China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018 and Independent Auditors' Review Report

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
China Development Financial Holding Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of China Development Financial Holding Corporation (the "Corporation") and its subsidiaries as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and related notes, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the China Development Financial Holding Corporation as at March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Mei-Hui Wu and Cheng-Hung Kuo.

Wu Mei Hui

Cheng Hung Kuo

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 27, 2019

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 47)	$ 62,890,782	2	$ 59,607,423	2	$ 53,646,943	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS (Notes 7 and 48)	29,742,696	1	26,431,383	1	38,900,851	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 9, 17, 47 and 48)	434,322,499	15	374,931,034	14	365,041,238	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 10, 47, 48 and 53)	498,860,769	17	485,335,934	18	414,058,132	16
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 11, 17, 47 and 53)	997,330,569	35	970,536,279	36	854,159,312	34
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	54,581,522	2	39,770,534	1	63,091,117	2
RECEIVABLES, NET (Notes 13, 47, 48 and 53)	116,833,688	4	99,099,379	4	112,290,891	4
CURRENT TAX ASSETS	1,215,175	-	1,168,303	-	745,217	-
DISCOUNT AND LOANS, NET (Notes 14, 47 and 53)	375,190,810	13	369,131,396	13	344,620,111	14
REINSURANCE ASSET, NET (Note 15)	548,576	-	534,353	-	418,079	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 16 and 17)	17,747,427	1	16,102,926	1	16,778,760	1
RESTRICTED ASSETS (Notes 18, 47 and 48)	38,827,541	1	43,927,569	2	46,660,694	2
OTHER FINANCIAL ASSETS (Notes 19, 47 and 48)	102,441,873	4	91,362,530	3	90,037,848	4
INVESTMENT PROPERTY, NET (Notes 20 and 48)	25,381,770	1	25,432,420	1	25,342,581	1
PROPERTY AND EQUIPMENT, NET (Notes 21 and 48)	32,156,576	1	31,717,297	1	31,043,200	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 22)	19,001,883	1	-	-	-	-
INTANGIBLE ASSETS, NET (Note 23)	20,906,308	1	21,171,147	1	21,863,322	1
DEFERRED TAX ASSETS (Note 44)	8,914,653	-	12,652,560	-	12,954,620	-
OTHER ASSETS, NET (Notes 24, 47 and 48)	30,304,206	1	48,902,361	2	42,164,867	2
TOTAL	$ 2,867,199,323	100	$ 2,717,814,828	100	$ 2,533,817,783	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and financial institutions (Notes 25 and 47)	$ 21,518,501	1	$ 22,434,914	1	$ 24,780,429	1
Financial liabilities at fair value through profit or loss (Notes 8 and 47)	85,973,482	3	87,786,725	3	86,461,526	3
Notes and bonds issued under repurchase agreements (Notes 8, 10, 11, 26 and 47)	128,961,131	4	125,478,900	5	130,517,863	5
Commercial paper payable, net (Notes 27 and 48)	16,689,202	1	14,985,902	1	22,800,573	1
Payables (Notes 28 and 47)	102,424,654	4	89,641,244	3	88,735,420	4
Current tax liabilities	1,201,508	-	967,872	-	7,036,011	-
Deposits and remittances (Notes 29 and 47)	417,018,749	15	398,286,010	15	398,847,777	16
Bonds payable (Note 30)	30,150,000	1	31,150,000	1	30,000,000	1
Other borrowings (Notes 31, 47 and 48)	21,271,965	1	18,818,061	1	25,452,164	1
Provisions (Note 32)	1,614,789,847	56	1,557,304,939	57	1,330,063,879	53
Other financial liabilities (Notes 34, 47 and 48)	125,501,331	4	111,539,399	4	107,801,009	4
Lease liabilities (Notes 4 and 22)	5,858,399	-	-	-	-	-
Deferred tax liabilities (Note 44)	8,054,471	-	7,275,275	-	8,898,113	-
Other liabilities	30,324,941	1	28,582,681	1	26,319,550	1
Total liabilities	2,609,738,181	91	2,494,251,922	92	2,287,714,314	90
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 35, 36 and 37)						
Capital						
Common stock	149,633,809	5	149,622,812	5	149,770,403	6
Advance receipts for capital stock	22,912	-	10,748	-	3,614	-
Capital surplus	1,676,843	-	1,630,992	-	1,239,541	-
Retained earnings						
Legal reserve	6,776,135	-	6,776,135	-	5,606,606	-
Special reserve	565,041	-	565,041	-	2,078,602	-
Unappropriated earnings	18,488,662	1	14,754,530	1	18,693,985	1
Other						
Exchange differences on translation of foreign financial statements	(723,909)	-	(930,286)	-	(2,760,766)	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	1,311,031	-	(66,615)	-	1,618,770	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	635,123	-	(5,071,947)	-	(2,739,930)	-
Other comprehensive income (loss) reclassified using the overlay approach	36,662	-	(4,451,944)	-	(31,020)	-
Others	(791)	-	(1,339)	-	(5,872)	-
Treasury shares	(3,494,328)	-	(3,605,444)	-	(4,067,855)	-
Total equity attributable to owners of the parent	174,927,190	6	159,232,683	6	169,406,078	7
NON-CONTROLLING INTERESTS (Notes 36 and 37)	82,533,952	3	64,330,223	2	76,697,391	3
Total equity	257,461,142	9	223,562,906	8	246,103,469	10
TOTAL	$ 2,867,199,323	100	$ 2,717,814,828	100	$ 2,533,817,783	100

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)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 38 and 47)	$ 17,501,772	26	$ 14,599,750	25
INTEREST EXPENSE (Notes 38 and 47)	(2,434,610)	(4)	(1,654,872)	(3)
INTEREST PROFIT, NET	15,067,162	22	12,944,878	22
NONINTEREST PROFITS AND GAINS, NET				
Service fee and commission, net (Notes 19 and 39)	(1,366,958)	(2)	346,188	-
Net income from insurance operations (Notes 40 and 47)	48,712,019	72	41,518,310	72
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net (Notes 41 and 47)	12,133,492	18	15,844,337	27
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Note 42)	2,001,658	3	1,706,839	3
Gain (loss) on disposal of financial assets measured at amortized cost	(2,610)	-	(218,986)	-
Foreign exchange gain (loss), net	3,664,143	6	(17,370,242)	(30)
Impairment loss on assets, net	(6,122)	-	(7,296)	-
Share of the profit (loss) of associates and joint ventures	856,921	1	350,725	1
Gain (loss) on reclassification using the overlay approach (Note 8)	(13,960,101)	(21)	2,195,157	4
Others (Note 47)	575,422	1	646,223	1
Total noninterest profits and gains, net	52,607,864	78	45,011,255	78
TOTAL NET REVENUES	67,675,026	100	57,956,133	100
REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD DEBTS AND LOSSES ON COMMITMENT AND GUARANTEES, NET	5,743	-	(260,222)	-
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	(55,899,318)	(83)	(46,603,620)	(80)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING EXPENSES (Notes 33, 43 and 47)				
Employee benefits	$ (4,120,922)	(6)	$ (4,249,907)	(8)
Depreciation and amortization	(803,415)	(1)	(601,353)	(1)
Other general and administrative expenses	(1,388,130)	(2)	(1,823,983)	(3)
Total operating expenses	(6,312,467)	(9)	(6,675,243)	(12)
NET PROFIT BEFORE INCOME TAX	5,468,984	8	4,417,048	8
INCOME TAX BENEFIT (EXPENSE) (Note 44)	(532,923)	(1)	860,944	1
NET PROFIT FOR THE PERIOD	4,936,061	7	5,277,992	9
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 associates and joint ventures	299,830	1	106,041	-
Gain (loss) on equity instruments measured at fair value through other comprehensive income	3,508,695	5	(1,336,390)	(2)
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Note 44)	(532,027)	(1)	191,942	-
Items that will be reclassified subsequently to profit or loss, net of income tax				
Exchange differences on translation of foreign financial statements	197,174	-	(607,093)	(1)
Share of the other comprehensive income (loss) of associates and joint ventures	12,828	-	(134,091)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 44)	(3,871,325)	(6)	2,134,427	4
Gain (loss) on debt instruments measured at fair value through other comprehensive income	15,226,573	23	(13,111,115)	(23)
Other comprehensive income (loss) reclassified using the overlay approach (Note 8)	13,960,101	21	(2,195,157)	(4)
Other comprehensive income (loss) for the period, net of income tax	28,801,849	43	(14,951,436)	(26)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 33,737,910	50	$ (9,673,444)	(17)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of parent	$ 3,609,693	5	$ 3,276,624	6
Non-controlling interests	1,326,368	2	2,001,368	3
	$ 4,936,061	7	$ 5,277,992	9
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of parent	$ 15,525,145	23	$ (3,059,196)	(5)
Non-controlling interests	18,212,765	27	(6,614,248)	(12)
	$ 33,737,910	50	$ (9,673,444)	(17)
EARNINGS PER SHARE (Note 45)				
Basic	$ 0.25		$ 0.23	
Diluted	$ 0.25		$ 0.23	

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)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent														
	Capital			Retained Earnings			Other Equity								
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 149,763,034	$ 5,162	$ 1,173,719	$ 5,606,606	$ 2,078,602	$ 13,184,948	$ (2,031,949)	$ -	$ 2,113,838	$ -	$ (8,322)	$ (4,205,566)	$ 167,680,072	$ 81,544,066	$ 249,224,138
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562	1,743,732	6,304,294
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634	83,287,798	255,528,432
Net profit for the three months ended March 31, 2018	-	-	-	-	-	3,276,624	-	-	-	-	-	-	3,276,624	2,001,368	5,277,992
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	(45)	(728,817)	(5,030,629)	-	(576,329)	-	-	(6,335,820)	(8,615,616)	(14,951,436)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	3,276,579	(728,817)	(5,030,629)	-	(576,329)	-	-	(3,059,196)	(6,614,248)	(9,673,444)
Disposal of the Corporation shares, as treasury shares	-	-	65,318	-	-	-	-	-	-	-	-	137,711	203,029	-	203,029
Share-based payments	7,369	(1,548)	504	-	-	-	-	-	-	-	2,450	-	8,775	-	8,775
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(43)	(43)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	40,501	-	(40,501)	-	-	-	-	-	-	-
Disposal of dividend policy through equity instruments measured at FVTOCI recognized as special reserve	-	-	-	-	-	12,836	-	-	-	-	-	-	12,836	23,884	36,720
BALANCE AT MARCH 31, 2018	$ 149,770,403	$ 3,614	$ 1,239,541	$ 5,606,606	$ 2,078,602	$ 18,693,985	$ (2,760,766)	$ (1,121,160)	$ -	$ (31,020)	$ (5,872)	$ (4,067,855)	$ 169,406,078	$ 76,697,391	$ 246,103,469
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
Net profit for the three months ended March 31, 2019	-	-	-	-	-	3,609,693	-	-	-	-	-	-	3,609,693	1,326,368	4,936,061
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	206,377	7,220,469	-	4,488,606	-	-	11,915,452	16,886,397	28,801,849
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	3,609,693	206,377	7,220,469	-	4,488,606	-	-	15,525,145	18,212,765	33,737,910
Disposal of the Corporation shares, as treasury shares	-	-	44,785	-	-	-	-	-	-	-	-	111,116	155,901	-	155,901
Share-based payments	10,997	12,164	1,066	-	-	(6,457)	-	-	-	-	548	-	18,318	-	18,318
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	135,753	-	(135,753)	-	-	-	-	-	-	-
Disposal of dividend policy through equity instruments measured at FVTOCI recognized as special reserve	-	-	-	-	-	(4,857)	-	-	-	-	-	-	(4,857)	(9,036)	(13,893)
BALANCE AT MARCH 31, 2019	$ 149,633,809	$ 22,912	$ 1,676,843	$ 6,776,135	$ 565,041	$ 18,488,662	$ (723,909)	$ 1,946,154	$ -	$ 36,662	$ (791)	$ (3,494,328)	$ 174,927,190	$ 82,533,952	$ 257,461,142

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)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 5,468,984	$ 4,417,048
Adjustments to reconcile net profit		
Depreciation expenses	476,282	265,679
Amortization expenses	327,133	335,674
(Reversal) allowance for bad debts and losses on guarantees, net	(5,743)	260,222
Loss (gain) on financial assets and liabilities measured at fair value through profit or loss, net	(11,792,847)	(15,768,070)
Interest expense	2,434,610	1,654,872
Interest income	(17,501,772)	(14,599,750)
Dividend income	(350,395)	(85,839)
Net changes in insurance liabilities	56,459,750	42,255,416
Share of profit of associates and joint ventures	(856,579)	(350,383)
Gain (loss) on reclassification using the overlay approach	13,960,101	(2,195,157)
Gain on disposal of investments	(1,927,889)	(1,712,607)
Gain (loss) on unrealized foreign currency exchange	(4,455,332)	19,230,219
Others	1,001,125	(669,019)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to financial institutions	(1,019,730)	400,527
Financial assets at fair value through profit or loss	(31,638,715)	(12,039,330)
Financial assets at fair value through other comprehensive income	(4,266,310)	(29,921,507)
Debt investments measured at amortized cost	(34,562)	(5,257,682)
Securities purchased under resell agreements	(965,801)	854,692
Receivables	(17,808,599)	(12,944,967)
Discount and loans	(6,049,232)	(19,639,947)
Other financial assets	2,776,462	(6,627,102)
Other assets	(4,268,675)	(10,778,911)
Deposits from the Central Bank and financial institutions	(916,413)	(4,087,527)
Financial liabilities at fair value through profit or loss	(18,274,888)	21,447,750
Notes and bonds issued under repurchase agreements	3,482,231	30,340,236
Payables	19,334,556	(2,879,048)
Deposits and remittances	18,732,739	36,118,708
Other financial liabilities	9,960,045	952,599
Other liabilities	(794,177)	5,794,516
Cash generated from operations	11,486,359	24,771,312
Interest received	16,132,702	12,365,939
Dividend received	272,710	138,016
Interest paid	(1,872,514)	(1,343,746)
Income tax paid	(380,614)	(173,503)
Net cash generated from operating activities	25,638,643	35,758,018

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	$ (37,346,119)	$ (32,968,422)
Proceeds from sale of financial assets at fair value through other comprehensive income	49,483,562	40,854,562
Acquisition of financial assets measured at amortized cost	(38,108,985)	(51,092,833)
Proceeds from sale of financial assets measured at amortized cost	14,823,842	5,542,617
Maturity principal from financial assets measured at amortized cost	2,835,395	4,307,445
Acquisition of equity-method investments	(252,522)	-
Acquisition of property and equipment	(657,622)	(321,151)
Others	(144,133)	168,845
Net cash used in investing activities	(9,366,582)	(33,508,937)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	414,114	(1,381,708)
Increase in commercial paper payable	1,703,300	2,251,181
Repayments of corporate bonds	(1,000,000)	-
Proceeds of long-term borrowings	2,039,790	1,199,752
Sale of treasury shares	155,901	203,029
Others	(236,167)	(64,249)
Net cash generated from financing activities	3,076,938	2,208,005
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	71,129	(350,630)
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,420,128	4,106,456
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	114,495,133	132,256,162
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 133,915,261	$ 136,362,618

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of March 31, 2019 and 2018:

	March 31	
	2019	**2018**
Cash and cash equivalents in consolidated balance sheets	$ 62,890,782	$ 53,646,943
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	17,408,759	19,917,312
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	53,615,720	62,798,363
Cash and cash equivalents in consolidated statements of cash flows	$ 133,915,261	$ 136,362,618

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 THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

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

On March 13, 2017, the Corporation hold 100% shares of China Development Asset Management Corporation which was previously held by CDIB Capital Group.

On August 15, 2017, the Corporation's board of directors approved the acquisition of 25.33% shares of China Life Insurance through public tender offer from August 17, 2017 to September 6, 2017, and offered $35 per share to the acquiree. After the Corporation acquired 880,000 thousand shares through public tender offer, China Life Insurance became a subsidiary of the Corporation as defined by the Financial Holding Company Act. The acquired 25.33% shares plus 9.63% shares of China Life Insurance held by a subsidiary, KGI Securities (excluding KGI Securities' hedging accounts of derivative products) are equivalent to 34.96% shares of China Life Insurance.

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

The Corporation's shares have been listed on the Taiwan Stock Exchange (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. 1060025880.

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

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of March 31, 2019, KGI Securities had a head office and 77 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 March 31, 2019, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 53 domestic branches.

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

China Development Asset Management Corporation was established on September 11, 2001, and its operation includes acquiring, valuation, auction and management of debts from financial institution, acquiring of accounts receivable, management of overdue accounts receivable, and leasing and investment of real estate.

China Life Insurance was incorporated in Taiwan on April 25, 1963. In 2009, China Life Insurance completed the acquisition of major assets and liabilities of Prudential Corporation Asia Life Taiwan. As of March 31, 2019, China Life Insurance had a head office, an offshore insurance unit, and 8 domestic branches.

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on May 27, 2019.

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

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

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

- IFRS 16 "Leases"

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

<u>Definition of a lease</u>

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

<u>The Group as lessee</u>

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

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

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

The Group also applies the following practical expedients:

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

b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

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

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

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

The Group as lessor

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

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

With the application of IFRS 16, right-of-use assets and lease liabilities will increase by $19,046,650 thousand and $5,866,749 thousand, and prepayments will decrease by $13,179,901 thousand on January 1, 2019.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

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

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

2) IFRS 17 "Insurance Contract"

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

   <u>Level of aggregation</u>

   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.

   <u>Recognition</u>

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

   a) The beginning of the coverage period;

   b) The date when the first payment from a policyholder becomes due; and

   c) When the Group becomes onerous.

Measurement

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

a) The initial recognition of an amount for the FCF;

b) The derecognition at that date of any asset or liability recognized for acquisition cash flows; and

c) The cash inflows and outflows arising from the contracts in the Group at that date.

Subsequent measurement

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is remeasured to be the sum of the liability for remaining coverage and the liability for incurred claims, both determined as at that date.

Onerous contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any preciously 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 the that this will be an approximation of General Model; or

b) Contracts with a coverage period of one year or less are eligible for PAA.

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

Using the RAA, the liability for remaining coverage shall be initially recognized at the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. This is subsequently adjusted for change in the composition of the Group and amortization of acquisition cash flows and reduced over the coverage period with the reduction recorded as revenue, excluding any investment component paid or transferred to the liability for incurred claims.

Investment contracts with a discretionary participation feature

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

Modification and derecognition

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

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

Transition

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reporting by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and 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 reports.

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

As of March 31, 2019, December 31, 2018 and March 31, 2018, the consolidated entities included in the consolidated financial statements included 64, 63 and 65 companies, respectively (please refer to the attached Table 7).

It refers to the consolidated statement for the year ended December 31, 2018, except for those described below.

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.

Leases

2019

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

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

a. The Group as lessor

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

   Under finance leases, the net investment in a lease is measured at (a) the present value of the sum of the 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 that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

It refers to the consolidated statement for the year ended December 31, 2018.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash in banks	$ 51,778,346	$ 48,315,132	$ 42,829,187
Short-term notes	4,181,795	3,366,859	2,781,588
Due from banks	3,900,818	3,922,906	3,186,276
Cash on hand	1,593,504	1,734,504	1,468,152
Future excess margin	797,248	1,516,523	2,207,318
Check for clearing	639,071	751,499	1,174,422
	$ 62,890,782	$ 59,607,423	$ 53,646,943

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

	December 31, 2018
Cash and cash equivalents in consolidated balance sheet	$ 59,607,423
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	15,117,176
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	39,770,534
Cash and cash equivalents in consolidated statement of cash flow	$ 114,495,133

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

	March 31, 2019	December 31, 2018	March 31, 2018
Call loans to financial institutions	$ 15,751,778	$ 6,643,433	$ 17,510,153
Deposit reserve - demand accounts	9,310,952	8,854,579	8,121,083
Deposit reserve - checking accounts	3,213,016	9,467,197	6,411,494
Due from the Central Bank - interbank settlement funds	1,300,495	1,300,216	704,169
Deposit reserve - foreign currencies	166,455	165,958	133,952
Due from the Central Bank	-	-	6,020,000
	$ 29,742,696	$ 26,431,383	$ 38,900,851

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

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

For the certificates of deposit issued by the Central Bank of the ROC and pledged as collateral for day-term overdraft, please refer to Note 48.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at FVTPL			
Derivative financial instrument			
Interest rate swap contracts	$ 15,637,102	$ 14,276,585	$ 13,190,989
Currency swap and forward exchange contracts	6,717,984	9,911,136	13,607,379
Option and futures contracts	4,107,473	4,143,945	4,942,112
Others	895,567	1,423,617	5,175,432
Non-derivative financial assets			
Shares	136,594,566	108,988,496	144,383,493
Mutual funds	70,074,993	44,986,204	18,639,116
Bank debentures	54,601,674	53,166,795	24,498,444
Operating securities (Note 9)	52,577,761	51,128,316	67,092,622
Corporate bonds	16,172,728	13,439,633	14,053,770
Commercial papers	12,279,747	7,020,871	14,762,993
Others	17,586,829	17,188,833	13,963,889
	387,246,424	325,674,431	334,310,239
Financial assets designated as at FVTPL			
Government bonds	20,748,981	20,515,907	10,051,555
Others	26,327,094	28,740,696	20,679,444
	47,076,075	49,256,603	30,730,999
Financial assets at FVTPL	$ 434,322,499	$ 374,931,034	$ 365,041,238

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
Financial liabilities held for trading			
Derivative financial instrument			
Option and futures contracts	$ 19,407,466	$ 22,123,276	$ 21,703,929
Interest rate swap contracts	16,367,330	16,967,047	14,668,368
Currency swap and forward exchange contracts	8,129,603	8,882,350	10,610,273
Others	3,080,390	2,870,703	4,907,747
Non-derivative financial liabilities			
Borrowed securities payable	3,643,804	4,339,043	5,196,724
Others	1,346,510	402,286	709,937
	51,975,103	55,584,705	57,796,978
Financial liabilities designated as at FVTPL			
Bank debentures payable	29,030,149	27,131,475	26,182,251
Structured products	3,987,755	3,155,241	929,805
Others	980,475	1,915,304	1,552,492
	33,998,379	32,202,020	28,664,548
Financial liabilities at FVTPL	$ 85,973,482	$ 87,786,725	$ 86,461,526

(Concluded)

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

Bank Debenture Number	March 31, 2019	December 31, 2018	March 31, 2018	Issuance Period	Method of Paying Principles and Interests	Interest Rate
15KGIB1	$ 3,267,450	$ 3,257,698	$ 3,086,720	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16KGIB1	3,390,750	3,380,630	3,203,200	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB2	3,390,750	3,380,630	3,203,200	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB3	2,466,000	2,458,640	2,329,600	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17KGIB1	6,165,000	6,146,600	5,824,000	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
P18KGIB1	6,165,000	6,146,600	5,824,000	January 30, 2018 - January 30, 2048 (Note 3)	Principal due on maturity	0%
P18KGIB2	4,932,000	4,917,280	4,659,200	February 27, 2018 - February 27, 2048 (Note 3)	Principal due on maturity	0%
	29,776,950	29,688,078	28,129,920			
Valuation adjustments	(746,801)	(2,556,603)	(1,947,669)			
	$ 29,030,149	$ 27,131,475	$ 26,182,251			

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

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

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

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

Financial assets mandatorily classified as at FVTPL

	March 31, 2019	December 31, 2018	March 31, 2018
Share	$ 129,319,431	$ 101,694,025	$ 122,924,936
Mutual funds	69,106,591	43,632,536	17,164,566
Bank debentures	54,441,770	52,914,479	23,402,960
Corporate bonds	15,583,526	12,961,579	13,244,244
	$ 268,451,318	$ 211,202,619	$ 176,736,706

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

	For the Three Months Ended March 31	
	2019	2018
Gain (loss) on application of IFRS 9	$ 16,290,076	$ 1,627,006
Loss (gain) on application of IAS 39	(2,329,975)	(3,822,163)
Gain (loss) on reclassification using the overlay approach	$ 13,960,101	$ (2,195,157)

Due to the adjustment of the overlay approach, gain on financial assets measured at FVTPL decreased from $12,133,492 thousands to loss on $1,826,609 thousands for the three months ended March 31, 2019; gain on financial assets measured at FVTPL increase from $15,844,337 thousands to $18,039,494 thousands for the three months ended March 31, 2018.

The contract (nominal) amounts of the Group's outstanding derivative financial instruments as of March 31, 2019, December 31, 2018 and March 31, 2018 are summarized as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Currency swap and forward exchange contracts	$ 1,980,296,838	$ 2,083,698,557	$ 2,008,687,884
Interest rate swap contracts	1,408,193,563	1,302,045,596	1,161,853,707
Options and futures contracts	635,175,411	744,617,319	714,624,527
Non-deliverable forward contracts	301,035,726	240,344,692	215,762,066
Cross-currency swap contracts	24,759,629	32,681,055	27,207,145
Assets swap contracts	22,595,266	27,162,701	11,897,572
Structured note contracts	7,891,291	7,205,434	13,104,622
Credit default swap contracts	2,713,114	2,959,775	4,728,273
Commodity swap contracts	660,048	964,180	871,228
Equity derivative financial contracts	52,358	123,291	397,902

As of March 31, 2019, December 31, 2018 and March 31, 2018, financial assets at fair value through profit or loss with aggregate carrying values of $42,767,915 thousand, $47,273,587 thousand and $73,676,777 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Group signed a trust contract with China Trust Commercial Bank (CTBC) in August 2015, entrusting shares of Capital Securities Corporation to them. The trustee deals with the shares in accordance with the contract during the contract period. The shares of Capital Securities Corporation held by CDIB Capital Group have been fully disposed in August 2017.

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Group, please refer to Note 48.

9. OPERATING SECURITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Dealing			
Overseas securities	$ 25,008,059	$ 25,976,409	$ 29,477,976
Corporate bonds	7,943,719	8,433,846	9,001,080
Government bonds	7,898,177	8,038,635	14,375,157
Listed, OTC and emerging market stock	2,973,632	2,376,519	4,613,319
Others	2,604,078	1,337,879	3,388,850
	46,427,665	46,163,288	60,856,382
Underwriting			
Listed and OTC stock	534,579	46,981	201,537
Corporate bonds	435,900	486,298	543,387
Others	-	-	74,998
	970,479	533,279	819,922
Hedge positions			
Listed and OTC stock	2,828,016	2,129,947	4,230,795
Mutual funds	2,280,917	2,085,719	951,638
Others	70,684	216,083	233,885
	5,179,617	4,431,749	5,416,318
	$ 52,577,761	$ 51,128,316	$ 67,092,622

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2018	March 31, 2018
Investments in debt instruments at FVTOCI			
Government bonds	$ 177,370,759	$ 185,779,230	$ 178,556,642
Bank debentures	120,738,675	103,734,454	81,769,307
Corporate bonds	117,900,179	118,547,705	97,432,180
Negotiable certificates of deposit	50,715,612	48,698,585	36,728,183
Less: Security deposit	(9,889)	(9,861)	(6,278,270)
	466,715,336	456,750,113	388,208,042
Investments in equity instruments at FVTOCI			
Common stocks	20,385,340	17,050,968	21,201,035
Preferred stocks	11,760,093	11,534,853	4,649,055
	32,145,433	28,585,821	25,850,090
	$ 498,860,769	$ 485,335,934	$ 414,058,132

a. Investments in debt instruments at FVTOCI

As of March 31, 2019, December 31, 2018 and March 31, 2018, investments in debt instruments at FVTOCI, with aggregate carrying values of $63,429,831 thousand, $62,699,207 thousand and $56,045,978 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 48.

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 three months ended March 31, 2019 and 2018, the Group sold its shares in order to manage its investment portfolio. The sold shares had a fair value of $1,741,144 thousand and $1,508,757 thousand, respectively. The Group transferred a gain of $135,753 thousand, $40,501 thousand from other equity related-unrealized gain on financial assets at fair value through other comprehensive income to retained earnings.

For the three months ended March 31, 2019 and 2018, dividend income for $10,352 thousand and $10,010 thousand, respectively, which were both related to investments held at the end of the reporting period.

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

11. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
Bank debentures	$ 566,213,338	$ 554,605,427	$ 499,023,988
Corporate bonds	274,938,459	265,513,453	220,973,845
Government bonds	95,914,963	91,516,528	76,221,772
Others	60,263,809	58,900,871	57,939,707
	$ 997,330,569	$ 970,536,279	$ 854,159,312

As of March 31, 2019, December 31, 2018 and March 31, 2018, investments in debt instruments at amortized cost, with aggregate carrying values of $277,425 thousand, $291,964 thousand and $262,080 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 was 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. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Commercial papers	$ 20,778,655	$ 10,244,264	$ 12,057,232
Corporate bonds	16,980,100	15,196,326	18,532,694
Government bonds	8,756,944	6,589,991	27,245,728
Bank debentures	7,965,730	6,689,953	4,255,357
Negotiable certificates of deposit	100,093	1,050,000	1,000,106
	$ 54,581,522	$ 39,770,534	$ 63,091,117
Resold amounts	$ 54,614,806	$ 39,819,654	$ 63,111,908
Last maturity date	June 2019	January 2019	May 2018

13. RECEIVABLES, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Receivable accounts for settlement	$ 37,503,995	$ 18,167,610	$ 25,253,139
Receivables on margin loans, refinancing margin and refinancing deposits receivable	22,639,792	21,181,502	35,104,706
Interest receivable	16,048,639	16,287,188	12,385,603
Accounts receivable factoring without recourse	7,926,039	8,180,472	8,884,700
Trading securities receivable	7,480,525	8,031,155	7,192,976
Accounts receivable - forfeiting	6,394,030	8,122,872	6,674,987
Settlement price	5,322,004	6,308,741	3,897,147
Installment accounts and lease receivables	3,712,154	3,703,463	3,918,369
Others	11,672,647	11,021,392	10,892,709
	118,699,825	101,004,395	114,204,336
Less: Allowance for bad debts	(1,669,747)	(1,706,909)	(1,713,710)
Unrealized interest revenue	(196,390)	(198,107)	(199,735)
	$ 116,833,688	$ 99,099,379	$ 112,290,891

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

For the amount of receivables pledged as collateral for the Group, please refer to Note 48.

14. DISCOUNTS AND LOANS, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Short-term loans	$ 79,269,705	$ 82,152,934	$ 83,576,141
Medium-term loans	198,055,748	191,493,381	177,182,594
Long-term loans	69,774,062	67,260,197	57,635,920
Loans reclassified to nonperforming loans	366,332	423,086	470,990
Export negotiations	57,269	56,079	35,370
Policy loans	26,362,338	26,403,907	24,337,080
Automatic premium loans	5,815,165	5,822,457	5,658,274
	379,700,619	373,612,041	348,896,369
Less: Allowance for bad debts	(4,383,959)	(4,352,345)	(4,179,978)
Discounts on loans	(125,850)	(128,300)	(96,280)
	$ 375,190,810	$ 369,131,396	$ 344,620,111

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

15. REINSURANCE ASSETS, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Claims recoverable from reinsurers	$ 390,725	$ 456,849	$ 348,591
Due from reinsurers and ceding companies	84,707	175	6,166
Reinsurance reserve assets			
Ceded unearned premium reserve	53,279	50,125	50,282
Ceded reserve for claims	19,865	27,204	13,040
	73,144	77,329	63,322
	$ 548,576	$ 534,353	$ 418,079

No impairment loss was recognized for reinsurance assets.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

	March 31, 2019		December 31, 2018		March 31, 2018	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 6,140,775	34	$ 5,364,742	34	$ 6,189,184	34
CDIB Capital Asia Partners L.P.	4,139,275	-	3,587,002	-	3,560,449	-
KGI Securities (Thailand) Public Company Limited	2,569,361	35	2,416,178	35	2,301,146	35
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	1,682,007	-	1,648,309	-	1,693,735	-
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	1,445,668	-	1,421,496	-	1,462,541	-
CDIB Capital Health Ventures Limited	831,495	43	749,682	43	765,264	43
CDIB Capital Creative Industries Limited	694,962	46	696,239	46	660,787	46
Others	243,884		219,278		145,654	
	$ 17,747,427		$ 16,102,926		$ 16,778,760	

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 reviewed financial statements; those of other affiliates are calculated based on unreviewed 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.

17. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investment in structured entities

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

March 31, 2019

	Private Equity Fund	Asset Securitization	Total
Financial assets at fair value through profit or loss	$ 7,030,091	$ 3,217,822	$ 10,247,913
Debt instruments measured at amortized cost	-	61,716,877	61,716,877
Maximum exposure	7,030,091	64,934,699	71,964,790

December 31, 2018

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

March 31, 2017

	Private Equity Fund	Asset Securitization	Total
Financial assets at fair value through profit or loss	$ 6,464,838	$ 1,901,372	$ 8,366,210
Debt instruments measured at amortized cost	-	59,567,281	59,567,281
Maximum exposure	6,464,838	61,468,653	67,933,491

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.

	March 31, 2019	December 31, 2018	March 31, 2018
Management on private equity fund			
Total assets	$ 25,282,461	$ 22,431,078	$ 22,201,714
Total liabilities	155,680	102,172	186,066
Investments accounted for using the equity method	7,465,968	6,831,114	6,797,107
Financial assets at fair value through profit or loss	510,923	429,846	412,219
Maximum exposure	7,976,891	7,260,960	7,209,326

18. RESTRICTED ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Restricted demand deposits	$ 38,630,876	$ 43,724,691	$ 46,452,822
Accounts receivables	106,829	106,867	118,681
Others	89,836	96,011	89,191
	$ 38,827,541	$ 43,927,569	$ 46,660,694

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

After the filing of a certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 49), CDIB Capital Group could not access the following funds in connection with transactions made with Morgan Stanley because of its unauthorized disposition: Accounts receivable, deposits, cash security on CDS contracts, stock investments and the related accrued revenue. Because of the inaccessibility of these funds, these financial assets reclassified as "restricted assets".

For the information on restricted assets pledged as collateral for the Group, please refer to Note 48.

19. OTHER FINANCIAL ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Separate-account insurance products	$ 67,618,257	$ 63,501,665	$ 62,544,045
Guarantee deposits received on futures contracts	30,220,361	20,496,181	19,241,618
Time deposits not qualifying as cash equivalents	2,834,920	4,864,875	7,177,404
Others	1,768,335	2,499,809	1,074,781
	$ 102,441,873	$ 91,362,530	$ 90,037,848

Separate-account Insurance Products

a. Separate-account insurance products - assets and liabilities

	Assets		
	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Cash in banks	$ 445,319	$ 387,402	$ 428,673
Financial assets at fair value through profit or loss	67,106,210	63,050,586	62,057,624
Other receivables	66,728	63,677	57,748
	$ 67,618,257	$ 63,501,665	$ 62,544,045

	Liabilities		
	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Reserve for separate-account	$ 67,559,802	$ 63,353,697	$ 62,308,590
Other payables	58,455	147,968	235,455
	$ 67,618,257	$ 63,501,665	$ 62,544,045

b. Separate-account insurance products - revenues and expenses

	Revenues	
	For the Three Months Ended March 31	
	2019	**2018**
Premium income	$ 1,251,506	$ 1,804,651
Gains (losses) from financial assets and liabilities at fair value through profit or loss	2,812,865	(477,280)
Interest income	25	72
Other revenues	44,771	47,270
Gains (losses) on foreign exchange	96,396	(366,946)
	$ 4,205,563	$ 1,007,767

	Expenses	
	For the Three Months Ended March 31	
	2019	**2018**
Insurance claim payments	$ 1,134,860	$ 1,659,156
Net change in separate-account reserve	2,743,563	(1,204,868)
Custodian fee	327,140	553,479
	$ 4,205,563	$ 1,007,767

c. The rebate from counterparties in the investment-linked insurance business for the three months ended March 31, 2019 and 2018 was $108,031 thousand and $83,667 thousand, respectively.

For the information on other financial assets pledged as collateral for the Group, please refer to Note 48.

20. INVESTMENT PROPERTY, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Land	$ 19,978,546	$ 20,024,687	$ 19,882,544
Buildings and facilities	5,403,224	5,407,733	5,460,037
	$ 25,381,770	$ 25,432,420	$ 25,342,581

Except for depreciation recognized, the Group had no significant addition, disposal and impairment of investment properties during the three months ended March 31, 2019 and 2018.

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

Buildings and facilities	
Main building and parking spaces	20-60 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	5 years

The fair values of the Group's investment property as of March 31, 2019, December 31, 2018 and March 31, 2018 were $25,103,162 thousand, $25,033,305 thousand and $24,955,890 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 $2,520,610 thousand, $2,520,610 thousand and $2,520,574 thousand, respectively on March 31, 2019, December 31, 2018 and March 31, 2018. Because its fair value cannot be reliably determined, it was excluded from the amount of fair value above mentioned.

The fair value of their investment property of the Group, besides the effectiveness of valuation report examined by the valuation division of China life insurance Co., Ltd. On December 31, 2018, the Group examined the effectiveness of fair value of 2018 and 2017 by the Group, respectively. After evaluating, the group agree that the fair value on March 31, 2019 and 2018 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, 2018, and the fair values of investment properties held by subsidiaries of KGI Securities for the years ended December 31, 2018 and 2017 were arrived at without appraisal from independent appraisers, but instead were arrived at by reference to available external appraisal reports for the previous period and valuation models commonly used by market participants. All the other subsidiaries of the Group engaged independent appraisers for the valuation of their investment properties. The sales comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transaction, and income approach takes the net operating income of the rent collected and divides it by the capitalization rate.

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

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

	March 31, 2019
Year 1	$ 442,847
Year 2	393,145
Year 3	281,581
Year 4	153,822
Year 5	120,930
Year 5 onwards	216,404
	$ 1,608,729

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:

	Estimated Useful Lives
Buildings	20-60 years

The maturity analysis of lease payments receivable under operating leases of investment properties as of March 31, 2019 was as follows: 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 48.

21. PROPERTY AND EQUIPMENT

	March 31, 2019	December 31, 2018	March 31, 2018
Land	$ 20,194,894	$ 20,222,381	$ 20,492,174
Buildings and facilities	6,066,365	6,144,281	6,443,461
Machinery and computer equipment	1,120,788	826,709	811,023
Other equipment	303,154	304,436	343,780
Transportation equipment	321,306	6,079	7,669
Leasehold improvements	296,438	315,272	341,200
Leased assets	-	658,309	627,506
	28,302,945	28,477,467	29,066,813
Prepayments for acquisition of properties	3,853,631	3,239,830	1,976,387
	$ 32,156,576	$ 31,717,297	$ 31,043,200

	March 31, 2019
Assets used by the Group	$ 31,464,502
Assets leased under operating leases	692,074
	$ 32,156,576

Except for depreciation recognized, the Group had no significant addition, disposal and impairment of property and equipment during the three months ended March 31, 2019 and 2018.

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

Buildings and facilities	
Main building and parking spaces	20-60 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	4-5 years
Machinery and computer equipment	1-15 years
Transportation equipment	2-15 years
Other equipment	
Office furniture and equipment	2-10 years
Others	5-10 years
Leasehold improvements	1-10 years

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 an additional years.

The maturity analysis of lease payments receivable was as follows:

	March 31, 2019
Year 1	$ 112,826
Year 2	69,109
Year 3	31,137
Year 4	7,758
Year 5	452
	$ 221,282

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:

	Estimated Useful Lives
Machinery equipment	20 years
Transportation equipment	5 years

For the information on property and equipment pledged as collateral for the Group, please refer to Note 48.

22. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2019
Carrying amounts	
Premiums-surface right	$ 13,128,972
Buildings	3,576,712
Land	2,090,456
Computer equipment	136,609
Transportation equipment	57,568
Other equipment	11,566
	$ 19,001,883

	For the Three Months Ended March 31, 2019
Depreciation of right-of-use assets	
Premiums-surface right	$ 50,651
Buildings	193,908
Land	8,061
Computer equipment	16,216
Transportation equipment	4,523
Other equipment	2,338
	$ 275,697

The depreciation expense of the right-of-use asset recognized in profit or loss for the three months ended March 31, 2019 was $216,985 thousand.

b. Lease liabilities

	March 31, 2019
Carrying amounts	$ 5,858,399

Range of discount rate for lease liabilities were as follows:

	March 31, 2019
Buildings	0.73%-9.79%
Land	1.40%-3.50%
Computer equipment	0.86%-1.40%
Transportation equipment	0.73%-1.40%
Other equipment	0.75%-1.40%

The maturity analysis of lease liabilities were as follows:

	March 31, 2019
Not later than 1 year	$ 963,841
Later than 1 year and not later than 5 years	2,464,837
Later than 5 years	5,861,373
	$ 9,290,051

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 March 31, 2019
Expenses relating to short-term leases	$ 29,908
Expenses relating to low-value asset leases	$ 737
Total cash outflow for leases	$ 284,204

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

	March 31, 2019	December 31, 2018	March 31, 2018
Purchase policy value	$ 12,676,155	$ 12,767,519	$ 13,058,563
Operation rights	4,032,531	4,191,909	4,692,643
Goodwill	3,378,136	3,369,090	3,327,775
Computer software	783,090	806,233	747,945
Others	36,396	36,396	36,396
	$ 20,906,308	$ 21,171,147	$ 21,863,322

Except for amortization recognized, the Group's had no significant addition, disposal, and impairment of other intangible assets during the three months ended March 31, 2019 and 2018.

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

	March 31, 2019	December 31, 2018	March 31, 2018
Security borrowing margins	$ 9,884,211	$ 10,778,769	$ 4,168,370
Guarantee deposits paid	9,537,544	13,733,989	13,313,978
Operating guarantee deposits	7,389,047	7,438,483	7,748,625
Prepaid expense	1,264,909	1,265,709	1,852,844
Prepayment - surface rights	-	13,179,623	13,331,576
Others	2,228,495	2,505,788	1,749,474
	$ 30,304,206	$ 48,902,361	$ 42,164,867

Prepayment - the surface rights are land of China Life Insurance use rights for 13 government properties, including Taipei Academy and Zhong-Lun Housing that were acquired on November 28, 2013. The execution date of the contract was January 20, 2014 for a term of 70 years. The expiration date is January 19, 2084. The Group adapted IFRS 16 from January 1, 2019, and did not restate the comparative consolidated financial statement by the transaction of IFRS 16.

For the information on other assets pledged as collateral for the Group, please refer to Note 48.

25. DEPOSITS FROM THE CENTRAL BANK AND FINANCIAL INSTITUTIONS

	March 31, 2019	December 31, 2018	March 31, 2018
Call loans from financial institutions	$ 21,328,355	$ 22,242,268	$ 24,175,120
Deposits from Chunghwa Post Co., Ltd.	190,146	192,646	605,309
	$ 21,518,501	$ 22,434,914	$ 24,780,429

26. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Government bonds	$ 58,844,644	$ 58,385,910	$ 48,279,857
Corporate bonds	40,660,967	36,276,317	36,281,073
Bank debentures	28,956,306	30,237,248	43,909,900
Commercial paper	499,214	579,425	2,047,033
	$ 128,961,131	$ 125,478,900	$ 130,517,863
Repurchased amounts	$ 129,393,473	$ 125,952,224	$ 130,716,103
Last maturity date	July 2019	May 2019	July 2018

27. COMMERCIAL PAPER PAYABLE, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Commercial paper payable	$ 16,692,615	$ 14,989,859	$ 22,808,138
Less: Unamortized discount	(3,413)	(3,957)	(7,565)
	$ 16,689,202	$ 14,985,902	$ 22,800,573
Range of rate	0.43%-2.63%	0.60%-2.59%	0.39%-2.07%

As of March 31, 2019, Ta Ching Finance Corporation, China Bills Finance Corporation, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Bills Finance Corporation, International Bills Finance Corporation, Union Bills Finance Corporation, Taishin Bills Finance Corporation, Shanghai Commercial Bank, Sunny Bank and Taiwan Business Bank guaranteed the above commercial paper. However, some commercial paper which amounted to $11,875,515 thousand, had no guarantee.

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

As of March 31, 2018, Ta Ching Finance Corporation, China Bills Finance Corporation, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Finance Corporation, International Bills Finance Corporation, Union Bills Finance Corporation, Taishin Bills Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Shanghai Commercial Bank, Sunny Bank and Taiwan Business Bank guaranteed the above commercial paper. However, some commercial paper, which amounted to $15,925,195 thousand, had no guarantee.

28. PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts payable for settlement	$ 64,722,682	$ 45,453,733	$ 50,303,463
Guaranteed price deposits received from securities borrowers	10,544,511	14,465,995	14,363,073
Accrued expenses and payable on insurance policies	8,993,702	11,126,598	8,515,244
Settlement proceeds	3,393,787	4,838,810	3,675,396
Others	14,769,972	13,756,108	11,878,244
	$ 102,424,654	$ 89,641,244	$ 88,735,420

29. DEPOSITS AND REMITTANCES

	March 31, 2019	December 31, 2018	March 31, 2018
Time deposits	$ 234,085,393	$ 229,617,422	$ 230,245,904
Saving deposits	111,944,144	93,330,058	98,129,110
Demand deposits	55,103,188	55,634,932	47,067,131
Negotiable CDs	13,491,100	17,211,000	21,303,300
Checking deposits	2,359,326	2,440,582	2,055,882
Inward remittance	35,598	52,016	46,450
	$ 417,018,749	$ 398,286,010	$ 398,847,777

30. BONDS PAYABLE

	March 31, 2019	December 31, 2018	March 31, 2018
Corporate bonds payable	$ 22,800,000	$ 23,800,000	$ 29,000,000
Bank debentures payable	7,350,000	7,350,000	1,000,000
	$ 30,150,000	$ 31,150,000	$ 30,000,000

Corporate Bonds Payable

Name	March 31, 2019	December 31, 2018	March 31, 2018	Issuance Period	Method of Paying Principle and Interests	Interest Rate
1st corporate bonds in 2011 - the Corporation	$ -	$ 1,000,000	$ 1,000,000	Bond B 2012.03.07-2019.03.07	Interest payable annually; principal due on maturity	Bond B 1.42%
1st corporate bonds in 2013 - the Corporation	-	-	3,000,000	2013.05.23-2018.05.23	Interest payable annually; principal due on maturity	1.37%
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000	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 2015 - KGI Securities	4,800,000	4,800,000	7,000,000	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%
Net amount	$ 22,800,000	$ 23,800,000	$ 29,000,000			
Fair value	$ 23,159,660	$ 24,225,699	$ 29,474,376			

Bank Debentures Payable

Name	March 31, 2019	December 31, 2018	March 31, 2018	Issuance Period	Method of Paying Principle and Interests	Interest Rate
P06 KGIB 1	$ 1,000,000	$ 1,000,000	$ 1,000,000	2017.05.19-2020.05.19	Interest payable annually; principal due on maturity	0.90%
P07 KGIB 1	3,000,000	3,000,000	-	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	3,350,000	-	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
	7,350,000	7,350,000	1,000,000			
Unamortized discount	-	-	-			
Net amount	$ 7,350,000	$ 7,350,000	$ 1,000,000			
Fair Value	$ 7,432,092	$ 7,360,509	$ 1,002,855			

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

	March 31, 2019	December 31, 2018	March 31, 2018
Short-term credit borrowings	$ 9,313,436	$ 10,021,939	$ 11,964,863
Note issuance facility	6,409,436	4,339,771	6,099,164
Short-term secured borrowings	5,452,283	4,329,666	7,035,643
Long-term credit borrowings	96,810	126,685	352,494
	$ 21,271,965	$ 18,818,061	$ 25,452,164
Range of rate	0.57%-8.40%	0.72%-8.55%	0.49%-4.35%
Last maturity date	July 2021	July 2021	October 2020

32. PROVISIONS

	March 31, 2019	December 31, 2018	March 31, 2018
Insurance liabilities	$ 1,609,001,157	$ 1,552,528,196	$ 1,326,488,286
Foreign exchange valuation reserve	4,210,140	3,169,331	2,014,667
Provisions for employee benefits	952,031	1,040,517	1,015,686
Others	626,519	566,895	545,240
	$ 1,614,789,847	$ 1,557,304,939	$ 1,330,063,879

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

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

	March 31, 2019	December 31, 2018	March 31, 2018
Reserve for life insurance liabilities	$ 1,568,979,976	$ 1,513,115,547	$ 1,306,045,535
Premium deficiency reserve	7,842,115	7,504,145	8,773,438
Special reserve	6,911,492	6,364,597	6,702,378
Unearned premium reserve	3,537,504	3,854,791	3,389,866
Reserve for claims	1,861,467	1,686,742	1,577,069
Other reserve	19,868,603	20,002,374	-
	$ 1,609,001,157	$ 1,552,528,196	$ 1,326,488,286

a. Reserve for life insurance liabilities:

	March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 1,225,605,330	$ 56,013,481	$ 1,281,618,811
Health insurance	124,827,883	-	124,827,883
Annuity insurance	687,390	159,874,944	160,562,334
Investment-linked insurance	1,811,250	-	1,811,250
	$ 1,352,931,853	$ 215,888,425	$ 1,568,820,278

Note: The total amount of liability reserve is $1,568,979,976 thousand on March 31, 2019 after reserve for life insurance-accrued paid is added.

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

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

	March 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 981,751,998	$ 58,742,394	$ 1,040,494,392
Health insurance	107,348,788	-	107,348,788
Annuity insurance	650,905	155,668,900	156,319,805
Investment-linked insurance	1,796,082	-	1,796,082
	$ 1,091,547,773	$ 214,411,294	$ 1,305,959,067

Note: The total amount of liability reserve is $1,306,045,535 thousand on March 31, 2018 after reserve for life insurance-accrued paid is added.

Movement in reserve for life insurance liabilities is summarized below:

	For the Three Months Ended March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,298,519,953	$ 214,435,924	$ 1,512,955,877
Reserve	69,965,611	5,893,461	75,859,072
Recover	(16,350,062)	(4,517,562)	(20,867,624)
Gains (losses) on foreign exchange	796,351	76,602	872,953
Ending balance (Note)	$ 1,352,931,853	$ 215,888,425	$ 1,568,820,278

Note: The total amount of liability reserve is $1,568,979,976 thousand on March 31, 2019 after reserve for life insurance-accrued paid is added.

	For the Three Months Ended March 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,048,113,729	$ 215,730,420	$ 1,263,844,149
Reserve	57,468,069	4,393,006	61,861,075
Recover	(10,345,487)	(5,106,930)	(15,452,417)
Gains (losses) on foreign exchange	(3,688,538)	(605,202)	(4,293,740)
Ending balance	$ 1,091,547,773	$ 214,411,294	$ 1,305,959,067

Note: The total amount of liability reserve is $1,306,045,535 thousand on March 31, 2018 after reserve for life insurance-accrued paid is added.

b. Unearned premium reserve

	March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,119	$ 1	$ 1,120
Individual injury insurance	1,189,517	-	1,189,517
Individual health insurance	1,849,506	-	1,849,506
Group insurance	440,766	-	440,766
Investment-linked insurance	56,525	-	56,525
Annuity insurance	-	70	70
	3,537,433	71	3,537,504
Less ceded unearned premium reserve			
Individual life insurance	15,257	-	15,257
Individual injury insurance	924	-	924
Individual health insurance	28,790	-	28,790
Group insurance	3,133	-	3,133
Investment-linked insurance	5,175	-	5,175
	53,279	-	53,279
Net amount	$ 3,484,154	$ 71	$ 3,484,225

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,160	$ -	$ 1,160
Individual injury insurance	1,237,170	-	1,237,170
Individual health insurance	2,011,560	-	2,011,560
Group insurance	555,939	-	555,939
Investment-linked insurance	48,909	-	48,909
Annuity insurance	-	53	53
	3,854,738	53	3,854,791
Less ceded unearned premium reserve			
Individual life insurance	10,712	-	10,712
Individual injury insurance	1,513	-	1,513
Individual health insurance	27,559	-	27,559
Group insurance	5,267	-	5,267
Investment-linked insurance	5,074	-	5,074
	50,125	-	50,125
Net amount	$ 3,804,613	$ 53	$ 3,804,666

	March 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,182	$ -	$ 1,182
Individual injury insurance	1,056,236	-	1,056,236
Individual health insurance	1,782,422	-	1,782,422
Group insurance	495,738	-	495,738
Investment-linked insurance	54,233	-	54,233
Annuity insurance	-	55	55
	3,389,811	55	3,389,866
Less ceded unearned premium reserve			
Individual life insurance	15,085	-	15,085
Individual injury insurance	811	-	811
Individual health insurance	26,749	-	26,749
Group insurance	2,606	-	2,606
Investment-linked insurance	5,031	-	5,031
	50,282	-	50,282
Net amount	$ 3,339,529	$ 55	$ 3,339,584

Movement in unearned premium reserve is summarized below:

	For the Three Months Ended March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 3,854,738	$ 53	$ 3,854,791
Reserve	646,379	71	646,450
Recover	(963,684)	(53)	(963,737)
Ending balance	3,537,433	71	3,537,504
Less ceded unearned premium reserve			
Beginning balance	50,125	-	50,125
Increase	21,029	-	21,029
Decrease	(17,875)	-	(17,875)
Ending balance	53,279	-	53,279
Net amount	$ 3,484,154	$ 71	$ 3,484,225

	For the Three Months Ended March 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 3,384,833	$ 57	$ 3,384,890
Reserve	851,186	55	851,241
Recover	(846,208)	(57)	(846,265)
Ending balance	3,389,811	55	3,389,866
Less ceded unearned premium reserve			
Beginning balance	49,879	-	49,879
Increase	13,419	-	13,419
Decrease	(13,016)	-	(13,016)
Ending balance	50,282	-	50,282
Net amount	$ 3,339,529	$ 55	$ 3,339,584

c. Reserve for claims

	March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	$ 221,240	$ 116,725	$ 337,965
Unreported claim	1,471	-	1,471
Individual injury insurance			
Reported but not paid claim	41,533	-	41,533
Unreported claim	259,902	-	259,902
Individual health insurance			
Reported but not paid claim	103,278	-	103,278
Unreported claim	572,020	-	572,020
Group insurance			
Reported but not paid claim	113,724	-	113,724
Unreported claim	370,366	-	370,366
Investment-linked insurance			
Reported but not paid claim	17,375	-	17,375
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	43,752	43,752
Unreported claim	-	81	81
	1,700,909	160,558	1,861,467
Less ceded reserve for claims			
Individual life insurance	786	-	786
Individual injury insurance	8,105	-	8,105

(Continued)

	March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual health insurance	$ 5,474	$ -	$ 5,474
Group insurance	5,500	-	5,500
	19,865	-	19,865
Net amount	$ 1,681,044	$ 160,558	$ 1,841,602

(Concluded)

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	$ 260,846	$ 81,393	$ 342,239
Unreported claim	1,497	-	1,497
Individual injury insurance			
Reported but not paid claim	52,370	-	52,370
Unreported claim	207,078	-	207,078
Individual health insurance			
Reported but not paid claim	93,733	-	93,733
Unreported claim	508,774	-	508,774
Group insurance			
Reported but not paid claim	56,073	-	56,073
Unreported claim	397,937	-	397,937
Investment-linked insurance			
Reported but not paid claim	11,657	-	11,657
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	15,299	15,299
Unreported claim	-	85	85
	1,589,965	96,777	1,686,742
Less ceded reserve for claims			
Individual life insurance	5,654	-	5,654
Individual injury insurance	4,687	-	4,687
Individual health insurance	13,863	-	13,863
Group insurance	3,000	-	3,000
	27,204	-	27,204
Net amount	$ 1,562,761	$ 96,777	$ 1,659,538

	March 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	$ 260,805	$ 82,791	$ 343,596
Unreported claim	560	-	560
Individual injury insurance			
Reported but not paid claim	61,403	-	61,403
Unreported claim	157,365	-	157,365
Individual health insurance			
Reported but not paid claim	95,117	-	95,117
Unreported claim	473,640	-	473,640
Group insurance			
Reported but not paid claim	69,583	-	69,583
Unreported claim	317,277	-	317,277
Investment-linked insurance			
Reported but not paid claim	38,214	-	38,214
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	12	20,247	20,259
Unreported claim	-	55	55
	1,473,976	103,093	1,577,069
Less ceded reserve for claims			
Individual life insurance	2,881	-	2,881
Individual injury insurance	1,987	-	1,987
Individual health insurance	5,412	-	5,412
Group insurance	2,760	-	2,760
	13,040	-	13,040
	$ 1,460,936	$ 103,093	$ 1,564,029

Movement in reserve for claims is summarized below:

	For the Three Months Ended March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,589,965	$ 96,777	$ 1,686,742
Reserve	1,700,820	160,548	1,861,368
Recover	(1,589,965)	(96,777)	(1,686,742)
Gains (losses) on foreign exchange	89	10	99
Ending balance	1,700,909	160,558	1,861,467
Less ceded unearned premium reserve			
Beginning balance	27,204	-	27,204
Increase	19,865	-	19,865
Decrease	(27,204)	-	(27,204)
Ending balance	19,865	-	19,865
Net amount	$ 1,681,044	$ 160,558	$ 1,841,602

	For the Three Months Ended March 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,437,951	$ 106,826	$ 1,544,777
Reserve	1,474,405	103,303	1,577,708
Recover	(1,437,951)	(106,826)	(1,544,777)
Gains (losses) on foreign exchange	(429)	(210)	(639)
Ending balance	1,473,976	103,093	1,577,069
Less ceded unearned premium reserve			
Beginning balance	12,484	-	12,484
Insurance	13,040	-	13,040
Decrease	(12,484)	-	(12,484)
Ending balance	13,040	-	13,040
Net amount	$ 1,460,936	$ 103,093	$ 1,564,029

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

	March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	$ 6,911,492	$ -	$ 6,911,492
Dividend risk reserve	-	-	-
	$ 6,911,492	$ -	$ 6,911,492

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	$ 6,364,597	$ -	$ 6,364,597
Dividend risk reserve	-	-	-
	$ 6,364,597	$ -	$ 6,364,597

	March 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	$ 6,702,378	$ -	$ 6,702,378
Dividend risk reserve	-	-	-
	$ 6,702,378	$ -	$ 6,702,378

Movement in special reserve is summarized below:

	For the Three Months Ended March 31	
	2019	2018
	Insurance Contract	Insurance Contract
Beginning balance	$ 6,364,597	$ 6,259,742
Adjustment to IFRS 9	-	(6,676)
Adjusted beginning balance	6,364,597	6,253,066
Reserve for participating policy dividend revenue	531,722	495,212
Recover for participating policy dividend revenue	(2,194)	-
Other	17,367	(45,900)
Ending balance	$ 6,911,492	$ 6,702,378

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

	March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,578	$ -	$ 1,578
Individual injury insurance	871,147	-	871,147
Individual health insurance	2,435,161	-	2,435,161
Group insurance	3,090,678	-	3,090,678
Annuity insurance	-	539	539
	$ 6,398,564	$ 539	$ 6,399,103

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

	March 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,893	$ -	$ 1,893
Individual injury insurance	846,176	-	846,176
Individual health insurance	2,286,647	-	2,286,647
Group insurance	2,857,669	-	2,857,669
Annuity insurance	-	593	593
	$ 5,992,385	$ 593	$ 5,992,978

f. Premium deficiency reserve

	March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 7,715,231	$ -	$ 7,715,231
Individual health insurance	126,884	-	126,884
	$ 7,842,115	$ -	$ 7,842,115

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

	March 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 8,648,466	$ -	$ 8,648,466
Individual health insurance	124,972	-	124,972
	$ 8,773,438	$ -	$ 8,773,438

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

Movement in premium deficiency reserve is summarized as below:

	For the Three Months Ended March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 7,504,145	$ -	$ 7,504,145
Reserve	888,806	-	888,806
Recover	(558,658)	-	(558,658)
Gains (losses) on foreign exchange	7,822	-	7,822
Ending balance	$ 7,842,115	$ -	$ 7,842,115

	For the Three Months Ended March 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 9,164,460	$ -	$ 9,164,460
Reserve	278,460	-	278,460
Recover	(611,085)	-	(611,085)
Gains (losses) on foreign exchange	(58,397)	-	(58,397)
Ending balance	$ 8,773,438	$ -	$ 8,773,438

g. Other reserve

	March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Others	$ 19,868,603	$ -	$ 19,868,603

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Others	$ 20,002,374	$ -	$ 20,002,374

	For the Three Months Ended March 31, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 20,002,374	$ -	$ 20,002,374
Recover	(133,771)	-	(133,771)
Ending balance	$ 19,868,603	$ -	$ 19,868,603

Other reserve 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		
	March 31, 2019	December 31, 2018	March 31, 2018
Reserve for life insurance liabilities	$ 1,568,820,278	$ 1,512,955,877	$ 1,305,959,067
Unearned premium reserve	3,537,504	3,854,791	3,389,866
Premium deficiency reserve	7,842,115	7,504,145	8,773,438
Special reserve	6,911,492	6,364,597	6,702,378
Other reserve	19,868,603	20,002,374	-
Book value of insurance liabilities	$ 1,606,979,992	$ 1,550,681,784	$ 1,324,824,749
Estimated present value of cash flows	$ 1,211,730,744	$ 1,256,360,366	$ 1,013,973,823
Balance of liability adequacy reserve	$ -	$ -	$ -

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

	March 31, 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)

	December 31, 2018 and March 31, 2018
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2017), and discount rates on December 31, 2018 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 Three Months Ended March 31	
	2019	2018
Beginning balance	$ 3,169,331	$ 2,703,763
Reserve		
Compulsory reserve	377,116	257,182
Extra reserve	663,693	394,999
	1,040,809	652,181
Recover	-	(1,341,277)
Ending balance	$ 4,210,140	$ 2,014,667

3) Effects due to foreign exchange valuation reserve

Item	For the Three Months Ended March 31, 2019 Inapplicable Amount	Applicable Amount	Effects
Net income	$ 3,638,212	$ 2,805,565	$ (832,647)
Earnings per share (dollar)	0.91	0.70	(0.21)
Foreign exchange valuation reserve	-	4,210,140	4,210,140
Equity	103,612,696	101,587,646	(2,025,050)

Item	For the Three Months Ended March 31, 2018 Inapplicable Amount	Applicable Amount	Effects
Net income	$ 3,126,656	$ 3,677,933	$ 551,277
Earnings per share (dollar)	0.78	0.92	0.14
Foreign exchange valuation reserve	-	2,014,667	2,014,667
Equity	91,798,431	91,529,760	(268,671)

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, 2018 and 2017, and recognized respectively for the three months ended March 31, 2019 and 2018.

The Group recognized its contributions under defined benefit plans as pension expenses (recognized as employee benefits) amounting to $7,711 thousand and $9,035 thousand, respectively and recognized pension expenses (recognized as employee benefits) under defined contribution plans amounting to $152,412 thousand and $153,750 thousand, respectively for the three months ended March 31, 2019 and 2018.

34. OTHER FINANCIAL LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Separate-account product liabilities	$ 67,618,257	$ 63,501,665	$ 62,544,045
Customers' equity accounts - futures	31,103,121	21,398,531	20,578,398
Principal received on structured notes	26,396,455	26,253,350	24,312,276
Others	383,498	385,853	366,290
	$ 125,501,331	$ 111,539,399	$ 107,801,009

35. EQUITY

a. Capital

Common stock

	March 31, 2019	December 31, 2018	March 31, 2018
Numbers of shares authorized (in thousands)	20,000,000	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands)	14,965,672	14,963,356	14,977,402
Shares issued	$ 149,656,721	$ 149,633,560	$ 149,774,017

b. Capital surplus

	March 31, 2019	December 31, 2018	March 31, 2018
Arising from treasury stock transactions	$ 1,494,257	$ 1,449,472	$ 1,050,529
Share-based payments awards	87,864	86,798	91,656
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	80,994	80,994
Others	13,728	13,728	16,362
	$ 1,676,843	$ 1,630,992	$ 1,239,541

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

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

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

c. Special revenue

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

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

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

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

d. Appropriation of earnings

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

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

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

On April 29, 2019, the board of the directors proposed the earnings appropriation and capital surplus cash payment of 2018. On June 22, 2018, shareholders' meeting approved the resolution on the appropriations from the earnings of 2017, including bonus to employees and remuneration to directors and supervisors, as follows:

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

The earnings appropriation and capital surplus cash payment of 2018 expect to be resolved on the shareholders meeting on June 14, 2019.

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 Three Months Ended March 31	
	2019	**2018**
Beginning balance	$ 64,330,223	$ 81,544,066
Effect of retrospective application and retrospective restatement	-	1,743,732
Attributable to non-controlling interests		
Share of profit for the period	1,326,368	2,001,368
Exchange differences on translation of foreign financial statements	3,627	(12,208)
Actual losses arising from defined benefit plans	-	(83)
Gain (loss) on equity instruments measured at FVTOCI	1,763,099	(796,105)
Gain (loss) on debt instrument measured at FVTOCI	6,768,428	(6,734,933)
Other comprehensive income (loss) reclassified using the overlay approach	8,351,243	(1,072,287)
Others	(9,036)	23,841
Ending balance	$ 82,533,952	$ 76,697,391

36. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS

		Non-controlling Interests Held by the Proportion of Equity		
Subsidiaries	**The Main Place of Business**	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
China Life Insurance Company Limited	Taipei	65.04%	65.04%	65.04%

	Net Income Attributed to Non-controlling Interests For the Three Months Ended March 31	
	2019	**2018**
China Life Insurance Company Limited	$ 1,307,809	$ 1,966,839

	Non-controlling Interests		
	March 31, 2019	**December 31, 2018**	**March 31, 2018**
China Life Insurance Company Limited	$ 78,844,419	$ 60,661,102	$ 73,064,166

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

	March 31, 2019	December 31, 2018	March 31, 2018
Total assets	$ 1,840,015,885	$ 1,734,540,477	$ 1,533,803,730
Total liabilities	1,719,798,570	1,642,279,604	1,422,473,425
Equity	$ 120,217,315	$ 92,260,873	$ 111,330,305
Equity attributable to:			
Owners of parent	$ 41,372,896	$ 31,599,771	$ 38,266,139
Non-controlling interest	78,844,419	60,661,102	73,064,166
	$ 120,217,315	$ 92,260,873	$ 111,330,305

	For the Three Months Ended March 31	
	2019	2018
Revenue	$ 91,591,505	$ 72,746,102
Net profit for the period	$ 2,010,726	$ 3,023,971
Other comprehensive income	25,959,608	(13,248,282)
Total comprehensive income	$ 27,970,334	$ (10,224,311)
Net profit attributable to:		
Owners of parent	$ 702,917	$ 1,057,132
Non-controlling interest	1,307,809	1,966,839
	$ 2,010,726	$ 3,023,971
Comprehensive income attributable to:		
Owners of parent	$ 9,777,981	$ (3,574,255)
Non-controlling interest	18,192,353	(6,650,056)
	$ 27,970,334	$ (10,224,311)
Cash flows		
From operating activities	$ 11,418,934	$ 39,992,019
From investing activities	(8,735,312)	(33,543,483)
From financing activities	(27,063)	-
Net increase in cash	$ 2,656,559	$ 6,448,536

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 three months ended March 31, 2019				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	443,531	-	15,492	428,039
For the three months ended March 31, 2018				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	519,062	-	19,200	499,862

The Corporation's shares held by subsidiaries are regarded as treasury stock. The Corporation's shares held by KGI Securities, calculated at the Corporation's stockholding percentage of book value on the completion day of acquisition were treated as treasury stock. The market prices of the shares were $2,383,511 thousand, $2,399,876 thousand and $2,910,634 on March 31, 2019, December 31, 2018 and March 31, 2018, respectively. KGI Securities entered into a trust contract with China Trust Commercial Bank (CTBC) in September 2018, and entrusted shares of Capital Securities Corporation to them. During the contract period, the trustee, CTBC, would deal with the shares in accordance with the contract. The Corporation's shares held by China Life Insurance are also treated as treasury stock and recognized book value on the completion day of acquisition. The market prices of the shares were $2,025,288 thousand, $1,911,243 thousand and $2,025,288 thousand on March 31, 2019, December 31, 2018 and March 31, 2018, 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 March 31	
	2019	2018
Interest revenues		
Securities	$ 13,362,197	$ 10,908,452
Discounts and loans	2,940,922	2,535,034
Margin loans and refinancing margin	335,473	515,451
Due from and call loans to banks	107,199	116,169
Others	755,981	524,644
	17,501,772	14,599,750
Interest expenses		
Deposits	1,363,191	894,201
Notes and bonds issued under repurchase agreements	576,240	346,609
Deposit from banks	109,963	106,011
Borrowing interest expense	98,018	78,260
Corporate bonds	94,592	112,675
Others	192,606	117,116
	2,434,610	1,654,872
Interest profit, net	$ 15,067,162	$ 12,944,878

39. SERVICE FEE AND COMMISSION, NET

	For the Three Months Ended March 31	
	2019	2018
Service fee revenue and commission income		
Brokerage	$ 1,783,721	$ 2,460,581
Commission income - insurance	213,160	263,510
Security lending	171,447	131,467
Trust	107,108	182,805
Others	564,351	493,522
	2,839,787	3,531,885
Service fee expense and commission expense		
Commission expense - insurance	3,457,918	2,503,774
Brokerage	297,459	303,021
Others	451,368	378,902
	4,206,745	3,185,697
Service fee and commission, net	$ (1,366,958)	$ 346,188

40. INSURANCE BUSINESS, NET

	For the Three Months Ended March 31	
	2019	2018
Insurance business income		
Premium income	$ 73,833,181	$ 59,938,049
Reinsurance premium expense	(337,113)	(304,477)
Changes in unearned premium reserve	320,441	(4,573)
Retained earned premium	73,816,509	59,628,999
Separate-account insurance products revenues	4,205,563	1,007,767
	78,022,072	60,636,766
Insurance business expense		
Insurance claim payments	(24,107,080)	(18,858,069)
Claims recovered from reinsures	155,617	173,531
Retained claim payments	(23,951,463)	(18,684,538)
Brokerage expense	(1,454)	(1,352)
Disbursements toward industry stability fund	(110,764)	(113,895)
Changes in foreign exchange valuation reserve	(1,040,809)	689,096
Separate-account insurance products expenses	(4,205,563)	(1,007,767)
	(29,310,053)	(19,118,456)
Insurance business, net	$ 48,712,019	$ 41,518,310

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

	For the Three Months Ended March 31	
	2019	2018
Stocks	$ 10,007,429	$ 2,602,088
Derivatives	(6,897,883)	14,513,026
Mutual funds	4,360,263	768,852
Operating securities	1,915,026	79,097
Bonds	980,965	707,841
Others	1,767,692	(2,826,567)
	$ 12,133,492	$ 15,844,337

For the three months ended March 31, 2019 and 2018, the Group’s financial assets and liabilities at fair value through profit or loss included interest revenue of $1,429,129 thousand and $668,819 thousand, respectively, dividend income of $340,043 thousand and $75,829 thousand, respectively and interest expense of $345,007 thousand and $260,488 thousand, respectively.

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

	For the Three Months Ended March 31	
	2019	2018
Gain on bond disposal	$ 1,991,306	$ 1,696,829
Dividend income	10,352	10,010
	$ 2,001,658	$ 1,706,839

43. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended March 31	
	2019	2018
Employee benefit expense		
Salaries and wages	$ 3,370,479	$ 3,519,017
Employee insurance	301,937	301,760
Pension	160,123	162,785
Others	288,383	266,345
	$ 4,120,922	$ 4,249,907
Depreciation and amortization expenses	$ 803,415	$ 601,353

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 three months ended March 31, 2019 and 2018, the employees' compensation and the remuneration to directors and supervisors both were $36,461 thousand and $31,851 thousand, respectively.

The employees' compensation bonus of employees and remuneration to directors and supervisors for 2018 and 2017 which have been approved by the board of directors on March 25, 2019 and March 26, 2018, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors for 2017 were reported on the shareholders meeting on June 22, 2018.

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

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

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

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

44. INCOME TAX

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

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

a. Income tax expense recognized in profit or loss

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

	For the Three Months Ended March 31	
	2019	2018
Current income tax		
Current period	$ 291,760	$ 1,998,593
Prior years	1,253	(86,007)
	293,013	1,912,586
Deferred income tax		
Current period	239,910	(2,077,044)
Adjustment in tax rate	-	(696,486)
	239,910	(2,773,530)
Income tax expense recognized in profit or loss	$ 532,923	$ (860,944)

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

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

	For the Three Months Ended March 31	
	2019	2018
Current income tax		
Current period	$ 1,011	$ -
(Gain) loss on equity instruments at fair value through other comprehensive income	-	(960)
Deferred income tax		
Adjustment in tax rate	-	409,086
(Gain) loss on equity instruments at fair value through other comprehensive income	531,016	(362,839)
(Gain) loss on debt instruments at fair value through other comprehensive income	2,751,073	(1,856,782)
(Gain) loss on reclassification using the overlay approach	1,120,252	(514,874)
Income tax expense (benefit)	$ 4,403,352	$ (2,326,369)

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

	For the Three Months Ended March 31	
	2019	**2018**
Current income tax (benefit)		
Income tax recognized in equity dividend policy	$ -	$ 9,180
Disposal of equity instruments at fair value through other comprehensive income	-	(22,488)
Deferred income tax (benefit)		
Disposal of equity instruments at fair value through other comprehensive income	-	22,488
Deferred income tax related to tax losses and reversals	(3,473)	-
	$ (3,473)	$ 9,180

d. Income tax assessments

The Corporation's income tax returns through 2014 had been examined by the tax authorities. The Corporation disagreed with the tax authorities' assessments of its 2011 tax returns and thus filed tax appeals.

The income tax returns of CDIB Management Consulting Corporation through 2016 had been examined by the tax authorities. Income tax returns of CDC Finance & Leasing Corp. through 2015 had been examined by the tax authorities. Income tax returns of KGI Bank and formerly Wanyin Insurance Broker through 2014 had been examined by the tax authorities.

The income tax returns of formerly Grand Cathay through 2013 had been examined by the tax authorities. Formerly Grand Cathay disagreed with the tax authorities' assessments of its 2011 and 2013 tax returns and thus filed tax appeals.

The income tax returns of KGI Securities for the years through 2014 had been examined by the tax authorities. KGI Securities disagreed with the tax authorities' assessments of its tax returns from 2009 to 2014. As a result, KGI filed tax appeals.

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

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

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

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

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

45. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Three Months Ended March 31	
	2019	**2018**
Basic EPS	$ 0.25	$ 0.23
Diluted EPS	$ 0.25	$ 0.23

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 March 31	
	2019	**2018**
Earnings used in the computation of EPS	$ 3,609,693	$ 3,276,624

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

	For the Three Months Ended March 31	
	2019	**2018**
Weighted average number of common shares outstanding in computation of basic EPS	14,523,109	14,462,838
Effect of dilutive potentially common shares:		
Employee share options	13,326	6,946
Restricted shares	1,084	3,451
Weighted average number of common shares outstanding in computation of diluted EPS	14,537,519	14,473,235

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 Three Months Ended March 31			
	2019		2018	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	56,166	$ 7.54	64,118	$ 7.93
Options exercised	(2,316)	7.48	(582)	7.75
Options invalid	(90)	7.53	(90)	7.96
Balance at March 31	53,760	7.55	63,446	7.94
Options exercisable, end of period	45,982	7.55	40,691	7.92
Weighted-average remaining contractual life (years)	2.35		3.37	

The weighted-average share price at the date of exercise of share options from January 1 to March 31, 2019 and 2018 were $9.88 and $10.30, 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 months ended March 31, 2019 and 2018 were $455 thousand and $1,815 thousand.

b. Issue restricted share plan

The board of directors of the Corporation has decided to issue restricted shares plan which is $56,997 thousand in total, and $10 per face value totaled 5,700 thousand shares with issue price of $0 (free issuance) at February 9, 2015. Further, the board of directors made February 13, 2015 as the base-date for capital increase. Fair value on the payment day of the stock was $10.80.

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

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

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

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

For the three months ended March 31, 2019 and 2018, the Corporation recognized $548 thousand and $2,450 thousand as compensation cost.

47. 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

Related Party	Relationship with the Group
Others	Other related parties

b. Significant transactions with related-parties

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

	Amount	%
March 31, 2019	$ 48,364	-
December 31, 2018	291,210	-
March 31, 2018	141,279	-

For the three months ended March 31, 2019 and 2018, the interest revenues from cash in bank were $13 thousand and $10 thousand, respectively.

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

	Amount	%
March 31, 2019	$ 319,276	1
December 31, 2018	200,611	-
March 31, 2018	300,092	1

For the three months ended March 31, 2019 and 2018, the interest revenues from due from banks were all $0 thousand.

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

	Amount	%
March 31, 2019	$ 7,287,297	2
December 31, 2018	6,032,510	2

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

	Amount	%
March 31, 2019	$ 2,596,478	-
December 31, 2018	2,571,674	-
March 31, 2018	2,389,195	-

For the three months ended March 31, 2019 and 2018, the interest revenues from bank debentures were $26,821 thousand and $19,063 thousand, respectively.

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the three months ended March 31, 2019		
Other related parties	$ 49,636	$ -
For the three months ended March 31, 2018		
Other related parties	877,050	231,584

6) Revenue receivable (recognized as receivables, net)

	Amount	%
March 31, 2019	$ 187,837	-
December 31, 2018	123,303	-
March 31, 2018	201,023	-

7) Receivable on margin loans (recognized as receivables, net)

	Amount	%
March 31, 2019	$ 14,672	-
December 31, 2018	15,935	-
March 31, 2018	16,130	-

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

	Amount	%
March 31, 2019	$ 15,933	-
December 31, 2018	22,433	-
March 31, 2018	14,226	-

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

	Amount	%
December 31, 2018	$ 459,512	-

10) Other receivables (recognized as receivables, net)

	Amount	%
March 31, 2019	$ 35,482	-
December 31, 2018	40,374	-
March 31, 2018	5,462	-

11) Discounts and loans, net

KGI Bank

	Amount	%	Interest Rate (%)
March 31, 2019	$ 1,117,768	-	1.54-5.99
December 31, 2018	1,150,686	-	1.54-15.00
March 31, 2018	1,099,493	-	1.54-15.00

For the three months ended March 31, 2019 and 2018, the interest revenues from discounts and loans were $4,437 thousand and $4,263 thousand, respectively.

For the Three Months Ended March 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	33	$ 29,039	$ 23,250	$ 23,250	$ -	None	Yes
Residential mortgage loans	76	1,160,323	1,087,907	1,087,907	-	Real estate	Yes
Others	6	8,031	6,611	6,611	-	Real estate	Yes

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	40	$ 34,371	$ 21,486	$ 21,486	$ -	None	Yes
Residential mortgage loans	85	1,399,026	1,123,527	1,123,527	-	Real estate	Yes
Others	12	19,712	5,673	5,673	-	Real estate	Yes

For the Three Months Ended March 31, 2018

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	34	$ 23,168	$ 21,232	$ 21,232	$ -	None	Yes
Residential mortgage loans	66	1,106,293	1,067,318	1,067,318	-	Real estate	Yes
Others	9	12,090	10,943	10,943	-	Real estate	Yes

China Life Insurance

	Amount	%
March 31, 2019	$ 5,438	-
December 31, 2018	4,134	-
March 31, 2018	852	-

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

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Other related parties	$ 951,320	4	$ 908,555	4	$ 582,400	2

For the three months ended March 31, 2019 and 2018, the interest expenses from call loans from banks were $9,570 thousand and $3,469 thousand, respectively.

13) Notes and bonds issued under repurchase agreements

	Amount	%
March 31, 2018	$ 159,543	-

14) Guaranteed price deposits received from securities borrowers (recognized as payables)

	Amount	%
March 31, 2019	$ 5,414	-
December 31, 2018	5,191	-
March 31, 2018	10,064	-

15) Deposits payable for securities financing (recognized as payables)

	Amount	%
March 31, 2019	$ 5,986	-
December 31, 2018	5,739	-
March 31, 2018	11,128	-

16) Other payables (recognized as payables)

	Amount	%
March 31, 2019	$ 28,018	-
December 31, 2018	21,006	-
March 31, 2018	43,915	-

17) Deposits and remittances

	Amount	%	Interest Rate (%)
March 31, 2019	$ 1,456,713	-	0-5.58
December 31, 2018	1,117,220	-	0-5.58
March 31, 2018	1,282,542	-	0-5.58

For the three months ended March 31, 2019 and 2018, the interest expenses from deposits and remittances were $2,964 thousand and $2,114 thousand, respectively.

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

	Amount	%
March 31, 2019	$ 369,900	2

For the three months ended March 31, 2019, the interest expenses from short-term borrowings were $2,353 thousand.

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

	Amount	%
March 31, 2019	$ 9,129	-
December 31, 2018	8,723	-
March 31, 2018	21,876	-

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
Other related parties	$ 51,180	-	$ 49,119	-

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
Other related parties	$ 155,667	27	$ 147,481	48

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

	For the Three Months Ended March 31, 2019	
	Amount	**%**
Other related parties	$ 14,850	-

23) Outstanding derivative financial instruments

KGI Bank

March 31, 2019

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	**Balance**
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,357,249	$ (646,584)	Financial assets at FVTPL	$ 1,525
					Financial liabilities at FVTPL	499,547

December 31, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	**Balance**
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,320,368	$ 642,233	Financial assets at FVTPL	$ 150,929
					Financial liabilities at FVTPL	2,366

March 31, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	**Balance**
Other related parties	Interest rate swap contracts	March 07, 2017 - April 07, 2047	$ 11,152,960	$ 333,275	Financial liabilities at FVTPL	$ 160,395

China Life Insurance

March 31, 2019

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	**Balance**
Other related parties	Currency swap contracts	March 11, 2019 - April 15, 2019	US$ 50,000	Financial assets at FVTPL	$ 1,579
		January 23, 2019 - May 14, 2019	US$ 444,000	Financial liabilities at FVTPL	40,147

December 31, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	**Balance**
Other related parties	Currency swap contracts	November 16, 2018 - February 27, 2019	US$ 299,000	Financial assets at FVTPL	$ 14,352
		October 08, 2018 - February 14, 2019	US$ 295,000	Financial liabilities at FVTPL	17,414

March 31, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet Account	Balance Sheet Balance
Other related parties	Currency swap contracts	December 19, 2017 - September 25, 2018	US$ 564,000	Financial assets at FVTPL	$ 223,946

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

	December 31, 2018
Other related parties	$ 540,000

25) Compensation of key management personnel

	For the Three Months Ended March 31	
	2019	2018
Salary and short-term benefits	$ 148,372	$ 146,871
Share-based payment	448	2,215
Post-employment benefits	720	730
	$ 149,540	$ 149,816

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

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

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

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

KGI Bank and subsidiaries

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

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

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Other related parties	$ 319,276	5	$ 200,611	3	$ 300,092	4

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

	December 31, 2018		March 31, 2018	
	Amount	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 464,124	1	$ 1,219,973	1

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

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Other related parties	$ 924,504	8	$ 921,744	8	$ 873,353	8

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

	March 31, 2018	
	Amount	**%**
Subsidiary of the parent company	$ 370,201	1

5) Purchase and sale of bonds

	Purchase of Bonds	**Sale of Bonds**
<u>For the three months ended March 31, 2019</u>		
Subsidiary of the parent company	$ 110,700	$ -
<u>For the three months ended March 31, 2018</u>		
Subsidiary of the parent company	2,779,214	245,447
Other related parties	877,050	-

6) Lease arrangements

		March 31, 2019
Right-of-use assets	Subsidiary of the parent company	$ 194,597
Lease Liabilities	Subsidiary of the parent company	182,280

Determination of rental price above is similar with market price, and payment of rental fee is on a monthly/quarterly basis.

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

	March 31, 2019			December 31, 2018			March 31, 2018		
		Amount	%		Amount	%		Amount	%
Other related parties	$	951,320	5	$	908,555	4	$	582,400	2

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

	March 31, 2019			December 31, 2018			March 31, 2018		
		Amount	%		Amount	%		Amount	%
Parent company	$	530,563	100	$	530,563	100	$	508,243	100

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

9) Deposits and remittances

		Amount	%	Interest Rate (%)
March 31, 2019				
Parent company	$	5,015,042	1	0-0.73
Subsidiary of the parent company		21,978,049	5	0-1.03
December 31, 2018				
Parent company		5,019,205	1	0-0.73
Subsidiary of the parent company		18,239,625	4	0-1.03
March 31, 2018				
Parent company		936,625	-	0-0.57
Subsidiary of the parent company		10,763,162	3	0-1.03

10) Outstanding derivative financial instrument

March 31, 2019

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,357,249	$ (646,584)	Financial assets at FVTPL	$ 1,525
					Financial liabilities at FVTPL	499,547
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 12, 2019 - February 26, 2022	110,700	4,846	Financial assets at FVTPL	4,846
	Asset swap - option	March 12, 2019 - February 11, 2022	110,700	(11,890)	Financial liabilities at FVTPL	11,890
	Interest rate swap contracts	November 04, 2016 - November 06, 2020	437,715	1,408	Financial assets at FVTPL	167
					Financial liabilities at FVTPL	3,010
	Currency swap contracts	January 02, 2019 - October 09, 2019	15,566,625	56,729	Financial assets at FVTPL	57,828
					Financial liabilities at FVTPL	1,099

December 31, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,320,368	$ 642,233	Financial assets at FVTPL	$ 150,929
					Financial liabilities at FVTPL	2,366
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	January 18, 2017 - February 01, 2020	602,120	(13,226)	Financial assets at FVTPL	2,740
					Financial liabilities at FVTPL	7,058
	Asset swap - option	January 18, 2017 - December 31, 2019	602,120	52,985	Financial liabilities at FVTPL	14,231
	Interest rate swap contracts	November 04, 2016 - November 06, 2020	636,173	(101)	Financial assets at FVTPL	544
					Financial liabilities at FVTPL	4,544
	Currency swap contracts	July 19, 2016 - February 27, 2020	15,520,165	36,905	Financial assets at FVTPL	49,613
					Financial liabilities at FVTPL	12,709

March 31, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 11,152,960	$ 333,275	Financial liabilities at FVTPL	$ 160,395
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 23, 2016 - February 05, 2019	673,328	3,476	Financial assets at FVTPL	13,940
					Financial liabilities at FVTPL	52
	Asset swap - option	March 23, 2016 - January 22, 2021	673,328	(35,940)	Financial liabilities at FVTPL	113,685
	Interest rate swap contracts	November 04, 2016 - November 06, 2020	1,039,584	(4,793)	Financial liabilities at FVTPL	9,676
	Currency swap contracts	December 19, 2017 - September 21, 2018	6,843,200	5,901	Financial assets at FVTPL	654
					Financial liabilities at FVTPL	55,120
	Forward exchange contracts	March 23, 2017 - April 19, 2017	719,133	971	Financial assets at FVTPL	971

KGI Securities and subsidiaries

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

	March 31, 2019 Amount	%	December 31, 2018 Amount	%	March 31, 2018 Amount	%
Subsidiary of the parent company	$ 334,615	3	$ 2,738,863	20	$ 1,423,514	12

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

	March 31, 2019			December 31, 2018		
	Amount		%	Amount		%
Open ended fund and money market instruments						
Other related parties	$	466,570	1	$	465,958	1

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

	March 31, 2019			December 31, 2018			March 31, 2018		
	Amount		%	Amount		%	Amount		%
Stocks									
Parent company	$	2,383,511	12	$	2,399,876	17	$	2,910,634	43

4) Purchase and sale of bonds

	Purchase of Bonds		Sale of Bonds	
For the three months ended March 31, 2019				
Subsidiary of the parent company	$	389,978	$	12,850,991
For the three months ended March 31, 2018				
Subsidiary of the parent company		1,177,506		7,321,496
Other related parties		-		231,584

5) Guarantee deposits received in futures contracts

	March 31, 2019			December 31, 2018			March 31, 2018		
	Amount		%	Amount		%	Amount		%
Subsidiary of the parent company	$	904,438	3	$	919,916	4	$	1,234,912	6

6) Accounts receivables

	March 31, 2019		
	Amount		%
Subsidiary of the parent company	$	537,391	2

7) Restricted assets (recognized as other current assets)

	March 31, 2019			December 31, 2018			March 31, 2018		
	Amount		%	Amount		%	Amount		%
Subsidiary of the parent company	$	4,969,268	11	$	1,202,572	3	$	1,031,538	2

8) Short-term borrowings

	March 31, 2019	
	Amount	%
Other related parties	$ 369,900	2

9) Notes and bonds issued under repurchase agreements

	March 31, 2018	
	Amount	%
Other related parties	$ 159,543	-

10) Customers' equity accounts - futures

	December 31, 2018		March 31, 2018	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 394,377	2	$ 1,219,940	6

11) Payables

	March 31, 2018	
	Amount	%
Subsidiary of the parent company	$ 502,671	1

12) Current tax liabilities

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Parent company	$ 746,448	81	$ 740,985	81	$ 365,934	61

13) Other operating revenue

	For the Three Months Ended March 31, 2019	
	Amount	%
Subsidiary of the parent company	$ 100,488	29

14) Outstanding derivative financial instruments

a) Asset swap IRS contracts value

	March 31, 2019	December 31, 2018	March 31, 2018
	Contract Amount (Principal)	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 110,700	$ 602,120	$ 673,328

b) Asset swap option contracts - call

	March 31, 2019	December 31, 2018	March 31, 2018
	Contract Amount (Principal)	**Contract Amount (Principal)**	**Contract Amount (Principal)**
Subsidiary of the parent company	$ 110,700	$ 602,120	$ 673,328

c) Interest rate swap contracts

	March 31, 2019	December 31, 2018	March 31, 2018
	Contract Amount (Principal)	**Contract Amount (Principal)**	**Contract Amount (Principal)**
Subsidiary of the parent company	$ 437,715	$ 636,173	$ 1,039,584

15) Due to business needs, the related-arties issued a letter of guarantee

	December 31, 2018
Other related parties	$ 540,000

CDIB Capital Group and subsidiaries

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

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 5,790,192	35	$ 6,566,990	39	$ 6,836,661	45

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

	March 31, 2019		December 31, 2018	
	Amount	**%**	**Amount**	**%**
Other related parties	$ 150,413	65	$ 150,215	65

3) Revenue receivable (recognized as other receivables)

	March 31, 2019		December 31, 2018	
	Amount	**%**	**Amount**	**%**
Other related parties	$ 122,992	16	$ 174,502	21

4) Sale of securities receivable (recognized as other receivables)

	March 31, 2018	
	Amount	**%**
Other related parties	$ 459,512	41

5) Receivables from parent (recognized as current tax assets)

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Parent company	$ 317,267	98	$ 317,267	98	$ 339,279	98

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

6) Payables to parent (recognized as current tax liabilities)

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Parent company	$ 527,703	94	$ 523,096	96	$ 342,151	95

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

China Development Asset Management Corp. Group

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

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

	Amount	%
March 31, 2019	$ 150,384	76
December 31, 2018	150,187	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	Subsidiary of the parent company
China Development Asset Management Corp. Group and subsidiaries	Subsidiary of the parent company
Others	Other related parties

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

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 9,850,262	23	$ 6,719,483	16	$ 187,084	1
Other related parties	-	-	223,286	1	132,992	-

2) Receivable from securities sale (recognized as receivables)

	March 31, 2018	
	Amount	%
Subsidiary of the parent company	$ 497,088	4

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

	March 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Other related parties	$ 6,407,100	2	$ 5,159,700	2

4) Financial assets at fair value through other comprehensive income

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Stocks						
Parent company	$ 5,793,423	2	$ 5,467,191	2	$ 5,793,423	2

5) Financial assets measured at amortized cost

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Other related parties	$ 1,671,974	-	$ 1,649,930	-	$ 1,515,842	-

6) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the three months ended March 31, 2019		
Subsidiary of the parent company	$ 12,850,481	$ 389,977
For the three months ended March 31, 2018		
Subsidiary of the parent company	4,542,222	932,059

7) Receivables from sale of securities (recognized as receivables)

	March 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 536,612	2	$ 296,818	3

8) Outstanding derivative financial instrument

March 31, 2019

(In Thousands of United States Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	March 11, 2019 - October 09, 2019	US$ 100,000	Financial assets at FVTPL	$ 2,840
		January 02, 2019 - June 05, 2019	US$ 405,000	Financial liabilities at FVTPL	53,443
Other related parties	Currency swap contracts	March 11, 2019 - April 15, 2019	US$ 50,000	Financial assets at FVTPL	1,579
		January 23, 2019 - May 14, 2019	US$ 444,000	Financial liabilities at FVTPL	40,147

December 31, 2018

(In Thousands of United States Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	October 25, 2018 - February 27, 2019	US$ 250,000	Financial assets at FVTPL	$ 12,884
		July 05, 2018 - February 15, 2019	US$ 250,000	Financial liabilities at FVTPL	49,387
Other related parties	Currency swap contracts	November 16, 2018 - February 27, 2019	US$ 299,000	Financial assets at FVTPL	14,352
		October 08, 2018 - February 14, 2019	US$ 295,000	Financial liabilities at FVTPL	17,414

March 31, 2018

(In Thousands of United States Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	December 19, 2017 - September 21, 2018	US$ 215,000	Financial assets at FVTPL	$ 55,780
Subsidiaries of the parent company	Forward exchange contracts	March 23, 2018 - April 19, 2018	US$ 44,696	Financial liabilities at FVTPL	1,386
Other related parties	Currency swap contracts	December 19, 2017 - September 25, 2018	US$ 564,000	Financial assets at FVTPL	223,946

48. PLEDGED ASSETS

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

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets at fair value through profit or loss - negotiable certificate of deposit	$ 17,298,919	$ 16,198,186	$ 11,826,827
Other assets - operating guarantee deposits	7,389,047	7,438,483	7,748,625
Property and equipment, net	4,783,617	4,792,233	4,819,074
Accounts receivable - installment accounts receivables and lease receivables	2,320,976	2,380,148	2,335,235
Other assets - guarantee deposit paid	2,140,586	1,502,485	178,052
Other financial assets - pledged time deposits	1,164,425	1,248,210	976,417
Financial assets at fair value through profit or loss - bonds	445,552	203,177	329,555
Other assets - competitive bid transactions guarantee	349,491	369,445	299,304
Investment property, net	342,814	344,109	347,002
Financial assets at fair value through other comprehensive income - bonds	181,437	181,348	185,481
Checking accounts - restricted for agent’s stock transfer purposes	50,862	51,074	51,974
Restricted assets - impound account	38,974	44,936	37,217
Due from the Central Bank and call loans to financial institutions	-	-	6,020,000

Note: 88,500 thousand of China Life Insurance shares held by KGI Securities on March 31, 2019, December 31, 2018 and March 31, 2018 have been pledged.

49. 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$382,733 thousand based on the exchange rate of March 31, 2019) was reclassified to “other financial liabilities”. The litigation had not yet been concluded as of March 31, 2019. In addition, Morgan Stanley overlooked CDIB Capital Group’s efforts and terminated interest rate swap (IRS) contracts (nominal principal amount: KRW24,000,000 thousand) and CDS contracts (nominal principal amount: JPY586,510 thousand), CDIB Capital Group reserves the right of legal proceedings.

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 16, 2010, the plaintiffs sued KGI Securities, Taiwan Kolin Co., Ltd., the principal of formerly management team, Moore Stephens and the auditor with jointly liability amounted to $133,308 thousand plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court.

c. Plaintiffs, Digital Imaging Solution Global Ltd. (“Digital”) and Minda Consulting Ltd. (“Minda”), advocated that GT based on stock pledge generated from loans of HK$10,000 thousand with Minda and Minda transferred its pledge right on Digital to GT, GT transferred a pledge right of 35,000 thousand shares of eCyberChina to Minda in exchange. However, GT and its fund managers, including KGI Limited, disposed the 2,000 thousand shares of eCyberChina without Minda’s approval and thus violated the pledge agreement. Therefore, Digital and Minda filed a lawsuit to the GT in November 2007 and requested for compensation of HK$119,130 thousand and related expenses and interest. In February 2008, Digital and Minda added KGI Limited as a defendant. On July 21, 2008, the appeal was dismissed by courts of Hong Kong and the plaintiffs appealed to a higher court. In December 2008, the courts of appeals dismissed the appeal by Digital while the appeal by Minda is still pending in the courts of appeals.

d. Securities and Futures Investors Protection Center sued CDIB Capital Management Corporation and claimed that due to the fact that CDIB Capital Management Corporation is the corporate director of Powercom Ltd., CDIB Capital Management Corporation have but not performed sufficient audits on the contents disclosed in the financial statements which failed to comply the obligation of being a good administrator. Therefore, the plaintiff demanded compensation of $592,648 thousand and related interests from CDIB Capital Management Corporation and Powercom Ltd. CDIB Capital Management Corporation and Powercom Ltd. could not estimate the related possible loss because the case was currently pending with the Taipei District Court and the final outcome of the court is uncertain.

e. The case KGI Bank acted vigorously in regards to Prince Motors’ overdue debt. In December 2012, a third party regards filed a lawsuit claiming that KGI Bank fraudulently infringed upon the property rights of creditors (credit litigation amounted to $481,157 thousand) on Dun Nan building. On February 14, 2014, the Taipei District Court judged that KGI Bank lost the lawsuit and has to return the amount of $1,786,318 thousand for re-allocation. KGI Bank has appealed on March 10, 2014, and the original adjudication in favor of the third party was revoked by the court, which indicated KGI Bank on the second trial. The third party filed an appeal but the court rejected the third party’s appeal on July 26, 2017. Third party then filed appeal for third trial and the case was currently pending with the Supreme Court. 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 March 31, 2019, KGI Bank has to pay a total of $280,130 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 March 31, 2019, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is $1,834,118 thousand and unpaid amount is $3,789,795 thousand.

50. SUBSEQUENT EVENTS

The board of directors of KGI Securities' subsidiary, Global Securities Finance Corporation, approved to assigned their main business to Yuanto Securities Co., Ltd. (GSFC). The transaction price were $15,000 thousand go with the price adjustment mechanism decided by both transaction parties, and the amount of related claims, collateral and rights as of the date of business assignment. The transaction is subject to approval of GSFC 2019 shareholder meeting and the regulatory authorities.

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

Consolidated Profitability

(%)

Items		March 31, 2019	March 31, 2018
Return on total assets	Before income tax	0.78	0.72
	After income tax	0.71	0.86
Return on net worth	Before income tax	9.10	7.04
	After income tax	8.21	8.42
Profit margin		7.29	9.11

Profitability of CDFH

(%)

Items		March 31, 2019	March 31, 2018
Return on total assets	Before income tax	7.30	6.39
	After income tax	7.33	6.49
Return on net worth	Before income tax	8.55	7.50
	After income tax	8.64	7.67
Profit margin		93.20	93.82

Profitability of KGI Bank

(%)

Items		**March 31, 2019**	**March 31, 2018**
Return on total assets	Before income tax	0.64	0.42
	After income tax	0.53	0.44
Return on net worth	Before income tax	7.34	4.27
	After income tax	6.04	4.53
Profit margin		35.02	31.19

Profitability of KGI Securities

(%)

Items		**March 31, 2019**	**March 31, 2018**
Return on total assets	Before income tax	3.04	2.48
	After income tax	2.96	2.16
Return on net worth	Before income tax	9.52	7.52
	After income tax	9.28	6.53
Profit margin		54.35	39.85

Profitability of China Life Insurance

(%)

Items		**March 31, 2019**	**March 31, 2018**
Return on total assets	Before income tax	0.73	0.73
	After income tax	0.64	0.99
Return on net worth	Before income tax	14.68	11.29
	After income tax	12.85	15.26
Profit margin		3.04	5.02

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:

March 31, 2019

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	$ 141,081,004	$ 91,999	$ 7,286,191	$ 148,459,194
Bond investments	41,380,216	64,725,885	189,022	106,295,123
Others	73,492,855	20,216,254	11,424,872	105,133,981
Financial assets designated as at FVTPL	6,420,629	39,846,518	808,928	47,076,075
Financial assets at FVTOCI				
Stock investments	18,437,816	13,080	13,694,537	32,145,433
Bond investments	247,192,164	168,807,560	-	415,999,724
Others	-	50,715,612	-	50,715,612
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,632,567	1,357,747	-	4,990,314
Financial liabilities designated as at FVTPL	-	30,010,624	-	30,010,624
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	931,282	26,312,086	114,758	27,358,126
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	664,968	45,469,546	850,275	46,984,789
Financial liabilities designated as at FVTPL	-	3,987,755	-	3,987,755

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	$ 111,514,368	$ 81,132	$ 6,857,996	$ 118,453,496
Bond investments	41,989,438	61,457,028	191,943	103,638,409
Others	47,323,015	15,470,248	11,033,980	73,827,243
Financial assets designated as at FVTPL	6,169,907	42,512,632	574,064	49,256,603
Financial assets at FVTOCI				
Stock investments	17,462,411	12,316	11,111,094	28,585,821
Bond investments	235,021,765	173,029,763	-	408,051,528
Others	-	48,698,585	-	48,698,585
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,091,924	1,649,405	-	4,741,329
Financial liabilities designated as at FVTPL	-	29,046,779	-	29,046,779

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ 927,604	$ 28,660,132	$ 167,547	$ 29,755,283
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	746,457	49,325,395	771,524	50,843,376
Financial liabilities designated as at FVTPL	-	3,155,241	-	3,155,241

(Concluded)

March 31, 2018

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	$ 145,844,170	$ 495,933	$ 11,897,430	$ 158,237,533
Bond investments	40,829,375	41,385,713	417,511	82,632,599
Others	20,322,421	28,075,197	8,126,577	56,524,195
Financial assets designated as at FVTPL	204,170	30,114,610	412,219	30,730,999
Financial assets at FVTOCI				
Stock investments	10,719,914	15,992	15,114,184	25,850,090
Bond investments	194,441,805	157,038,054	-	351,479,859
Others	-	36,728,183	-	36,728,183
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	2,248,566	3,658,095	-	5,906,661
Financial liabilities designated as at FVTPL	-	27,734,743	-	27,734,743
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	1,098,728	35,645,231	171,953	36,915,912
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,504,765	49,794,984	590,568	51,890,317
Financial liabilities designated as at FVTPL	-	929,805	-	929,805

2) Evaluation technology at fair value

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

3) Reconciliation of fair value

a) The limitation of valuation techniques and uncertain inputs

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

b) Credit risk valuation adjustments

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

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

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

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

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

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

4) Transfer between the Level 1 and Level 2

	For the Three Months Ended March 31, 2019		**For the Three Months Ended March 31, 2018**	
	Level One Converted Into Level Two	**Level Two Converted Into Level One**	**Level One Converted Into Level Two**	**Level Two Converted Into Level One**
Financial assets at FVOCI - bond investments	$ 9,353,331	$ 2,360,366	$ 5,567,161	$ 12,889,489

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

5) Reconciliation of Level 3 items of financial instruments

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

For the Three Months Ended March 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	$ 18,251,466	$ (430,601)	$ 1,550,498	$ -	$ (356,520)	$ -	$ 19,014,843
Financial assets designated as at FVTPL	574,064	9,168	225,696	-	-	-	808,928
Financial assets at FVTOCI	11,111,094	2,583,443	-	-	-	-	13,694,537

For the Three Months Ended March 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	$ 20,569,493	$ 213,290	$ 580,428	$ -	$ (749,740)	$ -	$ 20,613,471
Financial assets designated as at FVTPL	457,036	10,643	6,828	-	(62,288)	-	412,219
Financial assets at FVTOCI	16,855,341	(1,741,157)	-	-	-	-	15,114,184

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

For the Three Months Ended March 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 771,524	$ 54,997	$ 54,680	$ -	$ (30,926)	$ -	$ 850,275

For the Three Months Ended March 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 449,041	$ (7,259)	$ 212,012	$ -	$ (63,226)	$ -	$ 590,568

The total gains or losses for the three months ended March 31, 2019 and 2018 included a loss of $186,642 thousand and a loss of $113,482 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 March 31, 2019	**Valuation Technique(s)**	**Significant Unobservable Inputs**	**Range**	**The Relationship Between Inputs and Fair Value**
Repetitive basis to fair value measurement items					
Nonderivative financial instruments					
Financial assets at FVTOCI	$ 381,446	Market approach, net asset method	P/B, P/E, Lack of liquidity discount and control discount	1.18-9.12, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of marketability and control.
Derivative financial instruments					
Financial assets at FVTPL	112,559	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	111,769	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at December 31, 2018	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Nonderivative financial instruments					
Financial assets at FVTOCI	$ 381,396	Market approach, net asset method	P/B, P/E, Lack of liquidity discount and control discount	1.15-9.94, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of marketability and control.
Derivative financial instruments					
Financial assets at FVTPL	147,234	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	146,087	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at March 31, 2018	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Nonderivative financial assets					
Financial assets at FVTOCI	$ 420,738	Market approach, net asset method	P/B, P/E, Lack of liquidity discount and control discount	1.49-16.3, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of marketability and control.
Derivative financial assets					
Financial assets at FVTPL	162,010	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.
Derivative financial liabilities					
Financial liabilities at FVTPL	158,783	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:

March 31, 2019

	Valuation Techniques	**Significant Unobservable Inputs**	**Quantification Information**	**The Relationship Between Inputs and Fair Value**
Financial assets				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of marketability	23%-26%	Assets at fair value is inversely proportional to discount for lack of marketability.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	27.26%-69.36%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	2.27%-14.67%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	19.61%-33.34%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

December 31, 2018

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of marketability	23%-26%	Assets at fair value is inversely proportional to discount for lack of marketability.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	24.93%-62.14%	According to condition of contract, fair value of asset may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	2.18%-14.04%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	21.32%-47.70%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

March 31, 2018

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of marketability	23%-26%	Assets at fair value is inversely proportional to discount for lack of marketability.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.32%-58.57%	According to condition of contract, fair value of asset may be higher or lower.
Equity derivatives - premium - equity option (call option)	Martingale pricing technique	History volatility	56.15%-56.15%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	2.28%-46.49%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	6.32%-59.23%	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:

March 31, 2019

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	**Positive/Negative Change**	**Positive Impact**	**Negative Impact**
Financial assets				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/ recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Reduction proportion	-1%/+1%	$ 438	$ (438)
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	Historical volatility	+ 25%/-25%	776	777
Financial liabilities				
Derivative instruments				
Structured notes - options	Historical volatility	- 25%/+25%	-	-
Equity derivative instruments - premium - options (put options)	Historical volatility	- 25%/+25%	(2)	(3)

December 31, 2018

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	**Positive/Negative Change**	**Positive Impact**	**Negative Impact**
Financial assets				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/ recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Reduction proportion	-1%/+1%	$ 359	$ 368
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	Historical volatility	+25%/-25%	2,173	1,997
Financial liabilities				
Derivative instruments				
Structured notes - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put options)	Historical volatility	-25%/+25%	(12)	(12)

March 31, 2018

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/Negative Change	Positive Impact	Negative Impact
Financial assets				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/ recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Reduction proportion	+1%/-1%	$ (172)	$ 180
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	Historical volatility	+25%/-25%	2,575	2,388
Equity derivative instruments - premium - options (call options)	Historical volatility	+25%/-25%	149	134
Financial liabilities				
Derivative instruments				
Structured notes - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put options)	Historical volatility	-25%/+25%	273	362

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 March 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	$ 15,887,960	Market approach	P/B P/S Lack of liquidity discount	0.8-2.58 0.97-10.91 23%-29%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
		Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	23%-29% 10.11%-17.22% 3%-7%	When the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Lack of liquidity discount Non-controlling interest discount	23%-29% 11%	When the higher lack of liquidity discount, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	38.66%-39.58%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

	Fair Value at December 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 15,365,511	Market approach	P/B P/S Lack of liquidity discount	0.66-2.06 0.31-9.44 23%-29%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
		Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	23%-29% 10.33%-14.14% 3%-7%	When the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Lack of liquidity discount Non-controlling interest discount	23%-29% 11%	When the higher lack of liquidity discount, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	39.05%-39.2%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

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:

	March 31, 2019			
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
Financial assets				
Financial assets at fair value through profit or loss	Option	Volatility in stock price for the 90-day period	20.390%	The higher the volatility in stock price for the 90-day period, the higher the fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.16%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.

	December 31, 2018			
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
Financial assets				
Financial assets at fair value through profit or loss	Option	Volatility in stock price for the 90-day period	35.139%	The higher the volatility in stock price for the 90-day period, the higher the fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.18%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.

	March 31, 2018			
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
Financial assets				
Financial assets at fair value through profit or loss	Option	Volatility in stock price for the 90-day period	32.259%	The higher the volatility in stock price for the 90-day period, the higher the fair value of convertible bonds.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.
Financial assets at fair value through other comprehensive income	Market approach	Discount for lack of liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.51%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.

7) Pricing process of Level 3 fair value

KGI Bank and subsidiaries

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

KGI Securities and subsidiaries

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

CDIB Capital Group and subsidiaries

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

China Life Insurance

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

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

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

For fair value measurement of investment property, please refer to Note 20.

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 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.

As at March 31, 2019, assuming a 5% change in mortality, morbidity, surrender and expenses, and a decrease in investment return of 0.1%, all insurance contracts and financial instruments with discretionary participation feature will not cause China Life Insurance’s insurance liability inadequate.

2) Interpretation for concentration of insurance risks

a) China Life Insurance’s insurance business is mainly in Taiwan, Republic of China and there is no significant difference in insurance risk between each region. China Life Insurance had set tolerable cumulative risk limits for each risk unit and incident. Insurance risks that exceed the limits will be transferred through reinsurance. Please refer to Note 32 for concentration of risk before and after the reinsurance for China Life Insurance.

b) Furthermore, according to “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the annual increased special capital reserve, excluding taxes, for major incidents and fluctuation of risks for abnormal changes in loss ratio and claims of each type of insurance needs to be recognized in special capital reserve under equity in accordance with IAS 12.

3) Claim development trend

a) Direct business loss development trend

Accident Year	Development Year												Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	12	
2008	$ 2,170,100	$ 2,736,556	$ 2,776,542	$ 2,781,989	$ 2,786,399	$ 2,792,187	$ 2,798,032	$ 2,798,807	$ 2,799,546	$ 2,800,435	$ 2,802,449	$ 2,802,622	
2009	2,243,111	2,870,648	2,924,110	2,934,461	2,936,046	2,939,451	2,940,095	2,940,209	2,940,748	2,941,322	2,941,361		
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963	3,144,299	3,144,902	3,145,167	3,145,205			
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,824	3,354,243	3,354,342				
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,748	3,055,096					
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,053,040	3,053,674						
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,303,753	4,304,551							
2015	3,530,448	4,420,482	4,498,438	4,510,113	4,511,477								
2016	3,721,820	4,648,280	4,743,133	4,748,229									
2017	4,320,234	5,400,952	5,443,800										
2018	4,775,948	5,535,682											
2019	698,727												$ 1,289,664

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims	456,571
Claim reserve for discount on no claim	115,232
Reserve for claims balance	$ 1,861,467

b) Retained business loss development trend

Accident Year	Development Year												Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	12	
2008	$ 2,128,556	$ 2,682,784	$ 2,721,905	$ 2,719,002	$ 2,723,312	$ 2,728,970	$ 2,734,682	$ 2,735,440	$ 2,736,162	$ 2,737,031	$ 2,739,000	$ 2,739,168	
2009	2,204,858	2,820,114	2,862,350	2,868,022	2,869,572	2,872,900	2,873,529	2,873,640	2,874,167	2,874,728	2,874,766		
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,782	3,073,109	3,073,699	3,073,958	3,073,996			
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,936	3,278,301	3,278,397				
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,586	2,985,926					
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,983,916	2,984,536						
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,206,313	4,207,092							
2015	3,468,881	4,336,525	4,407,051	4,408,435	4,409,334								
2016	3,657,093	4,560,257	4,647,033	4,640,783									
2017	4,244,930	5,298,470	5,332,884										
2018	4,692,869	5,430,307											
2019	686,516												$ 1,276,041

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims	450,329
Claim reserve for discount on no claim	115,232
Reserve for claims balance	$ 1,841,602

China Life Insurance recognizes claim reserve for reported claims (reported but not paid) and unreported claims (incurred but not reported). Due to uncertainty, estimation, and judgment involved in recognition, there is a high degree of complexity in claim reserves. Any changes of the estimation or judgment are treated as the changes of the accounting estimates and can be recognized as profit and loss in current year. China Life Insurance was not notified of some claims in time. Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experience. Thus, it is uncertain that the estimated claim reserve on the balance sheet date will be equal to the final settled amount of claim payments. The claim reserve recorded on the book is estimated based on the current available information. However, the final amount probably will differ from the original estimates because of the follow-up development of the claim events.

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

4) Credit risk:

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

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

5) Liquidity risk:

As at March 31, 2019, December 31, 2018 and March 31, 2018, the maturity analysis of liquidity risk for insurance contract liabilities are as follow:

	Within 1 Year	**1 to 3 Years**	**3 to 5 Years**	**5 to 15 Years**	**Over 15 Years**
March 31, 2019					
Insurance liabilities of investment contracts with discretionary participation features	$ (48,456,404)	$ 45,858,926	$ 143,092,268	$ 595,813,773	$ 3,434,028,433
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

(Continued)

	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
December 31, 2018					
Insurance liabilities of investment contracts with discretionary participation features	$ (33,630,030)	$ 39,944,163	$ 129,971,782	$ 558,939,147	$ 3,349,786,380
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
March 31, 2018					
Insurance liabilities of investment contracts with discretionary participation features	(23,233,409)	11,711,355	108,422,792	481,272,534	2,989,437,273
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

(Concluded)

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

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

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

6) Market risk:

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

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 response effectively.

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

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

KGI Bank's risk management divisions are as follows:

1) Board of directors

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

2) Risk management committee

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

3) Business and management departments

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

4) Risk management department

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

5) Internal audit department

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

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

KGI Securities and subsidiaries

1) Financial risk management objectives

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

2) Risk management organization

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

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

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

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

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

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

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

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

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

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

3) Risk management system

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

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

4) Risk management mechanism

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

a) Market risk

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

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

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

b) Credit risk

The risk management department applies for credit risk capital toward Board of Directors annually. Establish proper credit risk expected loss limitation amount relating to the firms, single credit valuation level. Also, set different risk limitation amount including countries, industries, groups, high-risk industries/groups, etc. Routinely examine KGI Securities' credit risk exposure and the use of various credit risk limitation amount.

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

c) Liquidity risk

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

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

d) Operating risk and other risks

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

The operation risk of each unit's business is examined and controlled by relative back desk unit such as clearing unit and the information department. In addition to the compliance of law and regulation, the internal audit department would implement 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.

<u>CDIB Capital Group and subsidiaries</u>

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

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

China Life Insurance

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

b. Credit risk

KGI Bank and subsidiaries

1) Definition and source of credit risk

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

2) Credit risk management policy

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

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

a) Credit investigation

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

b) Credit approval

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

c) Post-lending loan review

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

d) Risk report and information disclosures

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

3) Mitigation of risks or hedging of credit risk

Considering the asset hedge market and liquidity, KGI Bank takes the necessary risk reduction strategies, mainly on loan objects and hedge transactions involving assets with doubtful collectability or a long period of duration, including methods for increasing appropriate collaterals with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Credit Guarantee Fund to maximize the collateral. For determining the value of foreclosed collaterals, liquid securities will be evaluated at their market value; other collaterals will be subject to field surveys by appraisal firms for their fair value assessment, which will be used as a basis for demanding additional collaterals or adjusting the credit amount to ensure that risks are within KGI Bank's tolerance range.
If clients are found to have bad credit features, KGI Bank will strengthen the monitoring of the credit of borrower and guarantor and take measures, such as demanding an early repayment or additional collateral in mitigating KGI Bank's credit risk. In addition, KGI Bank sets different credit limits for counterparties involved in derivative transactions and enters into collateral support agreements with counterparties to ensure that risks are under control.

4) Maximum exposure to credit risk

Without taking into account 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:

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Irrevocable loan commitments, guarantees and letters of credit	$ 45,175,834	$ 37,251,576	$ 30,634,375

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 March 31, 2019					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	Recognition of Impairment/ Adjustment	Total
Short-term loans	$ 55,889,212	$ 1,054,400	$ 683,516	$ -		$ 57,627,128
Short-term secured loans	21,639,977	-	2,600	-		21,642,577
Medium-term loans	140,828,539	217,025	316,092	-		141,361,656
Medium-term secured loans	56,540,259	138,025	12,890	-		56,691,174
Long-term loans	947,213	290,922	397,536	-		1,635,671
Long-term secured loans	65,671,218	439,913	961,028	-		67,072,159
Loans reclassified to nonperforming loans	-	-	363,758	-		363,758
Export negotiations	57,269	-	-	-		57,269
Total book values	341,573,687	2,140,285	2,737,420	-		346,451,392
Impairment allowance	(1,475,690)	(158,151)	(436,051)	-		(2,069,892)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (2,296,064)	(2,296,064)
Adjusting for discounts and loans premium					(125,850)	(125,850)
	$ 340,097,997	$ 1,982,134	$ 2,301,369	$ -	$ (2,421,914)	$ 341,959,586

	Receivables March 31, 2019					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	Recognition of Impairment	Total
Credit card business	$ 2,337,243	$ 194,756	$ 95,611	$ -		$ 2,627,610
Accounts receivable - forfaiting	6,394,030	-	-	-		6,394,030
Accounts receivable factoring without recourse	7,925,661	160	253	-		7,926,074
Acceptances	78,245	-	-	-		78,245
Installment accounts and lease receivables	3,381,345	47,504	86,915	-		3,515,764
Total book value	20,116,524	242,420	182,779	-		20,541,723
Impairment allowance	(56,539)	(27,732)	(58,818)	-		(143,089)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (168,022)	(168,022)
	$ 20,059,985	$ 214,688	$ 123,961	$ -	$ (168,022)	$ 20,230,612

	Discounts and Loans March 31, 2018					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	Recognition of Impairment/ Adjustment	Total
Short-term loans	$ 67,783,697	$ 247,950	$ 260,321	$ -		$ 68,291,968
Short-term secured loans	15,025,907	17,161	241,105	-		15,284,173
Medium-term loans	124,115,391	506,759	573,438	-		125,195,588
Medium-term secured loans	51,545,068	246,124	189,648	-		51,980,840
Long-term loans	1,475,717	13,600	43,858	-		1,533,175
Long-term secured loans	51,864,569	954,031	1,747,046	-		54,565,646
Loans reclassified to nonperforming loans	-	-	470,990	-		470,990
Export negotiations	35,370	-	-	-		35,370
Total book values	311,845,719	1,985,625	3,526,406	-		317,357,750
Impairment allowance	(1,316,525)	(117,441)	(560,638)	-		(1,994,604)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (2,141,798)	(2,141,798)
Adjusting for discounts and loans premium					(96,280)	(96,280)
	$ 310,529,194	$ 1,868,184	$ 2,965,768	$ -	$ (2,238,078)	$ 313,125,068

	Receivables					
	March 31, 2018					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	Recognition of Impairment	Total
Credit card business	$ 2,294,397	$ 203,442	$ 98,424	$ -		$ 2,596,263
Accounts receivable - forfaiting	6,674,987	-	-	-		6,674,987
Accounts receivable factoring without recourse	8,880,582	258	3,899	-		8,884,739
Acceptances	317,001	-	-	-		317,001
Installment accounts and lease receivables	3,518,482	33,934	166,218	-		3,718,634
Total book value	21,685,449	237,634	268,541	-		22,191,624
Impairment allowance	(81,069)	(28,353)	(95,196)	-		(204,618)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (183,597)	(183,597)
	$ 21,604,380	$ 209,281	$ 173,345	$ -	$ (183,597)	$ 21,803,409

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

	Maximum Exposure Credit Risk	
	March 31	
	2019	2018
Financial assets at FVTPL		
Debt instrument	$ 40,782,828	$ 28,546,131
Derivatives instruments	23,049,713	25,285,105

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:

March 31, 2019

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	$ 95,611	$ 22,879	$ 72,732	$ -
Accounts receivable factoring	253	13	240	-
Installment receivables and lease receivables	86,915	35,926	50,989	98,725
Discounts and loans	2,737,420	436,051	2,301,369	2,686,465
Total amount of impaired asset	$ 2,920,199	$ 494,869	$ 2,425,330	$ 2,785,190

March 31, 2018

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	$ 98,424	$ 38,286	$ 60,138	$ -
Accounts receivable factoring	3,899	3,427	472	-
Installment receivables and lease receivables	166,218	53,483	112,735	24,416
Discounts and loans	3,526,406	560,638	2,965,768	2,210,089
Total amount of impaired asset	$ 3,794,947	$ 655,834	$ 3,139,113	$ 2,234,505

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 $152,865 thousand and $130,304 for the three months ended March 31, 2019 and 2018.

6) Concentrations of credit risk

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

Credit risk concentration can arise in a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, due from and call loans to banks, investments, receivables and derivatives. To manage credit risk concentration, KGI Bank maintains a diversified portfolio and monitors its exposure continually. KGI Bank's most significant concentrations of credit risk are summarized as follows:

a) By object

Object	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Public and private enterprise	$ 228,367,703	65.91	$ 223,928,501	65.82	$ 213,884,145	67.39
Natural person	117,716,741	33.98	115,908,259	34.07	103,158,205	32.51
Non-profit organization	366,948	0.11	377,314	0.11	315,400	0.10
Total	$ 346,451,392	100.00	$ 340,214,074	100.00	$ 317,357,750	100.00

b) By region

Region	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Domestic	$ 255,519,257	73.75	$ 249,109,901	73.22	$ 240,135,597	75.67
Overseas	90,932,135	26.25	91,104,173	26.78	77,222,153	24.33
Total	$ 346,451,392	100.00	$ 340,214,074	100.00	$ 317,357,750	100.00

c) By collateral

Collateral	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Non-collateral	$ 201,006,479	58.02	$ 199,322,970	58.59	$ 195,869,570	61.72
Collateral						
Financial collateral	7,790,974	2.25	7,522,386	2.21	7,349,655	2.32
Property	116,953,799	33.76	112,842,633	33.17	93,952,952	29.60
Guarantee	14,563,315	4.20	14,661,938	4.31	14,278,150	4.50
Other	6,136,825	1.77	5,864,147	1.72	5,907,423	1.86
Total	$ 346,451,392	100.00	$ 340,214,074	100.00	$ 317,357,750	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.

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.

KGI Bank's foreclosed collaterals were mainly securities, land and buildings. As of March 31, 2019, December 31, 2018 and March 31, 2018, the carrying amounts of the collaterals were $0 thousand. Foreclosed collaterals assumed are classified as other assets in the balance sheets.

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

a) Asset quality of nonperforming loan and overdue credits

Item			March 31, 2019				
			Nonperforming Loan (NPL) (Note 1)	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 93,567	$ 69,575,652	0.13%	$ 928,314	992.14%
	Unsecured		80,680	163,728,778	0.05%	1,835,973	2,275.63%
Consumer loan	Mortgage (Note 4)		32,202	50,547,166	0.06%	759,945	2,359.92%
	Cash card		132,608	13,489,934	0.98%	286,647	216.16%
	Micro credit (Note 5)		159,404	23,688,611	0.67%	325,293	204.07%
	Other (Note 6)	Secured	22,730	25,396,953	0.09%	229,491	1,009.64%
		Unsecured	110	24,298	0.45%	293	267.47%
Total			521,301	346,451,392	0.15%	4,365,956	837.51%
			Overdue Receivable	**Account Receivable**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			18,239	2,627,609	0.69%	53,622	293.99%
Account receivable - factored without recourse (Note 7)			36	7,926,074	0.00%	107,255	301,125.67%

Item			March 31, 2018				
			Nonperforming Loan (NPL) (Note 1)	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 138,652	$ 57,745,978	0.24%	$ 743,326	536.11%
	Unsecured		167,722	159,288,792	0.11%	1,824,892	1,088.04%
Consumer loan	Mortgage (Note 4)		39,547	42,768,069	0.09%	581,646	1,470.75%
	Cash card		151,756	14,183,545	1.07%	335,928	221.36%
	Micro credit (Note 5)		151,719	21,876,465	0.69%	360,962	237.92%
	Other (Note 6)	Secured	19,974	21,458,697	0.09%	288,850	1,446.10%
		Unsecured	300	36,204	0.83%	798	266.21%
Total			669,670	317,357,750	0.21%	4,136,402	617.68%
			Overdue Receivable	**Account Receivable**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			21,190	2,596,263	0.82%	65,071	307.08%
Account receivable - factored without recourse (Note 7)			3,639	8,884,739	0.04%	125,180	3,439.82%

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	March 31, 2019		March 31, 2018	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 10,155	$ 120	$ 12,655	$ 156
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	47,770	5,822	48,174	5,004
Total	$ 57,925	$ 5,942	$ 60,829	$ 5,160

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

March 31, 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	$ 8,626,391	14.09
2	B Group - 016429 Activities of other holding companies	5,446,000	8.90
3	C Group - 012613 Packaging and testing of semi-conductors	5,317,921	8.69
4	D Group - 016811 Real estate activities for sale and rental	4,985,864	8.14
5	E Group - 012641 Manufacture of liquid crystal panel and components	4,730,969	7.73
6	F Group - 016811 Real estate activities for sale and rental	4,551,870	7.43
7	G Group - 015100 Civil aviation transportation	4,346,864	7.10
8	H Group - 012411 Iron and steel smelting	3,873,317	6.33
9	I Group - 012712 Manufacture of monitors and terminals	3,405,522	5.56
10	J Group - 012711 Computer manufacturing	3,228,711	5.27

March 31, 2018

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 011850 Manufacture of man-made fibers	$ 7,409,616	12.18
2	E Group - 012719 Computer manufacturing	6,129,370	10.07
3	K Group - 012711 Computer manufacturing	4,664,131	7.66
4	L Group - 016700 Real estate development activities	4,330,000	7.12
5	H Group - 012411 Iron and steel smelting	3,552,231	5.84
6	M Group - 016700 Real estate development activities	3,476,837	5.71
7	N Group - 012740 Manufacture of magnetic and optical media	3,250,000	5.34
8	I Group - 012712 Manufacture of monitors and terminals	3,060,805	5.03
9	O Group - 014510 Wholesale on a fee or contract basis	2,912,000	4.79
10	P Group - 011850 Manufacture of man-made fibers	2,802,222	4.60

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

Credit business

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

a) Quantitative index

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

b) Qualitative index

i. Changes in the current or predicted operating, financial, or economic conditions that are expected to cause a significant change in the ability of the borrower to perform its obligations.

ii. Actual or expected significant changes in borrower’s operating results.

iii. The credit risk of other credit contracts of the same borrower has increased significantly.

iv. Individual credit assets, if the client did not suffer from financial difficulties at the time of the agreement can be included after assessment.

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

10) Definition of default and impaired credit of financial assets

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

a) Quantitative index

i. When the borrower’s overdue payment of the contract is more than 90 days.

ii. Changes in external rating of guarantor or issuer of the notes or bonds.

b) Qualitative index

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

i. Borrower has been bankrupt or may file a petition for bankruptcy or financial restructuring.

ii. Borrower’s loan contract has been reclassified to nonperforming loans or has been written off as bad debts by the KGI Bank

iii. Due to financial or contractual reasons related to the financial difficulties of the borrower, the creditor of the borrower gives the borrower concessions that would not have been considered or agreed (agreements).

iv. For cases involving the sale of non-performing loans and suits.

v. Payment by the bank to fulfill off-balance sheet financial contracts (e.g., guarantee advances).

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

The credit asset will be restore to the state of compliance and is not considered a credit impaired credit assets 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 perform 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 l 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.

The initial adoption of IFRS 9 used to assess expected credit losses was in 2018. The estimation techniques or major assumptions used to assess the expected credit losses were all reasonably evaluated.

14) Considerations of forward-looking information

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

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

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

The off-balance-sheet guarantees and commitments provisions for the three months ended March 31, 2019 and 2018 are adjusted as follows:

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	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**	**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**
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	(37)	37	-	-	-	-		-
From conversion to credit-impaired financial assets	(10)	(4)	-	14	-	-		-
To 12-month ECL	565	(321)	-	(244)	-	-		-
Derecognizing financial assets during the current period	(10,396)	-	-	-	-	(10,396)		(10,396)
Purchased or originated new financial assets	38,265	80	-	853	-	39,198		39,198
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							57,335	57,335
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	(21,109)	539	-	308	-	(20,262)		(20,262)
Balance at March 31, 2019	$ 158,248	$ 1,227	$ -	$ 2,601	$ -	$ 162,076	$ 119,775	$ 281,851

KGI Bank and its subsidiaries had no significant increase in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment unused amount for the three months ended March 31, 2019. Net increase of $27,593,978 thousand change in total book value resulted in abovementioned provisions increased by $65,875 thousand in comparison to the prior period.

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	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**	**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**
Balance at January 1	$ 161,030	$ 633	$ -	$ 1,726	$ -	$ 163,389	$ 27,441	$ 190,830
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	-	-	-	-	-	-		-
From conversion to credit-impaired financial assets	-	-	-	-	-	-		-
To 12-month ECL	-	-	-	-	-	-		-
Derecognizing financial assets during the current period	(6,575)	-	-	-	-	(6,575)		(6,575)
Purchased or originated new financial assets	15,092	-	-	-	-	15,092		15,092
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							8,986	8,986
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	(1,159)	(1)	-	(3)	-	(1,163)		(1,163)
Balance at March 31, 2018	$ 168,388	$ 632	$ -	$ 1,723	$ -	$ 170,743	$ 36,427	$ 207,170

KGI Bank and its subsidiaries had no significant increase in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment unused amount for the three months ended March 31, 2018. Net increase of $7,283,042 thousand change in total book value resulted in abovementioned provisions increased by $16,340 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 March 31, 2019, December 31, 2018 and March 31, 2018, loss allowance for debt instruments measured at amortized cost were $3,592 thousand, $3,581 thousand and $3,795 thousand, respectively.

17) Loss allowance for receivables

The reconciliation statement of loss allowance for receivables for the three months ended March 31, 2019 and 2018 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months 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	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
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	(393)	3,089	-	(2,696)	-	-	-	-
From conversion to credit-impaired financial assets	(143)	(1,498)	-	1,641	-	-	-	-
To 12-month ECL	464	(227)	-	(237)	-	-	-	-
Derecognizing financial assets during the current period	(6,861)	(1,482)	-	(2,209)	-	(10,552)	-	(10,552)
Purchased or originated new financial assets	4,243	-	-	470	-	4,713	-	4,713
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	(18,640)	(18,640)
Write-off	-	-	-	(980)	-	(980)	-	(980)
Recovery of written-off	-	-	-	4,124	-	4,124	-	4,124
Effect of exchange rate changes and others	(6,686)	(44)	-	(7,971)	-	(14,701)	-	(14,701)
Balance at March 31, 2019	$ 60,364	$ 28,296	$ 5	$ 1,175,297	$ -	$ 1,263,962	$ 219,248	$ 1,483,210

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months 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	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
Balance at January 1	$ 108,302	$ 32,442	$ -	$ 1,232,581	$ -	$ 1,373,325	$ 135,280	$ 1,508,605
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(825)	825	-	-	-	-	-	-
From conversion to credit-impaired financial assets	(695)	(3,210)	-	3,905	-	-	-	-
To 12-month ECL	1,459	(99)	-	(1,360)	-	-	-	-
Derecognizing financial assets during the current period	(22,260)	(1,033)	-	(13)	-	(23,306)	-	(23,306)
Purchased or originated new financial assets	14,994	-	-	1	-	14,995	-	14,995
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	50,255	50,255
Write-off	-	-	-	(15,759)	-	(15,759)	-	(15,759)
Recovery of written-off	-	-	-	26,141	-	26,141	-	26,141
Effect of exchange rate changes and others	(2,571)	(254)	-	(37,797)	-	(40,622)	-	(40,622)
Balance at March 31, 2018	$ 98,404	$ 28,671	$ -	$ 1,207,699	$ -	$ 1,334,774	$ 185,535	$ 1,520,309

Changes in total book values of receivables for the three months ended March 31, 2019 of KGI Bank and subsidiaries:

	Stage 1	Stage 2		Stage 3		
		Lifetime ECL		Lifetime ECL		
	12 Months 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	Total
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	(35,518)	16,111	-	19,407	-	-
Purchased or originated new receivables	1,374,500	-	-	3,112	-	1,377,612
Write-off	-	-	-	(1,831)	-	(1,831)
Derecognition	(2,855,378)	(18,726)	-	(72,038)	-	(2,946,142)
Effect of exchange rate changes and others	10,725	995	(1)	2,732	-	14,451
Balance at March 31, 2019	$ 25,678,639	$ 249,390	$ 16	$ 1,842,858	$ -	$ 27,770,903

There was no significant increase in the credit risk of the receivables of KGI Bank and subsidiaries for the three months ended March 31, 2018, and change in expected credit losses and credit impairments arising from the allowance losses recognized at the beginning were not significant. In addition, after the write-off of bad debts in accordance with the write-off policy of the KBI bank and subsidiaries, the book value of receivables with credit impairments and allowance losses are reduced. Due to the net increase in the total book value of accounts receivable for forfeiting, KGI Bank and subsidiaries recognized an allowance loss based on 12-month expected credit losses accordingly.

18) Loss allowance for discounts and loans

The reconciliation statement of allowance for bad debts of discounts and loans for the three months ended March 31, 2019 and 2018 of the KGI Bank and subsidiaries were as follows:

	Stage 1	**Stage 2**		**Stage 3**				
		Lifetime ECL		**Lifetime ECL**				
	12 Months 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**	**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**
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	(530)	7,621	4,050	(11,141)	-	-		-
From conversion to credit-impaired financial assets	(532)	(7,143)	(2,106)	9,781	-	-		-
To 12-month ECL	32,525	(831)	-	(31,694)	-	-		-
Derecognizing financial assets during the current period	(107,324)	(4,721)	(65)	(32,828)	-	(144,938)		(144,938)
Purchased or originated new financial assets	335,049	25	-	2,094	-	337,168		337,168
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							(24,697)	(24,697)
Write-off	-	-	-	(137,456)	-	(137,456)		(137,456)
Recovery of written-off	-	-	-	175,503	-	175,503		175,503
Effect of exchange rate changes and others	(198,925)	58,526	92	(33,659)	-	(173,966)		(173,966)
Balance at March 31, 2019	$ 1,475,690	$ 149,095	$ 9,056	$ 436,051	$ -	$ 2,069,892	$ 2,296,064	$ 4,365,956

	Stage 1	**Stage 2**		**Stage 3**				
		Lifetime ECL		**Lifetime ECL**				
	12 Months 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**	**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**
Balance at January 1	$ 1,316,129	$ 129,626	$ -	$ 530,904	$ -	$ 1,976,659	$ 1,952,257	$ 3,928,916
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(238)	238	-	-	-	-		-
From conversion to credit-impaired financial assets	(51)	(7,710)	-	7,761	-	-		-
To 12-month ECL	-	-	-	-	-	-		-
Derecognizing financial assets during the current period	(99,723)	(239)	-	(3,688)	-	(103,650)		(103,650)
Purchased or originated new financial assets	184,579	-	-	2,734	-	187,313		187,313
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							189,541	189,541
Write-off	-	-	-	(99,512)	-	(99,512)		(99,512)
Recovery of written-off	-	-	-	187,924	-	187,924		187,924
Effect of exchange rate changes and others	(84,171)	(4,474)	-	(65,485)	-	(154,130)		(154,130)
Balance at March 31, 2018	$ 1,316,525	$ 117,441	$ -	$ 560,638	$ -	$ 1,994,604	$ 2,141,798	$ 4,136,402

Changes in total book values of discounts and loans for the three months ended March 31, 2019 and 2018 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3		Total
		Lifetime ECL		Lifetime ECL		
	12 Months 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	(629,151)	480,932	-	148,219	-	-
Purchased or originated new discounts and loans	130,034,901	120	-	44,943	-	130,079,964
Write-off	-	-	-	(137,456)	-	(137,456)
Derecognition	(123,654,860)	(101,645)	(217)	(138,102)	-	(123,894,824)
Effect of exchange rate changes and others	188,262	941	306	125	-	189,634
Balance at March 31, 2019	$ 341,573,687	$ 2,110,098	$ 30,187	$ 2,737,420	$ -	$ 346,451,392

	Stage 1	Stage 2		Stage 3		Total
		Lifetime ECL		Lifetime ECL		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	$ 292,239,778	$ 1,977,828	$ -	$ 3,457,226	$ -	$ 297,674,832
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
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	(233,291)	17,501	-	215,790	-	-
Purchased or originated new discounts and loans	123,410,354	-	-	133,037	-	123,543,391
Write-off	-	-	-	(99,512)	-	(99,512)
Derecognition	(100,247,988)	(1,423)	-	(89,033)	-	(100,338,444)
Effect of exchange rate changes and others	(3,323,134)	(8,281)	-	(91,102)	-	(3,422,517)
Balance at March 31, 2018	$ 311,845,719	$ 1,985,625	$ -	$ 3,526,406	$ -	$ 317,357,750

KGI Securities and subsidiaries

Credit risk analysis

1) Source of credit risk

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

a) Issuer's credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face while possessing financial debt instruments when an issuer (or guarantor) or a bank defaults, files for bankruptcy or liquidates assets and in turn cannot honor the stipulations and fulfill the obligation of paying back (or fulfilling a guarantee).

b) Counterparty credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face when a counterparty in derivative financial instrument transactions or other counterparties do not complete a transaction or fulfill a payment obligation on the appointed date.

2) Credit risk management

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

3) Default and credit derogation definition of financial assets

a) The definition of the credit assets default of the KGI Securities and subsidiaries are the same as that of the impaired credit assets. If there is evidence that the issuer or counterparty will be unable to pay, or has significant financial difficulties, such as:

i. The issuer or counterparty has been bankrupt or may file a petition for bankruptcy or financial restructuring.

ii. The contract of the other financial instrument of the issuer or counterparty has been breached.

iii. The active market for the financial asset disappeared due to the financial difficulties of the issuer or counterparty.

iv. Purchase or initiate financial assets at a substantial discount that reflects credit losses that have occurred.

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

c) If a credit asset is assessed to no longer meets the definition of default and credit impairment, it should return to the state of compliance, and is no longer considered a credit asset for default and credit impairment.

d) KGI securities and subsidiaries' financial assets are written-off if they are unable to reasonably expect that financial assets will be recovered (e.g., significant financial difficulties for the issuer or the debtor, or bankrupt).

4) Credit risk statement for financial assets

a) Cash and cash equivalents, other financial assets

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

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

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

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

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

d) Bonds purchased under resell agreements

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

e) Receivables

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

f) Customers' margin accounts

The exclusive account for depositing customers' margin accounts is mainly opened in creditworthy banks, financial institutions and companies with investment grades, so there is no significant credit risk.

g) Stock borrowing collateral price and guarantee deposits - borrowed securities

When KGI Securities and subsidiaries borrow securities from outside, they must deposit the guaranty fund into the financial institution designated by the other parties. Because KGI Securities and subsidiaries holds the foregoing borrowed securities simultaneously, it can effectively reduce the risk of the counterparty's credit risk.

h) Financial assets measured at amortized cost

Subsidiaries of KGI Securities held the principal of unsecured subordinated bonds and discounted value of coupon interests issued by Sunny Bank, Hwatai Bank and Panhsin Bank. Subsidiaries of KGI Securities Control the credit risk by evaluating the credit risk status of each financial institution.

i) Others noncurrent assets

Others noncurrent assets are mainly operating guarantee deposits, clearing and settlement funds and guarantee deposits-out. KGI Securities carefully evaluates the counterparty in accordance with the amount of deposit. The counterparties are a large number and the amount of each deposit is not high. The credit risk has been effectively dispersed, so the credit risk is very low.

5) Assessment of expected credit losses

a) Consideration of forward-looking information

KGI Securities and subsidiaries take forward-looking information into consideration when assessing whether there has been a significant increase in financial assets' credit risk after initial recognition and when measuring of expected credit losses.

Probability of default of debt instrument investment (except for at fair value through profit or loss) used by KGI Securities and subsidiaries is based on the probability of default contained forward-looking general economic information and regularly announced by international credit rating agencies.

Except for debt instrument investments, financial assets of KGI Securities and subsidiaries are analyzed using historical data to determine the economic factors that affect the expected credit losses of each asset portfolios, and supplemented by the best expectation announced by the government-affiliated institutions and academic research units. The best estimate of expected credit losses are reevaluate and revised on each financial reporting date.

b) Receivables and other financial assets

KGI Securities and domestic subsidiaries

KGI Securities and its domestic subsidiaries use simplified approach of IFRS 9 to measure the allowance losses by lifetime expected credit losses. The lifetime expected credit losses are based on historical records, current information, and forward-looking information calculated by a regression model. For the fact that KGI Securities and domestic subsidiaries' historical records of credit losses indicate that there is no significant difference in the loss patterns of different customer groups, it is not measured in groups.

Overseas subsidiaries

The financial assets of overseas subsidiaries whose credit risk do not increase significantly after initial recognition are measured as 12-month expected credit losses. For financial assets whose credit risk has increased significantly after initial recognition, they are measured as lifetime expected credit losses. Customers' past default records, counterparty credit ratings, current information and relevant forward-looking information are take into consideration when assessing expected credit losses. For the fact that there is no significant difference in the loss patterns of different customer groups of overseas subsidiaries, it is not measured in groups.

c) Debt instrument investment (except at fair value through profit or loss)

The original purchase is based on the premise that the credit risk is low, it is assessed whether the credit risk is significantly increased after the initial recognition on each balance sheet date to determine the method of measuring the allowance loss and its loss rate.

In order to measure expected credit losses, KGI Securities and subsidiaries consider the probability of default (PD) of financial assets or the issuer or counterparty for the next 12 months, which collectively consider the loss given default (LGD), and is multiplied by exposure at default (EAD). KGI Securities and subsidiaries assess financial assets measured at amortized cost with exposure at default and consider the impact of time value of money to calculate the expected credit losses for 12 months and lifetime, respectively.

Probability of default is the probability that the issuer or the counterparty will default, and loss given default is the rate of loss caused by default by the issuer or counterparty. The probability of default and loss given default used by KGI Securities and subsidiaries in related assessment of impairment are mainly relied on the probability of default and loss given default that are regularly announced by international credit rating agencies.

The aforementioned impairment assessment method and related indicators of debt instrument investment are described as follows:

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 three months ended March 31, 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 March 31, 2019, December 31, 2018 and March 31, 2018 are listed as follows:

Financial assets at fair value through other comprehensive income

Total book value and allowance loss for financial assets at debt instruments at fair value through other comprehensive income were $24,596,560 thousand, $16,110,773 thousand and $6,744,020 thousand, respectively, and allowance loss for financial assets at fair value through other comprehensive income were $7,910 thousand, $5,447 thousand and $1,148 thousand, respectively.

Accounts receivable and others

March 31, 2019

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	$ 12,565,606	$ (3,122)	$ 12,562,484
Bonds purchased under resell agreement	25,944,025	(16)	25,944,009
Receivables on margin loans	22,639,792	(1,776)	22,638,016
Trading securities receivables	7,480,525	(1,082)	7,479,443
Customer's margin accounts	31,209,742	(44)	31,209,698
Accounts receivable futures guarantee deposits	187,519	(176,333)	11,186
Accounts receivable	30,633,295	(1,319)	30,631,976
Other current assets	46,422,659	(9,071)	46,413,588
Financial assets measured at amortized cost - non-current	500,000	(3,210)	496,790
Other non-current assets	4,948,618	(1,790,530)	3,158,088
	$ 182,531,781	$ (1,986,503)	$ 180,545,278

December 31, 2018

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	$ 13,849,068	$ (532)	$ 13,848,536
Bonds purchased under resell agreement	19,448,839	(17)	19,448,822
Receivables on margin loans	21,181,502	(1,871)	21,179,631
Trading securities receivables	8,031,155	(1,223)	8,029,932
Customer's margin accounts	21,810,523	(48)	21,810,475
Accounts receivable futures guarantee deposits	188,951	(176,333)	12,618
Accounts receivable	22,259,487	(1,113)	22,258,374
Other current assets	47,592,747	(12,958)	47,579,789
Financial assets measured at amortized cost - non-current	500,000	(3,293)	496,707
Other non-current assets	5,069,492	(1,797,288)	3,272,204
	$ 159,931,764	$ (1,994,676)	$ 157,937,088

March 31, 2018

	Total Book Value	Less: Allowance Loss	Total
Receivables on margin loans	$ 35,105,619	$ (2,816)	$ 35,102,803
Trading securities receivable	7,192,976	(1,294)	7,191,682
Accounts receivable - futures guarantee deposits	207,608	(182,328)	25,280
Accounts receivable	27,937,612	(1,570)	27,936,042
Cash and cash equivalents	11,921,325	(37)	11,921,288
Customer's margin accounts	21,691,293	(443)	21,690,850
Other current assets	49,190,259	(7,993)	49,182,266
Financial assets measured at amortized cost - non-current	500,000	(3,398)	496,602
Other non-current assets	2,144,619	(1,745,377)	399,242
	$ 155,891,311	$ (1,945,256)	$ 153,946,055

2) Changes in allowance losses of KGI Securities and subsidiaries for the three months ended March 31, 2019 and 2018 are as follows:

a) Financial assets at fair value through other comprehensive income

	12 Months Expected Credit Loss
January 1, 2019	$ 5,447
Increase	3,128
Change in exchange rate	(665)
March 31, 2019	$ 7,910
January 1, 2018 (IAS 39)	$ -
Adjustment to IFRS 9	293
January 1, 2018 (IFRS 9)	293
Increase	859
Change in exchange rate	(4)
March 31, 2018	$ 1,148

The total book value of financial assets at fair value through other comprehensive income mentioned above did not change significantly.

b) Receivables and other financial assets

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss (Collective)	Credit Impaired Financial Assets (Lifetime Expected Credit Loss)	Lifetime Expected Credit Loss (Simplify)	Total
January 1, 2019	$ 15,875	$ 217	$ 1,975,004	$ 3,580	$ 1,994,676
Addition (reversal)	(1,160)	280	(5,760)	81	(6,559)
Derecognizing financial assets during the current period	-	-	(6,841)	-	(6,841)
Change in exchange rate	39	1	5,187	-	5,227
March 31, 2019	$ 14,754	$ 498	$ 1,967,590	$ 3,661	$ 1,986,503
January 1, 2018 (IAS 39)	$ -	$ -	$ 1,842,138	$ 806	$ 1,842,944
Adjustment to IFRS 9	13,036	2	13	3,003	16,054
January 1, 2018 (IFRS 9)	13,036	2	1,842,151	3,809	1,858,998
Addition (reversal)	9	-	94,224	(161)	94,072
Written-off	-	-	(3)	-	(3)
Change in exchange rate	(200)	-	(7,611)	-	(7,811)
March 31, 2018	$ 12,845	$ 2	$ 1,928,761	$ 3,648	$ 1,945,256

c) The aforementioned change in allowance loss does not result from a significant change in the total book value. In February 2018 the futures trader of the subsidiary company defaulted due to deficiency of futures guarantee deposits. For the three months ended March 31, 2018, KGI Securities and subsidiaries recognized an impairment loss of $87,550 thousand for the outstanding accounts receivable - futures guarantee deposits.

CDIB Capital Group and subsidiaries

CDIB Capital Group is exposed to credit risk due to default on contracts by borrowers, debtors or counter-parties and changes in credit quality. The maximum exposure to credit risk is equal to the book value.

The maximum exposure to credit risk held by CDIB Capital Group and subsidiaries of the financial instruments is equal to the book value.

China Life Insurance

- Credit risk analysis

1) Credit risk refers to the counterparties fail to fulfill obligations, resulting in the risk of loss of value. Credit risks of China Life Insurance result from operating and financing activities, which mainly include lending, investing in financial instruments and receivables.

   The departments of China Life Insurance follow credit risk policies, procedures and controls to manage credit risks. The credit risk assessment of all issuers or counterparties is based on comprehensive consideration of their financial status, credit ratings, historical transaction records, current economic environment, China Life Insurance's internal rating indicators, and etc. Also, China Life Insurance uses certain credit enhancement tools in due course to reduce the credit risk of a particular issuer or counterparty.

For investments of financial instruments, its original purchase is based on the premise that the credit risk is low, and on each balance sheet date, it is assessed whether the conditions of low credit risk are still met to determine the method of measuring the allowance. Also, China Life Insurance dispose those investments to reduce credit losses in appropriate time, such as there is a significant increase in credit risk. In addition, China Life Insurance has established credit VaR model to assess the maximum loss of the credit positions due to changes of credit rating or default. Besides, China Life Insurance also evaluates credit risk and concentration risk based on issuer's region, industry and credit rating within portfolios.

Lending of China Life Insurance is determined by the factors that affect the risk based on the 5P principle which gives different weights according to the impact of the risk so as to calculate the credit score of each borrower. The credit score comprehensively measures the rationality of the purpose of the loan, the collateral area, value and number, the customer's credit report, historical interest payment record, financial status, debt repayment ability, and etc. According to the scores, the decision will be stratified in order to control the loan risk. Once a delay occurs, it is promptly collected in accordance with the procedures to avoid financial losses.

China Life Insurance assesses expected credit losses in accordance with IFRS 9, except for some of receivables, which allowance are measured by lifetime expected credit losses. The original purchase of the rest, which do not belong to debt instruments measured at fair value through profit or loss, is based on the premise of low credit risk and uses credit risk as the basis of the differentiation group. On each balance sheet date, assessing whether the credit risk is significantly increased after the initial recognition to determine the method of measuring the allowance loss and its loss rate. The main considerations for determining whether the credit risk has increased significantly include objective evidence such as the external credit rating and its degree of change, overdue status, occurrence of major financial difficulties or liquidation and reorganization. Expected credit losses will be measured by the probability of default (PD) of the issuer or the counterparty over the next 12 months and the lifetime, multiplied by the loss given default (LGD) and the exposure at default (EAD), and is considered by the impact of the time value of money. The expected credit losses for 12 months and duration is calculated, respectively.

Probability of default is the probability that the issuer or the counterparty will default, and the loss given default is the rate of loss caused by default by the issuer or counterparty. China Life Insurance employs information on the default probability and default loss rate published by external credit rating agencies and adjusts it based on forward-looking general economic information.

China Life employs amortized cost of financial assets plus accrued interest and receivables as a measure of exposure at default, while loans are calculated as the sum of the principal balance of the debtor at the time of calculation, interest, and payable as a measure of exposure at default.

Some of the allowance losses of 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:

March 31, 2019

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$ 29,494,588	$ 11,950,553	$ 4,156,444	$ -	$ -	$ 45,601,585
Financial assets at fair value through profit or loss	24,085,485	11,874,855	30,433,324	3,820,654	-	70,214,318
Financial assets at fair value through other comprehensive income	82,013,808	75,616,708	70,623,259	66,791,124	-	295,044,899
Financial assets at amortized cost	141,698,646	218,703,187	218,900,303	379,957,380	18,201,365	977,460,881
Refundable deposits - bonds	5,966,344	-	-	-	-	5,966,344
	$ 283,258,871	$ 318,145,303	$ 324,113,330	$ 450,569,158	$ 18,201,365	$ 1,394,288,027
Proportion	20.32%	22.82%	23.25%	32.31%	1.30%	100.00%

December 31, 2018

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$ 38,287,834	$ 1,919,154	$ 2,738,184	$ -	$ -	$ 42,945,172
Financial assets at fair value through profit or loss	22,768,189	8,226,879	31,346,707	3,726,226	-	66,068,001
Financial assets at fair value through other comprehensive income	95,588,537	76,002,454	57,546,223	62,264,262	-	291,401,476
Financial assets at amortized cost	134,174,771	218,562,631	212,259,896	367,500,420	17,984,522	950,482,240
Refundable deposits - bonds	5,965,762	-	-	-	-	5,965,762
	$ 296,785,093	$ 304,711,118	$ 303,891,010	$ 433,490,908	$ 17,984,522	$ 1,356,862,651
Proportion	21.87%	22.46%	22.40%	31.95%	1.32%	100.00%

March 31, 2018

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$ 35,413,775	$ 9,369,913	$ 6,380,472	$ -	$ -	$ 51,164,160
Financial assets at fair value through profit or loss	18,597,811	7,527,284	9,627,194	1,134,271	-	36,886,560
Financial assets at fair value through other comprehensive income	90,726,732	51,189,356	43,109,919	51,722,328	-	236,748,335
Financial assets at amortized cost	122,480,603	195,342,004	181,154,600	319,059,646	16,600,098	834,636,951
Refundable deposits - bonds	6,278,270	-	-	-	-	6,278,270
	$ 273,497,191	$ 263,428,557	$ 240,272,185	$ 371,916,245	$ 16,600,098	$ 1,165,714,276
Proportion	23.46%	22.60%	20.61%	31.91%	1.42%	100.00%

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:

March 31, 2019

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	$ 501,284	$ 268,623	$ 281,332	$ 1,051,239
Overdue receivables	-	2,032	450	2,482
	$ 501,284	$ 270,655	$ 281,782	$ 1,053,721
Proportion	47.57%	25.69%	26.74%	100.00%

December 31, 2018

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	$ 553,282	$ 289,001	$ 308,836	$ 1,151,119
Overdue receivables	-	2,032	450	2,482
	$ 553,282	$ 291,033	$ 309,286	$ 1,153,601
Proportion	47.96%	25.23%	26.81%	100.00%

March 31, 2018

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	$ 750,099	$ 383,103	$ 366,487	$ 1,499,689
Overdue receivables	-	-	-	-
	$ 750,099	$ 383,103	$ 366,487	$ 1,499,689
Proportion	50.02%	25.54%	24.44%	100.00%

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:

March 31, 2019

Financial Assets	Investment Grade	Non-investment Grade
Cash and cash equivalents	$ 45,601,585	$ -
Financial assets at fair value through profit or loss	70,214,318	-
Financial assets at fair value through other comprehensive income	295,044,899	-
Financial assets at amortized cost	977,460,881	-
Refundable deposits	5,966,344	-
	$ 1,394,288,027	$ -
Proportion	100.00%	-

December 31, 2018

Financial Assets	Investment Grade	Non-investment Grade
Cash and cash equivalents	$ 42,945,172	$ -
Financial assets at fair value through profit or loss	66,068,001	-
Financial assets at fair value through other comprehensive income	291,401,476	-
Financial assets at amortized cost	950,482,240	-
Refundable deposits	5,965,762	-
	$ 1,356,862,651	$ -
Proportion	100.00%	-

March 31, 2018

Financial Assets	Investment Grade	Non-investment Grade
Cash and cash equivalents	$ 51,164,160	$ -
Financial assets at fair value through profit or loss	36,886,560	-
Financial assets at fair value through other comprehensive income	236,748,335	-
Financial assets at amortized cost	834,636,951	-
Refundable deposits	6,278,270	-
	$ 1,165,714,276	$ -
Proportion	100.00%	-

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 March 31, 2019 and 2018. The assessment indicates those investments belongs to lower credit risk which is the same as the assessment on January 1, 2019 and 2018. Therefore, the 12-month expected credit loss (loss rate 0.00%-0.19% and 0.00%-0.16%, 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 March 31, 2019, December 31, 2018 and March 31, 2018 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
Total book value on March 31, 2019 (Note)	$ 285,868,081	$ 983,510,251	$ 9,599,357
Total book value on December 31, 2018 (Note)	$ 294,783,102	$ 956,524,783	$ 11,073,170
Total book value on March 31, 2018 (Note)	$ 237,177,689	$ 834,703,941	$ 8,107,130

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 three months ended March 31, 2019 and 2018 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
January 1, 2019	$ 27,070	$ 86,642	$ 1,044
Disposal	(2,634)	(1,759)	(510)
Addition	3,225	4,123	489
Change in model/risk factors	1,033	3,590	23
Change in exchange rate and others	87	319	2
March 31, 2019	$ 28,781	$ 92,915	$ 1,048
January 1, 2018	$ 18,150	$ 69,784	$ 757
Disposal	(2,285)	(1,068)	(373)
Addition	2,519	4,741	350
Change in model/risk factors	(957)	(5,257)	(34)
Change in exchange rate and others	(263)	(1,210)	(5)
March 31, 2018	$ 17,164	$ 66,990	$ 695

For the three months ended March 31, 2019 and 2018, the increase in debt investments measured at amortized cost and at fair value through other comprehensive income correspond with the increase in the allowance loss measured on the basis of 12 months.

The total book value of China Life Insurance guarantee loan and related other receivables is listed as follows based on credit risk ratings:

March 31, 2019

Credit Risk Ratings	Measurement of Expected Credit Loss	Guarantee Loans	Other Receivables
Low credit risk	12 months expected credit loss	$ 1,050,481	$ 1,032
Credit risk significantly increase	Lifetime expected credit loss	5,530	29
Impairment	Lifetime expected credit loss	15,713	79
Total book value		$ 1,071,724	$ 1,140

December 31, 2018

Credit Risk Ratings	Measurement of Expected Credit Loss	Guarantee Loans	Other Receivables
Low credit risk	12 months expected credit loss	$ 1,150,280	$ 1,146
Credit risk significantly increase	Lifetime expected credit loss	5,074	26
Impairment	Lifetime expected credit loss	16,250	66
Total book value		$ 1,171,604	$ 1,238

March 31, 2018

Credit Risk Ratings	Measurement of Expected Credit Loss	Guarantee Loans	Other Receivables
Low credit risk	12 months expected credit loss	$ 1,512,423	$ 1,457
Credit risk significantly increase	Lifetime expected credit loss	10,432	57
Impairment	Lifetime expected credit loss	20,410	48
Total book value		$ 1,543,265	$ 1,562

Changes in allowance losses for the three months ended March 31, 2019 and 2018 are as follows:

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss - Collective	Lifetime Expected Credit Loss - Individual	Impairment Recognized In Accordance with IFRS 9	Impairment Recognized In Accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts By Insurance Enterprises	Total
January 1, 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	(3)	-	-	(3)	-	(3)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(1,444)	(1,444)
Change in exchange rate and others	(3)	1,496	(46)	1,447	-	1,447
March 31, 2019	$ 67	$ 1,838	$ 1,210	$ 3,115	$ 14,888	$ 18,003
January 1, 2018	$ 1,012	$ 16,815	$ 351	$ 18,178	$ 23,772	$ 41,950
Change due to financial assets recognized at the beginning of the period						
Change to duration expected credit loss	(4)	-	4	-	-	-
Disposal	(79)	-	(13)	(92)	-	(92)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(1,895)	(1,895)
Change in exchange rate and others	-	3,538	75	3,613	-	3,613
March 31, 2018	$ 929	$ 20,353	$ 417	$ 21,699	$ 21,877	$ 43,576

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 three months ended March 31, 2019 and 2018 are as follows:

	Receivables
January 1, 2019	$ 7,915
Reversal	(66)
Written-off due to uncollectable	-
March 31, 2019	$ 7,849
January 1, 2018	$ 724
Addition	106
Written-off due to uncollectable	-
March 31, 2018	$ 830

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, 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)

March 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	$ 10,550,000	$ -	$ 9,590	$ 180,556	$ -	$ 10,740,146
Notes and bonds issued under repurchase agreement	9,912,222	343,070	-	-	-	10,255,292
Deposits and remittances	41,616,798	86,467,541	75,429,517	60,056,722	31,245,000	294,815,578
Bank debentures payable	-	-	-	-	7,350,000	7,350,000
Other capital outflow on maturity	1,943,474	1,127,349	1,470,282	764,405	246,940	5,552,450
Total	$ 64,022,494	$ 87,937,960	$ 76,909,389	$ 61,001,683	$ 38,841,940	$ 328,713,466

(In Thousands of New Taiwan Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 7,523,296	$ 2,500	$ -	$ 166,850	$ -	$ 7,692,646
Notes and bonds issued under repurchase agreement	13,291,782	1,243,064	601,742	-	-	15,136,588
Deposits and remittances	39,640,290	68,725,042	59,815,135	86,327,484	24,215,819	278,723,770
Bank debentures payable	-	-	-	-	7,350,000	7,350,000
Other capital outflow on maturity	2,867,861	710,703	298,834	562,208	287,922	4,727,528
Total	$ 63,323,229	$ 70,681,309	$ 60,715,711	$ 87,056,542	$ 31,853,741	$ 313,630,532

(In Thousands of New Taiwan Dollars)

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 11,794,414	$ 222,690	$ 144,863	$ 213,342	$ -	$ 12,375,309
Notes and bonds issued under repurchase agreement	10,898,125	1,360,518	-	-	-	12,258,643
Deposits and remittances	53,827,406	99,964,848	34,322,050	65,053,898	24,373,080	277,541,282
Bank debentures payable	-	-	-	-	1,000,000	1,000,000
Other capital outflow on maturity	3,758,843	788,814	1,060,142	685,368	275,901	6,569,068
Total	$ 80,278,788	$ 102,336,870	$ 35,527,055	$ 65,952,608	$ 25,648,981	$ 309,744,302

(In Thousands of U.S. Dollars)

March 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	$ 106,000	$ 120,000	$ 30,000	$ 10,000	$ -	$ 266,000
Notes and bonds issued under repurchase agreement	150,444	452,496	434,185	-	-	1,037,125
Deposits and remittances	1,369,473	1,068,645	599,820	1,029,844	35,744	4,103,526
Bank debentures payable	-	-	-	-	973,581	973,581
Other capital outflow on maturity	26,229	31,868	7,193	1,747	199,877	266,914
Total	$ 1,652,146	$ 1,673,009	$ 1,071,198	$ 1,041,591	$ 1,209,202	$ 6,647,146

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 235,000	$ 146,000	$ 20,000	$ -	$ -	$ 401,000
Notes and bonds issued under repurchase agreement	239,203	511,658	331,969	-	-	1,082,830
Deposits and remittances	1,573,301	1,006,239	542,454	843,891	10,023	3,975,908
Bank debentures payable	-	-	-	-	945,133	945,133
Other capital outflow on maturity	30,683	19,947	8,128	1,620	159,044	219,422
Total	$ 2,078,187	$ 1,683,844	$ 902,551	$ 845,511	$ 1,114,200	$ 6,624,293

(In Thousands of U.S. Dollars)

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 246,000	$ 95,000	$ 55,000	$ -	$ -	$ 396,000
Notes and bonds issued under repurchase agreement	438,651	461,186	272,047	-	-	1,171,884
Deposits and remittances	1,761,924	667,507	741,482	777,951	62	3,948,926
Bank debentures payable	-	-	-	-	952,429	952,429
Other capital outflow on maturity	37,433	17,836	5,386	929	137,406	198,990
Total	$ 2,484,008	$ 1,241,529	$ 1,073,915	$ 778,880	$ 1,089,897	$ 6,668,229

4) Maturity analysis of derivative financial instruments

The valuation of the maturity of the contracts is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the cash flows of the contract. Thus, a part of the amount disclosed deviates from the balance sheet. The maturity analysis of financial instruments is as follows:

(In Thousands of New Taiwan Dollars)

March 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	$ (221,200,131)	$ (261,059,443)	$ (135,079,722)	$ (65,152,621)	$ (8,842,300)	$ (691,334,217)
Cash inflow	204,508,063	239,601,001	128,536,835	62,046,954	7,947,910	642,640,763
Interest rate derivatives instruments						
Cash outflow	(2,662,104)	(369,026)	(42,428)	(300,401)	(13,901,751)	(17,275,710)
Cash inflow	123,725	363,477	42,996	-	-	530,198
Cash outflow subtotal	(223,862,235)	(261,428,469)	(135,122,150)	(65,453,022)	(22,744,051)	(708,609,927)
Cash inflow subtotal	204,631,788	239,964,478	128,579,831	62,046,954	7,947,910	643,170,961
Net cash flow	$ (19,230,447)	$ (21,463,991)	$ (6,542,319)	$ (3,406,068)	$ (14,796,141)	$ (65,438,966)

(In Thousands of New Taiwan Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (233,453,223)	$ (278,785,154)	$ (170,854,332)	$ (43,935,861)	$ (7,938,490)	$ (734,967,060)
Cash inflow	212,355,080	261,260,926	164,566,007	38,897,232	6,501,546	683,580,791
Interest rate derivatives instruments						
Cash outflow	(148,479)	(340,477)	(11,507)	(300,000)	(16,900,584)	(17,701,047)
Cash inflow	125,186	337,310	-	-	15,006	477,502
Cash outflow subtotal	(233,601,702)	(279,125,631)	(170,865,839)	(44,235,861)	(24,839,074)	(752,668,107)
Cash inflow subtotal	212,480,266	261,598,236	164,566,007	38,897,232	6,516,552	684,058,293
Net cash flow	$ (21,121,436)	$ (17,527,395)	$ (6,299,832)	$ (5,338,629)	$ (18,322,522)	$ (68,609,814)

(In Thousands of New Taiwan Dollars)

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (189,086,362)	$ (256,053,048)	$ (203,505,455)	$ (77,288,515)	$ -	$ (725,933,380)
Cash inflow	181,659,413	246,113,299	190,745,647	73,244,591	424,755	692,187,705
Interest rate derivatives instruments						
Cash outflow	(222,590)	(665,644)	(2,182)	-	(14,202,220)	(15,092,636)
Cash inflow	193,287	384,650	-	-	-	577,937
Cash outflow subtotal	(189,308,952)	(256,718,692)	(203,507,637)	(77,288,515)	(14,202,220)	(741,026,016)
Cash inflow subtotal	181,852,700	246,497,949	190,745,647	73,244,591	424,755	692,765,642
Net cash flow	$ (7,456,252)	$ (10,220,743)	$ (12,761,990)	$ (4,043,924)	$ (13,777,465)	$ (48,260,374)

(In Thousands of U.S. Dollars)

March 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	$ (7,684,460)	$ (8,468,686)	$ (4,613,101)	$ (2,411,554)	$ (536,973)	$ (23,714,774)
Cash inflow	8,369,149	9,403,150	4,704,013	2,293,638	567,972	25,337,922
Interest rate derivatives instruments						
Cash outflow	(73,288)	(117,506)	(82,144)	(52,125)	(71,965)	(397,028)
Cash inflow	60,701	111,067	102,831	3,926	71	278,596
Others						
Cash outflow	(429)	-	-	-	-	(429)
Cash inflow	606	-	-	-	-	606
Cash outflow subtotal	(7,758,177)	(8,586,192)	(4,695,245)	(2,463,679)	(608,938)	(24,112,231)
Cash inflow subtotal	8,430,456	9,514,217	4,806,844	2,297,564	568,043	25,617,124
Net cash flow	$ 672,279	$ 928,025	$ 111,599	$ (166,115)	$ (40,895)	$ 1,504,893

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (8,079,022)	$ (9,161,839)	$ (5,717,494)	$ (1,603,252)	$ (492,810)	$ (25,054,417)
Cash inflow	8,838,537	9,949,100	5,887,192	1,598,368	540,811	26,814,008
Interest rate derivatives instruments						
Cash outflow	(89,987)	(133,284)	(85,583)	(6,773)	(68,545)	(384,172)
Cash inflow	59,794	125,658	74,119	2,843	128	262,542
Others						
Cash outflow	(365)	-	-	-	-	(365)
Cash inflow	725	-	-	-	-	725
Cash outflow subtotal	(8,169,374)	(9,295,123)	(5,803,077)	(1,610,025)	(561,355)	(25,438,954)
Cash inflow subtotal	8,899,056	10,074,758	5,961,311	1,601,211	540,939	27,077,275
Net cash flow	$ 729,682	$ 779,635	$ 158,234	$ (8,814)	$ (20,416)	$ 1,638,321

(In Thousands of U.S. Dollars)

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (7,160,813)	$ (8,911,716)	$ (6,915,203)	$ (2,702,889)	$ (69,467)	$ (25,760,088)
Cash inflow	7,554,145	9,177,136	7,299,163	2,822,666	49,361	26,902,471
Interest rate derivatives instruments						
Cash outflow	(58,157)	(76,883)	(55,139)	(51,083)	(22,731)	(263,993)
Cash inflow	40,627	67,280	76,351	4,729	-	188,987
Others						
Cash outflow	(493)	-	-	-	-	(493)
Cash inflow	2,387	-	-	-	-	2,387
Cash outflow subtotal	(7,219,463)	(8,988,599)	(6,970,342)	(2,753,972)	(92,198)	(26,024,574)
Cash inflow subtotal	7,597,159	9,244,416	7,375,514	2,827,395	49,361	27,093,845
Net cash flow	$ 377,696	$ 255,817	$ 405,172	$ 73,423	$ (42,837)	$ 1,069,271

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.

March 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	$ 11,041,709	$ 6,540,572	$ 3,883,256	$ 9,625,525	$ 14,084,772	$ 45,175,834

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	$ 7,809,005	$ 3,477,324	$ 3,972,951	$ 10,004,484	$ 11,987,812	$ 37,251,576

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	$ 5,305,251	$ 4,130,114	$ 2,730,993	$ 7,369,645	$ 11,098,372	$ 30,634,375

6) The maturity analysis of lease agreement

The lease contracts of KGI Bank are operating lease and financial lease. Operating lease commitment is the future minimum rental payment under irrevocable operating lease condition. Financial lease means net future lease payments under finance lease condition.

The maturity analysis of lease commitments were as follows:

December 31, 2018	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 1,727,233	$ 1,976,230	$ -	$ 3,703,463
Financial lease present value income (lessor)	1,615,018	1,890,338	-	3,505,356
Operating lease payment (lessee)	322,537	325,106	85,297	732,940
Operating lease income (lessor)	22,177	76,527	10,185	108,889
Present value of financial lease payment (lessee)	-	3,716	-	3,716

March 31, 2018	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 1,714,860	$ 2,203,509	$ -	$ 3,918,369
Financial lease present value income (lessor)	1,595,017	2,123,617	-	3,718,634
Operating lease payment (lessee)	329,143	519,965	83,138	932,246
Operating lease income (lessor)	9,371	9,479	-	18,850
Present value of financial lease payment (lessee)	-	3,710	-	3,710

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

a) Maturity analysis of KGI Bank's assets and liabilities in New Taiwan dollars

(In Thousands of New Taiwan Dollars)

March 31, 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	$ 147,735,646	$ 250,201,973	$ 287,048,737	$ 151,764,773	$ 101,625,695	$ 156,752,012	$ 1,095,128,836
Main capital outflow on maturity	93,168,728	209,309,221	378,108,476	237,249,094	179,890,336	220,224,201	1,317,950,056
Gap	54,566,918	40,892,752	(91,059,739)	(85,484,321)	(78,264,641)	(63,472,189)	(222,821,220)

(In Thousands of New Taiwan Dollars)

March 31, 2018	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 151,915,962	$ 208,877,926	$ 292,288,051	$ 224,707,893	$ 116,344,902	$ 113,482,847	$ 1,107,617,581
Main capital outflow on maturity	100,887,353	180,120,058	381,313,539	267,056,645	211,512,690	200,254,863	1,341,145,148
Gap	51,028,609	28,757,868	(89,025,488)	(42,348,752)	(95,167,788)	(86,772,016)	(233,527,567)

b) Maturity analysis of KGI Bank's assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

March 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 9,704,434	$ 10,418,859	$ 5,149,223	$ 2,619,514	$ 3,597,640	$ 31,489,670
Main capital outflow on maturity	9,595,133	10,628,630	6,165,502	4,133,474	3,139,851	33,662,590
Gap	109,301	(209,771)	(1,016,279)	(1,513,960)	457,789	(2,172,920)

(In Thousands of U.S. Dollars)

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 9,008,436	$ 10,424,127	$ 7,725,121	$ 3,246,432	$ 3,143,993	$ 33,548,109
Main capital outflow on maturity	9,920,864	10,664,914	8,568,062	4,439,259	2,653,126	36,246,225
Gap	(912,428)	(240,787)	(842,941)	(1,192,827)	490,867	(2,698,116)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

March 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	$ 6,946,190	$ 5,616,294	$ -	$ -	$ -	$ 12,562,484
Financial assets measured at FVTPL - current	46,324,805	1,600,346	1,006,303	10,320,120	59,330	59,310,904
Financial assets measured at FVTOCI - current	12,568,896	6,670,947	720,747	-	-	19,960,590
Securities purchased under resell agreement	-	25,974,649	-	-	-	25,974,649
Receivable	38,848,451	3,501,679	17,198,098	1,213,456	-	60,761,684
Customers' margin accounts	31,209,698	-	-	-	-	31,209,698
Stock borrowing collateral price and guarantee deposits - borrowed securities	1,374,912	3,492,215	5,509,992	-	-	10,377,119
Other financial assets - current	-	-	1,713,840	-	-	1,713,840
Current tax assets	-	-	8,365	2,515	569,624	580,504
Other current assets	44,390,392	1,077,922	945,274	-	-	46,413,588
Financial assets measured at FVTPL - noncurrent	-	-	-	636,002	2,287,308	2,923,310
Financial assets measured at FVTOCI - noncurrent	-	-	-	-	7,504,619	7,504,619
Financial assets at amortized cost - noncurrent	-	-	-	298,693	198,097	496,790
Investments accounted for using the equity method	-	-	-	-	14,038,612	14,038,612
Others noncurrent assets	50,000	-	100,000	259,760	2,713,960	3,123,720
Total	$ 181,713,344	$ 47,934,052	$ 27,202,619	$ 12,730,546	$ 27,371,550	$ 296,952,111
Percentage	61.19%	16.14%	9.16%	4.29%	9.22%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

March 31, 2019	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 15,879,229	$ -	$ -	$ -	$ 15,879,229
Commercial papers payable, net	-	4,755,958	-	-	-	4,755,958
Financial liabilities measured at FVTPL - current	4,583,235	830,427	1,424,484	6,811,766	62,521	13,712,433
Bonds issued under repurchase agreements	-	77,386,248	-	-	-	77,386,248
Payables	62,748,684	1,617,815	2,815,231	48,404	-	67,230,134
Guarantee deposits - borrowed securities	-	6,657,242	10,321,215	-	-	16,978,457
Futures customers' equity	31,188,020	-	-	-	-	31,188,020
Collections/other payables/other current liabilities	613,630	970,386	5,820,126	35	-	7,404,177
Other financial liabilities - current	-	2,718,851	-	777	-	2,719,628
Lease liabilities-current	-	132,921	379,172	-	-	512,093
Current tax liabilities	-	11,133	159,712	1,375	743,888	916,108
Bonds payable	-	-	-	4,800,000	-	4,800,000
Provisions - noncurrent	-	-	-	21,239	199,501	220,740
Lease provision-noncurrent	-	-	-	1,012,929	-	1,012,929
Others noncurrent liabilities	-	-	-	627,970	78,940	706,910
Total	$ 99,133,569	$ 110,960,210	$ 20,919,940	$ 13,324,495	$ 1,084,850	$ 245,423,064
Percentage	40.39%	45.21%	8.53%	5.43%	0.44%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

March 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	$ 181,713,344	$ 47,934,052	$ 27,202,619	$ 12,730,546	$ 27,371,550	$ 296,952,111
Cash outflow	99,133,569	110,960,210	20,919,940	13,324,495	1,084,850	245,423,064
Amount of cash flow gap	$ 82,579,775	$ (63,026,158)	$ 6,282,679	$ (593,949)	$ 26,286,700	$ 51,529,047

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2018	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 5,114,643	$ 8,733,893	$ -	$ -	$ -	$ 13,848,536
Financial assets measured at FVTPL - current	45,048,279	1,944,214	9,160,574	387,366	69,401	56,609,834
Financial assets measured at FVTOCI - current	8,151,851	5,575,724	643,797	-	-	14,371,372
Securities purchased under resell agreement	-	19,494,037	-	-	-	19,494,037
Receivable	29,269,275	4,088,892	15,752,425	2,371,131	-	51,481,723
Customers’ margin accounts	21,810,475	-	-	-	-	21,810,475
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,925,678	2,093,783	6,916,890	-	-	11,936,351
Other financial assets - current	-	-	3,387,927	-	-	3,387,927
Current tax assets	-	-	48	2,255	569,624	571,927
Other current assets	45,521,742	986,209	1,071,838	-	-	47,579,789
Financial assets measured at FVTPL - noncurrent	-	-	-	549,334	2,233,090	2,782,424
Financial assets measured at FVTOCI - noncurrent	-	-	-	-	4,218,151	4,218,151
Financial assets at amortized cost - noncurrent	-	-	-	298,653	198,054	496,707
Investments accounted for using the equity method	-	-	-	-	11,170,844	11,170,844
Others noncurrent assets	70,000	-	100,000	259,621	2,814,781	3,244,402
Total	$ 157,911,943	$ 42,916,752	$ 37,033,499	$ 3,868,360	$ 21,273,945	$ 263,004,499
Percentage	60.04%	16.32%	14.08%	1.47%	8.09%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2018	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 14,782,223	$ -	$ -	$ -	$ 14,782,223
Commercial papers payable, net	-	2,457,752	-	-	-	2,457,752
Financial liabilities measured at FVTPL - current	3,723,021	1,236,609	5,532,983	1,124,791	69,401	11,686,805
Bonds issued under repurchase agreements	-	65,299,256	-	-	-	65,299,256
Payables	60,856,910	1,603,369	5,143,243	96,648	-	67,700,170
Guarantee deposits - borrowed securities	-	5,908,005	11,910,455	-	-	17,818,460
Futures customers’ equity	21,792,908	-	-	-	-	21,792,908
Collections/other payables/other current liabilities	424,784	1,101,415	2,601,633	30	-	4,127,862
Other financial liabilities - current	-	2,224,901	8,913	739	-	2,234,553
Current tax liabilities	-	-	175,426	-	738,425	913,851
Bonds payable	-	-	-	4,800,000	-	4,800,000
Provisions - noncurrent	-	-	-	21,840	205,228	227,068
Others noncurrent liabilities	-	-	-	694,628	67,593	762,221
Total	$ 86,797,623	$ 94,613,530	$ 25,372,653	$ 6,738,676	$ 1,080,647	$ 214,603,129
Percentage	40.45%	44.09%	11.82%	3.14%	0.50%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2018	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 157,911,943	$ 42,916,752	$ 37,033,499	$ 3,868,360	$ 21,273,945	$ 263,004,499
Cash outflow	86,797,623	94,613,530	25,372,653	6,738,676	1,080,647	214,603,129
Amount of cash flow gap	$ 71,114,320	$ (51,696,778)	$ 11,660,846	$ (2,870,316)	$ 20,193,298	$ 48,401,370

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

March 31, 2018	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,503,530	$ 5,417,758	$ -	$ -	$ -	$ 11,921,288
Financial assets measured at FVTPL - current	53,969,092	1,443,482	15,589,859	342,551	96,728	71,441,712
Financial assets measured at FVTOCI - current	6,742,872	-	-	-	-	6,742,872
Securities purchased under resell agreement	-	23,404,001	-	-	-	23,404,001
Receivable	40,480,038	6,088,002	19,629,795	4,058,875	-	70,256,710
Customers' margin accounts	21,690,850	-	-	-	-	21,690,850
Stock borrowing collateral price and guarantee deposits - borrowed securities	923,806	563,375	2,721,444	-	-	4,208,625
Other financial assets - current	-	-	2,900,600	-	-	2,900,600
Current tax assets	1,951	-	5,273	441	569,624	577,289
Other current assets	48,088,444	624,048	469,774	-	-	49,182,266
Financial assets measured at FVTPL - noncurrent	-	-	50,188	-	2,704,229	2,754,417
Financial assets measured at FVTOCI - noncurrent	-	-	-	-	2,237	2,237
Financial assets at amortized cost - noncurrent	-	-	-	298,619	197,983	496,602
Investments accounted for using the equity method	-	-	-	-	12,932,839	12,932,839
Others noncurrent assets	-	-	250,002	318,921	2,809,532	3,378,455
Total	$ 178,400,583	$ 37,540,666	$ 41,616,935	$ 5,019,407	$ 19,313,172	$ 281,890,763
Percentage	63.29%	13.32%	14.76%	1.78%	6.85%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

March 31, 2018	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 19,258,708	$ -	$ -	$ -	$ 19,258,708
Commercial papers payable, net	-	11,881,993	-	-	-	11,881,993
Financial liabilities measured at FVTPL - current	4,064,010	2,170,272	6,646,201	1,095,541	97,021	14,073,045
Bonds issued under repurchase agreements	-	69,324,336	-	-	-	69,324,336
Payables	65,933,208	401,102	2,569,374	67,920	-	68,971,604
Guarantee deposits - borrowed securities	-	3,197,191	8,669,213	-	-	11,866,404
Futures customers' equity	21,798,338	-	-	-	-	21,798,338
Collections/other payables/other current liabilities	523,893	2,062,169	839,789	48	-	3,425,899
Other financial liabilities - current	-	4,781,778	-	327,530	-	5,109,308
Current tax liabilities	-	-	163,277	-	433,576	596,853
Noncurrent liabilities due in one year or an operating cycle	-	-	2,200,000	-	-	2,200,000
Bonds payable	-	-	-	4,800,000	-	4,800,000
Provisions - noncurrent	-	-	-	22,368	192,250	214,618
Others noncurrent liabilities	-	-	-	640,997	122,807	763,804
Total	$ 92,319,449	$ 113,077,549	$ 21,087,854	$ 6,954,404	$ 845,654	$ 234,284,910
Percentage	39.40%	48.27%	9.00%	2.97%	0.36%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

March 31, 2018	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 178,400,583	$ 37,540,666	$ 41,616,935	$ 5,019,407	$ 19,313,172	$ 281,890,763
Cash outflow	92,319,449	113,077,549	21,087,854	6,954,404	845,654	234,284,910
Amount of cash flow gap	$ 86,081,134	$ (75,536,883)	$ 20,529,081	$ (1,934,997)	$ 18,467,518	$ 47,605,853

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 March 31, 2019, December 31, 2018 and March 31, 2018, show that the sums from deducting cash outflow from cash inflow are $51,529,047 thousand, $48,401,370 thousand and $47,605,853 thousand, respectively, all indicating sufficient fund liquidity.

An observation of fund inflow and outflow in different periods of time shows that current and receivable items contribute to the most of the financial assets of KGI Securities and subsidiaries, taking up to nearly 61.19% of the entire financial assets. This shows that most of these financial assets can be liquidated immediately and therefore have high liquidity. As for financial liabilities, there is no particular period with a high number of due payments which will put stress on fund dispatching.

Although an analysis of funds gap shows that the cash outflow exceeded cash inflow within 3 months period and 1 to 5 years period, the main differentiating factor is that the financial assets of KGI Securities and subsidiaries have high liquidity, which causes financial assets and liabilities to have different impacts during different cash flow periods. On March 31, 2019, December 31, 2018 and March 31, 2018, net cash inflow calculated from net spot financial assets are $82,579,775 thousand, $71,114,320 thousand and $86,081,134 thousand, respectively, which are sufficient to cover the net cash outflows of $63,620,107 thousand, $54,567,094 thousand and $77,471,880 thousand from the 3 months and 1-5 years period, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

The independent fund-dispatching department established by KGI Securities takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures.

KGI Securities also offers suggestions over a secure amount of reserve fund and reports it to the RMC. The department reviews the standard amount of reserve capital and will take the following action if available capitals are below 120% of the safe reserve amount:

a) Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.

b) Fund-dispatching department will propose contingency measures to the RMC, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to KGI Securities.

<u>CDIB Capital Group and subsidiaries</u>

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 March 31, 2019, December 31, 2018 and March 31, 2018, CDIB Capital Group and subsidiaries' other financial liabilities are $382,733 thousand, $381,410 thousand and $362,259 thousand, respectively, and will be paid by financial assets and the rest of nonderivative financial liabilities are $611,432 thousand, $905,189 thousand and $597,142 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

	March 31, 2019			
	In 1 Year	**1-5 Years**	**Over 5 Year**	**Total**
Payables	$ 24,205,516	$ 24,560	$ -	$ 24,230,076
Lease liabilities (Note)	81,223	91,018	2,050,020	2,222,261

	December 31, 2018			
	In 1 Year	1-5 Years	Over 5 Year	Total
Payables	$ 10,698,549	$ 28,537	$ -	$ 10,727,086

	March 31, 2018			
	In 1 Year	1-5 Years	Over 5 Year	Total
Payables	$ 9,064,247	$ 23,103	$ -	$ 9,087,350

Note: China Life applied IFRS 16 on January 1, 2019 and decided not to retrospect comparison period.

c) Maturity analysis of derivative financial liabilities

China Life Insurance operates derivatives including foreign exchange derivative instruments (such as currency forward contracts, foreign exchange forward).

China Life Insurance has enough operating capital, including cash and cash equivalents, and highly liquid securities, such as government bonds to pay the investment and liabilities at maturity. Therefore, the risk of liquidity is extremely low. China Life Insurance enters into forward contracts and cross currency swaps derivative financial instruments, whose currencies are highly liquid, so the possibility of selling out and the risk of market liquidity are low. The forward contracts and cross currency swaps will be operated continually and the capital is enough to pay for settlement, so the risk of capital liquidity is low.

China Life Insurance's maturity structure of derivative financial liabilities is as follows:

	March 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	$ 1,469,862	$ 490,637	$ 1,168,282	$ -	$ 3,128,781

	December 31, 2018				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 1,782,682	$ -	$ 686,445	$ -	$ 2,469,127

	March 31, 2018				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 625,364	$ 297,478	$ 116,315	$ -	$ 1,039,157

3) Maturity analysis of lease commitment

a) Operating lease commitment - China Life Insurance as the lessee

The commercial lease contracts for offices, vehicles and equipment signed by China Life Insurance are within one to three years on average without renewal option. There is no restriction on China Life Insurance in these contracts. Furthermore, China Life Insurance leases the land for 70 years by creating surface right and the agreement is a non-cancellable operating lease.

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2018 and March 31, 2018 are as follows:

	December 31, 2018	March 31, 2018
Less than one year	$ 111,219	$ 113,320
More than one year but less than five years	438,883	418,507
More than five years	4,834,881	4,892,107
	$ 5,384,983	$ 5,423,934

The minimum lease payments of operating lease for the three months ended March 31, 2018 amounted to $15,582 thousand.

b) Operating lease commitments - China Life Insurance as the lessor

The remaining period of commercial property lease contracts China Life Insurance signed are within one year to ten years, and most of these lease contracts contain terms about adjusting rents according to market environment annually.

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2018 and March 31, 2018 are as follows:

	December 31, 2018	March 31, 2018
Less than one year	$ 407,686	$ 403,062
More than one year but less than five years	873,984	974,006
More than five years	223,248	217,375
	$ 1,504,918	$ 1,594,443

d. Market risk

KGI Bank and subsidiaries

1) Source and definition of market risk

Market risk is defined as an unfavorable change in macroeconomic and financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading.

2) Risk management policies

In order to have a common-language of market risk management, definition, communication and measurement, the KGI Bank has developed “Market Risk Policy” based on Regulations Governing the Capital Adequacy Ratio of Banks and on market risk calculation tables announced by FSC, international standards, and CDFH’s market risk management policy framework.

The “Market Risk Policy” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of the KGI Bank related market risk calculation tables and the KGI Bank’s book management approach to financial instrument handling.

Following the "Market Risk Policy", the KGI Bank sets up the "Market Risk Management Procedure to Trading Activities" to manage market risk throughout the Firm. This procedure includes risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

3) The procedure of market risk measuring, monitoring, and reporting

The KGI Bank's market risk limits include position sensitivities, stop-loss limits, Value-at-Risk (VaR).

Risk factors analyzed through the KGI Bank's risk measurement systems are sufficient to determine all market risks of trading positions on balance sheet, including interest rates risk, foreign exchange risk, equity risk and commodity risk, as well as volatility risks which arise out of the option transactions.

The KGI Bank's market risk report includes profit or loss on trading positions, limits usage, stress testing, trading portfolio risk assessment, as well as significant exception if any.

The risk management unit of the KGI Bank independently performs daily market risk limit controls, and monthly reports to both the Risk Management Committee and CDFH's Risk Management Committee. Besides, the above reports are regularly presented to the Board for reference.

4) Mitigation of risks or hedging of market risk

The KGI Bank's market risk positions or hedging positions are marked to market on a daily base through techniques such as model evaluation. All market parameters are updated at least daily in accordance with changes in market conditions to conduct value assessment of products. Market Risk Limits are reviewed and controlled based on the revaluation results of traders' position risk value, position sensitivity and profit and loss figure on the daily basis.

5) Valuation techniques of market risk

The KGI Bank uses the VaR model and stress testing to evaluate the potential and extreme risk of trading portfolios. Through variations of the assumptions on market conditions, these techniques can be used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31, 2019			For the Year Ended December 31, 2018			For the Three Months Ended March 31, 2018		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 165,670	$ 226,896	$ 115,956	$ 172,030	$ 263,393	$ 72,541	$ 190,354	$ 263,393	$ 108,589
Equity risk	540	3,764	127	13,929	27,333	3,477	11,548	22,137	6,541
Exchange rate risk	5,125	10,628	3,164	5,034	34,521	2,163	7,687	20,404	3,159

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)

	March 31, 2019		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 6,522,256	30.83	$ 201,048,527
EUR	509,592	34.61	17,636,990
HKD	3,280,779	3.93	12,883,619
CNY	981,767	4.58	4,497,672
GBP	41,734	40.12	1,674,356
JPY	5,036,444	0.28	1,401,642
ZAR	510,077	2.11	1,076,262
AUD	38,892	21.85	849,789
SGD	19,490	22.75	443,395
Financial liabilities			
Monetary items			
USD	7,978,259	30.83	245,929,847
CNY	3,978,412	4.58	18,225,900
EUR	335,210	34.61	11,601,612
ZAR	2,294,571	2.11	4,841,546
AUD	103,600	21.85	2,263,661
JPY	4,853,243	0.28	1,350,658
HKD	143,250	3.93	562,541
GBP	3,963	40.12	159,012
NZD	4,859	20.95	101,802

(In Thousands of New Foreign Currencies/Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 6,504,546	30.73	$ 199,904,197
EUR	553,336	35.22	19,488,500
HKD	3,190,724	3.92	12,520,400
CNY	1,282,347	4.48	5,739,271
GBP	35,024	38.89	1,362,084
AUD	43,641	21.68	946,141
JPY	2,497,538	0.28	695,315
SGD	20,472	22.49	460,408
ZAR	202,838	2.13	431,843
Financial liabilities			
Monetary items			
USD	8,133,541	30.73	249,968,104
CNY	3,795,557	4.48	16,987,396
EUR	391,754	35.22	13,797,578
ZAR	2,048,614	2.13	4,361,500
AUD	100,666	21.68	2,182,447
JPY	4,488,426	0.28	1,249,578
HKD	110,607	3.92	434,023
GBP	3,127	38.89	121,619
NZD	5,713	20.63	117,855

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 7,191,255	29.12	$ 209,409,337
EUR	589,450	35.87	21,143,585
CNY	1,878,995	4.65	8,734,883
HKD	1,324,253	3.71	4,912,977
JPY	2,894,628	0.27	793,417
SGD	20,046	22.21	445,231
ZAR	147,147	2.46	362,424
CAD	6,402	22.59	144,621
Nonmonetary items			
HKD	187,376	3.71	695,163

(Continued)

	March 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial liabilities			
Monetary items			
USD	$ 8,170,575	29.12	$ 237,927,134
EUR	457,375	35.87	16,406,028
CNY	3,133,190	4.65	14,565,261
ZAR	1,506,079	2.46	3,709,472
AUD	78,116	22.38	1,748,232
JPY	3,380,845	0.27	926,690
HKD	137,882	3.71	511,543
NZD	13,028	21.07	274,491
GBP	3,312	40.83	135,249

(Concluded)

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)

March 31, 2019

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 299,240,843	$ 15,501,347	$ 18,591,593	$ 93,744,484	$ 427,078,267
Interest rate-sensitive liabilities	139,940,728	136,924,439	18,680,096	24,007,062	319,552,325
Interest rate sensitivity gap	159,300,115	(121,423,092)	(88,503)	69,737,422	107,525,942
Net worth					60,524,692
Ratio of interest rate-sensitive assets to liabilities (%)					133.65
Ratio of interest rate-sensitive gap to net worth (%)					177.66

March 31, 2018

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 282,934,492	$ 13,990,994	$ 6,024,136	$ 82,751,860	$ 385,701,482
Interest rate-sensitive liabilities	172,014,844	93,806,950	31,003,593	3,222,176	300,047,563
Interest rate sensitivity gap	110,919,648	(79,815,956)	(24,979,457)	79,529,684	85,653,919
Net worth					61,311,216
Ratio of interest rate-sensitive assets to liabilities (%)					128.55
Ratio of interest rate-sensitive gap to net worth (%)					139.70

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)

March 31, 2019

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 3,282,110	$ 108,173	$ 39,132	$ 1,471,684	$ 4,901,099
Interest rate-sensitive liabilities	3,787,097	933,995	649,815	977,517	6,348,424
Interest rate sensitivity gap	(504,987)	(825,822)	(610,683)	494,167	(1,447,325)
Net worth					22,641
Ratio of interest rate-sensitive assets to liabilities (%)					77.20
Ratio of interest rate-sensitive gap to net worth (%)					(6,392.50)

March 31, 2018

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 3,437,074	$ 107,312	$ 31,208	$ 1,668,614	$ 5,244,208
Interest rate-sensitive liabilities	4,050,147	973,559	493,042	899,178	6,415,926
Interest rate sensitivity gap	(613,073)	(866,247)	(461,834)	769,436	(1,171,718)
Net worth					(16,272)
Ratio of interest rate-sensitive assets to liabilities (%)					81.74
Ratio of interest rate-sensitive gap to net worth (%)					-

Note 1: The above amounts included only U.S. dollars amounts held by KGI Bank, excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities in U.S. dollars).

KGI Securities and subsidiaries

Market risk is the risk of potential loss or change in valuation for securities or financial products that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and commodity risk.
KGI Securities utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities also holds regular stress test to help the management understand the estimated influence on the income of investment portfolio under potential extreme events or circumstances.

1) Risk factor sensitivity

Using product identification and analysis procedure held by KGI Securities, the corresponding market risk factor can be determined. Individual risk factor's entire exposure can be measured by observing how the value of a financial instrument changes as each risk factor changes. KGI Securities and subsidiaries monitor the following risk factor sensitivities:

a) Interest rate risk sensitivity: Measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.

b) Equity securities risk sensitivity: Measured by the change of the value of investment portfolio with the price of the underlying assets linked to the equity securities (as the potential loss amount given that the TAIEX and stock of respective companies drop 1%).

c) Exchange rate risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency (as the potential loss amount given that the foreign currencies depreciate 1% against NTD).

d) Commodity risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with commodity for each currency (as the potential loss amount given that commodity currencies depreciate 1% against NTD).

The risk sensitivities in the portfolio held by KGI Securities and subsidiaries are as follows:

Comparisons of Risk Sensitive Factors

(In Thousands of New Taiwan Dollars)

Risk Sensitivity	March 31, 2019	December 31, 2018	March 31, 2018
Interest rate risk	$ 6,514	$ 5,774	$ 7,322
Equity securities risk	3,858,223	2,710,631	6,754,698
Exchange rate risk	4,930,709	957,905	199,857
Commodity risk	13,968	10,758	21,023

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 Three Months Ended March 31, 2019			March 31, 2019
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 108,063	$ 73,808	$ 176,623	$ 115,451
Interest rate	109,402	73,166	163,078	124,713
Exchange rate	17,328	6,875	28,029	23,331
Commodity	9,660	2,032	18,115	7,725

	For the Three Months Ended March 31, 2018			March 31, 2018
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 180,714	$ 114,690	$ 299,458	$ 161,990
Interest rate	142,101	79,155	209,770	174,712
Exchange rate	6,667	3,281	10,231	7,116
Commodity	7,280	146	10,260	9,157

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)

	March 31, 2019		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 2,090,217	30.86	$ 64,497,748
EUR	165,592	34.61	5,731,127
JPY	17,894,266	0.28	4,979,974
CNY	260,377	4.58	1,192,837
HKD	261,182	3.93	1,025,553
Nonmonetary items			
USD	1,263,062	30.83	38,933,883
CNY	736,389	4.58	3,373,543
AUD	22,806	21.85	498,316
EUR	5,068	34.61	175,407
Investments accounted for using the equity method			
USD	83,305	30.82	2,567,865
Financial liabilities			
Monetary items			
USD	4,690,236	30.82	144,573,867
EUR	167,057	34.61	5,781,838
JPY	17,620,742	0.28	4,903,853
CNY	252,833	4.58	1,158,279
HKD	220,450	3.93	865,615
AUD	18,209	21.85	397,874
Nonmonetary items			
USD	219,070	30.82	6,752,847
AUD	6,721	21.85	146,850
CNY	26,685	4.58	122,250

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 1,554,985	30.78	$ 47,867,143
JPY	23,540,436	0.28	6,553,476
EUR	91,152	35.22	3,210,271
HKD	155,753	3.92	610,893
CNY	33,063	4.48	147,973
Nonmonetary items			
USD	1,315,358	30.73	40,424,903
CNY	301,685	4.48	1,350,220
AUD	13,460	21.68	291,811
EUR	4,156	35.22	146,367
Investments accounted for using the equity method			
USD	78,570	30.73	2,414,682
Financial liabilities			
Monetary items			
USD	4,150,323	30.73	127,546,314
JPY	23,390,109	0.28	6,511,626
EUR	92,580	35.22	3,260,553
HKD	99,051	3.92	388,442
AUD	8,640	21.68	187,315
Nonmonetary items			
USD	183,398	30.73	5,636,356
CNY	27,442	4.48	122,818

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 1,785,515	29.12	$ 51,989,496
JPY	16,375,767	0.27	4,488,391
HKD	152,314	3.71	564,932
CNY	46,425	4.65	215,813
Nonmonetary items			
USD	972,910	29.12	28,331,129
CNY	552,481	4.65	2,563,671
AUD	31,288	22.38	700,233
Investments accounted for using the equity method			
USD	79,296	29.12	2,309,086

(Continued)

	March 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial liabilities			
Monetary items			
USD	$ 4,124,828	29.12	$ 120,110,321
JPY	16,097,731	0.27	4,412,183
AUD	29,705	22.38	664,807
HKD	97,616	3.71	362,004
Nonmonetary items			
USD	251,589	29.12	7,326,286
CNY	31,408	4.65	146,004

(Concluded)

CDIB Capital Group and subsidiaries

Market risk is defined as an unfavorable change in financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading. Market risk as explained as follows:

1) Foreign currency rate risk information

The financial assets and liabilities denominated in foreign currency and with material influence on CDIB Capital Group and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 223,117	30.825	$ 6,877,590
CNY	183,302	4.581	839,742
HKD	128,776	3.927	505,704
KRW	7,205,208	0.027	195,535
JPY	414,683	0.278	115,406
Nonmonetary items			
USD	336,849	30.825	10,383,384
THB	201,615	0.969	195,365
KRW	4,108,500	0.027	111,496
SGD	4,779	22.750	108,730
Investment accounted for using the equity method			
USD	102,570	30.825	3,161,705
CNY	682,720	4.581	3,127,675
Financial liabilities			
Monetary items			
USD	14,393	30.825	443,679

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 223,828	30.733	$ 6,878,905
CNY	187,203	4.476	837,845
HKD	55,585	3.924	218,117
KRW	6,854,094	0.028	188,755
JPY	414,683	0.278	115,448
Nonmonetary items			
USD	380,420	30.733	11,691,440
THB	230,845	0.949	219,072
Investment accounted for using the equity method			
CNY	685,898	4.476	3,069,805
USD	89,104	30.733	2,738,434
Financial liabilities			
Monetary items			
USD	15,381	30.733	472,712

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2018		
	Foreign Currencies	**Exchange Rate (Dollar)**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 282,737	29.120	$ 8,233,289
HKD	125,616	3.710	466,035
CNY	65,537	4.649	304,661
KRW	6,552,686	0.027	179,681
JPY	414,683	0.274	113,665
Nonmonetary items			
USD	1,005,166	29.120	29,270,422
CNY	94,639	4.649	439,950
THB	199,999	0.934	186,799
KRW	4,971,700	0.027	136,329
Investment accounted for using the equity method			
CNY	678,959	4.649	3,156,277
USD	94,499	29.120	2,751,813
Financial liabilities			
Monetary items			
USD	15,682	29.120	456,646

Sensitivity analysis

The following table details CDIB Capital Group and subsidiaries' sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	Impact on Profit or Loss For the Three Months Ended March 31	
	2019	**2018**
Monetary items		
USD	$ 168,173	$ 370,471
CNY	8,248	7,301
HKD	5,181	5,493
KRW	3,047	3,136
THB	1,954	1,868
JPY	1,154	1,137
SGD	1,087	654

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of March 31, 2019, December 31, 2018 and March 31, 2018 were cash in banks. Management believes that interest rate changes would have been no significant effect on CDIB Capital Group and subsidiaries.

3) Other price risk

CDIB Capital Group and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB Capital Group manages this exposure by setting risk acceptance limitation concerning industry, country, affiliated groups, and the same group.

If equity prices had been 1% higher/lower, the post-tax income for the three months ended March 31, 2019 and 2018 would increase/decrease by $185,780 thousand and $194,810 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
March 31, 2019

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ 1,658	$ 1,639,168
Interest rate risk (yield curve)	+1BP	-	(495,366)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(1,802,307)	(598,585)

December 31, 2018

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ 1,594	$ 1,249,417
Interest rate risk (yield curve)	+1BP	-	(431,567)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(1,596,326)	(389,592)

March 31, 2018

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ 3,279	$ 1,359,393
Interest rate risk (yield curve)	+1BP	-	(392,011)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(1,183,328)	(325,388)

7) China Life Insurance's foreign currency financial assets and liabilities with significant influence as of March 31, 2019, December 31, 2018 and March 31, 2018 are as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2019		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 34,173,706	30.8250	$ 1,053,404,490
Non-monetary items			
USD	612,329	30.8250	18,875,043
Financial labilities			
Monetary items			
USD	249,770	30.8250	7,699,172
CNY	1,221,498	4.5811	5,595,803

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 32,439,523	30.7330	$ 996,964,533
Non-monetary items			
USD	442,376	30.7330	13,595,540
Financial labilities			
Monetary items			
USD	15,470	30.7330	475,440

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 28,419,808	29.1200	$ 827,584,812
Non-monetary items			
USD	409,659	29.1200	11,929,282
Financial labilities			
Monetary items			
USD	149,650	29.1200	4,357,808

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:

March 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 amortized cost	$ 308,250	$ 277,425	$ 308,250	$ 277,425	$ 30,825
Financial assets at FVTPL	9,737,828	9,022,695	9,737,828	9,022,695	715,133
Financial assets at FVTOCI	43,532,131	40,457,167	43,532,131	40,457,167	3,074,964
Securities purchased under resell agreements	1,646,555	1,932,635	1,646,555	1,932,635	(286,080)

December 31, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	$ 307,330	$ 291,964	$ 307,330	$ 291,964	$ 15,366
Financial assets at FVTPL	8,359,623	7,844,863	8,359,623	7,844,863	514,760
Financial assets at FVTOCI	55,513,141	52,166,855	55,513,141	52,166,855	3,346,286

March 31, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	$ 291,200	$ 262,080	$ 291,200	$ 262,080	$ 29,120
Financial assets at FVTPL	4,564,488	4,376,316	4,564,488	4,376,316	188,172
Financial assets at FVTOCI	59,616,806	56,045,978	59,616,806	56,045,978	3,570,828
Securities purchased under resell agreements	290,249	533,028	290,249	533,028	(242,779)

<u>KGI Securities and subsidiaries</u>

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:

March 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	$ 66,874,432	$ 64,558,068	$ 66,874,432	$ 64,558,068	$ 2,316,364
Transaction - borrowed securities	1,191,358	1,667,902	1,191,358	1,667,902	(476,544)

December 31, 2018					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL					
Transactions with agreements	$ 52,973,046	$ 51,217,733	$ 52,973,046	$ 51,217,733	$ 1,755,313
Transaction - borrowed securities	826,971	1,157,759	826,971	1,157,759	(330,788)

March 31, 2018					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL					
Transactions with agreements	$ 70,152,687	$ 69,300,461	$ 70,152,687	$ 69,300,461	$ 852,226
Transaction - borrowed securities	308,055	431,277	308,055	431,277	(123,222)

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**	
March 31, 2019	Call option	$ 11,771,400	$ 857,634	$ 857,634	$ -	$ 857,634
December 31, 2018	Call option	$ 11,074,500	$ 654,271	$ 654,271	$ -	$ 654,271
March 31, 2018	Call option	$ 11,709,800	$ 1,304,181	$ 1,304,181	$ -	$ 1,304,181

The following table is repurchased transferred financial assets' undiscounted cash flow maturity analysis. Information of cash flow is disclosed according to the circumstances of every balance sheet day.

Period	**Types of Continuing Involvement**	**Spot**	**3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
March 31, 2019	Call option	$ -	$ 324,500	$ 1,936,100	$ 9,510,800	$ -	$ 11,771,400
December 31, 2018	Call option	$ -	$ 241,400	$ 1,875,100	$ 8,958,000	$ -	$ 11,074,500
March 31, 2018	Call option	$ -	$ 508,600	$ 2,798,200	$ 8,403,000	$ -	$ 11,709,800

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
March 31, 2019	Call option	$ (14,104)	$ (214,309)	$ (228,413)
December 31, 2018	Call option	$ (12,172)	$ (357,181)	$ (369,353)
March 31, 2018	Call option	$ (1,701)	$ 227,822	$ 226,121

f. Offsetting financial assets and financial liabilities

<u>KGI Bank and subsidiaries</u>

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:

March 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	$ 25,754,171	$ -	$ 25,754,171	$ 25,754,171	$ -	$ -
Derivative instruments	23,049,713	-	23,049,713	5,368,522	2,984,761	14,696,430
Total	$ 48,803,884	$ -	$ 48,803,884	$ 31,122,693	$ 2,984,761	$ 14,696,430

March 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	$ 51,689,922	$ -	$ 51,689,922	$ 51,661,528	$ 28,394	$ -
Derivative instruments	39,317,297	-	39,317,297	5,368,522	6,478,345	27,470,430
Total	$ 91,007,219	$ -	$ 91,007,219	$ 57,030,050	$ 6,506,739	$ 27,470,430

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	$ 15,164,692	$ -	$ 15,164,692	$ 15,164,692	$ -	$ -
Derivative financial instruments	23,860,387	-	23,860,387	7,962,286	2,407,631	13,490,470
Total	$ 39,025,079	$ -	$ 39,025,079	$ 23,126,978	$ 2,407,631	$ 13,490,470

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	$ 60,303,682	$ -	$ 60,303,682	$ 59,626,359	$ 677,323	$ -
Derivative instruments	44,819,970	-	44,819,970	7,962,286	11,014,447	25,843,237
Total	$ 105,123,652	$ -	$ 105,123,652	$ 67,588,645	$ 11,691,770	$ 25,843,237

March 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	$ 15,140,275	$ -	$ 15,140,275	$ 15,140,275	$ -	$ -
Derivative instruments	25,285,105	-	25,285,105	8,077,864	2,612,601	14,594,640
Total	$ 40,425,380	$ -	$ 40,425,380	$ 23,218,139	$ 2,612,601	$ 14,594,640

March 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	$ 61,217,402	$ -	$ 61,217,402	$ 60,678,450	$ 538,952	$ -
Derivative instruments	43,898,126	-	43,898,126	8,077,864	9,607,981	26,212,281
Total	$ 105,115,528	$ -	$ 105,115,528	$ 68,756,314	$ 10,146,933	$ 26,212,281

Note: Financial instruments include master netting arrangements and non-cash collateral.

KGI Securities and subsidiaries

KGI Securities and subsidiaries' transactions of derivative assets and liabilities do not correspond to the provisions of IAS, only in the circumstances of default, insolvency or bankruptcy will KGI Securities have the rights to offset derivative assets and liabilities.

KGI Securities has signed securities repurchase contracts with counterparties, and the agreements stating that KGI Securities to provide securities as collateral, meanwhile KGI Securities signed securities resell contracts with counterparties and receive securities as collateral which do not recognized in the balance sheet. Such contracts do not correspond to the provisions of IAS and bear the right to offset only in the circumstances of default, insolvency or bankruptcy, therefore, related securities sell with repurchase agreements and securities purchased with resell agreement are presented in the balance sheet respectively.

Related information of offsetting financial assets and financial liabilities were as follows:

March 31, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative instruments	$ 2,621,813	$ -	$ 2,621,813	$ -	$ 540,357	$ 2,081,456
Securities purchased under resell agreements	25,944,009	-	25,944,009	25,944,009	-	-
Total	$ 28,565,822	$ -	$ 28,565,822	$ 25,944,009	$ 540,357	$ 2,081,456

March 31, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative instruments	$ 3,954,631	$ -	$ 3,954,631	$ -	$ 1,128,112	$ 2,826,519
Notes and bonds issued under repurchase agreements	77,271,209	-	77,271,209	77,271,209	-	-
Total	$ 81,225,840	$ -	$ 81,225,840	$ 77,271,209	$ 1,128,112	$ 2,826,519

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	$ 2,164,742	$ -	$ 2,164,742	$ -	$ 435,743	$ 1,728,999
Securities purchased under resell agreements	19,448,822	-	19,448,822	19,448,822	-	-
Total	$ 21,613,564	$ -	$ 21,613,564	$ 19,448,822	$ 435,743	$ 1,728,999

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	$ 2,899,593	$ -	$ 2,899,593	$ -	$ 676,921	$ 2,222,672
Notes and bonds issued under repurchase agreements	65,175,218	-	65,175,218	65,175,218	-	-
Total	$ 68,074,811	$ -	$ 68,074,811	$ 65,175,218	$ 676,921	$ 2,222,672

March 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	$ 2,328,201	$ -	$ 2,328,201	$ -	$ 131,858	$ 2,196,343
Securities purchased under resell agreements	23,391,483	-	23,391,483	23,391,483	-	-
Total	$ 25,719,684	$ -	$ 25,719,684	$ 23,391,483	$ 131,858	$ 2,196,343

March 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	$ 5,645,589	$ -	$ 5,645,589	$ -	$ 881,695	$ 4,763,894
Notes and bonds issued under repurchase agreements	69,300,461	-	69,300,461	69,300,461	-	-
Total	$ 74,946,050	$ -	$ 74,946,050	$ 69,300,461	$ 881,695	$ 4,763,894

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:

March 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	$ 842,886	$ -	$ 842,886	$ 705,423	$ 11,713	$ 125,750

March 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	$ 3,128,781	$ -	$ 3,128,781	$ 705,423	$ 1,178,748	$ 1,244,610

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments	**Cash Collateral Received**	
Derivative financial instruments	$ 3,132,902	$ -	$ 3,132,902	$ 1,543,353	$ 83,901	$ 1,505,648

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	$ 2,469,127	$ -	$ 2,469,127	$ 1,543,353	$ 503,714	$ 422,060

March 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	$ 8,416,810	$ -	$ 8,416,810	$ 1,039,157	$ 4,357,808	$ 3,019,845

March 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	$ 1,039,157	$ -	$ 1,039,157	$ 1,039,157	$ -	$ -

55. CAPITAL MANAGEMENT

a. Objective

The basic management objective includes eligible capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite. In order to undertake all kinds of risk, the Group conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

The Group had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital and legal capital were calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

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	March 31, 2019	December 31, 2018	March 31, 2018	Trust Liabilities	March 31, 2019	December 31, 2018	March 31, 2018
Bank deposits	$ 596,724	$ 585,926	$ 425,408	Payables	$ 180,028	$ 151,212	$ 151,482
Short-term investments	28,170,602	28,539,061	29,111,970	Payables on securities under custody	4,430,945	4,839,320	3,014,377
Financial assets at FVTPL							
Receivables	11,640	11,640	256,336	Other liabilities	102,111	57,865	12,587
Other financial assets	44,379	50,719	-	Donated assets received	1,811	1,811	1,811
Real estate, net	16,450	16,450	7,650	Trust capital	29,471,215	29,835,976	30,450,076
Intangible assets - surface right	568,572	534,259	534,259	Accumulated earnings	681,213	675,725	713,632
	984,534	984,534	984,534				
Securities under custody	4,430,945	4,839,320	3,014,377				
Other assets	43,477	-	9,431				
Total	$ 34,867,323	$ 35,561,909	$ 34,343,965	Total	$ 34,867,323	$ 35,561,909	$ 34,343,965

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2019	**2018**
Trust income and gains		
Dividend income	$ 1,331	$ 701
Interest income	343,002	364,327
Rental income	7,119	7,095
Gain on financial assets at FVTPL, net	-	44,327
Other income	1,816	2,361
Properties transaction gains	-	41,818
Total trust income and gains	353,268	460,629
Trust expenses		
Administrative expenses	(6,647)	(10,520)
Other expenses	(2,549)	(2,578)
Properties transaction losses	(150,958)	-
Total trust expenses	(160,154)	(13,098)
Net income	$ 193,114	$ 447,531

The above income from trust operations were excluded from KGI Bank's income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	March 31, 2019	December 31, 2018	March 31, 2018
Bank deposits	$ 596,724	$ 585,926	$ 425,408
Short-term investments			
Funds	26,379,248	26,786,220	27,748,449
Bonds	1,471,832	1,410,880	1,036,623
Common shares	73,200	73,200	75,900
Structured notes	93,766	93,766	93,766
ETF	152,556	174,995	157,232
Financial assets at FVTPL	11,640	11,640	256,336
Other financial assets	16,450	16,450	7,650
Real estate, net	568,572	534,259	534,259
Intangible assets - surface right	984,534	984,534	984,534
Securities under custody	4,430,945	4,839,320	3,014,377
Other assets	87,856	50,719	9,431
Total	$ 34,867,323	$ 35,561,909	$ 34,343,965

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	March 31, 2019	December 31, 2018	March 31, 2018	Trust Liabilities	March 31, 2019	December 31, 2018	March 31, 2018
Bank deposits	$ 1,175,992	$ 1,043,226	$ 1,348,016	Payables	$ 50,530	$ 11,274	$ 8,678
Financial assets	22,059,817	21,051,505	25,959,566	Trust capital	21,446,038	21,967,226	24,735,758
Receivables	46,026	33,903	68,698	Reserves and retained earnings	1,785,267	150,134	2,631,844
Total	$ 23,281,835	$ 22,128,634	$ 27,376,280	Total	$ 23,281,835	$ 22,128,634	$ 27,376,280

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2019	2018
Trust income	$ 1,921,712	$ 2,728,014
Trust expenses	(2,248,324)	(1,874,045)
Income before income tax	(326,612)	853,969
Income tax expenses	-	-
Income after income tax	$ (326,612)	$ 853,969

The above income from trust operations were excluded from KGI Securities' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	March 31, 2019	December 31, 2018	March 31, 2018
Bank deposits	$ 1,175,992	$ 1,043,226	$ 1,348,016
Stocks	10,280,587	10,733,485	14,807,216
Funds	10,377,680	9,350,380	10,584,953
Structured notes	1,270,656	957,456	567,397
Bonds	130,894	10,184	-
Total	$ 23,235,809	$ 22,094,731	$ 27,307,582

57. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

The Corporation do not need to disclosure anything in this period.

58. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 8 (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 47 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 49 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	March 31, 2019 Formula	March 31, 2019 %	December 31, 2018 Formula	December 31, 2018 %	March 31, 2018 Formula	March 31, 2018 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$1,729,057 / $223,909	=7.72	$1,791,507 / $413,737	=4.33	$1,685,909 / $1,045,299	=1.61	≧1	Yes
17	Current assets / Current liabilities	$2,050,829 / $223,390	=9.18	$2,330,195 / $412,737	=5.65	$2,684,086 / $665,064	=4.04	≧1	Yes
22	Equities / Capital stock	$1,729,057 / $400,000	=432.26%	$1,791,507 / $400,000	=447.88%	$1,685,909 / $400,000	=421.48%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$1,271,435 / $264,550	=480.60%	$1,091,064 / $244,118	=446.94%	$750,029 / $738,628	=101.54%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	March 31, 2019 Formula	March 31, 2019 %	December 31, 2018 Formula	December 31, 2018 %	March 31, 2018 Formula	March 31, 2018 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$3,558,944 / $393,542	=9.04	$3,416,097 / $387,747	=8.81	$3,184,161 / $277,347	=11.48	≧1	Yes
17	Current assets / Current liabilities	$31,146,960 / $28,885,710	=1.08	$24,284,147 / $22,117,410	=1.10	$23,529,264 / $21,573,575	=1.09	≧1	Yes
22	Equities / Capital stock	$3,558,944 / $760,000	=468.28%	$3,416,097 / $760,000	=449.49%	$3,184,161 / $760,000	=418.97%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$3,077,792 / $8,091,974	=38.04%	$3,005,408 / $5,059,084	=59.41%	$2,850,854 / $4,359,993	=65.39%	≧20% ≧15%	Yes

64. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required for the Group:

1) Financing provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 1 (attached).

2) Collaterals/guarantees provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 2 (attached).

3) Marketable securities held: Not applicable to the Corporation, KGI Bank, KGI Securities and subsidiaries and China Life Insurance. For other subsidiaries' information: Please refer to Table 3 (attached).

4) Marketable securities were acquired and disposed of, at cost or 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. 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 47 and Table 5 (attached).

9) Sale of nonperforming loans: Please refer to Table 6 (attached).

10) For related information on the subsidiaries' securitization products approved under the Regulation on Financial Asset Securitization: None.

11) Other significant transactions which may affect the decisions of financial statement users: None.

12) The information of investees: None.

13) Derivative transactions of the Group: Please refer to Notes 8, 52 and 54 to the consolidated financial statements.

c. Investments in mainland China: Please refer to Table 9 (attached).

d. Business relationships and significant transactions among the Group: Please refer to Table 10 (attached).

65. 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 March 31, 2019						
Interest profit (loss), net	$ 1,676,102	$ 306,906	$ 57,962	$ 13,139,438	$ (113,246)	$ 15,067,162
Noninterest profit (loss), net	914,871	3,681,561	1,528,048	47,221,347	(737,963)	52,607,864
Net profit (loss)	2,590,973	3,988,467	1,586,010	60,360,785	(851,209)	67,675,026
Reversal of allowance for bad debts commitments and losses on guarantees, net	1,571	3,431	-	66	675	5,743
Net change in insurance liabilities	-	-	-	(55,899,318)	-	(55,899,318)
Operating expenses	(1,474,179)	(2,764,333)	(362,317)	(1,155,821)	(555,817)	(6,312,467)
Income (loss) before income tax	1,118,365	1,227,565	1,223,693	3,305,712	(1,406,351)	5,468,984
Income tax benefit (expense)	(205,276)	(58,417)	(29,142)	(400,901)	160,813	(532,923)
Net income (loss)	$ 913,089	$ 1,169,148	$ 1,194,551	$ 2,904,811	$ (1,245,538)	$ 4,936,061
For the three months ended March 31, 2018						
Interest profit (loss), net	$ 1,799,403	$ 510,230	$ 36,197	$ 10,731,177	$ (132,129)	$ 12,944,878
Noninterest profit (loss), net	449,822	3,310,692	1,669,564	40,132,010	(550,833)	45,011,255
Net profit (loss)	2,249,225	3,820,922	1,705,761	50,863,187	(682,962)	57,956,133
Reversal of allowance for bad debts commitments and losses on guarantees, net	(163,692)	(94,797)	-	(1,733)	-	(260,222)
Net change in insurance liabilities	-	-	-	(46,603,620)	-	(46,603,620)
Operating expenses	(1,400,089)	(2,963,016)	(348,045)	(1,397,617)	(566,476)	(6,675,243)
Income (loss) before income tax	685,444	763,109	1,357,716	2,860,217	(1,249,438)	4,417,048
Income tax benefit (expense)	34,382	(191,695)	(63,923)	956,084	126,096	860,944
Net income (loss)	$ 719,826	$ 571,414	$ 1,293,793	$ 3,816,301	$ (1,123,342)	$ 5,277,992

TABLE 1

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Year	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	$ 3,699,000	$ 3,699,000	$ -	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 13,710,838 (Note 1)	$ 13,710,838 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	4,315,500	4,315,500	924,750	Floating	Short-term financing	-	Working capital	-	-	-	13,710,838	-
2	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	493,200	-	-	Floating	Short-term financing	-	Working capital	-	-	-	13,650,697 (Note 2)	13,650,697 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,541,250	1,541,250	-	Floating	Short-term financing	-	Working capital	-	-	-	17,368,315 (Note 3)	17,368,315 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	493,200	493,200	493,200	Floating	Short-term financing	-	Working capital	-	-	-	17,368,315	-

Note 1: Richpoint Company Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 2: KG Investments Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 3: KGI International Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

TABLE 2

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	Maximum Collateral/ Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	KGI Securities	KGI Securities (Singapore) Pte. Ltd.	Note 1	$ 6,299,124	$ 458,464	$ 455,000	$ 455,000	$ -	0.72%	$ 25,196,494 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	17,368,315	1,348,275	1,348,275	30,825	-	7.76%	17,368,315 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	17,368,315	4,130,550	3,822,300	587,335	-	22.01%	-	No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	17,368,315	200,363	200,363	-	-	1.15%	-	No	No	No
		KGI Finance Limited	Note 1	17,368,315	132,548	132,548	-	-	0.76%	-	No	No	No
		KGI International (Hong Kong) Limited	Note 1	17,368,315	2,303,850	2,303,850	-	-	13.26%	-	No	No	No
		KGI Asia (Holdings) Pte. Ltd.	Note 1	17,368,315	3,181,483	3,166,814	2,315,447	-	18.23%	-	No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	17,368,315	616,500	616,500	-	-	3.55%	-	No	No	No
3	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,326,100	1,695,375	1,233,000	431,550	-	142.51%	4,326,100 (Note 4)	No	No	Yes

Note 1: The Group owns directly or indirectly over 50% ownership of the investee company.

Note 2: The limit of maximum guarantee provided by KGI Securities is based on "Corporate Endorsement, Guarantee Making Guideline". For each company, the amount of guarantee should not exceed 10% of the guarantee provider's net asset value. The total amount available for collaterals or guarantee should not exceed 40% of the guarantee provider's net asset value.

Note 3: The limit of maximum guarantee provided by KGI International Holdings Limited is based on the "Corporate Endorsement, Guarantee Making Guideline". For each and all company, the amount of guarantee provided should not exceed the guarantee provider's net asset value.

Note 4: CDIB Management Consulting Corporation: The total amount of guarantee provided should not exceed 5 times of the Company's net asset value of the latest financial report.

TABLE 3

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2019
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	Stocks							
	Taiwan Stock Exchange	-	Financial assets at fair value through profit or loss	18,449,638	$ 1,386,121	2.66	$ 1,386,121	
	Tong Hsing Electronic Industries, Ltd.	-	Financial assets at fair value through profit or loss	1,125,248	116,463	0.68	116,463	
	Logitech Inc.	-	Financial assets at fair value through profit or loss	2,965,248	51,004	10.69	51,004	
	Solar Fine Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	4,828,064	14,766	10.83	14,766	
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	4,225,979	76,448	6.04	76,448	
	National Glory Development Corp.	-	Financial assets at fair value through profit or loss	646,884	4,693	6.47	4,693	
	TopGreen Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	633,377	5,846	1.17	5,846	
	Hair O'right International Corp.	-	Financial assets at fair value through profit or loss	1,835,837	105,901	9.02	105,901	
	DaBomb Protein Corp.	-	Financial assets at fair value through profit or loss	3,284,568	88,191	11.23	88,191	
	Power Venture Co.	-	Financial assets at fair value through profit or loss	677,245	6,033	5.68	6,033	
	Ori Vita Bio Application Inc.	-	Financial assets at fair value through profit or loss	858,690	5,762	0.42	5,762	
	Echem Hightech Co., Ltd.	-	Financial assets at fair value through profit or loss	1,535,934	5,945	11.69	5,945	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,000,000	30,845	9.91	30,845	
	E-one Moli Energy Corp.	-	Financial assets at fair value through profit or loss	12,123,773	121,238	5.6	121,238	
	HealthStream Taiwan Inc.	-	Financial assets at fair value through profit or loss	4,774,523	39,859	13.96	39,859	
	Subtron Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	12,316,000	159,985	4.31	159,985	
	Orgchem Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,067,220	13,022	1.92	13,022	
	General Life Biotechnology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,520,000	31,376	8.40	31,376	
	Mec Imex Inc.	-	Financial assets at fair value through profit or loss	4,802,000	50,071	10.52	50,071	
	Yieh United Steel Corp.	-	Financial assets at fair value through profit or loss	6,327,622	42,838	0.24	42,838	
	Hua-jie (Taiwan) Corp.	-	Financial assets at fair value through profit or loss	1,300,403	9,504	6.45	9,504	
	AMIA Co.	-	Financial assets at fair value through profit or loss	6,000,000	135,780	9.54	135,780	
	Up Scientech Materials Corp.	-	Financial assets at fair value through profit or loss	4,651,344	72,674	6.85	72,674	
	PlexBio Co., Ltd.	-	Financial assets at fair value through profit or loss	3,526,000	45,909	5.07	45,909	
	Riselink Restructuring Fund Corporation	-	Financial assets at fair value through profit or loss	3,289,681	33,829	12.50	33,829	
	Orient Pharma Co., Ltd.	-	Financial assets at fair value through profit or loss	2,857,800	49,926	1.83	49,926	
	Wai-Gin Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	1,170,000	2,037	3.44	2,037	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	7,567,424	87,585	5.64	87,585	
	Eastern Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss	4,348,680	27,438	6.47	27,438	
	Topview Optromics Corporation	-	Financial assets at fair value through profit or loss	525,000	16,800	2.28	16,800	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets at fair value through profit or loss	2,460,867	214,095	2.79	214,095	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,746,720	81,928	5.98	81,928	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through profit or loss	3,845,330	34,926	1.38	34,926	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,308,026	88,487	7.88	88,487	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	783,232	115,527	0.65	115,527	
	DragonJet Corporation	-	Financial assets at fair value through profit or loss	4,300,000	24,121	4.77	24,121	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	2,494,309	32,131	5.28	32,131	
	Terawins, Inc.	-	Financial assets at fair value through profit or loss	1,913,996	6,713	6.30	6,713	
	Feature Integration Technology Inc.	-	Financial assets at fair value through profit or loss	1,341,803	20,758	4.03	20,758	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through profit or loss	2,731,098	23,133	10.57	23,133	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,150,536	6,181	10.43	6,181	
	Overseas Investment & Development Corp.	-	Financial assets at fair value through profit or loss	2,600,000	13,960	2.89	13,960	
	Microprogram Co., Ltd.	-	Financial assets at fair value through profit or loss	2,550,000	35,585	7.95	35,585	
	Lefram Technology Corporation	-	Financial assets at fair value through profit or loss	7,484,454	44,158	17.48	44,158	
	TAK Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,467,706	920	4.14	920	
	Engineering & IP Advanced Technologies Ltd.	-	Financial assets at fair value through profit or loss	4,216	2	-	2	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	107,034	4.81	107,034	
	JHL. Biotech, Inc.	-	Financial assets at fair value through profit or loss	8,382,844	528,119	3.98	528,119	
	Easten Power and Electric Company Limited	-	Financial assets at fair value through profit or loss	3,201,019	195,365	12.00	195,365	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	Beauty Essentials International Ltd.	-	Financial assets at fair value through profit or loss	86,503,067	$ 219,941	8.02	$ 219,941	
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	3,675,000	34,286	0.15	34,286	
	Engineering & IP Advanced Technologies Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	6,392,765	3,550	0.35	3,550	
	Lightel Technologies, Inc.	-	Financial assets at fair value through profit or loss	3,000,000	113,960	43.44	113,960	
	Apexigen, Inc.	-	Financial assets at fair value through profit or loss	4,970,588	61,570	9.59	61,570	
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	30,000,000	298,005	35.71	298,005	
	CDIB Capital Management Corporation	Subsidiary	Investments accounted for using the equity method	33,093,889	676,520	100.00	676,520	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	5,237,643	28.71	5,237,643	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	58,200,000	580,974	38.80	580,974	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	58,250,000	645,611	33.29	645,611	
	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	9,967,526	100.00	9,967,526	
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	4,431,405	33,788	20.00	33,788	
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	3,974	30.00	3,974	
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,692,713	100.00	1,692,713	
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	9,073,357	100.00	9,073,357	
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	8,135,754	100.00	8,135,754	
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	676,527	100.00	676,527	
	<u>Funds</u>							
	CommLaunch	-	Financial assets at fair value through profit or loss	-	42,563	-	42,563	
	ARCH Venture Fund V, L.P.	-	Financial assets at fair value through profit or loss	-	6,825	-	6,825	
	FORWARD VENTURES IV, L.P.	-	Financial assets at fair value through profit or loss	-	22,782	-	22,782	
	Forward Venture V	-	Financial assets at fair value through profit or loss	-	24,501	-	24,501	
	Sanderling	-	Financial assets at fair value through profit or loss	-	9,596	-	9,596	
	SAMARA CAPITAL PARTNERS FUND I LIMITED	-	Financial assets at fair value through profit or loss	-	122,085	-	122,085	
	THL EQUITY FUND VI INVESTORS (CERIDIAN), L.P.	-	Financial assets at fair value through profit or loss	-	388,053	-	388,053	
	<u>Corporate bonds</u>							
	Belta (Cayman) Holding Limited	-	Financial assets at fair value through profit or loss	11,959,916	7,421	-	7,421	
	<u>Government bonds</u>							
	A00109	-	Financial assets at fair value through other comprehensive income	7,000,000	7,118	-	7118	
	A01105	-	Financial assets at fair value through other comprehensive income	100,000,000	101,946	-	101,946	
	A03115	-	Financial assets at fair value through other comprehensive income	50,000,000	50,204	-	50,204	
CDIB Capital Management Corporation	<u>Stocks</u>							
	ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	65,660	6,257	0.05	6,257	
	MCM Stamping Co., Ltd.	-	Financial assets at fair value through profit or loss	70,000	343	0.22	343	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	783,000	9,062	0.58	9,062	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	297,623	855	1.44	855	
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	101,240	4,982	0.09	4,982	
	CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	16,997	60.00	16,997	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	1,500,000	14,974	1.00	14,974	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	1,750,000	19,396	1.00	19,396	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	309,517	100.00	309,517	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	19,974	-	19,974	
	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	-	80,244	-	80,244	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Private Equity (Hong Kong) Corporation Limited	Stocks							
	CDIB Private Equity (China) Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 60,868	100.00	HK$ 60,868	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 8,096	56.00	HK$ 8,096	
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 3,875	27.08	HK$ 3,875	
CDIB Private Equity (China) Corporation	Stocks							
	CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 16,432	70.00	CNY 16,432	
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 11,240	65.00	CNY 11,240	
CDIB Private Equity (Fujian) Co., Ltd.	Stocks							
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 2,478	20.00	CNY 2,478	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Stocks							
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 7,155	58.33	CNY 7,155	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Funds							
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,505	-	CNY 10,505	
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Funds							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,401	-	CNY 10,401	
CDIB Venture Capital Corporation	Stocks							
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	1,388,659	25,121	1.98	25,121	
	Azotek Co., Ltd.	-	Financial assets at fair value through profit or loss	824,500	18,285	-	18,285	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	3,856	1.24	3,856	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets at fair value through profit or loss	1,500,000	2,478	4.22	2,478	
	Fukuta Co., Ltd.	-	Financial assets at fair value through profit or loss	1,872,753	207,392	4.68	207,392	
	Handa Pharmaceuticals Inc.	-	Financial assets at fair value through profit or loss	2,809,000	113,062	2.69	113,062	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	75,000	1.62	75,000	
	Sum Max Tech. Limited	-	Financial assets at fair value through profit or loss	2,447,882	106,360	9.34	106,360	
	Regal Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,101,000	60,885	2.86	60,885	
	Sino-American Silicon Products Inc.	-	Financial assets at fair value through profit or loss	5,708,562	384,757	0.97	384,757	
	Fusheng Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	798,000	130,074	0.61	130,074	
	M2Communication, Inc.	-	Financial assets at fair value through profit or loss	6,477,527	13,496	14.81	13,496	
	GSD Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	5,741,702	372,062	16.89	372,062	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	3,725,007	64,294	4.69	64,294	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	5,528,901	113,564	10.11	113,564	
	Greatland Electronics Taiwan Ltd.	-	Financial assets at fair value through profit or loss	1,920,000	15,461	5.50	15,461	
	Shengzhuang Holding Limited	-	Financial assets at fair value through profit or loss	610,590	6,354	6.11	6,354	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	107,034	4.81	107,034	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	514,821	2,205	-	2,205	
	CVie Therapeutics Company Limited	-	Financial assets at fair value through profit or loss	560,000	15,329	4.15	15,329	
	Shane Global Holding Inc.	-	Financial assets at fair value through profit or loss	1,073,700	151,392	0.97	151,392	
	Viscovery (Cayman) Holding Company Limited	-	Financial assets at fair value through profit or loss	195,317	6,021	1.85	6,021	
	Kkday.com International Company Limited.	-	Financial assets at fair value through profit or loss	3,000,000	24,531	1.03	24,531	
	i-Serve	-	Financial assets at fair value through profit or loss	2,232,219	154,575	4.17	154,575	
	Hartec Asia Pte. Ltd.	-	Financial assets at fair value through profit or loss	2,800,000	108,730	10.23	108,730	
	Windtree Therapeutic, Inc.	-	Financial assets at fair value through profit or loss	594,552	60,721	1.85	60,721	
	iCHEF Co., Ltd.	-	Financial assets at fair value through profit or loss	11,167,513	89,078	40.74	89,078	
	4Gamers Entertainment Inc. - Preferred stock A	-	Financial assets at fair value through profit or loss	24,000	16,276	20.00	16,276	
	Viscovery (Cayman) Holding Company Limited - Preferred stock A+	-	Financial assets at fair value through profit or loss	304,878	9,398	8.20	9,398	
	Citiesocial Holding Cayman Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	479,635	15,413	18.18	15,413	
	Uimbo CV Inc.	-	Financial assets at fair value through profit or loss	1,394,145	21,578	10.29	21,578	
	CCMODA Corp. - Preferred stock	-	Financial assets at fair value through profit or loss	666,666	15,412	20.00	15,412	
	Asia Parents Holdings Limited	-	Financial assets at fair value through profit or loss	248,889	17,262	14.74	17,262	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2019							Note
				Shares/Face Value/Units	Carrying Value		Percentage of Ownership (Note 2)	Fair Value			
CDIB Venture Capital Corporation	Kneron Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,469,072	$	190,012	9.50	$	190,012		
	Zentera Systems, Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,324,503		79,299	39.35		79,299		
	FUNP Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	400,000		44,388	20.00		44,388		
	Achieve Made International Limited - Preferred stock	-	Financial assets at fair value through profit or loss	168,138		12,330	6.67		12,330		
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	202,480		9,965	0.17		9,965		
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	5,105,377		42,766	0.20		42,766		
	CBA Sports International Ltd.- Preferred stock	-	Financial assets at fair value through profit or loss	2,402,500		10,288	13.73		10,288		
	Derbysoft Holdings Limited - Preferred stock A	-	Financial assets at fair value through profit or loss	28,000,000		92,459	45.78		92,459		
	Viscovery (Cayman) Holding Company Limited - Preferred stock A++	-	Financial assets at fair value through profit or loss	200,000		6,165	10.96		6,165		
	FunNow Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	185,184		40,532	20.00		40,532		
	Derbysoft Holdings Limited - Preferred stock B	-	Financial assets at fair value through profit or loss	4,643,469		15,333	9.26		15,333		
	4Gamers Entertainment Inc. - Preferred stock B	-	Financial assets at fair value through profit or loss	8,727		5,918	4.80		5,918		
	Kkday.com International Company Limited	-	Financial assets at fair value through profit or loss	5,654,616		46,238	8.66		46,238		
	Traveler Co., Ltd.	-	Financial assets at fair value through profit or loss	32,077		24,660	14.55		24,660		
	Regent Investment Holding Corp.	Associate	Investments accounted for using the equity method	500,000		4,919	50.00		4,919		
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	870,000,000		3,395,863	100.00		3,395,863		
	Funds										
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-		490,949	-		490,949		
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	-		150,413	-		150,413		
	Convertible (exchangeable) corporate bond										
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	-		90,818	-		90,818		
CDIB Venture Capital (Hong Kong) Corporation Limited	Funds										
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$	416,185	-	HK$	416,185		
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$	359,680	-	HK$	359,680		
CDIB Capital Investment I Limited	Stocks										
	Best Inc.	-	Financial assets at fair value through profit or loss	1,000,000	US$	5,230	0.26	US$	5,230		
	Casper Sleep, Inc.	-	Financial assets at fair value through profit or loss	266,690	US$	7,901	20.05	US$	7,901		
	CCAP Best Logistics Holdings Limited	-	Financial assets at fair value through profit or loss	1,000	US$	2,891	11.11	US$	2,891		
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	13,722,047	US$	7,826	3.40	US$	7,826		
	Giddy Inc.	-	Financial assets at fair value through profit or loss	666,755	US$	7,287	6.26	US$	7,287		
	Simplify Compliance Holdings, LLC	-	Financial assets at fair value through profit or loss	2,833,333	US$	3,254	2.91	US$	3,254		
	Great Team Backend Foundry, Inc.	-	Financial assets at fair value through profit or loss	1,636,800	US$	804	1.81	US$	804		
	Rokid Corporation Ltd	-	Financial assets at fair value through profit or loss	615,642	US$	5,000	1.51	US$	5,000		
	Funds										
	Carlyle Asia Partners II, L. P.	-	Financial assets at fair value through profit or loss	-	US$	128	-	US$	128		
	Ripley Cable Holdings I, L.P.	-	Financial assets at fair value through profit or loss	-	US$	906	-	US$	906		
	MSD Sports Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US$	10,691	-	US$	10,691		
	BCP QualTek Investor Holdings, L.P.	-	Financial assets at fair value through profit or loss	-	US$	5,521	-	US$	5,521		
	CDIB Capital Global Opportunities Fund L.P.	Other related parties	Financial assets at fair value through profit or loss	-	US$	1,511	-	US$	1,511		
	KKR Talk Co-invest L.P.	-	Financial assets at fair value through profit or loss	-	US$	8,000	-	US$	8,000		
	CC KDC CO-INVEST LP	-	Financial assets at fair value through profit or loss	-	US$	20,441	-	US$	20,441		
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US$	102,441	-	US$	102,441		
	Corporate bonds										
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	41,875,000	US$	6,908	-	US$	6,908		
	Convertible (exchangeable) corporate bond										
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	28,094,510	US$	10,226	-	US$	10,226		
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US$	4,000	-	US$	4,000		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Investment II Limited	Stocks							
	Great Rich Technologies Limited	-	Financial assets at fair value through profit or loss	1,660,000	US$ 3,617	2.46	US$ 3,617	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	508,929	US$ 71	0.89	US$ 71	
	Indostar Capital	-	Financial assets at fair value through profit or loss	631,701	US$ 12,028	2.88	US$ 12,028	
	Indostar Everstone	-	Financial assets at fair value through profit or loss	860,332	US$ 16,304	8.12	US$ 16,304	
	CBA Sports International Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	2,375,000	US$ 330	13.57	US$ 330	
CDIB Global Markets Limited	Stocks							
	Facebook Inc.	-	Financial assets at fair value through profit or loss	575	US$ 96	-	US$ 96	
	GoPro, Inc.	-	Financial assets at fair value through profit or loss	51,878	US$ 337	0.04	US$ 337	
	Flemingo International (BVI) Ltd.	-	Financial assets at fair value through profit or loss	1,048	US$ 47,240	50.19	US$ 47,240	
	Funds							
	Huaxing Capital Partners II LP	-	Financial assets at fair value through profit or loss	-	US$ 10,417	-	US$ 10,417	
	GS TDN Investors Offshore, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 525	-	US$ 525	
	CX Partners Fund Alpha Limited	-	Financial assets at fair value through profit or loss	-	US$ 6,077	-	US$ 6,077	
	Carlyle Asia Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 1,374	-	US$ 1,374	
	Riverwood Capital Partners L.P.	-	Financial assets at fair value through profit or loss	-	US$ 4,664	-	US$ 4,664	
	ECP II (Cayman) Ltd. A	-	Financial assets at fair value through profit or loss	-	US$ 7,418	-	US$ 7,418	
	Sino-Century China Private Equity II L. P.	-	Financial assets at fair value through profit or loss	-	US$ 384	-	US$ 384	
	KKR Asian Fund II L.P.	-	Financial assets at fair value through profit or loss	-	US$ 7,755	-	US$ 7,755	
	Carlyle Asia Partners IV, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 18,605	-	US$ 18,605	
	Tenaya Capital V, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 2,865	-	US$ 2,865	
	THL Equity Fund Vi Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	US$ 6,294	-	US$ 6,294	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 1,049	-	US$ 1,049	
	Industry Ventures Fund VI, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 2,538	-	US$ 2,538	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 4,418	-	US$ 4,418	
	Tenaya Capital VI, LP	-	Financial assets at fair value through profit or loss	-	US$ 7,853	-	US$ 7,853	
	Formation8 Partners Fund I, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 7,637	-	US$ 7,637	
	Blue Point Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 7,583	-	US$ 7,583	
	Riverwood Capital Partners II L.P.	-	Financial assets at fair value through profit or loss	-	US$ 14,831	-	US$ 14,831	
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 9,297	-	US$ 9,297	
CDIB Capital International Corporation	Stocks							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US$ 7,776	100.00	US$ 7,776	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US$ 5,858	100.00	US$ 5,858	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 1,937	100.00	US$ 1,937	
	CDIB Capital Asia Partners Limited	Subsidiary	Other liabilities	-	US$ (78)	100.00	US$ (78)	
China Development Asset Management Corp.	Stocks							
	Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	2,000,000	83,619	100.00	83,619	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,508,360	100.00	2,508,360	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	194,818	100.00	194,818	
	Pine Street Asset Management Corp.	-	Financial assets at fair value through other comprehensive income	3,886,190	27,429	12.25	27,429	
	Waterland Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	8,034,740	48,159	1.07	48,159	
	Victor Taichung Machinery Works Co., Ltd.	-	Financial assets at fair value through profit or loss	94,266	228	0.06	228	
Chung Hwa Growth 3 Asset Management Corp.	Funds							
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd	Financial assets at fair value through profit or loss	-	150,384	-	150,384	
CDIB Management Consulting Corp.	Stocks							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	660,434	76.04	660,434	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	163,596	100.00	163,596	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	$ 157	19.00	$ 157	
	Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	496,574	-	0.07	-	
Global Securities Finance Corporation	Bank debentures							
	Sunny Bank Second Subordinated Bank Debentures issued in 2015	-	Financial assets measured at amortized cost	200,000,000	199,309	-	199,985	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issued in 2015	-	Financial assets measured at amortized cost	100,000,000	99,384	-	99,994	
	Bank of Panhsin 3th Unsecured Subordinate Financial Debentures issued in 2017	-	Financial assets measured at amortized cost	200,000,000	198,097	-	199,986	
	Taiwan Business Bank's 2nd Subordinated Financial Debentures Issue in 2018	-	Other assets	150,000,000	149,842	-	149,996	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other assets	50,000,000	49,948	-	50,090	
	Government bonds							
	A05113	-	Other assets	100,000,000	99,693	-	100,191	
	A06102	-	Other assets	100,000,000	99,799	-	100,501	

Note 1: The Group recognized the related income or loss of investees as required by regulations.

Note 2: The preferred shares held divided by the number of preferred shares outstanding is the percentage of ownership.

Note 3: No securities were treated as collaterals or warrants.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value (Note)	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
CDIB Global Markets Limited	Funds Carlyle Giovanna Partners, L.P.	Financial assets at fair value through profit or loss	-	-	-	US$ 587	-	US$ -	-	US$ 14,351	US$ 587	US$ 13,764	-	US$ -
CDIB Capital Investment I Limited	Funds CC KDC CO-INVEST LP	Financial assets at fair value through profit or loss	-	-	-	US$ -	-	US$ 20,441	-	US$ -	US$ -	US$ -	-	US$ 20,441

Note: Initial acquisition cost.

TABLE 5

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018
(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		
CDIB Capital Group	The Corporation	Parent company	$ 317,267 (Note 1)	-	$ -	-	$ -	$ -
The Corporation	CDIB Capital Group	Subsidiary	527,703 (Note 1)	-	-	-	-	-
	KGI Bank	Subsidiary	530,563 (Note 1)	-	-	-	-	-
	KGI Securities	Subsidiary	746,448 (Note 1)	-	-	-	-	-
KGI Securities	China Life Insurance	Subsidiary of the parent company	537,391 (Note 1)	-	-	-	537,391	-

Note 1: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

Note 2: Tax receivable result from linked-tax system.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SOLD NONPERFORMING LOANS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

1. Summary of sold nonperforming loans

Transaction Date	Counter Party	Type of Loans	Carrying Value (Note 1)	Selling Price	Disposal Gain (Loss) (Note 2)	Other Condition	Relationship of Counter-party with the Subsidiaries
2019.03.25	A	Secured loans	$ 863	$ 1,620	$ 757	-	-

2. Sale of nonperforming loans exceeding NT$1 billion (excluding related-party transactions): For the Group: None.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019, DECEMBER 31,2018 and MARCH 31,2018

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
The Corporation	CDIB Capital Group	Venture fund	100.00	100.00	100.00	
	KGI Securities	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.	Financial insurance	25.33	25.33	25.33	(Note 1)
CDIB Capital Group	CDIB Capital Management Corporation	Management and consulting	100.00	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	100.00	
	CDIB Global Markets Limited	Venture fund	100.00	100.00	100.00	
	CDIB Capital Investment I Limited	Venture fund	100.00	100.00	100.00	
	CDIB Capital Investment II Limited	Venture fund	100.00	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	100.00	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital International (USA) Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital Asia Partners Limited	Management of private equity fund	100.00	100.00	100.00	(Note 2)
CDIB Capital Investment I Limited	SCBS 1 Holding Corporation	Investment holdings	100.00	-	-	(Note 3)
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	100.00	
CDIB Private Equity (Fujian) Co., Ltd.	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	20.00	20.00	20.00	
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)	Management and consulting	27.08	27.08	27.08	
	CDIB Private Equity (China) Corporation	Management and consulting	100.00	100.00	100.00	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	56.00	56.00	56.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
CDIB Private Equity (China) Corporation	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting	65.00	65.00	65.00	
	CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting	70.00	70.00	70.00	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	58.34	58.34	58.34	
KGI Securities	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 capital	100.00	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	100.00	100.00	100.00	(Note 4)
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	99.61	
	Global Securities Finance Corporation	Stock loans and financing purchase of securities	21.99	21.99	21.99	(Note 5)
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	100.00	
KGI Information Technology Co., Ltd.	KGI Information Technology (Shanghai) Co., Ltd.	Information service	-	-	100.00	(Note 6)
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	100.00	
	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	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	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	
	TG Holborn (HK) Limited	Other	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	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	100.00	(Note 7)
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	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 Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	-	-	100.00	(Note 8)
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	100.00	100.00	
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	

Note 1: The Corporation and the subsidiary, KGI securities, jointly held 34.96% of shares of China Life Insurance Co., Ltd.

Note 2: CDIB Capital Asia Partners Limited conducted registration of establishment on March 21, 2014, however, CDIB Capital International Corporation had not invested any capital as of March 31, 2019.

Note 3: SCBS 1 Holding Corporation conducted registration of establishment on March 25, 2019, however, CDIB Capital Investment I Limited had not invested any capital as of March 31, 2019.

Note 4: In order to integrate KGI Securities Investment Trust Co., Ltd. into a wholly-owned subsidiaries of KGI Securities to meet future business development needs, on January 26, 2018, KGI Securities' board of directors resolved to buy back the remaining 1,833 shares of KGI Securities with a total purchase price of $19 thousand. The delivery date was February 22, 2018.

Note 5: KGI Securities held 21.99% of the shares of Global Securities Finance Corporation (GSFC) and obtained more than half of the seats in the board of director, therefore, GSFC should be included in the consolidated financial statements.

Note 6: KGI Information Technology (Shanghai) Co., Ltd. conducted registration of establishment on May 30, 2016, however, KGI Information Technology Co., Ltd. had not invested any capital as of December 28, 2018.

Note 7: KGI Capital (Singapore) Pte. Ltd. has been dicontinued.

Note 8: Grand Cathay Capital (Hong Kong) Limited was closed in October 23, 2018.

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	-	-	50.00	As of March 31, 2018, CDIB Capital Group's investment in CDIB Biotech USA Investment Co., Ltd. of CDIB Capital Group had amounted to $0 thousand; CDIB Biotech USA Investment Co., Ltd. was approbated to liquidate by the Board of Director on April 20, 2008, therefore, CDIB Biotech USA Investment Co., Ltd. was not included in the consolidated financial statement. The liquidation was settled on October 2018.
CDIB Capital Investment I Limited	Subicvest Inc.	Leasing	-	-	100.00	As of March 31, 2018, CDIB Capital Investment I Limited's investment in Subicvest Inc. of CDIB Capital Investment I Limited had amounted to US$80 thousand; Subicvest Inc. was approbated to liquidate by the Board of Director on May 24, 2016, therefore, Subicvest was not included in the consolidated financial statement. The liquidation was settled on October 2018.
KGI Securities	Grand Cathay Holding Limited	Investment holdings	-	-	-	Grand Cathay Holding Limited was approbated to liquidate by the board of directors on December 27, 2013, therefore, Grand Cathy Holding Limited was not included in the consolidated financial statement. The liquidation was settled on May 1, 2018.

(Concluded)

TABLE 8

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	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Cash and cash equivalents	$ 5,051,674	$ 4,570,426	$ 970,801
Financial assets at fair value through profit or loss	310,082	471,765	1,095,250
Receivables, net	60,946	50,567	4,343
Current tax assets	1,930,243	1,881,337	1,376,664
Investments accounted for using the equity method, net	201,760,344	185,756,820	202,524,564
Other financial assets	300	500,300	300
Right-of-use assets	5,291	-	-
Property and equipment, net	28,116	28,054	20,899
Other assets, net	110,097	33,988	23,945
Total	$ 209,257,093	$ 193,293,257	$ 206,016,766
Liabilities and Equity			
Commercial paper payable, net	$ 8,999,105	$ 9,898,975	$ 8,899,413
Payables	662,405	722,528	614,757
Current tax liabilities	1,140,947	1,129,319	543,588
Bonds payable	18,000,000	19,000,000	22,000,000
Other borrowings	5,499,621	3,299,951	4,499,701
Provisions	6,684	6,946	42,073
Lease liabilities	5,443	-	-
Other liabilities	15,698	2,855	11,156
Total liabilities	34,329,903	34,060,574	36,610,688
Equity			
Capital			
Common stock	149,633,809	149,622,812	149,770,403
Advance receipts for capital stock	22,912	10,748	3,614
Capital surplus	1,676,843	1,630,992	1,239,541
Retained earnings			
Legal reserve	6,776,135	6,776,135	5,606,606
Special reserve	565,041	565,041	2,078,602
Unappropriated earnings	18,488,662	14,754,530	18,693,985
Other			
Exchange differences on translation of financial statements of foreign operations	(723,909)	(930,286)	(2,760,766)
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	1,311,031	(66,615)	1,618,770
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	635,123	(5,071,947)	(2,739,930)
Other comprehensive income (loss) reclassified using the overlay approach	36,662	(4,451,944)	(31,020)
Others	(791)	(1,339)	(5,872)
Treasury shares	(3,494,328)	(3,605,444)	(4,067,855)
Total equity	174,927,190	159,232,683	169,406,078
Total	$ 209,257,093	$ 193,293,257	$ 206,016,766

(Continued)

2. Statements of comprehensive income

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

	For the Three Months Ended March 31	
	2019	**2018**
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	$ 3,936,876	$ 3,638,268
Others	39,474	216
Total revenues	3,976,350	3,638,484
EXPENSES AND LOSSES		
Operating expenses	(299,688)	(287,447)
Others	(103,460)	(145,999)
Total expenses and losses	(403,148)	(433,446)
NET PROFIT BEFORE INCOME TAX	3,573,202	3,205,038
INCOME TAX BENEFIT	36,491	71,586
NET PROFIT FOR THE PERIOD	3,609,693	3,276,624
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	1,699,387	(309,944)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	(185,988)	67,725
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	11,755,406	(6,839,763)
Income tax relating to the items that may be reclassified subsequently to profit or loss	(1,353,353)	746,162
Other comprehensive income (loss) for the period, net of income tax	11,915,452	(6,335,820)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 15,525,145	$ (3,059,196)
BASIC EARNINGS PER SHARE	$0.25	$0.23
DILUTED EARNINGS PER SHARE	$0.25	$0.23

(Continued)

3. Statements of changes in equity

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

	Capital			Retained Earnings			Other Equity						
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Comprehensive Income (Loss) Reclassified Using the Overlay Approach	Others	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2018	$ 149,763,034	$ 5,162	$ 1,173,719	$ 5,606,606	$ 2,078,602	$ 13,184,948	$ (2,031,949)	$ -	$ 2,113,838	$ -	$ (8,322)	$ (4,205,566)	$ 167,680,072
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634
Net profit for the three months ended March 31, 2018	-	-	-	-	-	3,276,624	-	-	-	-	-	-	3,276,624
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	(45)	(728,817)	(5,030,629)	-	(576,329)	-	-	(6,335,820)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	3,276,579	(728,817)	(5,030,629)	-	(576,329)	-	-	(3,059,196)
Disposal of the Corporation shares, as treasury shares	-	-	65,318	-	-	-	-	-	-	-	-	137,711	203,029
Share-based payments	7,369	(1,548)	504	-	-	-	-	-	-	-	2,450	-	8,775
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	40,501	-	(40,501)	-	-	-	-	-
Disposal of dividend policy through equity instruments measured at FVTOCI recognized as special reserve	-	-	-	-	-	12,836	-	-	-	-	-	-	12,836
BALANCE AT MARCH 31, 2018	$ 149,770,403	$ 3,614	$ 1,239,541	$ 5,606,606	$ 2,078,602	$ 18,693,985	$ (2,760,766)	$ (1,121,160)	$ -	$ (31,020)	$ (5,872)	$ (4,067,855)	$ 169,406,078
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
Net profit for the three months ended March 31, 2019	-	-	-	-	-	3,609,693	-	-	-	-	-	-	3,609,693
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	206,377	7,220,469	-	4,488,606	-	-	11,915,452
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	3,609,693	206,377	7,220,469	-	4,488,606	-	-	15,525,145
Disposal of the Corporation shares, as treasury shares	-	-	44,785	-	-	-	-	-	-	-	-	111,116	155,901
Share-based payments	10,997	12,164	1,066	-	-	(6,457)	-	-	-	-	548	-	18,318
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	135,753	-	(135,753)	-	-	-	-	-
Disposal of dividend policy through equity instruments measured at FVTOCI recognized as special reserve	-	-	-	-	-	(4,857)	-	-	-	-	-	-	(4,857)
BALANCE AT MARCH 31, 2019	$ 149,633,809	$ 22,912	$ 1,676,843	$ 6,776,135	$ 565,041	$ 18,488,662	$ (723,909)	$ 1,946,154	$ -	$ 36,662	$ (791)	$ (3,494,328)	$ 174,927,190

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 3,573,202	$ 3,205,038
Adjustments for:		
Depreciation and amortization expenses	1,861	1,136
Gain (loss) on financial assets at fair value through profit or loss, net	(31,504)	36,649
Interest expense	99,774	105,802
Interest income	(7,631)	(8)
Share-based payment compensation cost	579	3,040
Share of profit of subsidiaries, associates and joint ventures	(3,936,605)	(3,637,614)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	193,187	213,011
Receivables	(10,632)	345
Other financial assets	500,000	-
Other assets	(60,394)	5,490
Payables	(142,841)	(74,312)
Other liabilities	12,570	9,193
Interest paid	(33,345)	(115,798)
Interest received	7,884	8
Income tax paid	(788)	-
Net cash generated (used) in operating activities	165,317	(248,020)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(935)	(35)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in commercial paper payable	(899,870)	(999,952)
Repayments of corporate bonds	(1,000,000)	-
Increase in other borrowings	2,199,670	1,199,751
Others	17,066	4,510
Net cash generated from financing activities	316,866	204,309
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	481,248	(43,746)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,570,426	1,014,547
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 5,051,674	$ 970,801

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 35,960,296	$ 33,083,932	$ 45,930,207
Financial assets at fair value through profit or loss	82,930,078	81,922,752	75,961,223
Financial assets at fair value through other comprehensive income (loss)	149,373,906	151,669,704	148,655,425
Debt instruments measured at amortized cost	12,000,358	11,965,807	10,777,275
Securities purchased under resell agreements	25,754,171	15,164,692	15,140,275
Receivables, net	22,833,572	24,305,714	23,779,778
Current tax assets	11,629	-	-
Assets held for sale, net	-	29,649	-
Discount and loans, net	341,959,586	335,751,432	313,125,068
Investments accounted for using the equity method, net	1,768,108	1,654,220	1,813,813
Other financial assets, net	1,145,300	1,476,948	4,276,804
Property and equipment, net	5,329,704	5,374,246	5,498,989
Right-of-use assets, net	2,222,038	-	-
Investment property, net	1,107,244	1,108,910	970,834
Deferred tax assets	2,358,759	2,176,684	3,076,800
Other assets, net	8,413,026	13,491,511	13,419,176
Total assets	$ 693,167,775	$ 679,176,201	$ 662,425,667
Deposits from the Central Bank and banks	$ 19,823,126	$ 21,359,259	$ 23,906,829
Financial liabilities at fair value through profit or loss	69,327,921	73,866,749	71,732,884
Notes and bonds issued under repurchase agreements	51,689,922	60,303,682	61,217,402
Payables	8,314,471	6,940,026	7,944,108
Current tax liabilities	530,563	530,563	508,243
Deposits and remittances	444,170,186	421,726,228	410,639,398
Bank debentures payable	7,350,000	7,350,000	1,000,000
Principal received on structured notes	23,678,587	24,020,358	19,531,830
Other financial liabilities	-	3,716	3,710
Provisions	397,499	331,602	323,796
Lease liabilities	2,209,653	-	-
Deferred tax liabilities	335,704	24,413	274,167
Other liabilities	4,117,532	4,345,130	4,486,462
Total liabilities	631,945,164	620,801,726	601,568,829
Common stock	46,061,623	46,061,623	46,061,623
Capital surplus	7,251,237	7,251,173	7,250,788
Retained earnings	7,469,499	6,567,132	8,337,445
Others	440,252	(1,505,453)	(793,018)
Total equity	61,222,611	58,374,475	60,856,838
Total liabilities and equity	$ 693,167,775	$ 679,176,201	$ 662,425,667

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended March 31	
	2019	**2018**
Interest revenue	$ 3,468,851	$ 2,967,226
Interest expense	(1,853,928)	(1,213,305)
Interest profit, net	1,614,923	1,753,921
Noninterest profits and gains, net	961,476	465,475
Total net revenues	2,576,399	2,219,396
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	729	(184,372)
Operating expenses	(1,480,354)	(1,382,972)
Net profit before income tax	1,096,774	652,052
Income tax (expense) benefit	(194,458)	40,151
Net profit for the period	902,316	692,203
Other comprehensive income (loss) for the period net of income tax	1,945,756	(1,088,092)
Total comprehensive income for the period	$ 2,848,072	$ (395,889)
Basic earnings per share	$0.20	$0.15

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Current assets	$ 152,900,952	$ 136,199,128	$ 139,104,746
Noncurrent assets	47,127,303	43,193,399	43,895,113
Total assets	$ 200,028,255	$ 179,392,527	$ 182,999,859
Current liabilities	$ 129,939,735	$ 114,059,600	$ 116,825,850
Noncurrent liabilities	7,097,284	6,914,191	6,998,275
Total liabilities	137,037,019	120,973,791	123,824,125
Common stock	32,418,432	32,418,432	29,988,123
Capital surplus	8,648,234	8,648,158	8,647,267
Retained earnings	22,645,100	21,243,911	22,958,699
Others	(720,530)	(3,891,765)	(2,418,355)
Total equity	62,991,236	58,418,736	59,175,734
Total liabilities and equity	$ 200,028,255	$ 179,392,527	$ 182,999,859

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended March 31	
	2019	**2018**
Operating revenues	$ 2,590,870	$ 2,435,001
Operating expenses	(2,153,415)	(2,083,141)
Profit from operations	437,455	351,860
Share of profit (loss) of subsidiaries, associates and joint ventures	816,089	705,149
Other income and loss	190,938	59,833
Total non-operating income or loss	1,007,027	764,982
Net profit before income tax	1,444,482	1,116,842
Income tax expense	(36,398)	(146,525)
Net profit for the period	1,408,084	970,317
Other comprehensive income (loss), net of income tax	3,165,677	(1,423,038)
Total comprehensive income (loss) for the period	$ 4,573,761	$ (452,721)
Basic earnings per share	$0.43	$0.30

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Current assets	$ 6,840,152	$ 6,813,888	$ 7,064,142
Noncurrent assets	44,407,041	42,775,502	51,099,588
Total assets	$ 51,247,193	$ 49,589,390	$ 58,163,730
Current liabilities	$ 979,134	$ 941,433	$ 738,437
Noncurrent liabilities	948,282	961,867	1,076,827
Total liabilities	1,927,416	1,903,300	1,815,264
Common stock	20,411,159	20,411,159	20,411,159
Capital surplus	590,151	589,866	4,688,670
Retained earnings	27,470,656	26,234,466	31,643,894
Others	847,811	450,599	(395,257)
Total equity	49,319,777	47,686,090	56,348,466
Total liabilities and equity	$ 51,247,193	$ 49,589,390	$ 58,163,730

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended March 31	
	2019	**2018**
Operating revenue	$ 1,371,080	$ 1,555,083
Operating expenses	(186,577)	(192,007)
Profit from operations	1,184,503	1,363,076
Non-operating income and expenses	40,948	(26,065)
Net profit before income tax	1,225,451	1,337,011
Income tax benefit (expense)	10,739	(9,244)
Net profit for the period	1,236,190	1,327,767
Other comprehensive income (loss) for the period, net of income tax	397,211	(404,009)
Total comprehensive income (loss) for the period	$ 1,633,401	$ 923,758
Basic earnings per share	$0.61	$0.65

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Current assets	$ 64,703	$ 71,658	$ 47,602
Noncurrent assets	3,135,150	3,120,035	3,225,909
Total assets	$ 3,199,853	$ 3,191,693	$ 3,273,511
Current liabilities	$ 823,956	$ 831,179	$ 825,312
Noncurrent liabilities	1,596	1,596	1,712
Total liabilities	825,552	832,775	827,024
Common stock	2,000,000	2,000,000	2,000,000
Capital surplus	8,747	8,747	8,739
Retained earnings	385,503	370,120	457,543
Others	(19,949)	(19,949)	(19,795)
Total equity	2,374,301	2,358,918	2,446,487
Total liabilities and equity	$ 3,199,853	$ 3,191,693	$ 3,273,511

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended March 31	
	2019	**2018**
Revenues and gains	$ 27,281	$ 58,505
Expenses and losses	(11,496)	(24,216)
Net profit before income tax	15,785	34,289
Income tax expense	(402)	(2,566)
Net profit for the period	15,383	31,723
Other comprehensive income (loss) for the period, net of income tax	-	-
Total comprehensive income (loss) for the period	$ 15,383	$ 31,723
Basic earnings per share	$0.08	$0.16

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Cash and cash equivalents	$ 45,603,985	$ 42,947,426	$ 51,166,149
Receivables	27,859,037	17,549,054	13,105,112
Current tax assets	499,407	499,407	-
Financial assets at fair value through profit or loss	270,587,444	215,549,254	186,284,907
Financial assets at fair value through other comprehensive income (loss)	330,268,025	323,006,735	267,415,012
Financial assets measured at amortized cost	977,460,881	950,482,240	834,636,951
Investment property	23,143,854	23,143,854	23,127,777
Loans	33,231,224	33,379,965	31,495,043
Reinsurance assets	548,576	534,353	418,079
Property and equipment	11,254,900	10,722,338	9,587,599
Right-of-use assets	15,371,498	-	-
Intangible assets	200,975	230,128	178,854
Deferred tax assets	6,110,389	9,949,639	9,373,184
Other assets	7,681,279	19,859,278	20,514,715
Separate account product assets	67,618,257	63,501,665	62,544,045
Total assets	$ 1,817,439,731	$ 1,711,355,336	$ 1,509,847,427
Payables	$ 24,230,076	$ 10,727,086	$ 9,087,350
Current tax liabilities	234,539	-	6,583,177
Financial liabilities at fair value through profit or loss	3,128,781	2,469,127	1,039,157
Lease liabilities	2,222,261	-	-
Insurance liabilities	1,609,001,157	1,552,528,196	1,326,488,286
Foreign exchange valuation reserve	4,210,140	3,169,331	2,014,667
Provisions	115,923	134,940	119,426
Deferred tax liabilities	1,903,387	1,342,297	2,397,749
Other liabilities	3,187,564	4,388,310	8,043,810
Separate account product liabilities	67,618,257	63,501,665	62,544,045
Total liabilities	1,715,852,085	1,638,260,952	1,418,317,667
Common stock	40,135,823	40,135,823	37,863,984
Capital surplus	2,289,273	2,289,273	2,289,273
Retained earnings	51,059,671	48,243,509	47,491,282
Others	8,102,879	(17,574,221)	3,885,221
Total equity	101,587,646	73,094,384	91,529,760
Total liabilities and equity	$ 1,817,439,731	$ 1,711,355,336	$ 1,509,847,427

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended March 31	
	2019	**2018**
Operating revenues	$ 92,368,356	$ 73,310,630
Operating costs	(87,783,614)	(69,078,039)
Operating expenses	(1,381,544)	(1,515,668)
Profit from operations	3,203,198	2,716,923
Non-operating income and expenses	3,268	4,926
Income from continuing operations before income tax	3,206,466	2,721,849
Income tax (expense) benefit	(400,901)	956,084
Net income	2,805,565	3,677,933
Other comprehensive income (loss) for the period net of income tax	25,701,590	(13,453,757)
Total comprehensive income (loss) for the period	$ 28,507,155	$ (9,775,824)
Basic earnings per share	$0.70	$0.92

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2019 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2019	Accumulated Inward Remittance of Earnings as of March 31, 2019
					Outflow	Inflow						
Beauty Essential International (Shanghai) Ltd.	Sale and R&D of the cosmetics.	US$ 2,000 thousand	Note 1,b,1)	US$ 2,262 thousand	$ -	$ -	US$ 2,262 thousand	(Note 3)	8.86	$ -	$ 67,521	$ -
Shanghai Derby Software Co., Ltd.	The next-generation electronic distribution channel operator serving China's hotel industry.	US$ 10,000 thousand	Note 1,b,2)	US$ 3,267 thousand	-	-	US$ 3,267 thousand	(Note 3)	6.87	-	107,235	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments.	US$ 35,200 thousand	Note 1,b,3)	US$ 1,400 thousand	-	-	US$ 1,400 thousand	(Note 3)	1.66	-	45,003	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering.	US$ 17,130 thousand	Note 1,b,4)	US$ 3,000 thousand	-	-	US$ 3,000 thousand	(Note 3)	10.23	-	99,603	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging.	US$ 87,070 thousand	Note 1,b,5),19)	US$ 228 thousand	-	-	US$ 228 thousand	(Note 3)	1.79	-	7,028	-
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	-	6,302	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US$ 28,000 thousand	Note 1,b,5),18)	US$ 948 Thousand	-	-	US$ 948 thousand	(Note 3)	2.36	-	7,217	-
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	-	253	-
Tianjin Mei Wei Information Technology Co., Ltd.	Computer IT consulting and technical services; computer hardware and software development; furniture, building materials, daily commodities, hardware wholesale.	CNY 171,574 thousand	Note 1,b,5),18)	CNY 297 thousand	-	-	CNY 297 thousand	(Note 3)	2.36	-	2,259	-
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	-	317	-
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	-	37,584	-
CDIB Private Equity (China) Corporation	Management and consulting.	US$ 7,000 thousand	Note 1,b,8)	US$ 7,000 thousand	-	-	US$ 7,000 thousand	4,294	100.00	4,294	239,020	-
CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting.	CNY 10,000 thousand	Note 10	-	-	-	-	6,883	70.00	4,818	75,279	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2019 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2019	Accumulated Inward Remittance of Earnings as of March 31, 2019
					Outflow	Inflow						
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 6,686 thousand	$ -	$ -	CNY 6,686 thousand	$ (194)	70.00	$ (136)	$ 39,741	$ -
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	(14,738)	-	(5,158)	1,682,007	-
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting.	CNY 7,000 thousand	Note 11	-	-	-	-	3,650	65.00	2,372	51,495	-
CDIB Yida Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 3,250 thousand	-	-	CNY 3,250 thousand	(362)	65.00	(235)	36,523	-
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	(31,991)	-	(9,597)	1,445,668	-
GSD Industrial (China) Co., Ltd.	Pumps manufacture and sale.	CNY 50,000 thousand	Note 1,b,9)	US$ 2,235 thousand	-	-	US$ 2,235 thousand	(Note 3)	19.86	-	68,353	-
Beijing Shengzhuang Co., Ltd.	Cosmetics sales.	CNY 54,300 thousand	Note 1,b,10)	US$ 5,000 thousand	-	-	US$ 5,000 thousand	(Note 3)	5.44	-	151,150	-
Lightel Technologies (Shenzhen) Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps.	US$ 4,100 thousand	Note 1,b,11)	US$ 337 thousand	-	-	US$ 337 thousand	(Note 3)	11.58	-	10,076	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK$ 313,432 thousand	Note 1,b,6),12)	US$ 2,311 thousand	-	-	US$ 2,311 thousand	(Note 3)	7.70	-	71,240	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK$ 195,686 thousand	Note 1,b,6),12)	US$ 1,678 thousand	-	-	US$ 1,678 thousand	(Note 3)	7.70	-	51,734	-
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	-	70,393	-
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	-	56,453	-
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)	-	-	2,627	-
Viscovery	Business in software development	US$ 2,860 thousand	Note 1,b, 15)	US$ 36 thousand	-	-	US$ 36 thousand	(Note 3)	1.80	-	1,110	-
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	(10,572)	100.00	(10,572)	163,596	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2019 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2019	Accumulated Inward Remittance of Earnings as of March 31, 2019
					Outflow	Inflow						
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US$ 4,000 thousand	Note 1,b,16)	US$ 4,000 thousand	$ -	$ -	US$ 4,000 thousand	$ (4,131)	100.00	$ (4,131)	$ 34,083	$ -
CCB Life Insurance Company Limited	Life insurance.	CNY 4,495,789 thousand	Note 1,a	7,401,464	-	-	7,401,464	488,669	19.90	-	10,761,610	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	-	4,038	-
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	-	1,011	-
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	-	61,650	-
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	-	92,475	-

Accumulated Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$14,006,890	US$806,057 thousand	$147,213,322

Note 1: The investment types are as follows:

a. Direct investments.

b. Reinvested through a third area by:

1) Beauty Essentials International Ltd.
2) Derbysoft Holdings Limited.
3) Capital Excel Investments Limited.
4) Hartec Asia Pet Ltd.
5) CDIB Capital Investment I Limited.
6) CDIB Capital Investment II Limited
7) CDIB Venture Capital (Hong Kong) Corporation Limited.
8) CDIB Private Equity (Hong Kong) Corporation Limited.
9) GSD Technologies Co., Ltd.
10) Shengzhuang Holdings Limited.
11) Lightel Technologies, Inc.
12) CBA Sport International Limited.
13) CCAP Tutwo Holdings (Hong Kong) Limited.
14) Best Logistics.
15) Viscovery (Cayman) Holding Company Limited.
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.

(Continued)

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: Investment amount authorized or to be authorized by the Investment Commission, MOEA.

Note 5: Subsidiary of the Corporation formerly indirectly invested in Focal Tech (Shenzhen) System Co., Ltd. through its subsidiary's investment in Focal Tech (Shenzhen) Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.

Note 6: Subsidiary of the Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary's investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.

Note 7: Subsidiary of the Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yanghou 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 8: Subsidiary of the Corporation formerly indirectly invested in China Peptides (Wuhan) Co., Ltd. through its subsidiary's investment in JHL Biotech, Inc. has been listed on the Taipei Exchange on September 17, 2015, refer to its financial report for the information.

Note 9: Subsidiary of the Corporation formerly indirectly invested in Power Logic Tech (DongGuan) Inc., Dongguan TaiYi Electronics Co., Ltd., Dongguan Yi Quan Electronics Co., Ltd. through Sun Max Tech Limited, has been listed on the Taipei Exchange on December 28, 2017, refer to its financial report for the information.

Note 10: In 2017, CDIB Private Equity (Fujian) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 11: In 2017, CDIB Yida Private Equity (Kunshan) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 12: Subsidiary of the Corporation formerly indirectly invested in Gio Van Gogh (International) Jewelry Limited through its subsidiary's investment in Regal Holding Co., Ltd. has been listed on the Taiwan Stock Exchange on June 26, 2017, refer to its financial report for the information.

Note 13: Subsidiary of the Corporation formerly indirectly invested in San Neng Bakeware (Wuxi) Co., Ltd. through its subsidiary's investment in San Neng Group Holdings Co., Ltd. has been listed on the Taiwan Stock Exchange on June 25, 2018, refer to its financial report for the information.

Note 14: Subsidiary of the Corporation formerly indirectly invested in Hangzhou Huatong Industries Inc. and Hangzhou Rilong Leather Co., Ltd. through its subsidiary's investment in Shane Global Holding Inc. has been listed on the Taiwan Stock Exchange on August 15, 2018, refer to its financial report for the information.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	CDIB Capital Group	1	Current tax assets	$ 527,703	Note 4	0.02%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	527,703	Note 4	0.02%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	317,267	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	317,267	Note 4	0.01%
0	The Corporation	KGI Bank	1	Current tax assets	530,563	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	530,563	Note 4	0.02%
0	The Corporation	KGI Securities	1	Current tax assets	746,448	Note 4	0.03%
3	KGI Securities	The Corporation	2	Current tax liabilities	746,448	Note 4	0.03%
2	KGI Bank	The Corporation	2	Deposits and remittances	5,015,042	Note 4	0.17%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	5,015,042	Note 4	0.17%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	5,339,177	Note 4	0.19%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	5,339,177	Note 4	0.19%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposits and remittances	334,615	Note 4	0.01%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	334,615	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Other financial assets	904,438	Note 4	0.03%
2	KGI Bank	KGI Securities	3	Deposits and remittances	904,438	Note 4	0.03%
3	KGI Securities	KGI Bank	3	Restricted assets	4,969,268	Note 4	0.17%
2	KGI Bank	KGI Securities	3	Deposits and remittances	4,969,268	Note 4	0.17%

(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	China Life Insurance	3	Deposits and remittances	$ 9,850,262	Note 4	0.34%
4	China Life Insurance	KGI Bank	3	Cash and cash equivalents	9,850,262	Note 4	0.34%
3	KGI Securities	China Life Insurance	3	Receivables, net	536,612	Note 4	0.02%
4	China Life Insurance	KGI Securities	3	Payables	536,612	Note 4	0.02%
2	KGI Bank	CDIB Capital Management Corporation	3	Deposits and remittances	300,759	Note 4	0.01%
5	CDIB Capital Management Corporation	KGI Bank	3	Other financial assets	250,830	Note 4	0.01%
5	CDIB Capital Management Corporation	KGI Bank	3	Cash and cash equivalents	49,929	Note 4	0.00%
6	CDIB Venture Capital Corporation	KGI Bank	3	Cash and cash equivalents	150,257	Note 4	0.01%
2	KGI Bank	CDIB Venture Capital Corporation	3	Deposits and remittances	150,257	Note 4	0.01%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	741,879	Note 4	0.03%
7	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	741,879	Note 4	0.03%
7	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Cash and cash equivalents	266,145	Note 4	0.01%
8	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Payables	266,145	Note 4	0.01%
7	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	2,897,852	Note 4	0.10%
8	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	2,897,852	Note 4	0.10%
6	KGI Futures Co., Ltd.	KGI Futures (Hong Kong) Pte. Ltd.	3	Other financial assets	123,878	Note 4	0.00%
9	KGI Futures (Hong Kong) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	123,878	Note 4	0.00%
10	Richpoint Company Limited	KGI International Holdings Limited	3	Receivables, net	927,027	Note 4	0.03%
11	KGI International Holdings Limited	Richpoint Company Limited	3	Other borrowings	927,027	Note 4	0.03%
12	KGI Asia Limited	KGI Securities	3	Receivables, net	513,769	Note 4	0.02%
13	KGI Securities	KGI Asia Limited	3	Other borrowings	513,769	Note 4	0.02%

(Continued)

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - 0; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the midterm/Total consolidated net profit.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT$100 million.

(Concluded)