balance between overseas and domestic positions, thus effectively limiting the impact of single-market volatility and enhancing risk diversification.

Achieving Stable Returns

KGI Securities' proprietary trading team has integrated spot and futures resources to establish a new cross-national trading platform, which can be used to build an equity long-short portfolio. As a result, traders can follow changes in the markets, assess the pros and cons of markets or instruments, and construct the most promising investment portfolio. Meanwhile, KGI Securities will continue to seek maximum profits from overall investments, all the while keeping risk at acceptable levels.

3-4 CDIB Capital Group

In order to expand the economic scale of investment business, improve capital efficiency and generate steady income stream, CDIB Capital Group actively develops asset management business in addition to continuing with its principal capital investment. In recent years, CDIB Capital Group has achieved great success in asset management business by raising 9 private equity funds, including: Creative Fund, Healthcare Fund, Hua Nan Fund, Hua Dong Fund, Ali Funds, Innovation Fund, Growth Fund, Asia Partners Fund, and Global Opportunities Fund, with total assets under management of NT\$ 41.8 billion at year-end 2018. Currently, it is raising Yida Healthcare Fund.

CDIB Capital Group’s professional investment team provides fund advisory services for institutional investors. The wide breadth of their expertise ranges from fund screening to post-investment management and back office support.

As for future, CDIB Capital Group will continue to raise private equity funds and deepen its asset management business as industrial development changes with the times in Taiwan and around the globe.

Venture Capital & Industry Investment



The History of CDIB Capital Group's Principal Capital Investment Coincides with Taiwan's Industrial Upgrade Process

Being the leader in Taiwan's venture capital (VC) industry, CDIB Capital Group has participated in every stage of Taiwan's industrial upgrade and transformation, serving as an important driving force for Taiwan's economic development over the past 60 years. From petrochemicals, steel, electronic information, semiconductor, optoelectronics, and communication technology, to the more recent biomedical, green energy, consumer, artificial intelligence, and internet of things, CDIB Capital Group's investment portfolio has continued to evolve as industrial development trends change in Taiwan and around the world.

Over recent years, CDIB Capital Group has mainly invested its own capital in self-established private equity funds as it expands the scale of the asset management business and improves the capital efficiency.

Biotechnology / Environmental
Protection and Energy Conservation /
Technology / Cultural & Creative

Communications / Technology

2000's

2010's



Private Equity Fundraising and Management

CDIB Capital Group began its transformation in 2013 by developing its asset management business. Currently, it manages 9 private equity funds dominated in New Taiwan Dollar, Renminbi and U.S. Dollar. With dedicated management teams and different investment strategies, our funds invest across the Asia and America, covering different investment stages such as incubation, early VC, late VC, mid-market growth and large-company growth & buyout. The funds are led by CDIB Capital Group, with local and international blue-chip companies being shareholders or partners.

TWD-Denominated Industrial Private Equity Funds

In better respond to trends in industrial development, CDIB Capital Group has taken advantage of its industrial network to target specific industries with the greatest potential by establishing four private equity funds that focus on creative industries, biotechnology, innovative technologies and growth niches. In the future, CDIB Capital Group will keep a close eye on the trends of each industry and raise other industrial funds accordingly.

■ Creative Fund (CDIB Capital Creative Industries Ltd.)

To strengthen Taiwan's position in cultural and creative industries, the Fund was set up by CDIB Capital Group in 2013 with assets under management of NT\$ 1.5 billion. The investment strategy focuses on five cultural and creative sub-sectors: fashion brands, digital content, food culture, creativity and tourism, and movies / media. By seeking to turn culture and creativity into an industry, the fund aims to combine Taiwan's soft power with China's huge business potential to create investment opportunities and create momentum for economic growth.

■ Healthcare Fund (CDIB Capital Healthcare Ventures Ltd.)

In light of the biomedical industry cluster formed in Taiwan, the government's backing of the biomedical industry, and an efficient capital market, CDIB Capital Group has integrated CDF's resources to establish Healthcare Fund in 2014, with assets under management totaling NT\$ 1.75 billion. CDIB Capital Group aims both to support local biomedical businesses and to create good returns on investment. The investment focuses on pharmaceuticals, medical device, services, and other healthcare-related industries, while strategically it targets opportunities arising from cross-border integration with Taiwan's capital market, US' technology and China's vast market and ample capital resources. Ultimately, it aims to create integrated value for biomedical firms and to become the favorite strategic partner for entrepreneurs in the healthcare sector.

■ Innovation Fund (CDIB Capital Innovation Accelerator CO. Ltd.)

Founded in 2017, Innovation Fund is a NT\$ 1.29 billion fund which aims to encourage young entrepreneurship and foster future industries. It provides, in a physical accelerator, internal resources from CDIB Capital Group and value added services such as mentoring, professional courses, and various entrepreneurial resources from its strategic partners. The target industries are cloud computing, internet of things, mobile internet and next generation e-commerce. Via international connections, Innovation Fund helps startups expand overseas and aims to incubate more promising startups. By investing in early startups with rapid growth and multiple exit strategies, Innovation Fund expects an excellent fund performance.

- **Growth Fund (CDIB Capital Growth Partners L.P.)**

Growth Fund focuses on small-/medium-sized enterprises in Taiwan with an edge in the industry, whose core competitive edge has to be bolstered by either smart or green operations. Their potential growth, likely fueled by M&As, is expected to bring them to the international center stage. Growth Fund was founded in 2017, with assets under management of NT\$ 4.54 billion. CDF's extensive investment experience and expertise of over six decades, coupled with industrial resources from more than one thousand investees and leading players in various sectors, should stimulate M&A activity in Taiwan and thereby achieve Growth Fund's primary goal of a stronger industrial Taiwan and stellar investment returns.

Renminbi-Denominated Greater China Private Equity Funds

In response to industry development trends in Greater China, CDIB Private Equity (China) Corporation, a subsidiary of CDIB Capital Group, was established in Shanghai to develop private equity fund management business in mainland China. Through the subsidiary, CDIB Capital Group is collaborating with leading enterprises and professional investment institutions in mainland China to set up renminbi private equity funds in major Chinese economic regions, and to invest in Taiwanese enterprises and local industries with great potential. Moreover, aiming to maximize investment returns, these funds look to utilize Taiwan's R&D capabilities and exploit the huge domestic market in mainland China.

- **Hua Nan Fund (CDIB Private Equity (Fujian) Enterprise L.P.)**

Hua Nan Fund was established by CDIB Capital Group and a state-owned company in Fujian, Fujian Electronics & Information (Group) Co., Ltd. in 2014. Assets under management of Hua Nan Fund totals RMB 1 billion and it is the first renminbi-denominated equity investment fund established by a Taiwanese financial institution and a Chinese entity. In keeping with policy trends in mainland China, as well as economic outlook, technology innovation and social development, Hua Nan Fund concentrates on the IT, healthcare and consumer goods sectors, striving to maximize investment returns by capitalizing on advantages in industries and markets in Taiwan, mainland China and Hong Kong.

- **Hua Dong Fund (CDIB Yida Private Equity (Kunshan) Enterprise L.P.)**

Hua Dong Fund was jointly established by CDIB Capital Group and Jiangsu Govtor Capital Group in Kunshan, Jiangsu Province in 2015. Assets under management of Hua Dong Fund totals RMB 1 billion, aiming to explore investment opportunities in eastern China. Investment strategy encompasses industries including consumption, intelligent machinery, environmental protection, communications and internet sectors in the region. Hua Dong Fund invests in companies that mainly operate in mainland China.

- **CDIB Yida Healthcare Private Equity Fund (The fundraising is still in progress)**

To take advantage of the huge demand for healthcare created by China's 13th Five-Year Economic Development Plan, aging population and robust economic development, CDIB Capital Group and Jiangsu Govtor Capital Group plan to jointly establish Yida Healthcare Fund in Kunshan City of Jiangsu Province, featuring an anticipated fund size of RMB 0.8 billion and an investment strategy focusing on biotech, innovative medical equipment, and health-care services, among other branches of the greater health-related industry. The goal is to pool biomedical industry resources across the Strait to create value from an integrated circle of Greater China biomedical enterprises.

USD-Denominated Private Equity Funds

■ Asia Partners Fund (CDIB Capital Asia Partners, L.P.)

Asia Partners Fund is a US dollar private equity fund managed by CDIB Capital International Corporation, a 100% owned subsidiary of CDIB Capital Group. Asia Partners Fund completed the fundraising in 2015 with a fund size of US\$ 405 million. Its fund partners include a number of internationally renowned institutional investors and family offices. The “China Plus” investment strategy of Asia Partners Fund focuses on China-related industry themes of consumer / retail, high-value-added manufacturing, and new types of services. The two-pronged “China Plus” investment strategy leverages the economic growth momentum of the Greater China region and reduces the investment risk of investing only in China. The current fund portfolio includes Chinese companies with overseas growth potential and foreign companies established in South Korea, Taiwan, and the United States that benefit from the long-term growth of mainland China.

■ Ali Fund (Alibaba Taiwan Entrepreneurs Fund 1, L.P.)

In order to facilitate the entry of quality Taiwanese products and talents into mainland China and global markets, Alibaba Group initiated Alibaba Taiwan Entrepreneurs Fund I in 2016, which focuses on equity investments in Taiwanese entrepreneurs. Alibaba Group chose CDIB Capital Group to be the General Partner to manage US\$ 100 million in light of CDIB Capital Group’s excellent fund management record. Ali Fund focuses on e-commerce, logistics and cloud computing. The integration of CDIB Capital Group’s rich resources and Alibaba Group’s extensive deployment across industries will secure the future growth of portfolio companies and lead to a great fund performance.

■ Global Opportunities Fund (CDIB Capital Global Opportunities Fund L.P.)

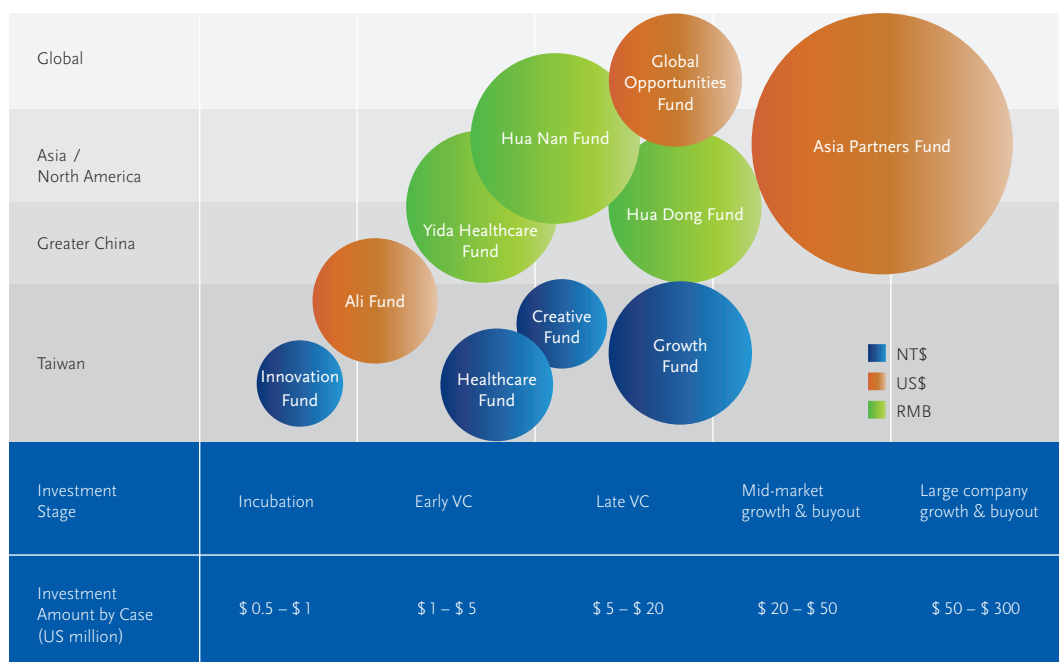
Leveraging the CDIB Capital Group’s business resources across the globe and networks of more than 300 investment accounts and around 100 investment professionals, CDIB Capital Group set up Global Opportunities Fund as the lead investor and achieved a successful first close in 2018, a continuation of its successful sterling investment performance overseas. The fund size stands at US\$ 116 million currently, with solid backing from seven Taiwanese life insurance institutions. Within the mandate, Global Opportunities Fund evaluates investments across a wide range of development stages, industries and geographical focus, primarily in North America as well as Asia-Pacific to gravitate toward the most attractive return profiles on diversified risks.

Full Spectrum of Private Equity Fund Strategies

Fund Name	Fund Size
Creative Fund	NT\$ 1,500 million
Healthcare Fund	NT\$ 1,750 million
Innovation Fund	NT\$ 1,290 million
Growth Fund	NT\$ 4,540 million
Hua Nan Fund	RMB 1,000 million
Hua Dong Fund	RMB 1,000 million
Yida Healthcare Fund	RMB 800 million (The fundraising is still in progress)
Asia Partners Fund	US\$ 405 million
Ali Fund	US\$ 100 million
Global Opportunities Fund	US\$ 116 million (First close completed, with fundraising still in progress)

Transformation into an Asset Manager

Private equity fund investments cover five stages: incubation, early VC, late VC, mid-market growth & buyout & buyout and large company growth & buyout.



Third Party Fund Investment and Strategic Advisory

Since early 2006, CDIB Capital Group has committed to over 40 different top-tier private equity funds globally. In addition to diversifying geographical and asset class exposure of its investment portfolio, the third-party fund investment portfolio also enables CDIB Capital Group to partner with world-class private equity firms to share investment deal flow, market knowledge, and add value to the portfolio companies. CDIB Capital Group's strong regional presence and deep investment experience in the Greater China region has made itself a preferred investment partner in Asia. Our seasoned investment team offers fund advisory services to institutional clients, designing and implementing tailor-made fund investment strategies for them. In addition, the team supports its clients in establishing strong relationships with best-in-class fund managers in the long term and building private equity management capabilities.

With proven experience, strong end-to-end capabilities, wide proprietary relationship network, large group infrastructure, and strong post-investment support, CDIB Capital Group is able to provide a complete out-sourced solution to fully support our clients' needs.

Global Partners

Global

- Blackstone
- First Reserve
- Goldman Sachs
- KKR
- Riverwood
- Silver Lake



North America

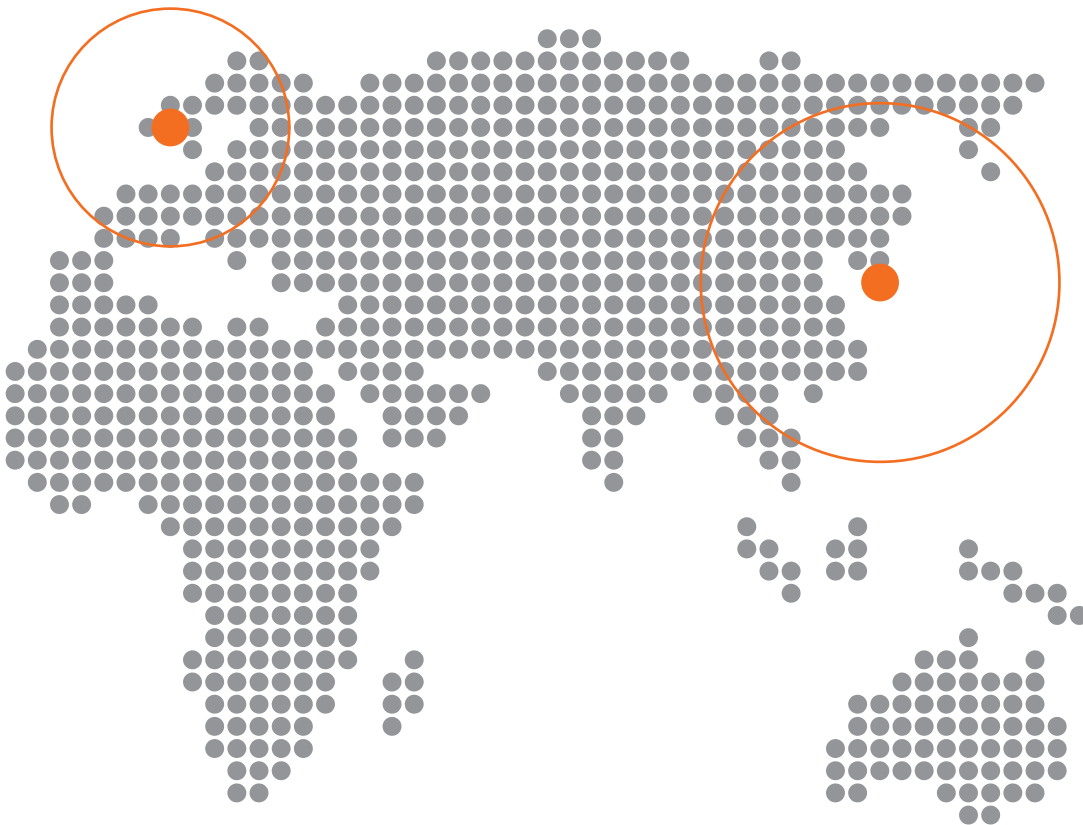
Adams Street
Blue Point
CIVC
Clayton Dubilier & Rice
Formation 8
Industry Venture
New Mountain Capital
Oak Hill
Platinum Equity
Sun Capital
Tenaya
THL Partners

Europe

Apax Partners
Doughty Hanson
Oaktree
PAI Partners
Terra Firma

Asia Pacific

AIF Capital
Carlyle
CX Partners
Everstone
Huaxing Capital Partners
Pacific Equity Partners
Samara Capital



3–5 Research

China Development Financial

The research department, consisting of 15 research professionals at year-end 2018, has six decades of research experience in economic and financial markets as well as industry research. It continually conducts thorough research on the domestic and international economic and industry trends. The research team also carries out industry expert interviews and studies research results by professional institutions, thereby building a solid understanding of the regional economy, financial markets, changes in subsector business cycles and long-term development trends. Internal research reports and industry themes are for subsidiaries' business and risk management units.

With regard to the macro-economy, the research department conducts in-depth research by studying the domestic and global economies. Research reports are issued regularly on the global economy, interest rates and exchange rates and irregularly on assessments of key economic events. This helps our staff stay abreast of market trends and key developments, and serves as reference for the senior management in making investment decisions and monitoring related risks. In addition to internal usage, such research reports are also provided as part of the value-added services to our clients, such as macroeconomic analysis and financial market monitoring, to fulfill requests from subsidiaries' sales teams.

Our industry research covers emerging and general industries. Research of emerging industries mainly focuses on technical developments and market opportunities of 5G communications and the internet of things (IoT), artificial intelligence (AI), Industry 4.0 and smart manufacturing, new-energy vehicles and batteries, eSports, emerging social media, augmented reality and emerging display technologies, new-drug and breakthrough therapy development, and silver economy and long-term care. By leveraging research resources from subsidiary KGI Securities Investment Advisory, the research department issues theme reports on a regular basis, assisting private-equity fund management teams and investors to better grasp investment opportunities of emerging industries. On the other hand, research of general industries involves the status of company operations and industry business cycles of information technology (IT), semiconductor, optoelectronics, green energy, traditional industries, consumer staples and more. Leveraging our experience in company credit research and industry research, along with information gleaned from sources like industry peers, upstream suppliers and downstream customers, we keep track of changes in the competitive landscape and business cycles from various angles. Internal monthly industry reports and subsector business outlooks are also issued to serve as reference for investment and lending decisions of CDF's subsidiaries with regard to business development and risk management.

Publications in 2018



Macroeconomics

- Economics growth
- Economics cycles
- Inflation & interest rates
- Forex & export

- Fixed income
- Equities
- Commodities

Industries

- IC / Electronics / Communication /
Renewables / Optoelectronics
- Auto / Machinery
- Non-tech industrial
- Consumer
- Pharmaceuticals

- AI / 5G / AR
- Energy storage
- Electric car / Smart car /
Automation
- New materials technology
- Digital marketing / Social media
- New therapy / Aging society

KGI Securities

Outstanding Equity Research Team

For many years, KGI Securities has been committed to nurturing the talents of its analysts and providing them with the resources they need to perform outstanding research. We firmly believe that only a highly qualified research team can bolster the company's various operations. Our expert analysts located both in Taiwan and at our overseas subsidiaries issue in-depth research reports in real time to guide our clients to construct optimal investment portfolios and global asset allocations.

At year-end 2018, KGI Securities had an Asia-Pacific research team of 41 analysts that intensively monitored 265 publicly traded companies. In addition to providing domestic and overseas clients with timely, detailed, and insightful investment ideas, the team is working to further strengthen its sales and research workforce in Greater China and to enhance services provided to institutional investors across the Asia-Pacific region. By continuing to raise the bar, KGI Securities aims to become a leading regional investment bank and a key partner to investors in Asia and Greater China markets.

As a regional securities firm, KGI Securities issues world-class research reports by utilizing its in-depth local market knowledge and its footprint in Greater China to provide customers with broad-based, insightful analysis of individual securities and markets. Reports, which are published on a daily, weekly, monthly, quarterly, and annual basis, comprise analysis of industries, economies, investment strategies, and public companies. Our reports have been consistently recognized as among the best produced by local securities firms in Taiwan. Asiamoney has long ranked KGI Securities among the top two local brokerages in its annual polls. It also ranked KGI Securities the third best research house, among both foreign and local securities houses in its 2018 Asiamoney Brokers Poll. Such consistent award-winning performance shows that our commitment to differentiation and regional research integration is bearing fruit.

Capitalizing on our niche position in Asia, our research team has in recent years expanded its coverage beyond Taiwan to mainland China, Hong Kong, Thailand, and Singapore. Integrating our local research resources and talent, we have established a solid Asian region research network. Expanding its financial services throughout Greater China, our regionally integrated, differentiated research network has given KGI Securities a reputation for specialized research of specific industries. KGI Securities is also proactive in bringing its latest investment analysis to clients through many roadshows and investor conferences held in Taiwan and overseas.

Sector coverage

Existing coverage	China	Hong Kong	Taiwan	Thailand
Automobiles & components	●	●	●	●
Banks	●		●	●
Capital goods	●	●	●	●
Consumer durables & apparel	●	●	●	
Diversified financial	●	●	●	●
Energy	●		●	●
Food & beverage	●	●	●	●
Materials	●		●	●
Media	●			●
Real estate			●	●
Retailing	●	●	●	●
Semiconductors	●	●	●	
Software & services	●	●	●	
Technology hardware & equip.	●	●	●	●
Telecommunication services	●		●	●
Transport	●		●	●
Utilities	●			●

3-6 Human Resources

CDF's workforce comprises an elite group of highly-trained professionals from Taiwan and abroad who possess extensive knowledge, specialized skills and hard-won experience in the fields of industry and finance. In order to better face the challenging, rapidly-changing financial environment, CDF is not only ensuring we have staff with the competence necessary in the venture capital, banking, insurance and securities sectors, we are also continuing to recruit outstanding finance talent to join CDF.

In response to the fast-changing financial environment and clients' needs, we continue to speed up employee development plans and foster versatile financial professionals. Through comprehensive training courses in several phases and professional certification, the financial literacy of our wealth management specialists is raised in order to provide our clients with the most professional service. For many years, we have continued to recruit and train management associates (MAs) as core reserve cadres, passing on our professional knowledge of financial markets to them.

■ **Wealth Management Training Program**

A series of comprehensive and solid talent development and training programs are organized for wealth management specialists. The programs are designed according to the levels of their positions as they move up the career ladder.

■ **Qualified Financial Planner (QFP) Program**

Our training program for Qualified Financial Planner (QFP) is targeted at frontline wealth management specialists, executives and branch managers. Trainees must participate in the four-day training and take written and oral exams for the internal certification. Those who pass the exams will be awarded with QFP medals.

■ **MA Program**

Each year since 2002, we have hired 10-20 MAs, who receive comprehensive training and get hands-on experience for one year. The CDF President and top management of major subsidiaries are invited to address MAs about the operating philosophy, development strategies and future goals of the Group. A full range of professional courses designed by executives or senior staff of key businesses are offered to MAs to help them acquire financial expertise and experience in a short period of time. That, coupled with their aspirations to become outstanding reserve cadres, will help MAs contribute to a bright future for CDF.

■ **Student Participation Program**

This program allows students to participate in the daily operations of KGI Securities, including financial product development, risk management project execution, IPO advisory, customer service and business development, so that they can accumulate hands-on experience before graduation. In 2018, the program took in 13 college students across Taiwan.

Wealth Management Training Program	Wealth Management Training Program is a 32-hour, four-day training course; a total of 51 employees were trained.	Taken by 2.0% of KGI Bank employees and 20.4% of wealth management professionals at KGI Bank.
QFP Program	A total of 35 employees applied for QFP Program, of which 23 received a passing grade.	Taken by 1.4% of KGI Bank employees and 14.0% of wealth management professionals at KGI Bank. Applicants for QFP Program featured a 66% passing ratio.
MA Program	In 2018, 19 MAs were recruited and trained for 3,040 hours. The MA program for digital banking is CDF's unique recruitment program and will be an important source of seeking for digital banking and FinTech talents.	MAs accounted for 0.28% of all CDF workforces; or 1.83% of all new employees in 2018.

3-7 Risk Management

Proactive Risk Management

CDF understands that risk management is not only about predicting, avoiding and containing risks. It is also about how risks can be effectively managed and turned into opportunities through a comprehensive system, thus becoming the key to enhance overall competitiveness. While attaching great importance to the advanced measures proposed by domestic and international financial regulators to beef up the risk-management capabilities and capital adequacy of financial institutions, CDF also makes significant efforts to build a multi-faceted risk management framework that contains an independent risk monitoring department, reporting systems as well as risk management platforms and technologies to provide the most trust-worthy financial products.

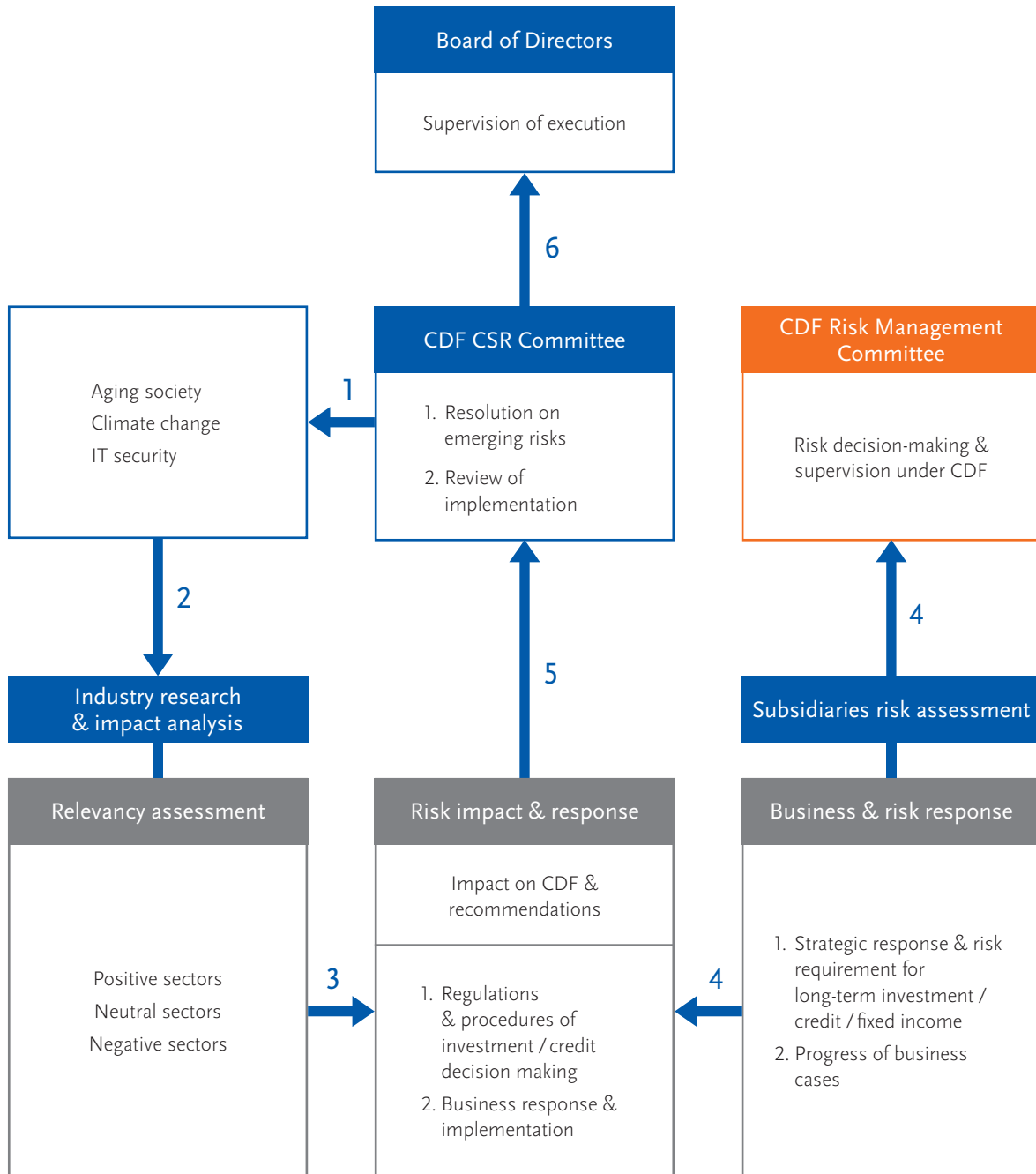
A Risk-Conscious Corporate Culture

CDF has combined 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. Meanwhile, risk management policies are made in accordance with The Third Basel Accord, local regulations and our own business development strategies

CDF's risk management covers market risk, credit risk, operational risk and liquidity risk. Based on the scope of risk management, we have established international guidelines according to international standards and our own corporate risk management policies. The guidelines serve as the standard for CDF and all of its subsidiaries in their day-to-day risk managing efforts.

CDF will continue to improve its ability in identifying and measuring risks in order to achieve better efficiency in risk control and management. While complying with capital adequacy requirements and other criteria set for financial holding companies and in different industrial segments. CDF will strengthen its early warning mechanism, and calculate its risk capital with better precision. These measures are taken to ensure the sustainable operation of CDF, and to provide a trustworthy financial product portfolio for our clients.

CDF – Emerging risk factor identification procedures & response measures



4

New Targets of Crossing Generations & Creating Peak Moments

It's worth pointing out that in 2018 CDF's assets under management grew significantly, reflecting stellar performance at various subsidiaries. Both private equity funds and investment trust businesses have achieved exponential growth, proving the success of our transformation.



Operating Performance

4-1	Accolades	64
4-2	Financial Statement	68

4-1 Accolades



- ★ Securities and Futures Institute, top 20% in the Fifth Corporate Governance Evaluation Award
- ★ Inclusion in TWSE RAFI Taiwan High Compensation 100 Index
- ★ Inclusion in TWSE RA Taiwan Employment Creation 99 Index
- ★ Inclusion in Taiwan Sustainability Index created by Taiwan Index Plus Limited
- ★ Inclusion in the FTSE4Good Emerging Index
- ★ Taiwan Top 50 Corporate Sustainability Report Award-Platinum Award, TCSA
- ★ Taiwan Top 50 Corporate Sustainability Award, TCSA
- ★ Social Inclusion Award, TCSA, for launching of financial inclusion programs, including credit plans for financially disadvantaged people and taxi drivers
- ★ Rated B in CDP's climate change questionnaire, a testament to CDF's efforts in energy conservation and carbon reduction
- ★ Top 33 among large corporations in CommonWealth Magazine's Corporate Citizen Award



- ★ Securities and Futures Institute, top 5% in the Fifth Corporate Governance Evaluation Award
- ★ Inclusion in the FTSE4Good TIP Taiwan ESG Index created by Taiwan Index Plus Limited
- ★ Inclusion in the Taiwan Sustainability Index created by Taiwan Institute for Sustainable Energy and Business School of National Taipei University
- ★ Taiwan Top 50 Corporate Sustainability Report Award-Platinum Award, TCSA
- ★ Taiwan Top 50 Corporate Sustainability Award, TCSA
- ★ Social Inclusion Award, TCSA, for teaching children about self-worth through the Aesthetic Education Plan
- ★ Using “Go Healthy, Innovative Tech” as a theme, China Life integrated health protection and care and other services to win an Innovative Growth Award from the Taiwan Academy of Corporate Sustainability
- ★ BSI Sustainability Excellence Award
- ★ Inclusion in Forbes Global 2000 enterprises
- ★ Small and Medium Enterprise Administration, MOEA, Buying Power – Innovative Product and Service Purchase Award
- ★ Taipei City Government’s Private Sector Green Procurement Award for the third consecutive year
- ★ Supported environmental protection by participating in the Taipei City Government’s call for banning disposable and melamine resin utensils
- ★ Top 6 life insurers among China Credit Information Service Limited’s Top 5000 large companies in Taiwan in 2018



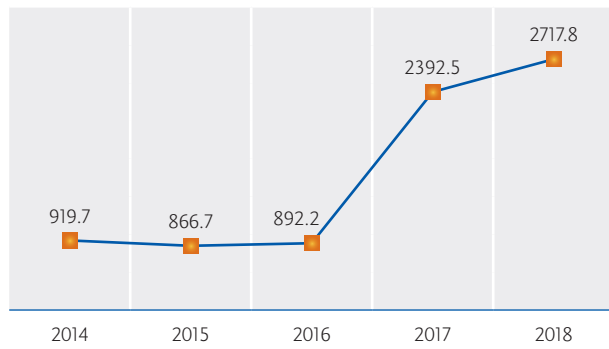
- ★ Collaboration with Chunghwa Telecom on mobile identity authentication which allows customers to apply for loans with a mobile number (the first financial supervision sandbox experimental project in Taiwan)
- ★ Collaboration with Taiwan Taxi met the criteria of high innovation, and was thus approved by the FSC for tax reduction
- ★ Taiwan Futures Exchange, #2 Futures Trading Diamond Award, Trading Volume for Banks
- ★ 2018 Global Banking & Finance Awards, and Most Innovative Commercial Bank Taiwan 2018
- ★ Top 100 Innovative Products Award at the 2018 IT Month trade show for our "KGI inside" service kit
- ★ Innovation Gold Award at the 2018 IT Month trade show for our "KGI inside" service kit
- ★ 2018 Best Electronic Service Innovation Award of Financial Information Service Company Limited (FISC) for our e-payment processing platform



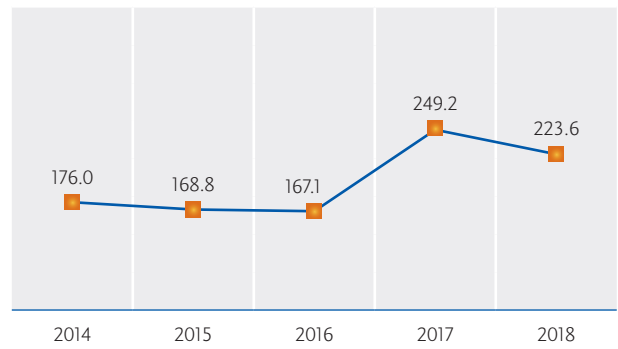
- ★ TWSE ETF trading contest: #1 Excellent Contribution, #1 Global Connection, #1 Monthly Award in May, 2018, #2 Best Taiex ETF Market Maker
- ★ TWSE #2 Stock Float, #3 IPO Fund-raising in 2018
- ★ TWSE #2 Best Warrant Issuance Growth, #2 Number of Outstanding Warrants Award, #3 Best Trading Volume for Warrant Issuer & Securities in 2018
- ★ Taipei Exchange, Outstanding Government Bond Market Maker in 1H18
- ★ Taipei Exchange, #2 2018 IPO Advisory Performance
- ★ Taipei Exchange, #1 Best ETF Award
- ★ Taipei Exchange Warrant Market Making Contest #2 Best Total Amount of Warrant Issuance and Total Turnover Award, and #3 The Growth in Number of Warrants Issued Award
- ★ Taiwan Futures Exchange, Futures Trading Diamond Awards, #1 Futures Introducing Brokers Trade Volume, #2 Securities Industry Trade Volume, #2 Futures Brokers Trade Volume, and #2 Futures Broker Trade Volume by Foreign Investors
- ★ The Asset, Asian Local Currency Bond Benchmark Review: #1 Top Bank in Bond Research, #2 Top Taiwan's Bank in Government Bonds, #3 Top Taiwan's Bank in Corporate Bonds, and #2 Top Taiwan's Bank Arrangers in Corporate Bonds
- ★ The Asset named the merger of ASE and SPIL, which was advised by KGI Securities, as Best M&A of the year in Taiwan.
- ★ FinanceAsia, Best DCM House
- ★ FinanceAsia named the merger of ASE and SPIL, which was advised by KGI Securities, as Best Taiwan Deal of the year.
- ★ Business Today, Wealth Management Banks and Brokerage Awards: Merit in Best Wealth Management Service, #1 Best Sales Team, #2 Best Product, #2 Best Digital Platform Experience, and #3 Best Information Service
- ★ Wealth Magazine, 2018 Financial Award, Best Securities Broker Image
- ★ Wealth Magazine, 2018 Wealth Management Awards, Best Wealth Management, Best Service, and Best Sales Team in securities broker category
- ★ Excellence, Best Online Broker
- ★ Passage of ISO 50001 certification on energy management

4-2 Financial Statement

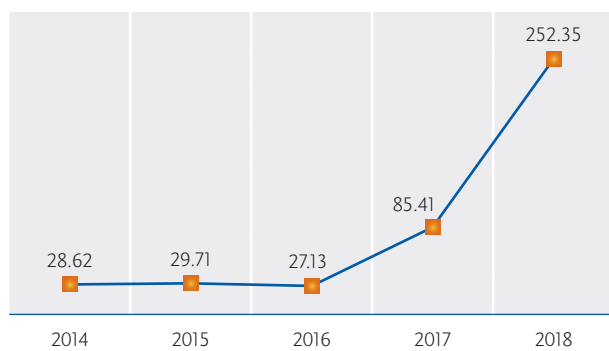
Consolidated Assets NT\$ billion



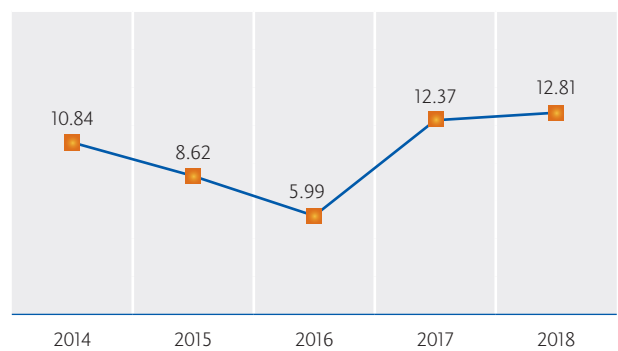
Consolidated Net Worth NT\$ billion



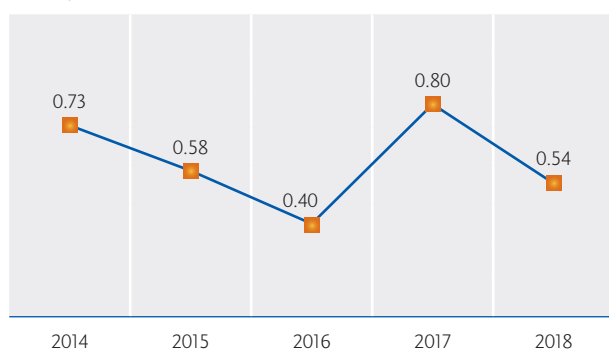
Consolidated Net Revenue NT\$ billion



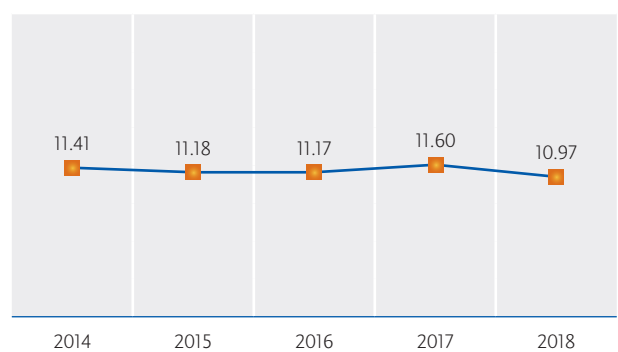
Consolidated Net Income NT\$ billion



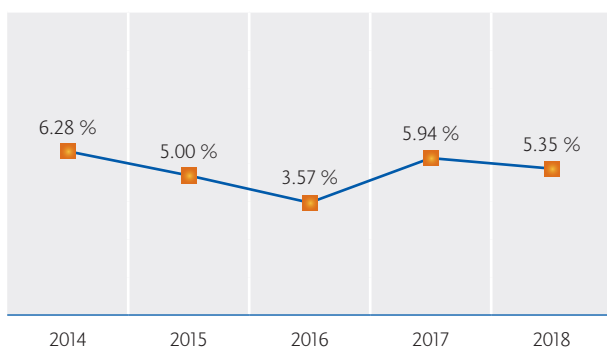
Earnings Per Share NT\$/Share



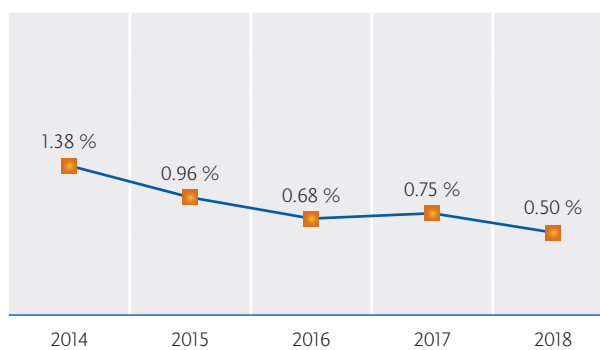
Book Value Per Share NT\$/Share



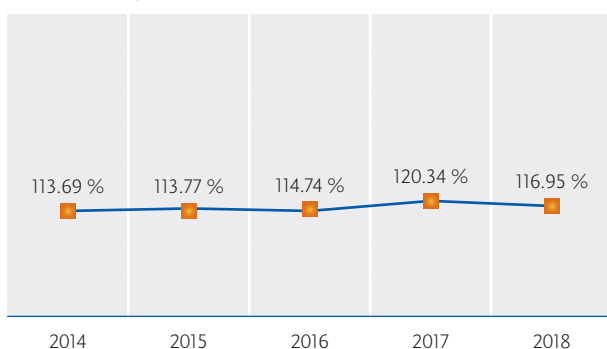
Return on Equity



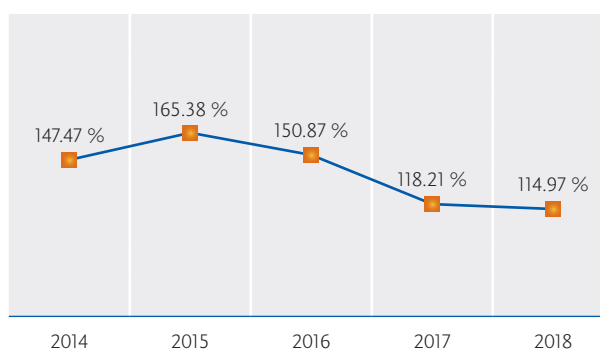
Return on Assets



Double Leverage Ratio

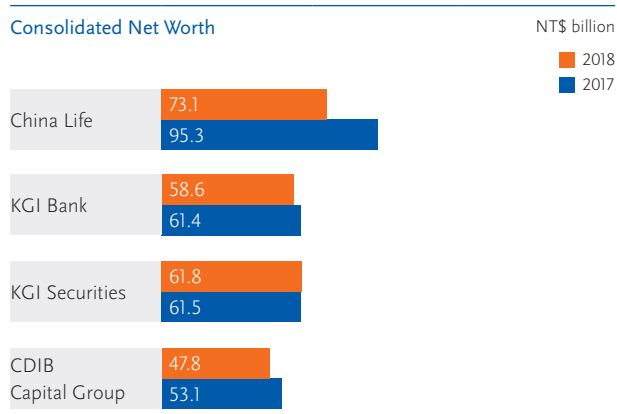


Capital Adequacy Ratio

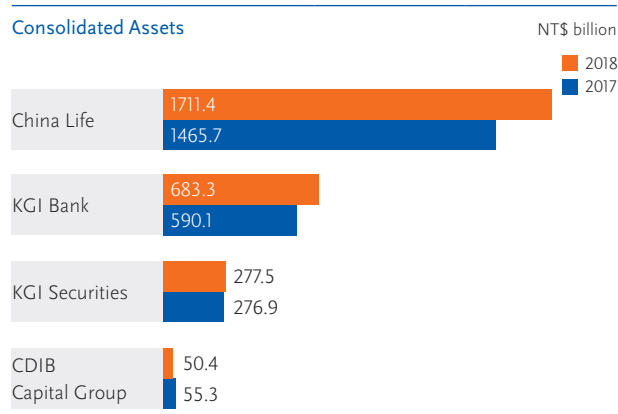


Note: The Company's 2014 consolidated financial reports were restated in accordance with the 2013 version of IFRS.

Consolidated Net Worth



Consolidated Assets



Note: On May 1, 2015, China Development Industrial Bank's various operations were transferred to KGI Bank. Upon the business transformation on March 15, 2017, China Development Industrial Bank was officially renamed CDIB Capital Group. The CDF board of directors passed a resolution on August 15, 2017, to make public the acquisition of a 25.33% stake in China Life Insurance, making it a legitimate subsidiary under The Financial Holding Company Act. Combined with KGI Securities' 9.63% ownership (excluding hedging positions coupled with derivatives), CDF Group holds a total of 34.96% of China Life's outstanding shares.

Office Locations

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 Taipei City, 10504, Taiwan (R.O.C.)
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www.cdibh.com

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 Tel +886.2.2719.6678 Fax +886.2.2712.5966
www.chinalife.com.tw

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www.KGIbank.com

Subsidiaries of KGI Bank

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KGI Securities

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www.KGI.com
www.KGIWorld.com.tw

Subsidiaries of KGI Securities

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www.kgifutures.com.tw

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www.kgifund.com.tw

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www.KGIeworld.com

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 Tel +65.6202.1188 Fax +65.6534.4826
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www.cdibcapitalgroup.com

Subsidiaries of CDIB Capital Group

www.cdibh.com

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CDIB Private Equity (Fujian) Co. Ltd.
 Room 3502-3 Hengli City, 128-1 Wusi Rd.
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CDIB Yida Private Equity (Kunshan) Co. Ltd.
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