

**China Development Financial Holding
Corporation and Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and shareholders
China Development Financial Holding Corporation

Opinion

We have audited the accompanying consolidated financial statements of China Development Financial Holding Corporation (the Corporation) and subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of June 30, 2020, December 31, 2019 and June 30, 2019, and the related consolidated statements of comprehensive income for the three and six months ended June 30, 2020 and 2019, changes in equity and cash flows for the six months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2020, December 31, 2019 and June 30, 2019, the consolidated financial performance for the three and six months ended June 30, 2020 and 2019, and its consolidated cash flows for the six months ended 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China ("ROC").

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Discount, Loans and Receivables

As stated in Note 5, to determine the impairment loss of discount, loans, receivables, loan commitments and provisions, the Group's management should (1) judge whether there is any objective evidence of impairment, (2) estimate the expected future cash flow based on past event, present status and future economic circumstances of the assets with similar credit risk, and (3) review periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment. The methodology and assumptions adopted for the assessment of objective evidences of impairment and the amount and timing of future cash flows (e.g. impairment occurrence rate and recovery rate) require the exercise of critical judgments and estimates; therefore, the impairment of discounts, loans and receivables is deemed to be a key audit matter for the six months ended June 30, 2020.

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

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

Assessment of Insurance Liabilities and Liability Adequacy Reserve

As stated in Note 5, the Group's management uses actuarial models and several material assumptions when assessing the insurance liabilities and liability adequacy reserve. The assumptions were based on the principles embodied in the relevant laws and regulations, which cover the unique risk exposure, product characteristics and experiences from target markets of China Life Insurance Co., Ltd (China Life Insurance). The assessment of liability adequacy reserve is in compliance with the relevant norms promulgated by The Actuarial Institute of ROC. When China Life Insurance assesses the liability adequacy reserve, the estimated present value of future cash flows of insurance contracts is based on reasonable estimates of future insurance payments, premium income and related expenses. Since any change in the actuarial model and material assumptions will have a significant influence on insurance liabilities and liability adequacy reserve, we consider them as key audit matters for the six months ended June 30, 2020.

Refer to Notes 4, 5 and 53 for the relevant accounting policy, critical accounting judgments, and estimation uncertainty, and disclosures of assessment of insurance liabilities and liability adequacy reserve.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in ROC will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei-Hui Wu and Kwan-Chung Lai.

Wu Mei Hui

Kwan-Chung Lai

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 24, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, performance and cash flows in accordance with accounting principles and practices generally accepted in ROC and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in ROC.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 6 and 48)	\$ 100,143,965	3	\$ 101,141,145	3	\$ 58,345,344	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS (Notes 7 and 49)	45,220,553	1	28,303,064	1	35,083,261	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 9, 18, 48 and 49)	513,681,812	16	492,082,632	16	473,929,758	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 10, 48, 49 and 54)	605,833,152	19	539,623,924	18	520,172,686	17
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 11, 18, 48 and 54)	1,051,837,136	33	1,028,887,835	34	1,031,120,710	34
FINANCIAL ASSETS FOR HEDGING (Note 12)	19,688	-	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 13)	54,180,931	2	46,789,881	2	47,482,396	2
RECEIVABLES, NET (Notes 14, 48, 49 and 54)	125,682,282	4	104,305,699	3	121,037,063	4
CURRENT TAX ASSETS	706,724	-	759,762	-	704,103	-
DISCOUNTS AND LOANS, NET (Notes 15, 48 and 54)	397,454,412	12	376,535,852	12	388,759,451	13
REINSURANCE ASSETS, NET (Note 16)	520,536	-	533,134	-	658,590	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 17 and 18)	14,751,043	-	17,403,840	1	17,959,761	1
OTHER FINANCIAL ASSETS (Notes 19, 48 and 49)	127,481,678	4	121,187,047	4	116,465,479	4
INVESTMENT PROPERTY, NET (Notes 20 and 49)	25,067,990	1	25,341,556	1	25,329,771	1
PROPERTY AND EQUIPMENT, NET (Notes 21 and 49)	36,399,883	1	34,904,312	1	33,192,390	1
RIGHT-OF-USE ASSETS, NET (Note 22)	17,509,664	1	18,548,919	1	18,991,539	1
INTANGIBLE ASSETS, NET (Note 23)	19,960,318	1	20,441,634	1	20,751,444	1
DEFERRED TAX ASSETS	9,791,813	-	9,888,920	-	8,313,670	-
OTHER ASSETS, NET (Notes 24, 48 and 49)	<u>67,172,056</u>	<u>2</u>	<u>60,608,848</u>	<u>2</u>	<u>65,009,261</u>	<u>2</u>
TOTAL	<u>\$ 3,213,415,636</u>	<u>100</u>	<u>\$ 3,027,288,004</u>	<u>100</u>	<u>\$ 2,983,306,677</u>	<u>100</u>
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and financial institutions (Notes 25 and 48)	\$ 20,210,646	1	\$ 24,560,878	1	\$ 22,626,550	1
Funds from the Central Bank and financial institutions	15,850	-	-	-	-	-
Financial liabilities at fair value through profit or loss (Notes 8 and 48)	104,816,957	3	94,068,987	3	103,305,883	3
Financial liabilities for hedging (Note 12)	944,494	-	-	-	-	-
Notes and bonds issued under repurchase agreements (Notes 8, 10, 11 and 26)	129,357,564	4	96,137,331	3	121,319,108	4
Commercial paper payable, net (Notes 27 and 49)	8,933,246	-	12,634,684	-	17,576,808	1
Payables (Notes 28 and 48)	102,702,830	3	86,839,670	3	102,035,203	3
Current tax liabilities	1,679,216	-	1,168,811	-	604,714	-
Deposits and remittances (Notes 29 and 48)	466,384,610	14	395,861,002	13	437,439,646	15
Bonds payable (Note 30)	44,668,206	1	42,450,000	1	33,250,000	1
Other borrowings (Notes 31, 48 and 49)	22,054,429	1	20,968,007	1	17,809,353	1
Provisions (Note 32)	1,817,359,111	57	1,742,247,176	58	1,662,841,427	56
Other financial liabilities (Notes 34, 48 and 49)	146,429,446	5	149,722,533	5	134,278,245	5
Lease liabilities (Note 22)	4,712,911	-	5,615,681	-	5,921,944	-
Deferred tax liabilities	12,577,787	-	12,933,858	-	10,357,315	-
Other liabilities (Note 48)	<u>49,306,009</u>	<u>2</u>	<u>45,614,232</u>	<u>2</u>	<u>31,367,697</u>	<u>1</u>
Total liabilities	<u>2,932,153,312</u>	<u>91</u>	<u>2,730,822,850</u>	<u>90</u>	<u>2,700,733,893</u>	<u>91</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 35, 36 and 37)						
Capital						
Common stock	149,710,976	5	149,663,721	5	149,659,821	5
Advance receipts for capital stock	-	-	20,359	-	-	-
Capital surplus	1,114,971	-	1,093,745	-	883,080	-
Retained earnings						
Legal reserve	8,816,167	-	7,561,404	-	7,561,404	-
Special reserve	565,041	-	10,797,899	-	10,797,899	1
Unappropriated earnings	15,399,273	1	12,617,375	1	8,004,636	-
Other						
Exchange differences on translation of financial statements of foreign operations	(2,415,600)	-	(1,790,483)	-	(385,461)	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	859,286	-	1,556,416	-	1,439,137	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	9,850,777	-	7,794,213	-	5,438,585	-
Other comprehensive income (loss) reclassified using the overlay approach	(3,593,528)	-	1,347,757	-	1,383,393	-
Others	-	-	-	-	(527)	-
Treasury shares	<u>(3,071,470)</u>	<u>-</u>	<u>(3,137,278)</u>	<u>-</u>	<u>(3,379,234)</u>	<u>-</u>
Total equity attributable to owners of the parent	177,235,893	6	187,525,128	6	181,402,733	6
NON-CONTROLLING INTERESTS (Notes 35 and 36)	<u>104,026,431</u>	<u>3</u>	<u>108,940,026</u>	<u>4</u>	<u>101,170,051</u>	<u>3</u>
Total equity	<u>281,262,324</u>	<u>9</u>	<u>296,465,154</u>	<u>10</u>	<u>282,572,784</u>	<u>9</u>
TOTAL	<u>\$ 3,213,415,636</u>	<u>100</u>	<u>\$ 3,027,288,004</u>	<u>100</u>	<u>\$ 2,983,306,677</u>	<u>100</u>

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 38 and 48)	\$ 17,815,267	34	\$ 18,193,856	31	\$ 36,157,091	34	\$ 35,695,628	28
INTEREST EXPENSE (Notes 38 and 48)	<u>(1,424,368)</u>	<u>(3)</u>	<u>(2,427,687)</u>	<u>(4)</u>	<u>(3,401,203)</u>	<u>(3)</u>	<u>(4,862,297)</u>	<u>(4)</u>
INTEREST PROFIT, NET	<u>16,390,899</u>	<u>31</u>	<u>15,766,169</u>	<u>27</u>	<u>32,755,888</u>	<u>31</u>	<u>30,833,331</u>	<u>24</u>
NONINTEREST PROFITS AND GAINS, NET								
Service fee and commission, net (Notes 19, 39 and 48)	822,755	2	(391,655)	(1)	1,476,662	1	(1,859,101)	(1)
Net income from insurance operations (Notes 40 and 48)	31,201,497	59	34,495,163	59	64,465,758	62	83,207,182	66
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss, net (Notes 8, 41 and 48)	32,054,184	61	4,437,123	8	825,684	1	16,570,615	13
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Note 42)	3,133,148	6	1,513,835	3	4,871,005	5	3,515,493	3
Gain (loss) on disposal of financial assets measured at amortized cost	(217,094)	-	129,695	-	(434,767)	-	127,085	-
Foreign exchange gain (loss), net	(12,034,624)	(23)	5,655,606	10	(15,536,328)	(15)	9,319,749	7
Impairment loss on assets, net	(51,107)	-	(5,799)	-	(87,230)	-	(11,921)	-
Share of the profit (loss) of associates and joint ventures	645,436	1	124,701	-	(819,327)	(1)	981,622	1
Gain (loss) on reclassification using the overlay approach (Note 8)	(20,073,311)	(38)	(3,848,870)	(7)	15,507,709	15	(17,808,971)	(14)
Others (Note 48)	<u>593,378</u>	<u>1</u>	<u>709,835</u>	<u>1</u>	<u>1,532,928</u>	<u>1</u>	<u>1,385,745</u>	<u>1</u>
Total noninterest profits and gains, net	<u>36,074,262</u>	<u>69</u>	<u>42,819,634</u>	<u>73</u>	<u>71,802,094</u>	<u>69</u>	<u>95,427,498</u>	<u>76</u>
TOTAL NET REVENUE	<u>52,465,161</u>	<u>100</u>	<u>58,585,803</u>	<u>100</u>	<u>104,557,982</u>	<u>100</u>	<u>126,260,829</u>	<u>100</u>
ALLOWANCE FOR BAD DEBTS AND LOSSES ON COMMITMENTS AND GUARANTEES	<u>(181,413)</u>	<u>-</u>	<u>(83,325)</u>	<u>-</u>	<u>(176,607)</u>	<u>-</u>	<u>(77,582)</u>	<u>-</u>
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	<u>(38,322,803)</u>	<u>(73)</u>	<u>(44,596,173)</u>	<u>(76)</u>	<u>(81,441,614)</u>	<u>(78)</u>	<u>(100,495,491)</u>	<u>(80)</u>
OPERATING EXPENSES (Notes 22, 33, 43 and 48)								
Employee benefits	(4,691,604)	(9)	(4,292,574)	(7)	(8,819,346)	(8)	(8,413,496)	(7)
Depreciation and amortization	(828,281)	(2)	(816,030)	(1)	(1,656,516)	(2)	(1,619,445)	(1)
Other general and administrative expenses	<u>(1,693,885)</u>	<u>(3)</u>	<u>(1,620,167)</u>	<u>(3)</u>	<u>(3,184,140)</u>	<u>(3)</u>	<u>(3,008,297)</u>	<u>(2)</u>
Total operating expenses	<u>(7,213,770)</u>	<u>(14)</u>	<u>(6,728,771)</u>	<u>(11)</u>	<u>(13,660,002)</u>	<u>(13)</u>	<u>(13,041,238)</u>	<u>(10)</u>

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT BEFORE INCOME TAX	\$ 6,747,175	13	\$ 7,177,534	13	\$ 9,279,759	9	\$ 12,646,518	10
INCOME TAX EXPENSE (Note 44)	<u>(1,315,554)</u>	<u>(3)</u>	<u>(517,259)</u>	<u>(1)</u>	<u>(2,085,912)</u>	<u>(2)</u>	<u>(1,050,182)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>5,431,621</u>	<u>10</u>	<u>6,660,275</u>	<u>12</u>	<u>7,193,847</u>	<u>7</u>	<u>11,596,336</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss, net of income tax								
Remeasurement of defined benefit plans	-	-	(851)	-	-	-	(851)	-
Share of the other comprehensive income (loss) of associates and joint ventures	110,999	-	227,396	-	(866,244)	(1)	527,226	-
Gain (loss) on equity instruments measured at fair value through other comprehensive income	6,195,049	12	(196,902)	-	542,247	-	3,311,793	3
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Note 44)	(884,169)	(2)	42,410	-	(122,271)	-	(489,617)	-
Items that will be reclassified subsequently to profit or loss, net of income tax								
Exchange differences on translation of financial statements of foreign operations	(504,197)	(1)	304,671	-	(550,004)	(1)	501,845	-
Share of the other comprehensive income (loss) of associates and joint ventures	(116,006)	-	38,269	-	(85,905)	-	51,097	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 44)	(4,820,107)	(9)	(2,531,669)	(4)	578,639	1	(6,402,994)	(5)
Gain (loss) on debt instruments measured at fair value through other comprehensive income	24,527,835	47	14,800,285	25	7,249,814	7	30,026,858	24
Other comprehensive income (loss) on reclassification using the overlay approach (Note 8)	<u>20,073,311</u>	<u>38</u>	<u>3,848,870</u>	<u>7</u>	<u>(15,507,709)</u>	<u>(15)</u>	<u>17,808,971</u>	<u>14</u>
Other comprehensive income (loss) for the period, net of income tax	<u>44,582,715</u>	<u>85</u>	<u>16,532,479</u>	<u>28</u>	<u>(8,761,433)</u>	<u>(9)</u>	<u>45,334,328</u>	<u>36</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 50,014,336</u>	<u>95</u>	<u>\$ 23,192,754</u>	<u>40</u>	<u>\$ (1,567,586)</u>	<u>(2)</u>	<u>\$ 56,930,664</u>	<u>45</u>

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT (LOSS)								
ATTRIBUTABLE TO:								
Owners of parent	\$ 3,515,033	7	\$ 4,191,750	7	\$ 3,026,923	3	\$ 7,801,443	6
Non-controlling interests	<u>1,916,588</u>	<u>3</u>	<u>2,468,525</u>	<u>4</u>	<u>4,166,924</u>	<u>4</u>	<u>3,794,893</u>	<u>3</u>
	<u>\$ 5,431,621</u>	<u>10</u>	<u>\$ 6,660,275</u>	<u>11</u>	<u>\$ 7,193,847</u>	<u>7</u>	<u>\$ 11,596,336</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of parent	\$ 21,536,135	41	\$ 10,834,539	19	\$ (1,417,908)	(2)	\$ 26,359,684	21
Non-controlling interests	<u>28,478,201</u>	<u>54</u>	<u>12,358,215</u>	<u>21</u>	<u>(149,678)</u>	<u>-</u>	<u>30,570,980</u>	<u>24</u>
	<u>\$ 50,014,336</u>	<u>95</u>	<u>\$ 23,192,754</u>	<u>40</u>	<u>\$ (1,567,586)</u>	<u>(2)</u>	<u>\$ 56,930,664</u>	<u>45</u>
EARNINGS PER SHARE								
(Note 45)								
Basic	<u>\$ 0.24</u>		<u>\$ 0.29</u>		<u>\$ 0.21</u>		<u>\$ 0.54</u>	
Diluted	<u>\$ 0.24</u>		<u>\$ 0.29</u>		<u>\$ 0.21</u>		<u>\$ 0.54</u>	

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

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Equity Attributable to Owners of the Parent													
							Other Equity							
	Capital			Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Other Comprehensive Income on Reclassification Using the Overlay Approach	Others	Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2019	\$ 149,622,812	\$ 10,748	\$ 1,630,992	\$ 6,776,135	\$ 565,041	\$ 14,754,530	\$ (930,286)	\$ (5,138,562)	\$ (4,451,944)	\$ (1,339)	\$ (3,605,444)	\$ 159,232,683	\$ 64,330,223	\$ 223,562,906
Appropriation of the 2018 earnings														
Legal reserve	-	-	-	785,269	-	(785,269)	-	-	-	-	-	-	-	-
Cash dividends - NT\$0.245 per share	-	-	-	-	10,232,858	(10,232,858)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(3,666,666)	-	-	-	-	-	(3,666,666)	-	(3,666,666)
	-	-	-	785,269	10,232,858	(14,684,793)	-	-	-	-	-	(3,666,666)	-	(3,666,666)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(391)	-	-	-	-	-	-	-	-	(391)	-	(391)
Issuances of cash dividends from capital surplus	-	-	(823,129)	-	-	-	-	-	-	-	-	(823,129)	-	(823,129)
Other changes in capital surplus	-	-	54,273	-	-	-	-	-	-	-	-	54,273	-	54,273
Net profit for the six months ended June 30, 2019	-	-	-	-	-	7,801,443	-	-	-	-	-	7,801,443	3,794,893	11,596,336
Other comprehensive income (loss) for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	(851)	544,848	12,173,585	5,840,659	-	-	18,558,241	26,776,087	45,334,328
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	7,800,592	544,848	12,173,585	5,840,659	-	-	26,359,684	30,570,980	56,930,664
Disposal of the Corporation shares, as treasury shares	-	-	87,765	-	-	-	-	-	-	-	218,911	306,676	-	306,676
Share-based payments	37,009	(10,748)	1,180	-	-	(6,793)	-	-	-	812	-	21,460	-	21,460
Changes in percentage of ownership interests in subsidiaries	-	-	(67,610)	-	-	(972)	(23)	(11,727)	(5,322)	-	7,299	(78,355)	6,235,645	6,157,290
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	39,720	39,720
Disposal of equity investments at fair values through other comprehensive income	-	-	-	-	-	145,574	-	(145,574)	-	-	-	-	-	-
Net changes in special reserve of subsidiaries	-	-	-	-	-	(3,502)	-	-	-	-	-	(3,502)	(6,517)	(10,019)
BALANCE AT JUNE 30, 2019	\$ 149,659,821	\$ -	\$ 883,080	\$ 7,561,404	\$ 10,797,899	\$ 8,004,636	\$ (385,461)	\$ 6,877,722	\$ 1,383,393	\$ (527)	\$ (3,379,234)	\$ 181,402,733	\$ 101,170,051	\$ 282,572,784
BALANCE AT JANUARY 1, 2020	\$ 149,663,721	\$ 20,359	\$ 1,093,745	\$ 7,561,404	\$ 10,797,899	\$ 12,617,375	\$ (1,790,483)	\$ 9,350,629	\$ 1,347,757	\$ -	\$ (3,137,278)	\$ 187,525,128	\$ 108,940,026	\$ 296,465,154
Appropriation of the 2019 earnings														
Legal reserve	-	-	-	1,254,763	-	(1,254,763)	-	-	-	-	-	-	-	-
Special reserve reserved	-	-	-	-	(10,232,858)	10,232,858	-	-	-	-	-	-	-	-
Cash dividends - NT\$0.6 per share	-	-	-	-	-	(8,982,659)	-	-	-	-	-	(8,982,659)	-	(8,982,659)
	-	-	-	1,254,763	(10,232,858)	(4,564)	-	-	-	-	-	(8,982,659)	-	(8,982,659)
Net profit for the six months ended June 30, 2020	-	-	-	-	-	3,026,923	-	-	-	-	-	3,026,923	4,166,924	7,193,847
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	2,098	(625,117)	1,119,473	(4,941,285)	-	-	(4,444,831)	(4,316,602)	(8,761,433)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	3,029,021	(625,117)	1,119,473	(4,941,285)	-	-	(1,417,908)	(149,678)	(1,567,586)
Disposal of the Corporation shares, as treasury shares	-	-	24,118	-	-	-	-	-	-	-	65,808	89,926	-	89,926
Share-based payments	47,255	(20,359)	(2,892)	-	-	(4,339)	-	-	-	-	-	19,665	-	19,665
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(4,767,175)	(4,767,175)
Disposal of equity investments at fair values through other comprehensive income	-	-	-	-	-	(239,961)	-	239,961	-	-	-	-	-	-
Net changes in special reserve of subsidiaries	-	-	-	-	-	1,741	-	-	-	-	-	1,741	3,258	4,999
BALANCE AT JUNE 30, 2020	\$ 149,710,976	\$ -	\$ 1,114,971	\$ 8,816,167	\$ 565,041	\$ 15,399,273	\$ (2,415,600)	\$ 10,710,063	\$ (3,593,528)	\$ -	\$ (3,071,470)	\$ 177,235,893	\$ 104,026,431	\$ 281,262,324

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 9,279,759	\$ 12,646,518
Adjustments for reconciliation with net profit		
Depreciation expenses	997,554	961,614
Amortization expenses	660,585	657,831
Allowance for bad debts and losses on commitments and guarantees, net	176,607	77,582
Loss (gain) on financial assets and liabilities measured at fair value through profit or loss, net	2,562,883	(14,099,200)
Interest expense	3,401,250	4,862,297
Interest revenue	(36,157,091)	(35,695,628)
Dividend income	(3,466,205)	(2,591,127)
Net changes in insurance liabilities	76,432,424	103,500,223
Net changes in reserve for changes in foreign exchange valuation	(1,206,760)	2,022,549
Share of loss (profit) of associates and joint ventures	820,011	(972,001)
Loss (gain) on reclassification using the overlay approach	(15,507,709)	17,808,971
Gain on disposal of investments	(3,535,571)	(3,021,455)
Unrealized loss (gain) on foreign currency exchange	16,887,562	(11,639,285)
Others	37,808	125,455
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to financial institutions	(1,033,916)	(682,196)
Financial assets at fair value through profit or loss	40,122,468	(39,598,832)
Financial assets at fair value through other comprehensive income	(37,564,372)	8,229,997
Debt investments measured at amortized cost	(185,160)	(134,354)
Financial assets for hedging	(19,688)	-
Securities purchased under resell agreements	-	(333,925)
Receivables	(20,871,226)	(18,156,084)
Discounts and loans	(21,035,914)	(19,723,458)
Other financial assets	(2,500,084)	(7,530,629)
Other assets	(13,159,205)	(2,087,863)
Deposits from the Central Bank and financial institutions	(4,350,232)	191,636
Financial liabilities at fair value through profit or loss	(54,425,004)	(30,693,920)
Financial liabilities for hedging	944,494	-
Notes and bonds issued under repurchase agreements	33,220,233	(4,159,792)
Payables	3,126,978	25,308,161
Deposits and remittances	70,523,608	39,153,636
Other financial liabilities	953,200	4,506,366
Other liabilities	7,891,985	(1,630,500)
Cash generated from operations	<u>53,021,272</u>	<u>27,302,587</u>

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2020	2019
Interest received	\$ 40,132,917	\$ 30,805,218
Dividends received	2,723,875	1,293,086
Interest paid	(5,939,988)	(4,016,236)
Income tax paid	<u>(1,322,862)</u>	<u>(437,752)</u>
Net cash generated from operating activities	<u>88,615,214</u>	<u>54,946,903</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(83,808,930)	(95,724,526)
Proceeds from sale of financial assets at fair value through other comprehensive income	62,351,379	90,984,903
Acquisition of financial assets measured at amortized cost	(149,994,672)	(78,623,125)
Proceeds from sale of financial assets measured at amortized cost	93,899,033	24,143,210
Principal from financial assets measured at amortized cost	18,104,161	10,737,909
Acquisition of equity-method investments	(14,173)	(436,570)
Acquisition of property and equipment	(1,942,706)	(1,820,574)
Others	<u>368,678</u>	<u>87,547</u>
Net cash used in investing activities	<u>(61,037,230)</u>	<u>(50,651,226)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	886,353	(515,213)
Increase in funds from central bank and banks	15,850	-
Increase (decrease) in commercial paper payable	(3,701,438)	2,590,906
Proceeds from corporate bonds	8,000,000	-
Repayments of corporate bonds	(10,800,000)	(1,000,000)
Proceeds from bank debentures	6,000,000	3,100,000
Repayments of bank debentures	(1,000,000)	-
Proceeds from long-term borrowings	499,928	-
Repayments of long-term borrowings	(299,859)	(493,494)
Repayments of the principal portion of lease liabilities	(348,208)	(471,089)
Sale of treasury shares	89,926	306,676
Net changes in non-controlling interests	(4,767,175)	6,144,406
Others	<u>19,661</u>	<u>19,899</u>
Net cash (used in) generated from financing activities	<u>(5,404,962)</u>	<u>9,682,091</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>104,421</u>	<u>107,771</u>
		(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2020	2019
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 22,277,443	\$ 14,085,539
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>165,132,047</u>	<u>114,495,133</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 187,409,490</u>	<u>\$ 128,580,672</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2020 and 2019:

	June 30	
	2020	2019
Cash and cash equivalents in consolidated balance sheets	\$ 100,143,965	\$ 58,345,344
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	33,084,594	23,086,858
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	<u>54,180,931</u>	<u>47,148,470</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 187,409,490</u>	<u>\$ 128,580,672</u>

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

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

On April 30, 2012, the Corporation's board of the directors approved the acquisition of 100% shares of KGI Securities Co., Ltd. (KGI Securities) through a tender offer. The Corporation acquired 81.73% of KGI Securities' shares during the public tender offer period. The Corporation acquired KGI Securities' remaining shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a 100% subsidiary of the Corporation. The effective date of the merger between KGI Securities and Grand Cathay was June 22, 2013. KGI Securities was the survivor company after the merger.

On September 15, 2014, the Corporation acquired KGI Bank Co., Ltd. (KGI Bank) through a share swap. Thus, KGI Bank became the Corporation's wholly owned subsidiary.

On March 13, 2017, the Corporation hold 100% equity interests of China Development Asset Management Corporation, which was previously held by CDIB Capital Group. China Development Asset Management Corporation has merged with its subsidiaries, including Development Industrial Bank Asset Management Corp., Chung Hwa Growth 3 Asset Management Corp. and Chung Hwa Growth 4 Asset Management Corp. on July 1, 2019. Chung Hwa Growth 3 Asset Management Corp. was the surviving company after the merger and was renamed as China Development Asset Management Corporation on the same day.

On August 15, 2017, the Corporation's board of directors approved the acquisition of 25.33% shares of China Life Insurance through public tender offer from August 17, 2017 to September 6, 2017. After the Corporation acquired ordinary shares through public tender offer, China Life Insurance became a subsidiary of the Corporation as defined by the Financial Holding Company Act. On March 25, 2019, the Corporation's board of directors approved to apply for the participation of capital increase by cash of China Life. After the Corporation acquired ordinary shares, The Corporation holds 26.16% of the ordinary shares of China Life Insurance. The acquired shares plus 8.66% shares of China Life Insurance held by a subsidiary, KGI Securities (excluding KGI Securities' hedging accounts of derivative products) are equivalent to 34.82% shares of China Life Insurance.

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

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

CDIB Capital Group was incorporated under the Company Act and relevant regulations and started operations on May 14, 1959. Effective January 1999, CDIB Capital Group was converted from a trust corporation into an industrial bank under government approval.

On May 1, 2015, CDIB Capital Group's board of the directors approved the transfer to KGI Bank of (a) all assets and liabilities associated with the commercial banking business of CDIB Capital Group and (b) CDIB Capital Group's holdings of shares in the CDIB Capital Group's leasing subsidiaries and in the Taiwan Financial Asset Service Corporation.

On January 19, 2017, under the approval of the board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, China Development Industrial Bank was converted and the name became CDIB Capital Group. The date of conversion was March 15, 2017, and CDIB Capital Group will continue to expand its assets management business. The Financial Supervisory Commission (FSC) approved the conversion on March 10, 2017 with Official Letter No. 10600025880.

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

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of June 30, 2020, KGI Securities had a head office and 74 branches, which included head office.

KGI Securities operates as a securities underwriter, dealer, broker, future trading, future dealer, trust, wealth management, offshore securities and other related business as approved by authorities.

KGI Bank was established on January 14, 1992. As of June 30, 2020, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 52 domestic branches.

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

China Development Asset Management Corporation (formerly Chung Hwa Growth 3 Asset Management Corp.) was established on November 5, 2003, and its operation includes acquiring, valuation, auction and management of debts from financial institution, acquiring of accounts receivable, management of overdue accounts receivable, and leasing and investment of real estate.

China Life Insurance was incorporated in Taiwan on April 25, 1963. In 2009, China Life Insurance completed the acquisition of major assets and liabilities of Prudential Corporation Asia Life Taiwan. As of June 30, 2020, China Life Insurance had a head office, an offshore insurance unit, and 8 domestic branches.

On October 19, 2017, China Life Insurance's board of directors approved the acquisition of the following from Allianz Taiwan Life Insurance Co., Ltd.: A portion of the traditional insurance policies and additional attachments valued at NT\$1 dollar. This acquisition has been approved by the FSC on February 27, 2018, and then the delivery was completed on May 18, 2018.

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

For more information on the organization and business of the consolidated entities, please refer to Table 7 (attached).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on August 24, 2020.

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

- a. Initial application of the Amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting

The related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the International Financial Reporting Standards (IFRSs) would not have any material impact on the Group's accounting policies, except for the following:

Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Amendments to IFRS 16 "Covid-19-Related Rent Concessions"

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Related accounting policies are stated in Note 4. Before the application of the amendment, the Group was required to determine whether the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate, i.e. the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence control in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate, i.e. the Group’s share of the gain or loss is eliminated.

2) IFRS 17 “Insurance Contract” and its amendments

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

Level of aggregation

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

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

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

Recognition

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

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

Measurement

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

- a) The initial recognition of an amount for the FCF;
- b) The cash inflows and outflows arising from the contracts in the Group at that date; and
- c) The derecognition at that date of below items for acquisition cash flows
 - i. any asset recognized for acquisition cash flows; and
 - ii. any other asset or liability related to a group of contracts which had been recognized for cash flows before.

Subsequent measurement

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

Onerous contracts

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

Premium allocation approach

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

- a) The entity reasonably expects that this will be an approximation of General Model; or
- b) The coverage period of each contract in the group is one year or less.

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

Using the PAA, the liability for remaining coverage shall be:

- a) Initially recognized at the premiums
- b) Received at initial recognition, minus any insurance acquisition cash flows if any; and
- c) The derecognition at that date of below items for acquisition cash flows
 - i. Any asset recognized for acquisition cash flows; and
 - ii. Any other asset or liability related to a group of contracts which had been recognized for cash flows before

Investment contracts with a discretionary participation feature

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

Modification and derecognition

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

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

Transition

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

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

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

IFRS 17 was issued in May 2017, and then be amended in June 2020. Despite of postponing the effective date for 2 years (from annual reporting periods beginning on or after 1 January 2021 to 1 January 2023), the amendments also include immunities. The amendments are aimed at helping companies implement the Standard and making it easier for them to explain their financial performance.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reporting by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 "Interim Financial Reporting" endorsed by the FSC. Disclosure information included in the interim financial report is less than disclosures required in a full set of annual financial report.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

All the consolidated accounts in the financial statements were categorized according to the nature of each account and sequenced by their liquidity rather than classified as current or noncurrent assets/liabilities.

Principles for Preparing Consolidated Financial Statements

The consolidated financial statements include the financial statements of the Group. All significant intra-group transactions, balances, income and expenses have been eliminated in full upon consolidation.

The accounting policies of the subsidiary are applied consistently with the Corporation.

The functional currency of the Corporation is the New Taiwan dollar, and the consolidated financial statements are presented in New Taiwan dollars.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the consolidated entities included in the consolidated financial statements included 58, 60 and 63 companies, respectively (please refer to the attached Table 7).

Financial Instruments

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

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

Financial assets and liabilities

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

a. Measurement category

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

1) Financial assets or liabilities at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 52.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

3) Investments in debt instruments at FVTOCI

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

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

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

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

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

Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual loans, credit assets classified as normal (this balance should be net of the balance of borrowings by ROC government agencies from the Bank), special mention, substandard, with doubtful collectability and uncollectable or loss incurring are evaluated on the basis of the borrowers'/clients' financial condition and delinquency record on interest payments.

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

Based on Order No. 10300329440 issued by the FSC, for the Bank to have an enhanced risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets and exclude policy-based loan be effective from January 1, 2011. Based on Order No. 10410001840 issued by the FSC, for the Bank to have an enhanced control of the exposure to the risk in Mainland China, the minimum provision for the credit loss reserve is 1.5% of the credit, which includes short-term trade financing that were granted to companies based in Mainland China and classified as normal assets.

Credit deemed uncollectable of KGI Bank may be written off under the approval of the board of directors.

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

- 1) Total amount of 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts, 2% of the ending balance for the second category of loan assets that should be paid attention, 10% of the ending balance for the third category of loan assets that are expected to recover, 50% of the ending balance for the fourth category of loan assets that are difficult to recover and 100% of the ending balance for the fifth category of loan assets that are not expected to recover are aggregated.
- 2) 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.
- 3) Total unsecured portion of loans overdue and receivable on demand.
- 4) If total amount of minimum allowance of uncollectible accounts measured from the categories above are less than the amount in accordance with GAAP, it should refer to the amount in accordance with GAAP as minimum allowance of uncollectible accounts. If the authorities in order to increase the ability to bear the loss of specific loan asset and demand the Group to increase the allowance for bad debts of specific loan assets according to the criteria and time limit specified by them, the Group shall cooperate with it.

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

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

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

Moreover, China Life Insurance's insurance contract with discretionary participation feature is classified as liability.

a. Unearned premium reserve

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

b. Reserve for claims

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

c. Reserve for life insurance liabilities

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

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

d. Special reserve

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

a) Special capital reserve - Special reserve for major incidents

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

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

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

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

- 2) China Life Insurance sells participating life insurance policy. According to the “Rule Governing application of revenue and expenses related to participating/non-participating policy”, the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from this account. The excess dividend should be accounted as special reserve for dividend risks. Additionally, the effects of the gain or loss from disposal of participating life insurance policy approved as equity instrument investments at fair value through other comprehensive income shall transfer directly into special reserve based on income before tax and dividend. If the special reserve is a negative amount, the Company shall set aside the same amount of special reserve.

e. Premium deficiency reserve

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

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

f. Other reserve

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

g. Liability adequacy reserve

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

h. Reserves for insurance contracts with feature of financial instruments

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

Except for the following description, the accounting policies of the consolidated financial statements are applied consistently with the consolidated statement for the year ended December 31, 2019.

Retirement Benefit Costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

Hedge Accounting

The Group designate certain hedging instruments as fair value hedges.

At the start of a hedge relationship, the Bank and its subsidiaries document the relationship between the hedging instrument and the hedged item, along with their risk management objectives and their strategy for undertaking various hedge transactions. Further, at the start of the hedge and on an ongoing basis, the Group document whether the hedging instrument is highly effective in offsetting the exposure to adverse changes in fair value or cash flows of the hedged item. Note 12 sets out the details of the fair value of the derivative instruments used for hedging purposes.

Fair value hedges

The change in the fair value of the hedging instrument (e.g., derivative) and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Group discontinue hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

Leases

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

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

a. The Group as lessor

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

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

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

b. The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. If interest rate implicit in lease can be readily determined, the Group uses the rate. Otherwise, the Group uses the lessee's incremental borrowing rate.

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group took the consideration of the economic impact of COVID-19. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment loss on discounts, loans, receivables

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

b. Assessment of insurance liabilities and liability adequacy reserve

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash in banks	\$ 87,963,544	\$ 88,688,236	\$ 46,127,097
Due from banks	6,912,082	5,835,189	6,864,551
Short-term notes	1,670,520	3,513,936	2,309,233
Others	<u>3,597,819</u>	<u>3,103,784</u>	<u>3,044,463</u>
	<u>\$ 100,143,965</u>	<u>\$ 101,141,145</u>	<u>\$ 58,345,344</u>

Cash and cash equivalents as of December 31, 2019 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of June 30, 2020 and 2019:

	December 31, 2019
Cash and cash equivalents in consolidated balance sheet	\$ 101,141,145
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	17,201,021
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	<u>46,789,881</u>
Cash and cash equivalents in consolidated statement of cash flow	<u>\$ 165,132,047</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Call loans to financial institutions	\$ 27,512,880	\$ 10,171,730	\$ 19,080,359
Deposit reserve - checking accounts	10,162,143	9,638,736	9,388,256
Deposit reserve - demand accounts	5,571,714	7,029,291	5,146,666
Due from the Central Bank - interbank settlement funds	1,813,652	1,300,735	1,300,191
Deposit reserve - foreign currencies	<u>160,164</u>	<u>162,572</u>	<u>167,789</u>
	<u>\$ 45,220,553</u>	<u>\$ 28,303,064</u>	<u>\$ 35,083,261</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserve is determined monthly at prescribed rates based on average balance of the Bank's deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly.

In addition, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime at no interest.

For the certificates deposit issued by the Central Bank of the ROC pledged as collaterals for the Group, please refer to Note 49.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at <u>FVTPL</u>			
Derivative financial instrument			
Interest rate swap contracts	\$ 55,498,157	\$ 18,721,948	\$ 29,491,251
Options and futures contracts	14,354,185	5,519,664	4,817,832
Currency swap and forward exchange contracts	10,464,243	14,804,506	11,321,517
Others	5,415,238	5,134,107	2,160,981
Non-derivative financial assets			
Mutual funds	151,128,955	131,559,176	94,527,733
Shares	132,793,936	129,406,800	146,962,301
Operating securities (Note 9)	55,651,131	74,477,290	54,958,739
Bank debentures	34,172,551	39,401,337	41,860,468
Corporate bonds	14,380,358	14,455,908	17,095,211
Commercial paper	10,100,603	10,882,423	9,905,624
Others	<u>13,655,676</u>	<u>13,618,761</u>	<u>13,470,481</u>
	<u>497,615,033</u>	<u>457,981,920</u>	<u>426,572,138</u>
<u>Financial assets designated as at FVTPL</u>			
Government bonds	11,107,474	11,683,340	18,657,942
Others	<u>4,959,305</u>	<u>22,417,372</u>	<u>28,699,678</u>
	<u>16,066,779</u>	<u>34,100,712</u>	<u>47,357,620</u>
Financial assets at FVTPL	<u>\$ 513,681,812</u>	<u>\$ 492,082,632</u>	<u>\$ 473,929,758</u>

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial liabilities held for trading</u>			
Derivative financial instrument			
Interest rate swap contracts	\$ 50,200,898	\$ 21,486,645	\$ 29,143,743
Options and futures contracts	18,448,368	17,278,382	16,531,387
Currency swap and forward exchange contracts	8,437,160	11,511,583	13,059,433
Others	4,160,689	4,031,962	4,246,046
Non-derivative financial liabilities			
Borrowed securities payable	3,817,245	2,535,693	3,689,590
Others	<u>374,765</u>	<u>156,947</u>	<u>1,306,995</u>
	<u>85,439,125</u>	<u>57,001,212</u>	<u>67,977,194</u>
<u>Financial liabilities designated as at FVTPL</u>			
Bank debentures payable	14,115,761	29,558,877	30,420,898
Structured products	4,703,290	5,715,467	3,890,684
Others	<u>558,781</u>	<u>1,793,431</u>	<u>1,017,107</u>
	<u>19,377,832</u>	<u>37,067,775</u>	<u>35,328,689</u>
Financial liabilities at FVTPL	<u>\$ 104,816,957</u>	<u>\$ 94,068,987</u>	<u>\$ 103,305,883</u> (Concluded)

As of June 30, 2020, December 31, 2019 and June 30, 2019, bank debentures issued by the Group designated as at FVTPL were as follows:

Bank Debenture Number	June 30, 2020	December 31, 2019	June 30, 2019	Issuance Period	Method of Paying Principles and Interests	Interest Rate
15KGIB1	\$ -	\$ 3,191,236	\$ 3,293,632	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16KGIB1	-	3,311,660	3,417,920	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB2	-	3,311,660	3,417,920	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB3	2,372,800	2,408,480	2,485,760	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17KGIB1	-	6,021,200	6,214,400	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
P18KGIB1	5,932,000	6,021,200	6,214,400	January 30, 2018 - January 30, 2048 (Note 3)	Principal due on maturity	0%
P18KGIB2	<u>4,745,600</u>	<u>4,816,960</u>	<u>4,971,520</u>	February 27, 2018 - February 27, 2048 (Note 3)	Principal due on maturity	0%
	13,050,400	29,082,396	30,015,552			
Valuation adjustments	<u>1,065,361</u>	<u>476,481</u>	<u>405,346</u>			
	<u>\$ 14,115,761</u>	<u>\$ 29,558,877</u>	<u>\$ 30,420,898</u>			

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

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

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

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

Financial assets mandatorily classified as at FVTPL

	June 30, 2020	December 31, 2019	June 30, 2019
Mutual funds	\$ 149,402,582	\$ 129,374,894	\$ 92,230,541
Shares	120,743,737	116,849,773	132,931,522
Bank debentures	32,069,651	38,265,166	41,053,764
Corporate bonds	13,716,425	14,049,557	16,122,478
Others	<u>5,265,083</u>	<u>3,578,757</u>	<u>1,488,014</u>
	<u>\$ 321,197,478</u>	<u>\$ 302,118,147</u>	<u>\$ 283,826,319</u>

For the three and six months ended June 30, 2020 and 2019, reclassification amount under profit or loss and other comprehensive income of designated as at adoption of the overlay approach financial assets is described as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Gain (loss) on application of IFRS 9	\$ 25,826,339	\$ 9,905,715	\$ (5,436,334)	\$ 26,195,791
Loss (gain) on application of IAS 39	<u>(5,753,028)</u>	<u>(6,056,845)</u>	<u>(10,071,375)</u>	<u>(8,386,820)</u>
Gain (loss) on reclassification using the overlay approach	<u>\$ 20,073,311</u>	<u>\$ 3,848,870</u>	<u>\$ (15,507,709)</u>	<u>\$ 17,808,971</u>

Due to the adjustment of the overlay approach, gain on financial assets measured at FVTPL decreased from \$32,054,184 thousand to gain of \$11,980,873 thousand for the three months ended June 30, 2020; and gain on financial assets measured at FVTPL decreased from \$4,437,123 thousand to gain of \$588,253 thousand for the three months ended June 30, 2019. Gain on financial assets measured at FVTPL increased from \$825,684 thousand to gain of \$16,333,393 thousand for the six months ended June 30, 2020; and gain on financial assets measured at FVTPL decreased from \$16,570,615 thousand to loss of \$1,238,356 thousand for the six months ended June 30, 2019.

The contract (nominal) amounts of the Group’s outstanding derivative financial instruments as of June 30, 2020, December 31, 2019 and June 30, 2019 are summarized as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Currency swap and forward exchange contracts	\$ 1,935,398,585	\$ 1,903,307,612	\$ 1,943,127,693
Interest rate swap contracts	1,111,995,328	1,164,621,830	1,672,968,190
Options and futures contracts	683,572,917	647,885,303	646,619,522
Non-deliverable forward contracts	349,169,117	340,390,515	341,206,308
Assets swap contracts	24,294,510	24,794,444	11,843,716

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Cross-currency swap contracts	\$ 19,041,106	\$ 23,246,594	\$ 27,150,640
Structured products contracts	13,353,709	13,104,718	8,350,004
Credit default swap contracts	2,045,088	2,509,323	2,358,394
Commodity swap contracts	96,300	197,412	791,860
Equity derivative financial contracts	4,988	34,023	67,843
			(Concluded)

As of June 30, 2020, December 31, 2019 and June 30, 2019, financial assets at fair value through profit or loss with aggregate carrying values of \$36,501,351 thousand, \$41,750,306 thousand and \$47,402,099 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Group signed a trust contract with China Trust Commercial Bank (CTBC) in August 2015, entrusting shares of Capital Securities Corporation to them. The trustee deals with the shares in accordance with the contract during the contract period. The shares of Capital Securities Corporation held by CDIB Capital Group have been fully disposed of by August 2019.

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Group, please refer to Note 49.

9. OPERATING SECURITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Dealing			
Overseas securities	\$ 21,331,782	\$ 28,285,308	\$ 25,178,749
Corporate bonds	8,900,348	8,613,938	8,822,956
Government bonds	4,362,124	8,608,122	5,616,318
Listed, OTC and emerging market stock	2,630,810	5,063,093	3,380,269
Others	<u>2,819,182</u>	<u>4,256,382</u>	<u>2,381,180</u>
	<u>40,044,246</u>	<u>54,826,843</u>	<u>45,379,472</u>
Underwriting			
Corporate bonds	618,578	868,699	429,185
Listed and OTC stock	234,205	299,007	554,939
Others	<u>-</u>	<u>151,425</u>	<u>-</u>
	<u>852,783</u>	<u>1,319,131</u>	<u>984,124</u>
Hedge positions			
Mutual funds	5,486,233	5,274,380	2,444,546
Corporate bonds	4,005,316	3,629,153	-
Overseas securities	3,154,941	5,288,056	3,646,162
Listed and OTC stock	1,835,814	3,913,309	2,355,300
Others	<u>271,798</u>	<u>226,418</u>	<u>149,135</u>
	<u>14,754,102</u>	<u>18,331,316</u>	<u>8,595,143</u>
	<u>\$ 55,651,131</u>	<u>\$ 74,477,290</u>	<u>\$ 54,958,739</u>

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in debt instruments at FVTOCI			
Corporate bonds	\$ 192,178,839	\$ 148,038,886	\$ 125,112,499
Government bonds	170,797,508	175,950,289	168,091,177
Bank debentures	138,000,323	116,466,661	132,606,422
Negotiable certificates of deposit	65,647,739	62,617,894	54,060,962
Others	846,485	-	-
Less: Security deposit	-	(9,804)	(9,865)
	<u>567,470,894</u>	<u>503,063,926</u>	<u>479,861,195</u>
Investments in equity instruments at FVTOCI			
Common stocks	26,228,487	24,487,082	28,594,365
Preferred stocks	<u>12,133,771</u>	<u>12,072,916</u>	<u>11,717,126</u>
	<u>38,362,258</u>	<u>36,559,998</u>	<u>40,311,491</u>
	<u>\$ 605,833,152</u>	<u>\$ 539,623,924</u>	<u>\$ 520,172,686</u>

a. Investments in debt instruments at FVTOCI

As of June 30, 2020, December 31, 2019 and June 30, 2019, investments in debt instruments at FVTOCI, with aggregate carrying values of \$82,659,485 thousand, \$42,222,421 thousand and \$50,303,738 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on investments in debt instruments at FVTOCI pledged as collateral for the Group, please refer to Note 49.

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at FVTOCI, please refer to Note 54.

b. Investments in equity instruments at FVTOCI

For the six months ended June 30, 2020 and 2019, the Group sold its shares in order to manage its investment portfolio. The sold shares had a fair value of \$2,668,551 thousand and \$1,938,782 thousand, respectively. The Group transferred a loss of \$239,961 thousand and a gain of \$145,574 thousand from other equity related-unrealized gain on financial assets at fair value through other comprehensive income to retained earnings.

For the three and six months ended June 30, 2020 and 2019, dividend income for \$47,468 thousand, \$113,826 thousand, \$79,839 thousand and \$124,178 thousand, respectively, and those related to investment held as of June 30, 2020 and 2019 were \$73,864 thousand and \$124,178 thousand, respectively, and those related to investment derecognized for the six months ended June 30, 2020 and 2019 were \$5,975 thousand and \$0 thousand, respectively.

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

11. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2020	December 31, 2019	June 30, 2019
Bank debentures	\$ 596,134,579	\$ 602,974,328	\$ 588,358,891
Corporate bonds	316,085,246	285,933,203	287,177,433
Government bonds	105,465,053	90,300,863	96,209,421
Others	<u>34,152,258</u>	<u>49,679,441</u>	<u>59,374,965</u>
	<u>\$ 1,051,837,136</u>	<u>\$ 1,028,887,835</u>	<u>\$ 1,031,120,710</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, investments in debt instruments at amortized cost, with aggregate carrying values of \$281,770 thousand, \$0 thousand and \$279,648 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at amortized cost, please refer to Note 54.

12. FINANCIAL INSTRUMENTS FOR HEDGING

June 30, 2020

Financial assets for hedging

Fair value hedge - interest rate swap \$ 19,688

Financial liabilities for hedging

Fair value hedge - interest rate swap \$ 944,494

Fair Value Hedges

The Group is exposed to the risk of adverse fair value fluctuations due to changes in interest rates for the debt instruments and bank debentures issued. Since the risk is considered material, the Group enters into interest rate swap contracts to hedge against this risk.

The following tables summarize the information relating to the hedges for interest rate risk.

June 30, 2020

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	\$ 20,883,388	2022.05.03-2030.03.06	Financial assets and liabilities for hedging	\$ 19,688	\$ 944,494

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments	
	Asset	Liability	Asset	Liability
Fair value hedge				
Financial assets at fair value through other comprehensive income	\$ 16,210,407	\$ -	\$ 943,012	\$ -
Bank debentures	-	6,000,000	-	18,206

13. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial paper	\$ 30,891,024	\$ 11,121,028	\$ 11,144,213
Corporate bonds	12,215,724	21,288,455	17,735,962
Government bonds	7,661,425	7,282,924	10,371,101
Bank debentures	3,212,758	6,697,474	8,231,120
Negotiable certificates of deposit	<u>200,000</u>	<u>400,000</u>	<u>-</u>
	<u>\$ 54,180,931</u>	<u>\$ 46,789,881</u>	<u>\$ 47,482,396</u>
Resold amounts	<u>\$ 54,191,450</u>	<u>\$ 46,829,845</u>	<u>\$ 47,516,721</u>
Last maturity date	August 2020	March 2020	August 2019

14. RECEIVABLES, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Receivable accounts for settlement	\$ 43,674,079	\$ 32,299,471	\$ 43,418,821
Margin loans receivable, securities financing refundable deposits and deposits payable for securities financing	24,825,464	24,160,899	20,743,822
Interest receivable	16,594,475	16,871,726	17,013,970
Accounts receivable - forfeiting	10,461,942	3,947,653	6,068,832
Exchange clearing receivable	6,709,850	3,045,497	5,822,038
Accounts receivable factoring without recourse	5,185,575	6,572,390	6,561,896
Trading securities receivable	4,616,608	5,381,773	7,542,882
Others	<u>15,440,418</u>	<u>13,780,216</u>	<u>15,711,669</u>
	127,508,411	106,059,625	122,883,930
Less: Allowance for bad debts	(1,603,200)	(1,537,825)	(1,638,241)
Unrealized interest revenue	<u>(222,929)</u>	<u>(216,101)</u>	<u>(208,626)</u>
	<u>\$ 125,682,282</u>	<u>\$ 104,305,699</u>	<u>\$ 121,037,063</u>

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

For the information on credit risk management and impairment loss analysis of receivables, please refer to Note 54.

15. DISCOUNTS AND LOANS, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Short-term loans	\$ 83,418,055	\$ 76,377,723	\$ 81,221,266
Medium-term loans	208,536,791	195,726,309	207,143,351
Long-term loans	77,071,986	75,411,830	72,193,377
Loans reclassified to nonperforming loans	464,160	376,103	350,832
Export negotiations	24,092	30,866	42,776
Policy loans	26,920,131	27,350,483	26,687,054
Automatic premium loans	<u>5,811,199</u>	<u>5,849,666</u>	<u>5,828,497</u>
	402,246,414	381,122,980	393,467,153
Less: Allowance for bad debts	(4,705,686)	(4,477,678)	(4,584,979)
Discounts on loans	<u>(86,316)</u>	<u>(109,450)</u>	<u>(122,723)</u>
	<u>\$ 397,454,412</u>	<u>\$ 376,535,852</u>	<u>\$ 388,759,451</u>

For the information on credit risk management and impairment loss analysis of discounts and loans, please refer to Note 54.

16. REINSURANCE ASSETS, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Claims recoverable from reinsurers	\$ 451,905	\$ 415,320	\$ 459,763
Due from reinsurers and ceding companies	3,702	48,572	121,284
Reinsurance reserve assets			
Ceded unearned premium reserve	55,264	55,487	54,376
Ceded reserve for claims	<u>9,665</u>	<u>13,755</u>	<u>23,167</u>
	<u>64,929</u>	<u>69,242</u>	<u>77,543</u>
	<u>\$ 520,536</u>	<u>\$ 533,134</u>	<u>\$ 658,590</u>

No impairment loss was recognized for reinsurance assets.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

	June 30, 2020	December 31, 2019	June 30, 2019
Non-public entities			
CDIB & Partners Investment Holding Corporation	\$ 5,352,230	\$ 6,548,806	\$ 6,434,436
CDIB Capital Asia Partners L.P.	3,058,789	3,688,253	4,274,723
KGI Securities (Thailand) Public Company Limited	2,164,071	2,602,334	2,461,869
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	1,405,442	1,525,410	1,655,525
			(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
CDIB Yida Private Equity (Kunshan)			
Enterprise (Limited Partnership)	\$ 1,142,416	\$ 1,331,616	\$ 1,398,587
CDIB Capital Health Ventures Limited	776,383	704,247	776,049
CDIB Capital Creative Industries Limited	483,461	620,994	623,956
Others	<u>368,251</u>	<u>382,180</u>	<u>334,616</u>
	<u>\$ 14,751,043</u>	<u>\$ 17,403,840</u>	<u>\$ 17,959,761</u> (Concluded)

As of June 30, 2020, December 31, 2019 and June 30, 2019, financial assets designated as at FVTPL of associates that are not individually material were \$1,556,078 thousand, \$1,580,146 thousand and \$905,020 thousand, respectively

Investments accounted for using the equity method and the Group's share of earnings and other comprehensive income of CDIB & Partners Investment Holding Corporation and KGI Securities (Thailand) Public Company Limited are calculated based on audited financial statements; those of other affiliates are calculated based on unaudited financial statements. Management believes that the financial statements of these investees had not been audited, there would have been no significant effect on the consolidated financial statements.

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

18. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investment in structured entities

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

June 30, 2020

	Partnership Fund	Asset Securitization	Total
Financial assets at fair value through profit or loss	\$ 9,064,284	\$ 3,025,386	\$ 12,089,670
Financial assets at fair value through other comprehensive income	-	298,068	298,068
Debt instruments measured at amortized cost	-	35,389,524	35,389,524
Maximum exposure	9,064,284	38,712,978	47,777,262

December 31, 2019

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

June 30, 2019

	Partnership Fund	Asset Securitization	Total
Financial assets at fair value through profit or loss	\$ 8,093,306	\$ 3,090,996	\$ 11,184,302
Debt instruments measured at amortized cost	-	60,787,530	60,787,530
Maximum exposure	8,093,306	63,878,526	71,971,832

b. Management on structured entities

The Corporation's subsidiaries have the equities of structured entities as well as the obligations to their investment and management. The Corporation's subsidiaries have significant influence over the above investments.

The funds of unconsolidated structured entities are from the Corporation's subsidiaries and external third parties.

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Management on partnership equity fund</u>			
Total assets	\$ 21,922,502	\$ 24,475,759	\$ 26,470,382
Total liabilities	87,880	173,055	206,431
Investments accounted for using the equity method	5,887,491	6,839,970	7,618,645
Financial assets designated as at FVTPL	1,243,068	1,258,060	700,504
Maximum exposure	7,130,559	8,098,030	8,319,149

19. OTHER FINANCIAL ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Separate-account insurance products	\$ 73,759,531	\$ 77,922,118	\$ 71,491,586
Customer margin accounts	45,645,336	37,144,902	39,727,522
Others	<u>8,076,811</u>	<u>6,120,027</u>	<u>5,246,371</u>
	<u>\$ 127,481,678</u>	<u>\$ 121,187,047</u>	<u>\$ 116,465,479</u>

Separate Account Insurance Products

a. Separate account insurance products - assets and liabilities

	Assets		
	June 30, 2020	December 31, 2019	June 30, 2019
Cash in banks	\$ 532,982	\$ 512,650	\$ 404,685
Financial assets at fair value through profit or loss	73,153,310	77,315,680	71,021,826
Other receivables	<u>73,239</u>	<u>93,788</u>	<u>65,075</u>
	<u>\$ 73,759,531</u>	<u>\$ 77,922,118</u>	<u>\$ 71,491,586</u>

	Liabilities		
	June 30, 2020	December 31, 2019	June 30, 2019
Reserve for separate account	\$ 73,639,919	\$ 77,833,832	\$ 71,401,257
Other payables	<u>119,612</u>	<u>88,286</u>	<u>90,329</u>
	<u>\$ 73,759,531</u>	<u>\$ 77,922,118</u>	<u>\$ 71,491,586</u>

b. Separate account insurance products - revenues and expenses

	Revenues			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Premium income	\$ 1,566,251	\$ 1,371,903	\$ 2,854,003	\$ 2,623,409
Gain (loss) from financial assets and liabilities at fair value through profit or loss	4,556,745	517,654	(2,368,341)	3,330,519
Interest income	28	177	54	202
Other revenues	43,297	44,206	86,659	88,977
Foreign exchange gains (losses)	<u>(289,753)</u>	<u>155,256</u>	<u>(250,124)</u>	<u>251,652</u>
	<u>\$ 5,876,568</u>	<u>\$ 2,089,196</u>	<u>\$ 322,251</u>	<u>\$ 6,294,759</u>

	Expenses			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Insurance claim payments	\$ 879,257	\$ 1,298,445	\$ 2,208,392	\$ 2,433,305
Net change in separate-account reserve	4,502,469	218,232	(2,886,409)	2,961,795
Custodian fee	<u>494,842</u>	<u>572,519</u>	<u>1,000,268</u>	<u>899,659</u>
	<u>\$ 5,876,568</u>	<u>\$ 2,089,196</u>	<u>\$ 322,251</u>	<u>\$ 6,294,759</u>

- c. The rebate from counterparties in the investment-linked insurance business, which recognized as service fee revenue, for the three and six months ended June 30, 2020 and 2019 was \$101,462 thousand, \$109,296 thousand, \$224,411 thousand and \$217,327 thousand, respectively.

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

20. INVESTMENT PROPERTY, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Land	\$ 19,956,903	\$ 20,180,044	\$ 20,130,147
Buildings and facilities	<u>5,111,087</u>	<u>5,161,512</u>	<u>5,199,624</u>
	<u>\$ 25,067,990</u>	<u>\$ 25,341,556</u>	<u>\$ 25,329,771</u>

Except for depreciation recognized, the Group had no significant addition, disposal and impairment of investment properties during the three and six months ended June 30, 2020 and 2019.

The above items of investment property were depreciated on a straight-line basis at estimated economic lives as follows:

Buildings and facilities	
Main building and parking spaces	30-60 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	5 years

The fair values of the Group's investment property as of June 30, 2020, December 31, 2019 and June 30, 2019 were \$24,968,517 thousand, \$25,108,005 thousand and \$25,086,436 thousand, respectively. Investment property was categorized into Level 3.

The Corporation's subsidiaries had development of the vacant land and prepayments for buildings without construction license, and the carrying amount was \$2,521,063 thousand, \$2,521,063 thousand and \$2,520,610 thousand, respectively, on June 30, 2020, December 31, 2019 and June 30, 2019. Because its fair value cannot be reliably determined, it was excluded from the amount of fair value above mentioned.

Besides the effectiveness of the evaluation of China life insurance Co., Ltd was based on the independent appraisers, others examined the effectiveness of fair value of 2019 and 2018 by the Group, respectively. After evaluating, the group agree that the fair value on June 30, 2020 and 2019 are effective.

Valuation of fair values above mentioned, except the fair values of investment properties held by CDIB Capital Group and KGI Securities for the year ended December 31, 2019, and the fair values of investment properties held by subsidiaries of KGI Securities for the year ended December 31, 2019 and 2018 were arrived at without appraisal from independent appraisers, but instead were arrived at by reference to available external appraisal reports for the previous period and valuation models commonly used by market participants. All the other subsidiaries of the Group engaged independent appraisers for the valuation of their investment properties. The sales comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transaction, and income approach takes the net operating income of the rent collected and divides it by the capitalization rate.

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

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	\$ 466,164	\$ 443,999	\$ 456,002
Year 2	391,490	398,185	403,492
Year 3	226,356	234,419	286,105
Year 4	175,426	164,062	169,396
Year 5	155,296	146,828	141,014
Year 5 onwards	<u>268,555</u>	<u>198,314</u>	<u>249,952</u>
	<u>\$ 1,683,287</u>	<u>\$ 1,585,807</u>	<u>\$ 1,705,961</u>

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

	<u>Estimated Useful Lives</u>
Buildings and facilities	30-60 years

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

21. PROPERTY AND EQUIPMENT, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Land	\$ 20,041,061	\$ 20,175,361	\$ 20,196,085
Buildings and facilities	5,771,709	5,896,237	6,018,988
Machinery and computer equipment	1,288,441	1,352,168	1,163,889
Other equipment	311,317	312,856	324,132
Leasehold improvements	310,482	324,519	302,426
Transportation equipment	<u>233,938</u>	<u>288,467</u>	<u>332,631</u>
	27,956,948	28,349,608	28,338,151
Prepayments for acquisition of properties	<u>8,442,935</u>	<u>6,554,704</u>	<u>4,854,239</u>
	<u>\$ 36,399,883</u>	<u>\$ 34,904,312</u>	<u>\$ 33,192,390</u>
	June 30, 2020	December 31, 2019	June 30, 2019
Assets used by the Group	\$ 35,833,409	\$ 34,258,809	\$ 32,493,216
Assets leased under operating leases	<u>566,474</u>	<u>645,503</u>	<u>699,174</u>
	<u>\$ 36,399,883</u>	<u>\$ 34,904,312</u>	<u>\$ 33,192,390</u>

Except for depreciation recognized, the Group had no significant addition, disposal and impairment of property and equipment during the three and six months ended June 30, 2020 and 2019.

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

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

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

The maturity analysis of lease payments receivable was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	\$ 85,463	\$ 100,367	\$ 116,152
Year 2	42,506	58,458	71,338
Year 3	9,919	17,886	32,048
Year 4	602	2,844	7,121
Year 5	<u>-</u>	<u>335</u>	<u>1,084</u>
	<u>\$ 138,490</u>	<u>\$ 179,890</u>	<u>\$ 227,743</u>

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

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

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

22. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Royalty-surface rights	\$ 12,875,716	\$ 12,977,018	\$ 13,078,321
Buildings and facilities	2,996,092	3,343,302	3,643,878
Land	1,509,331	2,066,274	2,082,395
Computer equipment	86,675	114,978	147,127
Transportation equipment	33,590	32,434	29,590
Other equipment	<u>8,260</u>	<u>14,913</u>	<u>10,228</u>
	<u>\$ 17,509,664</u>	<u>\$ 18,548,919</u>	<u>\$ 18,991,539</u>
	For the Three Months Ended June 30		For the Six Months Ended June 30
	2020	2019	2020
Additions to right-of-use assets	<u>\$ 285,332</u>	<u>\$ 275,791</u>	<u>\$ 446,375</u>
Depreciation of right-of-use assets			
Royalty-surface rights	\$ 50,651	\$ 50,651	\$ 101,302
Buildings and facilities	207,834	201,604	416,541
Land	5,951	8,061	12,837
Computer equipment	17,402	17,077	34,681
Transportation equipment	5,102	4,760	9,925
Other equipment	<u>3,486</u>	<u>2,365</u>	<u>6,973</u>
	<u>\$ 290,426</u>	<u>\$ 284,518</u>	<u>\$ 582,259</u>
	<u>\$ 290,426</u>	<u>\$ 284,518</u>	<u>\$ 560,215</u>

The depreciation expense of the right-of-use asset recognized in profit or loss for the three and six months ended June 30, 2020 and 2019 were \$233,110 thousand, \$225,806 thousand, \$466,531 thousand and \$442,791 thousand, respectively.

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts	<u>\$ 4,712,911</u>	<u>\$ 5,615,681</u>	<u>\$ 5,921,944</u>

Range of discount rate for lease liabilities were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Buildings and facilities	0.65%-9.79%	0.72%-9.79%	0.73%-9.79%
Land	0.77%-3.50%	3.50%	3.50%
Computer equipment	0.77%-1.07%	0.82%-1.07%	0.86%-0.92%
Transportation equipment	0.61%-1.44%	0.73%-1.44%	0.74%-1.44%
Other equipment	0.65%-1.20%	0.65%-1.44%	0.75%-1.44%

The maturity analysis of lease liabilities were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Not later than 1 year	\$ 908,013	\$ 960,612	\$ 973,982
Later than 1 year and not later than 5 years	1,959,146	2,183,641	2,385,904
Later than 5 years	<u>4,267,938</u>	<u>5,796,179</u>	<u>5,949,846</u>
	<u>\$ 7,135,097</u>	<u>\$ 8,940,432</u>	<u>\$ 9,309,732</u>

c. Material lease-in activities and terms

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

d. Other lease information

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 22,554</u>	<u>\$ 25,208</u>	<u>\$ 35,800</u>	<u>\$ 55,116</u>
Expenses relating to low-value asset leases	<u>\$ 827</u>	<u>\$ 4,964</u>	<u>\$ 1,753</u>	<u>\$ 5,701</u>
Total cash outflow for leases			<u>\$ 401,622</u>	<u>\$ 531,688</u>

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

23. INTANGIBLE ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Purchase policy value	\$ 12,227,909	\$ 12,402,062	\$ 12,584,791
Operation rights	3,264,221	3,554,400	3,873,155
Goodwill	3,150,130	3,190,820	3,391,407
Computer software	1,281,662	1,257,956	865,695
Others	<u>36,396</u>	<u>36,396</u>	<u>36,396</u>
	<u>\$ 19,960,318</u>	<u>\$ 20,441,634</u>	<u>\$ 20,751,444</u>

Except for amortization recognized, the Group's had no significant addition, disposal, and impairment of other intangible assets during the three and six months ended June 30, 2020 and 2019.

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

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

24. OTHER ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Overseas custodian accounts	\$ 26,757,258	\$ 24,767,815	\$ 28,648,162
Security borrowing margins	19,444,179	16,655,194	19,058,629
Guarantee deposits paid	9,655,919	7,921,332	6,966,497
Operating guarantee deposits	7,931,493	7,931,702	7,390,783
Others	<u>3,383,207</u>	<u>3,332,805</u>	<u>2,945,190</u>
	<u>\$ 67,172,056</u>	<u>\$ 60,608,848</u>	<u>\$ 65,009,261</u>

The fund deposited in foreign securities is mainly for foreign subsidiaries transaction.

25. DEPOSITS FROM THE CENTRAL BANK AND FINANCIAL INSTITUTIONS

	June 30, 2020	December 31, 2019	June 30, 2019
Call loans from financial institutions	\$ 20,020,500	\$ 24,370,732	\$ 22,436,404
Deposits from Chunghwa Post Co., Ltd.	<u>190,146</u>	<u>190,146</u>	<u>190,146</u>
	<u>\$ 20,210,646</u>	<u>\$ 24,560,878</u>	<u>\$ 22,626,550</u>

26. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Corporate bonds	\$ 77,084,958	\$ 43,378,844	\$ 58,712,766
Bank debentures	28,836,451	29,609,111	39,169,530
Government bonds	23,136,540	22,794,538	21,923,023
Commercial paper	<u>299,615</u>	<u>354,838</u>	<u>1,513,789</u>
	<u>\$ 129,357,564</u>	<u>\$ 96,137,331</u>	<u>\$ 121,319,108</u>
Repurchased amounts	<u>\$ 129,444,790</u>	<u>\$ 96,297,724</u>	<u>\$ 121,756,138</u>
Last maturity date	October 2020	March 2020	October 2019

27. COMMERCIAL PAPER PAYABLE, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial paper payable	\$ 8,935,000	\$ 12,636,085	\$ 17,581,269
Less: Unamortized discount	<u>(1,754)</u>	<u>(1,401)</u>	<u>(4,461)</u>
	<u>\$ 8,933,246</u>	<u>\$ 12,634,684</u>	<u>\$ 17,576,808</u>
Range of rate	0.29%-1.19%	0.54%-1.78%	0.44%-2.53%

As of June 30, 2020, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Ta Ching Finance Corporation, Union Bank of Taiwan, Taiwan Cooperative Bills Finance Corporation, Taiwan Finance Corporation, Taishin International Bank and China Bills Finance Corporation guaranteed the above commercial paper. However, some commercial paper which amounted to \$7,983,762 thousand, had no guarantee.

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

As of June 30, 2019, Ta Ching Finance Corporation, China Bills Finance Corporation, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Finance Corporation, International Bills Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Taishin Bills Finance Corporation, Far Eastern International Bank, Sunny Bank and Taiwan Business Bank guaranteed the above commercial paper. However, some commercial paper, which amounted to \$14,398,136 thousand, had no guarantee.

28. PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts payable for settlement	\$ 51,674,853	\$ 43,834,058	\$ 52,282,706
Accrued expenses and payable on insurance policies	12,390,574	12,997,313	11,038,730
Cash dividends payable	10,729,560	-	4,538,168
Deposits payable for securities financing	10,553,377	11,351,628	11,661,427
Exchange clearing payable	5,755,163	4,354,972	8,871,414
Interest payable	2,481,001	5,011,466	4,461,724
Others	<u>9,118,302</u>	<u>9,290,233</u>	<u>9,181,034</u>
	<u>\$ 102,702,830</u>	<u>\$ 86,839,670</u>	<u>\$ 102,035,203</u>

29. DEPOSITS AND REMITTANCES

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits	\$ 230,635,083	\$ 211,308,116	\$ 255,008,320
Saving deposits	126,058,040	117,915,084	111,821,286
Demand deposits	90,185,824	53,009,869	53,893,931
Negotiable CDs	14,256,600	10,380,300	14,344,000
Inward remittance	3,042,691	181,673	28,957
Checking deposits	<u>2,206,372</u>	<u>3,065,960</u>	<u>2,343,152</u>
	<u>\$ 466,384,610</u>	<u>\$ 395,861,002</u>	<u>\$ 437,439,646</u>

30. BONDS PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
Corporate bonds payable	\$ 29,200,000	\$ 32,000,000	\$ 22,800,000
Bank debentures payable	<u>15,468,206</u>	<u>10,450,000</u>	<u>10,450,000</u>
	<u>\$ 44,668,206</u>	<u>\$ 42,450,000</u>	<u>\$ 33,250,000</u>

Corporate Bonds Payable

Name	June 30, 2020	December 31, 2019	June 30, 2019	Issuance Period	Method of Paying Principle and Interests	Interest Rate
1st corporate bonds in 2014 - the Corporation	\$ -	\$ 6,000,000	\$ 6,000,000	2015.03.30-2020.03.30	Interest payable annually; principal due on maturity	1.42%
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000	2,000,000	2015.09.15-2020.09.15	Interest payable annually; principal due on maturity	1.37%
1st corporate bonds in 2017 - the Corporation	10,000,000	10,000,000	10,000,000	Bond A 2017.09.08-2024.09.08 Bond B 2017.09.08-2027.09.08 Bond C 2017.09.08-2032.09.08	Interest payable annually; principal due on maturity	Bond A 1.75% Bond B 1.90% Bond C 2.10%
1st corporate bonds in 2019 - the Corporation	5,000,000	5,000,000	-	Bond A 2019.08.08-2026.08.08 Bond B 2019.08.08-2029.08.08	Interest payable annually; principal due on maturity	Bond A 0.88% Bond B 1.00%
1st corporate bonds in 2020 - the Corporation	8,000,000	-	-	Bond A 2020.05.20-2025.05.20 Bond B 2020.05.20-2035.05.20	Interest payable annually; principal due on maturity	Bond A 0.75% Bond B 0.95%
1st corporate bonds in 2015 - KGI Securities	-	4,800,000	4,800,000	Bond A 2015.06.08-2018.06.08 Bond B 2015.06.08-2020.06.08	Interest payable annually; principal due on maturity	Bond A 1.20% Bond B 1.42%
1st corporate bonds in 2019 - KGI Securities	<u>4,200,000</u>	<u>4,200,000</u>	<u>-</u>	Bond A 2019.11.22-2022.11.22 Bond B 2019.11.22-2024.11.22 Bond C 2019.11.22-2026.11.22	Interest payable annually; principal due on maturity	Bond A 0.73% Bond B 0.78% Bond C 0.83%
Net amount	<u>\$ 29,200,000</u>	<u>\$ 32,000,000</u>	<u>\$ 22,800,000</u>			
Fair value	<u>\$ 29,901,744</u>	<u>\$ 32,230,073</u>	<u>\$ 23,167,614</u>			

Bank Debentures Payable

Name	June 30, 2020	December 31, 2019	June 30, 2019	Issuance Period	Method of Paying Principle and Interests	Interest Rate
P06 KGIB 1	\$ -	\$ 1,000,000	\$ 1,000,000	2017.05.19-2020.05.19	Interest payable annually; principal due on maturity	0.9%
P07 KGIB 1	3,000,000	3,000,000	3,000,000	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	3,350,000	3,350,000	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
P08 KGIB 1	3,100,000	3,100,000	3,100,000	2019.06.26-2034.06.26	Interest payable annually; principal due on maturity	1.4%
P09 KGIB 1	1,200,000	-	-	2020.03.05-2027.03.05	Interest payable annually; principal due on maturity	0.75%
P09 KGIB 2	<u>4,800,000</u>	<u>-</u>	<u>-</u>	2020.03.05-2030.03.05	Interest payable annually; principal due on maturity	0.8%
	15,450,000	10,450,000	10,450,000			
Unamortized discount	<u>18,206</u>	<u>-</u>	<u>-</u>			
Net amount	<u>\$ 15,468,206</u>	<u>\$ 10,450,000</u>	<u>\$ 10,450,000</u>			
Fair value	<u>\$ 15,643,482</u>	<u>\$ 10,641,460</u>	<u>\$ 10,449,873</u>			

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

31. OTHER BORROWINGS

	June 30, 2020	December 31, 2019	June 30, 2019
Short-term credit borrowings	\$ 11,202,172	\$ 12,029,866	\$ 10,155,247
Short-term secured borrowings	6,152,593	4,438,546	3,681,145
Note issuance facility	4,699,664	4,499,595	3,909,825
Long-term credit borrowings	<u>-</u>	<u>-</u>	<u>63,136</u>
	<u>\$ 22,054,429</u>	<u>\$ 20,968,007</u>	<u>\$ 17,809,353</u>
Range of rate	0.25%-7.25%	0.61%-5.95%	0.68%-8.30%
Last maturity date	June 2023	December 2022	July 2021

32. PROVISIONS

	June 30, 2020	December 31, 2019	June 30, 2019
Insurance liabilities	\$ 1,814,687,703	\$ 1,738,260,215	\$ 1,656,037,283
Foreign exchange valuation reserve	1,160,279	2,367,039	5,191,880
Provisions for employee benefits	992,460	1,093,389	949,985
Others	<u>518,669</u>	<u>526,533</u>	<u>662,279</u>
	<u>\$ 1,817,359,111</u>	<u>\$ 1,742,247,176</u>	<u>\$ 1,662,841,427</u>

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

As at June 30, 2020, December 31, 2019 and June 30, 2019, China Life Insurance's movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Reserve for life insurance liabilities	\$ 1,777,460,710	\$ 1,698,741,135	\$ 1,616,752,239
Unearned premium reserve	4,597,923	4,291,429	4,094,931
Reserve for claims	2,497,585	2,225,347	1,898,397
Special reserve	5,399,941	6,907,466	6,005,632
Premium deficiency reserve	5,460,904	6,627,546	7,551,251
Other reserve	<u>19,270,640</u>	<u>19,467,292</u>	<u>19,734,833</u>
	<u>\$ 1,814,687,703</u>	<u>\$ 1,738,260,215</u>	<u>\$ 1,656,037,283</u>

a. Reserve for life insurance liabilities:

	June 30, 2020		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	\$ 1,417,759,249	\$ 57,727,667	\$ 1,475,486,916
Health insurance	138,410,844	-	138,410,844
Annuity insurance	663,042	160,982,607	161,645,649
Investment-linked insurance	<u>1,768,117</u>	<u>-</u>	<u>1,768,117</u>
	<u>\$ 1,558,601,252</u>	<u>\$ 218,710,274</u>	<u>\$ 1,777,311,526</u>

Note: The total amount of liability reserve is \$1,777,460,710 thousand on June 30, 2020 after reserve for life insurance-accrued paid is added.

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

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

	June 30, 2019		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Life insurance	\$ 1,265,930,466	\$ 56,238,944	\$ 1,322,169,410
Health insurance	127,321,035	-	127,321,035
Annuity insurance	671,974	164,633,325	165,305,299
Investment-linked insurance	<u>1,800,699</u>	<u>-</u>	<u>1,800,699</u>
	<u>\$ 1,395,724,174</u>	<u>\$ 220,872,269</u>	<u>\$ 1,616,596,443</u>

Note: The total amount of liability reserve is \$1,616,752,239 thousand on June 30, 2019 after reserve for life insurance-accrued paid is added.

There is no ceded liability reserve for the above insurance contracts of China Life Insurance.

Movement in reserve for life insurance liabilities is summarized below:

	For the Six Months Ended June 30, 2020		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Beginning balance	\$ 1,476,881,001	\$ 221,716,576	\$ 1,698,597,577
Reserve	118,726,236	7,379,563	126,105,799
Recover	(34,856,439)	(7,262,547)	(42,118,986)
Foreign exchange losses	<u>(2,149,546)</u>	<u>(3,123,318)</u>	<u>(5,272,864)</u>
Ending balance (Note)	<u>\$ 1,558,601,252</u>	<u>\$ 218,710,274</u>	<u>\$ 1,777,311,526</u>

Note: Reserve for life insurance liabilities were \$1,777,460,710 thousand at June 30, 2020 after adding the payment of reserve for life insurance-accrued.

	For the Six Months Ended June 30, 2019		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Beginning balance	\$ 1,298,519,952	\$ 214,435,925	\$ 1,512,955,877
Reserve	129,638,980	15,547,317	145,186,297
Recover	(34,900,715)	(9,392,679)	(44,293,394)
Foreign exchange gains	2,464,713	281,706	2,746,419
Others (Note 1)	<u>1,244</u>	<u>-</u>	<u>1,244</u>
Ending balance (Note 2)	<u>\$ 1,395,724,174</u>	<u>\$ 220,872,269</u>	<u>\$ 1,616,596,443</u>

Note 1: The reserve amount with respect to the acquisition of a partial of traditional insurance policies of Allianz Life Insurance Company is provided to cover the deficiency during the replenishment period according to the contract.

Note 2: Reserve for life insurance liabilities were \$1,616,752,239 thousand at June 30, 2019 after adding the payment of reserve for life insurance-accrued.

b. Unearned premium reserve

	June 30, 2020		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 1,051	\$ -	\$ 1,051
Individual injury insurance	1,377,314	-	1,377,314
Individual health insurance	2,116,957	-	2,116,957
Group insurance	1,041,327	-	1,041,327
Investment-linked insurance	61,251	-	61,251
Annuity insurance	-	23	23
	<u>4,597,900</u>	<u>23</u>	<u>4,597,923</u>
Less ceded unearned premium reserve			
Individual life insurance	16,209	-	16,209
Individual injury insurance	753	-	753
Individual health insurance	30,599	-	30,599
Group insurance	2,868	-	2,868
Investment-linked insurance	<u>4,835</u>	<u>-</u>	<u>4,835</u>
	<u>55,264</u>	<u>-</u>	<u>55,264</u>
Net amount	<u>\$ 4,542,636</u>	<u>\$ 23</u>	<u>\$ 4,542,659</u>
	December 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 1,072	\$ -	\$ 1,072
Individual injury insurance	1,414,617	-	1,414,617
Individual health insurance	2,249,115	-	2,249,115
Group insurance	568,302	-	568,302
Investment-linked insurance	58,248	-	58,248
Annuity insurance	-	75	75
	<u>4,291,354</u>	<u>75</u>	<u>4,291,429</u>
Less ceded unearned premium reserve			
Individual life insurance	15,728	-	15,728
Individual injury insurance	1,324	-	1,324
Individual health insurance	30,079	-	30,079
Group insurance	3,145	-	3,145
Investment-linked insurance	<u>5,211</u>	<u>-</u>	<u>5,211</u>
	<u>55,487</u>	<u>-</u>	<u>55,487</u>
Net amount	<u>\$ 4,235,867</u>	<u>\$ 75</u>	<u>\$ 4,235,942</u>

	June 30, 2019		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Individual life insurance	\$ 1,059	\$ -	\$ 1,059
Individual injury insurance	1,201,824	-	1,201,824
Individual health insurance	1,847,847	-	1,847,847
Group insurance	985,592	-	985,592
Investment-linked insurance	58,502	-	58,502
Annuity insurance	-	107	107
	<u>4,094,824</u>	<u>107</u>	<u>4,094,931</u>
Less ceded unearned premium reserve			
Individual life insurance	15,414	-	15,414
Individual injury insurance	1,182	-	1,182
Individual health insurance	29,531	-	29,531
Group insurance	3,134	-	3,134
Investment-linked insurance	<u>5,115</u>	<u>-</u>	<u>5,115</u>
	<u>54,376</u>	<u>-</u>	<u>54,376</u>
Net amount	<u>\$ 4,040,448</u>	<u>\$ 107</u>	<u>\$ 4,040,555</u>

Movement in unearned premium reserve is summarized below:

	For the Six Months Ended June 30, 2020		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Beginning balance	\$ 4,291,354	\$ 75	\$ 4,291,429
Reserve	2,452,223	23	2,452,246
Recover	<u>(2,145,677)</u>	<u>(75)</u>	<u>(2,145,752)</u>
Ending balance	<u>4,597,900</u>	<u>23</u>	<u>4,597,923</u>
Less ceded unearned premium reserve			
Beginning balance	55,487	-	55,487
Increase	27,852	-	27,852
Decrease	(28,073)	-	(28,073)
Foreign exchange losses	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Ending balance	<u>55,264</u>	<u>-</u>	<u>55,264</u>
Net amount	<u>\$ 4,542,636</u>	<u>\$ 23</u>	<u>\$ 4,542,659</u>

For the Six Months Ended June 30, 2019			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 3,854,738	\$ 53	\$ 3,854,791
Reserve	2,167,454	107	2,167,561
Recover	<u>(1,927,368)</u>	<u>(53)</u>	<u>(1,927,421)</u>
Ending balance	<u>4,094,824</u>	<u>107</u>	<u>4,094,931</u>
Less ceded unearned premium reserve			
Beginning balance	50,125	-	50,125
Increase	30,268	-	30,268
Decrease	<u>(26,017)</u>	<u>-</u>	<u>(26,017)</u>
Ending balance	<u>54,376</u>	<u>-</u>	<u>54,376</u>
Net amount	<u>\$ 4,040,448</u>	<u>\$ 107</u>	<u>\$ 4,040,555</u>
c. Reserve for claims			
June 30, 2020			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	\$ 207,583	\$ 78,294	\$ 285,877
Unreported claim	1,839	-	1,839
Individual injury insurance			
Reported but not paid claim	33,463	-	33,463
Unreported claim	544,260	-	544,260
Individual health insurance			
Reported but not paid claim	86,041	-	86,041
Unreported claim	965,154	-	965,154
Group insurance			
Reported but not paid claim	78,344	-	78,344
Unreported claim	459,485	-	459,485
Investment-linked insurance			
Reported but not paid claim	19,043	-	19,043
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	23,970	23,970
Unreported claim	<u>-</u>	<u>109</u>	<u>109</u>
	<u>2,395,212</u>	<u>102,373</u>	<u>2,497,585</u>
			(Continued)

	June 30, 2020		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Less ceded reserve for claims			
Individual life insurance	\$ 622	\$ -	\$ 622
Individual injury insurance	-	-	-
Individual health insurance	7,543	-	7,543
Group insurance	<u>1,500</u>	<u>-</u>	<u>1,500</u>
	<u>9,665</u>	<u>-</u>	<u>9,665</u>
Net amount	<u>\$ 2,385,547</u>	<u>\$ 102,373</u>	<u>\$ 2,487,920</u> (Concluded)

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

	June 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	\$ 255,948	\$ 114,903	\$ 370,851
Unreported claim	1,440	-	1,440
Individual injury insurance			
Reported but not paid claim	63,126	-	63,126
Unreported claim	239,279	-	239,279
Individual health insurance			
Reported but not paid claim	84,064	-	84,064
Unreported claim	579,641	-	579,641
Group insurance			
Reported but not paid claim	79,224	-	79,224
Unreported claim	412,647	-	412,647
Investment-linked insurance			
Reported but not paid claim	16,819	-	16,819
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	51,219	51,219
Unreported claim	-	87	87
	<u>1,732,188</u>	<u>166,209</u>	<u>1,898,397</u>
Less ceded reserve for claims			
Individual life insurance	1,021	-	1,021
Individual injury insurance	16,946	-	16,946
Individual health insurance	3,539	-	3,539
Group insurance	<u>1,661</u>	<u>-</u>	<u>1,661</u>
	<u>23,167</u>	<u>-</u>	<u>23,167</u>
Net amount	<u>\$ 1,709,021</u>	<u>\$ 166,209</u>	<u>\$ 1,875,230</u>

Movement in reserve for claims is summarized below:

For the Six Months Ended June 30, 2020			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 2,061,831	\$ 163,516	\$ 2,225,347
Reserve	2,382,185	116,009	2,498,194
Recover	(2,061,831)	(163,516)	(2,225,347)
Foreign exchange gains (losses)	<u>13,027</u>	<u>(13,636)</u>	<u>(609)</u>
Ending balance	<u>2,395,212</u>	<u>102,373</u>	<u>2,497,585</u>
Less ceded unearned premium reserve			
Beginning balance	13,755	-	13,755
Increase	9,665	-	9,665
Decrease	<u>(13,755)</u>	<u>-</u>	<u>(13,755)</u>
Ending balance	<u>9,665</u>	<u>-</u>	<u>9,665</u>
Net amount	<u>\$ 2,385,547</u>	<u>\$ 102,373</u>	<u>\$ 2,487,920</u>
For the Six Months Ended June 30, 2019			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 1,589,965	\$ 96,777	\$ 1,686,742
Reserve	1,732,007	165,947	1,897,954
Recover	(1,589,965)	(96,777)	(1,686,742)
Foreign exchange gains (losses)	<u>181</u>	<u>262</u>	<u>443</u>
Ending balance	<u>1,732,188</u>	<u>166,209</u>	<u>1,898,397</u>
Less ceded unearned premium reserve			
Beginning balance	27,204	-	27,204
Increase	23,167	-	23,167
Decrease	<u>(27,204)</u>	<u>-</u>	<u>(27,204)</u>
Ending balance	<u>23,167</u>	<u>-</u>	<u>23,167</u>
Net amount	<u>\$ 1,709,021</u>	<u>\$ 166,209</u>	<u>\$ 1,875,230</u>

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

d. Special reserve

	June 30, 2020		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	\$ 5,399,941	\$ -	\$ 5,399,941
Dividend risk reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,399,941</u>	<u>\$ -</u>	<u>\$ 5,399,941</u>
	December 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	\$ 6,907,466	\$ -	\$ 6,907,466
Dividend risk reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,907,466</u>	<u>\$ -</u>	<u>\$ 6,907,466</u>
	June 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	\$ 6,005,632	\$ -	\$ 6,005,632
Dividend risk reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,005,632</u>	<u>\$ -</u>	<u>\$ 6,005,632</u>

Movement in special reserve is summarized below:

	For the Six Months Ended June 30	
	2020	2019
	Insurance Contract	Insurance Contract
Beginning balance	\$ 6,907,466	\$ 6,364,597
Reserve for participating policy dividend revenue	400,923	1,361,897
Recover for participating policy dividend revenue	(1,902,199)	(1,733,386)
Gain (loss) on equity instruments from participating dividend policy measured at FVTOCI	<u>(6,249)</u>	<u>12,524</u>
Ending balance	<u>\$ 5,399,941</u>	<u>\$ 6,005,632</u>

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

	June 30, 2020		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Individual life insurance	\$ 1,743	\$ -	\$ 1,743
Individual injury insurance	875,865	-	875,865
Individual health insurance	2,536,247	-	2,536,247
Group insurance	3,212,019	-	3,212,019
Annuity insurance	-	759	759
	<u>\$ 6,625,874</u>	<u>\$ 759</u>	<u>\$ 6,626,633</u>
	December 31, 2019		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Individual life insurance	\$ 1,743	\$ -	\$ 1,743
Individual injury insurance	875,865	-	875,865
Individual health insurance	2,536,247	-	2,536,247
Group insurance	3,212,019	-	3,212,019
Annuity insurance	-	759	759
	<u>\$ 6,625,874</u>	<u>\$ 759</u>	<u>\$ 6,626,633</u>
	June 30, 2019		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Individual life insurance	\$ 1,578	\$ -	\$ 1,578
Individual injury insurance	871,147	-	871,147
Individual health insurance	2,435,161	-	2,435,161
Group insurance	3,090,678	-	3,090,678
Annuity insurance	-	539	539
	<u>\$ 6,398,564</u>	<u>\$ 539</u>	<u>\$ 6,399,103</u>

f. Premium deficiency reserve

June 30, 2020			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 5,340,153	\$ -	\$ 5,340,153
Individual health insurance	<u>120,751</u>	<u>-</u>	<u>120,751</u>
	<u>\$ 5,460,904</u>	<u>\$ -</u>	<u>\$ 5,460,904</u>
December 31, 2019			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 6,503,281	\$ -	\$ 6,503,281
Individual health insurance	<u>124,265</u>	<u>-</u>	<u>124,265</u>
	<u>\$ 6,627,546</u>	<u>\$ -</u>	<u>\$ 6,627,546</u>
June 30, 2019			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 7,424,979	\$ -	\$ 7,424,979
Individual health insurance	<u>126,272</u>	<u>-</u>	<u>126,272</u>
	<u>\$ 7,551,251</u>	<u>\$ -</u>	<u>\$ 7,551,251</u>

Note: Premium deficiency reserve was not ceded in the above insurance contracts of China Life Insurance.

Movement in premium deficiency reserve is summarized as below:

For the Six Months Ended June 30, 2020			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 6,627,546	\$ -	\$ 6,627,546
Reserve	809,107	-	809,107
Recover	(1,933,315)	-	(1,933,315)
Foreign exchange losses	<u>(42,434)</u>	<u>-</u>	<u>(42,434)</u>
Ending balance	<u>\$ 5,460,904</u>	<u>\$ -</u>	<u>\$ 5,460,904</u>

For the Six Months Ended June 30, 2019			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 7,504,145	\$ -	\$ 7,504,145
Reserve	1,359,259	-	1,359,259
Recover	(1,332,889)	-	(1,332,889)
Foreign exchange gains	<u>20,736</u>	<u>-</u>	<u>20,736</u>
Ending balance	<u>\$ 7,551,251</u>	<u>\$ -</u>	<u>\$ 7,551,251</u>

g. Other reserve

June 30, 2020			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Others	<u>\$ 19,270,640</u>	<u>\$ -</u>	<u>\$ 19,270,640</u>

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

	June 30, 2019		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Others	<u>\$ 19,734,833</u>	<u>\$ -</u>	<u>\$ 19,734,833</u>

Movement in other reserve is summarized as below:

	For the Six Months Ended June 30, 2020		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Beginning balance	\$ 19,467,292	\$ -	\$ 19,467,292
Recover	<u>(196,652)</u>	<u>-</u>	<u>(196,652)</u>
Ending balance	<u>\$ 19,270,640</u>	<u>\$ -</u>	<u>\$ 19,270,640</u>

	For the Six Months Ended June 30, 2019		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Beginning balance	\$ 20,002,374	\$ -	\$ 20,002,374
Recover	<u>(267,541)</u>	<u>-</u>	<u>(267,541)</u>
Ending balance	<u>\$ 19,734,833</u>	<u>\$ -</u>	<u>\$ 19,734,833</u>

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

h. Liability adequacy reserve

	Insurance Contract and Financial Instruments with Discretionary Participation Feature		
	June 30, 2020	December 31, 2019	June 30, 2019
Reserve for life insurance liabilities	\$ 1,777,311,526	\$ 1,698,597,577	\$ 1,616,596,443
Unearned premium reserve	4,597,923	4,291,429	4,094,931
Premium deficiency reserve	5,460,904	6,627,546	7,551,251
Special reserve	5,399,941	6,907,466	6,005,632
Other reserve	<u>19,270,640</u>	<u>19,467,292</u>	<u>19,734,833</u>
Book value of insurance liabilities	<u>\$ 1,812,040,934</u>	<u>\$ 1,735,891,310</u>	<u>\$ 1,653,983,090</u>
Estimated present value of cash flows	<u>\$ 1,388,102,357</u>	<u>\$ 1,299,369,920</u>	<u>\$ 1,241,797,486</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

June 30, 2020	
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2019), and discount rates were evaluated with consideration of current information.
December 31, 2019 and June 30, 2019	
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2018), and discount rates were evaluated with consideration of current information.

i. Foreign exchange valuation reserve

1) The hedge strategy and risk exposure

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

2) Adjustment in foreign exchange valuation reserve

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	\$ 2,367,039	\$ 3,169,331
Reserve		
Compulsory reserve	1,090,304	824,327
Extra reserve	<u>1,049,471</u>	<u>2,323,063</u>
	2,139,775	3,147,390
Recover	<u>(3,346,535)</u>	<u>(1,124,841)</u>
Ending balance	<u>\$ 1,160,279</u>	<u>\$ 5,191,880</u>

3) Effects due to foreign exchange valuation reserve of China Life Insurance

Item	For the Six Months Ended June 30, 2020		
	Inapplicable Amount	Applicable Amount	Effects
Net income	\$ 7,037,991	\$ 8,003,399	\$ 965,408
Earnings per share (dollar)	1.58	1.79	0.21
Foreign exchange valuation reserve	-	1,160,279	1,160,279
Equity	139,753,931	140,168,770	414,839

Item	For the Six Months Ended June 30, 2019		
	Inapplicable Amount	Applicable Amount	Effects
Net income	\$ 9,067,666	\$ 7,449,627	\$ (1,618,039)
Earnings per share (dollar)	2.25	1.85	(0.40)
Foreign exchange valuation reserve	-	5,191,880	5,191,880
Equity	132,745,311	129,934,869	(2,810,442)

33. RETIREMENT BENEFIT PLANS

The Group's retirement benefit plans include defined contribution and defined benefit plans. For defined benefit plans, employee benefit expenses were calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018, and recognized respectively for the period.

The Group recognized its contributions under defined benefit plans as pension expenses (recognized as employee benefits) amounting to \$6,397 thousand, \$6,307 thousand, \$13,478 thousand and \$14,018 thousand, respectively and recognized pension expenses (recognized as employee benefits) under defined contribution plans amounting to \$153,840 thousand, \$153,149 thousand, \$313,850 thousand and \$305,561 thousand, respectively for the three and six months ended June 30, 2020 and 2019.

34. OTHER FINANCIAL LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Separate-account product liabilities	\$ 73,759,531	\$ 77,922,118	\$ 71,491,586
Customers' equity accounts - futures	45,333,198	36,222,720	38,662,327
Principal received on structured products	26,902,276	35,134,804	23,737,840
Others	<u>434,441</u>	<u>442,891</u>	<u>386,492</u>
	<u>\$ 146,429,446</u>	<u>\$ 149,722,533</u>	<u>\$ 134,278,245</u>

35. EQUITY

a. Capital

Common stock

	June 30, 2020	December 31, 2019	June 30, 2019
Number of shares authorized (in thousands)	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
Shares authorized	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>14,971,098</u>	<u>14,968,408</u>	<u>14,965,982</u>
Shares issued	<u>\$ 149,710,976</u>	<u>\$ 149,684,080</u>	<u>\$ 149,659,821</u>

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
Arising from treasury stock transactions	\$ 952,026	\$ 927,908	\$ 714,108
Share-based payments awards	81,922	84,814	87,978
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	80,994	80,994
Others	<u>29</u>	<u>29</u>	<u>-</u>
	<u>\$ 1,114,971</u>	<u>\$ 1,093,745</u>	<u>\$ 883,080</u>

The premium from shares issued in excess of par (share premium from issuance of common shares, treasury share transactions and excess of consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital limited to a certain percentage of the Corporation's capital surplus and once a year.

The capital surplus from long-term investments may not be used for any purpose.

Under Order No. 10200017220 issued by the Financial Supervisory Commission (FSC), if the capital surplus obtained by a financial holding company through a stock conversion comes from its subsidiaries' unappropriated earnings net of legal reserve and special reserve, the surplus may be distributed as cash dividends or transferred to capital in the period of conversion, and the distribution is exempted from the appropriation restrictions of Article 41 of the Securities and Exchange Act and Article 8 of the Securities and Exchange Act Enforcement Rules.

c. Special revenue

According to Rule No. 09900738571 issued by FSC and Rule No. 10000002891 issued under Regulations Governing Securities Firms, Grand Cathay and GCFC reclassified the default reserve and the trading loss reserve that had been set up until December 31, 2010 to special reserve. The Group also recognizes special revenue according to the percentage of holdings by the Group to subsidiaries directly and indirectly.

This special reserve should be used only to offset a deficit or when the legal reserve has reached 50% of the Corporation's paid-in capital, up to 50% thereof may be transferred to paid-in capital or according to Rule No. 09900738571 issued by FSC, the Corporation reclassified the legal reserve which exceed paid-in capital, then reversed the surpass part to retained earnings in line with the approval of FSC.

Under a directive issued by the SFB, whenever the components of shareholders' equity which includes unrealized gains or losses on financial instruments and cumulative translation adjustment but not treasury stock have debit balances, a special reserve equal to the total debit balance should be appropriated from the current year's earnings and unappropriated earnings generated in the prior years. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

When transitioning to IFRSs, the Group recognizes or reserves special revenue, under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

d. Appropriation of earnings

To continually expand the Corporation's operations and increase its profitability as well as comply with the Corporation Act and relevant regulations, the Corporation adopts the residual dividend policy. The Corporation decides the conditions for time and amount of dividend allocation based on regulations and the Company's Articles of Incorporation. Taking the Corporation's business plan into account, the Corporation would pay dividends in the form of stock. In any case the cash dividends should not be less than 10% of total dividends distributed.

The board of director revised the proposal of the remaining net income and unappropriated accumulated earnings can cover previous years' accumulated losses and related taxes, if any, are sequenced as follows legal reserve on the current year's net income and a special reserve or reversal defined by laws, then plus the earnings as dividends to shareholders. After the distribution of priority preferred share dividends in accordance with the regulations, the final remainder of distribution for bonus with 30% to 100% of distribution given the unappropriated earnings at the beginning of the period, as proposed by the board of directors and approved in the shareholders' meeting.

The appropriation of earnings should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

On June 12, 2020, the shareholders' meeting approved the earnings appropriation of 2019. On June 14, 2019, the shareholders' meeting approved the resolution on the appropriations from the earnings of 2018 and capital surplus cash payment of 2018, including bonus to employees and remuneration to directors and supervisors, as follows:

	Earnings Appropriation		Dividends Per Share (NT\$)	
	2019	2018	2019	2018
<u>Earnings appropriation</u>				
Legal reserve	\$ 1,254,763	\$ 785,269		
Appropriation (reversal) of special reserve	(10,232,858)	10,232,858		
Cash dividends	8,982,659	3,666,666	\$0.6	\$0.245
<u>Capital surplus cash payment</u>				
Capital surplus	-	823,129	-	0.055

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

e. Non-controlling interests

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	\$ 108,940,026	\$ 64,330,223
Attributable to non-controlling interests		
Share of profit for the period	4,166,924	3,794,893
Exchange differences on translation of financial statements of foreign operations	(10,789)	8,094
Gain (loss) on equity instruments measured at FVTOCI	488,724	1,701,065
Gain (loss) on debt instrument measured at FVTOCI	4,455,404	14,201,830
Other comprehensive income (loss) reclassified using the overlay approach	(9,249,941)	10,865,098
Reduction of cash capital by subsidiaries	(2,961,375)	-
Payment of cash dividends by subsidiaries	(1,805,800)	(61,257)
Non-controlling interests arising from issuance of ordinary shares for cash of subsidiaries	-	6,235,645
Others	<u>3,258</u>	<u>94,460</u>
Ending balance	<u>\$ 104,026,431</u>	<u>\$ 101,170,051</u>

36. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS

Subsidiaries	The Main Place of Business	Non-controlling Interests Held by the Proportion of Equity		
		June 30, 2020	December 31, 2019	June 30, 2019
China Life Insurance Company Limited	Taipei	65.18%	65.18%	65.18%

	Net Income Attributed to Non-controlling Interests			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
China Life Insurance Company Limited	<u>\$ 1,896,560</u>	<u>\$ 2,456,353</u>	<u>\$ 4,139,669</u>	<u>\$ 3,764,162</u>

	Non-controlling Interests		
	June 30, 2020	December 31, 2019	June 30, 2019
China Life Insurance Company Limited	<u>\$ 103,411,164</u>	<u>\$ 105,327,753</u>	<u>\$ 97,530,619</u>

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

China Life Insurance Company Limited

	June 30, 2020	December 31, 2019	June 30, 2019
Total assets	\$ 2,090,008,609	\$ 2,021,995,862	\$ 1,919,374,092
Total liabilities	<u>1,932,359,773</u>	<u>1,861,406,605</u>	<u>1,770,747,170</u>
Equity	<u>\$ 157,648,836</u>	<u>\$ 160,589,257</u>	<u>\$ 148,626,922</u>
Equity attributable to:			
Owners of parent	\$ 54,237,672	\$ 55,261,504	\$ 51,096,303
Non-controlling interest	<u>103,411,164</u>	<u>105,327,753</u>	<u>97,530,619</u>
	<u>\$ 157,648,836</u>	<u>\$ 160,589,257</u>	<u>\$ 148,626,922</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Revenue	<u>\$ 77,552,286</u>	<u>\$ 83,823,952</u>	<u>\$ 147,412,154</u>	<u>\$ 175,415,457</u>
Net profit for the period	\$ 2,909,696	\$ 3,776,130	\$ 6,351,066	\$ 5,786,856
Other comprehensive income	<u>40,752,290</u>	<u>15,204,353</u>	<u>(6,618,337)</u>	<u>41,163,961</u>
Total comprehensive income	<u>\$ 43,661,986</u>	<u>\$ 18,980,483</u>	<u>\$ (267,271)</u>	<u>\$ 46,950,817</u>
Net profit attributable to:				
Owners of parent	\$ 1,013,136	\$ 1,319,777	\$ 2,211,397	\$ 2,022,694
Non-controlling interest	<u>1,896,560</u>	<u>2,456,353</u>	<u>4,139,669</u>	<u>3,764,162</u>
	<u>\$ 2,909,696</u>	<u>\$ 3,776,130</u>	<u>\$ 6,351,066</u>	<u>\$ 5,786,856</u>
Comprehensive income attributable to:				
Owners of parent	\$ 15,202,797	\$ 6,633,425	\$ (93,062)	\$ 16,411,406
Non-controlling interest	<u>28,459,189</u>	<u>12,347,058</u>	<u>(174,209)</u>	<u>30,539,411</u>
	<u>\$ 43,661,986</u>	<u>\$ 18,980,483</u>	<u>\$ (267,271)</u>	<u>\$ 46,950,817</u>
Cash flows				
From operating activities			\$ 58,223,451	\$ 33,037,927
From investing activities			(60,056,571)	(50,128,739)
From financing activities			<u>(66,598)</u>	<u>9,201,718</u>
Net decrease in cash			<u>\$ (1,899,718)</u>	<u>\$ (7,889,094)</u>

37. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Period (In Thousands)	Share Increase During the Period (In Thousands)	Share Decrease During the Period (In Thousands)	Shares at End of the Period (In Thousands)
For the six months ended June 30, 2020				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	<u>378,493</u>	<u>-</u>	<u>9,175</u>	<u>369,318</u>
For the six months ended June 30, 2019				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	<u>443,531</u>	<u>-</u>	<u>31,304</u>	<u>412,227</u>

The Corporation's shares held by subsidiaries are regarded as treasury stock. The Corporation's shares held by KGI Securities, calculated at the Corporation's stockholding percentage of book value on the completion day of acquisition were treated as treasury stock. The market prices of the shares were \$1,641,034 thousand, \$1,777,144 thousand and \$2,049,116 thousand on June 30, 2020, December 31, 2019 and June 30, 2019, respectively. KGI Securities entered into a trust contract with China Trust Commercial Bank (CTBC) in September 2018, and entrusted shares of Capital Securities Corporation to them. During the contract period, the trustee, CTBC, would deal with the shares in accordance with the contract. The Corporation's shares held by China Life Insurance are also treated as treasury stock and recognized book value by the proportion of shares acquired on the purchase date of acquisition. The market prices of the shares were \$1,852,717 thousand, \$1,905,596 thousand and \$1,854,676 thousand on June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

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

38. INTEREST PROFIT, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
<u>Interest revenues</u>				
Securities	\$ 14,349,660	\$ 13,941,041	\$ 28,816,596	\$ 27,303,238
Discounts and loans	2,594,069	3,002,019	5,448,384	5,942,941
Others	<u>871,538</u>	<u>1,250,796</u>	<u>1,892,111</u>	<u>2,449,449</u>
	<u>17,815,267</u>	<u>18,193,856</u>	<u>36,157,091</u>	<u>35,695,628</u>
<u>Interest expenses</u>				
Deposits	868,332	1,342,439	1,889,527	2,705,630
Notes and bonds issued under repurchase agreements	183,317	618,610	598,445	1,194,850
Corporate bonds	95,247	93,953	208,039	188,545
Borrowing interest expense	86,430	116,830	205,336	226,793
Others	<u>191,042</u>	<u>255,855</u>	<u>499,856</u>	<u>546,479</u>
	<u>1,424,368</u>	<u>2,427,687</u>	<u>3,401,203</u>	<u>4,862,297</u>
Interest profit, net	<u>\$ 16,390,899</u>	<u>\$ 15,766,169</u>	<u>\$ 32,755,888</u>	<u>\$ 30,833,331</u>

39. SERVICE FEE AND COMMISSION, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
<u>Service fee revenue and commission income</u>				
Brokerage	\$ 2,791,361	\$ 2,050,798	\$ 5,534,943	\$ 3,834,519
Security lending	199,958	193,888	383,824	365,335
Trust	152,053	135,055	305,270	242,163
Commission income - insurance	85,359	137,568	204,343	250,240
Others	<u>556,076</u>	<u>577,592</u>	<u>1,233,058</u>	<u>1,141,943</u>
	<u>3,784,807</u>	<u>3,094,901</u>	<u>7,661,438</u>	<u>5,834,200</u>
<u>Service fee expense and commission expense</u>				
Commission expense - insurance	2,103,157	2,725,976	4,328,965	6,183,894
Brokerage	442,059	353,068	885,213	650,527
Others	<u>416,836</u>	<u>407,512</u>	<u>970,598</u>	<u>858,880</u>
	<u>2,962,052</u>	<u>3,486,556</u>	<u>6,184,776</u>	<u>7,693,301</u>
Service fee and commission, net	<u>\$ 822,755</u>	<u>\$ (391,655)</u>	<u>\$ 1,476,662</u>	<u>\$ (1,859,101)</u>

40. INSURANCE BUSINESS, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
<u>Insurance business income</u>				
Premium income	\$ 55,957,922	\$ 64,568,931	\$ 114,779,468	\$ 138,402,113
Reinsurance premium expense	(333,939)	(323,917)	(673,742)	(661,030)
Changes in unearned premium reserve	<u>(696,252)</u>	<u>(556,330)</u>	<u>(306,715)</u>	<u>(235,889)</u>
Retained earned premium	54,927,731	63,688,684	113,799,011	137,505,194
Separate-account insurance products revenues	<u>5,876,568</u>	<u>2,089,196</u>	<u>322,251</u>	<u>6,294,759</u>
	<u>60,804,299</u>	<u>65,777,880</u>	<u>114,121,262</u>	<u>143,799,953</u>
<u>Insurance business expense</u>				
Insurance claim payments	(26,370,729)	(28,310,063)	(50,664,900)	(52,417,143)
Claims recovered from reinsures	<u>105,069</u>	<u>198,494</u>	<u>346,143</u>	<u>354,111</u>
Retained claim payments	(26,265,660)	(28,111,569)	(50,318,757)	(52,063,032)
Brokerage expense	(1,985)	(3,344)	(3,126)	(4,799)
Disbursements toward industry stability fund	(106,348)	(96,869)	(218,130)	(207,632)
Changes in foreign exchange valuation reserve	2,647,759	(981,739)	1,206,760	(2,022,549)
Separate-account insurance products expenses	<u>(5,876,568)</u>	<u>(2,089,196)</u>	<u>(322,251)</u>	<u>(6,294,759)</u>
	<u>(29,602,802)</u>	<u>(31,282,717)</u>	<u>(49,655,504)</u>	<u>(60,592,771)</u>
Insurance business, net	<u>\$ 31,201,497</u>	<u>\$ 34,495,163</u>	<u>\$ 64,465,758</u>	<u>\$ 83,207,182</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Stocks	\$ 16,841,217	\$ 5,379,044	\$ (8,697,989)	\$ 15,386,473
Mutual funds	6,929,127	4,453,960	1,430,601	8,814,223
Bonds	2,971,614	987,838	2,857,121	1,968,803
Derivatives	2,967,963	(8,228,273)	1,118,368	(15,126,156)
Operating securities	734,379	(214,466)	1,325,694	1,702,495
Others	<u>1,609,884</u>	<u>2,059,020</u>	<u>2,791,889</u>	<u>3,824,777</u>
	<u>\$ 32,054,184</u>	<u>\$ 4,437,123</u>	<u>\$ 825,684</u>	<u>\$ 16,570,615</u>

For the three and six months ended June 30, 2020 and 2019, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of \$817,666 thousand, \$1,550,032 thousand, \$1,805,905 thousand and \$2,979,161 thousand, respectively, dividend income of \$2,040,229 thousand, \$2,126,907 thousand, \$3,386,366 thousand and \$2,466,950 thousand, respectively and interest expense of \$189,424 thousand, \$354,032 thousand, \$476,506 thousand and \$699,039 thousand, respectively.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Gain on bond disposal	\$ 3,082,007	\$ 1,400,111	\$ 4,785,118	\$ 3,391,417
Dividend income	47,468	113,826	79,839	124,178
Others	<u>3,673</u>	<u>(102)</u>	<u>6,048</u>	<u>(102)</u>
	<u>\$ 3,133,148</u>	<u>\$ 1,513,835</u>	<u>\$ 4,871,005</u>	<u>\$ 3,515,493</u>

43. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Employee benefit expense				
Salaries and wages	\$ 4,043,016	\$ 3,595,494	\$ 7,471,654	\$ 6,965,973
Employee insurance	241,688	261,445	560,572	563,382
Pension	160,237	159,456	327,328	319,579
Others	<u>246,663</u>	<u>276,179</u>	<u>459,792</u>	<u>564,562</u>
	<u>\$ 4,691,604</u>	<u>\$ 4,292,574</u>	<u>\$ 8,819,346</u>	<u>\$ 8,413,496</u>
Depreciation and amortization expenses	<u>\$ 828,281</u>	<u>\$ 816,030</u>	<u>\$ 1,656,516</u>	<u>\$ 1,619,445</u>

The Company's Articles of Incorporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the six months ended June 30, 2020 and 2019, the employees' compensation and the remuneration of directors and supervisors both were \$36,549 thousand and \$79,612 thousand.

The employees' compensation bonus of employees and remuneration to directors and supervisors for 2019 and 2018 which have been approved by the board of directors on March 30, 2020 and March 25, 2019, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors for 2019 and 2018 were reported in the shareholders meeting on June 12, 2020 and June 14, 2019.

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

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

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

The information on the proposed and approved compensation to employees and directors and supervisor is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

44. INCOME TAX

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

The principle adopted by the Group under the linked-tax system is to reduce the income tax liabilities of the Group and to consider the fairness of the tax borne by all the companies in order to maximize the synergy of the Group. The Group adopt the linked-tax system for tax filings. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation with its qualified subsidiaries are allocated and adjusted to income tax expense/benefit on the Corporation and each subsidiary pro rata; related amounts are recognized as receivables from parent or payable on parent.

a. Income tax expense recognized in profit or loss

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current income tax				
Current period	\$ 1,224,997	\$ 272,258	\$ 1,612,525	\$ 564,018
Prior years	<u>4,605</u>	<u>(234,811)</u>	<u>2,332</u>	<u>(233,558)</u>
	1,229,602	37,447	1,614,857	330,460
Deferred income tax	<u>85,952</u>	<u>479,812</u>	<u>471,055</u>	<u>719,722</u>
Income tax expense recognized in profit or loss	<u>\$ 1,315,554</u>	<u>\$ 517,259</u>	<u>\$ 2,085,912</u>	<u>\$ 1,050,182</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current income tax	\$ -	\$ (1,011)	\$ -	\$ -
Deferred income tax				
(Gain) loss on equity instruments at fair value through other comprehensive income	884,169	(41,399)	122,271	489,617
(Gain) loss on debt instruments at fair value through other comprehensive income	3,746,547	2,544,138	737,843	5,295,211
(Gain) loss on reclassification using the overlay approach	<u>1,073,560</u>	<u>(12,469)</u>	<u>(1,316,482)</u>	<u>1,107,783</u>
Income tax expense (benefit)	<u>\$ 5,704,276</u>	<u>\$ 2,489,259</u>	<u>\$ (456,368)</u>	<u>\$ 6,892,611</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current income tax (benefit)				
Disposal of equity instruments at fair value through other comprehensive income	\$ (453)	\$ 1,756	\$ (396)	\$ 1,756
Deferred income tax (benefit)				
Gain (loss) on equity instruments at fair value through other comprehensive income	453	(1,756)	396	(1,756)
Deferred income tax related to tax losses and reversals	<u>1,366</u>	<u>968</u>	<u>1,053</u>	<u>(2,505)</u>
	<u>\$ 1,366</u>	<u>\$ 968</u>	<u>\$ 1,053</u>	<u>\$ (2,505)</u>

d. Income tax assessments

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

The income tax returns of CDIB Management Consulting Corporation and CDC Finance & Leasing Corp. through 2018 had been examined by the tax authorities. Income tax returns of KGI Bank and formerly Wanyin Insurance Broker through 2014 had been examined by the tax authorities.

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

The income tax returns of KGI Insurance Brokers Co., Ltd., KGI Venture Capital Co., Ltd., Global Corporation and KGI Information Technology Co., Ltd. through 2018 had been examined by the tax authorities. KGI Securities Investment Advisory Co., Ltd., KGI Securities Investment Trust Co., Ltd. and KGI Futures Co., Ltd., though 2017 had been examined by the tax authorities.

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

Income tax returns of CDIB Capital Management Inc., through 2018 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. 2018 and through 2016 had been examined by the tax authorities.

Income tax returns of formerly CHG3, CHG4, Development Industrial Bank Asset Management Corp., through 2018 had been examined by the tax authorities. Formerly China Development Asset Management Corp. through 2017 and 2019 had been examined by the tax authorities.

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

45. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Basic EPS	<u>\$ 0.24</u>	<u>\$ 0.29</u>	<u>\$ 0.21</u>	<u>\$ 0.54</u>
Diluted EPS	<u>\$ 0.24</u>	<u>\$ 0.29</u>	<u>\$ 0.21</u>	<u>\$ 0.54</u>

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

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Earnings used in the computation of EPS	<u>\$ 3,515,033</u>	<u>\$ 4,191,750</u>	<u>\$ 3,026,923</u>	<u>\$ 7,801,443</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Weighted average number of common shares outstanding in computation of basic EPS	14,601,777	14,550,635	14,600,304	14,536,948
Effect of dilutive potentially common shares:				
Employee share options	7,593	13,039	7,831	13,254
Restricted shares	<u>-</u>	<u>380</u>	<u>63</u>	<u>735</u>
Weighted average number of common shares outstanding in computation of diluted EPS	<u>14,609,370</u>	<u>14,564,054</u>	<u>14,608,198</u>	<u>14,550,937</u>

46. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Corporation

The Corporation acquired 100% of KGI Bank share through a share swap. In accordance with this contract, the Corporation granted options to replace KGI Bank's options granted in May and August 2011. Qualified employees of KGI Bank were granted 30,862 and 11,088 thousand options on conversion date. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 6.64 and 6.96 years and exercisable at certain percentages from now.

Besides, the Corporation granted 44,850 thousand employee stock options in October 2014. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 7 years and exercisable 2 years after the issuance date.

For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Six Months Ended June 30			
	2020		2019	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	50,514	\$ 7.33	56,166	\$ 7.54
Options exercised	(2,689)	7.31	(2,626)	7.48
Options invalid	<u>(993)</u>	7.24	<u>(270)</u>	7.53
Balance at June 30	<u>46,832</u>	7.34	<u>53,270</u>	7.55
Options exercisable, end of period	<u>46,747</u>	7.34	<u>45,492</u>	7.55
Weighted-average remaining contractual life (years)	1.08		2.10	

The weighted-average share price at the date of exercise of share options from January 1 to June 30, 2020 and 2019 were \$8.95 and \$9.99, respectively.

Options granted on conversion date were priced using the trinomial trees model and the inputs to the model were as follows:

Grant-date share price	\$9.54-\$10
Exercise price	\$7.68-\$9.99
Expected volatility	14.94%-15.45%
Expected life	6.64-7 years
Expected dividend yield	1.50%
Risk-free interest rate	1.5647%-1.6283%
Early exercise of the multiplier	1.63

Expected volatility was based on the historical share price volatility over the past 1 year.

Compensation costs for the three and six months ended June 30, 2020 and 2019 were \$4 thousand, \$544 thousand, \$8 thousand and \$999 thousand.

b. Issue restricted share plan

The board of directors of the Corporation has decided to issue restricted shares plan which is \$44,780 thousand in total, and \$10 per face value totaled 4,478 thousand shares with issue price of \$0 (free issuance) at February 1, 2016. Further, the board of directors made February 4, 2016 as the base-date for capital increase. Fair value on the payment day of the stock was \$7.61.

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

The vesting portion of shares is summarized and managed year by year, and the vesting rate of the shares is 40%, 30% and 30% for 1-year, 2-year and 3-year respectively. Employees who have not met the vesting conditions cannot sell, pledge, transfer, donate, asking the Corporation to buy them back or in any other way dispose of these shares except inheritance. Besides, employees do not have preemptive rights when capital increase but do share the same rights of issued common stock (which includes but not confined to cash dividend, stock dividend, capital decrease, capital surplus cash (stock) or any rights that was originated from legal subject such as consolidation, split or stock-exchange which we called “allocated rights” thereafter). Allocated rights have to be in the trust before meeting the vesting conditions.

After the restricted shares are allocated to employees, the Corporation will retrieve and cancel the stocks with no reimbursement if the vesting conditions are not met. The Corporation will also retrieve the allocated rights at the rate of shares of vesting conditions not met divided by shares allocated, with no reimbursement. If it is stocks that are retrieved, they shall be cancelled in each year of the vesting period.

For the three and six months ended June 30, 2020 and 2019, the Corporation recognized \$0 thousand, \$264 thousand, \$0 thousand and \$812 thousand as compensation cost.

47. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 25, 2019, the Group subscribed for the additional new shares issued by of China Life Insurance at a percentage different from its existing ownership percentage, resulting in a reduction of its equity interests in China Life Insurance from 34.96% to 34.82%.

The above transactions were accounted for as equity transactions, since there is no change of the Group’s control over China Life Insurance.

	China Life Insurance
Cash consideration received	\$ 6,157,290
Changes in non-controlling interests	(6,235,645)
Reattribution of other equity to (from) non-controlling interests	
- exchange differences on translation of financial statements of foreign operations	23
- unrealized gain (loss) on financial assets at FVTOCI	11,727
- other comprehensive income reclassified using the overlay approach	5,322
Treasury shares	(7,299)
Capital surplus	<u>216</u>
Differences recognized from equity transactions	<u>\$ (68,366)</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - changes in percentage of ownership interests in subsidiaries	\$ (67,394)
Retained earnings	<u>(972)</u>
	<u>\$ (68,366)</u>

48. RELATED-PARTY TRANSACTIONS

The significant transactions and relationship with related parties (in addition to those disclosed in other notes) are summarized below:

a. Related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Others	Other related parties

b. Significant transactions with related-parties

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

	Amount	%
June 30, 2020	\$ 7,894,799	2
December 31, 2019	12,062,866	2
June 30, 2019	9,413,550	2

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

For the three and six months ended June 30, 2019, the interest revenues from bank debentures was \$22,437 thousand and \$49,257 thousand.

- 3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the six months ended June 30, 2019</u>		
Other related parties	\$ 49,636	\$ 739,213

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

	Amount	%
June 30, 2020	\$ 264,649	-
December 31, 2019	103,463	-
June 30, 2019	719,932	1

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

	Amount	%
June 30, 2020	\$ 23,604	-
December 31, 2019	28,999	-
June 30, 2019	21,352	-

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

	Amount	%
June 30, 2020	\$ 7,624	-
December 31, 2019	23,300	-
June 30, 2019	38,741	-

7) Other receivables (recognized as receivables, net)

	Amount	%
June 30, 2020	\$ 29,079	-
December 31, 2019	28,412	-
June 30, 2019	54,583	-

8) Discounts and loans, net

KGI Bank

	Amount	%	Interest Rate (%)
June 30, 2020	\$ 1,049,143	-	0.00-15.00
December 31, 2019	1,140,878	-	1.54-15.00
June 30, 2019	1,123,113	-	1.54-5.99

For the three and six months ended June 30, 2020 and 2019, the interest revenues from discounts and loans were \$3,675 thousand, \$4,282 thousand, \$8,067 thousand and \$8,719 thousand, respectively.

For the Six Months Ended June 30, 2020

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	36	\$ 27,570	\$ 15,803	\$ 15,803	\$ -	None/credit guarantee fund	Yes
Residential mortgage loans	80	1,209,213	1,024,830	1,024,830	-	Real estate	Yes
Others	6	15,502	8,510	8,510	-	Real estate	Yes

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	40	\$ 38,362	\$ 18,667	\$ 18,667	\$ -	None	Yes
Residential mortgage loans	90	1,437,353	1,110,300	1,110,300	-	Real estate	Yes
Others	7	17,070	11,911	11,911	-	Real estate	Yes

For the Six Months Ended June 30, 2019

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	34	\$ 31,039	\$ 19,312	\$ 19,312	\$ -	None	Yes
Residential mortgage loans	82	1,274,425	1,096,100	1,096,100	-	Real estate	Yes
Others	6	9,050	7,701	7,701	-	Real estate	Yes

China Life Insurance

	Amount	%
June 30, 2020	\$ 15,140	-
December 31, 2019	15,714	-
June 30, 2019	10,748	-

9) Guarantee deposits received in futures contracts (recognized as other financial assets)

	June 30, 2020		December 31, 2019	
	Amount	%	Amount	%
Other related parties	\$ 10,017	-	\$ 920	-

10) Increase of cash capital by China Life Insurance

	For the Six Months Ended June 30, 2019
	Amount
Other related parties	\$ 138,787

11) Temporary payments (recognized as other assets, net)

	December 31, 2019
	Amount %
Other related parties	\$ 140,000 -

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

For the three and six months ended June 30, 2019, the interest expenses from call loans from banks was \$4,907 thousand and \$14,477 thousand.

13) Other payables (recognized as payables)

	Amount	%
June 30, 2020	\$ 281,363	-
December 31, 2019	55,337	-
June 30, 2019	26,118	-

14) Deposits and remittances

	Amount	%	Interest Rate (%)
June 30, 2020	\$ 1,281,197	-	0-5.58
December 31, 2019	1,885,195	-	0-5.58
June 30, 2019	1,527,643	-	0-5.58

For the three and six months ended June 30, 2020 and 2019, the interest expenses from deposits and remittances were \$2,272 thousand, \$3,194 thousand, \$5,403 thousand and \$6,158 thousand, respectively.

15) Unearned receipt (recognized as other liabilities)

	Amount	%
June 30, 2020	\$ 166,523	-
December 31, 2019	83,199	-
June 30, 2019	534	-

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
<u>2020</u>				
Other related parties	\$ 5,873	1	\$ 11,302	1
<u>2019</u>				
Other related parties	4,257	1	6,162	-

17) Premium income (recognized as insurance business, net)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
<u>2020</u>				
Other related parties	\$ 32,863	-	\$ 70,070	-
<u>2019</u>				
Other related parties	82,792	-	133,972	-

18) Consulting service revenue (recognized as other noninterest profits and gains, net)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
<u>2020</u>				
Other related parties	\$ 139,153	23	\$ 275,215	18
<u>2019</u>				
Other related parties	144,804	20	300,471	22

19) Donation (recognized as other general and administrative expense)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
<u>2020</u>				
Other related parties	\$ 56,250	3	\$ 88,750	3
<u>2019</u>				
Other related parties	30,000	2	30,000	1

20) Gain (loss) on financial assets or liabilities measured at FVTPL-dividend income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
<u>2020</u>				
Other related parties	\$ 30,761	-	\$ 115,633	14
<u>2019</u>				
Other related parties	39,306	1	54,156	-

21) Outstanding derivative financial instruments

KGI Securities

	June 30, 2020	December 31, 2019
<u>Structured products liabilities</u>		
Other related parties	\$ 30,133	\$ 30,133

22) Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Salary and short-term benefits	\$ 131,141	\$ 154,406	\$ 186,033	\$ 302,778
Share-based payment	-	996	-	1,444
Post-employment benefits	<u>464</u>	<u>695</u>	<u>1,067</u>	<u>1,415</u>
	<u>\$ 131,605</u>	<u>\$ 156,097</u>	<u>\$ 187,100</u>	<u>\$ 305,637</u>

The terms of the transactions with related parties were similar to those for third parties, except for certain preferential interest rates for employees' savings in and borrowings from KGI Bank.

Based on the Banking Act 32 and 33, except for consumer loans and government loans, credits extended by KGI Bank to any related party were fully secured, and the other terms of these credits were similar to those for third parties.

c. Related-party transactions were at costs or prices of at least NT\$100 million

The significant transactions and relationship of the Corporation's subsidiaries with related parties were summarized below:

KGI Bank and subsidiaries

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

1) Futures contract (recognized as cash and cash equivalents)

	June 30, 2020		December 31, 2019	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 330,400	4	\$ 178,856	2

2) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the six months ended June 30, 2020</u>		
Subsidiary of the parent company	\$ 300,000	\$ 101,400
<u>For the six months ended June 30, 2019</u>		
Subsidiary of the parent company	386,477	702,331

3) Call loans from securities company (recognized as other financial assets, net)

	<u>December 31, 2019</u>	
	<u>Amount</u>	<u>%</u>
Subsidiary of the parent company	\$ 903,180	46

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

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Parent company	\$ 664,367	100	\$ 600,802	100	\$ 541,361	100

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

5) Deposits and remittances

	<u>Amount</u>	<u>%</u>	<u>Interest Rate (%)</u>
<u>June 30, 2020</u>			
Parent company	\$ 16,055,919	3	0-0.65
Subsidiary of the parent company	11,792,662	2	0-2.28
<u>December 31, 2019</u>			
Parent company	2,871,141	1	0-0.73
Subsidiary of the parent company	21,943,622	5	0-1.03
<u>June 30, 2019</u>			
Parent company	7,512,535	2	0-0.73
Subsidiary of the parent company	2,935,825	1	0-1.03

6) Temporary receipts (recognized as other liabilities)

	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Subsidiary of the parent company	\$ 1,903,394	18	\$ 2,188,412	36

The above account is temporary receipts of Automated Clearing House (ACH).

7) Service fee revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
<u>2020</u>				
Subsidiary of the parent company	\$ 64,987	13	\$ 117,750	11
<u>2019</u>				
Subsidiary of the parent company	95,652	16	178,556	15

8) Outstanding derivative financial instrument

June 30, 2020

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	October 3, 2019-April 13, 2021	\$ 13,198,700	\$ (86,396)	Financial liabilities at FVTPL	\$ 196,800
	Cross-currency swap contracts	March 12, 2020-May 26, 2022	555,216	3,761	Financial assets at FVTPL	3,761

December 31, 2019

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 12, 2019-September 30, 2022	\$ 190,000	\$ 5,980	Financial assets at FVTPL	\$ 5,980
	Asset swap - options	March 12, 2019-September 16, 2022	190,000	(20,442)	Financial liabilities at FVTPL	20,442
	Currency swap contracts	October 3, 2019-August 26, 2020	14,015,287	(165,646)	Financial assets at FVTPL	4,303
					Financial liabilities at FVTPL	169,949

June 30, 2019

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 12, 2019-February 26, 2022	\$ 180,000	\$ 7,163	Financial assets at FVTPL	\$ 7,163
	Asset swap - options	March 12, 2019-February 11, 2022	180,000	(13,169)	Financial liabilities at FVTPL	13,169
	Interest rate swap contracts	November 4, 2016-January 24, 2020	372,864	3,150	Financial liabilities at FVTPL	1,394
	Currency swap contracts	March 27, 2019-November 15, 2019	15,846,720	12,807	Financial assets at FVTPL	81,025
					Financial liabilities at FVTPL	68,218

KGI Securities and subsidiaries

<u>Related Party</u>	<u>Relationship with the KGI Securities and Subsidiaries</u>
China Development Financial Holding Corporation	Parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

1) Cash in banks (recognized as cash and cash equivalents)

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Subsidiary of the parent company	\$ 1,985,167	16	\$ 1,992,881	12	\$ 108,511	1

2) Financial assets at fair value through profit and loss - current

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Open ended fund, money market instruments and <u>other securities</u>						
Other related parties	\$ 378,041	1	\$ 578,634	1	\$ 477,184	1
<u>Operating securities</u>						
Other related parties	1,768,974	3	1,089,190	1	-	-

3) Financial assets at fair value through other comprehensive income - current

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Stocks</u>						
Parent company	\$ 1,641,034	6	\$ 1,777,144	8	\$ 2,049,116	11

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the six months ended June 30, 2020</u>		
Subsidiary of the parent company	\$ 101,400	\$ 1,700,000
<u>For the six months ended June 30, 2019</u>		
Subsidiary of the parent company	1,092,309	13,237,468
Other related parties	-	739,213

5) Guarantee deposits received in futures contracts

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	\$ 517,579	1	\$ 208,032	1	\$ 918,507	3

6) Accounts receivables

	<u>June 30, 2019</u>	
	Amount	%
Other related parties	\$ 380,542	1

7) Other receivables (recognized as other current assets)

	<u>June 30, 2020</u>	
	Amount	%
Subsidiary of the parent company	\$ 232,123	1

8) Amounts held for settlement (recognized as other current assets)

	<u>December 31, 2019</u>	
	Amount	%
Subsidiary of the parent company	\$ 306,467	1

9) Restricted assets (recognized as other current assets)

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	\$ 1,998,898	6	\$ 9,775,316	26	\$ 1,202,053	3

10) Temporary payments (recognized as other current assets)

	December 31, 2019	
	Amount	%
Other related parties	\$ 140,000	-

11) Short-term borrowings

	December 31, 2019	
	Amount	%
Subsidiary of the parent company	\$ 903,180	5

12) Customers' equity accounts - futures

	June 30, 2020		December 31, 2019	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 344,185	1	\$ 182,705	1

13) Payables

	June 30, 2020		December 31, 2019	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ -	-	\$ 644,738	1
Other related parties	159,570	1	-	-

14) Current tax liabilities

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Parent company	\$ 814,582	82	\$ 737,608	82	\$ 668,212	76

15) Other operating revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%

2019

Subsidiary of the parent company	\$ 138,539	48	\$ 239,027	32
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16) Other operating expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%

2020

Subsidiary of the parent company	\$ 48,971	5	\$ 107,168	6
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17) Outstanding derivative financial instruments

a) Currency swap contracts

	<u>December 31, 2019</u>
	Contract Amount (Principal)
Subsidiary of the parent company	\$ 620,424

b) Asset swap IRS contracts value

	<u>December 31, 2019</u>	<u>June 30, 2019</u>
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	\$ 190,000	\$ 180,000

c) Asset swap options contracts

	<u>December 31, 2019</u>	<u>June 30, 2019</u>
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	\$ 190,000	\$ 180,000

d) Interest rate swap contracts

	<u>June 30, 2019</u>
	Contract Amount (Principal)
Subsidiary of the parent company	\$ 372,864

CDIB Capital Group and subsidiaries

<u>Related Party</u>	<u>Relationship with CDIB Capital Group and Subsidiaries</u>
China Development Financial Holding Corporation	Parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

- 1) Cash in banks (recognized as cash and cash equivalents and other current assets)

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	\$ 6,092,676	59	\$ 5,786,872	47	\$ 386,171	4

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

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Amount	%	Amount	%	Amount	%
Other related parties	\$ 201,643	71	\$ 201,174	71	\$ 200,639	71

- 3) Revenue receivable (recognized as other receivables)

	<u>June 30</u>			
	<u>2020</u>		<u>2019</u>	
	Amount	%	Amount	%
Other related parties	\$ 125,280	16	\$ 299,728	15

- 4) Receivables from parent (recognized as current tax assets)

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Amount	%	Amount	%	Amount	%
Parent company	\$ 264,051	98	\$ 211,214	79	\$ 317,267	98

The receivables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

- 5) Payables to parent (recognized as current tax liabilities)

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Amount	%	Amount	%	Amount	%
Parent company	\$ 519,807	80	\$ 515,983	77	\$ 525,542	75

The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

- 6) Consulting service revenue

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	Amount	%	Amount	%
<u>2019</u>				
Other related parties	\$ 50,666	31	\$ 112,183	34

7) Outstanding derivative financial instrument

June 30, 2020

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Interest rate swap contracts	March 12, 2020 - May 26, 2022	\$ 558,823	\$ (3,560)	Financial liabilities at FVTPL	\$ 3,515

China Development Asset Management Corp.

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

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

	Amount	%
June 30, 2019	\$ 200,605	100

China Life Insurance

Related Party	Relationship with the China Life Insurance
China Development Financial Holding Corporation	Parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
Others	Other related parties

1) Cash in banks (recognized as cash and cash equivalents)

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	\$ 1,198,342	1	\$ 3,996,654	5	\$ 203,098	1

2) Receivables

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	\$ 1,903,394	6	\$ 2,832,529	11	\$ 1,710,500	7

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

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Amount	%	Amount	%	Amount	%
Other related parties	\$ 5,465,390	2	\$ 10,113,305	3	\$ 8,430,200	3

- 4) Financial assets at fair value through other comprehensive income

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Amount	%	Amount	%	Amount	%
<u>Stocks</u>						
Parent company	\$ 5,320,950	1	\$ 5,472,816	1	\$ 5,326,574	1

- 5) Investment balances appointed to related parties' discretionary investment

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Subsidiary of the parent company	\$ 1,632,343	\$ 1,867,336

- 6) Purchase and sale of bonds

	<u>Purchase of Bonds</u>	<u>Sale of Bonds</u>
<u>For the six months ended June 30, 2020</u>		
Subsidiary of the parent company	\$ 1,400,000	\$ -
<u>For the six months ended June 30, 2019</u>		
Subsidiary of the parent company	12,850,481	389,977

- 7) Payables from sale of securities (recognized as payables)

	<u>June 30, 2019</u>	
	Amount	%
Subsidiary of the parent company	\$ 1,710,500	9

- 8) Dividends payable (recognized as payables)

	<u>June 30, 2020</u>	
	Amount	%
Parent company	\$ 700,713	1
Subsidiary of the parent company	231,799	-

9) Service fee revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
<u>2020</u>				
Subsidiary of the parent company	\$ 49,980	19	\$ 108,655	19

10) Commission expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
<u>2020</u>				
Subsidiary of the parent company	\$ 67,033	3	\$ 125,279	3
<u>2019</u>				
Subsidiary of the parent company	239,737	8	400,977	6

11) Outstanding derivative financial instrument

June 30, 2020

(In Thousands of New Taiwan Dollars/U.S. Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiary of the parent company	Currency swap contracts	October 3, 2019 - April 13, 2021	US\$ 445,000	Financial assets at FVTPL	\$ 198,778

December 31, 2019

(In Thousands of New Taiwan Dollars/U.S. Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiary of the parent company	Currency swap contracts	October 3, 2019 - August 26, 2020	US\$ 445,000	Financial assets at FVTPL	\$ 169,924

June 30, 2019

(In Thousands of New Taiwan Dollars/U.S. Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiary of the parent company	Currency swap contracts	May 24, 2019- August 26, 2019	US\$ 255,000	Financial assets at FVTPL	\$ 68,430
		March 27, 2019- November 15, 2019	US\$ 255,000	Financial liabilities at FVTPL	80,840

49. PLEDGED ASSETS

The following assets and partial guarantee recognized as other current assets have been (a) pledged to various financial institutions as guarantees and collaterals for short-term loans, commercial paper payable, long-term loans, and overdraft, (b) pledged with Taipei Exchange Securities Market for settlement reserve, (c) required by the Central Bank for day-term overdraft, (d) required by government for bidding of government bonds, (e) pledged as part of the requirements for filing a petition for tax reassessment, (f) pledged as operating guarantee, compensation reserve and wealth management compensation, (g) pledged as guarantee deposit for overseas bonds sold with repurchase agreement, and (h) derivative transactions security deposit.

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets at fair value through other comprehensive income - negotiable certificate of deposit	\$ 17,301,872	\$ 18,198,972	\$ 17,097,368
Property and equipment, net	4,618,448	4,488,821	4,588,904
Other financial assets - pledged time deposits	2,344,617	2,635,869	2,516,588
Accounts receivable - installment accounts receivables and lease receivables	2,343,552	2,506,872	2,439,765
Financial assets at fair value through other comprehensive income	1,020,881	1,065,864	181,214
Financial assets at fair value through profit or loss	747,213	704,580	507,762
Due from the Central Bank and call loans to financial institutions	500,000	-	-
Investment property, net	123,284	271,404	224,212

Note: 88,500 thousand of China Life Insurance shares held by KGI Securities on June 30, 2020, December 31, 2019 and June 30, 2019 have been pledged.

50. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 52 and 54 were summarized as follows:

- a. In April 2007, CDIB Capital Group and Morgan Stanley entered into a CDS contract that was tied to a synthetic collateralized debt obligation on residential mortgage-backed securities. The representations made to CDIB Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB Capital Group. On July 15, 2010, CDIB Capital Group initiated action against Morgan Stanley & Co. International PLC ("Morgan Stanley") et al. to recover losses CDIB Capital Group suffered as a result of its investment in a Morgan Stanley's credit default swap (CDS) product that had been tied to a synthetic collateralized debt obligation on residential mortgage-backed securities; the representations made to CDIB Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB Capital Group. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB Capital Group had recognized all gains and losses from the transaction. The balance of US\$11,978 thousand (NT\$367,774 thousand based on the exchange rate of June 30, 2020) was reclassified to "other financial liabilities". The litigation had not yet been concluded as of June 30, 2020. In addition, Morgan Stanley overlooked CDIB Capital Group's efforts and terminated interest rate swap (IRS) contracts (nominal principal amount: KRW24,000,000 thousand) and CDS contracts (nominal principal amount: JPY586,510 thousand), CDIB Capital Group reserves the right of legal proceedings in August 2010.

- b. Securities and Futures Investors Protection Center sued Grand Cathay (KGI Securities as the survivor company after merging on June 22, 2013) and claimed that due to the fact that KGI Securities was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds which issued on November 7, 2007, KGI Securities must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, which against the Article 20 and 32 of Securities and Exchange Act and the Article 184 and 185 of Civil Code. On June 14, 2010, the plaintiffs sued KGI Securities, Taiwan Kolin Co., Ltd., the principal of formerly management team, Moore Stephens and the auditor with jointly liability amounted to \$133,308 thousand plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court.
- c. Plaintiffs, Digital Imaging Solution Global Ltd. (“Digital”) and Minda Consulting Ltd. (“Minda”), advocated that GT based on stock pledge generated from loans of HK\$10,000 thousand with Minda and Minda transferred its pledge right on Digital to GT, GT transferred a pledge right of 35,000 thousand shares of eCyberChina to Minda in exchange. However, GT and its fund managers, including KGI Limited, disposed the 2,000 thousand shares of eCyberChina without Minda’s approval and thus violated the pledge agreement. Therefore, Digital and Minda filed a lawsuit to the GT in November 2007 and requested for compensation of HK\$119,130 thousand and related expenses and interest. In February 2008, Digital and Minda added KGI Limited as a defendant. On July 21, 2008, the appeal was dismissed by courts of Hong Kong and the plaintiffs appealed to a higher court. In December 2008, the courts of appeals dismissed the appeal by Digital while the appeal by Minda is still pending in the courts of appeals.
- d. Securities and Futures Investors Protection Center sued CDIB Capital Management Corporation and claimed that due to the fact that CDIB Capital Management Corporation is the corporate director of Powercom Ltd., CDIB Capital Management Corporation have but not performed sufficient audits on the contents disclosed in the financial statements which failed to comply the obligation of being a good administrator. Therefore, the plaintiff demanded compensation of \$592,648 thousand and related interests from CDIB Capital Management Corporation and Powercom Ltd. On November 29, 2019, the Taipei District Court judged that CDIB Capital Management Corporation partially lost the lawsuit, and should pay \$31,010 thousand plus 5% interest (from November 13, 2013 till the date of payment). CDIB Capital Management Corporation and Powercom Ltd. has appealed on January 9, 2020, and could not estimate the related possible loss because the case was currently pending with the Taiwan High Court and the final outcome of the court is uncertain.
- e. The case KGI Bank acted vigorously in regards to Prince Motors’ overdue debt. In December 2012, a third party regards revoked a lawsuit claiming that KGI Bank fraudulently infringed upon the property rights of creditors on Dun Nan building. On February 14, 2014, the Taipei District Court judged that KGI Bank lost the lawsuit and has to return the amount of \$1,786,318 thousand for re-allocation. KGI Bank has appealed on March 10, 2014, and the original adjudication in favor of the third party was revoked by the court, which indicated KGI Bank on the second trial. The third party filed an appeal but the court rejected the third party’s appeal on July 26, 2017. Third party then filed appeal for third trial and the case was currently pending with the Supreme Court. On November 9, 2018, the lawsuit is currently proceeded by The Supreme Court as of the day the Corporation’s board of the directors approve the consolidated financial statements.
- f. In response to the rapid business development and IT demands for innovative products, KGI Bank plans to outsource its IT operations to improve IT service levels and to rapidly respond to the business development and changes in external regulations. The board of directors’ meeting held on October 30, 2012 approved the plan for outsourcing the IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. Except for extra services will be charged by professional rates, the basic framework, support service, IT application service, integration and transformation of server and so on are charged by the contract. In response to information age and to improve quality of service, KGI Bank keeps replacing its core system and other related systems. After that, KGI Bank will reduce its demand on the basic framework and IT application services mentioned before. The contract about related service scope, which was approved by the board

of directors on August 21, 2018, came into effect on January 1, 2019. As of June 30, 2020, KGI Bank has to pay a total of \$181,602 thousand in the future contract periods.

- g. On December 16, 2016, the Company signed the contract with CHUNG-LU Construction Co., Ltd. for the construction of Taipei Academy, and on March 1, 2017 signed the first contract change protocol, modify the total amount of the contract is \$5,623,913 thousand. As of June 30, 2020, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is \$5,103,994 thousand and unpaid amount is \$519,919 thousand.

51. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF CDFH, KGI BANK, KGI SECURITIES AND CHINA LIFE INSURANCE

Consolidated Profitability

(%)

Items		June 30, 2020	June 30, 2019
Return on total assets	Before income tax	0.59	0.89
	After income tax	0.46	0.81
Return on net worth	Before income tax	6.43	9.99
	After income tax	4.98	9.16
Profit margin		6.88	9.18

Profitability of CDFH

(%)

Items		June 30, 2020	June 30, 2019
Return on total assets	Before income tax	3.41	7.73
	After income tax	2.88	7.75
Return on net worth	Before income tax	3.92	9.09
	After income tax	3.32	9.16
Profit margin		74.14	93.31

Profitability of KGI Bank

(%)

Items		June 30, 2020	June 30, 2019
Return on total assets	Before income tax	0.59	0.65
	After income tax	0.49	0.54
Return on net worth	Before income tax	6.71	7.44
	After income tax	5.66	6.14
Profit margin		33.76	35.03

Profitability of KGI Securities

(%)

Items		June 30, 2020	June 30, 2019
Return on total assets	Before income tax	2.33	2.92
	After income tax	2.13	3.08
Return on net worth	Before income tax	8.02	9.24
	After income tax	7.36	9.72
Profit margin		42.21	60.34

Profitability of China Life Insurance

(%)

Items		June 30, 2020	June 30, 2019
Return on total assets	Before income tax	0.90	0.92
	After income tax	0.79	0.83
Return on net worth	Before income tax	13.01	16.44
	After income tax	11.32	14.68
Profit margin		5.37	4.21

52. FINANCIAL INSTRUMENTS

a. The definitions of each hierarchy are as follows:

- 1) Level 1 fair values are quoted prices in active markets for financial instruments.
- 2) Level 2 fair values refer to directly or indirectly observable inputs other than Level 1 quoted prices, such as the quoted prices of similar financial instruments in active markets; in less active markets, fair values are quoted prices of the same or similar financial instruments or financial instruments that can be generated by using pricing models that use inputs such as interest rates and volatility rates, which are derived from or can be corroborated with observable market data.
- 3) Level 3 refers to inputs that are not based on observable market data.

b. Fair value

- 1) The fair value hierarchy of financial instruments were as follows:

June 30, 2020

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 130,061,887	\$ 111,543	\$ 8,929,673	\$ 139,103,103
Bond investments	39,273,370	53,705,943	649,947	93,629,260
Others	158,445,291	10,964,599	9,740,957	179,150,847
Financial assets designated as at FVTPL	3,225,414	11,285,287	1,556,078	16,066,779
Financial assets at FVTOCI				
Stock investments	19,455,947	78,759	18,827,552	38,362,258
Bond investments	328,316,975	173,506,180	-	501,823,155
Others	-	65,647,739	-	65,647,739
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,817,202	374,808	-	4,192,010
Financial liabilities designated as at FVTPL	-	14,673,620	-	14,673,620
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	855,380	84,657,158	219,285	85,731,823
Financial assets for hedging	-	19,688	-	19,688
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	668,505	77,720,160	2,858,450	81,247,115
Financial liabilities designated as at FVTPL	922	4,703,290	-	4,704,212
Financial liabilities for hedging	-	944,494	-	944,494

December 31, 2019

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 131,402,365	\$ 52,410	\$ 9,110,674	\$ 140,565,449
Bond investments	45,927,020	66,830,638	-	112,757,658
Others	138,489,917	12,301,713	9,686,958	160,478,588
Financial assets designated as at FVTPL	6,338,783	26,181,783	1,580,146	34,100,712
Financial assets at FVTOCI				
Stock investments	19,148,474	81,094	17,330,430	36,559,998
Bond investments	285,144,217	155,301,815	-	440,446,032
Others	-	62,617,894	-	62,617,894
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	2,692,640	-	-	2,692,640
Financial liabilities designated as at FVTPL	-	31,350,997	-	31,350,997
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	925,372	43,073,878	180,975	44,180,225
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	588,862	51,073,529	2,646,181	54,308,572
Financial liabilities designated as at FVTPL	1,311	5,715,467	-	5,716,778

June 30, 2019

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 144,175,115	\$ 949,670	\$ 9,290,717	\$ 154,415,502
Bond investments	46,373,401	51,974,855	782,352	99,130,608
Others	97,368,235	19,659,001	8,207,211	125,234,447
Financial assets designated as at FVTPL	12,384,082	34,068,518	905,020	47,357,620
Financial assets at FVTOCI				
Stock investments	21,075,896	10,824	19,224,771	40,311,491
Bond investments	257,249,265	168,550,968	-	425,800,233
Others	-	54,060,962	-	54,060,962
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,654,462	1,342,123	-	4,996,585
Financial liabilities designated as at FVTPL	-	31,433,488	-	31,433,488
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	1,081,898	46,602,893	106,790	47,791,581
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	543,073	61,534,699	902,837	62,980,609
Financial liabilities designated as at FVTPL	-	3,895,201	-	3,895,201

2) Evaluation technology at fair value

For financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, fair value is determined at quoted market prices. When market prices of the Group's various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or other banks' transaction prices. The information the Group uses for fair value estimation is consistent with that generally used in the market; the basis of the theory are commonly recognized by the industry. The type of relevant methodology can roughly be divided into analytical solution model (for example: Black-Scholes model) and numerical method model (for example: Monte Carlo simulation).

3) Reconciliation of fair value

a) The limitation of valuation techniques and uncertain inputs

Valuation techniques incorporate assumptions that are dependent on the instrument type and available market data. However, certain model inputs may be less readily determinable from valuation techniques. In these circumstances, the valuation model would adopt additional parameters and/or model assumptions such as model risk or Liquidity Risk and so on, to make fair value adjustment. According to our policies of Valuation management and relevant control procedure, the Corporation's management considers that Valuation adjustments are necessary and appropriate. To accept approaches and principles for the making of appropriate adjustments, all parameters and price information should be evaluated thoroughly and make reference from market situation.

b) Credit risk valuation adjustments

Credit risk valuation adjustments are classified into Credit value adjustments and Debit value adjustments, and definitions are the following:

- The credit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the counterparty may default and that the Corporation may not receive the full market value of the transactions.
- The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the Corporation may default, and that the Corporation may not pay full market value of the transactions.

The Group calculates their debit valuation adjustment on the basis of their internal credit assessment and model and international accounting standard of a counterparty's probability of default (PD), which is subject to standard supervisory parameters, take loss given default (LGD) into consideration and multiplied by their estimates of the counterparty's exposure at default (EAD).

The Group calculates the counterparty's EAD with OTC derivative's market to market value and the counterparty's LGD, which is 60 percent of EAD based on Taiwan Stock Exchange (TWSE) guidance.

The Group takes Credit risk valuation adjustments for determining the fair value of financial instruments and reflects counterparty's credit risk and the Corporation's credit quality.

4) Transfer between the Level 1 and Level 2

	For the Six Months Ended June 30, 2020		For the Six Months Ended June 30, 2019	
	Level One Converted Into Level Two	Level Two Converted Into Level One	Level One Converted Into Level Two	Level Two Converted Into Level One
Financial assets at FVOCI - bond investments	\$ 20,279,034	\$ 8,117,288	\$ 9,144,721	\$ 2,952,224

Because of changes in market liquidity, evaluation sources applied by some bond investments will change. It makes the applicable level of bond's fair value change from level one into level two or level two into level one.

5) Reconciliation of Level 3 items of financial instruments

The movements of financial assets with Level 3 fair value were as follows:

For the Six Months Ended June 30, 2020

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	\$ 18,978,607	\$ (1,136,531)	\$ 2,969,660	\$ -	\$ (1,204,469)	\$ (67,405)	\$ 19,539,862
Financial assets designated as at FVTPL	1,580,146	(52,245)	28,177	-	-	-	1,556,078
Financial assets at FVTOCI	17,330,430	813,593	700,000	-	(16,471)	-	18,827,552

For the Six Months Ended June 30, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	\$ 18,312,006	\$ 1,546,943	\$ 2,924,948	\$ -	\$ (3,501,956)	\$ (894,871)	\$ 18,387,070
Financial assets designated as at FVTPL	574,064	55,422	275,534	-	-	-	905,020
Financial assets at FVTOCI	11,111,094	2,593,470	5,575,046	-	(54,839)	-	19,224,771

Note: For parts of stock investments, the Corporation's subsidiaries acquired their observable market material, causing the applicable level of stock investment transfer from level 3.

The movements of financial liabilities with Level 3 fair value were as follows:

For the Six Months Ended June 30, 2020

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL Financial liabilities held for trading	\$ 2,646,181	\$ (110,944)	\$ 800,110	\$ -	\$ (476,897)	\$ -	\$ 2,858,450

For the Six Months Ended June 30, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL Financial liabilities held for trading	\$ 771,524	\$ 58,769	\$ 197,680	\$ -	\$ (125,136)	\$ -	\$ 902,837

The total gains or losses for the six months ended June 30, 2020 and 2019 included a loss of \$366,359 thousand and gain of \$357,052 thousand relating to assets and liabilities measured at fair value on Level 3 fair value measurement and held at the end of reporting date.

6) Quantitative information about significant unobservable inputs (Level 3)

KGI Bank and subsidiaries

The table below lists quantitative unobservable inputs of Level 3 financial instruments:

	Fair Value at June 30, 2020	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTOCI	\$ 1,090,305	Market approach	P/B, P/E, Discount for lack of liquidity	0.77-10.93, 26%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity and control.
		Net asset method	Discount for lack of liquidity and control	11%	Fair value is inversely proportional to discount for lack of liquidity and control.
		Recent strike price	-	-	-
Derivative financial instruments					
Financial assets at FVTPL	218,708	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	218,693	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at December 31, 2019	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTOCI	\$ 380,744	Market approach	P/B, P/E Discount for lack of liquidity	1.06-13.10, 26%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity and control.
		Net asset method	Discount for lack of liquidity and control	11%	Fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
Financial assets at FVTPL	180,629	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	180,444	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at June 30, 2019	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTOCI	\$ 372,558	Market approach	P/B, P/E Discount for lack of liquidity	1.23-5.67 26%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity and control.
		Net asset method	Discount for lack of liquidity and control	11%	Fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
Financial assets at FVTPL	106,753	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	106,118	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

KGI Securities and subsidiaries

The explanation of quantitative information about significant unobservable inputs in fair value measurement and sensitivity analysis significant unobservable inputs used by repetitive basis to fair value Level 3 financial asset of KGI Securities and subsidiaries were as follows:

June 30, 2020

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of liquidity	26%	Assets at fair value is inversely proportional to discount for lack of liquidity.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	44.98%-62.87%	According to condition of contract, fair value of asset may be higher or lower.
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	0.00%-15.71%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity options (put option)	Martingale pricing technique	History volatility	22.05%-22.05%	According to condition of contract, fair value of liabilities may be higher or lower.

December 31, 2019

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of liquidity	23%-26%	Assets at fair value is inversely proportional to discount for lack of liquidity.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	17.09%-45.71%	According to condition of contract, fair value of asset may be higher or lower.
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	0.07%-17.16%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity options (put option)	Martingale pricing technique	History volatility	15.12%-45.34%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

June 30, 2019

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of liquidity	23%-26%	Assets at fair value is inversely proportional to discount for lack of liquidity.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	19.13%-23.22%	According to condition of contract, fair value of asset may be higher or lower.
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	1.96%-14.00%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity options (put option)	Martingale pricing technique	History volatility	16.32%-60.71%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

History volatility used by Martingale Pricing Technique in KGI Securities depends on moving weighted average method, and sampling period refer to maturity in initial contract; if maturity is less than 6 months, sampling period is between 20 to 180 days; if maturity is between 6 months to 12 months, sampling period is between 20 to 360 days; if maturity is more than 12 months, sampling period is between 20 to initial maturity days.

The recovery rate adopted by KGI Securities in the ISDA CDS Standard Model is set based on the ISDA Standard CDS Converter Specification. If the underlying debt is senior unsecured debt, the recovery rate is set to be 0.4. If the underlying debt is subordinated debt, the recovery rate is set to be 0.2. If the debt is from emerging markets (including senior and subordinated debt), the recovery rate is set to be 0.25. KGI Securities set the recovery rate base on the types of the debts. Therefore, the recovery rate is not changed.

KGI Securities and subsidiaries adopts pricing model and pricing parameters cautiously, producing reasonable fair value measurement, however, different pricing model or parameters may lead to different outcome. To those financial assets and liabilities categorized into Level 3, effects of current period net income or loss affected by changes in pricing parameters were as follows:

June 30, 2020

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/Negative Change	Positive Impact	Negative Impact
<u>Financial assets</u>				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Discount for lack of liquidity	-1%/+1%	\$ 93	\$ 93
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Historical volatility	+25%/-25%	273	247
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put option)	Historical volatility	-25%/+25%	-	-

December 31, 2019

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/Negative Change	Positive Impact	Negative Impact
<u>Financial assets</u>				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Discount for lack of liquidity	-1%/+1%	\$ 104	\$ 104
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Historical volatility	+25%/-25%	249	193
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put option)	Historical volatility	-25%/+25%	15	17

June 30, 2019

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/Negative Change	Positive Impact	Negative Impact
<u>Financial assets</u>				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Discount for lack of liquidity	-1%/+1%	\$ 499	\$ 499
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Historical volatility	+25%/-25%	47	22
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put option)	Historical volatility	-25%/+25%	69	70

CDIB Capital Group and subsidiaries

Equity securities are classified fair value Level 3 financial asset by CDIB Capital Group and subsidiaries. Quantitative information about the significant unobservable inputs is set out below:

	Fair Value at June 30, 2020	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
<u>Repetitive basic to fair value measurement items</u>					
Non-derivative financial assets					
Financial assets at FVTPL	\$ 13,194,809	Market approach	P/B P/S Discount for lack of liquidity	0.69-4.93 0.39-2.36 23%-29%	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
		Discounted cash-flow method	Discount for lack of liquidity WACC Growth rate	23%-29% 6.36%-14.76% 0.50%-7.00%	When the higher the discount for lack of liquidity, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Discount for lack of liquidity	11%-29%	When the higher the discount for lack of liquidity, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	31.31%-34.92%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

	Fair Value at December 31, 2019	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets Financial assets at FVTPL	\$ 14,340,132	Market approach	P/B P/S Discount for lack of liquidity	0.68-2.61 0.43-5.56 23%-29%	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
		Discounted cash-flow method	Discount for lack of liquidity WACC Growth rate	23%-29% 9.97%-13.58% 4.50%-7.00%	When the higher the discount for lack of liquidity, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Discount for lack of liquidity	11%-29%	When the higher the discount for lack of liquidity, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	32.21%-33.65%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

	Fair Value at June 30, 2019	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets Financial assets at FVTPL	\$ 15,157,753	Market approach	P/B P/S Discount for lack of liquidity	0.68-2.51 0.46-5.19 23%-29%	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
		Discounted cash-flow method	Discount for lack of liquidity WACC Growth rate	23%-29% 10.53%-17.50% 3.25%-7.00%	When the higher the discount for lack of liquidity, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Discount for lack of liquidity	11%-29%	When the higher the discount for lack of liquidity, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	31.84%-35.10%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

China Life Insurance

Equity securities are classified into fair value Level 3 financial asset by China Life Insurance. Quantitative information about the significant unobservable input was set out below:

June 30, 2020				
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	Asset approach	Discount for liquidity and minor interests	0%-10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10%-30%	The higher the discount for liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	5.99%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for liquidity, the lower the estimated fair value.
	Asset approach	Discount for liquidity and minor interests	0%-30%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.

December 31, 2019				
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	Asset approach	Discount for liquidity and minor interests	0%-10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10%-30%	The higher the discount for liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.10%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for liquidity, the lower the estimated fair value.
	Asset approach	Discount for liquidity and minor interests	0%-30%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.
June 30, 2019				
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	Asset approach	Discount for liquidity and minor interests	0%-10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10%-30%	The higher the discount for liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.09%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for liquidity, the lower the estimated fair value.
	Asset approach	Discount for liquidity and minor interests	0%-10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.

7) Pricing process of Level 3 fair value

KGI Bank and subsidiaries

KGI Bank's risk management department is responsible for the pricing process of Level 3 fair value. The pricing models and conditions assumed are conform to market practice; the basis of the theory are commonly recognized by the industry as a basis of valuation in conducting measurement of fair value. Further, the department confirms whether the sources of the information are independent or not, reasonably reflecting the prices in normal circumstances, and examines and adjusts fair value periodically to insure results of the valuation is reasonable.

KGI Securities and subsidiaries

When KGI Securities has those derivatives that their fair value are hard to reach or they are categorized as derivative financial assets with no active market, reasonability of fair value of those financial assets are assessed by related department according to the Guidelines of Asset Valuation Operation set by KGI Securities, and the outcomes of the valuation will be recorded in the book by accounting department.

CDIB Capital Group and subsidiaries

The valuation method and parameters adopted by CDIB Capital Group and subsidiaries conform to the general market practice which the theoretical basis is generally identified by the industry. Besides, the department exams and adjusts inputs that pricing model needed periodically to insure outcomes are reasonable.

The valuation method and parameters adopted by CDIB Capital Group and subsidiaries have considered the influence of Covid-19, including future operating conditions, which decrease the forecast numbers of revenue and profit.

China Life Insurance

China Life Insurance is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions and the sources are independent, reliable, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. China Life Insurance analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to China Life Insurance's accounting policies at each reporting date.

c. Fair value of financial instruments not carried at fair value

Assets and liabilities measured at cost, excluding debt investments measured at amortized cost, guarantee deposits paid, bonds payable, have carrying amounts that are reasonably close to their fair value; thus, their fair values are not disclosed.

Fair value of bonds payable with quoted price in an active market are evaluated using the market price; bonds payable with no quoted prices in an active market are estimated by valuation methods or the opponent's price.

53. INFORMATION OF INSURANCE CONTRACTS

a. Objectives, policies, procedures and methods of insurance contracts risk management

1) Framework of risk management, organization structure and responsibilities:

The board of directors should ensure the effectiveness of risk management and bear the ultimate responsibility for risk management, responsible for formulating China Life Insurance's overall risk appetite and risk tolerance, review and approve China Life Insurance's risk management objectives and strategies. "Risk Management Committee" is set under the board of directors. Various risk management report and related issues are first report to risk management committee and made the final approval by the board of directors. Besides the risk management committee, China Life Insurance set up an assets and liabilities risk management team to strengthen the risk management organization and structure.

In addition, China Life Insurance establishes the risk management department independent to the business units, which is responsible for the implementation of various risk management measures and the fulfillment of each risk management system, including monitoring the daily risks, measuring and evaluating related issues, assisting the board to develop Company's risk appetite, executing the risk management policies approved by the board of directors. Moreover, the business units should be responsible for the risks identification, report the risk exposure, measure the impact of risks, review the various risks and limits regularly, and make sure that the internal control procedures of each unit are implemented effectively in accordance with related regulations and China Life Insurance's risk management policy.

2) Risk management policies, procedures and methods:

According to risk management policies, China Life Insurance sets an effective mechanism to proceed identification, measurement, monitoring, reporting and response to risk, establishes clear objectives for risk management, controls approaches and attribution of responsibility to make sure that each operational risk is controlled under the tolerable range, making the largest surplus and profits for shareholders.

Pursuant to “China Life Insurance Risk Management Policy”, approved by the board of directors, China Life Insurance follows the principle of centralized management and specialization, and assigns responsible risk management department to manage various risks, including market, credit, operation, liquidity, underwriting, claim resew, insurance product development and pricing, asset-liability management, reinsurance and catastrophe risk based on the sources of risk. In addition, China Life Insurance develops management guidelines for various types of risk, standardizes measurement and evaluation methods, and regularly issues risk reports to monitor the various risks.

3) Risk management policies, procedures and methods related to reserves:

Reserve-related risks refer to risks that various reserves are unable to deal with future obligations due to understatement of liability for premium business. China Life Insurance sets and implements the appropriate risk management system for the insurance business reserves and related risks.

4) Risk management policies, procedures and methods related to matching assets and liabilities:

Risks related to matching assets and liabilities indicate risks arising from inconsistent movement of assets and liabilities. China Life Insurance sets appropriate asset-liability management system based on the attributes and complexity of insurance liability risks. The system allows China Life Insurance to form, implement, monitor and correct related strategies within the tolerable range and achieves China Life Insurance’s predetermined financial goals. The contents include the following items:

- a) Risk identification related to matching of assets and liabilities.
- b) Risk measurement related to matching of assets and liabilities.
- c) Risk responses related to matching of assets and liabilities.

b. Information of insurance risks

1) Sensitivity of insurance risks - insurance contracts and financial instruments with discretionary participation features:

Insurance companies set aside various reserves according to the legal requirements and regularly conduct adequacy test of liability to assess the adequacy of insurance liabilities of China Life Insurance as a whole.

For the insurance contracts and financial instruments with discretionary participation features underwritten by China Life Insurance, the main risks include mortality, morbidity, surrender, expense and investment returns rate. When doing the liability adequacy test, various actuarial assumptions are made based on available information at assessment point for all insurance contracts and financial instruments with discretionary participation feature, to assess whether the insurance liability of China Life Insurance is adequate. If the test result indicates the insurance liability is not adequate, then set aside the insufficient amount as liability adequacy reserve according to the provision. The reserve will affect current profit and loss.

The charts above show the development trend of claim payments (not including cases whose payment and time will be confirmed within a year). The accident year is the actual year for the occurrence of the insurance claim events; the x-axis is the year of the development for the settlement cases. Each slash represents the cumulative amount of compensation for each accident event at the end of the year. The occurred claims include decided and undecided claims which represent the accumulated estimated dollar amounts need to be paid for each accident year as time passes. It is possible that the circumstances and trends affecting dollar amount of recognition for claim reserve in the current year will be different from those in the future. Thus, the expected future payment amount for the settlement cases cannot be determined by the charts above.

4) Credit risk:

For insurance contracts undertaken by China Life Insurance, the credit risk comes from reinsurers who fail to fulfill their obligation of reinsurance contracts, causing China Life Insurance to be exposed to the risk of financial loss. If China Life Insurance disputes with the reinsurers, then it may lead to impairment of reinsurance assets. In addition, the account receivables of insurance brokers and agents also have credit risk.

China Life Insurance's highest risk exposure for the reinsurance contracts are the carrying amount of reinsurance assets. In order to manage that risk and avoid credit losses, China Life Insurance decides to deal with reinsurance companies that have good credits. China Life Insurance sets related selection standard, makes regular assessment and monitors the reinsurers' financial business condition, credit status and rating. Also, it will adjust the business scope and scale based on the circumstances to prevent from over concentration of credit risk.

5) Liquidity risk:

As at June 30, 2020, December 31, 2019 and June 30, 2019, the maturity analysis of liquidity risk for insurance contract liabilities of China Life Insurance are as follow:

	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
<u>June 30, 2020</u>					
Insurance liabilities of investment contracts with discretionary participation features	\$ (3,549,199)	\$ 88,046,446	\$ 153,053,647	\$ 598,547,780	\$ 3,379,152,200
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
<u>December 31, 2019</u>					
Insurance liabilities of investment contracts with discretionary participation features	(34,198,799)	55,226,404	143,257,385	623,765,357	3,612,295,531
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
<u>June 30, 2019</u>					
Insurance liabilities of investment contracts with discretionary participation features	(53,083,054)	55,422,694	146,921,096	611,641,785	3,500,259,491
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

Note 1: This table estimates net cash flow of all related insurance liabilities at its starting point.

Note 2: The actual maturity date will change according to the exercise of termination right by the policyholders.

Note 3: The table cannot match with the liabilities of balance sheet because the above contracts use the undiscounted contractual cash flow analysis. In addition, it includes the cash inflows of future renewal premiums.

6) Market risk:

Pursuant to the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, when China Life Insurance measures insurance liabilities, it sets aside the reserve by using the discount rate required by the authorities. Since the discount rate assumption does not move in the same direction with the interest rate, changes in market risks have no significant influence on China Life Insurance’s profit or loss and equity for insurance contracts. However, changes in market risks may have influence on liability adequacy test evaluated based on available information. But, it has little influence on the adequacy of current recognized insurance liabilities.

54. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Corporation

The Corporation has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies, including business, operational and liquidity risks.

The Corporation has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. The Corporation also has a risk management department to plan and manage the risk management system, supervise the implementation of risk management of subsidiaries and provide related information to the management and the board of directors.

KGI Bank and subsidiaries

KGI Bank has planned a proper risk management system regarding market risk, credit risk, and operating risk related to the operation of company as a basis of following risk management procedures.

KGI Bank also planned the mechanism of analysis, monitoring, and report related to overall risk management. Further, it reports to senior management, and committee or board of directors with risk management function; KGI Bank keeps related information updated in response to the actual risks encountering significant changes in macroeconomics or financial market to monitor and respond effectively.

KGI Bank’s risk management not only focuses on individual department but considers the comprehensive effects from an overall corporation perspective.

KGI Bank undertakes risk identification with consistent asset portfolio classification as well as correlation between each other, and establishes a consistent measure according to the different types of exposure.

KGI Bank's risk management divisions are as follows:

1) Board of directors

The KGI Bank's board of director supervise the establishment of risk management structure and culture, ensures efficiency of operation in risk management, reviews important risk control report and bear the ultimate responsibility of risk management.

2) Risk management committee

KGI Bank has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues.

3) Business and management departments

The department is responsible for ensuring compliance of risk management regulations while conducting the operations to practice the control of daily risk.

4) Risk management department

KGI Bank establishes a risk management department which is independent from operating departments to take charge of planning and managing of risk management system and to provide overall risk management information to senior management and the board of directors.

5) Internal audit department

The department takes charge of establishment of all risk mechanisms and audit the compliance and implementation of mechanism.

Risk management is a joint duty to all KGI Bank's department including business, legal, compliance of law, finance, accounting, administration, operating, audit departments and so on, should all practice it actively, and through coordination of intra-departments to carry out the overall risk management.

KGI Securities and subsidiaries

1) Financial risk management objectives

The KGI Securities' Board of Director and senior management attach great importance to risk management, and continuously to raise risk management mechanism and aimed to strengthen the competitiveness of KGI Securities and subsidiaries. To reach the goal of risk management, controlling the expected or unexpected loss in operating is a passive way and in a positive way is to raise Risk Adjusted Return on Capital. In order to use the capital more efficiently, KGI Securities uses risk appetite as a base according to venture capital allocation. While setting risk appetite, KGI Securities takes the amount of liquid capital and financial and operational goal into consideration.

2) Risk management organization

KGI Securities' risk management organization framework, which monitors, plans, and executes related risk management affairs, includes board of directors, risk management department, business department and other related departments. KGI Securities' business departments and back offices should comply with risk management regulations and reports all anomalies and their effects to Risk Management Committee (RMC) and Investment Review Committee (IRC) in time. Risk management organizations' functions and responsibilities are as follows:

The board of directors is the highest decisive department in KGI Securities, and it also bears ultimate responsibility while monitoring the execution of overall risk management system.

Functions and responsibilities of committees: RMS executes risk management decisions made by board of directors, which include reviewing KGI Securities' every department's risk appetite, risk-based limit and their management system, reviewing guidelines regarding risk management, and inspecting related countermeasures according to risk reports submitted by departments; IRC examines underwriting of securities, assisting of business projects and non-subsidiary investments; and Merchandise Review Committee (MRC) sets up the reviewing system of KGI Securities' for sale of commodities, trusted investment and management of new business and financial instruments.

Business department is responsible for setting risk management systems, managing and reporting daily risks which belong to its department and executing internal controls effectively which correspond to the government regulations and risk management policies.

Risk management department's functions and responsibilities are ensuring the execution of policies approved by board of directors, making risk management rules and guidelines, controlling the measuring, monitoring and evaluating of daily risk, producing periodic (daily, weekly or monthly) risk management reports and submitting them to management, and developing or assisting the exploitation and maintenance of risk management information system.

Legal affair department's functions and responsibilities are providing legal consultations, drafting, reviewing and taking custody of major contracts and monitoring litigation and non-litigation cases.

Legal compliance department's functions and responsibilities are conveying laws, providing legal consultation, negotiating and facilitating communications. It is also responsible to make sure that all operations and management guidelines are updated accordingly as related regulations are amended. It also supervises as all units conduct an overview of the feasibility of legal compliance.

Fund dispatching department is responsible for KGI Securities' dispatching and usage of capital, setting up and maintaining finance credits with financial institution, lowering capital costs and managing liquidity risks.

Internal audit department's function and responsibilities are auditing execution of regulations and business operations, proposing amendments in time, and tracing improving progresses after reporting defects and anomalies to the board of directors.

Finance department, settlement department, information department and other related department should understand the risk facing in its industry thoroughly on the basis of risk management related regulations, take necessary risk control measures into consideration while setting up operating management guidelines to assist in completing the whole cooperation's various risk management tasks, and monitor transaction processes regarding valuation, confirmation of price information, preparation of income statement, processing and confirming of transaction, settling, verifying of accounts, asset control, information safety and maintenance of information.

3) Risk management system

KGI Securities has planned proper risk management system regarding market risk, credit risk, operating risk, liquidity risk, legal risk and other risks related to the operation of company as a basis of following risk management procedures.

The risk management policies, various risk management standards and operation of merchandise guidelines are established by competent unit. The competent unit makes a draft and asks the related department for advices and opinions, and it will be conducted following established guidelines and related standards of parent company, CDFH.

4) Risk management mechanism

The process of various risk managements include risk identification, risk measurement, risk monitoring and control and risk reports. The evaluation and strategies of important risk are explained as follows:

a) Market risk

KGI Securities restricts the risk level to which it is exposed to an acceptable level through structuring risk management system, enacting market risk management policies, and formulating merchandise operation guidelines. It also restraint risk through allocating venture capital, subject to management strategies and risk appetite, setting various risk-based limits, and conducting risk monitoring on a daily basis.

KGI Securities implemented the MSCI Risk Manager, a market risk management system, as a quantitative management instrument. The system integrates all holding positions and provides in a daily basis various analyzing metrics and comprehensive computation results, including equity risk, interest rate risk, exchange rate risk, etc., as well as adjustment and application of diverse derivatives models. Also, the risk management department controls risk-based limits by business units on a daily basis to enforce risk appetite management.

To establish efficacy of estimation at risk (VaR) model, risk management department conducts back testing periodically. Additionally, it builds various scenarios for stress testing and scenario analysis, to help the management understand the risk tolerance level of KGI Securities.

b) Credit risk

KGI Securities sets proper credit limits by considering KGI Securities' net value, risk measurement and concentration of risk, and by taking into account the credit rating of issuers or counterparties, the features of transactions, and the characters of instruments, etc. KGI Securities would periodically inspect the credit records of counterparties, holding positions, and collaterals, then report the use of various credit risk limits to key management as well as related departments.

The risk management department applies for credit risk capital toward Board of Directors annually. Establish proper credit risk expected loss limitation amount relating to the firms. Also, set different pre-settlement risk (PSR) limitation amount base on countries, same groups, high-risk industries/groups, etc. Also, routinely examine KGI Securities' credit risk exposure, credit risk change of issuers or counterparties, and the use of various credit risk limitation amount to enforce management of capital allocation.

c) Liquidity risk

The liquidity risk could be divided into two categories: Market liquidity risk and fund liquidity risk. The measurement of market liquidity risk is the trading volume of holding position of KGI Securities and serves as the basis of information disclosure. The fund liquidity risk management has established independent fund transfer unit, considering the timing and net cash flow of need by various departments, to effectively control the fund liquidity risk.

The fund transfer unit routinely examines relative financial ratio to ensure the liquidity of assets and liabilities. Also, KGI Securities established fund-flow simulation analysis mechanism according to the anticipation of the future cash need and the fund transferring ability of KGI Securities made by fund transfer unit. The unit would also set proper fund safety inventory and emergency response measure to fulfill the future probable fund need.

d) Operating risk and other risks

All units conduct operation risk management respectively by their own business. This management contains authorization related to operation risk, process, operation content, plan following the division of front and back desk operation and principle of segregation of duties. Operation risk controls include information security and maintenance, clearing, trade confirmation, statements preparation, segregation of duties, relating party trade control as well as the internal control, etc.

Each business unit is responsible for examining and controlling its own operation risk. In addition to the compliance of law and regulation, the internal audit department would implement examination by the regulation and procedure of internal control system to ensure the effectiveness of risk management.

5) Risk hedge and mitigation strategy

KGI Securities had decided regulations to manage to engage in hedging and risk mitigation measures in all operations based on KGI Securities' capital scale and risk tolerance. Such measures include: Risk acceptance, risk adverse, risk transfer and risk control. Reasonable risk avoidance mechanisms can effectively limit a company's risk within a pre-approved range. The actual execution of hedge, depending on the market dynamics, business strategies, product characteristics and risk management regulations, utilizes previously approved financial instruments to adjust the risk structure and risk level of the total exposure to an acceptable level.

CDIB Capital Group and subsidiaries

CDIB Capital Group has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies.

CDIB Capital Group has established the risk management committee, which belongs to the board of directors and unit supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. CDIB Capital Group also has a business risk committee, which belongs to administration department and a risk management department to plan and manage the risk management system and, supervise the implementation of risk management of subsidiaries and provide related information to the management and the board of directors.

China Life Insurance

China Life Insurance's financial risk management objectives are primarily managing risks arising from holding financial assets. According to China Life Insurance's risk management policies, the main financial risks is market risk, credit risk and liquidity risk. China Life Insurance has established guidelines related to the management of the financial risk. The following is the definition, source, management procedures of the risk and methods used to measure the risk.

b. Credit risk

KGI Bank and subsidiaries

1) Definition and source of credit risk

Credit risk is the risk of financial loss to KGI Bank if a creditor or counterparty fails to meet its contractual obligations or has negative changes in its credit quality. Credit risk management covers all operating activities that involve credit risk, including loans, call loans to banks, banking book securities investment, financial derivatives, repurchase agreement transactions and other operating activities.

2) Credit risk management policy

KGI Bank has standard control procedures for credit risk identification, measurement, and generation of disclosures and reports to be used for a rational identification, measurement, disclosure, and effective control of credit risk. These procedures include applying standard screening criteria for target clients, credit investigations for credit approval or rejection, careful deliberation of applications for certain exceptions, credit review, management of non-performing loans and requests, and control over all related documents and information. KGI Bank also adjusts the credit risk structure accordingly so that credit portfolios are within KGI Bank's risk appetite. Further, KGI Bank assesses the changes in the economy to adjust risk structure and develops strategies in response to these changes to alleviate shareholders' value and ensure the risk is bearable.

Based on the risk management policies, the management process is carried out as follows:

a) Credit investigation

In screening target clients, KGI Bank asks for all the necessary documents from the clients in order to get an accurate understanding of their backgrounds accurately and control credit portfolios within the acceptable range.

b) Credit approval

Cases that have passed the credit investigation are reviewed by the credit authority of each level.

The credit authorities approve credits in accordance with KGI Bank's credit limit structure and authorization policies. KGI Bank's credit approval structure and policies are based not only on the Banking Act and other government rules for credit extended to the same person or affiliated enterprises/groups, industry and country, but also on the professionalism of KGI Bank's credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities occasionally.

c) Post-lending loan review

The corporate banking segment of KGI Bank tracks the borrowers' financial and business conditions, generates risk assessment reports on credit asset portfolios regularly, operates a risk warning system and adjusts business development strategies as needed to cope with economic conditions and changes in asset quality through the use of an account management scheme and a regular-reassessment system. For delinquent loans, KGI Bank uses the concentration management method, together with information systems and analysis models, to conduct regular loan reviews for the enhanced management of overdue loans and expedite the collection of nonperforming loans.

d) Risk report and information disclosures

The risk management department is responsible for measuring risk, preparing quarterly risk report, including all risk management index and risk capital requirement assessment and reporting to risk management committee and board of directors.

3) Mitigation of risks or hedging of credit risk

Considering the asset hedge market and liquidity, KGI Bank takes the necessary risk reduction strategies, mainly on loan objects and hedge transactions involving assets with doubtful collectability or a long period of duration, including methods for increasing appropriate collaterals with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Credit Guarantee Fund to maximize the collateral. For determining the value of foreclosed collaterals, liquid securities will be evaluated at their market value; other collaterals will be subject to field surveys by appraisal firms for their fair value assessment, which will be used as a basis for demanding additional collaterals or adjusting the credit amount to ensure that risks are within KGI Bank's tolerance range.

If clients are found to have bad credit features, KGI Bank will strengthen the monitoring of the credit of borrower and guarantor and take measures, such as demanding an early repayment or additional collateral in mitigating KGI Bank's credit risk. In addition, KGI Bank sets different credit limits for counterparties involved in derivative transactions and enters into collateral support agreements with counterparties to ensure that risks are under control.

4) Maximum exposure to credit risk

Without taking into account irrevocable collateral or other credit enhancements and maximum exposure of unused amount for unused revolving credit without credit card and cash card, the maximum exposure to credit risk from on-balance sheet financial assets was equal to their carrying values; the maximum exposure of credit risk from off-balance sheet financial instruments was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Irrevocable loan commitments, guarantees and letters of credit	\$ 47,378,073	\$ 48,223,480	\$ 46,269,614

KGI Bank believes that stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure from their off-balance sheet items.

KGI Bank and subsidiaries' book values of maximum exposure credit risk for major credit assets were as follows:

Discounts and Loans						
June 30, 2020						
	Stage 1	Stage 2	Stage 3		The Adjustment	Total
	12-month	Lifetime Expected	Lifetime Expected	Purchased or	under the	
	Expected Credit	Credit	Credit	Originated	Recognition/	
	Losses	Losses	Losses	Credit-impaired	Discount	
				Financial Asset		
Short-term loans	\$ 57,494,138	\$ 777,393	\$ 754,088	\$ -		\$ 59,025,619
Short-term secured loans	24,392,370	66	-	-		24,392,436
Medium-term loans	139,828,722	91,916	281,927	-		140,202,565
Medium-term secured loans	68,202,399	99,806	31,596	-		68,333,801
Long-term loans	2,502,361	322,487	629,849	-		3,454,697
Long-term secured loans	72,668,698	83,662	149,248	-		72,901,608
Loans reclassified to nonperforming loans	-	-	463,985	-		463,985
Export negotiations	24,092	-	-	-		24,092
Total book values	365,112,780	1,375,330	2,310,693	-		368,798,803
Impairment allowance	(1,113,910)	(78,823)	(569,109)	-		(1,761,842)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					\$ (2,930,785)	(2,930,785)
Adjusting for discounts and loans premium					(86,316)	(86,316)
	<u>\$ 363,998,870</u>	<u>\$ 1,296,507</u>	<u>\$ 1,741,584</u>	<u>\$ -</u>	<u>\$ (3,017,101)</u>	<u>\$ 364,019,860</u>

Receivables						
June 30, 2020						
	Stage 1	Stage 2	Stage 3		The Adjustment	Total
	12-month	Lifetime Expected	Lifetime Expected	Purchased or	under the	
	Expected Credit	Credit	Credit	Originated	Regulation	
	Losses	Losses	Losses	Credit-impaired		
				Financial Asset		
Credit card business	\$ 2,565,243	\$ 178,382	\$ 116,583	\$ -		\$ 2,860,208
Accounts receivable - forfeiting	10,461,942	-	-	-		10,461,942
Accounts receivable factoring without recourse	5,185,342	97	192	-		5,185,631
Acceptances	138,528	-	-	-		138,528
Installment accounts and lease receivables	3,850,615	62,955	42,107	-		3,955,677
Total book value	22,201,670	241,434	158,882	-		22,601,986
Impairment allowance	(45,539)	(38,714)	(34,172)	-		(118,425)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					\$ (194,437)	(194,437)
	<u>\$ 22,156,131</u>	<u>\$ 202,720</u>	<u>\$ 124,710</u>	<u>\$ -</u>	<u>\$ (194,437)</u>	<u>\$ 22,289,124</u>

Discounts and Loans						
December 31, 2019						
	Stage 1	Stage 2	Stage 3		The Adjustment	Total
	12-month	Lifetime Expected	Lifetime Expected	Purchased or	under the	
	Expected Credit	Credit	Credit	Originated	Recognition/	
	Losses	Losses	Losses	Credit-impaired	Discount	
				Financial Asset		
Short-term loans	\$ 50,171,454	\$ 842,330	\$ 723,169	\$ -		\$ 51,736,953
Short-term secured loans	24,640,770	-	-	-		24,640,770
Medium-term loans	128,966,552	106,882	456,700	-		129,530,134
Medium-term secured loans	66,098,880	50,705	45,100	-		66,194,685
Long-term loans	1,675,199	272,462	465,350	-		2,413,011
Long-term secured loans	71,473,302	85,194	525,080	69,951		72,153,527
Loans reclassified to nonperforming loans	-	-	376,103	-		376,103
Export negotiations	30,866	-	-	-		30,866
Total book values	343,057,023	1,357,573	2,591,502	69,951		347,076,049
Impairment allowance	(1,450,530)	(81,745)	(597,543)	-		(2,129,818)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					\$ (2,334,800)	(2,334,800)
Adjusting for discounts and loans premium					(109,450)	(109,450)
	<u>\$ 341,606,493</u>	<u>\$ 1,275,828</u>	<u>\$ 1,993,959</u>	<u>\$ 69,951</u>	<u>\$ (2,444,250)</u>	<u>\$ 342,501,981</u>

Receivables						
December 31, 2019						
	Stage 3				The Adjustment under the Regulation	Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset		
Credit card business	\$ 2,816,692	\$ 191,782	\$ 104,575	\$ -		\$ 3,113,049
Accounts receivable - forfaiting	3,947,653	-	-	-		3,947,653
Accounts receivable factoring without recourse	6,572,098	111	214	-		6,572,423
Acceptances	281,925	-	-	-		281,925
Installment accounts and lease receivables	3,668,294	48,705	63,687	-		3,780,686
Total book value	17,286,662	240,598	168,476	-		17,695,736
Impairment allowance	(43,103)	(32,391)	(57,586)	-		(133,080)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					\$ (135,321)	(135,321)
	<u>\$ 17,243,559</u>	<u>\$ 208,207</u>	<u>\$ 110,890</u>	<u>\$ -</u>	<u>\$ (135,321)</u>	<u>\$ 17,427,335</u>

Discounts and Loans						
June 30, 2019						
	Stage 3				The Adjustment under the Recognition/ Discount	Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset		
Short-term loans	\$ 58,087,454	\$ 939,830	\$ 726,968	\$ -		\$ 59,754,252
Short-term secured loans	21,466,859	155	-	-		21,467,014
Medium-term loans	141,468,956	173,660	331,017	-		141,973,633
Medium-term secured loans	65,091,659	44,540	31,095	-		65,167,294
Long-term loans	1,328,316	239,846	450,440	-		2,018,602
Long-term secured loans	68,123,366	115,288	946,541	-		69,185,195
Loans reclassified to nonperforming loans	-	-	348,258	-		348,258
Export negotiations	42,776	-	-	-		42,776
Total book values	355,609,386	1,513,319	2,834,319	-		359,957,024
Impairment allowance	(1,536,491)	(161,763)	(438,994)	-		(2,137,248)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					\$ (2,429,730)	(2,429,730)
Adjusting for discounts and loans premium					(122,723)	(122,723)
	<u>\$ 354,072,895</u>	<u>\$ 1,351,556</u>	<u>\$ 2,395,325</u>	<u>\$ -</u>	<u>\$ (2,552,453)</u>	<u>\$ 355,267,323</u>

Receivables						
June 30, 2019						
	Stage 3				The Adjustment under the Regulation	Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset		
Credit card business	\$ 2,864,085	\$ 190,738	\$ 99,310	\$ -		\$ 3,154,133
Accounts receivable - forfaiting	6,068,832	-	-	-		6,068,832
Accounts receivable factoring without recourse	6,561,544	133	254	-		6,561,931
Acceptances	101,164	-	-	-		101,164
Installment accounts and lease receivables	3,519,029	43,613	82,681	-		3,645,323
Total book value	19,114,654	234,484	182,245	-		19,531,383
Impairment allowance	(56,006)	(31,187)	(58,144)	-		(145,337)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					\$ (145,327)	(145,327)
	<u>\$ 19,058,648</u>	<u>\$ 203,297</u>	<u>\$ 124,101</u>	<u>\$ -</u>	<u>\$ (145,327)</u>	<u>\$ 19,240,719</u>

Maximum exposures to credit risk of financial instrument not applicable to impairment were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets at FVTPL			
Debt instruments	\$ 29,200,454	\$ 33,078,636	\$ 42,898,385
Derivatives instruments	72,489,978	30,493,327	40,483,065

5) Collaterals and credit enhancement

KGI Bank and its subsidiaries' pledged collaterals associated with credit include discounts, loans and receivables which contain real estate, properties (e.g.: Machinery), rights certificates and securities (e.g.: Certificates of deposit, stocks), notes receivable arose from borrowing of business transactions, deposits guaranteed by authorities of treasury department of government, banks or guarantee institutions authorized by government (e.g.: SME credit guarantee fund and letter of credit guaranteed) and mortgages set in accordance with the laws including registration of land rights. Financial assets held by KGI Bank are part of corporate bonds guaranteed by financial institutions as credit enhancement.

KGI Bank and its subsidiaries observe collateral's value of financial instrument closely, and consider recognizing impairment for financial assets with credit impairment. KGI Bank and its subsidiaries' financial assets with impairment, and collateral's values for mitigation of potential losses were as follows:

June 30, 2020

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	\$ 116,583	\$ 23,242	\$ 93,341	\$ -
Accounts receivable factoring	192	22	170	-
Installment receivables and lease receivables	42,107	10,908	31,199	-
Discounts and loans	<u>2,310,693</u>	<u>569,109</u>	<u>1,741,584</u>	<u>310,296</u>
Total amount of impaired asset	<u>\$ 2,469,575</u>	<u>\$ 603,281</u>	<u>\$ 1,866,294</u>	<u>\$ 310,296</u>

December 31, 2019

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	\$ 104,575	\$ 27,085	\$ 77,490	\$ -
Accounts receivable factoring	214	13	201	-
Installment receivables and lease receivables	63,687	30,488	33,199	-
Discounts and loans	<u>2,661,453</u>	<u>597,543</u>	<u>2,063,910</u>	<u>745,375</u>
Total amount of impaired asset	<u>\$ 2,829,929</u>	<u>\$ 655,129</u>	<u>\$ 2,174,800</u>	<u>\$ 745,375</u>

June 30, 2019

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	\$ 99,310	\$ 24,194	\$ 75,116	\$ -
Accounts receivable factoring	254	15	239	-
Installment receivables and lease receivables	82,681	33,935	48,746	-
Discounts and loans	<u>2,834,319</u>	<u>438,994</u>	<u>2,395,325</u>	<u>1,084,688</u>
Total amount of impaired asset	<u>\$ 3,016,564</u>	<u>\$ 497,138</u>	<u>\$ 2,519,426</u>	<u>\$ 1,084,688</u>

The amount the of KGI Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount is \$285,964 thousand and \$268,574 thousand for the six months ended June 30, 2020 and 2019.

6) Concentrations of credit risk

Concentrations of credit risk arise when there is only one counterparty, or when there is a number of more than one counterparties or exposure but they have comparable economic characteristics, or when such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise from a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, due from and call loans to banks, investments, receivables and derivatives, etc. KGI Bank maintained a diversified loan portfolio to mitigate the credit risk concentration to same customers; total transaction of same customers in discounts and loans are not material. To manage credit risk concentration, KGI Bank maintains a diversified portfolio and monitors its exposure continually. KGI Bank's most significant concentrations of credit risk are summarized as follows:

a) By object

Object	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Public and private enterprise	\$ 239,391,460	64.91	\$ 220,692,107	63.59	\$ 237,796,692	66.06
Natural person	129,107,343	35.01	126,046,099	36.31	121,801,750	33.84
Non-profit organization	300,000	0.08	337,843	0.10	358,582	0.10
Total	\$ 368,798,803	100.00	\$ 347,076,049	100.00	\$ 359,957,024	100.00

b) By region

Region	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 282,392,059	76.57	\$ 259,269,771	74.70	\$ 261,629,853	72.68
Overseas	86,406,744	23.43	87,806,278	25.30	98,327,171	27.32
Total	\$ 368,798,803	100.00	\$ 347,076,049	100.00	\$ 359,957,024	100.00

c) By collateral

Collateral	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Non-collateral	\$ 203,053,559	55.06	\$ 183,987,284	53.01	\$ 204,026,130	56.68
Collateral						
Property	135,937,889	36.86	130,830,276	37.69	122,948,824	34.16
Guarantee	14,700,080	3.98	16,624,750	4.79	16,806,944	4.67
Financial collateral	7,694,453	2.09	8,251,419	2.38	8,754,169	2.43
Other	7,412,822	2.01	7,382,320	2.13	7,420,957	2.06
Total	\$ 368,798,803	100.00	\$ 347,076,049	100.00	\$ 359,957,024	100.00

7) Management of foreclosed collateral

Foreclosed collaterals are recorded at cost, using lower-at-cost or market approach as of the balance sheet date. If collaterals were not disposed of within the statutory period, KGI Bank should apply for an extension of the disposal period and increase its provision for possible losses, if necessary.

	June 30, 2020	December 31, 2019	June 30, 2019
Management of foreclosed collateral	\$ 588,985	\$ 588,985	\$ 606,487
Accumulated impairment	<u>(588,985)</u>	<u>(588,985)</u>	<u>(606,487)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Foreclosed collateral will be sold when it is actually available for sale. The foreclosed collateral is classified as other assets in balance sheet. The difference amount between the disposition price and the book value is recognized as net other noninterest profit and gain.

8) Disclosures required in the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of nonperforming loan and overdue credits of KGI Bank

Item			June 30, 2020				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 93,314	\$ 81,080,607	0.12%	\$ 990,642	1,061.62%
	Unsecured		132,038	165,703,751	0.08%	1,859,320	1,408.17%
Consumer loan	Mortgage (Note 4)		23,043	58,113,025	0.04%	873,200	3,789.39%
	Cash card		125,487	12,668,991	0.99%	323,182	257.54%
	Micro credit (Note 5)		201,179	24,648,160	0.82%	365,254	181.56%
	Other (Note 6)	Secured	13,881	26,551,612	0.05%	280,672	2,022.06%
		Unsecured	-	32,657	-	357	-
Total			588,942	368,798,803	0.16%	4,692,627	796.79%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			17,729	2,860,208	0.62%	56,751	320.10%
Account receivable - factored without recourse (Note 7)			55	5,185,631	0.00%	68,687	124,037.64%

Item			June 30, 2019				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 88,125	\$ 77,487,189	0.11%	\$ 956,926	1,085.88%
	Unsecured		80,419	166,326,512	0.05%	1,887,891	2,347.56%
Consumer loan	Mortgage (Note 4)		21,462	53,097,129	0.04%	657,500	3,063.53%
	Cash card		126,057	13,344,862	0.94%	306,083	242.81%
	Micro credit (Note 5)		158,696	24,331,714	0.65%	343,582	216.50%
	Other (Note 6)	Secured	21,741	25,346,576	0.09%	411,112	1,890.98%
		Unsecured	619	23,042	2.69%	3,884	626.88%
Total			497,119	359,957,024	0.14%	4,566,978	918.69%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			20,656	3,154,133	0.65%	59,062	285.93%
Account receivable - factored without recourse (Note 7)			35	6,561,931	0.00%	90,308	258,421.22%

Note 1: Non-performing loans are reported in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” issued by Ministry of Finance. Overdue credit card receivables are regulated by Order No. 0944000378 announced by the FSC on July 6, 2005.

Note 2: NPL ratio = NPL/Total loans. For credit card business: Delinquency ratio = Overdue credit card receivables/Credit card receivables balance.

Note 3: Coverage ratio = LLR/NPL. Coverage ratio of credit receivables: Allowance for credit losses/Overdue credit card receivables.

Note 4: Household mortgage refers to financing obtained to buy, build, or fix houses owned by the borrower or the borrower’s spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Order No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and it does not include credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Order No. 0945000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable - factoring without recourse.

b) Exemption of KGI Bank’s nonperforming loans and overdue receivables

Items	June 30, 2020		June 30, 2019	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 7,226	\$ 91	\$ 9,556	\$ 121
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	54,286	6,520	48,919	5,857
Total	\$ 61,512	\$ 6,611	\$ 58,475	\$ 5,978

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Order No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letters dated September 15, 2008 (Order No. 09700318940) and dated September 20, 2016 (Order No. 10500134790).

c) Concentration of KGI Bank's credit extensions

June 30, 2020

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 016102 Activities of wireless telecom	\$ 8,956,209	14.56
2	B Group - 016811 Real estate activities for sale and rental	7,928,735	12.89
3	C Group - 016429 Activities of other holding companies	6,833,693	11.11
4	D Group - 012719 Other computing peripheral equipment manufacturing	5,807,281	9.44
5	E Group - 016700 Real estate development activities	4,920,000	8.00
6	F Group - 016811 Real estate activities for sale and rental	4,613,587	7.50
7	G Group - 012712 Manufacture of monitors and terminals	4,334,261	7.04
8	H Group - 012611 Manufacture of integrated circuit	4,329,470	7.04
9	I Group - 012411 Iron and steel smelting	4,029,807	6.55
10	J Group - 012831 Manufacture of Electric Wires and Cables	3,686,020	5.99

June 30, 2019

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 012331 Manufacture of cement	\$ 8,009,288	12.76
2	B Group - 016811 Real estate activities for sale and rental	7,680,700	12.24
3	D Group - 012699 Manufacture of other electronic parts and components not elsewhere classified	6,876,198	10.95
4	K Group - 012613 Packaging and testing of semi-conductors	5,430,698	8.65
5	F Group - 016811 Real estate activities for sale and rental	4,978,477	7.93
6	L Group - 012711 Computer manufacturing	4,638,863	7.39
7	C Group - 016429 Activities of other holding companies	4,526,000	7.21
8	M Group - 015100 Civil aviation transportation	4,065,514	6.48
9	I Group - 012411 Iron and steel smelting	3,848,880	6.13
10	E Group - 016700 Real estate development activities	3,720,000	5.93

9) Judgements of a significant increase in credit risk since initial recognition

Credit business

KGI Bank assesses changes in credit quality during the expected lifetime of various types of credit assets on each reporting date to determine if there has been a significant increase in credit risk since the initial recognition, primarily consideration of indicators and supporting information (including prospective information) were as the follows:

a) Quantitative index

When the contractual payments are overdue for more than 30 days, the credit risk of the credit assets are considered to be significantly increased since the initial recognition.

b) Qualitative index

- i. Changes in the current or predicted operating, financial, or economic conditions that are expected to cause a significant change in the ability of the borrower to perform its obligations.
- ii. Actual or expected significant changes in borrower's operating results.
- iii. The credit risk of other credit contracts of the same borrower has increased significantly.
- iv. Individual credit assets, if the client did not suffer from financial difficulties at the time of the agreement can be included after assessment.

For the various types of credit assets of KGI Bank which are not be regarded as low credit risk, it can be assumed that the credit risk of such assets has not increased significantly since the initial recognition.

10) Definition of default and impaired credit of financial assets

The definition of default of the financial assets of the KGI Bank is the same as that of the impaired credit assets. If one or more of the following conditions are met, KGI Bank determines that the credit asset has defaulted and the credit is impaired:

a) Quantitative index

- i. When the borrower's overdue payment of the contract is more than 90 days.
- ii. Changes in external rating of guarantor or issuer of the notes or bonds.

b) Qualitative index

If there is evidence that the borrower will be unable to settle the loan, or has significant financial difficulties, such as:

- i. Borrower has been bankrupt or may file a petition for bankruptcy or financial restructuring.
- ii. Borrower's loan contract has been reclassified to nonperforming loans or has been written off as bad debts by the KGI Bank.
- iii. Due to financial or contractual reasons related to the financial difficulties of the borrower, the creditor of the borrower gives the borrower concessions that would not have been considered or agreed (agreements).
- iv. For cases involving the sale of non-performing loans and suits.
- v. Payment by the bank to fulfill off-balance sheet financial contracts (e.g., guarantee advances).

The aforementioned definition of default and credit impairment applied to the credit assets held by KGI Bank is consistent with the definition of credit assets used for internal credit risk management purposes, and the relevant impairment assessment model is used.

The credit asset will be restored to the state of compliance and is not considered a credit impaired credit asset in default if it no longer meets the definition of default and credit impairment.

A debt instrument investor may also be deemed to have a credit impairment on the financial asset if the rating of the bond guarantor or issuer's rating deteriorates significantly, for example, from an investment grade to a junk bond rating, or if one or more of the following conditions are met:

- i. The guarantor or issuer cannot repay the principal or interest on the maturity date of the bond.
- ii. Before the maturity of the note or bond, it can be objectively determined that the bond guarantor or issuer may not be able to repay the principal and interest of the bond on time.
- iii. Before the maturity of the note or bond, the bond guarantor or issuer is in bankruptcy or in reorganization or taken over due to financial difficulties.
- iv. Before the maturity of the note or bond, the bond guarantor or issuer closes down or is in the process of performing other financial restructuring.

11) Write-off policy

The KGI Bank shall write off bad debts for non-performing loans and overdue receivables that meet one of the following requirements:

- a) When reaching the criteria of write-off of the regulation.
- b) There is a need to expedite the reduction of non-performing loans or for certain businesses that needs to comply with the requirements of the governing authorities.
- c) Written off by the governing authorities or the financial inspection authorities.
- d) If it is difficult to dispose of the collateral or it may take a long time to recover the loan, the creditor's balance shall be written of within the period which specified in a).
- e) Obtaining the documentary evidence or supporting documents with the assessments that it is not possible to recover the loan.

12) Amendment of contract cash flows of financial assets

KGI Bank may amend the contract cash flows of financial assets as a result of financial difficulties of borrowers, improvement of problematic debtors' recovery rate or maintenance customer relationships. The contract amendments to cash flows amendment include the extension of the contract period, interest payment time modification, contract interest modification, or exemption of part of the debts.

13) Measurement of expected credit losses

For the purpose of measuring expected credit losses, KGI Bank divides credit assets into the following groups; for corporate banking, they are grouped according to scale, while for consumer banking, they are grouped according to product characteristics.

Business	Combination	Definition
Corporate banking	Large enterprises + Stage 1	Credit risk has not increased significantly.
	Small and medium enterprises + Stage 1	
	Large enterprises + Stage 2	Credit risk has increased significantly.
	Small and medium enterprises + Stage 2	
	Large enterprises + Stage 3	Credit impaired.
	Small and medium enterprises + Stage 3	
Consumer banking	Product + Stage 1	Credit risk has not increased significantly.
	Product + Stage 2	Credit risk has increased significantly.
	Product + Stage 3	Credit impaired.

KGI Bank measures the allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model 1 for financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses, KGI Bank takes into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and include the loss given default ("LGD"). Multiply by the Exposure at default ("EAD") and taking into account the impact of the time value of money, the expected credit losses for 12 months and duration are calculated.

Probability of default is the probability of default of a borrower or counterparty over a period of time; the loss given default refers to the probability of loss of the borrower or counterparty due to inability to recover the debt at the end of the reminder procedures. The probability of default and loss given default are used in the impairment assessment of KGI Bank credit business are based on internal historical information (such as credit loss experience, etc.) of each group, and adjust the history data based on the current observable data and forward-looking general economic information (such as GDP and employment rate, etc.) which are used to calculate the probability of default on expected losses.

The exposure at default mean that KGI Bank can claim compensation for the book value held by borrowers (or the counterparty) after borrowers have defaulted. KGI Bank's exposure at default has taken into account the amount of credits that have been used and the amounts that may be used in the future for the exposure at default amount. The amount of credits is used as an assessment of exposure at default of on balance sheet credits or part of credits that were already used; off-balance sheet or committed credits that are not yet used are based on the corresponding credit conversion factor (CCF) which considered the credits that are expected to be used within 12 months after the reporting date or expected lifetime to calculate exposure at default of expected credit loss.

14) Considerations of forward-looking information

KGI Bank incorporates forward-looking information when measuring expected credit losses on loans and receivables. Based on the business characteristics, KGI Bank selected the overall indicators that are highly relevant to lending as an adjustment parameter for default probability of lending. Based on the type of business, KGI Bank used different overall indicator. The Corporate banking business takes the economic growth rate (GDP) as an adjustment parameter; the consumer banking business takes employment rate variation as adjustment parameter. KGI Bank will make reference to external information (predicted value of internationally renowned economic forecasting institutions) or group expert assessments to provide forecasting information on economic factors. quarterly. For example, the changes of leading index and interbank offered rate as basic economic conditions; it contains the best estimate of the economic situation in the next five years, and for more than five years until the duration of the relevant financial instruments, it assumes a forecast that is equal to the fifth year.

While adjusting credit risk parameter of credit assets, the overall indicators mentioned above, such as GDP, changes of employment rate and basic economic conditions, have been adjusted due to COVID-19.

The measurement of expected credit loss of the Bank's debt instruments is based an external credit migration matrix method to calculate the Probability of default (PD), which is incorporated in the information of forward-looking factors.

15) Changes of provisions for off-balance-sheet guarantees and commitments

The off-balance-sheet guarantees and commitments provisions for the six months ended June 30, 2020 and 2019 are adjusted as follows:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 108,889	\$ 727	\$ -	\$ 1,757	\$ -	\$ 111,373	\$ 192,447	\$ 303,820
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(9)	9	-	-	-	-	-	-
From conversion to credit-impaired financial assets	(4)	-	-	4	-	-	-	-
To 12-month ECL	384	(130)	-	(254)	-	-	-	-
Derecognizing financial assets during the current period	(6,011)	(432)	-	(1,151)	-	(7,594)		(7,594)
Purchased or originated new financial assets	6,704	-	-	193	-	6,897		6,897
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							(16,299)	(16,299)
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	6,236	226	-	391	-	6,853		6,853
Balance at June 30, 2020	\$ 116,189	\$ 400	\$ -	\$ 940	\$ -	\$ 117,529	\$ 176,148	\$ 293,677

KGI Bank and its subsidiaries had no significant change in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment for the six months ended June 30, 2020. Net decrease of \$60,100,963 thousand change in total book value resulted in abovementioned provisions decreased by \$10,143 thousand in comparison to the prior period.

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 150,970	\$ 896	\$ -	\$ 1,670	\$ -	\$ 153,536	\$ 62,440	\$ 215,976
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(292)	292	-	-	-	-		-
From conversion to credit-impaired financial assets	(379)	(6)	-	385	-	-		-
To 12-month ECL	538	(310)	-	(228)	-	-		-
Derecognizing financial assets during the current period	(46,657)	(458)	-	-	-	(47,115)		(47,115)
Purchased or originated new financial assets	31,091	-	-	-	-	31,091		31,091
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							92,030	92,030
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	12,088	(369)	-	(222)	-	11,497		11,497
Balance at June 30, 2019	\$ 147,359	\$ 45	\$ -	\$ 1,605	\$ -	\$ 149,009	\$ 154,470	\$ 303,479

KGI Bank and its subsidiaries had no significant change in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment unused amount for the six months ended June 30, 2019. Net increase of \$32,103,788 thousand change in total book value resulted in abovementioned provisions increased by \$87,503 thousand in comparison to the prior period.

16) A loss allowance for financial assets measured at amortized cost

There was no significant increase in the credit risk of debt instruments measured at amortized cost of KGI Bank and subsidiaries; therefore, the 12-month expected credit losses were used to assess allowance for loss. As of June 30, 2020, December 31, 2019 and June 30, 2019, loss allowance for debt instruments measured at amortized cost due to the slight adjustment of the portfolio were \$3,046 thousand, \$3,198 thousand and \$3,442 thousand, respectively.

17) Loss allowance for receivables

The reconciliation statement of loss allowance for receivables for the six months ended June 30, 2020 and 2019 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 46,283	\$ 32,925	\$ 1	\$ 1,137,187	\$ -	\$ 1,216,396	\$ 151,182	\$ 1,367,578
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(5,184)	6,612	-	(1,428)	-	-		-
From conversion to credit-impaired financial assets	(818)	(1,832)	-	2,650	-	-		-
To 12-month ECL	457	(274)	-	(183)	-	-		-
Derecognizing financial assets during the current period	(8,610)	(355)	(1)	(2,956)	-	(11,922)		(11,922)
Purchased or originated new financial assets	15,182	51	-	1,003	-	16,236		16,236
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							40,672	40,672
Write-off	-	-	-	(24,545)	-	(24,545)		(24,545)
Recovery of written-off	-	-	-	15,017	-	15,017		15,017
Effect of exchange rate changes and others	724	2,020	-	20,225	-	22,969		22,969
Balance at June 30, 2020	\$ 48,034	\$ 39,147	\$ -	\$ 1,146,970	\$ -	\$ 1,234,151	\$ 191,854	\$ 1,426,005

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 69,740	\$ 28,458	\$ 5	\$ 1,183,155	\$ -	\$ 1,281,358	\$ 237,888	\$ 1,519,246
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(127)	3,073	-	(2,946)	-	-	-	-
From conversion to credit-impaired financial assets	(71)	(968)	-	1,039	-	-	-	-
To 12-month ECL	278	(188)	-	(90)	-	-	-	-
Derecognizing financial assets during the current period	(15,369)	(2,700)	(5)	(7,149)	-	(25,223)		(25,223)
Purchased or originated new financial assets	16,711	-	-	-	-	16,711		16,711
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							(51,185)	(51,185)
Write-off	-	-	-	(1,513)	-	(1,513)		(1,513)
Recovery of written-off	-	-	80	9,206	-	9,286		9,286
Effect of exchange rate changes and others	(10,986)	4,055	(80)	6,629	-	(382)		(382)
Balance at June 30, 2019	\$ 60,176	\$ 31,730	\$ -	\$ 1,188,331	\$ -	\$ 1,280,237	\$ 186,703	\$ 1,466,940

Changes in total book values of receivables for the six months ended June 30, 2020 and 2019 of KGI Bank and subsidiaries:

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 20,525,328	\$ 246,885	\$ 6	\$ 1,758,759	\$ -	\$ 22,530,978
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(63,960)	27,731	-	36,229	-	-
Purchased or originated new receivables	11,179,494	568	-	2,625	-	11,182,687
Write-off	-	-	-	(24,545)	-	(24,545)
Derecognition	(4,779,554)	(28,432)	(3)	(25,285)	-	(4,833,274)
Effect of exchange rate changes and others	(151,519)	(9)	-	(9,931)	-	(161,459)
Balance at June 30, 2020	\$ 26,709,789	\$ 246,743	\$ 3	\$ 1,737,852	\$ -	\$ 28,694,387

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 27,184,310	\$ 251,010	\$ 17	\$ 1,891,476	\$ -	\$ 29,326,813
Conversion from individual financial instruments to lifetime ECL	-	-	2	(2)	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	(2)	2	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(39,342)	19,577	-	19,765	-	-
Purchased or originated new receivables	4,709,627	-	-	2,888	-	4,712,515
Write-off	-	-	-	(2,364)	-	(2,364)
Derecognition	(6,294,016)	(29,940)	(15)	(62,627)	-	(6,386,598)
Effect of exchange rate changes and others	67,270	18	(2)	12,078	-	79,364
Balance at June 30, 2019	\$ 25,627,849	\$ 240,665	\$ -	\$ 1,861,216	\$ -	\$ 27,729,730

18) Loss allowance for discounts and loans

The reconciliation statement of allowance for bad debts of discounts and loans for the six months ended June 30, 2020 and 2019 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 1,450,530	\$ 80,266	\$ 1,479	\$ 597,543	\$ -	\$ 2,129,818	\$ 2,334,800	\$ 4,464,618
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(1,845)	17,260	-	(15,415)	-	-	-	-
From conversion to credit-impaired financial assets	(3,821)	(15,131)	-	18,952	-	-	-	-
To 12-month ECL	3,199	(2,480)	-	(719)	-	-	-	-
Derecognizing financial assets during the current period	(322,473)	(5,520)	-	(25,586)	-	(353,579)		(353,579)
Purchased or originated new financial assets	649,125	230	-	172	-	649,527		649,527
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							595,985	595,985
Write-off	-	-	-	(224,281)	-	(224,281)		(224,281)
Recovery of written-off	-	-	-	354,203	-	354,203		354,203
Effect of exchange rate changes and others	(660,805)	2,656	63	(135,760)	-	(793,846)		(793,846)
Balance at June 30, 2020	\$ 1,113,910	\$ 77,281	\$ 1,542	\$ 569,109	\$ -	\$ 1,761,842	\$ 2,930,785	\$ 4,692,627

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 1,415,427	\$ 95,618	\$ 7,085	\$ 495,451	\$ -	\$ 2,013,581	\$ 2,320,761	\$ 4,334,342
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(1,240)	10,838	4,050	(13,648)	-	-	-	-
From conversion to credit-impaired financial assets	(2,227)	(19,150)	(2,106)	23,483	-	-	-	-
To 12-month ECL	4,762	(3,441)	-	(1,321)	-	-	-	-
Derecognizing financial assets during the current period	(206,091)	(8,166)	(136)	(81,262)	-	(295,655)		(295,655)
Purchased or originated new financial assets	517,071	-	-	-	-	517,071		517,071
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							108,969	108,969
Write-off	-	-	-	(239,287)	-	(239,287)		(239,287)
Recovery of written-off	-	-	-	363,981	-	363,981		363,981
Effect of exchange rate changes and others	(191,211)	76,936	235	(108,403)	-	(222,443)		(222,443)
Balance at June 30, 2019	\$ 1,536,491	\$ 152,635	\$ 9,128	\$ 438,994	\$ -	\$ 2,137,248	\$ 2,429,730	\$ 4,566,978

Changes in total book values of discounts and loans for the six months ended June 30, 2020 and 2019 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 343,057,023	\$ 1,350,348	\$ 7,225	\$ 2,591,502	\$ 69,951	\$ 347,076,049
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(564,193)	164,531	-	399,662	-	-
Purchased or originated new discounts and loans	323,014,067	2,096	-	1,152	-	323,017,315
Write-off	-	-	-	(224,281)	-	(224,281)
Derecognition	(299,274,694)	(141,955)	-	(455,472)	(69,951)	(299,942,072)
Effect of exchange rate changes and others	(1,119,423)	(6,808)	(107)	(1,870)	-	(1,128,208)
Balance at June 30, 2020	\$ 365,112,780	\$ 1,368,212	\$ 7,118	\$ 2,310,693	\$ -	\$ 368,798,803

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 335,634,535	\$ 1,729,750	\$ 23,616	\$ 2,826,173	\$ -	\$ 340,214,074
Conversion from individual financial instruments to lifetime ECL	-	-	13,502	(13,502)	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	(7,020)	7,020	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(426,092)	(87,208)	-	513,300	-	-
Purchased or originated new discounts and loans	199,733,617	-	-	-	-	199,733,617
Write-off	-	-	-	(239,287)	-	(239,287)
Derecognition	(180,162,123)	(160,755)	(454)	(260,066)	-	(180,583,398)
Effect of exchange rate changes and others	829,449	1,102	786	681	-	832,018
Balance at June 30, 2019	\$ 355,609,386	\$ 1,482,889	\$ 30,430	\$ 2,834,319	\$ -	\$ 359,957,024

KGI Securities and subsidiaries

Credit risk analysis

1) Source of credit risk

The credit risks that KGI Securities and subsidiaries are exposed to during financial transactions include issuer's credit risk, and counterparty credit risk and underlying assets credit risk.

- Issuer's credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face while possessing financial debt instruments when an issuer (or guarantor) or a bank defaults, files for bankruptcy or liquidates assets and in turn cannot honor the stipulations and fulfill the obligation of paying back (or fulfilling a guarantee).
- Counterparty credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face when a counterparty in derivative financial instrument transactions or other counterparties do not complete a transaction or fulfill a payment obligation on the appointed date.

2) Credit risk management

The investment, acquisition of fixed-income securities, other financial assets, and credit risk management of current counterparties are handled in accordance with KGI Securities and subsidiaries' internal control procedures and related regulations, and most of them have reached an external credit rating investment grade or above, so credit risk is very low.

3) Default and credit derogation definition of financial assets

- a) The definition of the credit assets default of the KGI Securities and subsidiaries are the same as that of the impaired credit assets. If there is evidence that the issuer or counterparty will be unable to pay, or has significant financial difficulties, such as:
 - i. The issuer or counterparty has been bankrupt or may file a petition for bankruptcy or financial restructuring.
 - ii. The contract of the other financial instrument of the issuer or counterparty has been breached.
 - iii. The active market for the financial asset disappeared due to the financial difficulties of the issuer or counterparty.
 - iv. Purchase or initiate financial assets at a substantial discount that reflects credit losses that have occurred.
- b) The aforementioned definition of default and credit impairment applies to the credit assets held by KGI Securities and subsidiaries are consistent with the definition of credit assets used for internal credit risk management purposes, and is used in the relevant impairment assessment model.
- c) If a credit asset is assessed to no longer meets the definition of default and credit impairment, it should return to the state of compliance, and is no longer considered a credit asset for default and credit impairment.
- d) KGI securities and subsidiaries' financial assets are written-off if they are unable to reasonably expect that financial assets will be recovered (e.g., significant financial difficulties for the issuer or the debtor, or bankrupt).

4) Credit risk statement for financial assets

- a) Cash and cash equivalents, other financial assets

KGI Securities and subsidiaries deposit in creditworthy financial institutions and deposits a certain amount of securities in a specific accounts of the financial institution (Custodian Bank) designated by the futures companies. KGI Securities and subsidiaries regularly evaluate the financial, operating and credit risk status of financial institutions and futures companies. The credit risk is under KGI Securities and subsidiaries' control.

- b) Financial assets measured at fair value through profit or loss - current

KGI Securities holds the unsecured corporate bonds, convertible (exchangeable) corporate bonds and part of the CB Asset Swap. Issuers of unsecured corporate bonds are listed/OTC companies or financial institutions. Issuers of convertible (exchangeable) corporate bonds are listed/OTC companies in Taiwan and partial of them are secured by bank. In most other holdings, KGI Securities conducts CB asset swap and issues credit linked note to transfer risk and lower the credit risk exposure of it. Therefore, the credit risk of the issuer has been effective control.

- c) Financial assets measured at fair value through other comprehensive income (excluding equity instrument investments)

KGI Securities holds mainly the medium and long-term bond investment position. KGI Securities pays attention to the credit rating of each investment and the financial status of the issuer (or guarantee institution) in order to minimize credit risk.

- d) Bonds purchased under resell agreements

The counterparties with bonds purchased under resell agreements are mainly creditworthy financial institutions and companies. Because KGI Securities and subsidiaries holds bonds purchased under resell agreements as collateral, it can effectively reduce underlying exposure the counterparty's credit risk.

- e) Receivables

Receivables mainly include margin loans receivable, trading securities receivable, futures trading margin receivable and accounts receivable, etc. The main credit risk is receivable on margin loans and trading securities receivable of credit trading customers. KGI Securities and subsidiaries closely monitor market fluctuations and counterparties credit history, and enforce related control measures to minimize the credit risk.

- f) Customer margin accounts

The exclusive account for depositing customer margin accounts is mainly opened in creditworthy banks, financial institutions and companies with investment grades, so there is no significant credit risk.

- g) Stock borrowing collateral price and guarantee deposits - borrowed securities

When KGI Securities borrows securities from outside, they must deposit the guaranty fund into the financial institution designated by the other parties. Because KGI Securities holds the foregoing borrowed securities simultaneously, it can effectively reduce the risk of the counterparty's credit risk.

- h) Financial assets measured at amortized cost

On June 30, 2019, subsidiaries of KGI Securities held the principal of unsecured subordinated bonds and discounted value of coupon interests issued by Sunny Bank, Hwatai Bank and Panhsin Bank. Subsidiaries of KGI Securities Control the credit risk by evaluating the credit risk status of each financial institution.

- i) Other non-current assets

Other non-current assets are mainly operating guarantee deposits, clearing and settlement funds and guarantee deposits-out. KGI Securities and subsidiaries carefully evaluates the counterparty in accordance with the amount of deposit. The counterparties are a large number and the amount of each deposit is not high. The credit risk has been effectively dispersed, so the credit risk is very low.

5) Assessment of expected credit losses

a) Consideration of forward-looking information

KGI Securities and subsidiaries take forward-looking information into consideration when assessing whether there has been a significant increase in financial assets' credit risk after initial recognition and when measuring of expected credit losses.

Probability of default of debt instrument investment (except for at fair value through profit or loss) used by KGI Securities and subsidiaries is based on the probability of default contained forward-looking general economic information and regularly announced by international credit rating agencies.

Except for debt instrument investments, financial assets of KGI Securities and subsidiaries are analyzed using historical data to determine the economic factors that affect the expected credit losses of each asset portfolios, and supplemented by the best expectation announced by the government-affiliated institutions and academic research units. The best estimate of expected credit losses are reevaluate and revised on each financial reporting date.

b) Receivables and other financial assets

KGI Securities and domestic subsidiaries

KGI Securities and its domestic subsidiaries use simplified approach of IFRS 9 to measure the allowance losses by lifetime expected credit losses. The lifetime expected credit losses are based on historical records, current information, and forward-looking information calculated by a regression model. For the fact that KGI Securities and domestic subsidiaries' historical records of credit losses indicate that there is no significant difference in the loss patterns of different customer groups, it is not measured in groups.

Overseas subsidiaries

The financial assets of overseas subsidiaries whose credit risk do not increase significantly after initial recognition are measured as 12-month expected credit losses. For financial assets whose credit risk has increased significantly after initial recognition, they are measured as lifetime expected credit losses. Customers' past default records, counterparty credit ratings, current information and relevant forward-looking information are take into consideration when assessing expected credit losses. For the fact that there is no significant difference in the loss patterns of different customer groups of overseas subsidiaries, it is not measured in groups.

c) Debt instrument investment (except at fair value through profit or loss)

The original purchase is based on the premise that the credit risk is low, it is assessed whether the credit risk is significantly increased after the initial recognition on each balance sheet date to determine the method of measuring the allowance loss and its loss rate.

In order to measure expected credit losses, KGI Securities and subsidiaries consider the probability of default (PD) of financial assets or the issuer or counterparty for the next 12 months, which collectively consider the loss given default (LGD), and is multiplied by exposure at default (EAD). KGI Securities and subsidiaries assess financial assets measured at amortized cost with exposure at default and consider the impact of time value of money to calculate the expected credit losses for 12 months and lifetime, respectively.

Probability of default is the probability that the issuer or the counterparty will default, and loss given default is the rate of loss caused by default by the issuer or counterparty. The probability of default and loss given default used by KGI Securities and subsidiaries in related assessment of impairment are mainly relied on the probability of default and loss given default that are regularly announced by international credit rating agencies.

The aforementioned impairment assessment method and related indicators of debt instrument investment are described as follows:

Degree of Credit Risk	Indicators	Measurement of Expected Credit Loss
Low credit risk	Ratings above BBB-/counterparty with good credit	12 months expected credit loss
Credit risk significantly increase	Ratings between BB+-C (Note)	Lifetime expected credit loss
Impaired/default	Ratings below D and impaired	Lifetime expected credit loss

Note: KGI Securities and subsidiaries consider information which indicates significant and evidential increase in credit risk (including forward-looking information) since the initial recognition. The main considerations including:

- i. External credit ratings, overdue status information, credit spreads, other market information related to borrowers, issuers or counterparties, and the same borrowers' credit risk of other financial instruments increases significantly.
 - ii. Low credit risk: If it is determined that the credit risk of a financial instrument at the reporting date is low, it can be assumed that the credit risk of the financial instrument has not increased significantly since the date of initial recognition.
- 6) The estimation techniques or material assumptions used by KGI Securities and subsidiaries to assess expected credit losses did not change significantly for the six months ended June 30, 2020 and 2019.

Disclosure of total book value and allowance loss for financial assets' expected credit loss

- 1) Summary of KGI Securities and subsidiaries' total book value and allowance loss as of June 30, 2020, December 31, 2019 and June 30, 2019 are listed as follows:

Financial assets at fair value through other comprehensive income

Total book value and allowance loss for financial assets at debt instruments at fair value through other comprehensive income were \$34,547,452 thousand, \$26,859,655 thousand and \$24,757,412 thousand, respectively, and allowance loss for financial assets at fair value through other comprehensive income were \$12,896 thousand, \$10,992 thousand and \$9,631 thousand, respectively.

Accounts receivable and othersJune 30, 2020

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	\$ 12,543,163	\$ (106)	\$ 12,543,057
Bonds purchased under resell agreement	12,720,666	-	12,720,666
Margin loans receivables	24,591,570	(1,411)	24,590,159
Trading securities receivables	4,524,175	(378)	4,523,797
Customer's margin accounts	46,508,183	(1,083)	46,507,100
Futures commission merchant receivable	170,993	(166,782)	4,211
Accounts receivable	39,169,007	(1,974)	39,167,033
Other current assets	32,043,334	(7,631)	32,035,703
Other non-current assets	<u>4,530,776</u>	<u>(1,731,301)</u>	<u>2,799,475</u>
	<u>\$ 176,801,867</u>	<u>\$ (1,910,666)</u>	<u>\$ 174,891,201</u>

December 31, 2019

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	\$ 16,650,481	\$ (54)	\$ 16,650,427
Bonds purchased under resell agreement	18,188,175	-	18,188,175
Margin loans receivables	24,157,751	(1,887)	24,155,864
Trading securities receivables	5,365,585	(519)	5,365,066
Customer's margin accounts	37,536,624	(984)	37,535,640
Futures commission merchant receivable	167,493	(160,587)	6,906
Accounts receivable	27,581,035	(1,561)	27,579,474
Other current assets	37,511,895	(4,718)	37,507,177
Other non-current assets	<u>4,374,460</u>	<u>(1,752,929)</u>	<u>2,621,531</u>
	<u>\$ 171,533,499</u>	<u>\$ (1,923,239)</u>	<u>\$ 169,610,260</u>

June 30, 2019

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	\$ 10,442,675	\$ (561)	\$ 10,442,114
Bonds purchased under resell agreement	22,848,839	-	22,848,839
Margin loans receivables	20,743,822	(1,690)	20,742,132
Trading securities receivables	7,542,882	(1,013)	7,541,869
Customer's margin accounts	40,725,545	(1,070)	40,724,475
Futures commission merchant receivable	170,212	(160,435)	9,777
Accounts receivable	39,390,140	(1,822)	39,388,318
Other current assets	32,068,324	(9,218)	32,059,106
Financial assets measured at amortized cost - non-current	799,815	(3,404)	796,411
Other non-current assets	<u>4,937,876</u>	<u>(1,794,309)</u>	<u>3,143,567</u>
	<u>\$ 179,670,130</u>	<u>\$ (1,973,522)</u>	<u>\$ 177,696,608</u>

2) Changes in allowance losses of KGI Securities and subsidiaries for the six months ended June 30, 2020 and 2019 are as follows:

a) Financial assets at fair value through other comprehensive income

	12 Months Expected Credit Loss
January 1, 2020	\$ 10,992
Increase	1,945
Change in exchange rate and others	<u>(41)</u>
June 30, 2020	<u>\$ 12,896</u>
January 1, 2019	\$ 5,447
Increase	4,140
Change in exchange rate and others	<u>44</u>
June 30, 2019	<u>\$ 9,631</u>

Due to the increasing in financial assets measured at fair value through other comprehensive income-debt instrument investments during the six months ended June 30, 2020 and 2019, the related 12-month expected credit losses increase.

b) Receivables and others

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss (Collective)	Credit Impaired Financial Assets (Lifetime Expected Credit Loss)	Lifetime Expected Credit Loss (Simplify)	Total
January 1, 2020	\$ 5,263	\$ 402	\$ 1,914,235	\$ 3,339	\$ 1,923,239
Addition (reversal)	3,109	(120)	8,574	(101)	11,462
Derecognizing financial assets during the current period	-	-	(1,750)	-	(1,750)
Change in exchange rate and others	<u>(140)</u>	<u>(4)</u>	<u>(22,140)</u>	<u>(1)</u>	<u>(22,285)</u>
June 30, 2020	<u>\$ 8,232</u>	<u>\$ 278</u>	<u>\$ 1,898,919</u>	<u>\$ 3,237</u>	<u>\$ 1,910,666</u>
January 1, 2019	\$ 15,875	\$ 217	\$ 1,975,004	\$ 3,580	\$ 1,994,676
Addition (reversal)	(2,745)	(88)	(5,596)	436	(7,993)
Derecognizing financial assets during the current period	-	-	(18,859)	-	(18,859)
Write-off	-	-	(6,808)	-	(6,808)
Change in exchange rate and others	<u>132</u>	<u>3</u>	<u>12,371</u>	<u>-</u>	<u>12,506</u>
June 30, 2019	<u>\$ 13,262</u>	<u>\$ 132</u>	<u>\$ 1,956,112</u>	<u>\$ 4,016</u>	<u>\$ 1,973,522</u>

The aforementioned total book value of receivables and other financial assets does not have a significant change.

CDIB Capital Group and subsidiaries

CDIB Capital Group and subsidiaries are exposed to credit risk due to default on contracts by borrowers, debtors or counter-parties and changes in credit quality. The maximum exposure to credit risk is equal to the book value.

The maximum exposure to credit risk held by CDIB Capital Group and subsidiaries of the financial instruments is equal to the book value.

China Life Insurance

- Credit risk analysis

- 1) Credit risk refers to the counterparties fail to fulfill obligations, resulting in the risk of loss of value. Credit risks of China Life Insurance result from operating and financing activities, which mainly include lending, investing in financial instruments and receivables.

The departments of China Life Insurance follow credit risk policies, procedures and controls to manage credit risks. The credit risk assessment of all issuers or counterparties is based on comprehensive consideration of their financial status, credit ratings, historical transaction records, current economic environment, China Life Insurance's internal rating indicators, and etc. Also, China Life Insurance uses certain credit enhancement tools in due course to reduce the credit risk of a particular issuer or counterparty.

For investments of financial instruments, its original purchase is based on the premise that the credit risk is low, and on each balance sheet date, it is assessed whether the conditions of low credit risk are still met to determine the method of measuring the allowance. Also, China Life Insurance dispose those investments to reduce credit losses in appropriate time, such as there is a significant increase in credit risk. In addition, China Life Insurance has established credit VaR model to assess the maximum loss of the credit positions due to changes of credit rating or default. Besides, China Life Insurance also evaluates credit risk and concentration risk based on issuer's region, industry and credit rating within portfolios.

Lending of China Life Insurance is determined by the factors that affect the risk based on the 5P principle which gives different weights according to the impact of the risk so as to calculate the credit score of each borrower. The credit score comprehensively measures the rationality of the purpose of the loan, the collateral area, value and number, the customer's credit report, historical interest payment record, financial status, debt repayment ability, and etc. According to the scores, the decision will be stratified in order to control the loan risk. Once a delay occurs, it is promptly collected in accordance with the procedures to avoid financial losses.

China Life Insurance assesses expected credit losses in accordance with IFRS 9, except for some of receivables, which allowance are measured by lifetime expected credit losses. The original purchase of the rest, which do not belong to debt instruments measured at fair value through profit or loss, is based on the premise of low credit risk and uses credit risk as the basis of the differentiation group. On each balance sheet date, assessing whether the credit risk is significantly increased after the initial recognition to determine the method of measuring the allowance loss and its loss rate. The main considerations for determining whether the credit risk has increased significantly include objective evidence such as the external credit rating and its degree of change, overdue status, occurrence of major financial difficulties or liquidation and reorganization. Expected credit losses will be measured by the probability of default (PD) of the issuer or the counterparty over the next 12 months and the lifetime, multiplied by the loss given default (LGD) and the exposure at default (EAD), and is considered by the impact of the time value of money. The expected credit losses for 12 months and duration is calculated, respectively.

Probability of default is the probability that the issuer or the counterparty will default, and the loss given default is the rate of loss caused by default by the issuer or counterparty. China Life Insurance employs information on the default probability and default loss rate published by external credit rating agencies and adjusts it based on forward-looking general economic information.

China Life employs amortized cost of financial assets plus accrued interest and receivables as a measure of exposure at default, while loans are calculated as the sum of the principal balance of the debtor at the time of calculation, interest, and payable as a measure of exposure at default.

Some of the allowance losses of part of receivables are measured by its expected credit losses for its lifetime. The expected credit losses during the existence period is considered by the past default records and current information, and the expected credit loss rate is set based on the overdue days of receivables.

2) Financial assets credit risk concentration analysis

- a) The largest credit risk exposure of the financial debt instrument investments held by China Life Insurance or deposit in the bank is listed in accordance with the regional distribution as follows:

June 30, 2020

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$ 66,792,553	\$ 5,142,426	\$ 12,090,525	\$ -	\$ -	\$ 84,025,504
Financial assets at fair value through profit or loss	25,952,607	5,776,390	12,929,050	1,982,724	-	46,640,771
Financial assets at fair value through other comprehensive income	72,966,822	117,298,006	82,381,312	97,596,294	-	370,242,434
Financial assets at amortized cost	132,464,145	259,331,701	251,609,547	382,277,787	8,023,436	1,033,706,616
Refundable deposits - bonds	6,698,183	-	-	-	-	6,698,183
	<u>\$ 304,874,310</u>	<u>\$ 387,548,523</u>	<u>\$ 359,010,434</u>	<u>\$ 481,856,805</u>	<u>\$ 8,023,436</u>	<u>\$ 1,541,313,508</u>
Proportion	<u>19.78%</u>	<u>25.15%</u>	<u>23.29%</u>	<u>31.26%</u>	<u>0.52%</u>	<u>100.00%</u>

December 31, 2019

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$ 59,222,242	\$ 18,687,554	\$ 8,016,222	\$ -	\$ -	\$ 85,926,018
Financial assets at fair value through profit or loss	25,533,331	8,950,753	16,606,529	1,224,110	-	52,314,723
Financial assets at fair value through other comprehensive income	74,743,643	110,640,035	77,612,643	80,575,074	-	343,571,395
Financial assets at amortized cost	133,360,531	238,509,983	248,102,345	372,806,878	18,256,497	1,011,036,234
Refundable deposits - bonds	6,708,195	-	-	-	-	6,708,195
	<u>\$ 299,567,942</u>	<u>\$ 376,788,325</u>	<u>\$ 350,337,739</u>	<u>\$ 454,606,062</u>	<u>\$ 18,256,497</u>	<u>\$ 1,499,556,565</u>
Proportion	<u>19.98%</u>	<u>25.13%</u>	<u>23.36%</u>	<u>30.31%</u>	<u>1.22%</u>	<u>100.00%</u>

June 30, 2019

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$ 19,932,398	\$ 5,446,623	\$ 9,677,466	\$ -	\$ -	\$ 35,056,487
Financial assets at fair value through profit or loss	23,961,697	12,368,033	16,952,666	7,224,619	-	60,507,015
Financial assets at fair value through other comprehensive income	74,577,763	90,618,640	82,514,887	73,293,502	-	321,004,792
Financial assets at amortized cost	140,298,806	230,323,985	238,561,018	383,377,557	18,509,080	1,011,070,446
Refundable deposits - bonds	5,966,846	-	-	-	-	5,966,846
	<u>\$ 264,737,510</u>	<u>\$ 338,757,281</u>	<u>\$ 347,706,037</u>	<u>\$ 463,895,678</u>	<u>\$ 18,509,080</u>	<u>\$ 1,433,605,586</u>
Proportion	<u>18.47%</u>	<u>23.63%</u>	<u>24.25%</u>	<u>32.36%</u>	<u>1.29%</u>	<u>100.00%</u>

- b) China Life Insurance's regional distribution of credit risk exposure for secured loans and overdue receivables (excluding policy loans and automatic premium loans) is as follows:

June 30, 2020

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	\$ 360,813	\$ 173,785	\$ 168,452	\$ 703,050
Overdue receivables	-	-	172	172
	<u>\$ 360,813</u>	<u>\$ 173,785</u>	<u>\$ 168,624</u>	<u>\$ 703,222</u>
Proportion	<u>51.31%</u>	<u>24.71%</u>	<u>23.98%</u>	<u>100.00%</u>

December 31, 2019

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	\$ 414,446	\$ 211,086	\$ 208,190	\$ 833,722
Overdue receivables	-	-	-	-
	<u>\$ 414,446</u>	<u>\$ 211,086</u>	<u>\$ 208,190</u>	<u>\$ 833,722</u>
Proportion	<u>49.71%</u>	<u>25.32%</u>	<u>24.97%</u>	<u>100.00%</u>

June 30, 2019

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	\$ 472,442	\$ 248,805	\$ 253,013	\$ 974,260
Overdue receivables	<u>-</u>	<u>1,866</u>	<u>451</u>	<u>2,317</u>
	<u>\$ 472,442</u>	<u>\$ 250,671</u>	<u>\$ 253,464</u>	<u>\$ 976,577</u>
Proportion	<u>48.38%</u>	<u>25.67%</u>	<u>25.95%</u>	<u>100.00%</u>

3) Grading of financial instrument credit risk quality

China Life Insurance's internal credit risk is classified into investment grade and non-investment grade mainly based on rating of the credit rating agencies:

- a) Investment grade means credit rating reaches at least BBB-granted by a credit rating agency.
- b) Non-investment grade means no credit rating or credit rating lower than BBB-granted by a credit rating agency.

Grading of credit risk quality is as follows:

June 30, 2020

Financial Assets	Investment Grade	Non-investment Grade
Cash and cash equivalents	\$ 84,025,504	\$ -
Financial assets at fair value through profit or loss	46,640,771	-
Financial assets at fair value through other comprehensive income	361,208,970	9,033,464
Financial assets at amortized cost	1,030,935,308	2,771,308
Refundable deposits	<u>6,698,183</u>	<u>-</u>
	<u>\$ 1,529,508,736</u>	<u>\$ 11,804,772</u>
Proportion	<u>99.23%</u>	<u>0.77%</u>

December 31, 2019

Financial Assets	Investment Grade	Non-investment Grade
Cash and cash equivalents	\$ 85,926,018	\$ -
Financial assets at fair value through profit or loss	52,314,723	-
Financial assets at fair value through other comprehensive income	336,578,279	6,993,116
Financial assets at amortized cost	1,011,036,234	-
Refundable deposits	<u>6,708,195</u>	<u>-</u>
	<u>\$ 1,492,563,449</u>	<u>\$ 6,993,116</u>
Proportion	<u>99.53%</u>	<u>0.47%</u>

June 30, 2019

Financial Assets	Investment Grade	Non-investment Grade
Cash and cash equivalents	\$ 35,056,487	\$ -
Financial assets at fair value through profit or loss	60,507,015	-
Financial assets at fair value through other comprehensive income	315,328,900	5,675,892
Financial assets at amortized cost	1,011,070,446	-
Refundable deposits	<u>5,966,846</u>	<u>-</u>
	<u>\$ 1,427,929,694</u>	<u>\$ 5,675,892</u>
Proportion	<u>99.60%</u>	<u>0.40%</u>

4) Disclosure of total book value and allowance loss for financial assets' expected credit loss

China Life Insurance assesses its debt investments at fair value through other comprehensive income, debt investments measured at amortized cost and other receivables on June 30, 2020, December 31, 2019 and June 30, 2019. The assessment indicates those investments do not have significant increase in credit risk. Therefore, the 12-month expected credit loss (loss rate 0.00%-0.11%, 0.00%-0.18% and 0.00%-0.18%, respectively) is used to measure the amount of allowance loss.

The total book value of China Life Insurance debt investments measured at fair value through other comprehensive income and amortized cost and related other receivables on June 30, 2020, December 31, 2019 and June 30, 2019 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
Total book value on June 30, 2020 (Note)	<u>\$ 332,077,829</u>	<u>\$ 1,040,542,251</u>	<u>\$ 16,894,220</u>
Total book value on December 31, 2019 (Note)	<u>\$ 311,747,682</u>	<u>\$ 1,017,837,593</u>	<u>\$ 10,760,410</u>
Total book value on June 30, 2019 (Note)	<u>\$ 298,509,729</u>	<u>\$ 1,017,125,859</u>	<u>\$ 10,219,667</u>

Note: Including securities serving as collateral deposits.

Changes in allowance losses of financial asset at fair value through other comprehensive income, and debt investment measured at cost and other related receivables for the six months ended June 30, 2020 and 2019 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
January 1, 2020	\$ 39,460	\$ 102,968	\$ 1,362
Disposal	(4,139)	(11,319)	(308)
Addition	9,105	24,541	768
Change in model/risk factors	10,178	22,910	308
Change in exchange rate and others	<u>(755)</u>	<u>(1,648)</u>	<u>(21)</u>
June 30, 2020	<u>\$ 53,849</u>	<u>\$ 137,452</u>	<u>\$ 2,109</u>
January 1, 2019	\$ 27,070	\$ 86,642	\$ 1,044
Disposal	(5,714)	(3,003)	(285)
Addition	12,178	9,753	431
Change in model/risk factors	1,307	4,191	34
Change in exchange rate and others	<u>215</u>	<u>849</u>	<u>8</u>
June 30, 2019	<u>\$ 35,056</u>	<u>\$ 98,432</u>	<u>\$ 1,232</u>

For the six months ended June 30, 2020 and 2019, the changes in debt investments allowance loss measured at amortized cost and at fair value through other comprehensive income result from the variation of allowance loss parameter which is affected by recent financial environment, and forward - looking factors, follow as disposals and new additions.

The total book value of China Life Insurance guarantee loan and related other receivables is listed as follows based on credit risk ratings:

June 30, 2020

Credit Risk Ratings	Measurement of Expected Credit Loss	Guarantee Loans	Other Receivables
Low credit risk	12 months expected credit loss	\$ 706,134	\$ 781
Credit risk significantly increase	Lifetime expected credit loss	2,503	12
Impairment	Lifetime expected credit loss	<u>7,644</u>	<u>15</u>
Total book value		<u>\$ 716,281</u>	<u>\$ 808</u>

December 31, 2019

Credit Risk Ratings	Measurement of Expected Credit Loss	Guarantee Loans	Other Receivables
Low credit risk	12 months expected credit loss	\$ 835,898	\$ 847
Credit risk significantly increase	Lifetime expected credit loss	1,685	9
Impairment	Lifetime expected credit loss	<u>9,199</u>	<u>14</u>
Total book value		<u>\$ 846,782</u>	<u>\$ 870</u>

June 30, 2019

Credit Risk Ratings	Measurement of Expected Credit Loss	Guarantee Loans	Other Receivables
Low credit risk	12 months expected credit loss	\$ 976,273	\$ 932
Credit risk significantly increase	Lifetime expected credit loss	4,649	22
Impairment	Lifetime expected credit loss	<u>13,656</u>	<u>53</u>
Total book value		<u>\$ 994,578</u>	<u>\$ 1,007</u>

Changes in allowance losses for the six months ended June 30, 2020 and 2019 are as follows:

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss - Collective	Lifetime Expected Credit Loss - Individual	Impairment Recognized In Accordance with IFRS 9	Impairment Recognized In Accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts By Insurance Enterprises	Total
January 1, 2020	\$ 53	\$ 347	\$ 709	\$ 1,109	\$ 11,951	\$ 13,060
Change due to financial assets recognized at the beginning of the period						
Change to duration expected credit loss	-	-	-	-	-	-
Change to 12 months expected credit loss	69	-	(69)	-	-	-
Disposal	(4)	-	-	(4)	-	(4)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(1,827)	(1,827)
Change in exchange rate and others	<u>(73)</u>	<u>1,953</u>	<u>(50)</u>	<u>1,830</u>	<u>-</u>	<u>1,830</u>
June 30, 2020	<u>\$ 45</u>	<u>\$ 2,300</u>	<u>\$ 590</u>	<u>\$ 2,935</u>	<u>\$ 10,124</u>	<u>\$ 13,059</u>
January 1, 2019	\$ 73	\$ 342	\$ 1,256	\$ 1,671	\$ 16,332	\$ 18,003
Change due to financial assets recognized at the beginning of the period						
Change to duration expected credit loss	-	-	-	-	-	-
Change to 12 months expected credit loss	-	-	-	-	-	-
Disposal	(5)	-	-	(5)	-	(5)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(2,285)	(2,285)
Change in exchange rate and others	<u>(6)</u>	<u>2,499</u>	<u>(205)</u>	<u>2,288</u>	<u>-</u>	<u>2,288</u>
June 30, 2019	<u>\$ 62</u>	<u>\$ 2,841</u>	<u>\$ 1,051</u>	<u>\$ 3,954</u>	<u>\$ 14,047</u>	<u>\$ 18,001</u>

The allowance loss of China Life Insurance's accounts receivables arising from other transactions are measured by lifetime expected credit loss. Changes in allowance losses of receivables for the six months ended June 30, 2020 and 2019 are as follows:

	Receivables For the Six Months Ended June 30	
	2020	2019
January 1	\$ 7,845	\$ 7,915
Addition (reversal)	430	(70)
Written-off due to uncollectable	<u>-</u>	<u>-</u>
June 30	<u>\$ 8,275</u>	<u>\$ 7,845</u>

c. Liquidity risk

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

Liquidity risk of KGI Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management policy of liquidity risk

KGI Bank's liquidity risk management gap limit management strategy, which is the cumulative inflows and outflows (net cumulative mismatch), the KGI Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The KGI Bank also actively deconcentrates funding sources, due dates of funding settlement, and the counterparties to the due from other banks and call loans to other banks, as well as maintains an adequate amount of corporate cash in banks to enhance its liquidity position.

3) Maturity gap analysis of financial assets and non-derivative financial liabilities held for liquidity purposes

a) Financial assets held for liquidity management

The KGI Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, securities purchased under resell agreement, accounts receivable, and discounts and loans.

b) Non-derivative financial liabilities

The following tables show the cash outflows on the KGI Bank's non-derivative financial liabilities based on contract maturities. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the balance sheets.

(In Thousands of New Taiwan Dollars)

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ -	\$ 9,590	\$ 157,260	\$ 23,296	\$ -	\$ 190,146
Notes and bonds issued under repurchase agreement	7,036,791	-	-	-	-	7,036,791
Deposits and remittances	75,035,227	93,048,984	57,128,383	80,123,193	21,440,326	326,776,113
Loans payable	-	-	-	15,850	15,516,667	15,532,517
Other capital outflow on maturity	2,606,046	374,566	466,164	1,821,100	2,085,167	7,353,043
Total	\$ 84,678,064	\$ 93,433,140	\$ 57,751,807	\$ 81,983,439	\$ 39,042,160	\$ 356,888,610

(In Thousands of New Taiwan Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 10,123,296	\$ -	\$ -	\$ 166,850	\$ -	\$ 10,290,146
Notes and bonds issued under repurchase agreement	5,791,571	-	-	-	-	5,791,571
Deposits and remittances	56,190,343	73,918,182	63,886,282	71,397,928	17,967,649	283,360,384
Loans payable	-	-	1,000,000	-	9,450,000	10,450,000
Other capital outflow on maturity	3,174,240	977,602	610,172	632,082	2,508,531	7,902,627
Total	\$ 75,279,450	\$ 74,895,784	\$ 65,496,454	\$ 72,196,860	\$ 29,926,180	\$ 317,794,728

(In Thousands of New Taiwan Dollars)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 2,500,000	\$ 2,009,590	\$ 157,260	\$ 23,296	\$ -	\$ 4,690,146
Notes and bonds issued under repurchase agreement	7,148,788	-	-	-	-	7,148,788
Deposits and remittances	72,556,592	81,210,898	45,434,980	80,390,111	17,540,854	297,133,435
Loans payable	-	-	-	1,000,000	9,450,000	10,450,000
Other capital outflow on maturity	1,150,234	379,336	578,725	825,540	2,586,510	5,520,345
Total	\$ 83,355,614	\$ 83,599,824	\$ 46,170,965	\$ 82,238,947	\$ 29,577,364	\$ 324,942,714

(In Thousands of U.S. Dollars)

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 146,000	\$ 460,000	\$ 20,000	\$ -	\$ -	\$ 626,000
Notes and bonds issued under repurchase agreement	329,343	706,980	185,281	-	-	1,221,604
Deposits and remittances	1,653,625	939,524	1,107,565	1,157,212	10,305	4,868,231
Loans payable	-	-	-	-	475,919	475,919
Other capital outflow on maturity	122,383	20,944	9,339	295	325,921	478,882
Total	\$ 2,251,351	\$ 2,127,448	\$ 1,322,185	\$ 1,157,507	\$ 812,145	\$ 7,670,636

(In Thousands of U.S. Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 196,000	\$ 185,000	\$ 30,000	\$ -	\$ -	\$ 411,000
Notes and bonds issued under repurchase agreement	34,308	129,787	-	-	-	164,095
Deposits and remittances	1,475,688	1,040,336	497,607	710,207	16,677	3,740,515
Loans payable	-	-	-	-	1,014,758	1,014,758
Other capital outflow on maturity	23,118	31,544	7,225	460	235,970	298,317
Total	\$ 1,729,114	\$ 1,386,667	\$ 534,832	\$ 710,667	\$ 1,267,405	\$ 5,628,685

(In Thousands of U.S. Dollars)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 10,000	\$ 247,000	\$ 200,000	\$ -	\$ -	\$ 457,000
Notes and bonds issued under repurchase agreement	190,281	700,200	153,361	-	-	1,043,842
Deposits and remittances	1,726,986	709,851	400,534	1,075,781	13,858	3,927,010
Loans payable	-	-	-	-	1,011,634	1,011,634
Other capital outflow on maturity	112,984	25,343	6,336	2,121	178,587	325,371
Total	\$ 2,040,251	\$ 1,682,394	\$ 760,231	\$ 1,077,902	\$ 1,204,079	\$ 6,764,857

4) Maturity analysis of derivative financial instruments

The valuation of the maturity of the contracts is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the cash flows of the contract. Thus, a part of the amount disclosed deviates from the balance sheet.

(In Thousands of New Taiwan Dollars)

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (197,677,649)	\$ (228,463,512)	\$ (151,295,671)	\$ (112,183,858)	\$ (1,059,605)	\$ (690,680,295)
Cash inflow	182,780,439	199,588,971	152,630,140	101,189,259	2,349,730	638,538,539
Interest rate derivatives instruments						
Cash outflow	(147,675)	(287,905)	(18,749)	-	(15,001,916)	(15,456,245)
Cash inflow	146,242	272,036	22,556	-	-	440,834
Financial instruments for hedging						
Interest rate derivatives instruments						
Cash outflow	-	(7,402)	-	-	-	(7,402)
Cash inflow	-	-	-	47,952	-	47,952
Cash outflow subtotal	(197,825,324)	(228,758,819)	(151,314,420)	(112,183,858)	(16,061,521)	(706,143,942)
Cash inflow subtotal	182,926,681	199,861,007	152,652,696	101,237,211	2,349,730	639,027,325
Net cash flow	\$ (14,898,643)	\$ (28,897,812)	\$ 1,338,276	\$ (10,946,647)	\$ (13,711,791)	\$ (67,116,617)

(In Thousands of New Taiwan Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (164,347,333)	\$ (268,369,855)	\$ (133,746,346)	\$ (83,336,388)	\$ (981,280)	\$ (650,781,202)
Cash inflow	151,878,212	246,852,094	130,914,798	78,914,741	-	608,559,845
Interest rate derivatives instruments						
Cash outflow	(191,930)	(404,974)	(11,308)	-	(23,503,490)	(24,111,702)
Cash inflow	166,765	379,890	11,010	-	-	557,665
Cash outflow subtotal	(164,539,263)	(268,774,829)	(133,757,654)	(83,336,388)	(24,484,770)	(674,892,904)
Cash inflow subtotal	152,044,977	247,231,984	130,925,808	78,914,741	-	609,117,510
Net cash flow	\$ (12,494,286)	\$ (21,542,845)	\$ (2,831,846)	\$ (4,421,647)	\$ (24,484,770)	\$ (65,775,394)

(In Thousands of New Taiwan Dollars)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (215,023,098)	\$ (254,182,804)	\$ (127,721,398)	\$ (58,102,983)	\$ (8,665,500)	\$ (663,695,783)
Cash inflow	200,156,348	221,168,818	123,910,681	54,216,579	7,065,180	606,517,606
Interest rate derivatives instruments						
Cash outflow	(155,544)	(430,582)	(353,311)	(401)	(13,102,796)	(14,042,634)
Cash inflow	138,990	415,328	53,758	-	-	608,076
Cash outflow subtotal	(215,178,642)	(254,613,386)	(128,074,709)	(58,103,384)	(21,768,296)	(677,738,417)
Cash inflow subtotal	200,295,338	221,584,146	123,964,439	54,216,579	7,065,180	607,125,682
Net cash flow	\$ (14,883,304)	\$ (33,029,240)	\$ (4,110,270)	\$ (3,886,805)	\$ (14,703,116)	\$ (70,612,735)

(In Thousands of U.S. Dollars)

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (7,080,728)	\$ (7,397,287)	\$ (5,534,263)	\$ (3,705,009)	\$ (101,977)	\$ (23,819,264)
Cash inflow	8,048,101	8,636,443	5,406,701	3,961,715	56,978	26,109,938
Interest rate derivatives instruments						
Cash outflow	(52,946)	(56,983)	(49,239)	(40,931)	(41,413)	(241,512)
Cash inflow	31,985	56,780	46,249	2,472	-	137,486
Others						
Cash outflow	(836)	-	-	-	-	(836)
Cash inflow	1,863	-	-	-	-	1,863
Financial instruments for hedging						
Interest rate derivatives instruments						
Cash outflow	(612)	(1,062)	(1,583)	-	-	(3,257)
Cash inflow	668	279	4	-	-	951
Cash outflow subtotal	(7,135,122)	(7,455,332)	(5,585,085)	(3,745,940)	(143,390)	(24,064,869)
Cash inflow subtotal	8,082,617	8,693,502	5,452,954	3,964,187	56,978	26,250,238
Net cash flow	\$ 947,495	\$ 1,238,170	\$ (132,131)	\$ 218,247	\$ (86,412)	\$ 2,185,369

(In Thousands of U.S. Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (5,750,775)	\$ (9,001,291)	\$ (4,941,888)	\$ (3,195,125)	\$ (39,760)	\$ (22,928,839)
Cash inflow	6,494,421	9,827,038	4,757,470	3,276,983	71,760	24,427,672
Interest rate derivatives instruments						
Cash outflow	(64,773)	(104,723)	(61,874)	(7,424)	(59,508)	(298,302)
Cash inflow	42,890	93,676	46,775	2,148	-	185,489
Others						
Cash outflow	(42)	-	-	-	-	(42)
Cash inflow	301	-	-	-	-	301
Cash outflow subtotal	(5,815,590)	(9,106,014)	(5,003,762)	(3,202,549)	(99,268)	(23,227,183)
Cash inflow subtotal	6,537,612	9,920,714	4,804,245	3,279,131	71,760	24,613,462
Net cash flow	\$ 722,022	\$ 814,700	\$ (199,517)	\$ 76,582	\$ (27,508)	\$ 1,386,279

(In Thousands of U.S. Dollars)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (7,395,764)	\$ (7,785,297)	\$ (4,334,490)	\$ (2,450,473)	\$ (472,832)	\$ (22,438,856)
Cash inflow	8,148,400	8,952,660	4,346,739	2,254,422	524,832	24,227,053
Interest rate derivatives instruments						
Cash outflow	(51,471)	(146,373)	(98,772)	(60,601)	(71,103)	(428,320)
Cash inflow	61,977	144,988	100,253	3,160	71	310,449
Others						
Cash outflow	(6,696)	-	-	-	-	(6,696)
Cash inflow	4,575	-	-	-	-	4,575
Cash outflow subtotal	(7,453,931)	(7,931,670)	(4,433,262)	(2,511,074)	(543,935)	(22,873,872)
Cash inflow subtotal	8,214,952	9,097,648	4,446,992	2,257,582	524,903	24,542,077
Net cash flow	\$ 761,021	\$ 1,165,978	\$ 13,730	\$ (253,492)	\$ (19,032)	\$ 1,668,205

5) Maturity analysis of off-balance sheet items

The table below shows KGI Bank's maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period.

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	\$ 14,143,836	\$ 4,074,996	\$ 6,749,851	\$ 8,519,872	\$ 13,889,518	\$ 47,378,073

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	\$ 15,435,073	\$ 4,342,895	\$ 3,866,860	\$ 11,583,264	\$ 12,995,388	\$ 48,223,480

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	\$ 13,517,032	\$ 4,397,934	\$ 3,945,402	\$ 9,695,705	\$ 14,713,541	\$ 46,269,614

6) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of KGI Bank's assets and liabilities in New Taiwan dollars

(In Thousands of New Taiwan Dollars)

June 30, 2020	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 183,252,879	\$ 163,061,379	\$ 253,491,170	\$ 192,444,937	\$ 149,284,625	\$ 179,895,445	\$ 1,121,430,435
Main capital outflow on maturity	131,755,378	165,831,566	351,378,925	232,374,938	243,655,424	205,327,970	1,330,324,201
Gap	51,497,501	(2,770,187)	(97,887,755)	(39,930,001)	(94,370,799)	(25,432,525)	(208,893,766)

(In Thousands of New Taiwan Dollars)

June 30, 2019	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 163,377,004	\$ 224,831,101	\$ 263,434,658	\$ 163,132,285	\$ 98,196,717	\$ 148,658,699	\$ 1,061,630,464
Main capital outflow on maturity	117,362,855	200,400,851	367,232,557	199,052,990	192,812,622	203,519,178	1,280,381,053
Gap	46,014,149	24,430,250	(103,797,899)	(35,920,705)	(94,615,905)	(54,860,479)	(218,750,589)

b) Maturity analysis of KGI Bank's assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 9,400,319	\$ 9,149,929	\$ 5,681,416	\$ 4,507,028	\$ 3,166,215	\$ 31,904,907
Main capital outflow on maturity	9,514,140	9,837,932	7,141,750	5,350,045	1,938,861	33,782,728
Gap	(113,821)	(688,003)	(1,460,334)	(843,017)	1,227,354	(1,877,821)

(In Thousands of U.S. Dollars)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 9,522,320	\$ 10,047,020	\$ 4,758,180	\$ 2,723,082	\$ 3,198,110	\$ 30,248,712
Main capital outflow on maturity	9,704,362	10,034,149	5,554,289	4,269,947	3,210,077	32,772,824
Gap	(182,042)	12,871	(796,109)	(1,546,865)	(11,967)	(2,524,112)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

June 30, 2020	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 5,687,664	\$ 6,855,393	\$ -	\$ -	\$ -	\$ 12,543,057
Financial assets measured at FVTPL - current	45,096,617	5,171,640	2,009,035	8,962,187	18,931	61,258,410
Financial assets measured at FVTOCI - current	13,103,529	15,369,156	372,359	-	-	28,845,044
Securities purchased under resell agreement	-	12,725,962	-	-	-	12,725,962
Receivables	48,962,340	3,570,298	15,986,721	66	-	68,519,425
Customer margin accounts	46,507,100	-	-	-	-	46,507,100
Stock borrowing collateral price and security lending deposits	682,753	15,145,906	3,720,087	-	-	19,548,746
Other financial assets - current	-	-	5,395,145	-	-	5,395,145
Current tax assets	-	-	4,500	12,925	-	17,425
Other current assets	30,108,056	1,090,037	837,610	-	-	32,035,703
Financial assets measured at FVTPL - non-current	-	-	-	519,950	2,333,026	2,852,976
Financial assets measured at FVTOCI - non-current	-	-	-	-	7,725,176	7,725,176
Investments accounted for using the equity method	-	-	-	-	15,681,033	15,681,033
Other non-current assets	-	-	-	10,320	2,723,209	2,733,529
Total	\$ 190,148,059	\$ 59,928,392	\$ 28,325,457	\$ 9,505,448	\$ 28,481,375	\$ 316,388,731
Percentage	60.10%	18.94%	8.95%	3.01%	9.00%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

June 30, 2020	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 18,480,762	\$ -	\$ -	\$ -	\$ 18,480,762
Commercial paper payable	-	1,899,875	-	-	-	1,899,875
Financial liabilities measured at FVTPL - current	5,144,898	1,062,296	1,951,378	6,497,429	1,523,566	16,179,567
Bonds issued under repurchase agreements	-	71,849,447	-	-	-	71,849,447
Payables	61,576,761	1,654,734	3,558,956	-	-	66,790,451
Guarantee deposits received from security lending	-	8,356,780	18,533,948	-	-	26,890,728
Futures customers' equity	45,677,383	-	-	-	-	45,677,383
Amounts collected for others/other payables/other current liabilities	534,969	1,275,386	3,606,809	38	43	5,417,245
Other financial liabilities - current	-	6,022,473	36	1,318	1,271	6,025,098
Lease liabilities-current	-	136,308	372,682	-	-	508,990
Current tax liabilities	-	-	170,872	-	825,586	996,458
Long-term liabilities - current portion	-	-	-	-	-	-
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve - non-current	-	-	-	24,753	196,577	221,330
Lease liabilities - non-current	-	-	-	812,155	-	812,155
Other non-current liabilities	-	780	20	638,664	102,302	741,766
Total	\$ 112,934,011	\$ 110,738,841	\$ 28,194,701	\$ 10,874,357	\$ 3,949,345	\$ 266,691,255
Percentage	42.35%	41.52%	10.57%	4.08%	1.48%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

June 30, 2020	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 190,148,059	\$ 59,928,392	\$ 28,325,457	\$ 9,505,448	\$ 28,481,375	\$ 316,388,731
Cash outflow	112,934,011	110,738,841	28,194,701	10,874,357	3,949,345	266,691,255
Amount of cash flow gap	\$ 77,214,048	\$ (50,810,449)	\$ 130,756	\$ (1,368,909)	\$ 24,532,030	\$ 49,697,476

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2019	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 5,696,868	\$ 10,953,559	\$ -	\$ -	\$ -	\$ 16,650,427
Financial assets measured at FVTPL - current	63,269,847	5,028,733	3,976,634	9,531,757	20,357	81,827,328
Financial assets measured at FVTOCI - current	17,490,965	2,763,329	727,176	-	-	20,981,470
Securities purchased under resell agreement	-	18,221,682	-	-	-	18,221,682
Receivables	36,369,508	2,953,477	17,790,823	-	-	57,113,808
Customer margin accounts	37,535,640	-	-	-	-	37,535,640
Stock borrowing collateral price and security lending deposits	1,023,538	10,110,005	5,647,820	-	-	16,781,363
Other financial assets - current	-	-	3,126,037	-	-	3,126,037
Current tax assets	-	-	12,683	4,259	286	17,228
Other current assets	35,613,718	509,440	1,384,019	-	-	37,507,117
Financial assets measured at FVTPL - non-current	-	-	-	716,206	2,375,584	3,091,790
Financial assets measured at FVTOCI - non-current	-	-	-	-	8,058,407	8,058,407
Investments accounted for using the equity method	-	-	-	-	16,385,894	16,385,894
Other non-current assets	-	-	-	329	2,578,969	2,579,298
Total	\$ 197,000,084	\$ 50,540,225	\$ 32,665,192	\$ 10,252,551	\$ 29,419,497	\$ 319,877,549
Percentage	61.59%	15.80%	10.21%	3.20%	9.20%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2019	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 18,789,210	\$ -	\$ -	\$ -	\$ 18,789,210
Commercial paper payable	-	6,043,308	-	-	-	6,043,308
Financial liabilities measured at FVTPL - current	3,882,975	1,334,940	4,227,440	5,771,703	1,057,325	16,274,383
Bonds issued under repurchase agreements	-	77,526,773	-	-	-	77,526,773
Payables	48,220,935	2,258,885	4,164,112	-	-	54,643,932
Guarantee deposits received from security lending	-	8,145,992	15,072,197	-	-	23,218,189
Futures customers' equity	36,405,424	-	-	-	-	36,405,424
Amounts collected for others/other payables/other current liabilities	565,630	1,241,103	11,667,891	37	-	13,474,661
Other financial liabilities - current	-	4,888,051	187	1,457	860	4,890,555
Lease liabilities-current	-	130,877	361,339	-	-	492,216
Current tax liabilities	-	-	160,908	-	739,950	900,858
Long-term liabilities - current portion	-	-	4,800,000	-	-	4,800,000
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve - non-current	-	-	-	24,753	195,457	220,210
Lease liabilities - non-current	-	-	-	752,538	-	752,538
Other non-current liabilities	-	-	609	685,100	68,013	753,722
Total	\$ 89,074,964	\$ 120,359,139	\$ 40,454,683	\$ 10,135,588	\$ 3,361,605	\$ 263,385,979
Percentage	33.82%	45.70%	15.36%	3.85%	1.27%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2019	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 197,000,084	\$ 50,540,225	\$ 32,665,192	\$ 10,252,551	\$ 29,419,497	\$ 319,877,549
Cash outflow	89,074,964	120,359,139	40,454,683	10,135,588	3,361,605	263,385,979
Amount of cash flow gap	\$ 107,925,120	\$ (69,818,914)	\$ (7,789,491)	\$ 116,963	\$ 26,057,892	\$ 56,491,570

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

June 30, 2019	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 7,274,590	\$ 3,167,524	\$ -	\$ -	\$ -	\$ 10,442,114
Financial assets measured at FVTPL - current	47,205,400	1,604,702	1,272,976	11,740,868	45,111	61,869,057
Financial assets measured at FVTOCI - current	15,803,295	3,311,771	11,503	-	-	19,126,569
Securities purchased under resell agreement	-	22,877,466	-	-	-	22,877,466
Receivables	46,764,516	3,514,530	16,493,240	911,288	-	67,683,574
Customer margin accounts	40,724,475	-	-	-	-	40,724,475
Stock borrowing collateral price and security lending deposits	1,174,816	2,100,311	16,289,709	-	-	19,564,836
Other financial assets - current	-	-	1,958,997	-	-	1,958,997
Current tax assets	-	3,734	12,948	2,371	208	19,261
Other current assets	30,472,638	462,272	1,124,196	-	-	32,059,106
Financial assets measured at FVTPL - non-current	-	-	-	628,570	2,350,807	2,979,377
Financial assets measured at FVTOCI - non-current	-	-	-	-	8,386,153	8,386,153
Financial assets at amortized cost - non-current	-	-	-	448,484	347,927	796,411
Investments accounted for using the equity method	-	-	-	-	15,198,657	15,198,657
Other non-current assets	200,000	-	-	250,033	2,657,199	3,107,232
Total	\$ 189,619,730	\$ 37,042,310	\$ 37,163,569	\$ 13,981,614	\$ 28,986,062	\$ 306,793,285
Percentage	61.81%	12.07%	12.11%	4.56%	9.45%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

June 30, 2019	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 15,085,373	\$ -	\$ -	\$ -	\$ 15,085,373
Commercial paper payable	-	5,078,460	-	-	-	5,078,460
Financial liabilities measured at FVTPL - current	3,856,553	2,328,342	1,103,497	6,320,720	44,718	13,653,830
Bonds issued under repurchase agreements	-	75,875,018	-	-	-	75,875,018
Payables	63,039,503	1,331,995	2,653,432	65,961	-	67,090,891
Guarantee deposits - borrowed securities	-	3,947,243	18,907,209	-	-	22,854,452
Futures customers' equity	38,741,221	-	-	-	-	38,741,221
Collections/other payables/other current liabilities	376,061	1,060,263	2,308,606	35	-	3,744,965
Other financial liabilities - current	-	3,629,090	-	829	-	3,629,919
Lease liabilities-current	-	133,846	376,141	-	-	509,987
Current tax liabilities	-	24,974	107,400	-	742,203	874,577
Long-term liabilities - current portion	-	-	4,800,000	-	-	4,800,000
Provisions - noncurrent	-	-	-	24,475	198,020	222,495
Lease liabilities-noncurrent	-	-	-	926,877	-	926,877
Other noncurrent liabilities	-	-	-	641,332	87,701	729,033
Total	\$ 106,013,338	\$ 108,494,604	\$ 30,256,285	\$ 7,980,229	\$ 1,072,642	\$ 253,817,098
Percentage	41.77%	42.75%	11.92%	3.14%	0.42%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

June 30, 2019	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 189,619,730	\$ 37,042,310	\$ 37,163,569	\$ 13,981,614	\$ 28,986,062	\$ 306,793,285
Cash outflow	106,013,338	108,494,604	30,256,285	7,980,229	1,072,642	253,817,098
Amount of cash flow gap	\$ 83,606,392	\$ (71,452,294)	\$ 6,907,284	\$ 6,001,385	\$ 27,913,420	\$ 52,976,187

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from June 30, 2020, December 31, 2019 and June 30, 2019, show that the sums from deducting cash outflow from cash inflow are \$49,697,476 thousand, \$56,491,570 thousand and \$52,976,187 thousand, respectively, all indicating sufficient fund liquidity.

Although an analysis of funds gap shows that the cash outflow during partial periods. Net cash inflow calculated from net spot financial assets are sufficient to cover the net cash outflows generated from subsequent periods, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

The independent fund-dispatching department established by KGI Securities takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures.

KGI Securities also offers suggestions over a secure amount of reserve fund and reports it to the RMC. The department reviews the standard amount of reserve capital and will take the following action if available capitals are below 120% of the safe reserve amount:

- a) Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.

- b) Fund-dispatching department will propose contingency measures to the RMC, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to KGI Securities.

CDIB Capital Group and subsidiaries

The management of liquidity risk is aimed to deal with financing CDIB Capital Group's operations and mitigate the effects of fluctuations in cash flows by monitoring and maintaining a level of cash and cash equivalents.

CDIB Capital Group's Management policies of liquidity risk are as follows:

- 1) Dispose of surplus capital should consider possible future capital requirements, deconcentration of capital sources and reasonable liquidity of liability Structure.
- 2) Pursuant to liquidity risk control, CDIB Capital Group uses performance index of financial structure and dispatching of funds to set up a system to monitor daily funding gap.

As of June 30, 2020, December 31, 2019 and June 30, 2019, CDIB Capital Group and subsidiaries' other financial liabilities are \$367,774 thousand, \$373,788 thousand and \$385,676 thousand, respectively, and will be paid by financial assets and the rest of non-derivative financial liabilities are \$679,208 thousand, \$985,757 thousand and \$841,585 thousand, respectively, and are mainly all current liabilities.

China Life Insurance

- 1) Liquidity risks are classified to "funding liquidity risk" and "market liquidity risk." "Funding liquidity risk" represents that China Life Insurance is not able to obtain sufficient funds at a reasonable funding cost to meet the demands within reasonable time. "Market liquidity risk" represents the risk that China Life Insurance sells at loss to meet the demand for cash.

China Life Insurance assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, China Life Insurance manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions with symmetric. To decentralize market risk when investment and to maintain investment each aspect (such as asset category, maturity, region, currency and tools) diversification. Planning emergency financing plan in order to assess how China Life Insurance in the long term illiquid environment still regularly operate to pay emergency and major funding requirements.

China Life Insurance regularly monitors market liquidity and formulates plans to use the funds depending on market conditions and funding demand arrangements for liquidity assets portfolio. To deal with possible liquidity risk early, China Life Insurance reports duration of assets and liabilities quarterly, creates cash flow model and reviews cash flow status regularly.

- 2) Financial assets held for managing liquidity risk and maturity analysis of non-derivative financial liabilities
 - a) Financial assets held for managing liquidity risk

China Life Insurance holds cash, highly liquid and superior assets to deal with payment obligation and the potential urgent funds needs to dispatch in the market environment. Financial assets for managing liquidity risk are cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, etc.

b) Maturity analysis of non-derivative financial liabilities

The analysis of cash outflows to China Life Insurance is listed below and based on the residual term from the date of balance sheet to the maturity. The disclosed amount is in accordance with cash flows on contracts, so the partial disclosed items are not the same as related items in the balance sheet.

Non-derivative financial instruments

	June 30, 2020			
	In 1 Year	1-5 Years	Over 5 Years	Total
Payables	\$ 17,430,425	\$ 32,929	\$ -	\$ 17,463,354
Lease liabilities	119,085	268,333	3,548,194	3,935,612

	December 31, 2019			
	In 1 Year	1-5 Years	Over 5 Years	Total
Payables	\$ 19,381,881	\$ 35,415	\$ -	\$ 19,417,296
Lease liabilities	165,162	370,132	4,835,373	5,370,667

	June 30, 2019			
	In 1 Year	1-5 Years	Over 5 Years	Total
Payables	\$ 18,119,516	\$ 28,943	\$ -	\$ 18,148,459
Lease liabilities	161,046	390,244	4,875,820	5,427,110

c) Maturity analysis of derivative financial liabilities

China Life Insurance operates derivatives including foreign exchange derivative instruments (such as currency forward contracts, foreign exchange forward).

China Life Insurance has enough operating capital, including cash and cash equivalents, and highly liquid securities, such as government bonds to pay the investment and liabilities at maturity. Therefore, the risk of liquidity is extremely low. China Life Insurance enters into forward contracts and cross currency swaps derivative financial instruments, whose currencies are highly liquid, so the possibility of selling out and the risk of market liquidity are low. The forward contracts and cross currency swaps will be operated continually and the capital is enough to pay for settlement, so the risk of capital liquidity is low.

China Life Insurance's maturity structure of derivative financial liabilities is as follows:

	June 30, 2020				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	<u>\$ 1,840,904</u>	<u>\$ 42,354</u>	<u>\$ 240,968</u>	<u>\$ -</u>	<u>\$ 2,124,226</u>

	December 31, 2019				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	<u>\$ 1,357,762</u>	<u>\$ 43,560</u>	<u>\$ 24,748</u>	<u>\$ -</u>	<u>\$ 1,426,070</u>

	June 30, 2019				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	<u>\$ 3,474,536</u>	<u>\$ 1,803,445</u>	<u>\$ 733,151</u>	<u>\$ -</u>	<u>\$ 6,011,132</u>

d. Market risk

KGI Bank and subsidiaries

1) Source and definition of market risk

Market risk is defined as an unfavorable change in macroeconomic and financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading.

2) Risk management policies

In order to have a common-language of market risk management, definition, communication and measurement, then comply with the requirements of the governing authorities, KGI Bank has developed “Market Risk Management Standard” based on Regulations Governing the Capital Adequacy Ratio of Banks (the CAR Regulations) related market risk calculation tables announced by the FSC, international standards, and CDFH’s market risk management policy framework.

The “Market Risk Policy” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of the KGI Bank related market risk calculation tables and the KGI Bank’s book management approach to financial instrument handling.

Following the “Market Risk Policy”, the KGI Bank sets up the “Market Risk Management Procedure to Trading Activities” to manage market risk throughout the Firm. This procedure includes risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

3) The procedure of market risk measuring, monitoring, and reporting

The KGI Bank’s market risk limits include position sensitivities, stop-loss limits, Value-at-Risk (VaR).

Risk factors analyzed through the KGI Bank’s risk measurement systems are sufficient to determine all market risks of trading positions on balance sheet, including interest rates risk, foreign exchange risk, equity risk and commodity risk, as well as volatility risks which arise out of the option transactions.

The KGI Bank’s market risk report includes profit or loss on trading positions, limits usage, stress testing, trading portfolio risk assessment, as well as significant exception if any.

The risk management unit of the KGI Bank independently performs daily market risk limit controls, and monthly reports to both the Risk Management Committee and Risk Management Committee of parent company, CDFH. Besides, the above reports are regularly presented to the Board for reference.

4) Mitigation of risks or hedging of market risk

The KGI Bank's market risk positions or hedging positions are marked to market on a daily base through techniques such as model evaluation. All market parameters are updated at least daily in accordance with changes in market conditions to conduct value assessment of products. Market Risk Limits are reviewed and controlled based on the revaluation results of traders' position risk value, position sensitivity and profit and loss figure on the daily basis.

5) Valuation techniques of market risk

The KGI Bank uses the VaR model and stress testing to evaluate the potential and extreme risk of trading portfolios. Through variations of the assumptions on market conditions, these techniques can be used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30, 2020			For the Year Ended December 31, 2019			For the Six Months Ended June 30, 2019		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	\$ 74,715	\$ 195,476	\$ 30,509	\$ 139,196	\$ 226,896	\$ 66,552	\$ 167,324	\$ 226,896	\$ 97,544
Equity risk	1,468	20,852	-	1,145	10,137	-	331	3,764	95
Exchange rate risk	12,220	148,483	2,163	5,129	12,638	1,458	5,092	10,628	3,164

6) Interest rate risk in banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures every day. The interest rate risk management processes involving the banking book include risk identification, risk measurement, risk control, risk monitor and others. The unit monitoring the banking book interest rate risk reports interest rate risk exposures regularly to ALMCO, and adjust the structure of assets and liabilities according to the report, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs an analysis report, which is provided to the interest rate risk execution unit and top management. If risk missing or excess of limit occurred from monitor, written notices will be passed to interest rate risk implementation units to adjust and improve the program reported to ALMCO.

8) Concentration of currency risk information

The financial assets and liabilities denominated in foreign currency and with material influence on KGI Bank and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2020		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,965,806	29.66	\$ 236,265,805
EUR	793,903	33.29	26,429,037
HKD	3,701,573	3.83	14,165,920
CNY	905,914	4.19	3,799,947
ZAR	2,143,694	1.71	3,665,717
GBP	87,569	36.43	3,190,143
JPY	9,397,421	0.28	2,587,110
CAD	63,800	21.69	1,383,816
AUD	44,550	20.34	906,154
SGD	18,128	21.25	385,215
<u>Financial liabilities</u>			
Monetary items			
USD	10,149,344	29.66	301,029,541
EUR	475,307	33.29	15,822,981
CNY	3,511,376	4.19	14,728,817
ZAR	3,175,107	1.71	5,429,433
AUD	97,853	20.34	1,990,333
JPY	4,110,052	0.28	1,131,497
HKD	110,231	3.83	421,853
GBP	5,195	36.43	189,242
NZD	6,693	19.02	127,301

(In Thousands of Foreign Currencies/New Taiwan Dollars)

December 31, 2019			
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,748,558	30.11	\$ 173,066,073
EUR	459,981	33.76	15,528,947
HKD	3,767,759	3.87	14,566,157
CNY	1,005,243	4.32	4,345,667
ZAR	1,003,988	2.14	2,149,539
JPY	7,580,733	0.28	2,100,621
GBP	42,533	39.55	1,682,188
CAD	60,132	23.08	1,387,854
AUD	26,957	21.10	568,800
SGD	18,231	22.37	407,817
NZD	19,918	20.27	403,736
<u>Financial liabilities</u>			
Monetary items			
USD	7,193,801	30.11	216,576,559
CNY	4,143,416	4.32	17,911,985
EUR	290,357	33.76	9,802,438
ZAR	3,007,386	2.14	6,438,814
AUD	111,802	21.10	2,359,021
JPY	5,261,286	0.28	1,457,902
HKD	252,039	3.87	974,382
GBP	8,083	39.55	319,679
NZD	5,250	20.27	106,419

(In Thousands of New Foreign Currencies/Taiwan Dollars)

	June 30, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,903,296	31.07	\$ 214,499,204
HKD	3,752,128	3.98	14,929,716
EUR	344,673	35.38	12,194,534
CNY	1,133,883	4.52	5,128,781
JPY	14,156,101	0.29	4,086,866
ZAR	667,560	2.20	1,467,964
GBP	37,235	39.38	1,466,301
AUD	41,536	21.80	905,490
SGD	18,824	22.97	432,389

Financial liabilities

Monetary items			
USD	8,495,481	31.07	263,971,579
CNY	3,961,984	4.52	17,920,846
EUR	215,366	35.38	7,619,661
JPY	23,930,069	0.29	6,908,611
ZAR	2,281,445	2.20	5,016,898
AUD	134,914	21.80	2,941,128
HKD	389,309	3.98	1,549,060
GBP	5,958	39.38	234,636
NZD	5,475	20.85	114,150

9) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

a) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (New Taiwan dollars)

June 30, 2020

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 348,866,499	\$ 27,827,105	\$ 21,829,051	\$ 61,098,359	\$ 459,621,014
Interest rate-sensitive liabilities	175,683,628	130,767,358	34,357,476	19,797,584	360,606,046
Interest rate sensitivity gap	173,182,871	(102,940,253)	(12,528,425)	41,300,775	99,014,968
Net worth					60,021,405
Ratio of interest rate-sensitive assets to liabilities (%)					127.46
Ratio of interest rate-sensitive gap to net worth (%)					164.97

June 30, 2019

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 304,038,760	\$ 20,713,703	\$ 15,602,428	\$ 85,137,300	\$ 425,492,191
Interest rate-sensitive liabilities	156,135,218	105,645,598	41,481,096	12,549,940	315,811,852
Interest rate sensitivity gap	147,903,542	(84,931,895)	(25,878,668)	72,587,360	109,680,339
Net worth					60,898,670
Ratio of interest rate-sensitive assets to liabilities (%)					134.73
Ratio of interest rate-sensitive gap to net worth (%)					180.10

Note 1: The above amounts included only New Taiwan dollar amounts held by KGI Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities in New Taiwan dollars).

b) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (U.S. dollars)

June 30, 2020

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 3,419,161	\$ 148,379	\$ 54,828	\$ 1,602,865	\$ 5,225,233
Interest rate-sensitive liabilities	5,489,340	1,018,150	273,122	486,224	7,266,836
Interest rate sensitivity gap	(2,070,179)	(869,771)	(218,294)	1,116,641	(2,041,603)
Net worth					50,692
Ratio of interest rate-sensitive assets to liabilities (%)					71.91
Ratio of interest rate-sensitive gap to net worth (%)					(4,027.47)

June 30, 2019

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 3,267,235	\$ 159,843	\$ 45,985	\$ 1,413,429	\$ 4,886,492
Interest rate-sensitive liabilities	4,005,545	648,589	759,862	992,903	6,406,899
Interest rate sensitivity gap	(738,310)	(488,746)	(713,877)	420,526	(1,520,407)
Net worth					60,245
Ratio of interest rate-sensitive assets to liabilities (%)					76.27
Ratio of interest rate-sensitive gap to net worth (%)					(2,523.71)

Note 1: The above amounts included only U.S. dollars amounts held by KGI Bank, excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities in U.S. dollars).

KGI Securities and subsidiaries

Market risk is the risk of potential loss or change in valuation for securities or financial products that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and commodity risk.

KGI Securities and subsidiaries utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities and subsidiaries also holds regular stress test to help the management understand the estimated influence on the income of investment portfolio under potential extreme events or circumstances.

1) Risk factor sensitivity

Using product identification and analysis procedure held by KGI Securities, the corresponding market risk factor can be determined. Individual risk factor's entire exposure can be measured by observing how the value of a financial instrument changes as each risk factor changes. KGI Securities and subsidiaries monitor the following risk factor sensitivities:

- a) Interest rate risk sensitivity: Measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.
- b) Equity securities risk sensitivity: Measured by the change of the value of investment portfolio with the price of the underlying assets linked to the equity securities (as the potential loss amount given that the TAIEX and stock of respective companies drop 1%).
 - i. Equity delta: Measured by the change of present value of stock with the price of the underlying assets linked to the equity securities. (As the potential loss amount given that the TAIEX and stock of respective companies drop 1%).
 - ii. Debt delta: Measured by the change of present value of bond with the price of the underlying assets linked to the debt securities. (As the potential loss amount given that the beneficiary certificates and funds, included preferred stocks and bond ETF drop 1%).
- c) Exchange rate risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency (as the potential loss amount given that the foreign currencies depreciate 1% against NTD).
- d) Commodity risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with commodity for each currency (as the potential loss amount given that commodity currencies depreciate 1% against NTD).

The risk sensitivities in the portfolio held by KGI Securities and subsidiaries are as follows:

Comparisons of Risk Sensitive Factors

(In Thousands of New Taiwan Dollars)

Risk Sensitivity	June 30, 2020	December 31, 2019	June 30, 2019
Interest rate risk	\$ 6,323	\$ 6,516	\$ 12,832
Equity securities risk			
Equity delta	2,593,876	4,417,188	2,868,757
Debt delta	1,627,961	2,608,475	1,494,289
Exchange rate risk	4,786,960	4,587,344	4,624,592
Commodity risk	(118,828)	2,694	19,112

2) Value at risk

Value at risk (“VAR”) is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. KGI Securities and subsidiaries uses parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading day might see the loss of the positions exceeding the value at risk estimated the day before. KGI Securities and subsidiaries continue to conduct back testing daily to ensure the effectiveness of the estimations made by the risk value model.

The comparison of risk value in the trading portfolio held by KGI Securities and subsidiaries were as follows:

	For the Six Months Ended June 30, 2020			June 30, 2020
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$ 214,729	\$ 63,266	\$ 454,385	\$ 138,145
Interest rate	158,520	82,914	217,925	137,051
Exchange rate	32,604	20,613	47,457	31,415
Commodity	26,608	564	144,496	7,897

	For the Six Months Ended June 30, 2019			June 30, 2019
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$ 107,249	\$ 73,809	\$ 178,371	\$ 106,192
Interest rate	102,211	68,035	163,461	97,788
Exchange rate	21,125	6,918	38,106	29,401
Commodity	8,348	729	21,959	16,637

3) Stress test

Stress test is one of the tools for risk management. It mainly evaluates the effects extreme changes in market risk factors in an investment portfolio to help a company’s board of directors and management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are historic analysis and hypothetical scenarios analysis. The results will be regularly reported to the risk management committee and the board of directors of KGI Securities.

4) Foreign currency exchange rate of financial assets and liabilities information

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2020		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,572,224	29.65	\$ 76,278,029
EUR	398,325	33.29	13,260,160
CNY	119,721	4.19	502,181
HKD	127,212	3.83	486,638
JPY	1,416,998	0.28	389,893
SGD	6,746	21.25	143,350
Nonmonetary items			
USD	1,973,470	29.66	58,533,132
CNY	464,549	4.19	1,948,598
AUD	14,798	20.34	301,000
Investments accounted for using the equity method			
USD	72,963	29.66	2,164,071
<u>Financial liabilities</u>			
Monetary items			
USD	5,054,735	29.66	149,909,542
EUR	396,573	33.29	13,201,827
CNY	212,885	4.19	892,964
JPY	1,224,747	0.28	336,969
HKD	78,177	3.83	299,059
SGD	6,173	21.25	131,183
Nonmonetary items			
USD	224,302	29.66	6,652,796
AUD	10,848	20.34	220,640
CNY	27,036	4.19	113,407

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,526,736	30.09	\$ 76,026,980
EUR	309,281	33.76	10,440,653
HKD	113,315	3.86	436,901
CNY	66,949	4.32	289,403
JPY	998,477	0.28	275,883
Nonmonetary items			
USD	1,862,991	30.11	56,087,221
CNY	1,333,592	4.32	5,765,119
AUD	36,172	21.10	763,236
EUR	10,783	33.76	364,023
Investments accounted for using the equity method			
USD	86,389	30.11	2,600,838
<u>Financial liabilities</u>			
Monetary items			
USD	4,887,513	30.10	147,101,061
EUR	311,723	33.76	10,523,105
AUD	26,646	21.10	562,228
HKD	73,636	3.85	283,827
CNY	51,765	4.32	223,764
JPY	732,425	0.28	202,163
Nonmonetary items			
USD	279,293	30.11	8,408,404
AUD	8,594	21.10	181,324
CNY	26,862	4.32	116,126

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,071,971	31.11	\$ 64,463,913
EUR	365,616	35.38	12,935,497
JPY	20,002,842	0.29	5,774,734
CNY	212,254	4.52	960,064
HKD	145,854	3.98	580,149
AUD	7,675	21.80	167,304
Nonmonetary items			
USD	1,698,350	31.07	52,771,119
CNY	615,436	4.52	2,783,738
AUD	19,873	21.80	433,225
EUR	7,607	35.38	269,125
Investments accounted for using the equity method			
USD	79,183	31.07	2,460,373
<u>Financial liabilities</u>			
Monetary items			
USD	4,759,595	31.07	147,885,489
EUR	365,156	35.38	12,919,198
JPY	19,713,111	0.29	5,691,089
CNY	272,438	4.52	1,232,290
HKD	112,038	3.98	445,634
AUD	16,618	21.80	362,265
ZAR	55,703	2.20	122,491
Nonmonetary items			
USD	241,673	31.07	7,509,249
AUD	8,718	21.80	190,059
CNY	28,263	4.52	127,839

CDIB Capital Group and subsidiaries

Market risk is defined as an unfavorable change in financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading. Market risk as explained as follows:

1) Exchange rate risk

The financial assets and liabilities denominated in foreign currency and with material influence on CDIB Capital Group and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2020		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 159,488	29.660	\$ 4,730,415
CNY	255,725	4.195	1,072,666
KRW	23,672,905	0.025	584,224
HKD	33,491	3.827	128,172
JPY	414,683	0.275	114,162
Nonmonetary items			
USD	330,953	29.660	9,816,075
CNY	209,482	4.195	878,691
THB	163,284	0.961	156,916
KRW	4,495,889	0.025	110,954
Investment accounted for using the equity method			
CNY	607,356	4.195	2,547,858
USD	79,674	29.660	2,363,134
<u>Financial liabilities</u>			
Monetary items			
USD	14,400	29.660	427,116

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 151,924	30.106	\$ 4,573,833
CNY	218,454	4.323	944,375
HKD	81,115	3.866	313,592
JPY	414,683	0.277	114,909
Nonmonetary items			
USD	354,215	30.106	10,664,003
CNY	89,591	4.323	387,301
THB	159,162	1.010	160,753
KRW	3,851,200	0.026	100,393
Investment accounted for using the equity method			
CNY	660,890	4.323	2,857,026
USD	94,240	30.106	2,837,176
<u>Financial liabilities</u>			
Monetary items			
USD	15,869	30.106	477,763

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 201,459	31.072	\$ 6,259,733
HKD	255,697	3.979	1,017,420
CNY	219,012	4.523	990,636
KRW	7,185,036	0.027	193,328
JPY	414,683	0.289	119,719
Nonmonetary items			
USD	381,605	31.072	11,857,232
THB	157,735	1.012	159,628
Investment accounted for using the equity method			
USD	104,441	31.072	3,245,176
CNY	675,210	4.523	3,054,112
<u>Financial liabilities</u>			
Monetary items			
USD	14,436	31.072	448,557

Sensitivity analysis

The following table details CDIB Capital Group and subsidiaries' sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an decrease (increase) in pre-tax profit (loss) associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit (loss), and the balances below would be negative.

	Impact on Profit or Loss For the Six Months Ended June 30	
	2020	2019
Monetary items		
USD	\$ 43,033	\$ 58,112
CNY	10,483	9,740
KRW	5,840	1,904
JPY	1,142	1,197
HKD	1,057	9,900

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of June 30, 2020, December 31, 2019 and June 30, 2019 were cash in banks. Management believes that interest rate changes would have been no significant effect on CDIB Capital Group and subsidiaries.

3) Other price risk

CDIB Capital Group and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB Capital Group manages this exposure by setting risk acceptance limitation concerning industry, country, affiliated groups, and the same group.

If equity prices had been 1% higher/lower, the post-tax income for the six months ended June 30, 2020 and 2019 would increase/decrease by \$150,322 thousand and \$183,529 thousand, respectively as a result of the changes in fair value of financial assets at fair value through profit or loss.

China Life Insurance

1) Market risk analysis

Market risk refers to financial assets and liabilities due to market risk factors volatility, making the change of the value to cause the risk of loss.

China Life Insurance has built value at risk (VaR) model. All financial assets involve market risks regularly monitor by risk management system and calculate the VaR. Risk control indices are notional amount and VaR. It will issue risk management reports and execute routine control and process when over limit. We also report VaR, the use of risk limits and the results of backtesting regularly to the board of directors or risk management committee.

2) Exchange rate risk

China Life Insurance continues to exercise swaps and forward exchange derivative transactions to hedge the value change risk of holding foreign currencies because of changes in exchange rates in accordance with relevant laws and internal control requirements to use the control mechanism to control this risk.

China Life Insurance's exchange rate risk is primarily related to operating activities (the currencies the income or expense used are not the same as the functional currency of China Life Insurance).

Some of China Life Insurance's accounts receivable and accounts payable are denoted in the same foreign currency. Under such circumstances, the similar positions will naturally generate the hedging effect. Some foreign currency positions use forward exchange contracts to manage foreign exchange risk. As the foregoing natural hedge and foreign exchange forward do not meet the requirements of hedge accounting in terms of managing exchange rate risk, hedge accounting is not adopted.

3) Interest rate risk

Interest rate risk refers to the risk resulting from changes in market interest rates which causes fluctuations in the fair value of financial instruments. China Life Insurance manages interest rate risk by combinations of fixed and floating interest rate products. Because they do not meet the requirements for hedge accounting, hedge accounting is not adopted.

4) Equity price risk

China Life Insurance holds equity securities of listed and unlisted companies, and OTC-traded and non-OTC traded companies. The price of such equity securities will be affected by uncertainties about the future value of the underlying investment. Equity securities of non-listed and non-OTC traded companies fall into available-for-sale category. China Life Insurance diversified its investment and set investment limits for a single equity security to manage price risk of equity securities. Portfolio information of equity securities is required to be regularly reported to senior executives of China Life Insurance. The Board of Directors should authorize the senior executives to review and approve the equity securities of all investment decisions.

5) Value at risk

Value-at-risk is the maximum loss on the portfolio with a given probability defined as the confidence level, over a given period of time. China Life Insurance uses 99% VaR to measure the market risk over the next ten days.

VaR model must be able to reasonably and appropriately measure the maximum potential risk of financial instruments and investment portfolio. VaR model used to manage risk must perform model validation and backtesting to show that the model can reasonably and effectively measure the maximum potential risks of the financial instruments or investment portfolio.

6) Stress testing

China Life Insurance measures and evaluates potential risks of the occurrence of extreme and abnormal events regularly in addition to Value at Risk models. Stress testing measures the potential impact on the value of the investment portfolio when extreme fluctuations of financial variables occur.

China Life Insurance performs stress testing regularly by using “Simple Sensitivity” and “Scenario Analysis” methods. The test is capable of representing the position loss resulted from the movement of a specific risk factor under different kinds of historical scenarios:

a) Simple sensitivity

Simple Sensitivity measures the dollar amount change for the portfolio value from the movement of specific risk factors.

b) Scenario analysis

Scenario Analysis measures the dollar amount changes for the total value of investment positions if stress scenarios occur. The types of scenario include:

i. Historical scenario:

Adding fluctuating risk factors to a specific historical event, China Life Insurance simulates what the dollar amount of losses for the current investment portfolio would be in the same period of time.

ii. Hypothetical scenario:

China Life Insurance makes hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses for the investment position by taking into consideration the movement of relevant risk factors.

Risk management department performs the stress testing with historical and hypothetical scenarios regularly. China Life Insurance’s risk analysis, early warning, and business management are in accordance with the stress testing report.

**Summary of Factor Sensitivity Analysis
June 30, 2020**

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	\$ -	\$ 2,239,580
Interest rate risk (yield curve)	+1BP	(2,094)	(638,087)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(2,640,851)	(798,473)

**Summary of Factor Sensitivity Analysis
December 31, 2019**

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	\$ -	\$ 1,669,270
Interest rate risk (yield curve)	+1BP	-	(583,242)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(2,118,730)	(632,610)

June 30, 2019

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	\$ -	\$ 1,807,722
Interest rate risk (yield curve)	+1BP	(6,664)	(542,097)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(1,810,452)	(682,389)

- 7) China Life Insurance's foreign currency financial assets and liabilities with significant influence as of June 30, 2020, December 31, 2019 and June 30, 2019 are as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2020		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 39,126,315	29.6600	\$ 1,160,486,124
AUD	3,959,952	20.3290	80,501,867
Non-monetary items			
USD	1,705,199	29.6600	50,576,205
<u>Financial liabilities</u>			
Monetary items			
USD	242,491	29.6600	7,192,276

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 37,169,001	30.1060	\$ 1,119,007,204
AUD	3,964,377	21.0983	83,641,608
Non-monetary items			
USD	987,605	30.1060	29,732,838
<u>Financial liabilities</u>			
Monetary items			
USD	290,758	30.1060	8,753,554

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 35,033,602	31.0720	\$ 1,088,567,169
AUD	3,196,130	21.7970	69,666,044
Non-monetary items			
USD	631,360	31.0720	19,617,630
<u>Financial liabilities</u>			
Monetary items			
USD	118,260	31.0720	3,674,575

The above information is disclosed based on the carrying amount of the foreign currencies, which has been translated to functional currency.

e. Transfers of financial assets

KGI Bank and subsidiaries

Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As KGI Bank's right to receive cash flows of the financial assets transferred to the counterparties, and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Bank does not derecognize it entirely because KGI Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition was listed below:

June 30, 2020					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	\$ 296,525	\$ 281,770	\$ 296,600	\$ 281,770	\$ 14,830
Financial assets at FVTPL	6,165,504	5,822,810	6,165,504	5,822,810	342,694
Financial assets at FVTOCI	56,838,725	51,424,403	56,838,725	51,424,403	5,414,322

December 31, 2019					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at FVTPL	\$ 3,210,485	\$ 3,046,369	\$ 3,210,485	\$ 3,046,369	\$ 164,116
Financial assets at FVTOCI	16,624,605	15,703,472	16,624,605	15,703,472	921,133

June 30, 2019					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	\$ 310,641	\$ 279,648	\$ 310,720	\$ 279,648	\$ 31,072
Financial assets at FVTPL	18,218,274	17,120,970	18,218,274	17,120,970	1,097,304
Financial assets at FVTOCI	28,224,686	20,809,460	28,224,686	25,809,460	2,415,226
Securities purchased under resell agreements	2,422,983	2,422,924	2,422,983	2,422,924	59

KGI Securities and subsidiaries

1) Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Securities and subsidiaries, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities held by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements. As the substance of these transactions is secured borrowing, securities that has transferred to counterparties during the transaction causes KGI Securities' right to receive cash flows of the financial assets transferred to the counterparties; KGI Securities only recognized related liabilities reflecting the obligation to repurchase the transferred financial assets at a fixed price in the future, and the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Securities does not derecognize it entirely because KGI Securities remains exposed to interest rate risk, credit risk and market risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition was listed below:

June 30, 2020					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	\$ 60,899,433	\$ 57,134,130	\$ 60,899,433	\$ 57,134,130	\$ 3,765,303
Transaction - borrowed securities	401,674	562,344	401,674	562,344	(160,670)

December 31, 2019					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	\$ 67,060,739	\$ 64,889,744	\$ 67,060,739	\$ 64,889,744	\$ 2,170,995
Transaction - borrowed securities	1,291,917	1,808,684	1,291,917	1,808,684	(516,767)

June 30, 2019					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	\$ 66,266,662	\$ 63,681,039	\$ 66,266,662	\$ 63,681,039	\$ 2,585,623
Transaction - borrowed securities	978,846	1,370,385	978,846	1,370,385	(391,539)

2) Transferred financial assets qualifying for full derecognition

KGI Securities uses convertible bonds acquired by an underwriter or dealer as the trading object of the asset swap transaction, then KGI Securities receives consideration by selling it, and exchange interests arise from convertible bonds for compensation interests according to the contracts, and has the right to redeem the bonds at any time before the maturity date. KGI Securities does not retain the control over the transferred assets and derecognizes them since counterparties have the ability to sell financial assets to third party and no restrictions will be made to counterparties. KGI Securities still retain the call option of the object, and the maximum exposure of the loss is the book value of the pledged instruments.

Related information of transferred financial assets and liabilities qualifying for full derecognition are as follows:

Period	Types of Continuing Involvement	Outflows of Repurchased Transferred (Derecognized) Financial Assets	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
			Financial Assets at FVTPL	Assets	Liabilities	
June 30, 2020	Call option	\$ 12,183,000	\$ 883,810	\$ 883,810	\$ -	\$ 883,810
December 31, 2019	Call option	11,705,100	1,115,752	1,115,752	-	1,115,752
June 30, 2019	Call option	11,807,100	966,909	966,909	-	966,909

The following table is repurchased transferred (derecognized) financial assets' undiscounted cash flow maturity analysis. Information of cash flow is disclosed according to the circumstances of every balance sheet day.

Period	Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
June 30, 2020	Call option	\$ -	\$ 529,300	\$ 4,632,900	\$ 7,020,800	\$ -	\$ 12,183,000
December 31, 2019	Call option	-	318,000	4,362,400	7,024,700	-	11,705,100
June 30, 2019	Call option	-	163,000	3,954,900	7,689,200	-	11,807,100

The following table shows gains or losses recognized from continuing involvement - call option at the assets transferred day, continuing involvement of derecognized financial assets until balance sheet day and revenues and expenses recognized during the period.

Period	Types of Continuing Involvement	Gains or Losses Recognized at Balance Sheet Day	Revenues or Expenses Recognized from Continuing Involvement of Derecognized Financial Assets Until Balance Sheet Day	Revenues or Expenses Recognized During the Period
June 30, 2020	Call option	\$ (1,243)	\$ (173,399)	\$ (174,642)
December 31, 2019	Call option	2,970	(54,734)	(51,764)
June 30, 2019	Call option	2,244	(165,501)	(163,256)

f. Offsetting financial assets and financial liabilities

KGI Bank and subsidiaries

KGI Bank and subsidiaries have enforceable master netting arrangements or similar agreements signed with counterparty, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

Related information of offsetting financial assets and financial liabilities were as follows:

June 30, 2020						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 35,599,006	\$ -	\$ 35,599,006	\$ 34,236,163	\$ 1,362,843	\$ -
Derivative instruments (Note 2)	72,509,666	-	72,509,666	17,977,903	6,760,729	47,771,034
Total	\$ 108,108,672	\$ -	\$ 108,108,672	\$ 52,214,066	\$ 8,123,572	\$ 47,771,034

June 30, 2020						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	\$ 57,528,983	\$ -	\$ 57,528,983	\$ 57,519,644	\$ 9,339	\$ -
Derivative instruments (Note 2)	73,727,698	-	73,727,698	17,977,903	8,368,493	47,381,302
Total	\$ 131,256,681	\$ -	\$ 131,256,681	\$ 75,497,547	\$ 8,377,832	\$ 47,381,302

December 31, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 18,686,598	\$ -	\$ 18,686,598	\$ 18,655,848	\$ 30,750	\$ -
Derivative instruments	30,493,327	-	30,493,327	5,239,990	3,229,772	22,023,565
Total	\$ 49,179,925	\$ -	\$ 49,179,925	\$ 23,895,838	\$ 3,260,522	\$ 22,023,565

December 31, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	\$ 18,749,841	\$ -	\$ 18,749,841	\$ 18,745,805	\$ 4,036	\$ -
Derivative financial instruments	46,196,967	-	46,196,967	5,239,990	6,207,146	34,749,831
Total	\$ 64,946,808	\$ -	\$ 64,946,808	\$ 23,985,795	\$ 6,211,182	\$ 34,749,831

June 30, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 18,837,196	\$ -	\$ 18,837,196	\$ 18,837,196	\$ -	\$ -
Derivative financial instruments	40,483,065	-	40,483,065	5,980,011	1,854,319	32,648,735
Total	\$ 59,320,261	\$ -	\$ 59,320,261	\$ 24,817,207	\$ 1,854,319	\$ 32,648,735

June 30, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	\$ 45,633,002	\$ -	\$ 45,633,002	\$ 45,606,591	\$ 26,411	\$ -
Derivative financial instruments	52,429,554	-	52,429,554	5,980,011	3,314,830	43,134,713
Total	\$ 98,062,556	\$ -	\$ 98,062,556	\$ 51,586,602	\$ 3,341,241	\$ 43,134,713

Note 1: Financial instruments include master netting arrangements and non-cash collateral.

Note 2: Derivative instruments include hedging derivative financial.

KGI Securities and subsidiaries

KGI Securities and subsidiaries' transactions of derivative assets and liabilities do not correspond to the provisions of IAS, only in the circumstances of default, insolvency or bankruptcy will KGI Securities have the rights to offset derivative assets and liabilities.

KGI Securities has signed securities repurchase contracts with counterparties, and the agreements stating that KGI Securities to provide securities as collateral, meanwhile KGI Securities signed securities resell contracts with counterparties and receive securities as collateral which do not recognized in the balance sheet. Such contracts do not correspond to the provisions of IAS and bear the right to offset only in the circumstances of default, insolvency or bankruptcy, therefore, related securities sell with repurchase agreements and securities purchased with resell agreement are presented in the balance sheet respectively.

Related information of offsetting financial assets and financial liabilities were as follows:

June 30, 2020						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 2,768,718	\$ -	\$ 2,768,718	\$ -	\$ 488,151	\$ 2,280,567
Securities purchased under resell agreements	12,720,666	-	12,720,666	12,720,666	-	-
Total	\$ 15,489,384	\$ -	\$ 15,489,384	\$ 12,720,666	\$ 488,151	\$ 2,280,567

June 30, 2020						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 5,878,231	\$ -	\$ 5,878,231	\$ -	\$ 958,292	\$ 4,919,939
Notes and bonds issued under repurchase agreements	71,828,581	-	71,828,581	71,828,581	-	-
Total	\$ 77,706,812	\$ -	\$ 77,706,812	\$ 71,828,581	\$ 958,292	\$ 4,919,939

December 31, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 3,206,002	\$ -	\$ 3,206,002	\$ -	\$ 462,937	\$ 2,743,065
Securities purchased under resell agreements	18,188,175	-	18,188,175	18,188,175	-	-
Total	\$ 21,394,177	\$ -	\$ 21,394,177	\$ 18,188,175	\$ 462,937	\$ 2,743,065

December 31, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 6,297,339	\$ -	\$ 6,297,339	\$ -	\$ 1,579,943	\$ 4,717,396
Notes and bonds issued under repurchase agreements	77,387,490	-	77,387,490	77,387,490	-	-
Total	\$ 83,684,829	\$ -	\$ 83,684,829	\$ 77,387,490	\$ 1,579,973	\$ 4,717,396

June 30, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 2,853,510	\$ -	\$ 2,853,510	\$ -	\$ 511,812	\$ 2,341,698
Securities purchased under resell agreements	22,848,839	-	22,848,839	22,848,839	-	-
Total	\$ 25,702,349	\$ -	\$ 25,702,349	\$ 22,848,839	\$ 511,812	\$ 2,341,698

June 30, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 4,172,152	\$ -	\$ 4,172,152	\$ -	\$ 1,102,055	\$ 3,070,097
Notes and bonds issued under repurchase agreements	75,686,106	-	75,686,106	75,686,106	-	-
Total	\$ 79,858,258	\$ -	\$ 79,858,258	\$ 75,686,106	\$ 1,102,055	\$ 3,070,097

Note: Financial instruments include master netting arrangements and non-cash collateral.

China Life Insurance

China Life Insurance holds financial instruments in accordance with paragraph 42 of IAS 32 recognized by the FSC and the related assets and liabilities are offset on the balance sheet.

China Life Insurance may perform transactions not meeting the requirements of offsetting, but has enforceable master netting arrangement or other similar agreements with the counterparties. When both parties agree to settle in net amount, financial assets and financial liabilities could be offset and settled in net amount, and if not, in total amount. However, if any party in the transaction defaults, the other party can choose net settlement.

Related information about above offsetting financial assets and financial liabilities are as follows:

June 30, 2020						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 9,844,612	\$ -	\$ 9,844,612	\$ 1,737,432	\$ 5,596,545	\$ 2,510,635

June 30, 2020						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 2,124,226	\$ -	\$ 2,124,226	\$ 1,737,432	\$ -	\$ 386,794

December 31, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 9,761,846	\$ -	\$ 9,761,846	\$ 1,363,504	\$ 5,495,549	\$ 2,902,793

December 31, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 1,426,070	\$ -	\$ 1,426,070	\$ 1,363,504	\$ -	\$ 62,566

June 30, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 3,549,581	\$ -	\$ 3,549,581	\$ 3,017,918	\$ 199,172	\$ 332,491

June 30, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 6,011,132	\$ -	\$ 6,011,132	\$ 3,017,918	\$ 1,470,016	\$ 1,523,198

55. CAPITAL MANAGEMENT

a. Capital management objective

The basic management objective includes eligible capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite. In order to undertake all kinds of risk, the Group conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

The Group had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital and legal capital were calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

c. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

Company	Items	June 30, 2020		
		% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation			187,024,258	202,996,538
KGI Bank		100.00	71,728,023	52,703,845
KGI Securities		100.00	20,180,039	10,430,657
CDIB Capital Group		100.00	38,062,922	19,762,621
China Development Asset Management Corp.		100.00	2,371,553	1,398,988
China Life Insurance		34.82	35,324,796	25,589,446
Deduct items			224,578,640	202,080,774
Subtotal			130,112,951 (A)	110,801,321 (B)
Group's CAR (C)=(A)÷(B)				117.43 (C)

(In Thousands of New Taiwan Dollars; %)

Items Company	December 31, 2019		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		197,312,133	214,611,185
KGI Bank	100.00	73,132,603	49,915,933
KGI Securities	100.00	23,161,337	10,346,016
CDIB Capital Group	100.00	42,672,343	22,121,983
China Development Asset Management Corp.	100.00	2,597,981	1,401,765
China Life Insurance	34.82	37,487,589	24,587,139
Deduct items		239,457,130	214,485,554
Subtotal		136,906,856 (A)	108,498,467 (B)
Group's CAR (C)=(A)÷(B)			126.18 (C)

(In Thousands of New Taiwan Dollars; %)

Items Company	June 30, 2019		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		191,398,360	207,991,357
CDIB Capital Group	100.00	70,928,159	52,482,499
KGI Securities	100.00	21,253,701	9,918,503
KGI Bank	100.00	43,626,045	22,614,361
China Development Asset Management Corp.	100.00	2,347,960	1,587,603
China Life Insurance	34.82	36,759,856	23,081,294
Deduct items		232,713,095	207,716,054
Subtotal		133,600,986 (A)	109,959,563 (B)
Group's CAR (C)=(A)÷(B)			121.50 (C)

d. Financial holding companies' net eligible capital

(In Thousands of New Taiwan Dollars)

	June 30, 2020	December 31, 2019	June 30, 2019
Common stock	\$ 149,710,976	\$ 149,663,721	\$ 149,659,821
Capital instruments that comply with Tier 1 capital requirement		-	-
Other preferred stock and subordinated bonds	9,800,000	9,800,000	10,000,000
Reserve for raising capital	-	20,359	-
Capital surplus	1,114,971	1,093,745	883,080
Legal reserve	8,816,167	7,561,404	7,561,404
Special reserve	565,041	10,797,899	10,797,899
Retained earnings	15,399,273	12,617,375	8,004,636
Equity adjustment	4,700,935	8,907,903	7,875,127
Deduction: Capital items	(3,083,105)	(3,150,273)	(3,383,607)
	<u>\$ 187,024,258</u>	<u>\$ 197,312,133</u>	<u>\$ 191,398,360</u>

The Group's CARs were 117.43%, 126.18% and 121.50% as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively. Since the Financial Holding Company Act and related regulations require that the Group's CAR should be at least 100%, and the Group's CARs met its requirement.

56. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

- a. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Bank were as follows:

Balance Sheets of Trust Accounts							
(In Thousands of New Taiwan Dollars)							
Trust Assets	June 30, 2020	December 31, 2019	June 30, 2019	Trust Liabilities	June 30, 2020	December 31, 2019	June 30, 2019
Bank deposits	\$ 1,597,209	\$ 1,838,862	\$ 1,008,955	Payables	\$ 146,319	\$ 149,274	\$ 149,782
Short-term investments	27,240,226	27,804,068	27,998,568	Payables on securities under custody	5,149,788	5,664,385	3,683,987
Financial assets at FVTPL	10,440	10,440	10,440	Other liabilities	61,014	74,328	87,351
Receivables	13,277	25,931	38,826	Donated assets received	1,906	1,906	1,811
Other financial assets	16,545	16,545	16,450	Trust capital	43,491,388	43,984,697	30,024,113
Real estate, net	13,642,848	13,522,176	843,343	Accumulated earnings	(153,656)	33,505	680,723
Intangible assets - surface right	984,534	984,534	984,534				
Securities under custody	5,149,788	5,664,385	3,683,987				
Other assets	41,892	41,154	42,664				
Total	<u>\$ 48,696,759</u>	<u>\$ 49,908,095</u>	<u>\$ 34,627,767</u>	Total	<u>\$ 48,696,759</u>	<u>\$ 49,908,095</u>	<u>\$ 34,627,767</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Trust income and gains				
Dividend income	\$ 889	\$ 614	\$ 1,869	\$ 1,945
Interest income	320,406	363,441	599,365	706,443
Rental income	6,826	6,986	13,613	14,105
Other income	960	2,106	4,945	3,922
Total trust income and gains	<u>329,081</u>	<u>373,147</u>	<u>619,792</u>	<u>726,415</u>
Trust expenses				
Properties transaction losses	(386,856)	(1,320,252)	(905,358)	(1,471,210)
Administrative expenses	(4,663)	(15,147)	(18,397)	(21,794)
Other expenses	(3,147)	(2,212)	(202,158)	(4,761)
Total trust expenses	<u>(394,666)</u>	<u>(1,337,611)</u>	<u>(1,125,913)</u>	<u>(1,497,765)</u>
Net income	<u>\$ (65,585)</u>	<u>\$ (964,464)</u>	<u>\$ (506,121)</u>	<u>\$ (771,350)</u>

The above income from trust operations were excluded from KGI Bank's income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	June 30, 2020	December 31, 2019	June 30, 2019
Bank deposits	\$ 1,597,209	\$ 1,838,862	\$ 1,008,955
Short-term investments			
Funds	24,666,176	25,711,359	26,318,473
Bonds	2,336,054	1,824,642	1,390,577
Common shares	54,100	70,200	73,200
Structured notes	-	93,766	93,766
ETF	183,896	104,101	122,552
Financial assets at FVTPL	10,440	10,440	10,440
Other financial assets	29,822	42,476	55,276
Real estate, net	13,642,848	13,522,176	843,343
Intangible assets - surface right	984,534	984,534	984,534
Securities under custody	5,149,788	5,664,385	3,683,987
Other assets	<u>41,892</u>	<u>41,154</u>	<u>42,664</u>
Total	<u>\$ 48,696,759</u>	<u>\$ 49,908,095</u>	<u>\$ 34,627,767</u>

- b. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Securities were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	June 30, 2020	December 31, 2019	June 30, 2019	Trust Liabilities	June 30, 2020	December 31, 2019	June 30, 2019
Bank deposits	\$ 1,364,791	\$ 1,030,073	\$ 1,183,876	Payables	\$ 33,342	\$ 24,674	\$ 29,276
Financial assets	25,763,782	28,466,294	22,724,467	Trust capital	25,151,764	26,212,975	21,952,916
Receivables	<u>133,664</u>	<u>402,789</u>	<u>167,410</u>	Reserves and retained earnings	<u>2,077,131</u>	<u>3,661,507</u>	<u>2,093,561</u>
Total	<u>\$ 27,262,237</u>	<u>\$ 29,899,156</u>	<u>\$ 24,075,753</u>	Total	<u>\$ 27,262,237</u>	<u>\$ 29,899,156</u>	<u>\$ 24,075,753</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Trust income	\$ 1,373,276	\$ 264,470	\$ 3,095,050	\$ 2,186,182
Trust expenses	<u>1,777,621</u>	<u>137,539</u>	<u>(3,379,553)</u>	<u>(2,110,785)</u>
Income before income tax	3,150,897	402,009	(284,503)	75,397
Income tax expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income after income tax	<u>\$ 3,150,897</u>	<u>\$ 402,009</u>	<u>\$ (284,503)</u>	<u>\$ 75,397</u>

The above income from trust operations were excluded from KGI Securities' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	June 30, 2020	December 31, 2019	June 30, 2019
Bank deposits	\$ 1,364,791	\$ 1,030,073	\$ 1,183,876
Stocks	9,501,288	11,891,410	9,928,836
Funds	13,183,288	14,146,389	11,275,685
Structured notes	2,363,886	1,979,707	1,309,590
Bonds	<u>715,320</u>	<u>448,788</u>	<u>210,356</u>
Total	<u>\$ 27,128,573</u>	<u>\$ 29,496,367</u>	<u>\$ 23,908,343</u>

57. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

As of June 30, 2020, please refer to Table 8 (attached).

58. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 9 (attached).

59. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCES SHARING IN THE GROUP

a. Business or trading behaviors

Please refer to Note 48 for related-party transactions.

b. Integrate business activities

The Corporation has become a full-functioning financial platform for its customers by improving the overall business performance of the company through integrating the insurance, investment, trust custody and channel of banking, securities and life insurance.

c. Cross utilization of information or locations and business utilities

In compliance with Article 43 of “Financial Holding Companies Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Standards” and other related regulations from FSC, the Corporation has advocated cross-selling activities among China development Financial Holdings and its Subsidiaries. In addition, the Corporation and its subsidiaries, which joined the cross selling business disclosure protection measures of customer information on official website (<http://www.cdibh.com/chhtml/content/1513>) to limit the use of the data, secure the customer information and related rights when handling cross-selling activities.

d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits or losses arising from integrated business activities among subsidiaries are allocated to each subsidiary based on the related business features or other reasonable allocation methods.

60. CONTINGENCIES AND COMMITMENTS, DISASTER DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 50 to the consolidated financial statements. Information on disaster damages: None.

61. SUBSIDIARIES' ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

Please refer to Notes 51 and 54 to the consolidated financial statements.

62. SPECIFIC RISK FROM FUTURES DEALING

The futures dealer needs to maintain adequate liquidity in case of its clients fail to fulfill the contracts in the futures transactions with the features of low financial leverage nature and unpredictable market fluctuation. If the dealing business fails to maintain the amount of margin, the open contracts may be closed. Thus, the margin may be lost entirely and may require further payment of deficiency.

63. FINANCIAL RATIOS OF FUTURES-DEALING SUBSIDIARIES

The following financial ratios of KGI Securities' futures department and KGI Futures Corp. are in compliance with the requirements of the Rules Governing Futures Commission Merchants.

a. KGI Securities' futures department

Rule No.	Formula	June 30, 2020		December 31, 2019		June 30, 2019		Standard	Meet Standard
		Formula	%	Formula	%	Formula	%		
17	Equities Total liabilities minus customers' equity accounts	\$1,756,369 \$23,559	= 74.55	\$1,600,505 \$61,353	= 26.09	\$1,687,853 \$155,473	= 10.86	≥ 1	Yes
17	Current assets Current liabilities	\$1,944,398 \$23,559	= 82.53	\$1,898,585 \$60,759	= 31.25	\$2,008,929 \$155,444	= 12.92	≥ 1	Yes
22	Equities Capital stock	\$1,756,369 \$400,000	= 439.09%	\$1,600,505 \$400,000	= 400.13%	\$1,687,853 \$400,000	= 421.96%	≥ 60% ≥ 40%	Yes
22	Adjusted net capital Client and proprietary account	\$1,556,141 \$119,795	= 1,299.01%	\$1,373,156 \$240,585	= 570.76%	\$1,379,847 \$215,898	= 639.12%	≥ 20% ≥ 15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	June 30, 2020		December 31, 2019		June 30, 2019		Standard	Meet Standard
		Formula	%	Formula	%	Formula	%		
17	Equities Total liabilities minus customers' equity accounts	\$3,815,333 \$560,096	= 6.81	\$3,476,758 \$481,786	= 7.22	\$3,340,226 \$371,112	= 9.00	≥ 1	Yes
17	Current assets Current liabilities	\$32,076,121 \$29,599,361	= 1.08	\$24,648,866 \$22,526,171	= 1.09	\$27,533,781 \$25,518,186	= 1.08	≥ 1	Yes
22	Equities Capital stock	\$3,815,333 \$760,000	= 502.02%	\$3,476,758 \$760,000	= 457.47%	\$3,340,226 \$760,000	= 439.50%	≥ 60% ≥ 40%	Yes
22	Adjusted net capital Client and proprietary account	\$3,162,647 \$6,727,922	= 47.01%	\$2,916,462 \$5,418,240	= 53.83%	\$2,717,198 \$7,030,491	= 38.65%	≥ 20% ≥ 15%	Yes

64. DISCLOSURES REQUIRED UNDER RULE NO. 10703209011 ISSUED BY THE FINANCIAL SUPERVISORY COMMISSION

KGI's investments in foreign enterprises are registered in a country whose securities and futures market regulators are not members of the International Organization of Securities Commissions (IOSCO), and these companies have no Multilateral Memorandum of Understanding (MMOU) members or did not get the securities or futures licenses signed by the IOSCO. Thus, KGI disclose their foreign investees' business conditions and information on related-party transactions as follows:

a. Securities held:

Richpoint Company Limited

(In U.S. Dollars)

Item	Number of Shares	Carrying Amount
Financial assets at FVTPL - non-current		
Dragon Investment Fund I Co.	612,519	\$ 57,502
He Ding Venture Capital Investment Corporation	295,000	15,881
Lien Ding Venture Capital Investment Corporation	210,000	<u>28,927</u>
		<u>\$ 102,310</u>

KGI International Holding Limited

(In U.S. Dollars)

Item	Number of Shares	Carrying Amount
Financial assets at FVTPL - non-current		
Sogo Financial Group Inc.	62,611.55	\$ 2,375,000

b. Derivative instruments and related capital resources:

KGI Asia (Holdings) Pte. Ltd.

(In U.S. Dollars)

Type of derivative	Capital Resources	Nominal Amount	Carrying Value
Foreign exchange	Borrowing	\$ 21,956,089	\$ 38,961

c. Asset management revenues, service and litigation matters: Note 50(c).

d. Balance sheet: Tables 12-1 to 12-4 (attached).

e. Income statement: Tables 13-1 to 13-4 (attached).

f. Related party transactions or dealings among foreign enterprises: None.

65. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required for the Group:

- 1) Financing provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 1 (attached).
- 2) Collaterals/guarantees provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 2 (attached).
- 3) Marketable securities held: Not applicable to the Corporation, KGI Bank, KGI Securities and partial subsidiaries and China Life Insurance. For other subsidiaries' information: Please refer to Table 3 (attached).
- 4) Marketable securities were acquired and disposed of, at cost or prices of at least NT\$300 million or 10% of the issued capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT\$300 million or 10% of the issued capital): For the Corporation, CDIB Capital Group and KGI Bank and subsidiaries' information: None. Not applicable to KGI Securities and subsidiaries and China Life Insurance. KGI Bank and other subsidiaries' information please refer to Table 4 (attached).
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the paid-in capital: For the Group's information: None.
- 6) Disposal of individual real estate at price of at least NT\$300 million or 10% of the issued capital: For the Group's information: None.
- 7) Discount on service fees received from related parties amounting to NT\$5 million: For the Group's information: None.
- 8) Receivables from related parties amounting to NT\$300 million or 10% of the issued capital: Please refer to Note 48 and Table 5 (attached).
- 9) Sale of nonperforming loans: None.
- 10) For related information on the subsidiaries' securitization products approved under the Regulation on Financial Asset Securitization: None.
- 11) Other significant transactions which may affect the decisions of financial statement users: None.
- 12) The information of investees: Please refer to Table 6 (attached).
- 13) Derivative transactions of the Group: Please refer to Notes 8, 52 and 54 of the consolidated financial statements.

c. Investments in mainland China: Please refer to Table 10 (attached).

d. Business relationships and significant transactions among the Group: Please refer to Table 11 (attached).

e. Information of major shareholders: None.

66. SEGMENT INFORMATION

The reportable segments of the Corporation are Commercial banking, Securities, Venture Capital and Insurance. Under the Banking Act of the Republic of China and relevant regulations, Commercial banking engaged in consumer banking, corporate banking and global market and financial institution. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. Venture Capital engaged in investment business directly. Insurance department operates life insurance business based on the provisions of the insurance law.

The accounting policies of the operating segments are the same as the Corporation's accounting policies described in Note 4. The Corporation uses income after tax as the measurement for segment profit and the basis of performance assessment. The net profit and income before income tax are composed of revenues and expenses directly attributable to an operating segment.

Segment Revenues and Results

Following were analysis of the Group's operating revenue and results by reportable segments:

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the three months ended June 30, 2020						
Interest profit (loss), net	\$ 1,801,053	\$ 583,137	\$ 53,946	\$ 14,048,089	\$ (95,326)	\$ 16,390,899
Noninterest profit (loss), net	<u>1,299,436</u>	<u>5,169,023</u>	<u>642,859</u>	<u>29,581,074</u>	<u>(618,130)</u>	<u>36,074,262</u>
Net revenue (loss)	3,100,489	5,752,160	696,805	43,629,163	(713,456)	52,465,161
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	(178,474)	(2,486)	-	(453)	-	(181,413)
Net change in reserve for insurance liabilities	-	-	-	(38,322,803)	-	(38,322,803)
Operating expenses	<u>(1,487,443)</u>	<u>(3,401,381)</u>	<u>(493,388)</u>	<u>(1,240,798)</u>	<u>(590,760)</u>	<u>(7,213,770)</u>
Net profit (loss) before income tax	1,434,572	2,348,293	203,417	4,065,109	(1,304,216)	6,747,175
Income tax benefit (expense)	<u>(209,851)</u>	<u>(272,153)</u>	<u>15,311</u>	<u>(399,833)</u>	<u>(449,028)</u>	<u>(1,315,554)</u>
Net profit (loss) for the period	<u>\$ 1,224,721</u>	<u>\$ 2,076,140</u>	<u>\$ 218,728</u>	<u>\$ 3,665,276</u>	<u>\$ (1,753,244)</u>	<u>\$ 5,431,621</u>
For the three months ended June 30, 2019						
Interest profit (loss), net	\$ 1,701,963	\$ 337,103	\$ 48,030	\$ 13,789,442	\$ (110,369)	\$ 15,766,169
Noninterest profit (loss), net	<u>1,031,767</u>	<u>3,264,339</u>	<u>1,698,885</u>	<u>37,594,166</u>	<u>(769,523)</u>	<u>42,819,634</u>
Net revenue	2,733,730	3,601,442	1,746,915	51,383,608	(879,892)	58,585,803
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	(83,753)	422	-	6	-	(83,325)
Net change in reserve for insurance liabilities	-	-	-	(44,596,173)	-	(44,596,173)
Operating expenses	<u>(1,482,938)</u>	<u>(2,820,416)</u>	<u>(441,426)</u>	<u>(1,404,707)</u>	<u>(579,284)</u>	<u>(6,728,771)</u>
Net profit (loss) before income tax	1,167,039	781,448	1,305,489	5,382,734	(1,459,176)	7,177,534
Income tax benefit (expense)	<u>(213,601)</u>	<u>157,353</u>	<u>(61,946)</u>	<u>(494,364)</u>	<u>95,299</u>	<u>(517,259)</u>
Net profit (loss) for the period	<u>\$ 953,438</u>	<u>\$ 938,801</u>	<u>\$ 1,243,543</u>	<u>\$ 4,888,370</u>	<u>\$ (1,363,877)</u>	<u>\$ 6,660,275</u>
For the six months ended June 30, 2020						
Interest profit (loss), net	\$ 3,697,999	\$ 1,089,104	\$ 73,614	\$ 28,097,443	\$ (202,272)	\$ 32,755,888
Noninterest profit (loss), net	<u>1,567,175</u>	<u>7,464,868</u>	<u>(868,698)</u>	<u>65,239,407</u>	<u>(1,600,658)</u>	<u>71,802,094</u>
Net revenue	5,265,174	8,553,972	(795,084)	93,336,850	(1,802,930)	104,557,982
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	(167,799)	(8,378)	-	(430)	-	(176,607)
Net change in reserve for insurance liabilities	-	-	-	(81,441,614)	-	(81,441,614)
Operating expenses	<u>(2,943,922)</u>	<u>(6,390,534)</u>	<u>(792,931)</u>	<u>(2,558,771)</u>	<u>(973,844)</u>	<u>(13,660,002)</u>
Net profit (loss) before income tax	2,153,453	2,155,060	(1,588,015)	9,336,035	(2,776,774)	9,279,759
Income tax benefit (expense)	<u>(334,134)</u>	<u>(324,700)</u>	<u>48,245</u>	<u>(1,198,468)</u>	<u>(276,855)</u>	<u>(2,085,912)</u>
Net profit (loss) for the period	<u>\$ 1,819,319</u>	<u>\$ 1,830,360</u>	<u>\$ (1,539,770)</u>	<u>\$ 8,137,567</u>	<u>\$ (3,053,629)</u>	<u>\$ 7,193,847</u>

(Continued)

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the six months ended June 30, 2019						
Interest profit (loss), net	\$ 3,378,065	\$ 644,009	\$ 105,992	\$ 26,928,880	\$ (223,615)	\$ 30,833,331
Noninterest profit (loss), net	<u>1,946,638</u>	<u>6,945,900</u>	<u>3,226,933</u>	<u>84,815,513</u>	<u>(1,507,486)</u>	<u>95,427,498</u>
Net revenue	5,324,703	7,589,909	3,332,925	111,744,393	(1,731,101)	126,260,829
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	(82,182)	3,853	-	72	675	(77,582)
Net change in reserve for insurance liabilities	-	-	-	(100,495,491)	-	(100,495,491)
Operating expenses	<u>(2,957,117)</u>	<u>(5,584,749)</u>	<u>(803,743)</u>	<u>(2,560,528)</u>	<u>(1,135,101)</u>	<u>(13,041,238)</u>
Net profit (loss) before income tax	2,285,404	2,009,013	2,529,182	8,688,446	(2,865,527)	12,646,518
Income tax benefit (expense)	<u>(418,877)</u>	<u>98,936</u>	<u>(91,088)</u>	<u>(895,265)</u>	<u>256,112</u>	<u>(1,050,182)</u>
Net profit (loss) for the period	<u>\$ 1,866,527</u>	<u>\$ 2,107,949</u>	<u>\$ 2,438,094</u>	<u>\$ 7,793,181</u>	<u>\$ (2,609,415)</u>	<u>\$ 11,596,336</u>

(Concluded)

TABLE 1

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	\$ 3,559,200	\$ -	\$ -	Floating	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 14,414,503 (Note 1)	\$ 14,414,503 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	4,152,400	-	-	Floating	Short-term financing	-	Working capital	-	-	-	14,414,503	
		KGI International (Hong Kong) Limited	Receivables, net	Yes	3,559,200	3,559,200	593,200	Floating	Short-term financing	-	Working capital	-	-	-	14,414,503	
2	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,483,000	1,483,000	-	Floating	Short-term financing	-	Working capital	-	-	-	17,936,648 (Note 2)	17,936,648 (Note 2)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	785,990	207,620	-	Floating	Short-term financing	-	Working capital	-	-	-	17,936,648	
3	KGI International (Hong Kong) Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	474,560	474,560	474,560	Floating	Short-term financing	-	Working capital	-	-	-	5,881,608 (Note 3)	5,881,608 (Note 3)

Note 1: Richpoint Company Limited’s financing limit is based on the “Loan of Funds Making Guideline”. The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 2: KGI International Holdings Limited’s financing limit is based on the “Loan of Funds Making Guideline”. The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 3: KGI International (Hong Kong) Limited’s financing limit is based on the “Loan of Funds Making Guideline”. The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

TABLE 2

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party’s Collateral/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	Maximum Collateral/ Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	KGI Securities Co., Ltd	KGI Securities (Singapore) Pte. Ltd.	Note 1	\$ 6,330,609	\$ 696,544	\$ 680,000	\$ 680,000	\$ -	1.07%	\$ 25,322,436 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	17,936,648	919,460	919,460	29,660	-	5.13%	17,936,648 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	17,936,648	3,677,840	3,677,840	498,729	-	20.50%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	17,936,648	192,790	192,790	-	-	1.07%		No	No	No
		KGI Finance Limited	Note 1	17,936,648	127,538	127,538	-	-	0.71%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	17,936,648	2,221,620	2,221,620	-	-	12.39%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	17,936,648	889,800	889,800	-	-	4.96%		No	No	No
		KGI Asia (Holdings) Pte. Ltd.	Note 1	17,936,648	3,907,301	3,842,583	1,699,957	-	21.42%		No	No	No

Note 1: The Group has directly or indirectly over 50% voting right of the company.

Note 2: The limit of maximum guarantee provided by KGI Securities Co., Ltd is based on “Corporate Endorsement, Guarantee Making Guideline”. For each company, the amount of guarantee should not exceed 10% of the guarantee provider’s net asset value. The total amount available for collaterals or guarantee should not exceed 40% of the guarantee provider’s net asset value.

Note 3: The limit of maximum guarantee provided by KGI International Holdings Limited is based on the “Corporate Endorsement, Guarantee Making Guideline”. For each and all company, the amount of guarantee provided should not exceed the guarantee provider’s net asset value.

TABLE 3

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2020
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	<u>Stocks</u>							
	Logitech Inc.	-	Financial assets at fair value through profit or loss	3,261,773	\$ 29,412	10.69	\$ 29,412	
	Solar Fine Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	241,403	10,111	10.83	10,111	
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	4,225,979	78,096	6.04	78,096	
	Hair O’right International Corp.	-	Financial assets at fair value through profit or loss	1,735,837	124,980	8.53	124,980	
	DaBomb Protein Corp.	-	Financial assets at fair value through profit or loss	2,400,568	48,491	8.18	48,491	
	Power Venture Co.	-	Financial assets at fair value through profit or loss	677,245	5,295	5.68	5,295	
	Ori Vita Bio Application Inc.	-	Financial assets at fair value through profit or loss	858,690	7,038	0.42	7,038	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,000,000	36,106	9.91	36,106	
	HealthStream Taiwan Inc.	-	Financial assets at fair value through profit or loss	4,774,523	46,808	13.96	46,808	
	Subtron Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	12,316,000	135,353	4.24	135,353	
	Orgchem Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,067,220	11,535	1.95	11,535	
	General Life Biotechnology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,520,000	47,242	8.40	47,242	
	Mec Imex Inc.	-	Financial assets at fair value through profit or loss	4,802,000	54,718	10.52	54,718	
	Yieh United Steel Corp.	-	Financial assets at fair value through profit or loss	5,991,622	30,497	0.23	30,497	
	Hua-jie (Taiwan) Corp.	-	Financial assets at fair value through profit or loss	1,300,403	10,395	6.45	10,395	
	AMIA Co.	-	Financial assets at fair value through profit or loss	6,000,000	118,920	9.54	118,920	
	Up Sciencetech Materials Corp.	-	Financial assets at fair value through profit or loss	4,651,344	57,783	6.85	57,783	
	PlexBio Co., Ltd.	-	Financial assets at fair value through profit or loss	316,000	27,366	0.31	27,366	
	Riselink Restructuring Fund Corporation	-	Financial assets at fair value through profit or loss	986,905	13,627	12.50	13,627	
	Orient Pharma Co., Ltd.	-	Financial assets at fair value through profit or loss	2,260,800	50,032	1.45	50,032	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	7,567,424	89,596	5.64	89,596	
	Eastern Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss	4,348,680	31,182	6.47	31,182	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets at fair value through profit or loss	1,913,107	185,189	1.91	185,189	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,746,720	82,593	5.27	82,593	
	Kaohsiung Rapid Transit Corporation.	-	Financial assets at fair value through profit or loss	3,845,330	13,847	1.38	13,847	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,743,026	76,530	4.43	76,530	
	DragonJet Corporation	-	Financial assets at fair value through profit or loss	3,534,481	29,354	4.77	29,354	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	2,544,195	28,111	5.28	28,111	
	Terawins, Inc.	-	Financial assets at fair value through profit or loss	1,913,996	8,190	6.30	8,190	
	Feature Integration Technology Inc.	-	Financial assets at fair value through profit or loss	255,822	6,370	0.85	6,370	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through profit or loss	2,731,098	23,250	10.57	23,250	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,150,536	13,339	10.43	13,339	
	Overseas Investment & Development Corp.	-	Financial assets at fair value through profit or loss	2,600,000	8,738	2.89	8,738	
	Microprogram Co., Ltd.	-	Financial assets at fair value through profit or loss	2,550,000	33,114	7.95	33,114	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	102,839	4.81	102,839	
	JHL. Biotech, Inc.	-	Financial assets at fair value through profit or loss	8,382,844	158,302	3.55	158,302	
	Easten Power and Electric Company Limited	-	Financial assets at fair value through profit or loss	3,201,019	156,916	12.00	156,916	
	Chime Biologicis Limited	-	Financial assets at fair value through profit or loss	8,382,844	153,455	3.55	153,455	
	Beauty Essentials International Ltd.	-	Financial assets at fair value through profit or loss	86,503,067	192,949	8.02	192,949	
	Neo Solar Power Corp.	-	Financial assets at fair value through profit or loss	3,675,000	18,455	0.14	18,455	
	Lightel Technologies, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	3,000,000	84,876	43.44	84,876	
	Apexigen, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	4,970,588	228,475	12.68	228,475	
	CDIB Capital Management Corporation	Subsidiary	Investments accounted for using the equity method	33,093,889	580,317	100.00	580,317	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	4,565,070	28.71	4,565,070	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	42,680,000	403,086	38.80	403,086	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	58,250,000	\$ 602,807	33.29	\$ 602,807	
	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	9,519,297	100.00	9,519,297	
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	4,431,405	32,057	20.00	32,057	
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	3,769	30.00	3,769	
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	30,000,000	313,010	35.71	313,010	
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,292,390	100.00	1,292,390	
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	6,133,972	100.00	6,133,972	
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	7,084,454	100.00	7,084,454	
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	661,688	100.00	661,688	
	<u>Fund</u>							
	Samara Capital Partners Fund I Limited	-	Financial assets at fair value through profit or loss	-	49,843	-	49,843	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	50,454	-	50,454	
CDIB Capital Management Inc.	<u>Government bonds</u>							
	A00109	-	Financial assets at fair value through other comprehensive income	7,000,000	7,091	-	7,091	
	A01105	-	Financial assets at fair value through other comprehensive income	100,000,000	101,721	-	101,721	
	<u>Stocks</u>							
	ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	65,660	5,844	0.05	5,844	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	783,000	9,270	0.58	9,270	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	297,623	1,846	1.44	1,846	
	CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	14,558	60.00	14,558	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	1,100,002	10,389	1.00	10,389	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	1,750,000	18,110	1.00	18,110	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	317,956	100.00	317,956	
	<u>Funds</u>							
CDIB Private Equity (Hong Kong) Corporation Limited	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	25,561	-	25,561	
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	-	80,751	-	80,751	
	<u>Stocks</u>							
	CDIB Private Equity (China) Corporation	Subsidiary	Investments accounted for using the equity method	-	HK\$ 66,824	100.00	HK\$ 66,824	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK\$ 6,987	56.00	HK\$ 6,987	
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK\$ 3,493	27.08	HK\$ 3,493	
	<u>Stocks</u>							
	CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 13,371	70.00	CNY 13,371	
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 14,262	65.00	CNY 14,262	
	<u>Stocks</u>							
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 2,276	20.00	CNY 2,276	
	<u>Stocks</u>							
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 6,864	58.34	CNY 6,864	
	<u>Funds</u>							
	Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Associate	Financial assets at fair value through profit or loss	-	CNY 2,886	-	CNY 2,886	

(Continued)

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(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Venture Capital Corporation	<u>Corporate bond</u> Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	-	\$ 40,839	-	\$ 40,839	
	<u>Convertible (exchange) corporate bond</u> Viscovery (Cayman) Holding Company Limited	-	Financial assets at fair value through profit or loss	-	8,898	-	8,898	
	Kkday.com International Company Limited	-	Financial assets at fair value through profit or loss	-	47,456	-	47,456	
	FunNow Ltd.	-	Financial assets at fair value through profit or loss	-	11,864	-	11,864	
CDIB Venture Capital (Hong Kong) Corporation Limited	<u>Fund</u> CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 356,841	-	HK\$ 356,841	
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 291,372	-	HK\$ 291,372	
	Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Associate	Financial assets at fair value through profit or loss	-	HK\$ 92,857	-	HK\$ 92,857	
CDIB Capital Investment I Limited	<u>Stocks</u> Best Inc.	-	Financial assets at fair value through profit or loss	1,500,000	US\$ 6,420	0.38	US\$ 6,420	
	Casper Sleep, Inc.	-	Financial assets at fair value through profit or loss	266,690	US\$ 2,273	2.63	US\$ 2,273	
	K Health, Inc.	-	Financial assets at fair value through profit or loss	4,834	US\$ 49	0.03	US\$ 49	
	CCAP Best Logistics Holdings Limited	-	Financial assets at fair value through profit or loss	1,000	US\$ 2,364	11.11	US\$ 2,364	
	Mestay Cayman Islands Limited - Preferred stock	-	Financial assets at fair value through profit or loss	13,722,047	US\$ 1,137	3.40	US\$ 1,137	
	Giddy Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	666,755	US\$ 7,287	6.26	US\$ 7,287	
	Great Team Backend Foundry Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,107,165	US\$ 559	1.22	US\$ 559	
	Rokid Corporation Ltd - Preferred stock	-	Financial assets at fair value through profit or loss	615,642	US\$ 5,000	1.51	US\$ 5,000	
	K Health, Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	496,376	US\$ 5,000	1.84	US\$ 5,000	
	Viking 3 Holdings Corporation - Preferred stock	-	Financial assets at fair value through profit or loss	18,000,000	US\$ 18,534	100.00	US\$ 18,534	
	SCBS 1 Holding Corporation	Subsidiary	Investments accounted for using the equity method	3,578	US\$ 2,665	100.00	US\$ 2,665	
	<u>Fund</u> Carlyle Asia Partners II, L. P.	-	Financial assets at fair value through profit or loss	-	US\$ 132	-	US\$ 132	
	KKR Talk Co-invest L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 10,923	-	US\$ 10,923	
	CC KDC CO-INVEST L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 30,479	-	US\$ 30,479	
	Ripley Cable Holdings I, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 962	-	US\$ 962	
	MSD Sports Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 346	-	US\$ 346	
	BCP QualTek Investor Holdings, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 10,644	-	US\$ 10,644	
	CDIB Capital Global Opportunities Fund L.P.	Associate	Financial assets at fair value through profit or loss	-	US\$ 7,479	-	US\$ 7,479	
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US\$ 76,285	-	US\$ 76,285	
	<u>Corporate bond</u> Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	41,875,000	US\$ 6,770	-	US\$ 6,770	
	<u>Convertible (exchange) corporate bond</u> Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	28,094,510	US\$ 10,466	-	US\$ 10,466	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US\$ 1,000	-	US\$ 1,000	
SCBS 1 Holding Corporation	<u>Stocks</u> Simplify Compliance Holdings, LLC	-	Financial assets at fair value through profit or loss	2,833,333	US\$ 2,516	2.91	US\$ 2,516	
CDIB Capital Investment II Limited	<u>Stocks</u> Great Rich Technologies Limited	-	Financial assets at fair value through profit or loss	1,660,000	US\$ 1,968	2.46	US\$ 1,968	
	Techmate Korea Daebu Co., Ltd.	-	Financial assets at fair value through profit or loss	45,600	US\$ 1,773	10.00	US\$ 1,773	
	Indostar Capital	-	Financial assets at fair value through profit or loss	631,701	US\$ 6,949	2.88	US\$ 6,949	
	Indostar Everstone - Preferred stock	-	Financial assets at fair value through profit or loss	860,332	US\$ 9,419	8.12	US\$ 9,419	
	<u>Corporate bond</u> Techmate Korea Daebu Co., Ltd.	-	Debt investments measured at amortized cost	22,497,515,793	US\$ 17,922	-	US\$ 18,976	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Global Markets Limited	<u>Stocks</u> Flemingo International (BVI) Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	1,048	US\$ 39,895	50.19	US\$ 39,895	
	<u>Fund</u> Huaxing Capital Partners II LP	-	Financial assets at fair value through profit or loss	-	US\$ 8,375	-	US\$ 8,375	
	CX Partners Fund Alpha Limited	-	Financial assets at fair value through profit or loss	-	US\$ 2,911	-	US\$ 2,911	
	Carlyle Asia Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,053	-	US\$ 1,053	
	Riverwood Capital Partners L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 3,957	-	US\$ 3,957	
	ECP II (Cayman) Ltd. A	-	Financial assets at fair value through profit or loss	-	US\$ 4,338	-	US\$ 4,338	
	Sino-Century China Private Equity II L. P.	-	Financial assets at fair value through profit or loss	-	US\$ 140	-	US\$ 140	
	KKR Asian Fund II L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 6,479	-	US\$ 6,479	
	Carlyle Asia Partners IV, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 13,849	-	US\$ 13,849	
	Carlyle Giovanna Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 81	-	US\$ 81	
	Tenaya Capital V, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,968	-	US\$ 1,968	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 851	-	US\$ 851	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 823	-	US\$ 823	
	Industry Ventures Fund VI, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,627	-	US\$ 1,627	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 4,332	-	US\$ 4,332	
	Tenaya Capital VI, LP	-	Financial assets at fair value through profit or loss	-	US\$ 6,384	-	US\$ 6,384	
	Formation8 Partners Fund I, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 8,225	-	US\$ 8,225	
	Blue Point Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 5,561	-	US\$ 5,561	
	Riverwood Capital Partners II L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 21,823	-	US\$ 21,823	
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,260	-	US\$ 1,260	
CDIB Capital International Corporation	<u>Stocks</u> CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US\$ 5,005	100.00	US\$ 5,005	(Note 5)
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	557,678	US\$ 1,789	100.00	US\$ 1,789	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US\$ 2,419	100.00	US\$ 2,419	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	100	US\$ 50	100.00	US\$ 50	
	CDIB Intelligence Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US\$ -	100.00	US\$ -	
China Development Asset Management Corp.	<u>Stocks</u> Waterland Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	8,302,564	51,127	1.07	51,127	
	Victor Taichung Machinery Works Co., Ltd.	-	Financial assets at fair value through profit or loss	94,266	257	0.05	257	
	Pine Street Asset Management Corp.	-	Financial assets at fair value through other comprehensive income	3,886,190	16,263	12.25	16,263	
CDIB Management Consulting Corp.	<u>Stocks</u> CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	634,826	76.04	634,826	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	67,139	100.00	67,139	
CDC Finance & Leasing Corp.	<u>Stocks</u> Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	60	19.00	60	
	Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	546,231	-	0.07	-	
Richpoint Company Limited	<u>Stocks</u> Dragon Investment Fund I Co., Ltd.	-	Financial assets at fair value through profit or loss	612,519	US\$ 58	6.48	US\$ 58	
	He Ding Venture Capital Investment Corporation	-	Financial assets at fair value through profit or loss	295,000	US\$ 16	5.00	US\$ 16	
	Lien Ding Venture Capital Investment Corporation	-	Financial assets at fair value through profit or loss	210,000	US\$ 29	3.00	US\$ 29	
	KG Investments Holdings Limited	Subsidiary	Investments accounted for using the equity method	156,864,163	US\$ 499,574	100.00	US\$ 499,574	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	US\$ 842	100.00	US\$ 842	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
KGI Venture Capital Co., Ltd.	<u>Stocks</u>							
	PharmaEssentia Corp.	-	Financial assets at fair value through profit or loss	20,000	\$ 2,340	0.01	\$ 2,340	
	WinWay Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	240,000	125,040	0.79	125,040	
	Jmc Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	295,000	18,261	0.30	18,261	
	Global Tek Fabrication Co., Ltd.	-	Financial assets at fair value through profit or loss	52,000	2,046	0.08	2,046	
	Top Bright Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	345,000	40,710	0.67	40,710	
	Drewloong Precision, Inc.	-	Financial assets at fair value through profit or loss	222,614	22,707	0.62	22,707	
	Yield Microelectronics Corp.	-	Financial assets at fair value through profit or loss	250,000	15,518	0.93	15,518	
	Deluxe Technology Group.	-	Financial assets at fair value through profit or loss	542,149	4,847	0.88	4,847	
	San Neng Group Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	419,000	17,074	0.69	17,074	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	206,335	20,634	0.63	20,634	
	Gingy Technology Inc.	-	Financial assets at fair value through profit or loss	1,148,837	3,969	4.25	3,969	
	Fittech Co., Ltd.	-	Financial assets at fair value through profit or loss	75,000	12,225	0.11	12,225	
	UPI Semiconductor Corp.	-	Financial assets at fair value through profit or loss	190,665	9,176	0.27	9,176	
	Wiltrom Co., Ltd.	-	Financial assets at fair value through profit or loss	384,000	15,053	1.46	15,053	
	Yongda Food Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,100,000	8,749	4.02	8,749	
	Asia Metal Industries, Inc.	-	Financial assets at fair value through profit or loss	650,000	49,303	3.60	49,303	
	Allied Supreme Corporation	-	Financial assets at fair value through profit or loss	430,000	43,959	0.63	43,959	
	Chen Feng Optronics Corporation	-	Financial assets at fair value through profit or loss	1,637,171	36,018	2.56	36,018	
	Young Shine Electric Co., Ltd.	-	Financial assets at fair value through profit or loss	899,000	55,127	4.50	55,127	
	Mutual-Tek Industries Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000,000	20,300	1.22	20,300	
	<u>Convertible (exchange) corporate bond</u>							
	Taiwan Chinsan Electronic Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	-	8,274	-	8,274	
KGI Information Technology Co., Ltd.	<u>Fund</u>							
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	-	20,199	-	20,199	

Note 1: The Group recognized the related income or loss of investees as required by regulations.

Note 2: The preferred shares held divided by the number of preferred shares outstanding is the percentage of ownership.

Note 3: No securities were treated as collaterals or warrants.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

Note 5: CDIB Intelligence Partners Limited conducted registration establishment on February 28, 2020, however, CDIB Intelligence Partners Limited had not invested any capital as of June 30, 2020.

(Concluded)

TABLE 4

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
KGI Bank	Stocks Next Bank	Financial assets at fair value through other comprehensive income	-	-	-	\$ -	70,000,000	\$ 700,000 (Note 1)	-	\$ -	\$ -	\$ -	70,000,000	\$ 700,000 (Note 1)
CDIB Capital Investment II Limited	Corporate bonds Techmate Korea Daebu Co., Ltd.	Debt investment measured at amortized cost	-	-	-	US\$ -	22,497,515,793	US\$ 17,922 (Note 2)	-	-	-	-	22,497,515,793	US\$ 17,922

Note 1: Initial acquisition cost.

Note 2: Consists of cost of purchase US\$18,618 thousand, interests of pre-owner of initial acquisition (US\$140 thousand), adjustment of amortization of discount (US\$2 thousand), exchange loss US\$87 thousand and accumulated impairment loss US\$467 thousand.

TABLE 5**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL****JUNE 30, 2020****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
The Corporation	CDIB Capital Group	Subsidiary	\$ 519,807 (Note 1)	-	\$ -	-	\$ -	\$ -
	KGI Bank	Subsidiary	664,367 (Note 1)	-	-	-	-	-
	KGI Securities Co., Ltd.	Subsidiary	814,582 (Note 1)	-	-	-	-	-
	China Life Insurance Co., Ltd.	Subsidiary	700,713	-	-	-	-	-
China Life Insurance Co., Ltd.	KGI Bank	Subsidiary of the parent company	1,903,394	-	-	-	1,903,394	-
Richpoint Company Limited	KGI International (Hong Kong) Limited	Subsidiary	593,552	-	-	-	352	-
KGI International (Hong Kong) Limited	PT KGI Sekuritas Indonesia	Subsidiary of the parent company	475,430	-	-	-	870	-
	KGI Asia Limited	Subsidiary of the parent company	490,790	-	-	-	-	-
KGI Securities (Singapore) Pte. Ltd	KGI Asia Limited	Subsidiary of the parent company	402,693	-	-	-	-	-

Note 1: Tax receivable result from linked-tax system.

Note 2: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Business	Percentage of Ownership, End of Year	Carrying Value, End of Year (Note 3)	Investment Gain (Loss)	Consolidated Investment (Note 1)				Note
							Present Shares	Virtual Shares (Note 2)	Total		
									Shares	Percentage of Ownership	
The Corporation	CDIB Capital Group	Taipei City, Taiwan	Venture capital	100.00	\$ 38,062,922	\$ (1,461,867)	2,041,115,913	-	2,041,115,913	100.00	
	KGI Securities Co., Ltd	Taipei City, Taiwan	Financial service	100.00	57,474,953	2,259,817	3,436,339,736	-	3,436,339,736	100.00	
	KGI Bank	Taipei City, Taiwan	Commercial bank	100.00	62,991,939	1,713,151	4,606,162,291	-	4,606,162,291	100.00	
	China Development Asset Management Corp.	Taipei City, Taiwan	Trading and management of nonperforming loans of financial institution	100.00	2,371,553	27,923	213,360,000	-	213,360,000	100.00	
	China Life Insurance Co., Ltd.	Taipei City, Taiwan	Life insurance	26.16	41,179,407	1,661,700	1,555,964,931	-	1,555,964,931	34.86	

- Note 1: All present shares and virtual shares of investee company held by the Company, directors, supervisors, the Corporation's managers and affiliates should be included.
- Note 2:

a. The virtual shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed and linked to investee company’s equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 36, Item 2 and Article 37 of the Company Act.

b. The equity securities mentioned above are specified as those securities under the provision of Article 11, Item 1 of the bylaws to the ROC Securities and Exchange Act, for example, convertible bond and warrant.

c. The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IFRS 9, for example, stock option.
- Note 3: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

TABLE 7

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2020	December 31, 2019	June 30, 2019	
The Corporation	CDIB Capital Group	Venture fund	100.00	100.00	100.00	(Note 1)
	KGI Securities Co., Ltd.	Financial service	100.00	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	China Life Insurance Co., Ltd.	Life insurance	26.16	26.16	26.16	
CDIB Capital Group	CDIB Capital Management Corporation	Management and consulting	100.00	100.00	100.00	(Note 2)
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	100.00	
	CDIB Global Markets Limited	Investment	100.00	100.00	100.00	
	CDIB Capital Investment I Limited	Investment	100.00	100.00	100.00	
	CDIB Capital Investment II Limited	Investment	100.00	100.00	100.00	
	CDIB Capital International Corporation	Private equity advisory service	100.00	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Private equity advisory service	100.00	100.00	100.00	(Note 3)
	CDIB Capital International (USA) Corporation	Private equity advisory service	100.00	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Private equity advisory service	100.00	100.00	100.00	
	CDIB Capital Asia Partners Limited	Private equity advisory service	100.00	100.00	100.00	
	CDIB Intelligence Partners Limited	Private equity advisory service	100.00	-	-	
CDIB Capital Investment I Limited	SCBS 1 Holding Corporation	Investment holdings	100.00	100.00	100.00	(Note 3)
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	100.00	
CDIB Capital Management Corporation	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	100.00	
	CDIB Capital Innovation Advisors Corporation	Management and consulting	60.00	60.00	60.00	
CDIB Private Equity (Hong Kong) Corporation Limited	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Fund management	27.08	27.08	27.08	
	CDIB Private Equity (China) Corporation	Management and consulting	100.00	100.00	100.00	(Note 3)
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund management	56.00	56.00	56.00	
CDIB Private Equity (China) Corporation	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Fund management	65.00	65.00	65.00	(Note 3)
	CDIB Private Equity (Fujian) Co., Ltd.	Fund management	70.00	70.00	70.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2020	December 31, 2019	June 30, 2019	
CDIB Private Equity (Fujian) Co., Ltd.	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund management	20.00	20.00	20.00	(Notes 4 and 5)
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Fund management	58.34	58.34	58.34	
KGI Securities Co., Ltd.	Richpoint Company Limited	Investment holdings	100.00	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting	100.00	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture fund	100.00	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	100.00	100.00	100.00	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	99.61	
KGI Futures Co., Ltd.	Global Corporation	Investment consulting, management consulting	22.07	22.07	21.99	
	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	100.00	
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	100.00	(Note 6)
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	100.00	100.00	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	100.00	
KGI International Holdings Limited	KGI Limited	Investment holdings	100.00	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	-	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	-	100.00	100.00	
	KGI Korea Limited	Investment holdings	100.00	-	-	
KGI Limited	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00	
	KGI Hong Kong Limited	Management and consulting	100.00	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	100.00	
	KGI Capital Asia Limited	Securities investment	100.00	100.00	100.00	
	KGI Asset Management Limited	Asset management	100.00	100.00	100.00	
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	100.00	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	-	100.00	100.00	(Note 6)
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	100.00	(Note 7)
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	-	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2020	December 31, 2019	June 30, 2019	
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	-	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	100.00	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	99.00	99.00	
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd.	Securities and futures investment services	100.00	100.00	100.00	
KGI Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	-	100.00	(Note 1)
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	-	100.00	(Note 1)
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	-	100.00	(Note 1)

Note 1: China Development Asset Management Corp., Development Industrial Bank Asset Management Corp., and Chung Hwa Growth 4 Asset Management Corp. was acquired by Chung Hwa Growth 3 Asset Management Corp. on July 1, 2019. Also, Chung Hwa Growth 3 Asset Management Corp. was renamed as “China Development Asset Management Corp.” on the same day.

Note 2: The Corporation and the subsidiary, KGI securities Co., Ltd., jointly held 34.82% of shares of China Life Insurance Co., Ltd. on June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

Note 3: CDIB Intelligence Partners Limited conducted registration of establishment on February 28, 2020, however, CDIB Intelligence Partners Limited had not invested any capital as of June 30, 2020.

Note 4: KGI Securities Co., Ltd. obtained more than half of the seats in the board of director, therefore, Global Securities Finance Corporation (GSFC) should be included in the consolidated financial statements.

Note 5: The former Global Securities Finance Corporation held the shareholder's meeting on November 29, 2019 to resolve termination of being securities finance enterprises, ceasing its status as a public company and changed its name to Global Corporation Ltd. It was approved by the authorities on the December 13, 2019 and the change of company registration was completed on December 25, 2019. On June 5, 2020, the shareholder's meeting resolved to institute a process of liquidation on July 1, 2020.

Note 6: KGI Korea Limited submitted application for going out of business, and had been approved by the competent authority in Taiwan on January 20, 2020. The application will subject to the approval of the competent authority of local governments.

Note 7: KGI Capital (Singapore) Pte. Ltd. submitted application for going out of business, and had been approved by the Competent Authority in Taiwan on January 20, 2020. Also, KGI Capital (Singapore) Pte. Ltd. had already completed the liquidation process in May, 2020. The application will subject to the approval of the competent authority of local governments.

(Concluded)

TABLE 8

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE

JUNE 30, 2020

(In Millions of New Taiwan Dollars; %)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
1. The same customer		
Ministry of Finance, R.O.C.	\$ 200,964	113.39
AT&T Inc.	34,380	19.40
Taipower Corporation	32,081	18.10
CITIGROUP INC	31,931	18.02
Capital Investment Trust Corporation	24,469	13.81
BNP-PARIBAS SA	24,029	13.56
GOLDMAN SACHS GROUP INC.	23,902	13.49
Comcast Corporation	23,275	13.13
JPMORGAN CHASE & CO	22,880	12.91
EDF	22,009	12.42
BANK OF AMERICA CORP	21,995	12.41
NOMURA INTL FUNDING PTE	21,834	12.32
UNITED MEXICAN STATES	21,803	12.30
WELLS FARGO & COMPANY	20,274	11.44
Republic Of Indonesia	20,002	11.29
EMIRATES NBD BANK PJSC	19,623	11.07
Comision Federal de Electricidad	19,358	10.92
FIRST ABU DHABI BANK PJSC	19,309	10.89
QNB Finance Ltd	19,128	10.79
Verizon Communications Inc	19,100	10.78
TRANSCANADA PIPELINES	19,014	10.73
Cathay Securities Investment Trust	18,851	10.64
Malayan Banking Berhad	18,649	10.52
DEUTSCHE BANK AG, SINGAPORE	18,647	10.52
Natixis S.A.	18,502	10.44
BANK OF NOVA SCOTIA	18,389	10.38
ROYAL BANK OF CANADA	17,948	10.13
Standard Chartered PLC	17,767	10.02
Barclays PLC	17,627	9.95
CODELCO INC	17,449	9.85
ADCB Finance (Cayman) Limited	17,273	9.75
SOCIETE GENERALE	17,201	9.71
TSMC	17,059	9.62

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Anheuser-Busch InBev Worldwide Inc.	\$ 16,638	9.39
FannieMae (FNMA)	16,576	9.35
SAUDI INTERNATIONAL BOND	16,326	9.21
MORGAN STANLEY	15,919	8.98
Fubon Asset Management Co., Ltd.	15,918	8.98
HSBC HOLDINGS PLC	15,847	8.94
KG Investment Holdings Ltd	14,817	8.36
Yuanta Securities Investment Trust Co., Ltd.	14,291	8.06
Alibaba Group Holding Limited	14,008	7.90
COOPERATIEVE RABOBANK UA	13,320	7.52
FREDDIE MAC	12,939	7.30
Saudi Arabian Oil Company	12,812	7.23
MUFG BANK, LTD.	12,359	6.97
CCB Life Insurance Co., Ltd.	11,645	6.57
Fuh Hwa Securities Investment Trust Co., Ltd.	11,591	6.54
RUSSIAN FEDERATION	11,312	6.38
Bank of Montreal	11,271	6.36
Anheuser-Busch InBev Finance Inc	11,247	6.35
Nan Ya Plastics Corporation	11,190	6.31
Tencent Holdings Ltd	11,165	6.30
NATIONAL BANK OF CANADA	11,126	6.28
RAYTHEON TECH CORP	11,109	6.27
Hon Hai Precision Industry Co., Ltd.	11,094	6.26
Credit Suisse Group AG	10,734	6.06
Cathay Financial Holdings Co., Ltd.	10,484	5.92
BARCLAYS BANK PLC	10,418	5.88
KOMMUNALBANKEN AS	10,381	5.86
State of Qatar	10,336	5.83
E.SUN Commercial Bank, Ltd.	10,057	5.67
Taiwan Cement Corp.	9,987	5.63
Petronas Capital Limited	9,779	5.52
FORMOSA CHEMICALS and FIBRE Corp.	9,766	5.51
BPCE SA	9,732	5.49
PT Pertamina (Persero)	9,479	5.35
Lloyds Banking Group PLC	9,341	5.27
COMMONWEALTH BANK	9,182	5.18
NATIONAL AUSTRALIA BANK LIMITED	9,004	5.08
Southern Copper Corporation	8,690	4.90
FED REPUBLIC OF BRAZIL	8,670	4.89
HSBC BANK PLC	8,504	4.80
MDGH - GMTN BV	8,359	4.72
FORMOSA PLASTICS CORPORATION	8,355	4.71
KGI Securities Co. Ltd.	8,117	4.58
CTBC Financial Holding Co., Ltd.	8,006	4.52
The Export-Import bank of the Republic of China	7,963	4.49

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
CHINA DEVELOPMENT BANK CORPORATION, HONG KONG	\$ 7,905	4.46
CVS Health Corp	7,845	4.43
LLOYDS BANK PLC	7,757	4.38
CTBC Bank Co., Ltd.	7,634	4.31
ISHARES IBOXX INVESTMENT GRA	7,589	4.28
WESTPAC BANKING CORPORATION	7,485	4.22
AXA SA	7,412	4.18
GRUPO TELEVISA SAB	7,393	4.17
PCA Life Assurance Co., Ltd.	7,284	4.11
DBS BANK LTD., SINGAPORE	7,283	4.11
Taishin Financial Holding Co., Ltd.	7,206	4.07
Intel Corp.	7,206	4.07
Cathay Life Insurance Co., Ltd.	6,943	3.92
China Development Bank	6,938	3.91
Mega Financial Holding Company Limited	6,807	3.84
Perusahaan Listrik Negara PT	6,763	3.82
Walt Disney Co	6,743	3.80
RELIANCE INDUSTRIES LIMITED	6,496	3.67
PIMCO INVESTMENT MANAGEMENT	6,377	3.60
CREDIT AGRICOLE SA	6,298	3.55
CPC Corporation, Taiwan	6,149	3.47
M&G Lux Investment Funds 1	5,932	3.35
REPUBLIC OF COLOMBIA	5,865	3.31
GOVERNMENT NATL MORTGAGE ASSOCIATION	5,818	3.28
Cathay United Bank	5,750	3.24
CITIC Limited	5,625	3.17
ING Groep NV	5,392	3.04
ISHARES JP MORGAN US\$ EMERGI	5,364	3.03
CDIB & PARTNERS INVESTMENT HOLDING CORPORATION	5,352	3.02
ABERDEEN STANDARD INVEST LIMITED	5,339	3.01
Far Eastern New Century Corporation	5,338	3.01
Swiss Re Finance (Luxembourg) S.A.	5,202	2.94
LANDESBANK BADEN-WUERTTEMBERG	5,004	2.82
Telefonica Emisiones SAU	4,931	2.78
First Financial Holding Co., Ltd.	4,902	2.77
STANDARD LIFE ABERDEEN	4,741	2.67
Qualcomm Inc.	4,706	2.66
CTBC Investments Co., Ltd.	4,568	2.58
US TREASURY N/B	4,561	2.57
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	4,467	2.52
PHOENIX LEAD LTD	4,452	2.51
China Cinda Finance (2017) III Limited	4,421	2.49
Mega International Commercial Bank Co., Ltd.	4,298	2.42
Deutsche Bank	4,289	2.42

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Fubon Securities Co., Ltd.	\$ 4,223	2.38
CREDIT SUISSE LONDON BRANCH (GFX)	4,110	2.32
KGI Futures Co., Ltd.	4,090	2.31
CNOOC FINANCE 2012 LTD	4,020	2.27
CTCI Development Corp.	3,963	2.24
Industrial and Commercial Bank of China Limited	3,832	2.16
Taiwan Mobile Co., Ltd.	3,799	2.14
HUARONG FINANCE 2017 CO LTD	3,779	2.13
Fubon Financial Holdings Co., Ltd.	3,744	2.11
Blackstone Holdings Finance Co. L.L.C.	3,738	2.11
Asia Cement Corporation	3,721	2.10
Chang Hwa Commercial Bank, Ltd.	3,600	2.03
Nan Shan Life Insurance Company, Ltd.	3,535	1.99
OVPH LTD	3,511	1.98
COMMERZBANK AG	3,310	1.87
Wanbao development Co., Ltd.	3,300	1.86
Taishin International Bank Co., Ltd.	3,297	1.86
CDIB Capital Asia Partners L.P.	3,264	1.84
CRED SUIS GP FUN LTD	3,192	1.80
GRAND PACIFIC PETROCHEMICAL CORPORATION	3,160	1.78
CHINA CONSTRUCTION BANK CORPORATION, HONG KONG	3,147	1.78
DELTA ELECTRONICS, INC.	3,101	1.75
Fubon Life Insurance Co., Ltd.	3,100	1.75
The Export-Import Bank of China	3,066	1.73
SinoPac Holdings Co., Ltd.	3,063	1.73
AIA Group Ltd	3,035	1.71
Total	\$ 1,744,116	984.06
2. The same group		
CITI Group	\$ 32,649	18.42
Lin Yuan Group	30,916	17.44
AB InBev Group	28,991	16.36
BPCE Group	28,234	15.93
Barclays Bank Group	28,045	15.82
HSBC Group	27,241	15.37
COMCAST Group	25,441	14.35
JPMORGAN CHASE Group	25,151	14.19
BNP Paribas Group	24,295	13.71
Goldman Sachs Group	23,902	13.49
Bank of America Group	23,279	13.13
Deutsche Bank Group	22,936	12.94
NOMURA Group	21,916	12.37
Wells Fargo Bank Group	20,286	11.45
Fubon Group	19,322	10.90
FAB Group	19,309	10.89

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
MORGAN STANLEY GROUP	\$ 18,947	10.69
Royal Bank of Canada Group	18,924	10.68
Foxconn Technology Group	18,409	10.39
Scotia Bank Group	18,389	10.38
TSMC Group	18,119	10.22
Far Easter Group	17,824	10.06
Standard Chartered Group	17,767	10.02
CTBC Group	17,736	10.01
CREDIT SUISSE Group	17,486	9.87
Societe Generale Group	17,201	9.71
LLOYDSBK Group	17,099	9.65
China Development Bank Group	14,799	8.35
Mega Financial Holding Group	14,071	7.94
Formosa Plastic Group	12,515	7.06
Mitsubishi UFJ Financial Group	12,309	6.94
Taishin Group	12,003	6.77
Nanya Plastics Group	11,215	6.33
Tencent Group	11,165	6.30
E.SUN Financial Holding Group	10,926	6.16
CK Hutchison Group	10,507	5.93
Taiwan Cement Group	10,332	5.83
Westpac Banking Group	9,861	5.56
Formosa Chemicals and Fiber Group	9,768	5.51
DBS Group	9,381	5.29
Sinopec Group	9,222	5.20
Commonwealth Bank of Australia Group	9,182	5.18
National Australia Bank Group	9,004	5.08
First Financial Holding Group	8,563	4.83
Ruentex Group	8,457	4.77
YFY Group	7,973	4.50
Gateway Real Estate Fund Group	7,929	4.47
Bank of China Group	7,083	4.00
CITIC Group	7,026	3.96
RELIANCE INDUSTRIES LIMITED Group	6,793	3.83
Swiss Re Group	6,477	3.65
ICBC Group	6,317	3.56
CNOOC Group	6,100	3.44
China Cinda Group	5,607	3.16
Crédit Agricole Group	5,486	3.10
ING Group	5,392	3.04
CTIC Group	4,714	2.66
World Bank Group	4,619	2.61
Yulon Group	4,609	2.60
UMC Group	4,596	2.59
AUSTRALIA AND NEW ZEALAND BANKING GROUP	4,467	2.52

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
AU Optronics Group	\$ 4,345	2.45
ASE Group	4,315	2.43
PECOS Group	4,233	2.39
China Construction Bank Group	4,134	2.33
Walsin Group	4,064	2.29
Yuanta Group	3,833	2.16
China Huarong Group	3,779	2.13
GRAND PACIFIC PETROCHEMICAL Group	3,639	2.05
CHB Group	3,600	2.03
Taiwan Dooperative Group	3,482	1.96
Shin Kong Group	3,379	1.91
Qsan Technology Group	3,324	1.88
COMMERZBANK Group	3,310	1.87
Chailease Group	3,284	1.85
LCY Group	3,279	1.85
YAGEO Group	3,231	1.82
Delta Electronic Group	3,101	1.75
Evergreen Group	3,089	1.74
The Export-Import Bank of China Group	3,066	1.73
Total	\$ 956,769	539.83

(Concluded)

TABLE 9

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

Assets	June 30, 2020	December 31, 2019	June 30, 2019
Cash and cash equivalents	\$ 16,098,810	\$ 2,914,480	\$ 7,562,660
Financial assets at fair value through profit or loss	-	-	103,334
Receivables, net	814,409	49,216	104,823
Current tax assets	2,163,059	2,013,945	1,889,262
Investments accounted for using the equity method, net	202,080,774	214,485,554	207,716,054
Other financial assets	300	300	300
Right-of-use assets, net	22,289	6,285	4,743
Property and equipment, net	49,542	45,078	28,697
Other assets, net	40,859	37,747	37,779
Total	<u>\$ 221,270,042</u>	<u>\$ 219,552,605</u>	<u>\$ 217,447,652</u>
Liabilities and Equity			
<u>Liabilities</u>			
Commercial paper payable, net	\$ 4,449,612	\$ 3,849,741	\$ 8,999,434
Payables	9,930,920	937,194	5,242,143
Current tax liabilities	1,107,891	418,779	474,098
Bonds payable	25,000,000	23,000,000	18,000,000
Other borrowings	3,499,938	3,799,796	3,299,871
Provisions	12,045	12,807	6,948
Lease liabilities	21,875	6,555	5,103
Other liabilities	11,868	2,605	17,322
Total liabilities	<u>44,034,149</u>	<u>32,027,477</u>	<u>36,044,919</u>
<u>Equity</u>			
Capital			
Common stock	149,710,976	149,663,721	149,659,821
Advance receipts for capital stock	-	20,359	-
Capital surplus	1,114,971	1,093,745	883,080
Retained earnings			
Legal reserve	8,816,167	7,561,404	7,561,404
Special reserve	565,041	10,797,899	10,797,899
Unappropriated earnings	15,399,273	12,617,375	8,004,636
Other			
Exchange differences on translation of financial statements of foreign operations	(2,415,600)	(1,790,483)	(385,461)
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	859,286	1,556,416	1,439,137
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	9,850,777	7,794,213	5,438,585
Other comprehensive income (loss) reclassified using the overlay approach	(3,593,528)	1,347,757	1,383,393
Others	-	-	(527)
Treasury shares	<u>(3,071,470)</u>	<u>(3,137,278)</u>	<u>(3,379,234)</u>
Total equity	<u>177,235,893</u>	<u>187,525,128</u>	<u>181,402,733</u>
Total	<u>\$ 221,270,042</u>	<u>\$ 219,552,605</u>	<u>\$ 217,447,652</u>

(Continued)

2. Statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)				
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
REVENUES				
Share of profit of subsidiaries, associates and joint ventures	\$ 4,555,989	\$ 4,587,277	\$ 4,256,535	\$ 8,524,153
Others	<u>12,675</u>	<u>2,258</u>	<u>20,250</u>	<u>41,732</u>
Total revenues	<u>4,568,664</u>	<u>4,589,535</u>	<u>4,276,785</u>	<u>8,565,885</u>
EXPENSES AND LOSSES				
Operating expenses	(364,059)	(322,353)	(510,216)	(622,041)
Others	<u>(91,717)</u>	<u>(101,620)</u>	<u>(193,901)</u>	<u>(205,080)</u>
Total expenses and losses	<u>(455,776)</u>	<u>(423,973)</u>	<u>(704,117)</u>	<u>(827,121)</u>
NET PROFIT BEFORE INCOME TAX	4,112,888	4,165,562	3,572,668	7,738,764
INCOME TAX BENEFIT (EXPENSE)	<u>(597,855)</u>	<u>26,188</u>	<u>(545,745)</u>	<u>62,679</u>
NET PROFIT FOR THE PERIOD	<u>3,515,033</u>	<u>4,191,750</u>	<u>3,026,923</u>	<u>7,801,443</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss, net of income tax				
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures	2,425,840	119,228	(892,419)	1,818,615
Income tax relating to the items that will not be reclassified subsequently to profit or loss	(307,862)	14,858	(42,574)	(171,130)
Items that will be reclassified subsequently to profit or loss, net of income tax				
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	17,633,491	7,427,693	(3,689,522)	19,183,099
Income tax relating to the items that may be reclassified subsequently to profit or loss	<u>(1,730,367)</u>	<u>(918,990)</u>	<u>179,684</u>	<u>(2,272,343)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>18,021,102</u>	<u>6,642,789</u>	<u>(4,444,831)</u>	<u>18,558,241</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 21,536,135</u>	<u>\$ 10,834,539</u>	<u>\$ (1,417,908)</u>	<u>\$ 26,359,684</u>
BASIC EARNINGS PER SHARE	<u>\$0.24</u>	<u>\$0.29</u>	<u>\$0.21</u>	<u>\$0.54</u>
DILUTED EARNINGS PER SHARE	<u>\$0.24</u>	<u>\$0.29</u>	<u>\$0.21</u>	<u>\$0.54</u>

(Continued)

3. Statements of changes in equity

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Other Equity											Total Equity
	Capital			Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Other Comprehensive Income on Reclassification Using the Overlay Approach	Others	Treasury Shares	
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2019	\$ 149,622,812	\$ 10,748	\$ 1,630,992	\$ 6,776,135	\$ 565,041	\$ 14,754,530	\$ (930,286)	\$ (5,138,562)	\$ (4,451,944)	\$ (1,339)	\$ (3,605,444)	\$ 159,232,683
Appropriation of 2018 earnings												
Legal reserve	-	-	-	785,269	-	(785,269)	-	-	-	-	-	-
Special reserve	-	-	-	-	10,232,858	(10,232,858)	-	-	-	-	-	-
Cash dividends - NT\$0.245 per share	-	-	-	-	-	(3,666,666)	-	-	-	-	-	(3,666,666)
	-	-	-	785,269	10,232,858	(14,684,793)	-	-	-	-	-	(3,666,666)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(391)	-	-	-	-	-	-	-	-	(391)
Issuance of cash dividends from capital surplus	-	-	(823,129)	-	-	-	-	-	-	-	-	(823,129)
Other change in capital surplus	-	-	54,273	-	-	-	-	-	-	-	-	54,273
Net profit for the six months ended June 30, 2019	-	-	-	-	-	7,801,443	-	-	-	-	-	7,801,443
Other comprehensive income (loss) for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	(851)	544,848	12,173,585	5,840,659	-	-	18,558,241
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	7,800,592	544,848	12,173,585	5,840,659	-	-	26,359,684
Disposal of the Corporation shares, as treasury shares	-	-	87,765	-	-	-	-	-	-	-	218,911	306,676
Share-based payments	37,009	(10,748)	1,180	-	-	(6,793)	-	-	-	812	-	21,460
Changes in percentage of ownership interests in subsidiaries	-	-	(67,610)	-	-	(972)	(23)	(11,727)	(5,322)	-	7,299	(78,355)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	145,574	-	(145,574)	-	-	-	-
Changes in special reserve of subsidiaries	-	-	-	-	-	(3,502)	-	-	-	-	-	(3,502)
BALANCE AT JUNE 30, 2019	\$ 149,659,821	\$ -	\$ 883,080	\$ 7,561,404	\$ 10,797,899	\$ 8,004,636	\$ (385,461)	\$ 6,877,722	\$ 1,383,393	\$ (527)	\$ (3,379,234)	\$ 181,402,733
BALANCE AT JANUARY 1, 2020	\$ 149,663,721	\$ 20,359	\$ 1,093,745	\$ 7,561,404	\$ 10,797,899	\$ 12,617,375	\$ (1,790,483)	\$ 9,350,629	\$ 1,347,757	\$ -	\$ (3,137,278)	\$ 187,525,128
Appropriation of 2019 earnings												
Legal reserve	-	-	-	1,254,763	-	(1,254,763)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(10,232,858)	10,232,858	-	-	-	-	-	-
Cash dividends - NT\$0.6 per share	-	-	-	-	-	(8,982,659)	-	-	-	-	-	(8,982,659)
	-	-	-	1,254,763	(10,232,858)	(4,564)	-	-	-	-	-	(8,982,659)
Net profit for the six months ended June 30, 2020	-	-	-	-	-	3,026,923	-	-	-	-	-	3,026,923
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	2,098	(625,117)	1,119,473	(4,941,285)	-	-	(4,444,831)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	3,029,021	(625,117)	1,119,473	(4,941,285)	-	-	(1,417,908)
Disposal of the Corporation shares, as treasury shares	-	-	24,118	-	-	-	-	-	-	-	65,808	89,926
Share-based payments	47,255	(20,359)	(2,892)	-	-	(4,339)	-	-	-	-	-	19,665
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(239,961)	-	239,961	-	-	-	-
Net change in special reserve of subsidiaries	-	-	-	-	-	1,741	-	-	-	-	-	1,741
BALANCE AT JUNE 30, 2020	\$ 149,710,976	\$ -	\$ 1,114,971	\$ 8,816,167	\$ 565,041	\$ 15,399,273	\$ (2,415,600)	\$ 10,710,063	\$ (3,593,528)	\$ -	\$ (3,071,470)	\$ 177,235,893

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4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 3,572,668	\$ 7,738,764
Adjustments for:		
Depreciation and amortization expenses	7,569	3,745
Gain on financial assets at fair value through profit or loss, net	-	(24,096)
Interest expense	186,337	196,723
Interest income	(15,782)	(14,439)
Share-based payment compensation cost	-	875
Share of loss of subsidiaries, associates and joint ventures	(4,200,724)	(8,475,613)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	392,527
Receivables	(55,428)	(55,049)
Other financial assets	-	500,000
Other assets	(5,651)	(9,421)
Payables	(65,622)	(25,536)
Other liabilities	8,502	14,468
Interest paid	(108,470)	(136,702)
Interest received	6,730	15,232
Dividend received	11,551,634	5,466,966
Income tax paid	(5,746)	(600,468)
Net cash generated from operating activities	<u>10,876,017</u>	<u>4,987,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment under equity method	-	(3,112,710)
Acquisition of property and equipment	(7,597)	(2,459)
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	<u>-</u>	<u>3,000,000</u>
Net cash used in investing activities	<u>(7,597)</u>	<u>(115,169)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	599,871	(899,541)
Issuance of corporate bonds	8,000,000	-
Repayments of corporate bonds	(6,000,000)	(1,000,000)
Proceeds from other borrowings	(299,858)	(80)
Others	<u>15,897</u>	<u>19,048</u>
Net cash generated from (used in) financing activities	<u>2,315,910</u>	<u>(1,880,573)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>13,184,330</u>	<u>2,992,234</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,914,480</u>	<u>4,570,426</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 16,098,810</u>	<u>\$ 7,562,660</u>

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	June 30, 2020	December 31, 2019	June 30, 2019
Cash and cash equivalents, due from the Central Bank and call loans to banks	\$ 54,087,244	\$ 36,394,030	\$ 44,196,302
Financial assets at fair value through profit or loss	101,876,332	78,108,576	98,792,025
Financial assets at fair value through other comprehensive income	164,354,826	135,245,604	137,423,654
Debt instruments measured at amortized cost	11,321,334	11,136,022	12,100,300
Financial assets for hedging	19,688	-	-
Securities purchased under resell agreements	35,599,006	18,686,598	18,837,196
Receivables, net	23,376,638	17,457,148	22,642,377
Discounts and loans, net	364,019,860	342,501,981	355,267,323
Investments accounted for using the equity method, net	1,588,042	1,744,809	1,786,077
Other financial assets, net	1,048,650	1,983,930	1,130,800
Property and equipment, net	5,225,061	5,334,376	5,323,797
Right-of-use assets, net	1,847,074	2,194,830	2,325,725
Investment property, net	1,163,586	1,102,245	1,105,577
Deferred tax assets	1,578,591	1,348,260	2,261,196
Other assets, net	9,900,413	9,142,730	5,927,006
Total assets	\$ 777,006,345	\$ 662,381,139	\$ 709,119,355
Deposits from the Central Bank and banks	\$ 18,757,306	\$ 22,965,260	\$ 20,762,230
Funds borrowed from Central Bank and banks	15,850	-	-
Financial liabilities at fair value through profit or loss	86,898,965	76,747,276	83,863,042
Financial liabilities for hedging	944,494	-	-
Notes and bonds issued under repurchase agreements	57,528,983	18,749,841	45,633,002
Payables	5,912,934	8,441,522	10,379,880
Current tax liabilities	664,367	600,802	541,361
Deposits and remittances	494,988,001	421,415,142	448,275,797
Bank debentures payable	15,468,206	10,450,000	10,450,000
Principal received on structured notes	20,878,722	30,248,517	20,110,583
Other financial liabilities	66,667	66,667	-
Provisions	419,861	428,589	431,010
Lease liabilities	1,863,680	2,196,166	2,320,784
Deferred tax liabilities	463,663	24,660	425,382
Other liabilities	10,618,850	5,875,067	3,155,678
Total liabilities	715,490,549	598,209,509	646,348,749
Common stock	46,061,623	46,061,623	46,061,623
Capital surplus	7,251,306	7,251,306	7,251,242
Retained earnings	7,725,492	10,004,687	8,432,377
Others	477,375	854,014	1,025,364
Total equity	61,515,796	64,171,630	62,770,606
Total liabilities and equity	\$ 777,006,345	\$ 662,381,139	\$ 709,119,355

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest revenue	\$ 2,886,760	\$ 3,439,702	\$ 6,072,766	\$ 6,908,553
Interest expense	<u>(1,136,499)</u>	<u>(1,794,505)</u>	<u>(2,472,761)</u>	<u>(3,648,433)</u>
Interest profit, net	1,750,261	1,645,197	3,600,005	3,260,120
Noninterest profits and gains, net	<u>1,361,982</u>	<u>1,091,156</u>	<u>1,668,294</u>	<u>2,052,632</u>
Total net revenues	3,112,243	2,736,353	5,268,299	5,312,752
Allowance for bad debts and losses on guarantees, net	(178,200)	(85,682)	(172,327)	(84,953)
Operating expenses	<u>(1,511,198)</u>	<u>(1,493,732)</u>	<u>(2,987,964)</u>	<u>(2,974,086)</u>
Net profit before income tax	1,422,845	1,156,939	2,108,008	2,253,713
Income tax expense	<u>(208,580)</u>	<u>(198,284)</u>	<u>(329,184)</u>	<u>(392,742)</u>
Net profit for the period	1,214,265	958,655	1,778,824	1,860,971
Other comprehensive income (loss) for the period, net of income tax	<u>3,740,283</u>	<u>589,335</u>	<u>(633,931)</u>	<u>2,535,091</u>
Total comprehensive income (loss) for the period	<u>\$ 4,954,548</u>	<u>\$ 1,547,990</u>	<u>\$ 1,144,893</u>	<u>\$ 4,396,062</u>
Basic earnings per share	<u>\$0.26</u>	<u>\$0.21</u>	<u>\$0.39</u>	<u>\$0.40</u>

(Continued)

KGI Securities Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 171,435,506	\$ 180,711,551	\$ 159,959,322
Noncurrent assets	<u>48,837,307</u>	<u>49,800,020</u>	<u>48,431,646</u>
Total assets	<u>\$ 220,272,813</u>	<u>\$ 230,511,571</u>	<u>\$ 208,390,968</u>
Current liabilities	\$ 150,471,221	\$ 156,714,996	\$ 141,706,607
Noncurrent liabilities	<u>6,495,501</u>	<u>6,396,585</u>	<u>2,224,104</u>
Total liabilities	<u>156,966,722</u>	<u>163,111,581</u>	<u>143,930,711</u>
Common stock	34,363,397	32,418,432	32,418,432
Capital surplus	8,648,575	8,648,567	8,648,397
Retained earnings	20,368,515	25,428,702	22,565,866
Others	<u>(74,396)</u>	<u>904,289</u>	<u>827,562</u>
Total equity	<u>63,306,091</u>	<u>67,399,990</u>	<u>64,460,257</u>
Total liabilities and equity	<u>\$ 220,272,813</u>	<u>\$ 230,511,571</u>	<u>\$ 208,390,968</u>

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Revenues	\$ 4,020,240	\$ 2,356,964	\$ 5,699,157	\$ 4,947,834
Costs and expenses	<u>(2,697,554)</u>	<u>(2,197,866)</u>	<u>(4,923,869)</u>	<u>(4,351,281)</u>
Profit from operations	<u>1,322,686</u>	<u>159,098</u>	<u>775,288</u>	<u>596,553</u>
Share of profit (loss) of subsidiaries, associates and joint ventures	1,023,613	869,830	1,499,324	1,685,919
Other income and loss	<u>172,336</u>	<u>366,146</u>	<u>345,813</u>	<u>557,084</u>
Total non-operating income or loss	<u>1,195,949</u>	<u>1,235,976</u>	<u>1,845,137</u>	<u>2,243,003</u>
Net profit before income tax	2,518,635	1,395,074	2,620,425	2,839,556
Income tax benefit (expense)	<u>(183,878)</u>	<u>182,612</u>	<u>(214,605)</u>	<u>146,214</u>
Net profit for the period	2,334,757	1,577,686	2,405,820	2,985,770
Other comprehensive income (loss) for the period, net of income tax	<u>4,442,005</u>	<u>1,499,513</u>	<u>(1,000,160)</u>	<u>4,665,190</u>
Total comprehensive income (loss) for the period	<u>\$ 6,776,762</u>	<u>\$ 3,077,199</u>	<u>\$ 1,405,660</u>	<u>\$ 7,650,960</u>
Basic earnings per share	<u>\$0.68</u>	<u>\$0.46</u>	<u>\$0.70</u>	<u>\$0.87</u>

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 4,008,675	\$ 5,333,409	\$ 4,313,942
Noncurrent assets	<u>35,780,617</u>	<u>39,121,770</u>	<u>41,232,046</u>
Total assets	<u>\$ 39,789,292</u>	<u>\$ 44,455,179</u>	<u>\$ 45,545,988</u>
Current liabilities	\$ 900,513	\$ 944,851	\$ 1,005,233
Noncurrent liabilities	<u>825,857</u>	<u>837,985</u>	<u>914,710</u>
Total liabilities	<u>1,726,370</u>	<u>1,782,836</u>	<u>1,919,943</u>
Common stock	20,411,159	20,411,159	20,411,159
Capital surplus	590,409	590,409	590,103
Retained earnings	17,681,273	21,147,266	21,431,421
Others	<u>(619,919)</u>	<u>523,509</u>	<u>1,193,362</u>
Total equity	<u>38,062,922</u>	<u>42,672,343</u>	<u>43,626,045</u>
Total liabilities and equity	<u>\$ 39,789,292</u>	<u>\$ 44,455,179</u>	<u>\$ 45,545,988</u>

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Operating revenues	\$ 342,674	\$ 1,356,295	\$ (1,316,483)	\$ 2,727,375
Operating expenses	<u>(165,986)</u>	<u>(160,850)</u>	<u>(272,321)</u>	<u>(347,427)</u>
Profit (loss) from operations	176,688	1,195,445	(1,588,804)	2,379,948
Non-operating income (loss) and expenses	<u>39,976</u>	<u>43,376</u>	<u>77,695</u>	<u>84,324</u>
Net profit (loss) before income tax	216,664	1,238,821	(1,511,109)	2,464,272
Income tax benefit	<u>38,435</u>	<u>35,951</u>	<u>49,242</u>	<u>46,690</u>
Net profit (loss) for the period	255,099	1,274,772	(1,461,867)	2,510,962
Other comprehensive income (loss) for the period, net of income tax	<u>(374,353)</u>	<u>345,552</u>	<u>(1,143,428)</u>	<u>742,763</u>
Total comprehensive income (loss) for the period	<u>\$ (119,254)</u>	<u>\$ 1,620,324</u>	<u>\$ (2,605,295)</u>	<u>\$ 3,253,725</u>
Basic earnings (loss) per share	<u>\$0.12</u>	<u>\$0.62</u>	<u>\$(0.72)</u>	<u>\$1.23</u>

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 60,574	\$ 34,475	\$ 673,571
Noncurrent assets	<u>2,737,401</u>	<u>2,772,137</u>	<u>2,588,636</u>
Total assets	<u>\$ 2,797,975</u>	<u>\$ 2,806,612</u>	<u>\$ 3,262,207</u>
Current liabilities	\$ 354,809	\$ 137,331	\$ 912,537
Noncurrent liabilities	<u>71,613</u>	<u>71,300</u>	<u>1,710</u>
Total liabilities	<u>426,422</u>	<u>208,631</u>	<u>914,247</u>
Common stock	2,133,600	2,133,600	2,260,000
Capital surplus	139,538	139,538	129,957
Retained earnings	129,530	348,387	96,180
Others	(31,115)	(23,544)	-
Prior interest under common control	<u>-</u>	<u>-</u>	<u>(138,177)</u>
Total equity	<u>2,371,553</u>	<u>2,597,981</u>	<u>2,347,960</u>
Total liabilities and equity	<u>\$ 2,797,975</u>	<u>\$ 2,806,612</u>	<u>\$ 3,262,207</u>

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Revenues and gains	\$ 30,997	\$ 49,890	\$ 75,119	\$ 82,245
Expenses and losses	<u>(10,157)</u>	<u>(25,007)</u>	<u>(41,352)</u>	<u>(39,574)</u>
Net profit before income tax	20,840	24,883	33,767	42,671
Income tax expense	<u>(1,442)</u>	<u>(5,076)</u>	<u>(5,844)</u>	<u>(7,481)</u>
Net profit for the period	19,398	19,807	27,923	35,190
Other comprehensive income (loss) for the period, net of income tax	<u>(7,571)</u>	<u>(1,409)</u>	<u>(7,571)</u>	<u>(1,409)</u>
Total comprehensive income (loss) for the period	<u>\$ 11,827</u>	<u>\$ 18,398</u>	<u>\$ 20,352</u>	<u>\$ 33,781</u>
Net profit attributable to:				
Owners of parent	\$ 19,398	\$ 12,356	\$ 27,923	\$ 21,994
Prior interest under common control	<u>-</u>	<u>7,451</u>	<u>-</u>	<u>13,196</u>
	<u>\$ 19,398</u>	<u>\$ 19,807</u>	<u>\$ 27,923</u>	<u>\$ 35,190</u>
Total comprehensive income attributable to:				
Owners of parent	\$ 11,827	\$ 12,356	\$ 20,352	\$ 21,994
Prior interest under common control	<u>-</u>	<u>6,042</u>	<u>-</u>	<u>11,787</u>
	<u>\$ 11,827</u>	<u>\$ 18,398</u>	<u>\$ 20,352</u>	<u>\$ 33,781</u>
Basic earnings per share	<u>\$0.09</u>	<u>\$0.09</u>	<u>\$0.13</u>	<u>\$0.16</u>

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	June 30, 2020	December 31, 2019	June 30, 2019
Cash and cash equivalents	\$ 84,028,005	\$ 85,927,723	\$ 35,058,332
Receivables	29,493,347	26,826,102	25,613,894
Current tax assets	526,131	526,131	526,131
Financial assets at fair value through profit or loss	332,853,000	312,985,212	292,003,492
Financial assets at fair value through other comprehensive income	411,951,157	382,691,543	362,672,751
Financial assets measured at amortized cost	1,033,706,616	1,011,036,234	1,011,070,446
Investment property	23,091,162	23,136,905	23,143,515
Loans	33,434,552	34,033,871	33,492,128
Reinsurance assets	520,536	533,134	658,590
Property and equipment	15,964,843	14,113,541	12,291,152
Right-of-use assets	14,478,821	15,174,273	15,328,280
Intangible assets	191,420	190,409	192,095
Deferred tax assets	7,943,745	8,264,170	5,638,009
Other assets	6,933,345	6,876,554	7,574,683
Separate account product assets	<u>73,759,531</u>	<u>77,922,118</u>	<u>71,491,586</u>
Total assets	<u>\$ 2,068,876,211</u>	<u>\$ 2,000,237,920</u>	<u>\$ 1,896,755,084</u>
Payables	\$ 17,463,354	\$ 19,417,296	\$ 18,148,459
Current tax liabilities	622,555	714,434	120,624
Financial liabilities at fair value through profit or loss	2,124,226	1,426,070	6,011,132
Lease liabilities	1,638,427	2,206,846	2,238,490
Insurance liabilities	1,814,687,703	1,738,260,215	1,656,037,283
Foreign exchange valuation reserve	1,160,279	2,367,039	5,191,880
Provisions	158,989	209,328	116,142
Deferred tax liabilities	6,600,946	7,286,894	4,235,919
Other liabilities	10,491,431	7,758,119	3,228,700
Separate account product liabilities	<u>73,759,531</u>	<u>77,922,118</u>	<u>71,491,586</u>
Total liabilities	<u>1,928,707,441</u>	<u>1,857,568,359</u>	<u>1,766,820,215</u>
Common stock	47,313,972	44,635,823	44,635,823
Capital surplus	7,214,523	7,214,523	7,214,523
Retained earnings	63,890,009	61,240,158	55,708,229
Others	<u>21,750,266</u>	<u>29,579,057</u>	<u>22,376,294</u>
Total equity	<u>140,168,770</u>	<u>142,669,561</u>	<u>129,934,869</u>
Total liabilities and equity	<u>\$ 2,068,876,211</u>	<u>\$ 2,000,237,920</u>	<u>\$ 1,896,755,084</u>

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Operating revenues	\$ 78,197,043	\$ 84,621,355	\$ 149,058,506	\$ 176,989,711
Operating costs	(72,792,432)	(77,870,278)	(136,832,318)	(165,653,891)
Operating expenses	<u>(1,461,636)</u>	<u>(1,613,711)</u>	<u>(3,027,932)</u>	<u>(2,995,255)</u>
Profit from operations	3,942,975	5,137,366	9,198,256	8,340,565
Non-operating income and expenses	<u>1,399</u>	<u>1,059</u>	<u>3,611</u>	<u>4,327</u>
Income from continuing operations before income tax	3,944,374	5,138,425	9,201,867	8,344,892
Income tax expense	<u>(399,833)</u>	<u>(494,363)</u>	<u>(1,198,468)</u>	<u>(895,265)</u>
Net income	3,544,541	4,644,062	8,003,399	7,449,627
Other comprehensive income (loss) for the period, net of income tax	<u>41,376,755</u>	<u>14,274,037</u>	<u>(7,831,040)</u>	<u>39,975,627</u>
Total comprehensive income (loss) for the period	<u>\$ 44,921,296</u>	<u>\$ 18,918,099</u>	<u>\$ 172,359</u>	<u>\$ 47,425,254</u>
Basic earnings per share	<u>\$0.79</u>	<u>\$1.15</u>	<u>\$1.79</u>	<u>\$1.85</u>

(Concluded)

TABLE 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

JUNE 30, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020
					Outflow	Inflow						
Beauty Essential International (Shanghai) Ltd.	Sale and R&D of the cosmetics.	US\$ 2,000 thousand	Note 1,b,1)	US\$ 2,262 thousand	\$ -	\$ -	US\$ 2,262 thousand	(Note 3)	8.86	\$ -	\$ 67,521	\$ -
Beauteek (Shanghai) Co., Ltd.	Cosmetics and skin care products sales.	US\$ 1,700 thousand	Note 1,b,1)	US\$ 53 thousand	-	-	US\$ 53 thousand	(Note 3)	-	-	1,633	-
Shanghai Derby Software Co., Ltd.	The next-generation electronic distribution channel operator serving China's hotel industry.	US\$ 10,000 thousand	Note 1,b,2)	US\$ 3,267 thousand	-	US\$ 3,267 thousand	-	(Note 3)	-	-	-	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments.	US\$ 35,200 thousand	Note 1,b,3)	US\$ 1,400 thousand	-	-	US\$ 1,400 thousand	(Note 3)	1.66	-	45,003	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering.	US\$ 17,130 thousand	Note 1,b,4)	US\$ 3,000 thousand	-	-	US\$ 3,000 thousand	(Note 3)	10.23	-	99,603	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging.	US\$ 87,070 thousand	Note 1,b,5),19)	US\$ 228 thousand	-	-	US\$ 228 thousand	(Note 3)	1.79	-	6,777	-
MCM (Beijing) Commercial Co., Ltd.	Apparel, jewelry, watches, perfumes, cosmetics, glasses, bags, leather goods wholesale and retail; import and export of goods.	EUR 4,460 thousand	Note 1,b,6),20)	US\$ 182 thousand	-	-	US\$ 182 thousand	(Note 3)	5.00	-	6,062	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US\$ 28,000 thousand	Note 1,b,5),18)	US\$ 948 thousand	-	-	US\$ 948 thousand	(Note 3)	2.36	-	6,944	-
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US\$ 3,000 thousand	Note 1,b,5),18)	US\$ 33 thousand	-	-	US\$ 33 thousand	(Note 3)	2.36	-	244	-
Tianjin Mei Wei Information Technology Co., Ltd.	Computer IT consulting and technical services; computer hardware and software development; furniture, building materials, daily commodities, hardware wholesale.	CNY 171,574 thousand	Note 1,b,5),18)	US\$ 297 thousand	-	-	US\$ 297 thousand	(Note 3)	2.36	-	2,174	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale.	US\$ 500 thousand	Note 1,b,5),18)	US\$ 42 thousand	-	-	US\$ 42 thousand	(Note 3)	2.36	-	305	-
Jiangyin Suda Huicheng Composite Material Co., Ltd.	Lithium battery with extruded composite film.	CNY 19,812 thousand	Note 1,b,18)	US\$ 4,938 thousand	-	-	US\$ 4,938 thousand	(Note 3)	3.89	-	36,163	-
CDIB Private Equity (China) Corporation	Management and consulting.	US\$ 7,000 thousand	Note 1,b,8)	US\$ 7,000 thousand	-	-	US\$ 7,000 thousand	17,801	100.00	17,801	255,731	-
CDIB Private Equity (Fujian) Co., Ltd.	Fund Management.	CNY 10,000 thousand	Note 9	-	-	-	-	9,761	70.00	6,833	56,086	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020
					Outflow	Inflow						
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund Management.	CNY 12,000 thousand	Note 1,b,8)	CNY 6,686 thousand	\$ -	\$ -	CNY 6,686 thousand	\$ (2,267)	70.00	\$ (1,587)	\$ 33,421	\$ -
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 350,000 thousand	-	-	CNY 350,000 thousand	(215,117)	-	(75,928)	1,405,442	-
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Fund Management.	CNY 7,000 thousand	Note 10	-	-	-	-	8,758	65.00	5,693	59,823	-
CDIB Yida Private Equity Management (Kushan) Enterprise (Limited Partnership)	Fund Management.	CNY 12,000 thousand	Note 1,b,8)	CNY 3,250 thousand	-	-	CNY 3,250 thousand	(921)	65.00	(599)	32,080	-
CDIB Yida Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 300,000 thousand	-	-	CNY 300,000 thousand	(80,745)	-	(24,503)	1,142,416	-
GSD Industrial (China) Co., Ltd.	Pumps manufacture and sale.	CNY 50,000 thousand	Note 1,b,9)	US\$ 2,235 thousand	-	-	US\$ 2,235 thousand	(Note 3)	19.86	-	68,353	-
Beijing Shengzhuang Co., Ltd.	Cosmetics sales.	CNY 54,300 thousand	Note 1,b,10)	US\$ 5,000 thousand	-	-	US\$ 5,000 thousand	(Note 3)	5.44	-	151,150	-
Lightel Technologies (Shenzhen) Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps.	US\$ 4,100 thousand	Note 1,b,11)	US\$ 337 thousand	-	-	US\$ 337 thousand	(Note 3)	11.58	-	10,076	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK\$ 313,432 thousand	Note 1,b,6),12)	US\$ 2,311 thousand	-	-	US\$ 2,311 thousand	(Note 3)	7.7	-	68,547	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK\$ 195,686 thousand	Note 1,b,6),12)	US\$ 1,678 thousand	-	-	US\$ 1,678 thousand	(Note 3)	7.7	-	49,779	-
Jiangsu Stonehenge Industrial Holding Ltd.	Business in research, development and manufacture of electro optic technology, process on TFT-LCD optical, functional film material, and production and marketing of other plastic product.	HK\$ 761,576 thousand	Note 1,b, 6),21)	US\$ 9,248 thousand	-	-	US\$ 9,248 thousand	(Note 3)	5.46	-	54,277	-
Tutwo (Xiamen) Outdoor Co., Ltd.	Business in wholesale and retail of outdoor sports products, sporting goods, clothing, shoes and hats, wholesale, retail and manufacture of textile and hosiery, leather garments, leather manufacturing, retail of kitchenware and daily groceries.	CNY 350,379 thousand	Note 1,b, 13)	US\$ 7,417 thousand	-	-	US\$ 7,417 thousand	(Note 3)	2.67	-	54,320	-
Best Logistics Technology (China) Co., Ltd.	Business in research, development, technical services, computer information, network logistics technology and wholesale and retail of general labor supplies, household appliances and building materials.	US\$ 183,000 thousand	Note 1,b, 14)	US\$ 211 thousand	-	-	US\$ 211 thousand	(Note 3)	-	-	2,528	-
Viscovery	Business in software development	US\$ 2,860 thousand	Note 1,b, 15)	US\$ 36 thousand	-	-	US\$ 36 thousand	(Note 3)	1.80	-	1,068	-
CDIB International Leasing Corporation	Financial Leasing and management business consulting.	CNY 187,750 thousand	Note 1,a	US\$ 30,000 thousand	-	-	US\$ 30,000 thousand	8,059	100.00	8,059	67,139	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020
					Outflow	Inflow						
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US\$ 4,000 thousand	Note 1,b,16)	US\$ 4,000 thousand	\$ -	\$ -	US\$ 4,000 thousand	\$ (2,486)	100.00	\$ (2,486)	\$ 24,975	\$ -
CCB Life Insurance Company Limited	Life insurance.	CNY 7,120,461 thousand	Note 1,a	12,880,969	-	-	12,880,969	2,901,675	19.90	-	15,196,093	71,756
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US\$ 13,380 thousand	Note 1,b,17)	US\$ 381 thousand	-	-	US\$ 381 thousand	(Note 3)	0.88	-	1,133	-
Cheng Zong Environmental Protection Technology (Shanghai) Co., Ltd.	Business in Packaging materials, plastic products, machinery and equipment, providing molds and related products wholesale, commission agents.	US\$ 5,000 thousand	Note 1,b,17)	US\$ 107 thousand	-	-	US\$ 107 thousand	(Note 3)	0.88	-	316	-
Taro Technology (Hangzhou) Co., Ltd.	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US\$ 30,000 thousand	Note 1,b,22)	US\$ 2,000 thousand	-	-	US\$ 2,000 thousand	(Note 3)	1.01	-	59,320	-
Rokid Business (Hangzhou) Co., Ltd.	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US\$ 15,000 thousand	Note 1,b,22)	US\$ 3,000 thousand	-	-	US\$ 3,000 thousand	(Note 3)	1.01	-	88,980	-
Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Equity investment	CNY 285,000 thousand	Note 1,b,7), 8)	CNY 89,224 thousand	-	-	CNY 89,224 thousand	(25,848)	-	(8,397)	367,470	-

Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$19,697,096	US\$822,506 thousand	\$160,616,380

Note 1: The investment types are as follows:

a. Direct investments.

b. Reinvested through a third area by:

- Beauty Essentials International Ltd.
- Derbysoft Holdings Limited.
- Capital Excel Investments Limited.
- Hartec Asia Pte Ltd.
- CDIB Capital Investment I Limited.
- CDIB Capital Investment II Limited
- CDIB Venture Capital (Hong Kong) Corporation Limited.
- CDIB Private Equity (Hong Kong) Corporation Limited.
- GSD Technologies Co., Ltd.
- Shengzhuang Holdings Limited.
- Lightel Technologies, Inc.
- CBA Sport Internation Limited.
- CCAP Tutwo Holdings (Hong Kong) Limited.
- Best Logistics.
- Viscovery (Cayman) Holding Company Limited.

(Continued)

- 16) Richpoint Company Limited.
- 17) Deluxe Technology Group Co., Ltd.
- 18) CDIB Capital Asia Partners L.P.
- 19) Great Team Backend Foundry, Inc.
- 20) Sungjoo Design Tech & Distribution Inc.
- 21) Great Rich Technologies Limited.
- 22) Rokid Corporation Limited.

c. Other.

- Note 2: The financial statements were reviewed by international CPA firms having a corporative relation with CPA firms in the Republic of China.
- Note 3: Investee Company was not significantly influenced by the Company; therefore the Group cannot acquire the related financial information.
- Note 4: Subsidiary of the Corporation formerly indirectly invested in Focal Tech (Shenzhen) System Co., Ltd. through its subsidiary’s investment in Focal Tech (Shenzhen) Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.
- Note 5: Subsidiary of the Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary’s investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.
- Note 6: Subsidiary of the Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yangzhou Enteres Industrial Co., Ltd., Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.
- Note 7: Subsidiary of the Corporation formerly indirectly invested in China Peptides (Wuhan) Co., Ltd. through its subsidiary’s investment in JHL Biotech, Inc. has been listed on the Taipei Exchange on September 17, 2015, refer to its financial report for the information.
- Note 8: Subsidiary of the Corporation formerly indirectly invested in Power Logic Tech (DongGuan) Inc., Dongguan TaiYi Electronics Co., Ltd., Dongguan Yi Quan Electronics Co., Ltd. through Sun Max Tech Limited, has been listed on the Taipei Exchange on December 28, 2017, refer to its financial report for the information.
- Note 9: In 2017, CDIB Private Equity (Fujian) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.
- Note 10: In 2017, CDIB Yida Private Equity (Kunshan) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.
- Note 11: Subsidiary of the Corporation formerly indirectly invested in Gio Van Gogh (International) Jewelry Limited through its subsidiary’s investment in Regal Holding Co., Ltd. has been listed on the Taiwan Stock Exchange on June 26, 2017, refer to its financial report for the information.
- Note 12: Subsidiary of the Corporation formerly indirectly invested in San Neng Bakeware (Wuxi) Co., Ltd. through its subsidiary’s investment in San Neng Group Holdings Co., Ltd. has been listed on the Taiwan Stock Exchange on June 25, 2018, refer to its financial report for the information.
- Note 13: Subsidiary of the Corporation formerly indirectly invested in Hangzhou Huatong Industries Inc. and Hangzhou Rilong Leather Co., Ltd. through its subsidiary’s investment in Shane Global Holding Inc. has been listed on the Taiwan Stock Exchange on August 15, 2018, refer to its financial report for the information.
- Note 14: CCB Life Insurance Company Limited raised CNY6,000,000 thousand on 2019. The seasoned equity offering had already collected full proceeds and completed capital verification on April 2019. The total paid-in capital after right offering had been approved by China Banking and Insurance is subject to approval of Shanghai Administration Bureau for Industry and Commerce as of August 24, 2020.
- Note 15: Subsidiary of the Corporation formerly indirectly invested in GSD Industrial (China) Co., Ltd. through its subsidiary’s investment in GSD Technologies Co., Ltd. has been listed on the Taiwan Stock Exchange on September 21, 2018, refer to its financial report for the information.

(Concluded)

TABLE 11**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES****BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE SIX MONTHS ENDED JUNE 30, 2020****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	CDIB Capital Group	1	Current tax assets	\$ 519,807	Note 4	0.02%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	519,807	Note 4	0.02%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	264,051	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	264,051	Note 4	0.01%
0	The Corporation	KGI Bank	1	Current tax assets	664,367	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	664,367	Note 4	0.02%
0	The Corporation	KGI Securities Co., Ltd.	1	Current tax assets	814,582	Note 4	0.03%
3	KGI Securities Co., Ltd.	The Corporation	2	Current tax liabilities	814,582	Note 4	0.03%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	16,055,919	Note 4	0.50%
2	KGI Bank	The Corporation	2	Deposits and remittances	16,055,919	Note 4	0.50%
0	The Corporation	China Life Insurance Co., Ltd.	1	Receivables, net	700,713	Note 4	0.02%
4	China Life Insurance Co., Ltd.	The Corporation	2	Payables	700,713	Note 4	0.02%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	3,481,012	Note 4	0.11%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	3,481,012	Note 4	0.11%
3	KGI Securities Co., Ltd.	KGI Bank	3	Cash and cash equivalents	1,985,167	Note 4	0.06%
3	KGI Securities Co., Ltd.	KGI Bank	3	Other financial assets	39,910	Note 4	0.00%
2	KGI Bank	KGI Securities Co., Ltd.	3	Deposits and remittances	2,025,077	Note 4	0.06%
3	KGI Securities Co., Ltd.	KGI Bank	3	Other financial assets	517,579	Note 4	0.02%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
2	KGI Bank	KGI Securities Co., Ltd.	3	Deposits and remittances	\$ 517,579	Note 4	0.02%
3	KGI Securities Co., Ltd.	KGI Bank	3	Other assets	1,998,898	Note 4	0.06%
2	KGI Bank	KGI Securities Co., Ltd.	3	Deposits and remittances	1,998,898	Note 4	0.06%
4	China Life Insurance Co., Ltd.	KGI Bank	3	Cash and cash equivalents	1,198,342	Note 4	0.04%
2	KGI Bank	China Life Insurance Co., Ltd.	3	Deposits and remittances	1,198,342	Note 4	0.04%
5	CDIB Capital Management Corporation	KGI Bank	3	Cash and cash equivalents	50,468	Note 4	0.00%
5	CDIB Capital Management Corporation	KGI Bank	3	Other financial assets	125,000	Note 4	0.00%
2	KGI Bank	CDIB Capital Management Corporation	3	Deposits and remittances	175,468	Note 4	0.00%
6	CDIB Venture Capital (Hong Kong) Corporation Limited	KGI Bank	3	Cash and cash equivalents	622,729	Note 4	0.02%
2	KGI Bank	CDIB Venture Capital (Hong Kong) Corporation Limited	3	Deposits and remittances	622,729	Note 4	0.02%
7	CDIB Venture Capital Corporation	KGI Bank	3	Cash and cash equivalents	1,813,467	Note 4	0.06%
2	KGI Bank	CDIB Venture Capital Corporation	3	Deposits and remittances	1,813,467	Note 4	0.06%
3	KGI Securities Co., Ltd.	KGI Bank	3	Other financial liabilities	330,400	Note 4	0.01%
2	KGI Bank	KGI Securities Co., Ltd.	3	Cash and cash equivalents	330,400	Note 4	0.01%
3	KGI Securities Co., Ltd.	China Life Insurance Co., Ltd.	3	Receivables, net	231,799	Note 4	0.01%
4	China Life Insurance Co., Ltd.	KGI Securities Co., Ltd.	3	Payables	231,799	Note 4	0.01%
4	China Life Insurance Co., Ltd.	KGI Bank	3	Receivables, net	1,903,394	Note 4	0.06%
2	KGI Bank	China Life Insurance Co., Ltd.	3	Other liabilities	1,903,394	Note 4	0.06%
3	KGI Securities and its subsidiaries	China Life Insurance Co., Ltd.	3	Service fee expense and commission expense	107,168	Note 4	0.10%
4	China Life Insurance Co., Ltd.	KGI Securities and its subsidiaries	3	Service fee revenue and commission income	107,168	Note 4	0.10%
2	KGI Bank	China Life Insurance Co., Ltd.	3	Service fee revenue and commission income	117,750	Note 4	0.11%
4	China Life Insurance Co., Ltd.	KGI Bank	3	Service fee expense and commission expense	117,750	Note 4	0.11%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Cash and cash equivalents	\$ 590,265	Note 4	0.02%
8	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Other financial liabilities	590,265	Note 4	0.02%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	318,463	Note 4	0.01%
8	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Other financial liabilities	318,463	Note 4	0.01%
3	KGI Securities Co., Ltd.	KGI Asia Limited	3	Payables	144,898	Note 4	0.00%
12	KGI Asia Limited	KGI Securities Co., Ltd.	3	Receivables, net	144,898	Note 4	0.00%
10	Richpoint Company Limited	KGI International (Hong Kong) Limited	3	Receivables, net	593,552	Note 4	0.02%
11	KGI International (Hong Kong) Limited	Richpoint Company Limited	3	Other financial liabilities	593,552	Note 4	0.02%
8	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Financial assets at fair value through profit or loss	115,244	Note 4	0.00%
9	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	115,244	Note 4	0.00%
8	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Cash and cash equivalents	141,107	Note 4	0.00%
9	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	141,107	Note 4	0.00%
8	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	1,170,188	Note 4	0.04%
9	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	1,170,188	Note 4	0.04%
12	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Financial assets at fair value through profit or loss	270,490	Note 4	0.01%
11	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Other financial liabilities	270,490	Note 4	0.01%
12	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Payables	490,790	Note 4	0.02%
11	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Receivables, net	490,790	Note 4	0.02%
12	KGI Asia Limited	KGI Securities (Singapore) Pte. Ltd.	3	Payables	402,693	Note 4	0.01%
9	KGI Securities (Singapore) Pte. Ltd.	KGI Asia Limited	3	Receivables, net	402,693	Note 4	0.01%
13	KGI Futures (Hong Kong) Limited	KGI Finance Limited	3	Other financial liabilities	371,969	Note 4	0.01%
14	KGI Finance Limited	KGI Futures (Hong Kong) Limited	3	Other financial assets	371,969	Note 4	0.01%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
13	KGI Futures (Hong Kong) Limited	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	\$ 385,692	Note 4	0.01%
9	KGI Securities (Singapore) Pte. Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial liabilities	385,692	Note 4	0.01%
13	KGI Futures (Hong Kong) Limited	KGI Securities (Singapore) Pte. Ltd.	3	Other financial liabilities	148,877	Note 4	0.00%
9	KGI Securities (Singapore) Pte. Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial assets	148,877	Note 4	0.00%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Service fee revenue and commission income	122,459	Note 4	0.12%
8	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Service fee expense and commission expense	122,459	Note 4	0.12%
15	KGI Hong Kong Limited	KGI Asia Limited	3	Other noninterest profit and gains, net	967,264	Note 4	0.93%
12	KGI Asia Limited	KGI Hong Kong Limited	3	Other noninterest profit and gains, net	967,264	Note 4	0.93%
15	KGI Hong Kong Limited	KGI Futures (Hong Kong) Limited	3	Other noninterest profit and gains, net	100,905	Note 4	0.10%
13	KGI Futures (Hong Kong) Limited	KGI Hong Kong Limited	3	Other noninterest profit and gains, net	100,905	Note 4	0.10%
15	KGI Hong Kong Limited	KGI International (Hong Kong) Limited	3	Other noninterest profit and gains, net	179,158	Note 4	0.10%
11	KGI International (Hong Kong) Limited	KGI Hong Kong Limited	3	Other noninterest profit and gains, net	179,158	Note 4	0.10%
11	KGI International (Hong Kong) Limited	PT KGI Sekuritas Indonesia	3	Receivables, net	475,430	Note 4	0.01%
16	PT KGI Sekuritas Indonesia	KGI International (Hong Kong) Limited	3	Other borrowings	475,430	Note 4	0.01%
17	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Other noninterest profit and gains, net	106,513	Note 4	0.10%
18	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Operating expenses	106,513	Note 4	0.10%
2	KGI Bank	CDIB Management Consulting Corporation	3	Deposits and remittances	102,553	Note 4	0.00%
19	CDIB Management Consulting Corporation	KGI Bank	3	Cash and cash equivalents	102,553	Note 4	0.00%

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - 0; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

(Continued)

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the midterm/Total consolidated net profit.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT\$100 million.

(Concluded)

TABLE 12-1**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS OF INVESTEEES
JUNE 30, 2020**

	Richpoint Company Limited (In U.S. Dollars)	KG Investments Holdings Limited (In U.S. Dollars)	KGI International Holdings Limited (In U.S. Dollars)	KGI Investment Advisory (Shanghai) Co., Ltd. (In CNY)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 22,259	\$ 3,404	\$ 14,540	\$ 5,995,375
Financial assets fair value through profit or loss - current	44,808	-	-	-
Other receivables - related parties	20,000,000	-	-	-
Other current assets	<u>12,475</u>	<u>-</u>	<u>-</u>	<u>33,003</u>
Total current assets	<u>20,079,542</u>	<u>3,404</u>	<u>14,540</u>	<u>6,028,378</u>
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent	57,501	-	-	-
Financial assets at fair value through other comprehensive income - noncurrent	-	-	2,375,000	-
Investments accounted for using the equity method	500,415,808	605,705,689	626,969,944	-
Property and equipment	-	-	-	2,182
Other noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,640</u>
Total noncurrent assets	<u>500,473,309</u>	<u>605,705,689</u>	<u>629,344,944</u>	<u>77,822</u>
TOTAL	<u>\$ 520,552,851</u>	<u>\$ 605,709,093</u>	<u>\$ 629,359,484</u>	<u>\$ 6,106,200</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 34,540,000	\$ -	\$ -	\$ -
Other payables	21,532	1	166,201	2,435
Other payables - related parties	<u>-</u>	<u>121,219,141</u>	<u>24,451,178</u>	<u>-</u>
Total current liabilities	<u>34,561,532</u>	<u>121,219,142</u>	<u>24,617,379</u>	<u>2,435</u>
NONCURRENT LIABILITIES				
Other noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Total liabilities	<u>34,561,532</u>	<u>121,219,142</u>	<u>24,617,379</u>	<u>154,435</u>
EQUITY				
Common stock	147,043,557	156,864,163	209,248,261	25,278,600
Capital reserve	872,149	77,461	54,662,168	10,818
Special reserve	-	9,759,135	387,913	-
Retained earnings (accumulated deficit)	330,231,538	309,764,860	332,419,431	(19,337,653)
Other equity	<u>7,844,075</u>	<u>8,024,332</u>	<u>8,024,332</u>	<u>-</u>
Total equity	<u>485,991,319</u>	<u>484,489,951</u>	<u>604,742,105</u>	<u>5,951,765</u>
TOTAL	<u>\$ 520,552,851</u>	<u>\$ 605,709,093</u>	<u>\$ 629,359,484</u>	<u>\$ 6,106,200</u>

TABLE 12-2**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS OF INVESTEEES****JUNE 30, 2020****(Expressed in U.S. Dollars)**

ASSETS	KGI Limited	Supersonic Service Inc.	KGI International Limited
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 432
Other receivables - related parties	-	-	807,548
Total current assets	-	-	807,980
NONCURRENT ASSETS			
Investments accounted for using the equity method	453,287,344	-	69,141,564
TOTAL	\$ 453,287,344	\$ -	\$ 69,949,544
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Other payables - related parties	\$ 80,893,170	\$ -	\$ -
Total liabilities	80,893,170	-	-
EQUITY			
Common stock	308,341,129	-	81,511,717
Retained earnings (accumulated deficit)	64,053,045	-	(11,562,173)
Total equity	372,394,174	-	69,949,544
TOTAL	\$ 453,287,344	\$ -	\$ 69,949,544

TABLE 12-3**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS OF INVESTEEES****JUNE 30, 2020****(Expressed in U.S. Dollars)**

ASSETS	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 1,815,548	\$ -
Prepayments	-	-	1,494,399	-
Other receivables	-	-	43,078	-
Other receivables - related parties	-	-	-	1
Other current assets	-	1	2,095,705	-
Total current assets	-	1	5,448,730	1
NONCURRENT ASSETS				
Property and equipment	-	-	5,233,124	-
Right-of-use assets	-	-	20,431,865	-
Other noncurrent assets	-	-	48,705	-
Total noncurrent assets	-	-	25,713,694	-
TOTAL	\$ -	\$ 1	\$ 31,162,424	\$ 1
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	\$ -	\$ -	\$ 21,721,971	\$ -
Other payable - related parties	-	-	10,539,414	-
Lease liabilities - current	-	-	5,065,889	-
Total current liabilities	-	-	37,327,274	-
NONCURRENT LIABILITIES				
Lease liabilities - noncurrent	-	-	16,055,805	-
Other noncurrent liabilities	-	-	1,845,254	-
Total noncurrent liabilities	-	-	17,901,059	-
Total liabilities	-	-	55,228,333	-
EQUITY				
Common stock	-	1	15,000	1
Special reserve	-	-	58,265	-
Accumulated deficit	-	-	(24,139,174)	-
Total equity	-	1	(24,065,909)	1
TOTAL	\$ -	\$ 1	\$ 31,162,424	\$ 1

TABLE 12-4**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS OF INVESTEEES****JUNE 30, 2020****(Expressed in U.S. Dollars)**

	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ 97,834	\$ -
Other receivable - related parties	72,750	-	-
Financial assets at fair value through profit or loss - current	-	38,961	-
Other current assets	-	10,000	-
Total current assets	72,750	146,795	-
NONCURRENT ASSETS			
Investments accounted for using the equity method	-	163,395,582	-
TOTAL	<u>\$ 72,750</u>	<u>\$ 163,542,377</u>	<u>\$ -</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	\$ -	\$ 57,302,485	\$ -
Other payable	-	24,906	-
Other payable - related parties	-	40,088,843	-
Total current liabilities	-	97,416,234	-
Total liabilities	-	97,416,234	-
EQUITY			
Common stock	10,000	75,749,306	-
Retained earnings (accumulated deficit)	62,750	(7,726,197)	-
Other equity	-	(1,896,966)	-
Total equity	72,750	66,126,143	-
TOTAL	<u>\$ 72,750</u>	<u>\$ 163,542,377</u>	<u>\$ -</u>

TABLE 13-1**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME OF INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

	Richpoint Company Limited (In U.S. Dollars)	KG Investments Holdings Limited (In U.S. Dollars)	KGI International Holdings Limited (In U.S. Dollars)	KGI Investment Advisory (Shanghai) Co., Ltd. (In CNY)
REVENUES				
Other operating income	\$ 2,684	\$ 905,615	\$ (407,139)	\$ 85,581
COSTS AND EXPENSES				
Financial costs	(288,901)	(121,260)	(411,865)	-
Employee benefit expenses	-	-	-	(236,324)
Depreciation and amortization expenses	-	-	-	(1,190)
Other operating expenses	(14,176)	(1,832)	(13,146)	(432,400)
Total costs and expenses	(303,077)	(123,092)	(425,011)	(669,914)
INCOME (LOSS) FROM OPERATIONS	(300,393)	782,523	(832,150)	(584,333)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	15,602,200	14,807,384	15,554,499	-
OTHER REVENUE AND EXPENSE	135,272	-	85,035	2,476
NON-OPERATING REVENUE AND EXPENSE	15,737,472	14,807,384	15,639,534	2,476
NET PROFIT (LOSS) FOR THE PERIOD	15,437,079	15,589,907	14,807,384	(581,857)
OTHER COMPREHENSIVE INCOME (LOSS)	(5,387,910)	(5,374,928)	(5,374,928)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 10,049,169	\$ 10,214,979	\$ 9,432,456	\$ (581,857)

TABLE 13-2**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME OF INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In U.S. Dollars)**

	KGI Limited	Supersonic Services Inc.	KGI International Limited
REVENUES			
Other operating income	\$ <u> -</u>	\$ <u> -</u>	\$ <u>33,502</u>
COSTS AND EXPENSES			
Other operating expenses	<u> -</u>	<u> -</u>	<u> -</u>
PROFIT FROM OPERATIONS	<u> -</u>	<u> -</u>	<u>33,502</u>
OTHER REVENUE AND EXPENSE	<u> -</u>	<u> -</u>	<u>(72,583)</u>
NON-OPERATING REVENUE AND EXPENSE	<u> -</u>	<u> -</u>	<u>(72,583)</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u> -</u>	<u> -</u>	<u>(39,081)</u>
OTHER COMPREHENSIVE INCOME (LOSS)	<u> -</u>	<u> -</u>	<u> -</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ <u> -</u>	\$ <u> -</u>	\$ <u>(39,081)</u>

TABLE 13-3**KGI SECURITIES AND ITS SUBSIDIARIES**
**STATEMENT OF COMPREHENSIVE INCOME OF INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In U.S. Dollars)**

	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
REVENUES				
Other operating income	\$ -	\$ -	\$ (214,172)	\$ -
COSTS AND EXPENSES				
Financial costs	-	-	(408,624)	-
Employee benefits	-	-	(41,365,919)	-
Depreciation and amortization	-	-	(3,864,990)	-
Other operating expenses	-	-	(6,308,872)	-
Total costs and expenses	-	-	(51,948,405)	-
LOSS FROM OPERATIONS	-	-	(52,162,577)	-
OTHER REVENUE AND EXPENSE	-	-	43,473,301	-
NON-OPERATING REVENUE AND EXPENSE	-	-	43,473,301	-
NET PROFIT (LOSS) FOR THE PERIOD	-	-	(8,689,276)	-
OTHER COMPREHENSIVE INCOME (LOSS)	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ -	\$ -	\$ (8,689,276)	\$ -

TABLE 13-4**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENTS OF COMPREHENSIVE INCOME OF INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In U.S. Dollars)**

	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
REVENUES			
Derivative assets - counter	\$ -	\$ (90,602)	\$ -
Other operating income	-	(820,297)	(25)
Total revenues	-	(910,899)	(25)
COSTS AND EXPENSES			
Financial costs	-	(427,212)	-
Other operating expenses	-	(768,699)	(2,474)
Total costs and expenses	-	(1,195,911)	(2,474)
LOSS FROM OPERATIONS	-	(2,106,810)	(2,499)
OTHER REVENUE AND EXPENSE	-	7,579,528	-
NON-OPERATING REVENUE AND EXPENSE	-	7,579,528	-
NET PROFIT (LOSS) FOR THE PERIOD	-	5,472,718	(2,499)
OTHER COMPREHENSIVE INCOME	-	(2,241,408)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ -	\$ 3,231,310	\$ (2,499)