



中華開發金控
CHINA DEVELOPMENT FINANCIAL

PARTNERSHIP FOR SUCCESS

China Life

KGI Bank

KGI Securities

CDIB Capital Group



中華開發金控
CHINA DEVELOPMENT FINANCIAL

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Letter to Shareholders

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

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

Commercial Banking Business

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

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

Brokerage Business

A favorable environment is created for the brokerage business due to a shift of the U.S. and European Central Banks to more accommodative monetary policies, government bond yields fallen significantly and global stock markets kept hitting new highs. KGI Securities maintains market leadership in such businesses as brokerage, investment banking, warrant trading, bond underwriting, and others. In the face of electronic trading and a growing new-generation clientele, KGI Securities strives to innovate, introducing smart and automated financial planning services as well as optimizing online transaction platforms and customer experience to give investment advice in a timely manner to assist customers in asset allocation.

To get ready for the new system of continuous trading launched in March 2020, KGI Securities has upgraded the functions of all trading systems and built brand new trading platforms, providing customers with convenient screening criteria for investment vehicles as well as rapid and helpful tools for order placement. Via this optimal operation interface, KGI Securities assists investors in capturing profit opportunities at high-frequency trading speeds. Regarding overseas deployment, Hong Kong has emerged as the center of overseas business to integrate Greater China and ASEAN markets. KGI Securities has established cross-regional wealth management service platforms by strengthening teamwork among all business groups, cross selling products in a more integrated manner and promoting the exchange of professional talents in order to continually advance toward the goal of being a niche regional securities house.

Venture Capital / Private Equity Investment Business

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

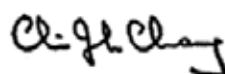
In December 2019, Taiwan Ratings announced CDF's long-term and short-term ratings of "twA+" and "twA-1", respectively, while CDF's outlook was again rated as "stable." These rankings were in recognition of CDF's strong capitalization, established franchise in Taiwan's corporate banking and securities business, and business diversification.

Looking forward to 2020, major research institutions are conservative about global economic growth. In addition to uncertainties brought by the extent of implementation of the U.S.-China Phase-1 trade deal and the progress of further negotiations, global economic activity will also be affected by the rapid spread of COVID-19 in China and other major areas in the world since the start of the year. Governments across the globe have launched various stimulus policies to combat the uncertain risk. We believe that repatriation by China-based Taiwanese companies and the government's multiple supportive policies will enable the economy to slowly stabilize. However, the impact of deeper financial market volatility and growing global political and economic risks cannot be taken lightly if the pandemic becomes more severe than expected. Faced with difficult, fluid financial situations, CDF's commercial banking business will expand its niche in consumer banking via FinTech applications and diversified product offerings. In pursuit of the optimal risk exposure framework, it will focus on a value-oriented lending strategy by optimizing credit structures and risk appetite. On the brokerage business front, it will continue to refine and upgrade products and services for wealth management and retail channels to meet customer needs. It will also capitalize on group expertise and resources, strengthening its financial service network and grabbing business opportunities in the Greater China and ASEAN regions to create value for shareholders. With regard to venture capital/private equity businesses, CDF will continue to improve the performance of the asset management and push for fund-raising while exploring new business via recruiting investment professionals in different fields to seek more diverse and balanced profit opportunities.

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

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

Best Regards,



Chairman Chia-Juch Chang

In 2019, CDF was committed to reallocating capital and leveraging the Group's resources to promote cross-selling to drive stable profitability. CDF has long protected shareholders' equity and labor rights and was ranked in the top five percent of the 6th Annual Corporate Governance Review of Listed Companies of TWSE / TPEX, which makes CDF a benchmark for corporate governance in the financial and insurance industries.



The new CDF headquarter building is simply magnificent, with eternity and stability rolled into one. The building represents CDF's commitment to stable financial operations and sustainable development. The building has been nominated for a gold-level green building award, as its design lives up to the spirit of sustainable development by fully enhancing environmental protection efficiency, achieving a certain level of greenness, maintaining water reserves at the base soil, saving energy on a daily basis, cutting carbon dioxide emissions, and making improvements in the internal environment, water resources, and waste water and garbage management. The new building, aside from representing the company's efforts in being environmentally-friendly, also provides the city of Taipei with a brand-new, impressive landmark.

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Organization Chart – Main Subsidiaries



Domestic Subsidiaries

- CDC Finance & 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.

Overseas Subsidiaries

Mainland China

- KGI Investments Advisory (Shanghai) Co. Ltd
- KGI Asia Limited Shanghai Representative office
- KGI Asia Limited Shenzhen Representative office

Hong Kong

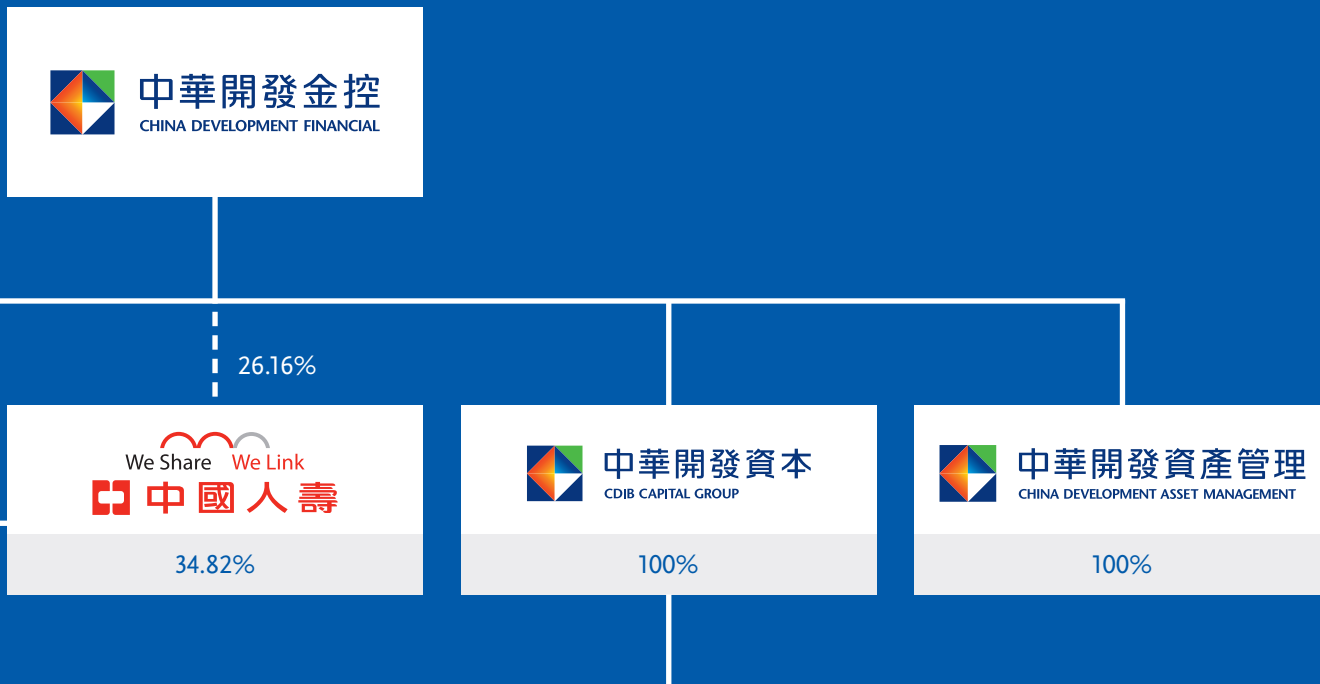
- KGI Asia Ltd.
- KGI Futures (Hong Kong) Ltd.
- KGI Capital Asia Ltd.
- KGI Asset Management Ltd.

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.

China Development Financial



CDF's corporate governance has been ranked among the top 5% of listed companies in Taiwan. Acting President Mr. Daw-Yi Hsu received the honor on behalf of CDF

China Development Financial (CDF) was established in 2001. Major subsidiaries include China Life, KGI Bank, KGI Securities, and CDIB Capital Group. The group is dedicated to increasing shareholder returns as well as respecting environmental, social and governance (ESG) policies, all while positioning itself as a leading regional financial institution with a comprehensive presence throughout Asia and beyond.

China Life

Your Trustworthy Risk Management Expert

China Life has a dedicated vision of maximizing benefits and value for the insured, shareholders, employees and society, as well as becoming the most trustworthy life insurer. China Life places a premium on the rights of the insured, develops a variety of products to meet clients' demands, offers customized and courteous service, applies state-of-the-art FinTech, and promotes micro-insurance policies to serve economically-disadvantaged citizens. China Life has always been pragmatic, professional, and reliable. Not only has China Life consistently improved corporate governance and internal controls, but it has also played a crucial role in promoting social stability in order to fulfill its social responsibilities. In the future, China Life will continue embracing its core spirit of 'We Share, We Link' and operate the company with forward-looking thinking, strong financial solvency, prudent corporate governance and risk management mechanisms. China Life works with all its constituents to create shared values, lives up to the goal of business sustainability, and aspires to become a model enterprise in the life insurance sector.

China Development Financial

Total Net Worth NT\$ 296.5 billion

Total Assets NT\$ 3,027.3 billion

As of 2019/12/31

KGI Bank

Quality Commercial Banking Services Provider

KGI Bank's operations include deposits/lending, credit cards, wealth management, consumer banking, corporate banking, global markets, and foreign exchange transactions. 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 windows to internet- and mobile device-enabled platforms all at our customers' fingertips. KGI Bank will continue to differentiate and diversify its financial services to earn the support and trust of its customers, aiming to become a top bank through an unwavering commitment to innovation.

KGI Securities

Market Leadership in Underwriting Business & Regional Network

KGI Securities is a market leader in a broad range of areas, including brokerage, wealth management, proprietary trading, underwriting, fixed income and a variety of derivatives products. 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 one of the first Taiwanese securities firms to expand abroad enables KGI Securities to benefit from this regional network. Going forward, investment banking, offshore securities units (OSU), and potential joint ventures in mainland China will be new business opportunities for KGI Securities to capitalize on and accelerate growth as it aspires to become the leading investment bank in the Asia-Pacific region.

CDIB Capital Group

A Leading Private Equity & Venture Capital Asset Manager

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 the venture capital business 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. At the same time, it has introduced a series of private equity funds outside of Taiwan and continues to grow its third party asset management business in private equity and venture capital. Looking forward, CDIB Capital Group looks forward to upholding its status as one of the best private equity/venture capital 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 ESG (environment, social and governance) to become a leading financial institution in Chinese communities.

China Life



China Life has rolled out the first composite insurance policy dedicated to people with mild or moderate physical/mental disabilities in Taiwan. China Life is Taiwan's first-ever insurer to offer brochures with Braille versions of product introductions, so that visually-impaired people can read the policy with ease. This effort reflects the global financial trend of inclusiveness, as China Life upholds its core values of customer care and a belief in the fair treatment of all clients, thereby supporting the physically/mentally-disabled community by providing professional insurance services.

China Life

Total Shareholders' Equity	NT\$ 142.7 billion
Total Assets	NT\$ 2,000 billion

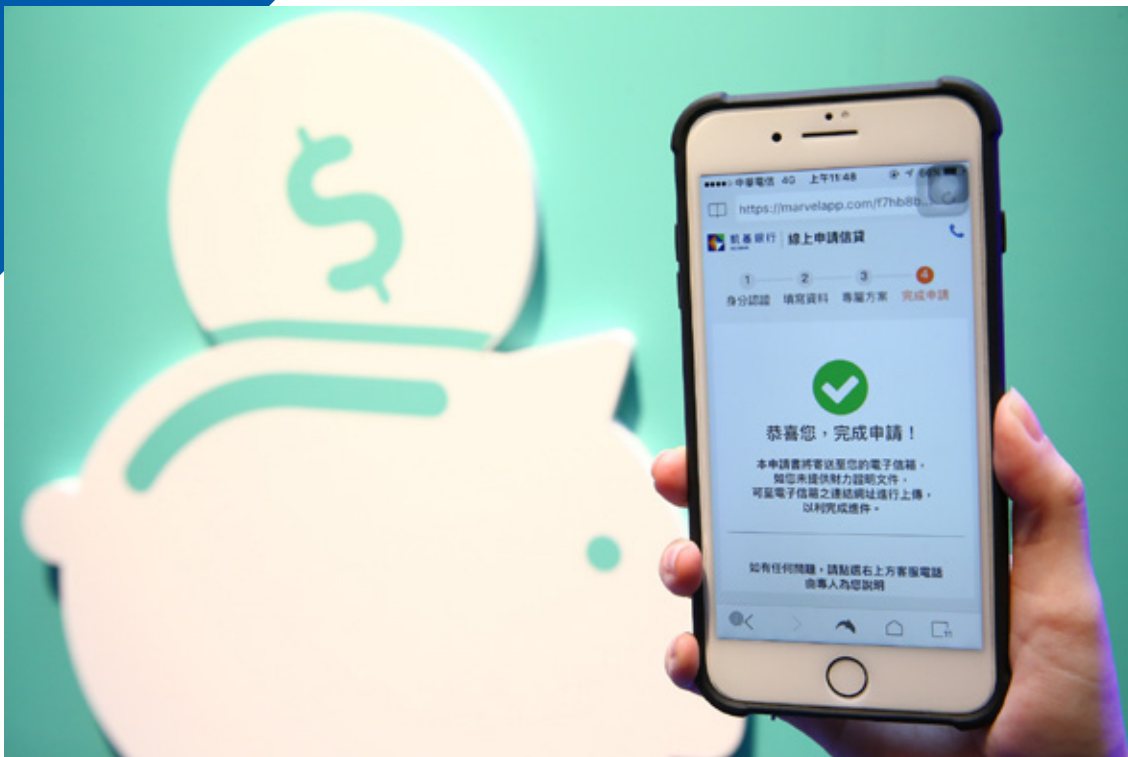
As of 2019/12/31

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 former chairman, Mr. Alan Wang, joined China Life as a manager in 2003, and started to build a professional team with risk management as its core competitiveness, which turned over a new leaf for China Life. In 2020, Ms. Yu-Ling Kuo took over as the first female Chairperson in the history of privately-run life insurance companies. Valuing sustainability and using prudent investment strategies to keep risks under control, China Life is among the few listed life insurers in the industry to have been able to maintain a positive spread over the long run.

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, so as to extend love and care to our insurance clients in the form of policies. China Life actively fulfills its corporate social responsibility, highlights the principle of fair treatment for customers, practices all-inclusive finance, and continues to promote micro-insurance and small-term endowment insurance. The Company also introduced the first comprehensive insurance policy targeting specific group of people with physical disabilities in Taiwan. To capitalize on FinTech trends, China Life has become a pioneer in digital innovation, introducing big-data precision marketing and artificial intelligence (AI). This innovative approach helped China Life get the go-ahead from the Financial Supervisory Commission to pilot the application of facial recognition technology in the insurance-application process, which marks a new chapter for the industry. Besides, 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 six consecutive years. Also, it has been named a Forbes Global 2000 enterprise six years in a row. 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 partner with its stakeholders to achieve the vision of corporate sustainability.

KGI Bank



KGI Bank was the first domestic bank to be permitted to the regulatory sandbox trial-run loan/credit card applications via cell phone numbers. This is good news to millennial customers or the self-employed group, especially those who may have difficulty accessing banking services.

KGI Bank

Total Net Worth NT\$ 64.4 billion

Total Assets NT\$ 666.3 billion

As of 2019/12/31

KGI Bank, a wholly-owned subsidiary of CDF, holds the customer-centric core value “Focus on You” to heart, aiming to provide clients with customized, high-quality financial services in its commercial banking operations, including NT dollar and forex deposits, remittance, credit cards, wealth management and personal loans for retail customers. Corporate customers of various sizes and industries can access our financing, cash management and corporate investment products.

CDF has provided KGI Bank with solid financial support, allowing the bank to continue expanding and optimizing its asset portfolio while improving its investment performance to boost the return on equity with dynamic risk management and minimization of valuation volatility.

KGI Bank has actively launched a variety of innovative products and services to keep pace with the digital era in recent years, and has remained committed to accelerating the introduction of new platforms and new clients to enforce the "KGI inside" innovation strategy. Also, the bank has worked with Chunghwa Telecom in developing mobile ID verification technology, which is the first financial supervisory sandbox project in Taiwan. KGI Bank is also the first bank in Taiwan approved by the government to engage in a trial program of offering loans and credit cards via mobile devices, making a major step forward for the development of pure online banking business in Taiwan.

KGI Bank has also extended the concept of Open Banking to its physical branches by opening some of the spaces on its premises to cultural or public welfare events, with an aim to provide customers with secure and heartfelt services.

Furthermore, KGI Bank continues to leverage the group resources of CDF to further deepen customer relationships and expand business opportunities through affiliate alliances. KGI Bank aims to become the best financial partner of its corporate customers, as this will strengthen its capability of attracting NT dollar and foreign currency deposits and consequently sharpen its operating competitiveness.

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 through integration with 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 networks of local partners in joint ventures, KGI Bank has co-founded “Jiangsu Suyin KGI Consumer Finance” with the Bank of Jiangsu in mainland China, which lays the foundation for expanding consumer finance business in the Greater China region.

KGI Securities



In December 2019, KGI Securities helped make possible the pioneering case of alternative listing in Lotus Pharmaceutical's transfer to a TAIEX listing in Taiwan. This demonstrates how KGI Securities can help enterprises enter the capital market.

KGI Securities

Total Net Worth NT\$ 70.7 billion

Total Assets NT\$ 335.1 billion

As of 2019/12/31

KGI Securities, a wholly-owned subsidiary of CDF, is a market leader in its portfolio of securities businesses encompassing brokerage, wealth management, fixed income, derivatives, underwriting, and proprietary trading. Following the dynamic investor demographics in Taiwan, the brokerage business has successfully transformed into a dual-engine model that incorporates wealth management services, while combining digital technology and client clustering to offer differentiated wealth management services for investors. KGI Securities' institutional operations in fixed income, derivatives and institutional brokerage have been well-recognized among high-profile international financial media and by local regulatory authorities for its innovation and service quality. Furthermore, KGI Securities has the most experienced underwriting team in Taiwan. By integrating the resources of China Development Financial's (CDF) subsidiaries, KGI Securities is able to command the lion's share of the equity capital market in Taiwan and provide customers with 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 KGI Securities' local subsidiaries, such as KGI Futures, KGI Securities Investment Trust, KGI Securities Investment Advisory, KGI Insurance Brokers and KGI Venture Capital, KGI Securities has extended its business horizons to offer more wealth management services such as global securities, futures trading, mutual funds, insurance products and equity research. Compared to its local peers, KGI Securities is also known for its wide deployment in overseas regional markets. 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.

Looking ahead, KGI Securities, aspiring to become a market leader and backed by its comprehensive product and service offerings that are built upon the abundant resources within the China Development conglomerate, will remain committed to providing bespoke investment services, product innovation capabilities, leadership in various business segments, and continued profit growth driven both by the domestic and overseas markets.

CDIB Capital Group



Mr. Lionel de Saint-Exupéry (right), Director and Co-CEO of CDIB Capital Group, received the award from M.K. Lu (left), Chairman of MAPECT (Taiwan Mergers & Acquisitions and Private Equity Council), celebrating the company's landmark achievement in structuring and executing the Jintex take-private control deal.

CDIB Capital Group

Total Net Worth NT\$ 428 billion

Total Assets NT\$ 455 billion

As of 2019/12/31

CDIB Capital Group (“CCG”), formerly China Development Corporation and later China Development Industrial Bank, was the first private development-oriented financial institution in Taiwan. Established in 1959 through the coordinating efforts of the Economic Stabilization Committee of the Executive Yuan, the World Bank and private funding, CCG was restructured in 1999 to become an industrial bank. Since its founding, CCG has remained focused on principal investing and, until 2015, corporate banking businesses. It has invested in and provided services to domestic and overseas clients in over 100 industries, and it continues to play a critical role in Taiwan’s venture and private equity, as well as liquid equity and credit capital markets.

CCG has been a pioneer among local investment banks. For 60 years, CCG has been a driving force behind of Taiwan’s industrial evolution. CCG has been leveraging its advantages gained through years of investment experience and a strong industrial network to further expand its business scope. With its highly regarded brand, seasoned management team, strong network, and access to co-investment opportunities, CCG actively helps companies grow and enhance business value by offering operational planning and IPO advisory services, as well as assistance identifying possible strategic alliances.

CCG has developed a successful asset management business since its business transformation in 2013. CCG currently manages 10 private equity and venture capital funds, denominated in US dollars, NT dollars, and renminbi. Each fund has a designated team and well-defined investment strategy and our investors include local as well as global blue-chip companies, financial institutions and high-net-worth investors. Portfolio companies across Greater China, Asia-Pacific and North America include the full investment cycle spectrum, from incubation, early stage, and growth stage investments to late-stage, mature businesses.

CCG established the Strategic Advisory Group in 2017 with a seasoned investment team offering fund investment advisory services to regional institutional clients. The Strategic Advisory Group leverages CCG’s extensive experience in third-party venture capital, private equity and real estate funds investing, and offers client with bespoke solutions, including fund investment screening and post-investment support. The Strategic Advisory Group provides tailor-made fund investment programs for clients seeking well-balanced and diversified portfolios.

CDF's four engines of profitability, life insurance, banking, securities and venture capital and private equity, are gradually showing synergies. Going forward, CDF will continue to strengthen its subsidiaries' business competitiveness, product development and sales forces, and deepen its customer relations and scale of operations to enhance long-term profitability.



Go for the Next Sixty Years

Chen Mei-hui, China Life
Winner of CDF's 60th Anniversary Photography Competition

Professional Services

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Product Strategy



China Life adopts a comprehensive product strategy, taking into account product diversification, customer demands, and growth in premium income. Regarding product mix planning, in addition to regular-premium and foreign-currency policies, the Company continues to promote protection and investment insurance products. Overall, we aim to optimize product structure, for the purpose of achieving our financial and business goals.

China Life pursues a customer-centric mission, upholding fair hospitality to guarantee customers' rights at all levels through its comprehensive services. Also, we have been actively creating innovative policies and products to respond to social demands. In 2019, we rolled out small-amount life insurance, micro life insurance, policies dedicated to the disadvantaged, and spillover insurance policies to serve the needs of different populations. The product mix is a response to customers who expect greater insurance protection, as the society has become more aware of supporting the elderly and the weak, all-inclusive finance and health advocacy. Plus, at a time when FinTech applications are becoming increasingly versatile, we use data to obtain insights into the needs of customers, deploy precision marketing, develop novel insurance products and services through cross-sector collaboration, and employ diverse marketing channels to provide different types of protection to the insured. The Company caters to customers' needs for life insurance, retirement coverage, accident protection, health-care services, long-term caretaking, wealth management, and protection planning. China Life has strived to integrate various dimensions to help customers build sound insurance protection and fulfill the Company's corporate social responsibility.

- 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 insurance 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 reforms, and government financial inclusion policies, China Life develops protection and pension products that further diversify our financial product lines while enhancing customer protection 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 policies are offered for people diagnosed with special illness, disabilities and critical illness IC card holders.

- China Life is dedicated to health-care advocacy and to serving the physically or mentally-disabled with friendliness. The Company incorporates fair hospitality into its products and services. We were the first in the life insurance industry to roll out a dementia spillover policy that stresses preemptive health management and comprehensive insurance products that are exclusively made for the physically and the mentally disabled. We support the elderly and the disadvantaged in our society as an integral part of our corporate social responsibility.
- In response to new market demand and digitalization, China Life actively develops innovative and FinTech products to enhance our insurance-related FinTech capabilities and to strengthen our long-term competitiveness via continued analysis of big data to undertake KYC that is the cornerstone for precision marketing.
- Echoing the government's policy of offering support to the elderly, China Life has continued to launch small-amount life insurance policies, including ones that can be applied for online and ones targeting retired government employees and teachers. Along these lines, we have also developed foreign-currency small-amount insurance products to build a protective network that can cover different demographics.
- Promoting group insurance and personal accident insurance to meet policyholders' diverse needs for protection. Providing basic protection to underserved communities with accident micro insurance products for individuals and groups as part of our corporate social responsibility.

Distribution Channel Strategy



China Life operates through six main distribution channels: agent force, bancassurance, brokers, financial services, group insurance and e-commerce channel. Through diversified marketing channels and a balanced business development strategy, we roll out niche products that cater to the needs of each channel. With mobile-based digitalization and optimization of customer experience, we aim to help each channel offer complete and customer-friendly services, which will help us elevate our competitiveness, expand market clientele, and boost channel business growth.

■ Agent Force

We continue to enhance organization development qualitatively and quantitatively. By streamlining our operational structure, we have emphasized the cultivation of new blood and the passing of experience from the senior staff to new recruits. Thus, we have striven to increase and educate our workforce via digitalized learning and smart training. By ushering in digital tools and new functions, the Company can better operate its day-to-day business. Also, we are recruiting talent and enhancing retaining measures so as to optimize customer experience, and offer more thorough and convenient services. Through business expansion, channel transformation and capacity elevation, we aim to achieve the goal of becoming a bigger and stronger player.

■ 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 era of digital finance, China Life will actively partner with banks to develop financial technologies to increase operational efficiency.

- **Brokerage**

China Life focuses on expanding market share, working closely with brokerage firms to promote long-term regular-premium insurance policies and healthcare insurance products. The Company provides a wide range of products and services to enhance long-term business development and profits while guaranteeing stable performance.

- **Wealth Management Services**

The wealth management channels continue to cultivate long-term relationships with high-net-worth clients and develop new clients, providing a variety of products and multi-currency products to meet their asset allocation needs. We actively introduce auxiliary digital marketing and service tools to help high-net-worth clients monitor their asset value so as to optimize and diversify asset allocation, and to offer more comprehensive wealth management services for mid-/high-net-worth clients.

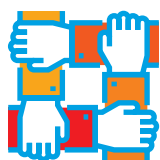
- **Group Insurance**

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

- **E-commerce**

In addition to providing protection and retirement products, the e-commerce channel is committed to developing products relevant with social issues and demand. The Company actively expands its clientele through multiple channels, 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



- We continue to drive the growth of high-value traditional regular-premium and protection insurance policies via various sales channels, actively developing diverse protection and insurance policies for specific groups of clients. The Company has also responded to the government's mandate to incorporate financial inclusion and support for the elderly and the disadvantaged in products and services. In recent years, as Taiwanese have become more aware of wellness and personal health management, the Company has deployed FinTech applications to roll out innovative spillover insurance policies.

- We continue to implement the "i-AG" program to transform our sales channels. The program includes talent recruitment, talent nurturing and digitalization. It deploys data to optimize channel sales as well as enhance employees' capabilities through smart training programs. These measures, along with sales digital tools, have effectively acquired and retained talents, resulting in a more resilient organization and more innovative channels.

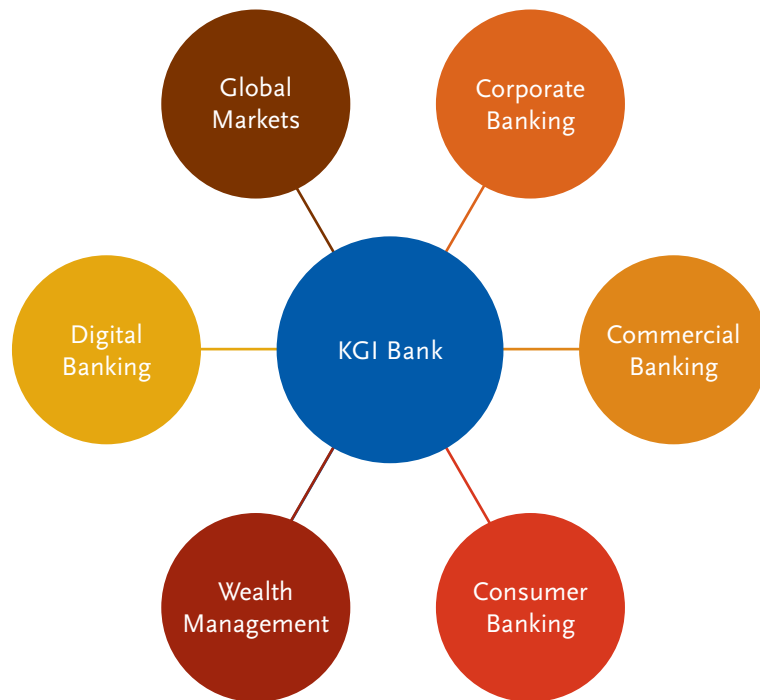
Amid the FinTech trend, we achieved digital development milestones that include setting up a big-data AI platform, applying AI to insurance services through labeled archives, and getting patented by the Intellectual Property Office in Taiwan. We also rolled out an AI smart assistant for sales. The Company is a pioneer in introducing facial recognition technology in the insurance-application process, which has not only been given go-ahead by the Financial Supervisory Commission but has also marked a new chapter for the industry. In terms of insurance claims, China Life developed an AI-based anti-fraud claims scheme, making the Company the first life insurance company in Taiwan to usher in AI-based anti-fraud technology for claims. The project won "Claims Initiative of the Year" given by "Insurance Asia Awards 2019".

- Insurance brings a stabilizing force to society. China Life sees the demands of policyholders and takes the initiative to offer comprehensive services, including fast claims for insurers within 30 minutes. The Company has continued to optimize its services, including the fast claims, as well as mobile claims applications. We hope to bring value service to our customers through more considerate and efficient claims services.

Upholding the “Fair Hospitality Principle”, China Life came in second place among life insurance companies in the first Financial Supervisory Commission’s “Fair Hospitality Principle Review” in 2019. We have continued to implement our service culture at work, sharing touching stories of our service ambassadors and building service role models. In addition, the Company introduced a project to service the elderly and the disadvantaged by connecting our call center network throughout Taiwan and then serving customers who need extra care measures. We hope to elevate our brand image and thus increase customers’ satisfaction and enhance our corporate image and the level of customer satisfaction.

As Taiwan has become an aging society, China Life has extended senior citizen care measures that echo the Ministry of Labor’s mandate to create Alzheimer-disease-friendly workplaces. We have become the first life insurance company to be named by the Taiwan Alzheimer’s Disease Association (TADA) as an Alzheimer’s-disease-friendly organization. Meanwhile, we mobilized our employee volunteers to join the international Alzheimer’s Month campaign held by TADA in 2019, during which Alzheimer’s-friendliness was advocated. In addition, we have continued to raise public awareness of Alzheimer’s through our platform, including customer service centers, Line account of sales channels, Line groups of employees, and our Facebook page. The Company regards the emphasis on the disease as part of its integral corporate social responsibility efforts.

- In response to the regulatory requirement and the rapid development of FinTech, China Life has striven to optimize information security governance and transfer information security risks, strengthening the deployment of and investment in protective technologies. The Company has also joined the coordinated financial information security defense scheme. In addition, the Company obtained ISO 27001, an information security standard, and then received the same certification again in 2018, but with wider inspection standards. Also, China Life has introduced BS10012 certification and adopted the latest international standards, pre-included the General Data Protection Regulation (EU GDPR; personal data protection rules) requirements, and passed the BS10012: 2017 standard certification with zero flaws, which places China Life among the first Taiwanese life insurance companies to have passed the new version of the personal information management system certification. In addition, at the eighth “Taiwan Insurance Excellence Awards 2019”, China Life won the gold award for the “Information Security Promotion Excellence” for its outstanding performance. By installing an internal control mechanism for information security to periodically examine the internal procedures and codes to comply with legal requirements and international information security standards, we strive to enhance customer confidence and China Life’s corporate competitiveness.
- In response to the needs of business development, China Life actively invests in talent cultivation and development, deploying a four-dimension strategy to enhance its competitiveness, including management, professional capabilities, Fin-Tech proficiency and international vision. Adding to the strategy, the Company also encourages employees to continue lifelong self-learning to go along with business development.
- China Life possesses strong financial solvency, prudent corporate governance and risk management mechanisms. It maintains a sufficient RBC (risk-based capital) ratio regulated by the authorities.



Corporate Banking

KGI Bank's Corporate Banking division serves over 1,400 medium-and large-scale corporate and conglomerate clients domestically and abroad. As part of a comprehensive financial service network, the Corporate Banking division aspires to provide "total solutions" to cater to each client's financing needs in a rapidly changing world.

The Bank plays the role of financial advisor for corporations on the back of its top-notch products and services. It offers trade financing products to help large-scale corporate clients advance their supply chain business and stays engaged along clients' business expansion cycles by offering corporate syndicated loans as well as project financing services. The Bank leverages its expertise and privileges with resources to be an advocate for project-financing of all types of emerging renewable energy investments. With experiences in international capital markets, the Bank can liaise with PE funds and the broader investment banking network, providing professional advisory and solutions for financing cross-border M&A deals. The commitment to participating in the international marketplace is what differentiates KGI Bank from its peers in the commercial banking arena.

While pursuing business development for corporate clients, KGI Bank aspires to fulfill its corporate social responsibilities, adhere to sustainable development principles, and implement climate change mitigation measures. The Bank has joined the government's cause and issued green bonds, which raise proceeds that all go into financing green energy investment projects. The action aligns with the Bank's devotion to building a sustainable society.

Customer Relationship Teams

Customer Relationship Teams	
Industrial Banking	The Industrial Banking team provides comprehensive professional financial services, including 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 semiconductor, and others.
Institutional Banking	The Institutional Banking team provides clients in the industry of financial services, broader financial sectors and government agencies with a full range of financial services, including cash management, trade finance, financial trading, as well as inter-bank transactions.
Global Finance	KGI Bank's Global Finance team has deployed a worldwide corporate financial service platform to offer enterprises and institutional investors cross-border capital solutions, LBO (leverage buyout) financing, international commercial real estate financing and supply chain financing services.

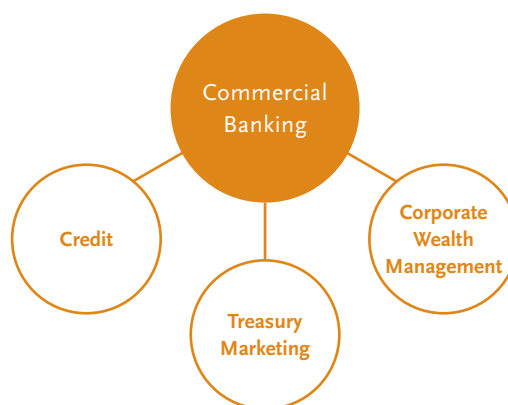
Financing Products Teams

Financing Products Teams	
Structured Finance	The Structured Finance Team specializes in the mergers & acquisitions, business spin-offs, and strategic alliance areas, providing expert consulting and solutions encompassing acquisition financing, leveraged buy-out (LBO) financing, and financier advisory tailored for multinational clients. The merchant banking business provides a variety of strategies to utilize capital through the following structured services: LBO financing, mezzanine financing, share financing and bridge financing, etc.
Project Financing	KGI Bank's Project Financing team 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, financier advisory and syndicated loans, etc.
Trust	Trust is the indispensable aspect of KGI Bank's corporate customer service. The Bank's trust business team offers corporate real estate services, including pre-sale proceeds trust, real estate transaction security, development, management trust, and securities lending and tax-saving trust. In support of the Bank's FinTech strategy, the trust team has developed the country's first trustee cash flow platform with built-in automatic AML (anti money laundering) detection, striving to offer the optimal management solution for the security of corporate clients' assets.

Commercial Banking

KGI Bank's Commercial Banking Division offers corporate clients a full range of tailored financial products, services and diverse funding channels. The Division helps clients maintain solid operations and stable growth. By focusing on target clients and trade-oriented products, the 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.

In support of the government's priority of accelerating the SMEs upgrade and transition process, KGI Bank aims to fulfill businesses' financing needs for innovation, digital upgrade, and high value-added development with a variety of stimulus loan projects in conjunction with the "Small and Medium Enterprise Credit Guarantee Fund of Taiwan (Taiwan SMEG)", helping SMEs achieve sustainable development in a competitive environment.



Key Products and Services of Commercial Banking Division

■ Credit

Credit	
SMEs with Annual Revenue below NT\$300mn	Unlisted Companies with Annual Revenue of NT\$300mn or above
<p>Endorsed by the Taiwan SMEG, KGI Bank provides short- and medium-term working capital loans and real estate secured loans to SMEs. Meanwhile, the Bank's "Micro-Business Loan Program" offers funding to micro-businesses with annual revenue below NT\$50mn. The program involves SOP screening and credit risk rating to filter qualified customers, providing timely and efficient financing services to satisfy funding needs for different phases of business development for its clients.</p>	<p>The Bank provides businesses involved in international trade as well as those with supply chain cash flow with financing solutions, such as short-term working capital loans, medium-term asset secured loans, and syndicated loans with maturities of less than five years. In addition to credit loans, the Bank also offers comprehensive products and credit, forex hedging, cash management and trade finance services.</p>

■ Treasury Marketing

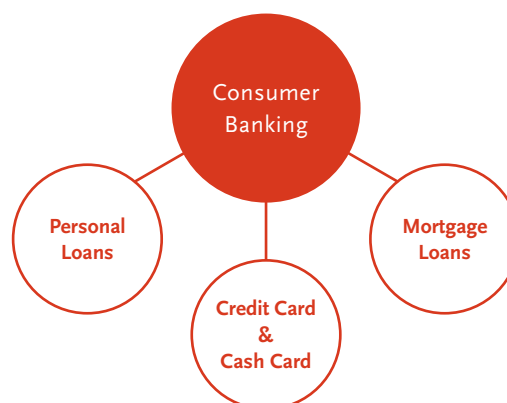
The commercial banking division provides optimized product portfolios based on clients' demands and risk appetites, helping to perfect capital allocation and risk management.

■ Corporate Wealth Management

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

Consumer Banking

Since its establishment, KGI Bank has committed to retail banking, with focus on personal loans, credit and cash cards, as well as mortgage loans. It continues to develop diversified and customized financial products that cater to various wealth management needs. The Bank offers comprehensive payment services and lines of credit. 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.



Key Products and Services of Consumer Banking Division

■ Personal Loans

In 2019, the outstanding balance for personal loans increased to NT\$24.0 billion, up 3% YoY, with its market share rising steadily. Also, the new loans spread is expanding. 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 KGI Bank's financial service innovations, the Bank and Chunghwa Telecom jointly launched mobile loan application services in 2018, 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 relatively reasonable price. In 2019, the Bank partnered with Taiwan Star Telecom to roll out a credit program offering loans at a preferential annual interest rate of 0.01% to Taiwan Star Telecom's new mobile subscribers.

■ 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.

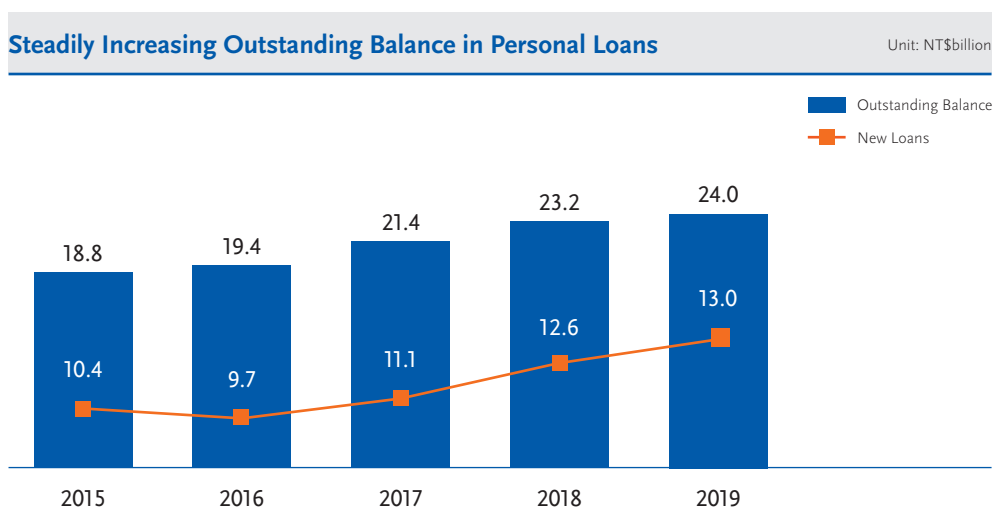
As of year-end 2019, around 385,000 KGI Bank credit cards were in circulation, with a 51% active rate, up from 40% at end-2017 and 46% at end-2018. The revolving balance was approximately NT\$1.12 billion. Given the existing scale, the key strategy for the credit card business is to adjust the product mix. The Bank seeks to add new demographics to its customer base by promoting cross-selling within the group, profoundly engaging wealth management clients with the introduction of a wealth management membership program to offer differentiated services and perks, so as to enhance profitability and raise client loyalty.

KGI Bank is also committed to building its digital platform. Rolled out in September 2018 with streamlined procedures and an improved customer experience, the credit card digital application service has been used by 70% of its credit card applicants in 2019. In addition, “Interactive Bills,” featuring enhanced customer billing experience and real-time services, introduced in late December 2018, has switched 30% of clients away from monthly paper bills as of end-2019.

With regard to mobile payments, KGI Bank is now affiliated with Apple Pay, Line Pay, JKOPAY, Taiwan Taxi, food delivery apps, and more, offering credit card binding and promotional transaction rewards. Google Pay will be included in the ecosystem soon. In June 2019, the Bank rolled out its digital mobile credit card POS service embedded with Taiwan Mobile’s IoT chipset modules, supporting Visa, Master-Card, JCB, and Union Pay, along with all three major mobile payment services providers (Apple Pay, Samsung Pay and Google Pay), enabling consumers to make more convenient, secure and efficient payment.

■ Mortgage Loans

As of year-end 2019, mortgage loans exceeded NT\$82.0 billion, up 10% YoY, helping KGI Bank balance its loan mix with a steadily growing scale and soundly maintained asset quality. With regard to target customers, the Bank continues to engage premium clients as a priority and increase cross-selling penetration via cooperation with other consumer banking services. Collateral properties are mostly located in metropolitan areas or regions where home prices are stable. In order to steadily expand business scale, the 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, the Bank maintains relations with them and reports internal early repayment to retain these customers as well as to prevent balance transfer. The team will continue to develop new types of mortgage loans and provide special offers to increase its business scale and profitability.



Wealth Management

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

There are 53 KGI Bank branches around Taiwan, with 21 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. The Bank also offers personal financial services that leverage CDF Group resources, including securities, futures brokerage and payroll accounts.

Key Services of Wealth Management

■ Dedicated to Customer Relationship Management

KGI Bank provides individual customers with thorough financial planning according to their financial status and needs at different stages of life. The Bank aims to provide customized credit cards, 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 Financial Products

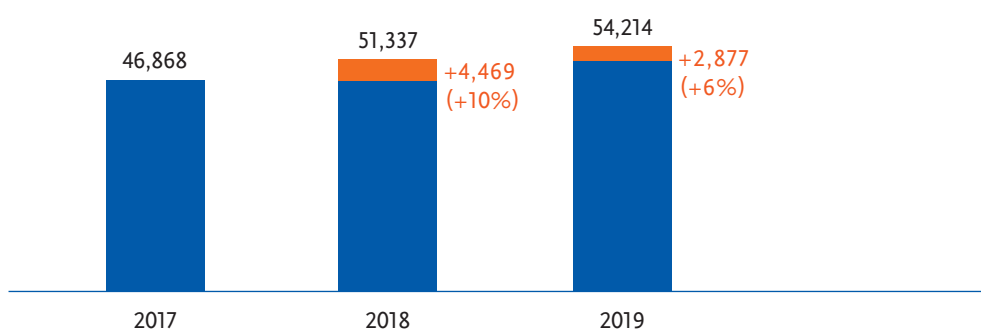
KGI Bank has a full line of personal financial services and products, including local and foreign currency deposits, insurance, mutual funds, exchange traded funds (ETFs), foreign bonds, structured products in various currencies. In response to changes in the market and customers' wealth management needs, KGI Bank offers solutions that feature principal protection and income generation simultaneously as well as a variety of loan offers. In 2019, to enable customers to make use of real-time investment opportunities, the Bank rolled out "Smart Profit-Taker", a portfolio building tool, and a new service that allows customers to preset desired exchange rates for automatic transactions.

■ Convenient and Real-Time 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 seamlessly with any of the options above. In 2019, KGI introduced biometrics login functionality to its digital banking services that eliminates the need to remember multiple usernames and passwords. Memo and notification functionality has also been added to mobile money transfers, so users can summarize the purpose of a transfer and keep a record of transfers through multiple channels, both on the transfer or recipient side.

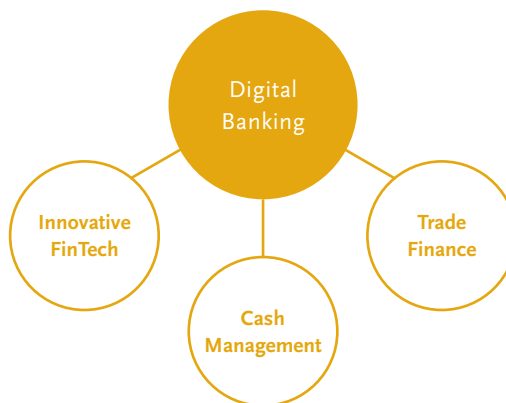
KGI Bank's Wealth Management Customer Saw Steady Growth

Unit: NT\$million



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.



Key Products of Digital Banking

■ Innovative FinTech

Under the “KGI inside” innovation, KGI Bank is using its technical capabilities to fragment and modularize financial services through open API, so as to turn the innovative financial services required by new entrepreneurs into components, including 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.



Daily Life Payments

Targeting consumers' frequent needs in daily life, namely making utilities payments, KGI Bank has rolled out the "KGI inside" strategy that utilizes modularized financial services and API-based (Application Programming Interface) technologies to build an innovative cooperative mechanism in which FinTech companies can join the ecosystem with KGI Bank. The Bank has become the first among its industry peers to realize the concept of "Open Banking," offering start-ups to link clients' demand deposit accounts and credit cards with payment of mobile phone bills, credit card bills, utilities fees, car-parking fees, loans, property management fees, and more through API.

"KGI inside" has made over a million transactions possible. The number of FinTech companies involved in the alliance is now over 20, including LINE, the largest instant messaging app, "Pi Wallet", a mobile wallet that has the largest parking lot market penetration in Taiwan, "CW Money" and "Moneybook", two personal-bookkeeping apps popular among young people, "She-Qu-Bang", a property management app designed by Sinyi Real Estate, Chunghwa Telecom's "Hami Pay", and Asia Pacific Telecom's "GT Pay".



Digital Credit Loans

Targeting younger generations' needs for simpler and quicker credit via mobile phones which KGI Bank considers as rigid demand. The bank has been a pioneer in terms of bringing the best user experience for loan applicants, with fewer information boxes to fill in, minimal procedures required on the phone, and the shortest approval time. The approach offers young people easier and more convenient access to personal loans in less than one minute.

KGI Bank has partnered with Taiwan's largest telecom service operator, Chunghwa Telecom, to launch the first financial regulation sandbox innovative experiment in Taiwan. The cross-industry effort between the telecom and the financial industry, called "Mobile Connect", enables young people to apply for credit loans online using their cellphone number as a digital ID.

The bank has also targeted financial freshmen, namely young people who have no credit history, and devised a dedicated credit evaluation mechanism, in cooperation with Chunghwa Telecom. This mechanism allows young people to accumulate credit as My Data linked to their cellphone numbers, They can then use this as credentials to apply for bank loans at reasonable interest rates which fit their needs.

Currently, KGI Bank has collaborated with over ten loan deal comparison platforms and personal bookkeeping app providers, all popular among young people, including Taiwan's largest loan rate comparison platform "AlphaLoan" and "CW Money", which has several million downloads. Millennials that are using these services are able to calculate loan quotas and interest rates, apply for loans, credit cards and other products, set up monthly loan payment alerts, make payments online, and benefit from other derivative functions through the one-stop service interface.



Big Data Analysis

By cooperating with external partners such as Chunghwa Telecom, iCHEF, and AlphaLoan, KGI Bank can employ cross-industry data in applications, using the data to offer customized analysis and establish modules for application in clientele management. The telecom data credit module is one example.

The bank continues to work with academia and the industry on AI-related research, deepening AI prediction module technology to supplement human capacity limits in terms of quantity, complexity, and knowledge/experience, so as to make policy-making modules more efficient and accurate.



Risk Control

To strengthen KGI Bank's partnership, the Bank offers professional insight into digital data processing and risk control.

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 in 2016, the offshore banking unit (OBU) of KGI Bank was the first OBU approved in Taiwan and has engaged in securities brokerage as a side business. In 2016, KGI Bank expanded its business scope to bill financing. According to statistics from the Taiwan Depository & Clearing Corporation, KGI Bank captured 6.3% market share among the 35 adjunct bill dealers in 2019, and 3.3% among the 43 dealers (adjunct + dedicated) in Taiwan. In terms of bond underwriting, KGI Bank's OBU became a qualified adjunct dealer of securities in 2018 and posted bond underwriting value of US\$470 mn in 2019, up about 12% YoY. KGI Bank's expertise and professional services are highly recognized by debt market customers.

In terms of foreign currency trading business, KGI Bank has since July 2019 added mid-shift staff to provide its customers with access to 24/7 real-time financial services. In addition, the bank has implemented prudent risk controls, adhered to strict legal compliance regulations, enacted stringent internal controls, and has been persistent in the development and pursuit of sustainable operations.

As for investment performance, KGI Bank has strengthened internal controls and risk limits in conjunction with top-down investment strategies to pursue consistent and sustainable returns.

KGI Bank's Business Statistics

Performance / Year	2017	2018	2019
Derivatives Transactions Volume (NT\$ million) *1	2,713,673	3,404,103	3,005,683
Market Share in Derivatives Transactions	5.70%	5.70%	5.20%
Common Unsecured Short-term Notes and Unsecured Fixed-rate Commercial Paper (FRCP) Underwriting Volume (NT\$ million) *2	180,305	398,542	240,554
Market Share in Common Unsecured Short-term Notes and Unsecured Fixed-rate Commercial Paper (FRCP) Underwriting Volume	2.5%	5.6%	3.3%
International Board Bond Underwriting Volume (US\$ million) *3	215.00	1052.37	197.63
Ranking of International Board Bond Underwriting Volume	19	10	22
Market Share in International Board Bond Underwriting Volume	0.54%	3.12%	0.77%

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)

Brokerage & Wealth Management

Dual-Engine Earnings Growth Strategy

The dual-engine business strategy of KGI Securities is solidifying its core brokerage business, and developing wealth management business for earnings growth via increasing transactions and accumulating wealth management business volumes. To provide more targeted and refined services, KGI Securities gathers and analyzes customer needs through segmenting clients, mapping out customer management strategies, and implementing KYC (know your customer) as well as KYP (know your product) to boost service values and customer satisfaction.

On the increasing transaction front, apart from developing strategic trading and building high-speed transaction access to attract a program-trading clientele, KGI Securities leverages its advantages in the securities lending business to raise day-trading frequencies and volumes by integrating securities sources under the central depository and trust platforms. With regard to the stock loan, short margin and all-purpose financing businesses, KGI Securities provides easy and convenient quality services, enhancing the flexibility of fund usage and trade operations for customers.

KGI Securities includes younger generation when building rapport with customers and recruiting talent. It attracts millennials to invest in the Taiwan stock market to build a new clientele and strengthen its customer structure via on-campus promotion of stock and ETF investments on a dollar-cost averaging basis. Each year, KGI Securities recruits graduates with a master's degree from local and foreign schools as FAs, adding new talent to its team.

KGI Securities will continue to deepen customer relations with a focus on meeting customer needs. The firm helps customers achieve the goal of steady wealth growth through asset allocation and risk diversification by providing professional investment research and analysis, developing diversified and differentiated products, rendering high-quality services, and using advanced FinTech.



Customer-Centric Wealth Management Services

To promote the wealth management business, KGI Securities launches onshore and offshore structured products for high-net-worth customers by selecting low-volatility, stable-return mutual funds or bonds as underlying instruments to boost investment gains. For the general public, KGI Securities provides diversified dollar-cost averaging investment services including mutual funds, Taiwanese stock and US stock and ETFs. While managing wealth through stock trading capital gains and dividends, customers can lend the stocks inventory to earn extra interest income. KGI Securities is the first to establish a securities lending center. There are two available channels for customers to borrow stocks, including one under the central depository system and the other entrusted by customers for lending. Both securities lending mechanisms significantly increase the matching rate. In order to make wealth management more accessible, KGI Securities lowers the threshold for offshore bond investment to US\$10,000, allowing more investors to diversify asset allocation against market volatility through stable returns. For mutual funds investors, KGI Securities incorporates industrial research capacity of CDF and GAMA investment portfolio screening mechanism for asset allocation advice and recommended funds corresponding to customers' risk propensity. KGI Securities also adjusts its investment portfolio on a monthly basis in accordance with markets conditions, allowing customers to access smart investment market intelligence.



■ Consistent and Swift E-Trading Services Provider

KGI Securities dedicates to upgrading its e-services by offering digital platforms and tools that satisfy customers of all ages. It has rolled out diversified and convenient online trading platforms, including one integrated online account opening platform that helps customers open account across devices and products. There is another available APP that extends various wealth management services into mobile devices, allowing customers to keep track of real-time wealth management products and information. Meanwhile, there is another APP available that significantly helps customers overcome the hurdle of strategic trading. Following the implementation of the continuous trading system in 2020, KGI Securities provides a comprehensive, and customized package to high-frequency traders. In response to AI technology, KGI Securities has built mobile Customer Relationship Management (CRM) to gather data to enhance mobility for the sales force. Moreover, KGI Securities plans to introduce an AI-driven wealth management system to help customers achieve investment objectives and provide 24/7 services.



■ Aggressive Development in Digital Communities

KGI Securities was the first securities house offering LINE-embedded investment services in 2017. Customers can link KGI Securities, KGI Futures and wealth management account to their LINE account through “KGI LOHAS Investor”. Customers could access trading, competitive auction/wealth management business, etc on LINE. Those who do not link their accounts can input stock tickers or company names to check stock quotes, trends and K-line diagrams. They can also link to the mobile trading page for stock trading.

In 2019, KGI Securities launched a digital biweekly publication “KGI LOHAS Investor”, accessible on its LINE official account and Facebook Fan Page. The number of subscribers has reached 150,000, with over 400,000 page views. The digital initiative is to enhance investors’ understanding of investment/wealth management. In addition, KGI Securities has set up a multimedia unit which produces engaging communications content for its customers. KGI Securities aims to engage young generation with investment/wealth management through social media and thus creates a new group of customers. Recognition and trust of the customers have been the cornerstone for KGI Securities. In 2019, KGI Securities ran 75 business outlets, owing the second highest brokerage market share in Taiwan. It had a leading position in the wealth management business, holding the top spot in terms of the scale of stocks entrusted for lending, the second place by the value of money under trust, and the third by sub-brokerage transaction volume.

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.

Awards and Achievements

Capital Market Business

- Won “Best Contributor Award” for advising IPOs on the TPEX market, and was runner-up for “TPEX IPO Advising Performance Award.”
- Runner-up of “Equity-market Liquidity-boosting as an Underwriter” by TWSE.

Financial Advisory Business

- Ranked 1st in Taiwan in number of advisory cases undertaken since 2015 by Bloomberg.
- Named the Best M&A Advisor of 2019 by The Asset.
- The merger of Gintech and Solartech Energy Corp by Neo Solar Power, and the acquisitions of Yungtay Engineering by Hitachi and LCY Chemical Corp by private equity firm KKR were respectively named the Best Domestic M&A Deal, Best Cross-border M&A Deal and Best LBO Deal of 2019 by The Asset.
- There were a total of 35 IPOs on the TWSE and TPEX markets in 2019, down from 60 in 2018 as a result of the Sino-US trade war. However, given sufficient market funds, the Taiex Index remained above 10,000 points, attracting more companies to make public offerings in the open market.
 - There were 78 fundraising projects, including 8 preferred share issuances, 71 convertible bond issuances and 31 IPOs made on the Taiex market, adding up to 184 underwriting projects, down slightly by 3% from 190 in 2018.
 - The underwriting market value in 2019 was NT\$84.1bn, down 13% YoY from NT\$96.8bn in 2018.
- KGI Securities was the lead underwriter of 33 fundraising projects in 2019, representing an 18% market share, which was the highest among peers.
- In 2019, KGI Securities facilitated the IPOs of ZillTek Technology, EirGenix, FitTech and Crystalvue on the TWSE and OTC markets, as well as the listing of Lotus Pharmaceutical on the main board from TPEX, which is the first case of a listing under Taiwan’s diverse listing scheme.
- For fundraising, KGI Securities served as the lead underwriter of 16 rights issuances (including 5 preferred share issuances) and 12 convertible bond issuance projects.
 - Some of the major fundraising projects that KGI Securities processed in 2019 included those of Taishin FHC, Kwong Lung, EVA Airways, CSBC Corp., Solar Applied Materials Tech, Foresee Pharmaceuticals, PCL Technologies, Shin Kong FHC, WPG, United Orthopedic, Arcadyan, Sigurd, Tranvex, Airmate, URE, Singtex, Gemtek, TaiDoc, Global Tek, Chilisun, Alltop Technology, Quang Viet and Episil-Precision.

In summary, KGI Securities has been a leading market player in terms of its number of IPO handling and underwriting market value in 2019, enabling a number of companies to raise capital in TWSE/TPEX markets.

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.

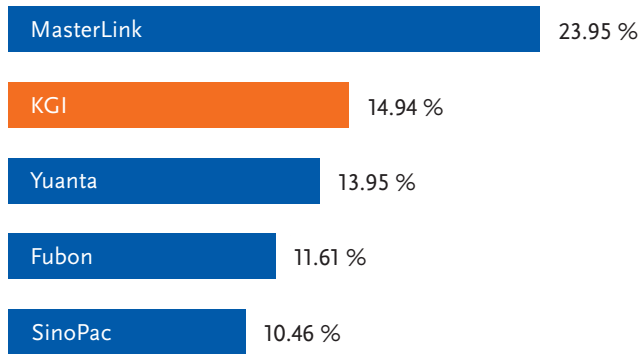
In terms of business strategy, KGI Securities continues to cultivate its primary issuance business. In addition to serving domestic corporate issuers, it also introduced high-quality foreign enterprises to issue bonds in Taiwan, providing diversified investment targets to investors, and actively playing 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 2019. The underwriting amount of NT dollar-bonds in 2019 reached NT\$ 39.4 billion, and the underwriting amount of foreign currency-denominated international bonds reached US\$ 995 million. The underwriting team is committed to creating win-win situations for issuers and investors, and our efforts have been highly regarded by our clients, evidenced by our winning of the Best DCM House Award for 2019 from the FinanceAsia, as well as the "Top Arrangers—Investors' Choice for Primary Issues" category of the Asset Benchmark Research Award in 2019. 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\$ 143.2 billion in 2019, representing one of the highest market share among peers. 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 2019, the Asset Benchmark Research, which named KGI Securities as the Best Fixed Income Research House, Best Trader of Taiwanese Government Bonds, and Top Investment House.

Going forward, KGI Securities will continue to adhere to its sound management principles. KGI Securities will maintain its leadership position by providing the most diverse investment advice and products to customers, which will create the most value for its customers and shareholders.

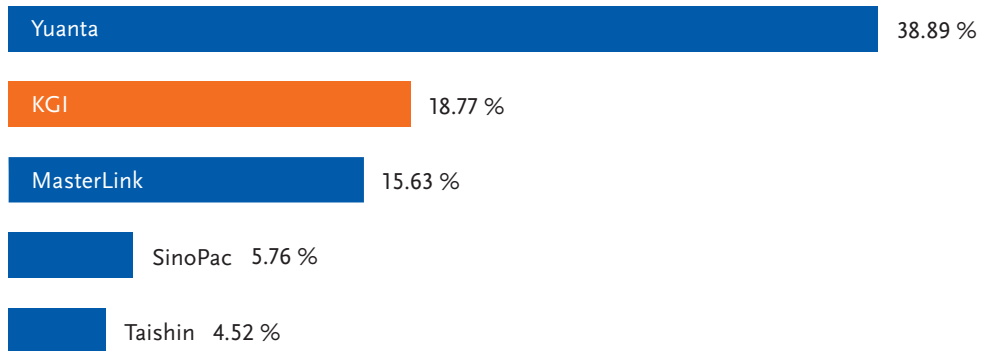
Market Share by Trade Volume of Structured Notes in 2019

Source:TPEX



Market Share by Outstanding Balance of Fixed Income Asset Swap and Options in 2019

Source:TPEX



Derivatives Business

Professionalism and innovation spur KGI Securities to continually develop new derivatives products for our clients. KGI Securities is a market leader in warrants, structured products, convertible bond asset swaps (CBAS), equity options or ETFs. Derivatives team, 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 2019, the number of warrants issued in Taiwan reached a record high. Through the promotion and market-making efforts of players in the warrant business, the domestic market has boomed. In 2019, KGI Securities provided investors a full range of warrants through its proactive initiatives in warrant issuance, and as a result, KGI Securities ranked second in both warrant trading and issuance number. Moreover, KGI Securities has continued to adopt proactive market-making strategies and has strengthened the effectiveness, stability and flexibility of its market-making system. In recognition of this success, KGI Securities's warrants business was awarded by both Taiwan Stock Exchange and Taipei Exchange.

Capitalizing on our competitive advantages in financial innovation, our structured product business has also led the market. In 2019, KGI Securities ranked second in the total notional amount of equity-linked notes (ELN) and convertible bond asset swap (CBAS). Regarding asset swaps, KGI Securities ranked third among peers in the value of asset swap options it underwrote. In terms of ETF trading, over 80% of the ETFs circulating in the market are issued by KGI, including ETFs linking equities, fixed-income, commodities and leveraged/inverse ETFs. 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, roll out various marketing campaigns 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.

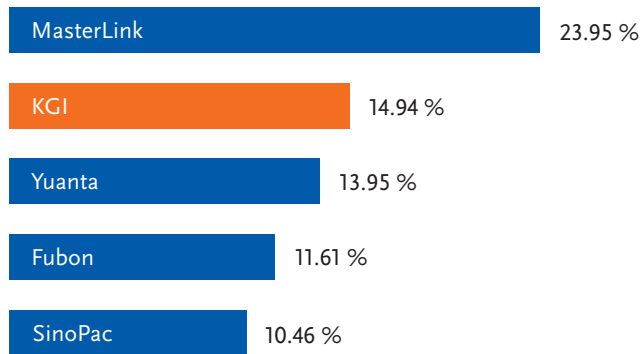
2019 Warrant Issuance Statistics

Source: TSE & Taiwan OTC

Securities	Yuanta	KGI	Capital	SinoPac	IBF
Number of Issuance	7,831	5,900	3,695	3,381	2,692
Premium Issue Amount (NT\$ million)	99,244	65,267	45,400	29,678	31,790

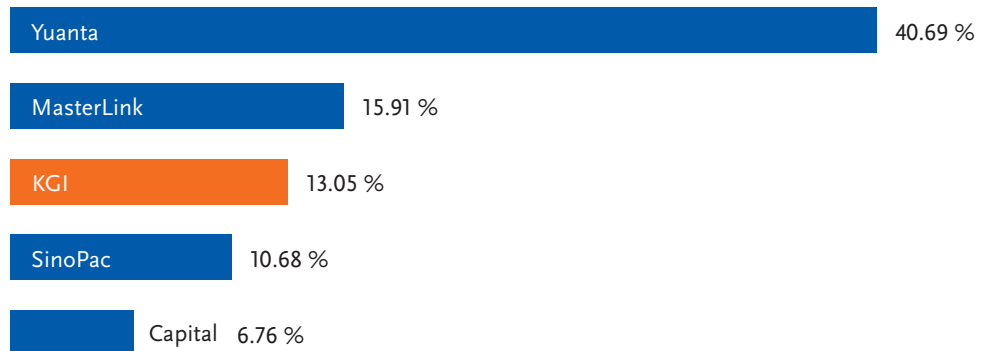
Top 5 Companies by Structured Product Market Share in 2019

Source: Taipei Exchange



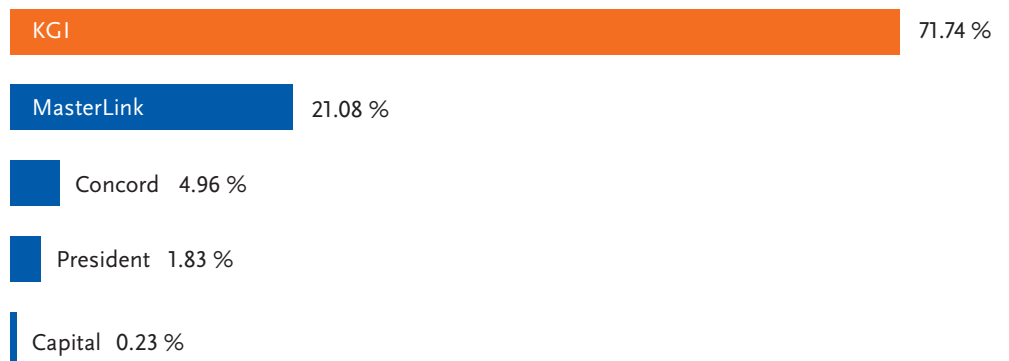
Top 5 Companies by CBAS Option Market Share in 2019

Source: Taipei Exchange



Top 5 Companies by OTC Option Market Share in 2019

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 6,400 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. KGI Securities is committed to keeping clients up to date on new regulatory changes with accurate legalese and consultancy, and adapt its practice in a timely manner.

Cross-selling among other China Development Financial subsidiaries and within KGI Securities allows it to provide clients with diversified services, raising the odds of winning mandates, and increasing customer retention. Meanwhile, rising M&A activities due to enterprises responding to changes in industries and competition means more tender offer business opportunities that it can capitalize on. KGI Securities, built on a foundation of professionalism, 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 company in Taiwan that has a service location for brokerage registry and transfer services in Kaohsiung to better serve shareholders in southern Taiwan. Its personal data protection process has been certified by the British Standards Institution (BSI) as it implements air-tight protection of shareholder information while maintaining customer communications in good faith to uphold its business integrity and trustworthiness. As of 2019 year-end, KGI Securities has acted as a proxy for a total of 339 companies, including 96 TWSE-listed companies, 57 TPEX-listed companies, 18 Emerging Stock Board-registered companies and 168 unlisted companies, representing a total of 4.67 million shareholders. KGI Securities has established itself as the first choice to provide corporate registry and transfer services.

Number of Customers for Registry & Transfer Agency Services by Industry Sectors

Industry	Electronics	Semiconductor	Consumer Goods / Service	Industrial Production	Biotechnology	Total
Listed Company	67	13	55	54	8	197
Unlisted Company	72	8	28	22	12	142
Total	139	21	83	76	20	339

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. Traded securities are from a wide array of sectors, including high-tech, financial services, and traditional industry 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 fundamentals 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.

Diversified Investment Strategies

The proprietary trading department's core competency lies in traders' research and investment capabilities to engage an ever-sophisticated international marketplace. Supported by stringent risk management, the team continues to advance its domain insight by expanding the exposure of its portfolio and research to global financial products, and benefits from an increasingly diversified vault of investment strategies.

■ 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's proprietary traders build their trading strategies from a fundamentals-based analytical approach, navigating global macroeconomic trends, medium- and long-term industry growth outlooks, and profitability. We also resort to technical analysis, refer to exchanges of shifting political and economic dynamics here at home and abroad, and utilize futures and index products as hedging tools to participate in stocks with long-term growth trends in full cycles.

Pursuit of Steady Returns

Regulatory 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. Traders follow changes in the markets, assess the pros and cons of markets or instruments, and construct the most promising investment portfolio to pursue solid and steady returns.

KGI Securities Investment Trust

KGI Securities Investment Trust (KGI SITE), established in April 19, 2001, is a subsidiary of China Development Financial (CDF). In early 2018, the company ushered in a transformation scheme, resulting in 10-fold growth in the size of public offerings of onshore funds managed over the past two years. According to statistics issued by the Securities Investment Trust & Consulting Association (SITCA), as of end-2019 KGI's public offering of funds reached NT\$169.2bn, ranking No.7 in Taiwan's onshore fund market.

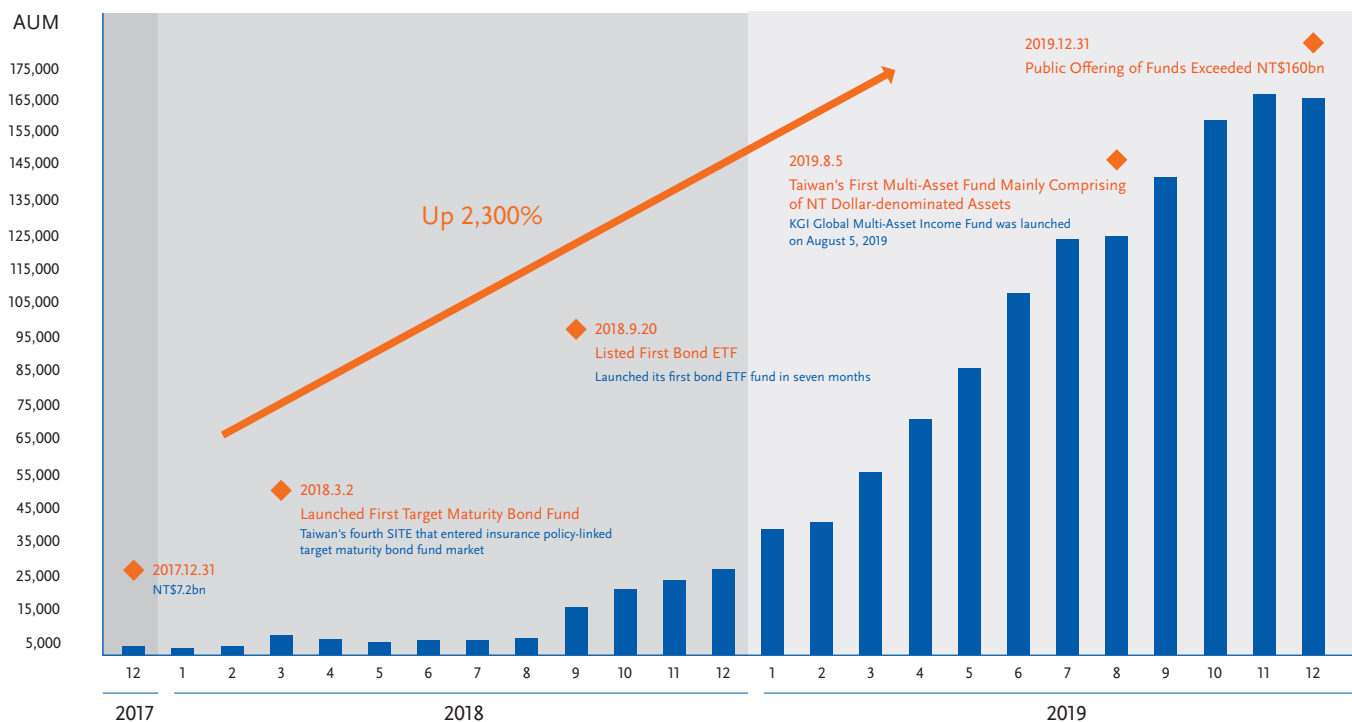
The three-year plan of KGI SITE's transformation scheme sets four strategic goals, including adding strategic channel partners and deepening collaboration, strengthening investment/mandate management capabilities, increasing high-yield product offerings and innovating service models, and executing digital marketing strategies to cultivate customer relationships. The Company leverages its strategic moves through strong capabilities in project management.

In terms of product strategies, KGI pulled out all the stops during 2018 to 2019, launching 19 new funds, including target maturity bond funds, bond ETFs and multi-asset funds. At end-2019, KGI launched bond ETF funds that include US Treasuries, investment-grade corporate bonds, industry corporate bonds, China government bonds and emerging market bonds with NT\$136.2bn AUM, ranking No.6 in the bond ETF market, while the AUM of target maturity bond funds was NT\$20.5bn, ranking No.5. To meet investors' retirement wealth management needs, KGI SITE also launched multi-asset funds that offer yields and mitigate volatility. The AUM of the fund increased to NT\$5.0bn AUM, ranking in the top 3 in Taiwan.

Going forward, KGI SITE will continue to offer comprehensive products along with its discretionary investment mandate business, enhancing investment management capabilities and sales channel management. The Company stands out as an integral member in CDF Group and positions itself as a trusted asset management company.

KGI SITE AUM

Unit: NT\$m



*Source: SITCA; statistics as of December 31, 2019

KGI Futures

KGI Futures Co. Ltd. (KGI Futures), as a subsidiary of KGI Securities, was established on December 16, 1996. The Company has been following its belief of integrity, honesty, passion and innovation since its inception, providing its clients with both professional and efficient investments services. KGI Futures has been the most trusted FCM (futures commission merchant) among investors.

The business of KGI Futures includes the brokerage of domestic and overseas futures and options, the clearing and settlement of domestic futures, and the introducing broker (IB) service in cooperation with KGI Securities. KGI Futures has expanded its business step by step into advisory, managed futures, proprietary trades, and foreign currency margin trading, increasing the diversification of revenue by constructing a more complete futures business.

KGI Futures has continued to deliver strong results, with pre-tax EPS (earnings per share), BVPS (book value per share) and ROE (return on equity) topping peers in 2018-19. Its domestic brokerage business has maintained a No. 2 market share. It has obtained trading memberships of SGX, CME, CBOT, COMEX, NYMEX, EUREX, ICE US, ICE EUROPE, ICE SG and CFE, with the goal of establishing a Direct Market Access (DMA) trading environment. In doing so, the Company provides a more diversified product portfolio to satisfy customers' trading needs and continues to enhance its competitiveness in foreign futures business to maintain market leadership.

Looking forward, KGI Futures aims to leverage business synergy to drive revenue and profit growth and to maintain its leading market share through innovating its trading system and information technology. The Company is also devoted to improving the quality of services for clients and the efficiency of the company's operations. Meanwhile, KGI Futures has been constructing cross-border trading systems and developing new income models to escalate competitive barriers and extend its leading position.

KGI Futures	2015	Rank	2016	Rank	2017	Rank	2018	Rank	2019	Rank
After-tax ROE (%)	19.24	1	15.98	2	14.70	2	17.32	1	14.42	1
After-tax EPS	5.85	1	5.09	1	4.47	2	6.86	1	5.79	1
BVPS	30.40	1	31.86	1	30.37	2	39.63	1	40.65	1

To expand the economic scale of its investment business, improve capital efficiency and generate a steady stream of income, CDIB Capital Group actively develops its asset management business in addition to continuing with its principal capital investment. In recent years, CDIB Capital Group has been actively building up an investment portfolio while successfully raising 9 private equity funds: Creative Industries Fund, Healthcare Fund, Hua Nan Fund, Hua Dong Fund, Ali Fund, Innovation Fund, Growth Fund, Asia Partners Fund, and Global Opportunities Fund. Last year, we kicked off the CDIB Yida Healthcare Private Equity Enterprise Fund (Renminbi), and began raising for the Healthcare Fund II (NT\$). Total AUM at year-end 2019 reached NT\$ 67.2billion (PE funds not included).

CDIB Capital Group established the Strategic Advisory Group with a seasoned professional team offering fund investment advisory services to institutional clients, including fund investment screening, post-investment management and back office support.

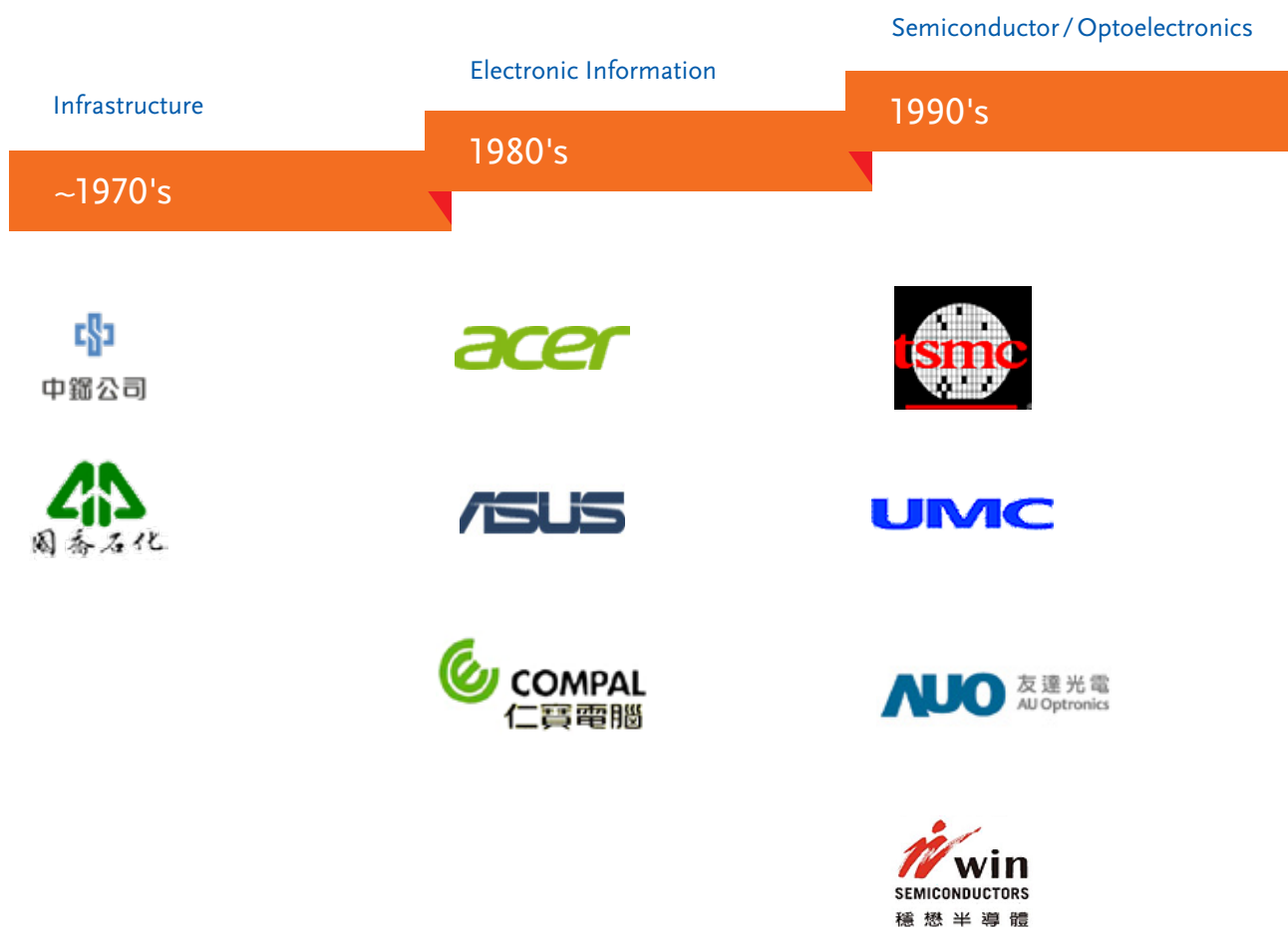
Looking forward, CDIB Capital Group will continue to strengthen its asset management business and keep up with industry trends worldwide.

CDIB Capital Group's Principal Investment History Reflects Taiwan's Industrial Evolution

CDIB Capital Group, as Taiwan's pioneer in principal investments, has participated in Taiwan's industrial upgrade and evolution over the past 60 years. Its investment history mirrors the industrial development of Taiwan. From petrochemicals, steel, electronics and information technology, semiconductor, optoelectronics, and communication technology, to the more recent medical and healthcare, alternative energy, consumer, artificial intelligence (AI), and internet of things (IoT), 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 been transitioning from and supplementing its historical roots in principal investment through proprietary capital on its own balance sheet to a full-fledged manager of third party assets in venture capital and private equity. The Company will also continue to expand its principal investment business to secure its leading role in the industry.

Progression of Taiwan's Industry Transformation vs. CDIB Capital Group's Investment Footprint



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

Communications/Technology

2000's

2010's

FAREASTONE
遠傳

Transcend®
創見資訊

ASPEED
信驊科技

IRON
劍麟公司

CLEANAWAY
可寧衛

CHIPBOND
碩邦科技

TONGHSING
同欣電子

ANDES
晶心科技

FUKUTA®
富田電機

'right
歐萊德

GSEO
GENIUS ELECTRONIC OPTICAL
玉晶光電

WNC
宏碁科技

GW
環球晶圓

SAS
中美矽晶

鮮綠園®
Garden Fresh

wpg
大聯大控股
WPG Holdings

南亞電路板

喜康
JHL BIOTECH

TWI
安成藥業

霹靂國際

Private Equity Fundraising and Management

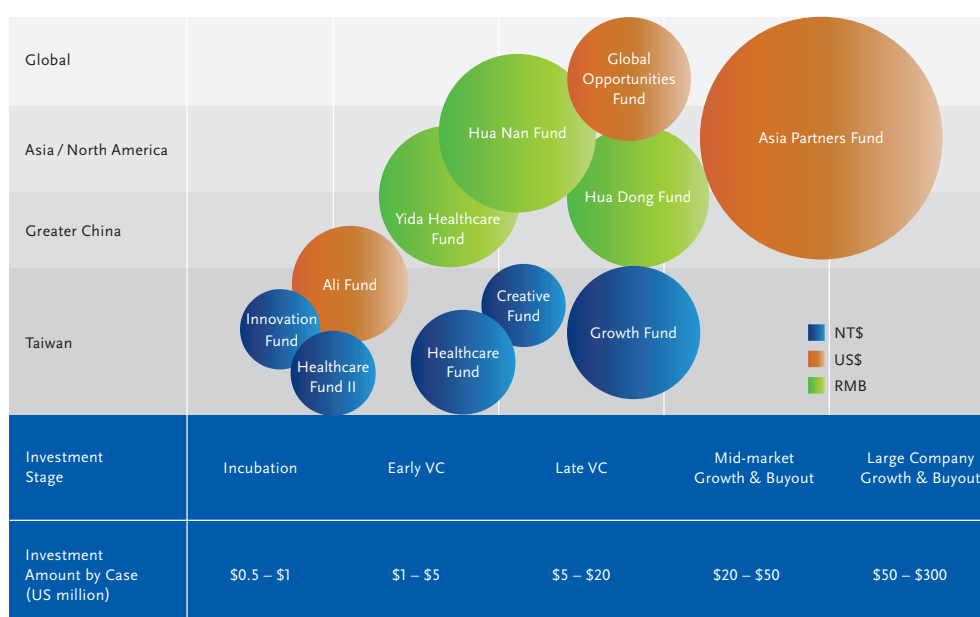
CDIB Capital Group began its transformation in 2013 by developing its asset management business. Currently, it manages 11 private equity funds dominated in New Taiwan Dollar, Renminbi and U.S. Dollar. With dedicated management teams and different investment strategies, our funds invest across the Asia 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.

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
Healthcare Fund II	NT\$ 3,000 million
Hua Nan Fund	RMB 1,000 million
Hua Dong Fund	RMB 1,000 million
Yida Healthcare Fund	RMB 760 million
Asia Partners Fund	US\$ 405 million
Ali Fund	US\$ 100 million
Global Opportunities Fund	US\$ 136 million

Transformation into an Asset Manager

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



NTD-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.

■ **Healthcare Fund II (CDIB Capital Healthcare Ventures II L.P.)**

The biotech sector is a key investment area under the Taiwan administration's "5+2" industry innovation initiatives. CDIB Capital Management is raising for a NT\$3bn "Healthcare Fund II" with the objective of reshaping Taiwan into the Asia-Pacific's go-to platform for biomedical innovations and venture capital. "Healthcare Fund II" seeks to integrate CDF and the affiliated network's resources to create added-value for well-established and innovative biomedical firms to expand and grow. The fund invests in three themes: biotech pharmaceuticals, med-tech and digital medicine, including their diverse subgenres of applications.

RMB-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.

■ Yida Healthcare Fund (CDIB Yida Healthcare Private Equity Enterprise, L.P.)

Yida Healthcare Fund was launched by CDIB Capital Group and Jiangsu Govtor Capital Group, based in Kunshan City of Jiangsu Province. With a fund size of RMB 0.76bn, the fund aims at the surging demand for healthcare business opportunities underpinned by China's 13th Five-Year Plan. The investment strategy focuses on biotech, innovative medical equipment, and healthcare services, among other branches of the greater health and wellness industry. The goal is create cross-strait biomedical industry synergy and offer added-value from forming a more connected healthcare industry in Greater China.



Executives from CDIB Capital Group joined the launch event of CDIB Yida Healthcare Fund.

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.)**

As a continuation of CDIB Capital Group successful investments track record, CDIB Capital Group set up the Global Opportunities Fund by leveraging its global business resources, including 300+ portfolio companies and 100+ investment professionals. The final round of fundraising was closed in September 2019 at US\$136mn, with solid backing from seven life insurance companies in Taiwan. The investment strategy targets at companies across different development stages (mainly in North America and the APAC region), gravitating towards attractive return profiles on diversified risks.

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

Research

Macroeconomics

Economics Growth
Economics Cycles
Inflation & Interest Rates
Forex & Export

Fixed Income
Equities
Commodities

Industries

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

AI/ 5G/ AR
Energy Storage
Electric Car/ Smart Car
Automation/ Blockchain
New Materials Technology
Digital Marketing
Social Media
New Therapy/ Aging Society

China Development Financial

At year-end 2019, CDF had a research team of 12 analysts with an accumulative six decades of experience in economics, financial markets and industry credit services. The team regularly issues thorough research on domestic, international economy and industry trends, conducts 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 trends. The team also publishes internal research reports and industry research for CDF subsidiaries' operations and risk management departments.

With regard to macroeconomics research, the team conducts analysis and forecasts on domestic markets, major global economies (US, Eurozone and China) and international financial markets. Research reports are issued regularly on the global economy, interest rates/ exchange rates and on assessments of key economic events. CDF Group employs the research to stay ahead of market trends and key events. These reports also serve as reference for the management team in making investment decisions and risk monitoring. In addition to internal research publication, the reports are also available for subsidiaries' sales and marketing team as part of the value-added services to their clients, such as macroeconomics analysis and financial market monitoring.

Industry research covers emerging and general industries. Research of emerging industries focuses on technology and market opportunities in 5G communications, artificial intelligence (AI), blockchain, internet of vehicles (IoV), alternative energy vehicles and batteries, eSports, social media, augmented reality (AR) and emerging display technologies, new drugs and breakthrough therapies, and the silver economy and long-term care. By leveraging the research resources from subsidiary KGI Securities Investment Advisory, CDF's research department is able to issue theme reports on a regular basis, assisting equity fund management teams and investors to better grasp investment opportunities in emerging industries.

On the other hand, research of general industries involves the status of company operations and industry business cycles in information technology (IT), semiconductor, optoelectronics, green energy, traditional industries, transportation, and consumer staples. By leveraging experience in company credit service and industry research, along with information from industry peers, suppliers and customers, CDF Group is able to keep track of changes in the competitive industry landscape and business cycles. Internal monthly industry reports and subsector business outlooks are also issued to the Group and its subsidiaries for investments and lending decision-making as well as risk management.

Publications in 2019

Industries

393

Macro

92

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 2019, KGI Securities had an Asia-Pacific research team of 40 analysts that intensively monitored 280 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, a financial publication established in 1989, has for many years ranked KGI Securities the best local brokerage and one of the top three research houses in terms of overall research projects in Taiwan (including all foreign and local brokerages) in its annual Asiamoney Brokers Poll. In 2019, Refinitiv, a global provider of financial market information, granted two StarMine analyst awards to KGI Securities, one for top stock picker in the banking sector in Asia and one for top stock picker in the energy and chemicals sector in Asia, making KGI Securities the only brokerage in Taiwan to win two top-ranking awards. 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.

Industry Sectors Under 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	●			●

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 banking, life insurance, securities and venture capital sectors, we are also continuing to recruit outstanding finance talent to join CDF.

In response to the fast-changing financial environment and clients' needs, CDF continues 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.

■ Management Associates (MA) Programs

Since 2002, CDF has recruited 10-20 MAs each year to participate in its comprehensive one-year training and internship program. Presidents and top executives of major subsidiaries of CDF are regularly invited to address MAs on the company's operating philosophy, developmental strategies and future goals. A full range of professional courses designed by executives and senior staff of our main business units are offered to MAs to help them quickly absorb required financial expertise. That, coupled with their own aspirations to become outstanding reserve cadres will help MAs contribute to a bright future for CDF.

As part of its commitment to cultivate new talent, China Life's MA Program welcomes diversity and recruits fresh graduates across all academic disciplines. Only then can a financial enterprise break free of traditional modes of operation and become an innovative company equipped to succeed in the digital age. The Program's objective is to build future leaders equipped with the complete package of policy knowledge and expertise, who will ultimately reinvent China Life into an all-encompassing innovative financial service provider, and to gear up operational sustainability readiness. In its fourth year running, China Life's MA Program boasts a 100% retention rate. Based on potential and performance, nearly 30% of MAs are promoted to managerial positions after graduating from the two-year program.

■ Digital Transformation Training Initiative

China Life values the proficiency of employees' professional knowledge and skillsets in engaging the new wave of digital business transformation. To help the workforce excel, we have curated training curriculums under two tracks. The 'digital strategic leadership' track is in essence a 16-week curriculum covering developing AI trends and curated by appointed institutes, designed

to help top executives lead their teams with broad and forward-looking perspectives to be able to find the right path. The 'digital readiness' track aims to equip our workforce with adequate FinTech proficiency by booking renowned experts to teach programming languages such as Python. This initiative is China Life's effort to help employees understand the urgency of digital business transformation and to recognize that each member has a role to play in supporting the transformation by contributing new ways of thinking and fresh momentum.

■ **Key Talent Cultivation & Training Plan**

To groom young talent for future leadership roles, thus ensuring sustainable operations, China Life curates a four-month training course under the Key Talent Cultivation and Training Plan, during which trainees are given access to acquire cross-departmental internal organizational knowledge, gain insight on industrial trends, learn presentation skills, and refine their capabilities to serve, innovate and execute for customers, all of which adds to the trainee's discipline as an independent agent and team player. Class feedback questionnaires, evaluations and tasks are distributed and performed pre-course, mid-course and post-course. As of 2019, 44.4% of the trainees received opportunities to be promoted to another position within a year of graduating from the training.

■ **Youth Talent Development Program**

Universities have always been an important cradle of talent for the business world. Through its youth talent development program, China Life is able to maintain good relationships with higher education institutions. The program is in charge of handling the summer internship program and industrial-academic cooperative projects. The internship program is developed on three core elements, namely a complete curriculum catered for interns, counseling sessions with a designated senior staffer, and access to a good variety of tasks to take part in. This allows fresh graduates to explore different skillsets in professional settings, shorten the gap between the acquisition and application of knowledge, and foster good working attitudes and ethics. Through signing industrial-academic cooperative agreements with schools, businesses are granted access to campuses to network extensively with graduates, while fostering the company's brand. We create a secure environment for students to get an early start on career preparation, and for us to acquire and develop future insurance business talent.

■ **Anti-Money Laundering & Counter-terrorist Specialist Certificate Initiative**

To adhere to international trends and to raise the proficiency of staff that must detect and prevent money laundering and terrorist financing, China Life encourages everyone working in the field to pursue specialist domestic and overseas certifications for AML and CT, including the internationally-recognized Certified Anti-Money Laundering Specialists (CAMS), along with related exams held by local institutions. Since we began our advocacy work for the initiative, 165 certificates have been obtained by our employees.

■ **QFP Training & Certification Program**

To build a talent pool of outstanding and certified financial planners, KGI Bank has put together a training program for Qualified Financial Planner (QFP) certification for its frontline wealth management specialists, executives and branch managers. 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 ladder. In addition, a QFP certification program has been launched to enhance their expertise and service efficiency and broaden their career development paths. Trainees must go through a four-day training course and take written and oral exams for the internal certification. Those who pass will be awarded QFP plaques. In 2019, the QFP Program accepted 22 applications. Among them, 12 had a passing grades, representing a 55% passing ratio, 0.7% of the entire Consumer Finance Business unit's workforce, and 7.1% that of the Commercial Banking unit.

■ **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. In 2019, the program took in 10 college students across Taiwan.

Proactive Risk Management

CDF understands that risk management is not about predicting, avoiding and containing risks, but rather how risks can be effectively managed and turned into opportunities through a comprehensive system, thus becoming the key to enhancing overall competitiveness. While attaching great importance to the advanced measures proposed by domestic and international financial regulators to strengthen 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 trustworthy financial products.

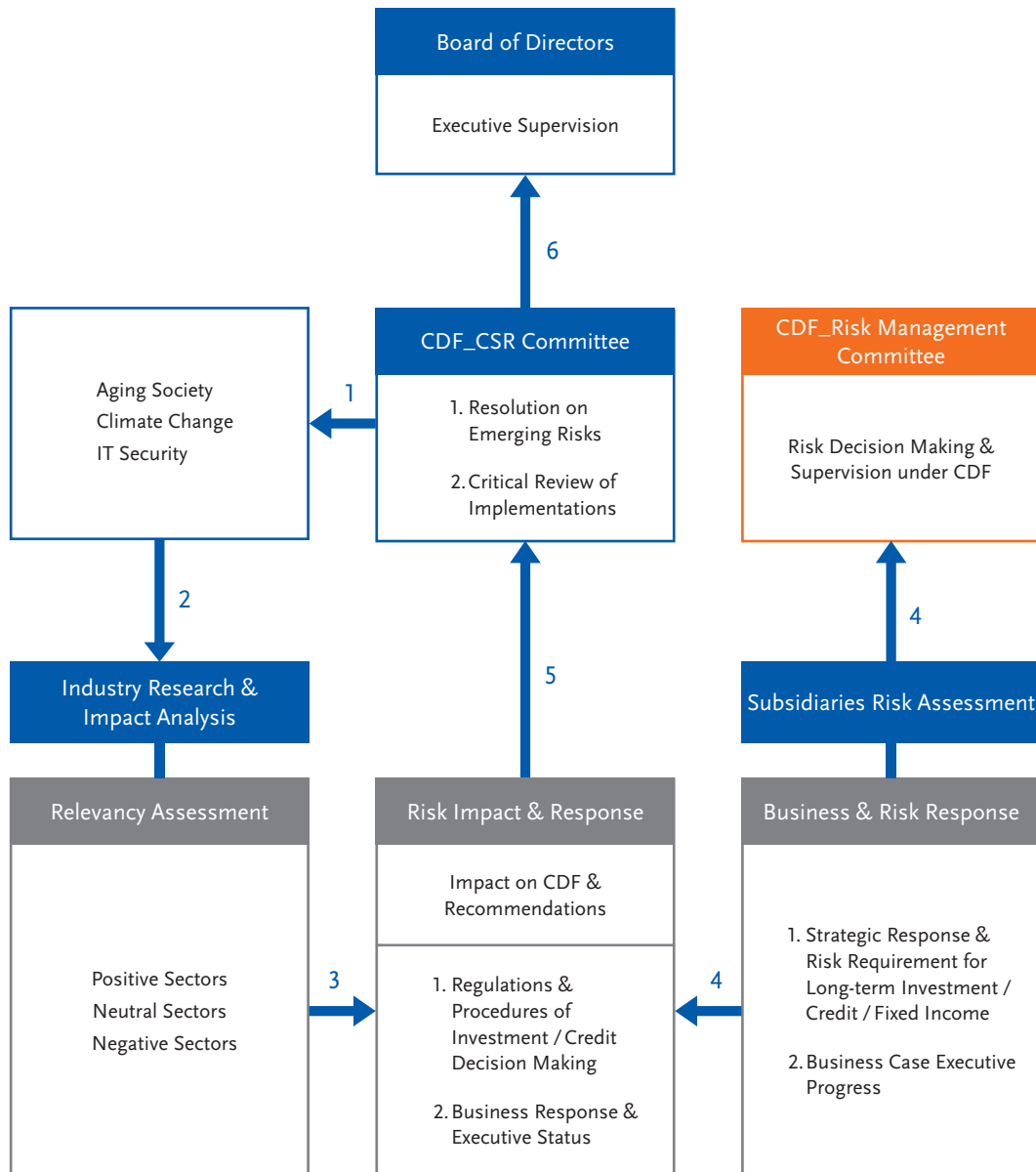
A Risk-Conscious Corporate Culture

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 asset and liability 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 improved 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



CDF actively promotes corporate governance and sustainable development, and comprehensively incorporates ESG issues into the investment analysis and decision-making process. Going forward, CDF's business development strategy will be to expand overseas markets and to accelerate internationalization, which will set into motion a new wave of business growth.



Start from the Heart

Weng Wei-ling, China Life
Winner Picture of CDF's 60th Anniversary Photography Competition

Operating Performance

Accolades	64
Financial Statement	70

Accolades



中華開發金控
CHINA DEVELOPMENT FINANCIAL



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



Inclusion in TWSE Corporate Governance 100 Index.



Inclusion in FTSE4Good TIP Taiwan ESG Index.



Inclusion in TWSE RAFI® Taiwan High Compensation 100 Index.



Inclusion in TWSE RA Taiwan Employment Creation 99 Index.



Included in FTSE4Good Emerging Index.



TCSA, Taiwan Top 50 Corporate Sustainability Report Award.



TCSA, Taiwan Top 50 Corporate Sustainability Award – Overall Performance Category.



TCSA, Innovative Growth Award.



TCSA, Social Integration Award.



TCSA, Climate Leader Award.



CommonWealth Magazine, Corporate Citizen Award.



Wealth Magazine, 2019 Wealth Magazine Financial Award's Fintech Innovative Application category, a.k.a. the Golden award of Best Fintech.



Small and Medium Enterprise Administration, MOEA, Buying Power Social Innovative Products and Services Procurement Award.



Its main office passed ISO 14064-1 Greenhouse Gas certification.



Its main office passed the annual ISO 14001 environment management system certification by a third-party institution.



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



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



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



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



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



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



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



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



Its main office passed ISO 14064-1 Greenhouse Gas certification.



Came in second place in life insurance sector in the first review by Financial Supervisory Commission's Financial Service Industry Fair Hospitality Principle Evaluation Mechanism.



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



Inclusion in FTSE4Good TIP Taiwan ESG Index.



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



TCSA, Taiwan Top 50 Corporate Sustainability Award.



TCSA, Social Integration Award.



TCSA, Transparency and Integrity Award.



China Life's CSR report came in top three in CRRA 2019 Best Report, a document issued by the world's largest online report platform Corporate Register, making China Life the first company in Taiwan to be so honored.



BSI Sustainability Excellence Award.



In the Eighth Taiwan Insurance Excellence Award held by Taiwan Insurance Institute, China Life won the Golden Award of the Information Security Promotion Excellence Award for its efforts to strengthen its ability to protect and manage personal information, implement various security-guarding measures, set up a dedicated Information Security Department, and enhance the overall information security blueprint.



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



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



Inclusion in Forbes Global 2000 enterprises.



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



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



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



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



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



For the fourth time in as many years, won from Taipei City Government the Private Enterprise and Organization Green Procurement Award, which recognizes China Life’s efforts to promote green consumption.



Its main office passed ISO 14064-1 Greenhouse Gas certification.



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



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



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



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



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



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



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



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



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



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



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



In Asset magazine's Asset Triple-A Country Awards 2019, KGI Securities was named the best M&A financial consultant, with projects it undertook winning the best domestic M&A deal, best cross-border M&A deal, and best LBO deal awards.



Named by FinanceAsia as winner of Best DCM House award.



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



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



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



Its main office passed ISO 14064-1 Greenhouse Gas certification.

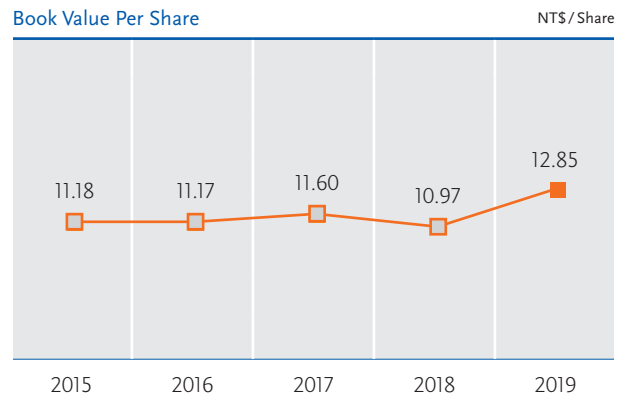
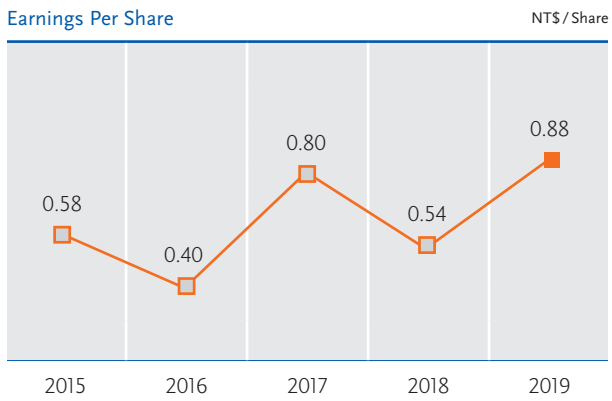
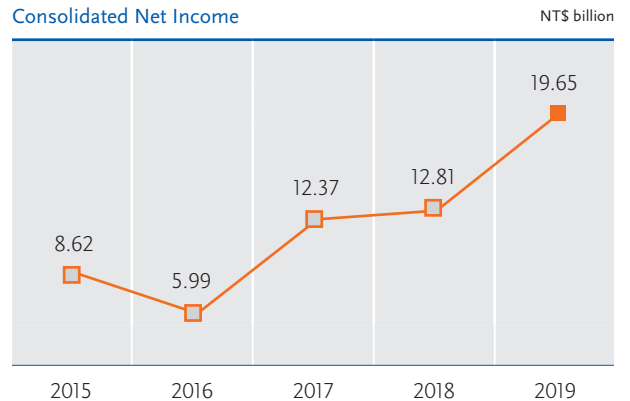
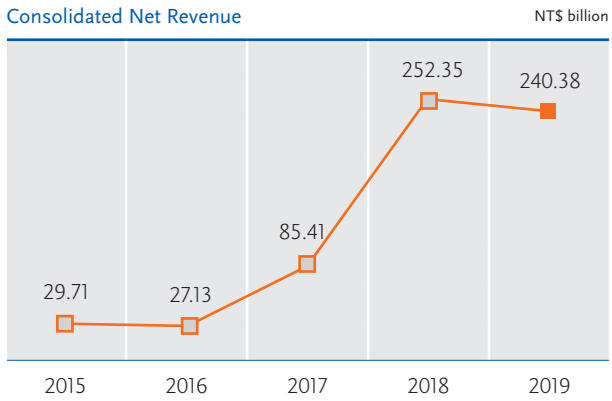
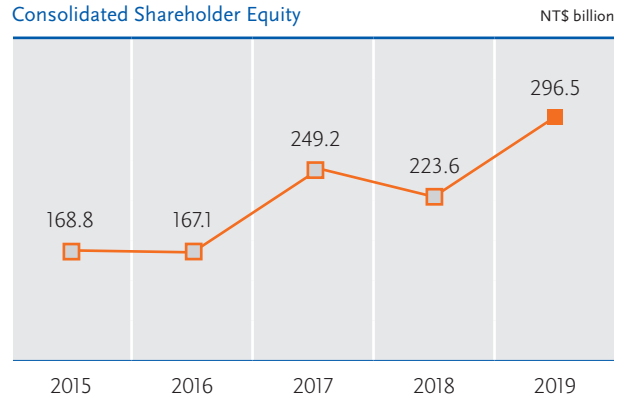
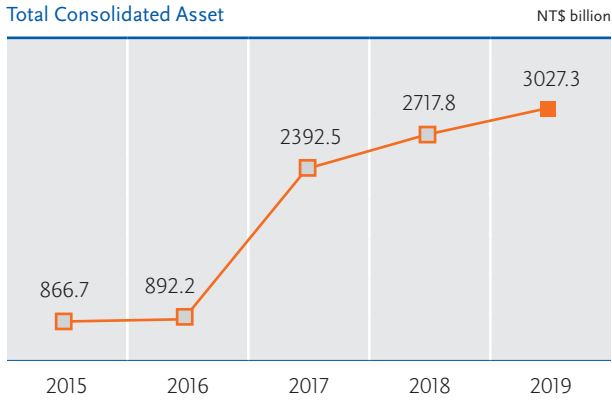


Its main office passed the annual ISO 50001 energy management system certification by a third-party institution.

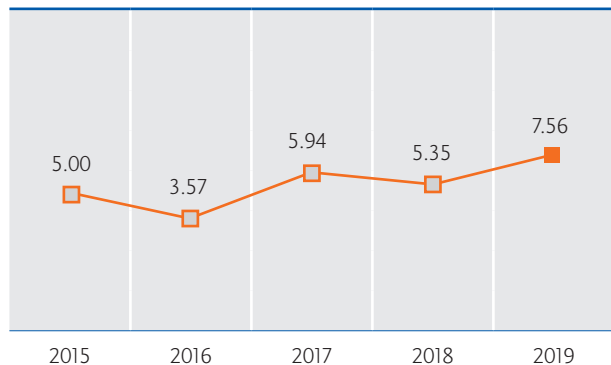


Its successful effort in purchasing a controlling stake in TPEX-listed JINTEX Corporation was named by the Taiwan M&A and Private Equity Council (MAPECT) as winner of 2019 Taiwan M&A Jinxin Awards' Most Creative M&A Award.

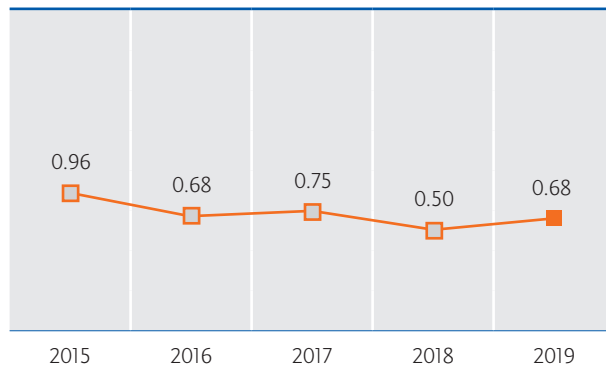
Financial Statement



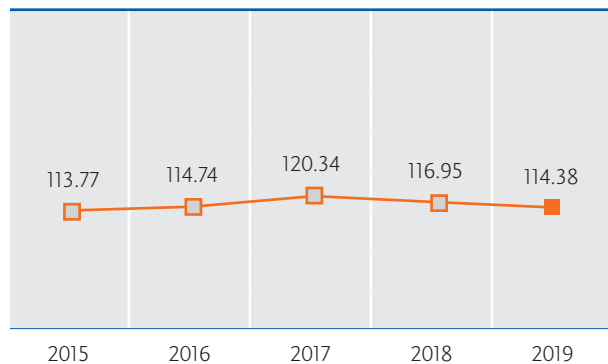
Consolidated Return on Equity %



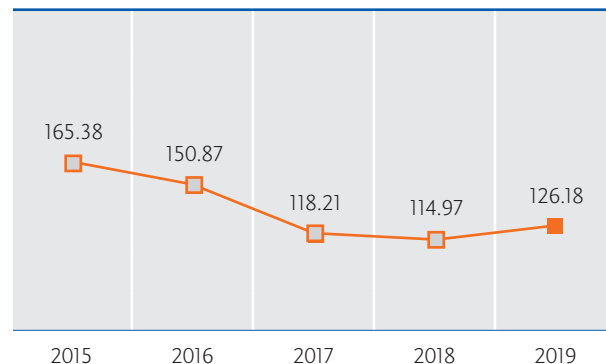
Consolidated Return on Asset %



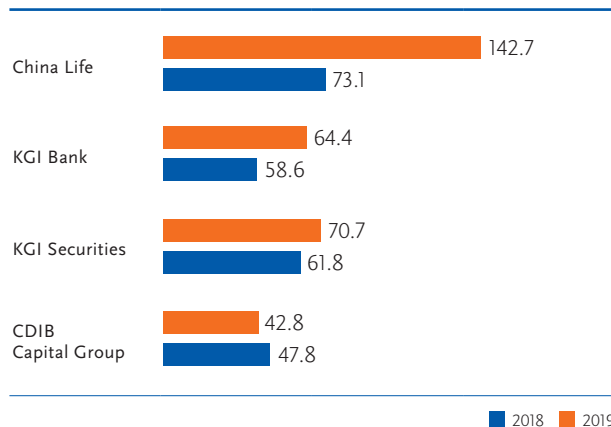
Double Leverage Ratio %



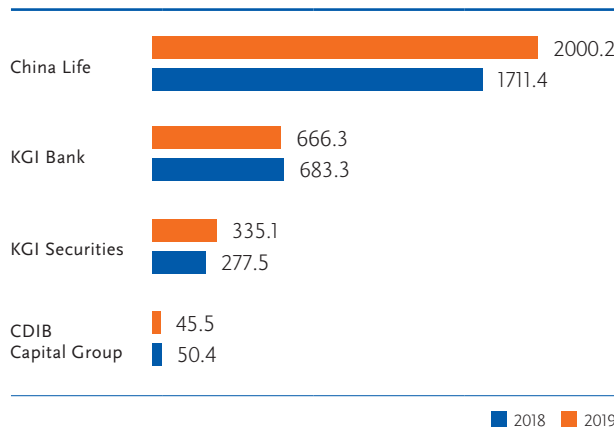
Capital Adequacy Ratio %



Consolidated Net Income NTS billion



Total Consolidated Asset NTS billion



Note: CDF's board of directors passed the resolution on August 15, 2017, to publicly acquire 25.33% of stake of China Life Insurance. China Life has been a legitimate subsidiary under The Financial Holding Company Act. In addition, CDF's board passed the resolution to participate in the subscription of a common stock rights issue offered by China Life Insurance, effectively raising its ownership to 26.16% on March 25, 2019. Further combined with KGI Securities' 8.66% share (excluding the hedging positions from the derivatives trading operations), CDF holds a total of 34.82% of China Life's outstanding shares.

Office Locations

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