

**China Development Financial Holding
Corporation and Subsidiaries**

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION

March 30, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Development Financial Holding Corporation

Opinion

We have audited the accompanying consolidated financial statements of China Development Financial Holding Corporation (the Corporation) and subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2019 are as follows:

Impairment of Discounts, Loans, and Receivables

As stated in Note 5, to determine the impairment loss of discounts, loans, and receivables, the management should (1) judge whether credit risk has increased significantly or credit impairment has already occurred, (2) estimate the expected future cash flows based on past events, present status and future economic circumstances of the assets with similar credit risk, and (3) review periodically the methodology and assumptions adopted for both expected future cash flows and its timing to decrease the difference between the estimated and actual amount of impairment. The methodology and assumptions adopted for the assessment of objective evidence of impairment and the amount and timing of future cash flows (e.g. impairment occurrence rate, and recovery rate) require the use of critical judgments and estimates; therefore, the impairment of discounts, loans, receivables, loan commitments and provisions is deemed to be a key audit matter for the year ended December 31, 2019.

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

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

Assessment of Insurance Liabilities and Liability Adequacy Reserve

As stated in Note 5, management uses actuarial models and several material assumptions when assessing the insurance liabilities and liability adequacy reserve. The assumptions were based on the principles embodied in the relevant laws and regulations, which cover the unique risk exposure, product characteristics and experiences from target markets of China Life Insurance Co., Ltd. (China Life Insurance). The assessment of liability adequacy reserve is in compliance with the relevant norms promulgated by The Actuarial Institute of the Republic of China. When China Life Insurance assesses the liability adequacy reserve, the estimated present value of future cash flows of insurance contracts is based on a reasonable estimate of future insurance payments, premium income and related expenses. Since any change in the actuarial model and material assumptions will have a significant influence on insurance liabilities and liability adequacy reserve, we consider them as key audit matters for the year ended December 31, 2019.

Refer to Notes 4, 5 and 54 for the relevant accounting policy, critical accounting judgments, and estimation uncertainty, and disclosures of assessment of insurance liabilities and liability adequacy reserve.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Wu Mei Hui Kwan-chung Lai

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 30, 2020

Notice to Readers

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

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

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

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

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

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

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
EARNINGS PER SHARE (Note 48)					
Basic	<u>\$0.88</u>		<u>\$0.54</u>		
Diluted	<u>\$0.88</u>		<u>\$0.54</u>		

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

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Equity Attributable to Owners of the Parent																
							Other Equity								Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
	Capital			Retained Earnings			Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares					
Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings												
BALANCE AT JANUARY 1, 2018	\$ 149,763,034	\$ 5,162	\$ 1,173,719	\$ 5,606,606	\$ 2,078,602	\$ 13,184,948	\$ (2,031,949)	\$ -	\$ 2,113,838	\$ -	\$ (8,322)	\$ (4,205,566)	\$ 167,680,072	\$ 81,544,066	\$ 249,224,138		
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562	1,743,732	6,304,294		
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634	83,287,798	255,528,432		
Appropriation of the 2017 earnings																	
Legal reserve	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-	-	-		
Cash dividends - NT\$0.6 per share	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)		
Special reserve	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-	-	-		
	-	-	-	1,169,529	(1,513,561)	(8,630,345)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)		
Net profit for the year ended December 31, 2018	-	-	-	-	-	7,852,688	-	-	-	-	-	-	7,852,688	4,961,952	12,814,640		
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(80,056)	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(12,848,505)	(22,213,765)	(35,062,270)		
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	7,772,632	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(4,995,817)	(17,251,813)	(22,247,630)		
Cancellation of treasury shares	(206,461)	-	-	-	-	-	-	-	-	-	-	206,461	-	-	-		
Disposal of the Corporation's shares, as treasury shares	-	-	176,732	-	-	-	-	-	-	-	-	393,661	570,393	-	570,393		
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	287,529	-	-	-	-	-	-	-	-	-	287,529	-	287,529		
Share-based payments	66,239	5,586	(6,988)	-	-	(4,159)	-	-	-	-	6,983	-	67,661	-	67,661		
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,773,969)	(1,773,969)		
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	215,673	-	(215,673)	-	-	-	-	-	-	-		
Net change in special reserve of subsidiaries	-	-	-	-	-	36,660	-	-	-	-	-	-	36,660	68,207	104,867		
BALANCE AT DECEMBER 31, 2018	149,622,812	10,748	1,630,992	6,776,135	565,041	14,754,530	(930,286)	(5,138,562)	-	(4,451,944)	(1,339)	(3,605,444)	159,232,683	64,330,223	223,562,906		
Appropriation of the 2018 earnings																	
Legal reserve	-	-	-	785,269	-	(785,269)	-	-	-	-	-	-	-	-	-		
Special reserve	-	-	-	-	10,232,858	(10,232,858)	-	-	-	-	-	-	-	-	-		
Cash dividends - NT\$0.245 per share	-	-	-	-	-	(3,666,666)	-	-	-	-	-	-	(3,666,666)	-	(3,666,666)		
	-	-	-	785,269	10,232,858	(14,684,793)	-	-	-	-	-	-	(3,666,666)	-	(3,666,666)		
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(362)	-	-	-	-	-	-	-	-	-	(362)	-	(362)		
Issuance of cash dividends from capital surplus	-	-	(823,129)	-	-	-	-	-	-	-	-	-	(823,129)	-	(823,129)		
Other changes in capital surplus	-	-	54,273	-	-	-	-	-	-	-	-	-	54,273	-	54,273		
Net profit for the year ended December 31, 2019	-	-	-	-	-	12,795,690	-	-	-	-	-	-	12,795,690	6,858,131	19,653,821		
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(121,894)	(860,174)	14,388,715	-	5,805,023	-	-	19,211,670	31,387,990	50,599,660		
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	12,673,796	(860,174)	14,388,715	-	5,805,023	-	-	32,007,360	38,246,121	70,253,481		
Disposal of the Corporation's shares, as treasury shares	-	-	177,897	-	-	-	-	-	-	-	-	460,867	638,764	-	638,764		
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	123,668	-	-	-	-	-	-	-	-	-	123,668	-	123,668		
Changes in percentage of ownership interests in subsidiaries	-	-	(67,610)	-	-	(996)	(23)	(11,727)	-	(5,322)	-	7,299	(78,379)	6,220,045	6,141,666		
Share-based payments	40,909	9,611	(1,984)	-	-	(9,671)	-	-	-	-	1,339	-	40,204	-	40,204		
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	149,752	149,752		
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(112,203)	-	112,203	-	-	-	-	-	-	-		
Net change in special reserve of subsidiaries	-	-	-	-	-	(3,288)	-	-	-	-	-	-	(3,288)	(6,115)	(9,403)		
BALANCE AT DECEMBER 31, 2019	\$ 149,663,721	\$ 20,359	\$ 1,093,745	\$ 7,561,404	\$ 10,797,899	\$ 12,617,375	\$ (1,790,483)	\$ 9,350,629	\$ -	\$ 1,347,757	\$ -	\$ (3,137,278)	\$ 187,525,128	\$ 108,940,026	\$ 296,465,154		

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

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

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

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

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

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

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of December 31, 2019, KGI Securities had a head office and 76 branches which included head office.

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

KGI Bank was established on January 14, 1992. As of December 31, 2019, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 53 domestic branches.

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

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

- IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

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

The Group also applies the following practical expedients:

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

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

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

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

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

The Group as lessor

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

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

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

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

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group assessed the possible impact that the application of the standards mentioned above and interpretations will have no material impact on the Group's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

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

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

2) IFRS 17 "Insurance Contract"

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

Level of aggregation

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

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

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

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

Recognition

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

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

Measurement

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

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

Subsequent measurement

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

Onerous contracts

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

Premium allocation approach

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

- a) The entity reasonably expects that this will be an approximation of General Model; or
- b) Contracts with a coverage period of one year or less are eligible for PAA.

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

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

Investment contracts with a discretionary participation feature

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

Modification and derecognition

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

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

Transition

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reporting by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC.

Basis of Preparation

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

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

Principles for Preparing Consolidated Financial Statements

The consolidated financial report includes the financial reports of the Group, and the accounting policies are applied consistently. All significant intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

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

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

As of December 31, 2019 and 2018, the consolidated entities included in the consolidated financial statements included 60 and 63 companies, respectively (please refer to the attached Table 8).

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis.

According to the Official Letter No. 10302153881 issued by the FSC on February 10, 2015, the insurance enterprises recognizes the increase in retained earnings arising from bargain purchase gain due to mergers and acquisitions, and should provide the same amount of special surplus reserve. The special surplus reserve can cover the losses after one full years since the recognition date. When the value of the assets under evaluation of the merger is similar to that at the time of merger and acquisition, and there is no unanticipated significant impairment, then it would be transferred to paid-in capital.

Foreign Currencies

The Group recognizes at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period occurred.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are recognized in other comprehensive income (attributed to the shareholders of the parent company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Cash Equivalents

Cash equivalents include time deposits that can be terminated on demand without reducing principal, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments in Associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for their investments in associates. Subsidiaries in the Group with venture capital can choose to measure investments in associates by equity method or by fair value through profit or loss.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates and joint ventures. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investment in associates measured by fair value through profit or loss are recognized as financial assets at fair value through profit or loss and the change in fair value is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. Investment in associates measured by fair value through profit or loss are recognized as financial assets at fair value through profit or loss and the change in fair value is recognized in profit or loss.

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

Financial assets and liabilities

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

a. Measurement category

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

1) Financial assets or liabilities at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 53.

2) Financial assets at amortized cost

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

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

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

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

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

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

3) Investments in debt instruments at FVTOCI

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Margin loans and stock loans

"Receivable amount for margin loans" is the margin loans extended to the customers to buy securities. The securities bought by the customers are held as pledges on the loan provided, and these securities are recorded as "securities deposited by customers" using memo entries.

The securities refinance customer loans from securities finance companies, and the related amount is recorded as "refinancing borrowings" and is pledged with the underlying securities bought by the customers.

The subsidiaries of the Corporation provide financing to customers for the short sale of pledged securities from margin loans or short sale of securities borrowed from securities finance companies. The proceeds from short sale of securities borrowed by customers, net of commissions and securities transaction tax, are retained by the subsidiaries and recorded as "deposit payable for securities financing." In addition, the Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan, ROC requires that customers should make a guarantee deposit to the subsidiaries or provide securities in lieu of cash deposit, which are recorded as "securities financing guarantee deposit."

c. Guarantee deposits received on futures contracts and customers' equity accounts - futures

Margin deposits received from clients are debited to "guarantee deposits received on futures contracts" and credited to "customers' equity accounts - futures" for futures transactions as required by the regulations. Margin deposit balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels. The debit balance of "customers' equity accounts - futures" which results from losses on futures transactions in excess of the margin deposit, is recorded as "accounts receivable - futures guarantee deposits." Customer's equity accounts - futures cannot be offset unless these accounts pertain to the same customers.

d. Impairment of financial assets

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

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

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

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

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

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

Based on the Order No. 10300329440 issued by the FSC, for the Bank to have an enhanced risk coverage toward collateral and exposures in Mainland China, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets before 2016. Based on the Order No. 10410001840 issued by the FSC, for the Bank to have an enhanced control of the exposure to the risk in Mainland China, the minimum provision for the credit loss reserve is 1.5% of the credit include short-term trade finance that were granted to companies based in Mainland China before 2015 and classified as normal assets.

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

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

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

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

e. Derecognition of financial assets

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

f. Equity instruments

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

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

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

g. Derivative financial instruments

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

h. Adoption of overlay approach on financial assets

China Life Insurance chose to express profit or loss of the designated financial assets in overlay approach in accordance with IFRS 4 “Insurance Contract” since the application of IFRS 9. To those designated financial assets, the Company classifies the amount from profit or loss to other comprehensive income, thus making the profit or loss of the designated financial assets as at the reporting date equal to as if they would have been accounted for under IAS 39. Accordingly, the reclassification amount is the difference of the following items:

- 1) The amount of profit or loss of the designated financial assets in accordance with IFRS 9; and
- 2) The amount of profit or loss of the designated financial assets as if applied to IAS 39.

A financial asset is eligible for designation under overlay approach if qualifying for the following conditions:

- 1) In accordance with IFRS 9, the financial asset is measured at fair value through profit or loss. However, if the Company applies to IAS 39, the financial asset is not measured at fair value through profit or loss collectively; and
- 2) The financial asset is not held in respect of activities that is unconnected with contracts within the scope of IFRS 4 “Insurance Contract”.

A Financial asset is eligible for the overlay approach if either of the following conditions is met:

- 1) The asset is accounted for on initial recognition; or
- 2) The asset now meets the criteria of which is held in respect of activities other than contracts within the scope of IFRS 4 “Insurance Contract” but previously did not.

China Life Insurance shall continuously adopt overlay approach to those designated financial assets until derecognition. However, China Life Insurance shall remove the designated status when the financial assets held in respect of activities other than contracts within the scope of IFRS 4 “Insurance Contract”. In addition, at the beginning date of any annual reporting year, the Company is permitted to stop applying overlay approach to all designated financial assets; If it does, the change in the accounting policy is accounted for under IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

Securities Purchased and Sold Under Resell and Repurchase Agreements

For securities purchased under resell agreements, the payment to a counter-party is treated as a financing transaction. For securities sold under repurchase agreements, the payment by a counter-party and the related interest revenue or interest expense are recognized on the accrual basis.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Collaterals Assumed

Collaterals assumed (recognized as other assets) are recorded at cost, which includes the price and the expenditure for placing the collateral in a position to be sold, and are evaluated at their fair value as of the end of the period. An impairment loss is recognized when the cost of collaterals exceeds the fair value.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

c. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

Impairment of Non-financial Assets

The Group evaluates the possibility of impairment loss on non-financial assets as of the balance sheet date. If there is sufficient objective evidence of asset impairment, the Group recognizes an impairment loss whenever the recoverable amount of the asset or the cash-generating unit is below the carrying amount of an asset, and this impairment loss either is charged to accumulated impairment or reduces the carrying amount of an asset directly. After the recognition of an impairment loss, the depreciation (amortization) charged to the assets should be adjusted in future years at the revised asset carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income and debited to accumulated impairment or is used to increase the carrying amount of the asset. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

A cash-generating unit ("CGU"), which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill, then to the other assets of CGU pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

Separate-account Products

China Life Insurance sells investment-linked insurance products, of which the applicant pays the premium according to the agreed amount less the expenses incurred by the insurer. In addition, the investment distribution is approved by the applicant and then transferred to specific accounts as requested by the applicant. The value of these specific accounts is determined based on their fair value on the applicable date and the net worth is computed in accordance with the relevant regulations and the IFRSs.

In accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, assets and liabilities representing the rights and obligations of the applicants, whether arising from an insurance contract or insurance policy with features of financial instruments, are recognized separately as "separate-account product assets" and "separate-account product liabilities". The revenues and expenses of separate-account insurance products in accordance with IFRS 4 Insurance Contracts, separately recognized as "separate-account product revenues" and "separate-account product expenses."

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability. The Group does not recognize contingent liabilities but disclose them in accordance with related rules instead.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not recognize contingent assets but disclose them in accordance with related rules when the inflow of economic benefits is probable.

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

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

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

a. Unearned premium reserve

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

b. Reserve for claims

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

c. Reserve for life insurance liabilities

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

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

d. Special reserve

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

- a) Special capital reserve - special reserve for major incidents

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

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

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

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

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

e. Premium deficiency reserve

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

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

f. Other reserve

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

g. Liability adequacy reserve

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

h. Reserves for insurance contracts with feature of financial instruments

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

Foreign Exchange Valuation Reserve

Foreign exchange valuation reserve was appropriated or written-down from the foreign investment assets do not include foreign currency non-investment-linked life insurance product assets) in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises”. The beginning balance of China Life Insurance’s foreign exchange valuation reserve is NT\$1,745,679 thousand which has to recognize special reserve within three years since 2012 according to the provision. The recognized amount should not be less than one third of the beginning balance net of tax for the first year. The cumulative recognized amount of the first two years should not be less than two thirds of the beginning balance net of tax. In addition, the saving of hedging costs is transferred to special reserve each year. If the annual earning is not enough for transfer, then replenish in the later year. The related special reserve may be used to increase the share capital or offset deficit at least once in the following three years. According to “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises” Article 9, if the Insurance Company has annual net tax earning, then it should appropriate 10% of that earning to special reserve after shareholders’ meeting.

Employee Benefits

a. Short-term employee benefits

The undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in an accounting period is recognized in that period.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Other long-term benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

The Corporation and its eligible subsidiaries use the linked-tax system in the filing of tax returns. The accounting treatment applied by the Group to the income tax is to adjust in the Corporation's and its subsidiaries' book by a prorated share amount the difference between the combined current/deferred taxes and the total of each Group member's current/deferred taxes. Related payables and receivables are recorded in each of the Group members' books.

Based on the "Basic Income Tax Act," if the basic income tax is greater than the amount of regular income tax, the income tax payable should be the basic income tax. The incremental tax payable is recorded as current income tax expense.

b. Deferred tax

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for research and development expenditures, and personnel training expenditures and equity investments acquisition to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expected, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

Revenue Recognition

Interest revenue arisen from credits are estimated on an accrual basis. All interest accrued shall be suspended from the date the loans are classified as nonperforming loans. Interest earned from nonperforming loans shall be recognized as interest income when the interest has been collected by the Group.

Service fee income is recognized when collected or when the majority of project is completed. Service fee income is received when loans and receivables are recognized. The service fee income which are caused by loans or receivables shall be recognized as interest revenue when they meet a suggested policy announced by the Bankers Association of the Republic of China. This policy requires an individual loan that meets the materiality criteria to have its effective interest rate be consistent with its interest revenue. Overall, the service fees shall be adjusted from the original agreed interest rate to the effective interest rate.

Revenue from rendering services - brokerage and underwriting commissions and fees, stock transaction agent fees, futures trading commissions and fees - is recognized on the basis of the stage of completion of related services as of the balance sheet dates.

Insurance Premium Income and Expenses

Insurance contract and financial instruments with discretionary participation features, the initial and renewal premium are only recognized as revenue after collection and underwriting procedures, and subsequent session of collection are completed, respectively. In terms of the acquisition cost such as commission expense and brokerage expenses, the related expense will be recognized in that period after commencement of the insurance contract.

For non-separate-account insurance product that is also classified as financial products without discretionary participation features, the insurance revenue collected is recognized on the balance sheet as “reserves for insurance contracts with feature of financial instruments.” The related acquisition costs will be written-down in that period after commencement of the insurance contract under “reserves for insurance contracts with feature of financial instruments.”

Leases

2019

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

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

a. The Group as lessor

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

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

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

b. The Group as lessee

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

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

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

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

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

2018

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

Amounts due from lessees under finance leases are recognized as installment accounts receivable and lease payments receivable at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Share-based Payment Arrangements

Restricted shares for employees are measured at fair value on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options.

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with the market-based measure at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award.

Reinsurance

Premiums ceded to reinsurers and reinsurance commission income generated from ceded reinsurance business and due to reinsurers and ceding companies are recognized in the same period with income or expense of the related insurance contract. As the net right of holding reinsurance contract includes reinsurance reserve assets, claims recoverable from reinsurers and due from reinsurers and ceding companies, they are recognized according to the method of signed reinsurance contract and related insurance contract liabilities. The assets, liabilities, income and expense of reinsurance contract cannot offset with the income and expense of related insurance liabilities and insurance contract.

China Life Insurance holds the right over re-insurer for reinsurance reserve assets, claims recoverable from reinsurers-net and due from reinsurers and ceding companies, and regularly assess if impairment has occurred to such rights or the rights can no longer be recovered. When objective evidences demonstrate that such rights after initial recognition may lead to China Life Insurance not recovering all contractual terms of the amount due; and the above events can be recovered from reinsurers at the impacted amount, then China Life Insurance can retrieve an amount that is less than the carrying value of the aforementioned rights, and recognize impairment losses.

For the classification of reinsurance contracts, China Life Insurance assesses whether the transfer of significant insurance risk to the re-insurer has occurred. If the transfer of significant insurance risk is not apparent, then the contract is recognized and evaluated with deposit accounting.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment loss on discounts, loans, receivables

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

b. Assessment of insurance liabilities and liability adequacy reserve

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

6. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents as of December 31, 2019 and 2018 as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets as follows; please refer to the consolidated statements of cash flows for the reconciliation information.

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

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

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

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

(Continued)

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

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

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

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

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

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

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

Financial assets mandatorily classified as at FVTPL

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

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

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

Due to the adjustment of the overlay approach, gain on financial assets measured at FVTPL decreased from \$48,372,448 thousand to \$30,814,685 thousand for the year ended December 31, 2019; and loss on financial assets measured at FVTPL decreased from \$26,109,031 thousand to \$10,325,029 thousand for the year ended December 31, 2018.

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

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

As of December 31, 2019 and 2018, financial assets at fair value through profit or loss with aggregate carrying values of \$41,750,306 thousand and \$47,273,587 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

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

9. OPERATING SECURITIES

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

a. Investments in debt instruments at FVTOCI

As of December 31, 2019 and 2018, investments in debt instruments at FVTOCI, with aggregate carrying values of \$42,222,421 thousand and \$62,699,207 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

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

b. Investments in equity instruments at FVTOCI

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

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

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

11. FINANCIAL ASSETS AT AMORTIZED COST

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

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

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

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

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

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

13. RECEIVABLES, NET

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

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

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

14. DISCOUNTS AND LOANS, NET

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

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

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

15. REINSURANCE ASSETS, NET

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

No impairment loss was recognized for reinsurance assets.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

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

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

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

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

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

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

17. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investment in structured entities

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

December 31, 2019

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

December 31, 2018

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

b. Management on structured entities

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

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

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

18. RESTRICTED ASSETS

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

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

After the filing of certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 50), CDIB Capital Group could not access the following funds in connection with transactions made with Morgan Stanley because of its unauthorized disposition: Accounts receivable, deposits, cash security on CDS contracts, stock investments and the related accrued revenue. Because of the inaccessibility of these funds, these financial assets reclassified as "restricted assets".

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

19. OTHER FINANCIAL ASSETS

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

Separate account Insurance Products

a. Separate account insurance products - assets and liabilities

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

b. Separate account insurance products - revenues and expenses

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

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

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

20. INVESTMENT PROPERTY, NET

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

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

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

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

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

The fair values of the Group's investment property as of December 31, 2019 and 2018 were \$25,108,005 thousand and \$25,033,305 thousand, respectively. Investment property was categorized into Level 3.

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

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

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

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

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

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

	Estimated Useful Lives
Buildings	30-60 years

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

21. PROPERTY AND EQUIPMENT, NET

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

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

	Land	Buildings and Facilities	Computer Equipment	Leasehold Improvements	Other Equipment	Transportation Equipment	Leased Assets	Prepayments for Acquisition of Properties	Total
Cost									
Balance at January 1, 2018	\$ 20,570,378	\$ 8,883,962	\$ 1,759,548	\$ 807,714	\$ 1,817,285	\$ 18,670	\$ 715,471	\$ 1,754,925	\$ 36,327,953
Additions	-	62,714	203,909	84,457	53,352	464	144,864	1,389,190	1,938,950
Disposals	(70,148)	(94,955)	(361,687)	(31,383)	(97,019)	(10,692)	(83,062)	-	(748,946)
Reclassification	(223,748)	(173,046)	61,545	2,386	6,585	-	77,538	95,715	(153,025)
Effect of exchange rate changes	-	-	6,661	6,609	15,291	(43)	-	-	28,518
Balance at December 31, 2018	<u>20,276,482</u>	<u>8,678,675</u>	<u>1,669,976</u>	<u>869,783</u>	<u>1,795,494</u>	<u>8,399</u>	<u>854,811</u>	<u>3,239,830</u>	<u>37,393,450</u>
Accumulated depreciation and impairment									
Balance at January 1, 2018	(54,254)	(2,393,901)	(913,300)	(469,863)	(1,461,681)	(10,188)	(144,075)	-	(5,447,262)
Additions	153	(227,777)	(286,985)	(111,348)	(111,139)	(2,796)	(108,015)	-	(847,907)
Disposals	-	51,918	360,471	30,022	96,793	10,692	55,498	-	605,394
Reclassification	-	35,366	550	(162)	(661)	-	112	-	35,205
Effect of exchange rate changes	-	-	(4,003)	(3,160)	(14,370)	(28)	(22)	-	(21,583)
Balance at December 31, 2018	<u>(54,101)</u>	<u>(2,534,394)</u>	<u>(843,267)</u>	<u>(554,511)</u>	<u>(1,491,058)</u>	<u>(2,320)</u>	<u>(196,502)</u>	<u>-</u>	<u>(5,676,153)</u>
Balance at December 31, 2018, net	<u>\$ 20,222,381</u>	<u>\$ 6,144,281</u>	<u>\$ 826,709</u>	<u>\$ 315,272</u>	<u>\$ 304,436</u>	<u>\$ 6,079</u>	<u>\$ 658,309</u>	<u>\$ 3,239,830</u>	<u>\$ 31,717,297</u>
Cost									
Balance at January 1, 2019	\$ 20,276,482	\$ 8,678,675	\$ 1,669,976	\$ 869,783	\$ 1,795,494	\$ 8,399	\$ 854,811	\$ 3,239,830	\$ 37,393,450
Adjustments on initial application of IFRS 16	(3,923)	(15,430)	(139,976)	-	-	-	-	-	(159,329)
Additions	-	40,294	359,517	89,544	120,588	107,378	-	3,181,334	3,898,655
Disposals	(43,180)	(62,276)	(273,022)	(78,701)	(179,525)	(78,169)	-	-	(714,873)
Reclassification	(3,996)	(8,889)	1,147,520	16,186	(546,326)	446,490	(854,811)	133,540	329,714
Effect of exchange rate changes	-	-	(20,859)	(6,112)	2,352	48	-	-	(24,571)
Balance at December 31, 2019	<u>20,225,383</u>	<u>8,632,374</u>	<u>2,743,156</u>	<u>890,700</u>	<u>1,192,583</u>	<u>484,146</u>	<u>-</u>	<u>6,554,704</u>	<u>40,723,046</u>
Accumulated depreciation and impairment									
Balance at January 1, 2019	(54,101)	(2,534,394)	(843,267)	(554,511)	(1,491,058)	(2,320)	(196,502)	-	(5,676,153)
Adjustments on initial application of IFRS 16	3,923	15,430	66,576	-	-	-	-	-	85,929
Additions	156	(224,435)	(316,372)	(95,367)	(103,849)	(99,148)	-	-	(839,015)
Disposals	-	27,038	270,841	77,843	179,271	53,140	-	-	608,133
Reclassification	-	(19,776)	(586,084)	-	538,086	(147,338)	196,502	-	(18,610)
Effect of exchange rate changes	-	-	17,318	5,854	(2,177)	(13)	-	-	20,982
Balance at December 31, 2019	<u>(50,022)</u>	<u>(2,736,137)</u>	<u>(1,390,988)</u>	<u>(566,181)</u>	<u>(879,727)</u>	<u>(195,679)</u>	<u>-</u>	<u>-</u>	<u>(5,818,734)</u>
Balance at December 31, 2019, net	<u>\$ 20,175,361</u>	<u>\$ 5,896,237</u>	<u>\$ 1,352,168</u>	<u>\$ 324,519</u>	<u>\$ 312,856</u>	<u>\$ 288,467</u>	<u>\$ -</u>	<u>\$ 6,554,704</u>	<u>\$ 34,904,312</u>

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

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

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

The maturity analysis of lease payments receivable was as follows:

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

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

	Estimated Useful Lives
Machinery equipment	4-20 years
Transportation equipment	2-5 years

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

22. LEASE ARRANGEMENTS

a. Right-of-use assets, net

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

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

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

b. Lease liabilities

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

Range of discount rate for lease liabilities were as follows:

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

The maturity analysis of lease liabilities were as follows:

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

c. Material lease-in activities and terms

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

d. Other lease information

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

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

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

23. INTANGIBLE ASSETS

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

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

	Purchase Policy Value	Operation Rights	Goodwill	Computer Software	Others	Total
<u>Cost</u>						
Balance at January 1, 2018	\$ 13,320,077	\$ 8,542,562	\$ 3,347,646	\$ 1,423,067	\$ 51,994	\$ 26,685,346
Additions	-	-	-	279,334	-	279,334
Decreases	-	-	-	(39,801)	-	(39,801)
Reclassification	-	-	-	50,895	-	50,895
Effects of exchange rate changes	-	-	21,444	(278)	-	21,166
Balance at December 31, 2018	<u>13,320,077</u>	<u>8,542,562</u>	<u>3,369,090</u>	<u>1,713,217</u>	<u>51,994</u>	<u>26,996,940</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2018	(164,499)	(3,683,007)	-	(652,522)	(15,598)	(4,515,626)
Amortization	(388,059)	(667,646)	-	(294,214)	-	(1,349,919)
Decreases	-	-	-	39,589	-	39,589
Effects of exchange rate changes	-	-	-	163	-	163
Balance at December 31, 2018	<u>(552,558)</u>	<u>(4,350,653)</u>	<u>-</u>	<u>(906,984)</u>	<u>(15,598)</u>	<u>(5,825,793)</u>
Balance at December 31, 2018, net	<u>\$ 12,767,519</u>	<u>\$ 4,191,909</u>	<u>\$ 3,369,090</u>	<u>\$ 806,233</u>	<u>\$ 36,396</u>	<u>\$ 21,171,147</u>

(Continued)

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

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

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

24. OTHER ASSETS

	December 31	
	2019	2018
Security borrowing margins	\$ 16,655,194	\$ 10,778,769
Operating guarantee deposits	7,931,702	7,438,483
Guarantee deposits paid	7,921,332	13,733,989
Prepaid expense	1,406,399	1,265,709
Prepayment - surface rights	-	13,179,623
Others	<u>1,843,052</u>	<u>2,505,788</u>
	<u>\$ 35,757,679</u>	<u>\$ 48,902,361</u>

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

25. DEPOSITS FROM THE CENTRAL BANK AND FINANCIAL INSTITUTIONS

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

26. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

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

27. COMMERCIAL PAPER PAYABLE, NET

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

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

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

28. PAYABLES

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

29. DEPOSITS AND REMITTANCES

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

30. BONDS PAYABLE

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

Corporate Bonds Payable

Name	December 31		Issuance Period	Method of Paying Principle and Interests	Interest Rate
	2019	2018			
1st corporate bonds in 2011 - the Corporation	\$ -	\$ 1,000,000	Bond B 2012.03.07-2019.03.07	Interest payable annually; principal due on maturity	Bond B 1.42%
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000	2015.03.30-2020.03.30	Interest payable annually; principal due on maturity	1.42%
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000	2015.09.15-2020.09.15	Interest payable annually; principal due on maturity	1.37%
1st corporate bonds in 2017 - the Corporation	10,000,000	10,000,000	Bond A 2017.09.08-2024.09.08	Interest payable annually; principal due on maturity	Bond A 1.75%
			Bond B 2017.09.08-2027.09.08		Bond B 1.90%
			Bond C 2017.09.08-2032.09.08		Bond C 2.10%
1st corporate bonds in 2019 - the Corporation	5,000,000	-	Bond A 2019.08.08-2026.08.08	Interest payable annually; principal due on maturity	Bond A 0.88%
			Bond B 2019.08.08-2119.08.08		Bond B 1.00%
1st corporate bonds in 2015 - KGI Securities	4,800,000	4,800,000	Bond A 2015.06.08-2018.06.08	Interest payable annually; principal due on maturity	Bond A 1.20%
			Bond B 2015.06.08-2020.06.08		Bond B 1.42%
1st corporate bonds in 2019 - KGI Securities	4,200,000	-	Bond A 2019.11.12-2022.11.12	Interest payable annually; principal due on maturity	Bond A 0.73%
			Bond B 2019.11.12-2024.11.12		Bond B 0.78%
			Bond C 2019.11.12-2026.11.12		Bond C 0.83%
Net amount	<u>\$ 32,000,000</u>	<u>\$ 23,800,000</u>			
Fair value	<u>\$ 32,230,073</u>	<u>\$ 24,225,699</u>			

Bank Debentures Payable

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

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

31. OTHER BORROWINGS

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

32. PROVISIONS

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

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

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

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

a. Reserve for life insurance liabilities:

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

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

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	<u>1,834,656</u>	<u>-</u>	<u>1,834,656</u>
	<u>\$ 1,298,519,953</u>	<u>\$ 214,435,924</u>	<u>\$ 1,512,955,877</u>

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

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

Movement in reserve for life insurance liabilities is summarized below:

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

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

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

For the Year Ended December 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	276,895,391	19,649,096	296,544,487
Recover	(59,348,314)	(21,707,044)	(81,055,358)
Foreign exchange gains	4,341,192	763,453	5,104,645
Other (Note 1)	<u>28,517,954</u>	<u>-</u>	<u>28,517,954</u>
Ending balance (Note 2)	<u>\$ 1,298,519,952</u>	<u>\$ 214,435,925</u>	<u>\$ 1,512,955,877</u>

Note 1: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

Note 2: The total amount of liability reserve is \$1,513,115,547 thousand on December 31, 2018 after reserve for life insurance-accrued paid is added.

b. Unearned premium reserve

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

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
	<u>3,854,738</u>	<u>53</u>	<u>3,854,791</u>
Less ceded unearned premium reserve			
Individual life insurance	10,712	-	10,712
Individual injury insurance	1,513	-	1,513
Individual health insurance	27,559	-	27,559
Group insurance	5,267	-	5,267
Investment-linked insurance	5,074	-	5,074
	<u>50,125</u>	<u>-</u>	<u>50,125</u>
Net amount	<u>\$ 3,804,613</u>	<u>\$ 53</u>	<u>\$ 3,804,666</u>

Movement in unearned premium reserve is summarized below:

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

For the Year Ended December 31, 2018			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 3,384,833	\$ 57	\$ 3,384,890
Reserve	3,854,737	53	3,854,790
Recover	(3,421,034)	(57)	(3,421,091)
Foreign exchanges gains	1	-	1
Others (Note)	<u>36,201</u>	<u>-</u>	<u>36,201</u>
Ending balance	<u>3,854,738</u>	<u>53</u>	<u>3,854,791</u>
Less ceded unearned premium reserve			
Beginning balance	49,879	-	49,879
Increase	50,125	-	50,125
Decrease	(49,879)	-	(49,879)
Ending balance	<u>50,125</u>	<u>-</u>	<u>50,125</u>
Net amount	<u>\$ 3,804,613</u>	<u>\$ 53</u>	<u>\$ 3,804,666</u>

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

c. Reserve for claims

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

(Continued)

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual health insurance			
Reported but not paid claim	\$ 93,733	\$ -	\$ 93,733
Unreported claim	508,774	-	508,774
Group insurance			
Reported but not paid claim	56,073	-	56,073
Unreported claim	397,937	-	397,937
Investment-linked insurance			
Reported but not paid claim	11,657	-	11,657
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	15,299	15,299
Unreported claim	-	85	85
	<u>1,589,965</u>	<u>96,777</u>	<u>1,686,742</u>
Less ceded reserve for claims			
Individual life insurance	5,654	-	5,654
Individual injury insurance	4,687	-	4,687
Individual health insurance	13,863	-	13,863
Group insurance	<u>3,000</u>	<u>-</u>	<u>3,000</u>
	<u>27,204</u>	<u>-</u>	<u>27,204</u>
Net amount	<u>\$ 1,562,761</u>	<u>\$ 96,777</u>	<u>\$ 1,659,538</u> (Concluded)

Movement in reserve for claims is summarized below:

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

For the Year Ended December 31, 2018			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 1,437,951	\$ 106,826	\$ 1,544,777
Reserve	1,590,478	96,834	1,687,312
Recover	(1,446,997)	(106,826)	(1,553,823)
Gain (loss) on foreign exchange	(513)	(57)	(570)
Other (Note)	9,046	-	9,046
Ending balance	<u>1,589,965</u>	<u>96,777</u>	<u>1,686,742</u>
Less ceded unearned premium reserve			
Beginning balance	12,484	-	12,484
Increase	27,204	-	27,204
Decrease	<u>(12,484)</u>	<u>-</u>	<u>(12,484)</u>
Ending balance	<u>27,204</u>	<u>-</u>	<u>27,204</u>
Net amount	<u>\$ 1,562,761</u>	<u>\$ 96,777</u>	<u>\$ 1,659,538</u>

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

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

d. Special reserve

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

	December 31, 2018		
		Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	\$ 6,364,597	\$ -	\$ 6,364,597
Dividend risk reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,364,597</u>	<u>\$ -</u>	<u>\$ 6,364,597</u>

Movement in special reserve is summarized below:

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

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

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

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

f. Premium deficiency reserve

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

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

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

Movement in premium deficiency reserve is summarized as below:

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

For the Year Ended December 31, 2018			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 9,164,460	\$ -	\$ 9,164,460
Reserve	1,385,231	-	1,385,231
Recover	(3,073,841)	-	(3,073,841)
Gain (loss) on foreign exchange	28,294	-	28,294
Others (Note)	<u>1</u>	<u>-</u>	<u>1</u>
Ending balance	<u>\$ 7,504,145</u>	<u>\$ -</u>	<u>\$ 7,504,145</u>

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

g. Other reserve

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

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

Movement in other reserve is summarized as below:

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

For the Year Ended December 31, 2018			
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ -	\$ -	\$ -
Recover	(466,188)	-	(466,188)
Others (Note)	<u>20,468,562</u>	<u>-</u>	<u>20,468,562</u>
Ending balance	<u>\$ 20,002,374</u>	<u>\$ -</u>	<u>\$ 20,002,374</u>

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

h. Liability adequacy reserve

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

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

December 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), and discount rates were evaluated with consideration of current information.
December 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 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 Year Ended December 31	
	2019	2018
Beginning balance	\$ 3,169,331	\$ 2,703,763
Reserve		
Compulsory reserve	1,850,078	1,065,269
Extra reserve	<u>3,568,203</u>	<u>2,533,566</u>
	5,418,281	3,598,835
Recover	<u>(6,220,573)</u>	<u>(3,133,267)</u>
Ending balance	<u>\$ 2,367,039</u>	<u>\$ 3,169,331</u>

3) Effects due to foreign exchange valuation reserve

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

Item	For the Year Ended December 31, 2018		
	Inapplicable Amount	Applicable Amount	Effects
Net income	\$ 10,550,442	\$ 10,177,987	\$ (372,455)
Earnings per share (dollar)	2.63	2.54	(0.09)
Foreign exchange valuation reserve	-	3,169,331	3,169,331
Equity	74,286,787	73,094,384	(1,192,403)

33. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

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

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

to fund the difference in one appropriation that should be made before the end of March of the next year.

China Life Insurance adopted a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. China Life Insurance contributes monthly a proportion amount of the monthly salaries to a defined benefit pension fund and to the employees' individual defined contribution pension funds. The funds are managed by the Employees' Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee's name. Before the end of each year, China Life Insurance assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, China Life Insurance is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

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

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

The Group

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

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2018	\$ 3,054,510	\$ (2,066,806)	\$ 987,704
Service cost			
Current service cost	24,161	-	24,161
Past service cost and loss (gain) on settlements	9,573	-	9,573
Net interest expense (income)	<u>39,261</u>	<u>(26,745)</u>	<u>12,516</u>
Recognized in profit or loss	<u>72,995</u>	<u>(26,745)</u>	<u>46,250</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(19,394)	(19,394)
Actuarial gain - changes in demographic assumptions	53,237	-	53,237
Actuarial gain - changes in financial assumptions	43,677	-	43,677
Actuarial gain - experience adjustments	70,761	(15,093)	55,668
Change in exchange rate	<u>(106)</u>	<u>-</u>	<u>(106)</u>
Recognized in other comprehensive income	<u>167,569</u>	<u>(34,487)</u>	<u>133,082</u>
Contributions from the employer	-	(179,471)	(179,471)
Benefits paid	(294,385)	294,385	-
Change in exchange rate	110	-	110
Others	<u>675</u>	<u>-</u>	<u>675</u>
Balance at December 31, 2018	<u>\$ 3,001,474</u>	<u>\$ (2,013,124)</u>	<u>\$ 988,350</u> (Concluded)

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

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

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

The Corporation

	Valuation at December 31	
	2019	2018
Discount rates	0.90%	0.90%
Expected rates of salary increase	2.50%	2.50%

CDIB Capital Group and subsidiaries

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

KGI and subsidiaries

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

KGI Bank and subsidiaries

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

China Life Insurance

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

China Development Asset Management Corporation

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

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

The Group

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

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

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

34. OTHER FINANCIAL LIABILITIES

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

35. EQUITY

a. Capital

Common stock

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

b. Capital surplus

	December 31	
	2019	2018
Arising from treasury stock transactions	\$ 927,908	\$ 1,449,472
Share-based payments awards	84,814	86,798
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	80,994
Others	<u>29</u>	<u>13,728</u>
	<u>\$ 1,093,745</u>	<u>\$ 1,630,992</u>

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

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

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

c. Special revenue

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

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

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

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

d. Appropriation of earnings

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

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

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

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

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

The appropriation of earnings of 2019 has not yet been approved by the board of directors as of the date of auditors' report.

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

e. Non-controlling interests

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

36. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS

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

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

China Life Insurance Company Limited

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

37. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Period (In Thousands)	Share Increase During the Period (In Thousands)	Share Decrease During the Period (In Thousands)	Shares at End of the Period (In Thousands)
For the year ended <u>December 31, 2019</u>				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	<u>443,531</u>	<u>-</u>	<u>65,038</u>	<u>378,493</u>
For the year ended <u>December 31, 2018</u>				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	<u>519,062</u>	<u>-</u>	<u>75,531</u>	<u>443,531</u>

The Corporation's shares held by subsidiaries are regarded as treasury stock. The Corporation's shares held by KGI Securities, calculated at the Corporation's stockholding percentage of book value on the completion day of acquisition were treated as treasury stock. The market prices of the shares were \$1,777,144 thousand and \$2,399,876 thousand on December 31, 2019 and 2018, respectively. KGI Securities entered into a trust contract with China Trust Commercial Bank (CTBC) in September 2018, and entrusted shares of Capital Securities Corporation to them. During the contract period, the trustee, CTBC, would deal with the shares in accordance with the contract. The Corporation's shares held by China Life Insurance are also treated as treasury stock and recognized book value by the proportion of shares acquired on the purchase date of acquisition. The market prices of the shares were \$1,905,596 thousand and \$1,911,243 thousand on December 31, 2019 and 2018, respectively.

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

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

38. INTEREST PROFIT, NET

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

39. SERVICE FEE AND COMMISSION, NET

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

40. INSURANCE BUSINESS, NET

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

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

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

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

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

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

43. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2019	2018
Employee benefit expense		
Salaries and wages	\$ 13,859,207	\$ 12,727,048
Employee insurance	1,059,309	1,018,292
Pension	651,516	667,832
Others	<u>1,132,830</u>	<u>880,762</u>
	<u>\$ 16,702,862</u>	<u>\$ 15,293,934</u>
Depreciation and amortization expenses	<u>\$ 3,297,943</u>	<u>\$ 2,417,238</u>

The Company's Articles of Incorporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors.

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

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

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

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

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

44. INCOME TAX

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

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

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

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

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

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

	For the Year Ended December 31	
	2019	2018
Current income tax		
(Gain) loss on equity instruments at fair value through other comprehensive income	\$ -	\$ 12,543
Deferred income tax		
Adjustment in tax rate	-	409,086
(Gain) loss on equity instruments at fair value through other comprehensive income	122,014	(1,076,129)
(Gain) loss on debt instruments at fair value through other comprehensive income	7,158,091	(3,661,565)
Actuarial gain (loss) on defined benefit plans	(23,607)	(42,149)
(Gain) loss on reclassification using the overlay approach	952,068	(1,457,479)
Deferred income tax related to tax losses and reversals	<u>-</u>	<u>(121,476)</u>
Income tax expense (benefit)	<u>\$ 8,208,566</u>	<u>\$ (5,937,169)</u>

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

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

- e. Deferred tax assets and liabilities

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

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

The information of the Corporation is as follows:

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

The information of CDIB Capital Group is as follows:

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

The information of KGI Bank is as follows:

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

g. Amount of unused loss carryforwards

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

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

h. Income tax assessments

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

The income tax returns of CDIB Management Consulting Corporation and CDC Finance & Leasing Corp. through 2017 had been examined by the tax authorities. Income tax returns of KGI Bank and formerly Wanyin Insurance Broker through 2014 had been examined by the tax authorities.

The income tax returns of formerly Grand Cathay through 2013 had been examined by the tax authorities.

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

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

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

Income tax returns of CDIB Capital Management Inc., through 2017 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2016 and as of 2014 had been examined by the tax authorities.

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

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

45. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Year Ended December 31	
	2019	2018
Basic EPS	\$ 0.88	\$ 0.54
Diluted EPS	\$ 0.88	\$ 0.54

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 Year Ended December 31	
	2019	2018
Earnings used in the computation of EPS	\$ 12,795,690	\$ 7,852,688

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

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

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 Year Ended December 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	(5,052)	7.39	(7,182)	7.61
Options invalid	<u>(600)</u>	7.48	<u>(770)</u>	7.81
Balance at December 31	<u>50,514</u>	7.33	<u>56,166</u>	7.54
Options exercisable, end of period	<u>50,429</u>	7.33	<u>48,298</u>	7.55
Weighted-average remaining contractual life (years)	1.59		2.6	

The weighted-average share price at the date of exercise of share options from January 1 to December 31, 2019 and 2018 were \$9.80 and \$10.73, respectively.

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

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

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

Compensation costs For the years ended December 31, 2019 and 2018 were \$1,540 thousand and \$6,009 thousand.

b. Issue restricted share plan

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

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

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

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

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

For the years ended December 31, 2019 and 2018, the Corporation recognized \$1,339 thousand and \$6,983 thousand as compensation cost.

47. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

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

48. RELATED-PARTY TRANSACTIONS

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

a. Related parties

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

b. Significant transactions with related-parties

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

	Amount	%
December 31, 2018	\$ 291,210	-

For the years ended December 31, 2019 and 2018, the interest revenues from cash in bank were \$47 thousand and \$371 thousand, respectively.

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

	Amount	%
December 31, 2018	\$ 200,611	-

For the years ended December 31, 2019 and 2018, the interest revenues from due from banks were all \$0 thousand.

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

	Amount	%
December 31, 2019	\$ 12,062,866	2
December 31, 2018	6,032,510	2

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

	Amount	%
December 31, 2018	\$ 2,571,674	-

For the years ended December 31, 2019 and 2018, the interest revenues from bank debentures were \$49,257 thousand and \$97,513 thousand, respectively.

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2019</u>		
Other related parties	\$ 49,636	\$ 739,213
<u>For the year ended December 31, 2018</u>		
Other related parties	1,277,470	1,942,918

6) Purchase and sale of securities

	Sale of Securities
<u>For the year ended December 31, 2018</u>	
Other related parties	\$ 510,569

7) Revenue receivable (recognized as receivables, net)

	Amount	%
December 31, 2019	\$ 103,463	-
December 31, 2018	123,303	-

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

	Amount	%
December 31, 2019	\$ 28,999	-
December 31, 2018	15,935	-

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

	Amount	%
December 31, 2019	\$ 23,300	-
December 31, 2018	22,433	-

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

	Amount	%
December 31, 2018	\$ 459,512	-

11) Other receivables (recognized as receivables, net)

	Amount	%
December 31, 2019	\$ 28,412	-
December 31, 2018	40,374	-

12) Discounts and loans, net

KGI Bank

	Amount	%	Interest Rate (%)
December 31, 2019	\$ 1,140,878	-	1.54-15.00
December 31, 2018	1,150,686	-	1.54-15.00

For the years ended December 31, 2019 and 2018, the interest revenues from discounts and loans were \$17,513 thousand and \$16,667 thousand, respectively.

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

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

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

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

China Life Insurance

	Amount	%
December 31, 2019	\$ 15,714	-
December 31, 2018	4,134	-

13) Capital increase by cash of China Life Insurance

	For the Year Ended December 31 Amount
<u>2019</u>	
Other related parties	\$ 139,531

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

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

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

	December 31, 2018	
	Amount	%
Other related parties	\$ 908,555	4

For the years ended December 31, 2019 and 2018, the interest expenses from call loans from banks were \$14,477 thousand and \$41,016 thousand, respectively.

16) Other payables (recognized as payables)

	Amount	%
December 31, 2019	\$ 55,337	-
December 31, 2018	21,006	-

17) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2019	\$ 1,885,195	-	0-5.58
December 31, 2018	1,117,220	-	0-5.58

For the years ended December 31, 2019 and 2018, the interest expenses from deposits and remittances were \$11,894 thousand and \$8,651 thousand, respectively.

18) Brokerage income (recognized as service fee and commission, net)

	2019		2018	
	Amount	%	Amount	%
Other related parties	\$ 10,297	-	\$ 13,192	1

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

	2019		2018	
	Amount	%	Amount	%
Other related parties	\$ 235,226	-	\$ 270,764	1

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

	2019		2018	
	Amount	%	Amount	%
Other related parties	\$ 625,571	19	\$ 560,535	43

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

	2019		2018	
	Amount	%	Amount	%
Other related parties	\$ 40,000	1	\$ 10,000	-

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

	For the Year Ended December 31	
	Amount	%
2019		
Other related parties	\$ 171,341	-

23) Outstanding derivative financial instruments

KGI Bank

December 31, 2018

(In Thousands of New Taiwan Dollars)

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

China Life Insurance

December 31, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

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

KGI Securities

December 31,
2019

Structured products

Other related parties	\$ 30,133
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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 Year Ended December 31	
	2019	2018
Salary and short-term benefits	\$ 683,633	\$ 435,620
Share-based payment	1,924	5,795
Post-employment benefits	<u>3,073</u>	<u>2,920</u>
	<u>\$ 688,630</u>	<u>\$ 444,335</u>

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

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

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

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

KGI Bank and subsidiaries

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

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

	December 31, 2018	
	Amount	%
Other related parties	\$ 200,611	3

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
<u>Cash and cash equivalents</u>				
Subsidiary of the parent company	\$ 178,856	2	\$ 244,242	4

	December 31, 2018			
	Amount	%		
Financial assets at fair value through profit or loss				
Subsidiary of the parent company	\$ 219,882	-		
3) Bank debentures (recognized as debt instruments measured at amortized cost)				
	December 31, 2018			
	Amount	%		
Other related parties	\$ 921,744	8		
4) Purchase and sale of bonds				
	Purchase of Bonds	Sale of Bonds		
<u>For the year ended December 31, 2019</u>				
Subsidiary of the parent company	\$ 456,295	\$ 712,331		
<u>For the year ended December 31, 2018</u>				
Subsidiary of the parent company	5,330,933	2,733,358		
Other related parties	877,050	-		
5) Call loans from securities company (recognized as other financial assets)				
	December 31, 2019			
	Amount	%		
Subsidiary of the parent company	\$ 903,180	46		
6) Call loans from other banks (recognized as deposits from the Central Bank and banks)				
	December 31, 2018			
	Amount	%		
Other related parties	\$ 908,555	4		
7) Payable on parent (recognized as current tax liabilities)				
	December 31			
	2019		2018	
	Amount	%	Amount	%
Parent company	\$ 600,802	100	\$ 530,563	100
The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns.				

8) Deposits and remittances

	Amount	%	Interest Rate (%)
<u>December 31, 2019</u>			
Parent company	\$ 2,871,141	1	0-0.73
Subsidiary of the parent company	21,843,622	5	0-1.03
<u>December 31, 2018</u>			
Parent company	5,019,205	1	0-0.73
Subsidiary of the parent company	18,239,625	4	0-1.03

9) Temporary receipts (recognized as other liabilities)

	<u>For the Year Ended December 31</u>	
	Amount	%
<u>2019</u>		
Subsidiary of the parent company	\$ 2,188,412	37

10) Service fee revenue

	<u>For the Year Ended December 31</u>			
	<u>2019</u>		<u>2018</u>	
	Amount	%	Amount	%
Other related parties	\$ 317,992	15	\$ 307,771	15

11) Outstanding derivative financial instrument

December 31, 2019

(In Thousands of New Taiwan Dollars)

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

December 31, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	\$ 12,320,368	\$ 642,233	Financial assets at FVTPL	\$ 150,929
					Financial liabilities at FVTPL	2,366
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	January 18, 2017 - February 01, 2020	602,120	(13,226)	Financial assets at FVTPL	2,740
					Financial liabilities at FVTPL	7,058
	Asset swap - options	January 18, 2017 - December 31, 2019	602,120	52,985	Financial liabilities at FVTPL	14,231
					Financial assets at FVTPL	544
	Interest rate swap contracts	November 04, 2016 - November 06, 2020	636,173	(101)	Financial liabilities at FVTPL	4,544
					Financial assets at FVTPL	49,613
	Currency swap contracts	July 19, 2018 - February 27, 2019	15,520,165	36,905	Financial assets at FVTPL	12,709
					Financial liabilities at FVTPL	

KGI Securities and subsidiaries

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

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 1,992,881	12	\$ 2,738,863	20

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
Open ended fund and money market instruments				
Other related parties	\$ 578,634	1	\$ 465,958	1
Operating securities				
Other related parties	1,089,190	1	26,311	-

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
<u>Stocks</u>				
Parent company	\$ 1,777,144	8	\$ 2,399,876	17

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2019</u>		
Subsidiary of the parent company	\$ 3,164,523	\$ 13,307,285
Other related parties	-	739,213
<u>For the year ended December 31, 2018</u>		
Subsidiary of the parent company	5,278,020	15,860,435
Other related parties	400,420	1,942,918

5) Guarantee deposits received in futures contracts

	December 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 208,032	1	\$ 919,916	4

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

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

7) Restricted assets (recognized as other current assets)

	December 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 9,775,316	18	\$ 1,202,572	3

8) Temporary payments (recognized as other current assets)

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

9) Short-term borrowings

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

10) Customers' equity accounts - futures

	December 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 182,705	1	\$ 394,377	2

11) Payables

	December 31, 2018	
	Amount	%
Subsidiary of the parent company	\$ 644,738	1

12) Current tax liabilities

	December 31			
	2019		2018	
	Amount	%	Amount	%
Parent company	\$ 737,608	82	\$ 740,985	81

13) Other operating revenue

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 399,496	21	\$ 337,512	39

14) Other operating expenses

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 209,187	6	\$ 126,520	3

15) Other income and loss

	For the Year Ended December 31	
	Amount	%

2018

Parent company	\$ 169,551	8
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16) Outstanding derivative financial instruments

a) Currency swap contracts

	December 31	
	2019	2018
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	\$ 620,424	\$ -

b) Asset swap IRS contracts value

	December 31	
	2019	2018
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	\$ 190,000	\$ 602,120

c) Asset swap options contracts

	December 31	
	2019	2018
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	\$ 190,000	\$ 602,120

d) Interest rate swap contracts

	December 31	
	2019	2018
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	\$ -	\$ 636,173

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

	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.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 5,786,872	47	\$ 6,566,990	40

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
Other related parties	\$ 201,174	71	\$ 150,215	65

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

	December 31, 2018	
	Amount	%
Other related parties	\$ 459,512	41

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
Parent company	\$ 211,214	79	\$ 317,267	98

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

5) Purchase and sale of securities

**Sale of
Securities**

2018

Other related parties \$ 510,569

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
Parent company	\$ 515,983	77	\$ 523,096	96

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

7) Consulting service revenue

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Other related parties	\$ 211,554	31	\$ 240,906	37

China Development Asset Management Corp.

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

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

	Amount	%
December 31, 2018	\$ 150,187	100

China Life Insurance

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

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 3,996,654	5	\$ 6,719,483	16
Other related parties	-	-	223,286	1

2) Receivables

	December 31, 2019	
	Amount	%
Subsidiary of the parent company	\$ 2,832,529	11

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

	December 31			
	2019		2018	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 10,113,305	3	\$ 5,159,700	2

4) Financial assets at fair value through other comprehensive income

	December 31			
	2019		2018	
	Amount	%	Amount	%

Stocks

Parent company	\$ 5,472,816	1	\$ 5,467,191	2
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5) Financial assets measured at amortized cost

	December 31, 2018	
	Amount	%
Other related parties	\$ 1,649,930	-

6) Investment balances appointed to related parties' discretionary investment

**December 31,
2019**

Subsidiary of the parent company \$ 1,867,336

7) Purchase and sale of bonds

**Purchase of
Bonds**

**Sale of
Bonds**

For the year ended December 31, 2019

Subsidiary of the parent company \$ 12,850,481 \$ 2,452,192

For the year ended December 31, 2018

Subsidiary of the parent company 10,529,442 2,544,662

8) Service fee revenue

For the Year Ended December 31

2019

2018

Amount

%

Amount

%

Subsidiary of the parent company \$ 213,145 19 \$ 131,397 13

9) Dividend income (recognized as realized gain on financial assets measured at fair value through other comprehensive income)

For the Year Ended December 31

2019

2018

Amount

%

Amount

%

Parent company \$ 168,740 2 \$ 337,481 6

10) Commission fee

For the Year Ended December 31

2019

2018

Amount

%

Amount

%

Subsidiary of the parent company \$ 706,814 6 \$ 639,433 5

11) Outstanding derivative financial instrument

December 31, 2019

(In Thousands of New Taiwan Dollars/US Dollars)

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

December 31, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	October 25, 2018 - February 27, 2019	US\$ 250,000	Financial assets at FVTPL	\$ 12,884
		July 05, 2018 - February 15, 2019	US\$ 255,000	Financial liabilities at FVTPL	49,387
Other related parties	Currency swap contracts	November 16, 2018 - February 27, 2019	US\$ 299,000	Financial assets at FVTPL	14,352
		October 08, 2018 - February 14, 2019	US\$ 295,000	Financial liabilities at FVTPL	17,414

49. PLEDGED ASSETS

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

	December 31	
	2019	2018
Financial assets at fair value through other comprehensive income - negotiable certificate of deposit	\$ 18,198,972	\$ 16,198,186
Property and equipment, net	4,488,821	4,743,952
Other financial assets - pledged time deposits	2,635,569	2,367,110
Accounts receivable - installment accounts receivables and lease receivables	2,506,872	2,380,148
Financial assets at fair value through other comprehensive income - bonds	1,065,864	181,348
Financial assets at fair value through profit or loss - bonds	704,580	203,177
Investment property, net	271,404	392,390

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

50. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 53 and 55 were summarized as follows:

- a. In April 2007, CDIB Capital Group and Morgan Stanley entered into a CDS contract that was tied to a synthetic collateralized debt obligation on residential mortgage-backed securities. The representations made to CDIB Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB Capital Group. On July 15, 2010, CDIB Capital Group initiated action against Morgan Stanley & Co. International PLC (“Morgan Stanley”) et al. to recover losses CDIB Capital Group suffered as a result of its investment in a Morgan Stanley’s credit default swap (CDS) product that had been tied to a synthetic collateralized debt obligation on residential mortgage-backed securities; the representations made to CDIB Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB Capital Group. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB Capital Group had recognized all gains and losses from the transaction. The balance of US\$11,978 thousand (NT\$373,788 thousand based on the exchange rate of December 31, 2019) was reclassified to “other financial liabilities”. The litigation had not yet been concluded as of December 31, 2019. In addition, Morgan Stanley overlooked CDIB Capital Group’s efforts and terminated interest rate swap (IRS) contracts (nominal principal amount: KRW24,000,000 thousand) and CDS contracts (nominal principal amount: JPY586,510 thousand), CDIB Capital Group reserves the right of legal proceedings in August 2010.
- b. Securities and Futures Investors Protection Center sued Grand Cathay (KGI Securities as the survivor company after merging on June 22, 2013) and claimed that due to the fact that KGI Securities was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds which issued on November 7, 2007, KGI Securities must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, which against the Article 20 and 32 of Securities and Exchange Act and the Article 184 and 185 of Civil Code. On June 14, 2010, the plaintiffs sued KGI Securities, Taiwan Kolin Co., Ltd., the principal of formerly management team, Moore Stephens and the auditor with jointly liability amounted to \$133,308 thousand plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court.
- c. Plaintiffs, Digital Imaging Solution Global Ltd. (“Digital”) and Minda Consulting Ltd. (“Minda”), advocated that GT based on stock pledge generated from loans of HK\$10,000 thousand with Minda and Minda transferred its pledge right on Digital to GT, GT transferred a pledge right of 35,000 thousand shares of eCyberChina to Minda in exchange. However, GT and its fund managers, including KGI Limited, disposed the 2,000 thousand shares of eCyberChina without Minda’s approval and thus violated the pledge agreement. Therefore, Digital and Minda filed a lawsuit to the GT in November 2007 and requested for compensation of HK\$119,130 thousand and related expenses and interest. In February 2008, Digital and Minda added KGI Limited as a defendant. On July 21, 2008, the appeal was dismissed by courts of Hong Kong and the plaintiffs appealed to a higher court. In December 2008, the courts of appeals dismissed the appeal by Digital while the appeal by Minda is still pending in the courts of appeals.

- d. Securities and Futures Investors Protection Center sued CDIB Capital Management Corporation and claimed that due to the fact that CDIB Capital Management Corporation is the corporate director of Powercom Ltd., CDIB Capital Management Corporation have but not performed sufficient audits on the contents disclosed in the financial statements which failed to comply the obligation of being a good administrator. Therefore, the plaintiff demanded compensation of \$592,648 thousand and related interests from CDIB Capital Management Corporation and Powercom Ltd. On November 29, 2019, the Taipei District Court judged that CDIB Capital Management Corporation partially lost the lawsuit, and should pay \$31,010 thousand plus 5% interest (from November 13, 2013 till the date of payment). CDIB Capital Management Corporation has appealed on January 9, 2020, and could not estimate the related possible loss because the case was currently pending with the Supreme Court and the final outcome of the court is uncertain.
- e. The case KGI Bank acted vigorously in regards to Prince Motors' overdue debt. In December 2012, a third party regards revoked a lawsuit claiming that KGI Bank fraudulently infringed upon the property rights of creditors (credit litigation amounted to \$481,157 thousand) on Dun Nan building. On February 14, 2014, the Taipei District Court judged that KGI Bank lost the lawsuit and has to return the amount of \$1,786,318 thousand for re-allocation. KGI Bank has appealed on March 10, 2014, and the original adjudication in favor of the third party was revoked by the court, which indicated KGI Bank on the second trial. The third party filed an appeal but the court rejected the third party's appeal on July 26, 2017. Third party then filed appeal for third trial and the case was currently pending with the Supreme Court. On November 9, 2018, the lawsuit is currently proceeded by The Supreme Court as of the day the Corporation's board of the directors approve the consolidated financial statements.
- f. In response to the rapid business development and IT demands for innovative products, KGI Bank plans to outsource its IT operations to improve IT service levels and to rapidly respond to the business development and changes in external regulations. The board of directors' meeting held on October 30, 2012 approved the plan for outsourcing the IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. Except for extra services will be charged by professional rates, the basic framework, support service, IT application service, integration and transformation of server and so on are charged by the contract. In response to information age and to improve quality of service, KGI Bank keeps replacing its core system and other related systems. After that, KGI Bank will reduce its demand on the basic framework and IT application services mentioned before. The contract about related service scope, which was approved by the board of directors on August 21, 2018, came into effect on January 1, 2019. As of December 31, 2019, KGI Bank has to pay a total of \$220,516 thousand in the future contract periods.
- g. On December 16, 2016, the Company signed the contract with CHUNG-LU Construction Co., Ltd. for the construction of Taipei Academy, and on March 1, 2017 signed the first contract change protocol, modify the total amount of the contract is \$5,623,913 thousand. As of December 31, 2019, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is \$4,199,706 thousand and unpaid amount is \$1,424,207 thousand.

51. BUSINESS COMBINATIONS

Traditional Insurance Policies of Allianz Taiwan Life Insurance

China Life Insurance acquired a part of the asset and liability business of the traditional insurance policies of Allianz Taiwan Life Insurance at a consideration price of NT\$1. The settlement date was May 18, 2018.

Assets acquired and liabilities assumed on the settlement date were as follows:

	Fair Value on Settlement Date
Financial assets (including cash and cash equivalents of \$49,856,478)	\$ 50,766,127
Financial liabilities	(2,569)
Insurance liabilities	(49,031,763)
Other liabilities	<u>(357)</u>
	<u>\$ 1,731,438</u>

The bargain purchase gain due to the partial acquisition of the traditional insurance business of Allianz Taiwan Life Insurance was \$1,731,438 thousand, which was generated by the acquisition consideration of \$1 minus the fair value of the net identifiable assets of \$1,731,438 thousand.

Had the acquisition happened on January 1, 2018, the pro forma net revenue and net income before tax of the Group for the year ended December 31, 2018 would have been \$252,610,506 thousand and \$13,776,102 thousand, respectively.

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

Consolidated Profitability

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.75	0.53
	After income tax	0.68	0.50
Return on net worth	Before income tax	8.29	5.61
	After income tax	7.56	5.35
Profit margin		8.18	5.08

Profitability of CDFH

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	6.31	4.10
	After income tax	6.35	4.07
Return on net worth	Before income tax	7.28	4.73
	After income tax	7.38	4.74
Profit margin		92.59	88.97

Profitability of KGI Bank

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.70	0.46
	After income tax	0.54	0.34
Return on net worth	Before income tax	7.71	4.83
	After income tax	5.89	3.59
Profit margin		32.00	24.39

Profitability of KGI Securities

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	2.93	2.30
	After income tax	2.95	2.11
Return on net worth	Before income tax	9.57	6.94
	After income tax	9.62	6.38
Profit margin		54.42	38.85

Profitability of China Life Insurance

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.79	0.60
	After income tax	0.73	0.64
Return on net worth	Before income tax	13.53	11.02
	After income tax	12.60	11.67
Profit margin		4.01	3.01

53. FINANCIAL INSTRUMENTS

a. The definitions of each hierarchy are as follows:

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

b. Fair value

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

December 31, 2019

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 131,402,365	\$ 52,410	\$ 9,110,674	\$ 140,565,449
Bond investments	45,927,020	58,464,782	-	104,391,802
Others	138,489,917	20,667,569	9,686,958	168,844,444
Financial assets designated as at FVTPL	6,338,783	26,181,783	1,580,146	34,100,712
Financial assets at FVTOCI				
Stock investments	19,148,474	81,094	17,330,430	36,559,998
Bond investments	285,144,217	155,301,815	-	440,446,032
Others	-	62,617,894	-	62,617,894
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	2,692,640	-	-	2,692,640
Financial liabilities designated as at FVTPL	-	31,350,997	-	31,350,997
<u>Derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	925,372	43,073,878	180,975	44,180,225
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	588,862	51,073,529	2,646,181	54,308,572
Financial liabilities designated as at FVTPL	1,311	5,715,467	-	5,716,778

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 111,453,828	\$ 81,132	\$ 10,367,081	\$ 121,902,041
Bond investments	41,989,438	61,457,028	191,943	103,638,409
Others	47,323,015	15,470,248	7,585,435	70,378,698
Financial assets designated as at FVTPL	6,169,907	42,512,632	574,064	49,256,603
Financial assets at FVTOCI				
Stock investments	17,462,411	12,316	11,111,094	28,585,821
Bond investments	235,021,765	173,029,763	-	408,051,528
Others	-	48,698,585	-	48,698,585
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,091,924	1,649,405	-	4,741,329
Financial liabilities designated as at FVTPL	-	29,046,779	-	29,046,779
<u>Derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	927,604	28,660,132	167,547	29,755,283
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	746,457	49,325,395	771,524	50,843,376
Financial liabilities designated as at FVTPL	-	3,155,241	-	3,155,241

2) Evaluation technology at fair value

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

3) Reconciliation of fair value

a) The limitation of valuation techniques and uncertain inputs

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

b) Credit risk valuation adjustments

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

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

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

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

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

4) Transfer between the Level 1 and Level 2

	For the Year Ended December 31, 2019		For the Year Ended December 31, 2018	
	Level One Converted Into Level Two	Level Two Converted Into Level One	Level One Converted Into Level Two	Level Two Converted Into Level One
Financial assets at FVTPL - stock investments	\$ -	\$ 7,100	\$ -	\$ -
Financial assets at FVOCI - bond investments	8,223,225	2,375,436	8,193,853	10,483,913

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

5) Reconciliation of Level 3 items of financial instruments

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

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	\$ 18,312,006	\$ 1,006,817	\$ 5,353,980	\$ -	\$ (5,522,199)	\$ (171,997)	\$ 18,978,607
Financial assets designated as at FVTPL	574,064	77,115	929,332	-	(365)	-	1,580,146
Financial assets at FVTOCI	11,111,094	966,006	5,333,500	-	(80,170)	-	17,330,430

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	\$ 18,303,060	\$ 2,638,685	\$ 5,290,833	\$ -	\$ (7,511,460)	\$ (409,112)	\$ 18,312,006
Financial assets designated as at FVTPL	457,036	14,024	165,293	-	(62,288)	-	574,064
Financial assets at FVTOCI	16,853,104	(5,690,731)	70,637	-	(121,916)	-	11,111,094

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

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

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL Financial liabilities held for trading	\$ 771,524	\$ 153,476	\$ 2,080,880	\$ -	\$ (359,699)	\$ -	\$ 2,646,181

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL Financial liabilities held for trading	\$ 449,041	\$ (217,502)	\$ 1,142,185	\$ -	\$ (602,200)	\$ -	\$ 771,524

The total gains or losses for the years ended December 31, 2019 and 2018 included a loss of \$796,479 thousand and \$114,234 thousand relating to assets and liabilities measured at fair value on Level 3 fair value measurement and held at the end of reporting date.

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

KGI Bank and subsidiaries

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

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

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

KGI Securities and subsidiaries

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

December 31, 2019

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

December 31, 2018

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

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

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

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

December 31, 2019

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

December 31, 2018

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

CDIB Capital Group and subsidiaries

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

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

	Fair Value at December 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets Financial assets at FVTPL	\$ 15,426,051	Market approach	P/B P/S Discount for lack of liquidity	0.66-2.06 0.31-9.44 23%-29%	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
		Discounted cash-flow method	Discount for lack of liquidity WACC Growth rate	23%-29% 10.33%-14.14% 3.00%-7.00%	When the higher the discount for lack of liquidity, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Discount for lack of liquidity Non-controlling interest discount	23%-29% 11%	When the higher the discount for lack of liquidity, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	39.05%-39.20%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

China Life Insurance

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

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

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

7) Pricing process of Level 3 fair value

KGI Bank and subsidiaries

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

KGI Securities and subsidiaries

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

CDIB Capital Group and subsidiaries

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

China Life Insurance

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

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

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

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

54. INFORMATION OF INSURANCE CONTRACTS

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

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

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

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

2) Risk management policies, procedures and methods:

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

Pursuant to “China Life Insurance Risk Management Policy”, approved by the board of directors, China Life Insurance follows the principle of centralized management and specialization, and assigns responsible risk management department to manage various risks, including market, credit, operation, liquidity, underwriting, claim 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 December 31, 2019, assuming a 5% change in mortality, morbidity, surrender and expenses, and a decrease in investment return of 0.1%, all insurance contracts and financial instruments with discretionary participation feature will not cause China Life Insurance's insurance liability inadequate.

2) Interpretation for concentration of insurance risks

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

3) Claim development trend

a) Direct business loss development trend

Accident Year	Development Year												Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	12	
2008	\$ 2,170,100	\$ 2,736,556	\$ 2,776,542	\$ 2,781,989	\$ 2,786,399	\$ 2,792,187	\$ 2,798,032	\$ 2,798,807	\$ 2,799,546	\$ 2,800,435	\$ 2,802,449	\$ 2,803,020	
2009	2,243,111	2,870,648	2,924,110	2,934,461	2,936,046	2,939,451	2,940,095	2,940,209	2,940,748	2,941,322	2,941,824		
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963	3,144,299	3,144,902	3,145,167	3,145,541			
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,824	3,354,243	3,354,835				
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,748	3,056,337					
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,053,040	3,054,855						
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,303,753	4,317,090							
2015	3,530,448	4,420,482	4,498,438	4,510,113	4,516,573								
2016	3,721,820	4,648,280	4,743,133	4,757,525									
2017	4,320,234	5,400,952	5,537,543										
2018	4,775,948	5,950,536											
2019	5,257,484												\$ 1,658,279
Note: This table does not include long-term life insurance.													
													Add: Long-term insurance claims
													440,383
													Claim reserve for discount on no claim
													126,685
													Reserve for claims balance
													\$ 2,225,347

b) Retained business loss development trend

Accident Year	Development Year												Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	12	
2008	\$ 2,128,556	\$ 2,682,784	\$ 2,721,905	\$ 2,719,002	\$ 2,723,312	\$ 2,728,970	\$ 2,734,682	\$ 2,735,440	\$ 2,736,162	\$ 2,737,031	\$ 2,739,000	\$ 2,739,557	
2009	2,204,858	2,820,114	2,862,350	2,868,022	2,869,572	2,872,900	2,873,529	2,873,640	2,874,167	2,874,728	2,875,219		
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,782	3,073,109	3,073,699	3,073,958	3,074,324			
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,936	3,278,301	3,278,879				
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,586	2,987,140					
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,983,916	2,985,691						
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,206,313	4,219,348							
2015	3,468,881	4,336,525	4,407,051	4,408,435	4,414,314								
2016	3,657,093	4,560,257	4,647,033	4,649,868									
2017	4,244,930	5,298,470	5,424,716										
2018	4,692,869	5,837,265											
2019	5,165,606												\$ 1,653,474
Note: This table does not include long-term life insurance.													
													Add: Long-term insurance claims
													431,433
													Claim reserve for discount on no claim
													126,685
													Reserve for claims balance
													\$ 2,211,592

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

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

4) Credit risk:

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

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

5) Liquidity risk:

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

	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
<u>December 31, 2019</u>					
Insurance liabilities of investment contracts with discretionary participation features	\$ (34,198,799)	\$ 55,226,404	\$ 143,257,385	\$ 623,765,357	\$ 3,612,295,531
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
<u>December 31, 2018</u>					
Insurance liabilities of investment contracts with discretionary participation features	(33,630,030)	39,944,163	129,971,782	558,939,147	3,349,786,380
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

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

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

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

6) Market risk:

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

55. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Corporation

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

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

KGI Bank and subsidiaries

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

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

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

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

KGI Bank’s risk management divisions are as follows:

1) Board of directors

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

2) Risk management committee

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

3) Business and management departments

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

4) Risk management department

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

5) Internal audit department

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

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

KGI Securities and subsidiaries

1) Financial risk management objectives

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

2) Risk management organization

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

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

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

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

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

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

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

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

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

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

3) Risk management system

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

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

4) Risk management mechanism

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

a) Market risk

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

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

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

b) Credit risk

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

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

c) Liquidity risk

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

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

d) Operating risk and other risks

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

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

5) Risk hedge and mitigation strategy

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

CDIB Capital Group and subsidiaries

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

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

China Life Insurance

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

b. Credit risk

KGI Bank and subsidiaries

1) Definition and source of credit risk

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

2) Credit risk management policy

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

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

a) Credit investigation

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

b) Credit approval

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

c) Post-lending loan review

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

d) Risk report and information disclosures

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

3) Mitigation of risks or hedging of credit risk

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

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

4) Maximum exposure to credit risk

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

	December 31	
	2019	2018
Irrevocable loan commitments, guarantees and letters of credit	\$ 48,223,480	\$ 37,251,576

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

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

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

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

Discounts and Loans						
December 31, 2018						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		The Adjustment under the Recognition/ Discount	Total
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset		
Short-term loans	\$ 59,431,415	\$ 1,121,576	\$ 614,463	\$ -		\$ 61,167,454
Short-term secured loans	20,978,083	2,600	4,797	-		20,985,480
Medium-term loans	135,657,957	192,409	361,245	-		136,211,611
Medium-term secured loans	55,203,609	62,808	11,912	-		55,278,329
Long-term loans	929,979	277,446	402,542	-		1,609,967
Long-term secured loans	63,377,413	96,527	1,010,702	-		64,484,642
Loans reclassified to nonperforming loans	-	-	420,512	-		420,512
Export negotiations	56,079	-	-	-		56,079
Total book values	335,634,535	1,753,366	2,826,173	-		340,214,074
Impairment allowance	(1,415,427)	(102,703)	(495,451)	-		(2,013,581)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					\$ (2,320,761)	(2,320,761)
Adjusting for discounts and loans premium					(128,300)	(128,300)
	<u>\$ 334,219,108</u>	<u>\$ 1,650,663</u>	<u>\$ 2,330,722</u>	<u>\$ -</u>	<u>\$ (2,449,061)</u>	<u>\$ 335,751,432</u>

Receivables					
December 31, 2018					
	Stage 3				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	
Credit card business	\$ 2,449,428	\$ 196,501	\$ 91,043	\$ -	\$ 2,736,972
Accounts receivable - forfaiting	8,122,872	-	-	-	8,122,872
Accounts receivable factoring without recourse	8,180,068	280	160	-	8,180,508
Acceptances	140,770	-	-	-	140,770
Installment accounts and lease receivables	3,365,564	47,465	92,327	-	3,505,356
Total book value	22,258,702	244,246	183,530	-	22,686,478
Impairment allowance	(65,519)	(27,975)	(66,189)	-	(159,683)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					
				\$ (186,096)	(186,096)
	\$ 22,193,183	\$ 216,271	\$ 117,341	\$ -	\$ 22,340,699

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

	December 31	
	2019	2018
Financial assets at FVTPL		
Debt instrument	\$ 33,078,636	\$ 35,640,472
Derivatives instruments	30,493,327	23,860,387

5) Collaterals and credit enhancement

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

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

December 31, 2019

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	\$ 104,575	\$ 27,085	\$ 77,490	\$ -
Accounts receivable				
factoring	214	13	201	-
Installment receivables				
and lease				
receivables	63,687	30,488	33,199	-
Discounts and loans	<u>2,661,453</u>	<u>597,543</u>	<u>2,063,910</u>	<u>2,410,802</u>
Total amount of impaired				
asset	<u>\$ 2,829,929</u>	<u>\$ 655,129</u>	<u>\$ 2,174,800</u>	<u>\$ 2,410,802</u>

December 31, 2018

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	\$ 91,043	\$ 28,013	\$ 63,030	\$ -
Accounts receivable				
factoring	160	10	150	-
Installment receivables				
and lease				
receivables	92,327	38,166	54,161	96,449
Discounts and loans	<u>2,826,173</u>	<u>495,451</u>	<u>2,330,722</u>	<u>2,267,860</u>
Total amount of impaired				
asset	<u>\$ 3,009,703</u>	<u>\$ 561,640</u>	<u>\$ 2,448,063</u>	<u>\$ 2,364,309</u>

The amount the of KGI Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount is \$1,064,868 thousand and \$581,078 thousand for the years ended December 31, 2019 and 2018.

6) Concentrations of credit risk

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

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

a) By object

Object	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Public and private enterprise	\$ 220,692,107	63.59	\$ 223,928,501	65.82
Natural person	126,046,099	36.31	115,908,259	34.07
Non-profit organization	337,843	0.10	377,314	0.11
Total	\$ 347,076,049	100.00	\$ 340,214,074	100.00

b) By region

Region	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Domestic	\$ 259,269,771	74.70	\$ 249,109,901	73.22
Overseas	87,806,278	25.30	91,104,173	26.78
Total	\$ 347,076,049	100.00	\$ 340,214,074	100.00

c) By collateral

Collateral	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Non-collateral	\$ 183,987,284	53.01	\$ 199,322,970	58.59
Collateral				
Financial collateral	8,251,419	2.38	7,522,386	2.21
Property	130,830,276	37.69	112,842,633	33.17
Guarantee	16,624,750	4.79	14,661,938	4.31
Other	7,382,320	2.13	5,864,147	1.72
Total	\$ 347,076,049	100.00	\$ 340,214,074	100.00

7) Management of foreclosed collateral

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

	December 31	
	2019	2018
Management of foreclosed collateral	\$ 588,985	\$ 1,802,487
Accumulated impairment	<u>(588,985)</u>	<u>(1,802,487)</u>
	<u>\$ -</u>	<u>\$ -</u>

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

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

a) Asset quality of nonperforming loan and overdue credits

Item			December 31, 2019				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 92,042	\$ 81,043,580	0.11%	\$ 999,765	1,086.21%
	Unsecured		134,564	146,452,112	0.09%	1,674,612	1,244.47%
Consumer loan	Mortgage (Note 4)		23,498	56,169,271	0.04%	844,093	3,592.26%
	Cash card		133,100	13,243,858	1.00%	320,797	241.02%
	Micro credit (Note 5)		207,616	24,270,640	0.86%	351,414	169.26%
	Other (Note 6)	Secured	13,892	25,875,914	0.05%	273,690	1,970.15%
		Unsecured	-	20,674	-	247	-
Total			604,712	347,076,049	0.17%	4,464,618	738.31%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			22,830	3,113,049	0.73%	62,442	273.51%
Account receivable - factored without recourse (Note 7)			8	6 572 423	0.00%	88 340	1 088 060.08%

Item			December 31, 2018				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 92,641	\$ 66,186,663	0.14%	\$ 868,216	937.18%
	Unsecured		125,781	162,139,177	0.08%	1,837,173	1,460.61%
Consumer loan	Mortgage (Note 4)		36,495	50,506,797	0.07%	762,653	2,089.76%
	Cash card		134,830	13,837,469	0.97%	287,034	212.89%
	Micro credit (Note 5)		158,752	23,343,848	0.68%	324,479	204.39%
	Other (Note 6)	Secured	23,697	24,173,355	0.10%	253,059	1,067.88%
		Unsecured	1,438	26,765	5.37%	1,728	120.23%
Total			573,634	340,214,074	0.17%	4,334,342	755.59%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			17,283	2,736,972	0.63%	56,444	326.59%
Account receivable - factored without recourse (Note 7)			36	8,180,508	0.00%	113,780	312,137.08%

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

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

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

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

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

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

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

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

Items	December 31, 2019		December 31, 2018	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 8,483	\$ 117	\$ 11,518	\$ 88
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	53,852	6,597	44,921	4,653
Total	\$ 62,335	\$ 6,714	\$ 56,439	\$ 4,741

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

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

c) Concentration of KGI Bank's credit extensions

December 31, 2019

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 016811 Real estate activities for sale and rental	\$ 8,001,538	12.47
2	B Group - 016429 Activities of other holding companies	6,587,563	10.27
3	C Group - 011850 Manmade fiber manufacturing	5,573,808	8.69
4	D Group - 016700 Real estate development activities	4,920,000	7.67
5	E Group - 016811 Real estate activities for sale and rental	4,859,521	7.57
6	F Group - 012411 Iron and steel smelting	4,328,309	6.74
7	G Group - 012711 Computer manufacturing	4,127,652	6.43
8	H Group - 012831 Electric wires and cables manufacturing	4,078,035	6.35
9	I Group - 012712 Monitor and terminal manufacturing	3,654,104	5.69
10	J Group - 016700 Real estate development activities	3,594,237	5.60

December 31, 2018

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	K Group - 012711 Computer manufacturing	\$ 7,924,071	13.57
2	C Group - 012331 Cement manufacturing	7,185,684	12.31
3	L Group - 012613 Packaging and testing of semi-conductors	4,933,506	8.45
4	A Group - 016811 Real estate activities for sale and rental	4,539,571	7.78
5	M Group - 015100 Civil aviation transportation	4,215,415	7.22
6	D Group - 016700 Real estate development activities	3,850,000	6.60
7	G Group - 012711 Computer manufacturing	3,378,104	5.79
8	E Group - 016811 Real estate activities for sale and rental	3,181,523	5.45
9	F Group - 012411 Iron and steel smelting	3,011,595	5.16
10	J Group - 016700 Real estate development activities	2,855,537	4.89

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

Credit business

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

a) Quantitative index

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

b) Qualitative index

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

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

10) Definition of default and impaired credit of financial assets

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

a) Quantitative index

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

b) Qualitative index

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

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

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

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

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

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

11) Write-off policy

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

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

12) Amendment of contract cash flows of financial assets

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

13) Measurement of expected credit losses

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

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 I. For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

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

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

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

14) Considerations of forward-looking information

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

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

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

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

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 150,970	\$ 896	\$ -	\$ 1,670	\$ -	\$ 153,536	\$ 62,440	\$ 215,976
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(19)	19	-	-	-	-	-	-
From conversion to credit-impaired financial assets	(5)	(22)	-	27	-	-	-	-
To 12-month ECL	511	(277)	-	(234)	-	-	-	-
Derecognizing financial assets during the current period	(63,461)	(464)	-	(430)	-	(64,355)		(64,355)
Purchased or originated new financial assets	41,901	236	-	-	-	42,137		42,137
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							130,007	130,007
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	(21,008)	339	-	724	-	(19,945)		(19,945)
Balance at December 31, 2019	\$ 108,889	\$ 727	\$ -	\$ 1,757	\$ -	\$ 111,373	\$ 192,447	\$ 303,820

KGI Bank and its subsidiaries had no significant increase in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment for the year ended December 31, 2019. Net increase of \$41,818,329 thousand change in total book value resulted in abovementioned provisions increased by \$87,844 thousand in comparison to the prior period.

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 161,030	\$ 633	\$ -	\$ 1,726	\$ -	\$ 163,389	\$ 27,441	\$ 190,830
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(34)	34	-	-	-	-		-
From conversion to credit-impaired financial assets	(9)	(12)	-	21	-	-		-
To 12-month ECL	544	(141)	-	(403)	-	-		-
Derecognizing financial assets during the current period	(92,303)	(3)	-	-	-	(92,306)		(92,306)
Purchased or originated new financial assets	93,819	321	-	-	-	94,140		94,140
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							34,999	34,999
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	(12,077)	64	-	326	-	(11,687)		(11,687)
Balance at December 31, 2018	\$ 150,970	\$ 896	\$ -	\$ 1,670	\$ -	\$ 153,536	\$ 62,440	\$ 215,976

KGI Bank and its subsidiaries had no significant increase in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment unused amount for the year ended December 31, 2018. Net increase of \$27,028,541 thousand change in total book value resulted in abovementioned provisions increased by \$25,146 thousand in comparison to the prior period.

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

There was no significant increase in the credit risk of debt instruments measured at amortized cost of KGI Bank and subsidiaries; therefore, the 12-month expected credit losses were used to assess allowance for loss. As of December 31, 2019 and 2018, loss allowance for debt instruments measured at amortized cost due to the slight adjustment of the portfolio were \$3,198 thousand and \$3,581 thousand, respectively.

17) Loss allowance for receivables

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

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 69,740	\$ 28,458	\$ 5	\$ 1,183,155	\$ -	\$ 1,281,358	\$ 237,888	\$ 1,519,246
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(154)	7,331	-	(7,177)	-	-	-	-
From conversion to credit-impaired financial assets	(112)	(1,072)	-	1,184	-	-	-	-
To 12-month ECL	273	(210)	-	(63)	-	-	-	-
Derecognizing financial assets during the current period	(27,997)	(1,227)	(5)	(4,298)	-	(33,507)	-	(33,507)
Purchased or originated new financial assets	27,807	45	-	2,930	-	30,782	-	30,782
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	(56,725)	-	-	(86,706)	(86,706)
Write-off	-	-	-	46,129	-	46,129	-	46,129
Recovery of written-off	-	-	-	-	-	-	-	-
Effect of exchange rate changes and others	(23,294)	(400)	1	(27,948)	-	(51,641)	-	(51,641)
Balance at December 31, 2019	\$ 46,283	\$ 32,925	\$ 1	\$ 1,137,187	\$ -	\$ 1,216,396	\$ 151,182	\$ 1,367,578

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 108,302	\$ 32,442	\$ -	\$ 1,232,581	\$ -	\$ 1,373,325	\$ 135,280	\$ 1,508,605
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(1,470)	3,480	7	(2,017)	-	-	-	-
From conversion to credit-impaired financial assets	(1,097)	(3,257)	-	4,354	-	-	-	-
To 12-month ECL	1,827	(144)	-	(1,683)	-	-	-	-
Derecognizing financial assets during the current period	(70,020)	(8,390)	-	(25,076)	-	(103,486)		(103,486)
Purchased or originated new financial assets	58,357	11,876	-	5,698	-	75,931		75,931
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							102,608	102,608
Write-off	-	(6,237)	-	(54,463)	-	(60,700)		(60,700)
Recovery of written-off	-	-	-	92,128	-	92,128		92,128
Effect of exchange rate changes and others	(26,159)	(1,312)	(2)	(68,367)	-	(95,840)		(95,840)
Balance at December 31, 2018	\$ 69,740	\$ 28,458	\$ 5	\$ 1,183,155	\$ -	\$ 1,281,358	\$ 237,888	\$ 1,519,246

Changes in total book values of receivables for the years ended December 31, 2019 and 2018 of KGI Bank and subsidiaries:

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 27,184,310	\$ 251,010	\$ 17	\$ 1,891,476	\$ -	\$ 29,326,813
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	(2)	2	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(53,373)	34,435	-	18,938	-	-
Purchased or originated new receivables	8,413,712	489	-	6,318	-	8,420,519
Write-off	-	-	-	(58,770)	-	(58,770)
Derecognition	(14,840,376)	(39,048)	(9)	(76,180)	-	(14,955,613)
Effect of exchange rate changes and others	(178,945)	(1)	-	(23,025)	-	(201,971)
Balance at December 31, 2019	\$ 20,525,328	\$ 246,885	\$ 6	\$ 1,758,759	\$ -	\$ 22,530,978

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 21,697,882	\$ 251,185	\$ -	\$ 1,938,926	\$ -	\$ 23,887,993
Conversion from individual financial instruments to lifetime ECL	-	(18)	18	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	(2)	-	2	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(134,140)	56,284	-	77,856	-	-
Purchased or originated new receivables	14,723,867	44,146	-	35,620	-	14,803,633
Write-off	-	(6,237)	-	(75,492)	-	(81,729)
Derecognition	(9,484,059)	(94,266)	(1)	(78,006)	-	(9,656,332)
Effect of exchange rate changes and others	<u>380,760</u>	<u>(82)</u>	<u>-</u>	<u>(7,430)</u>	<u>-</u>	<u>373,248</u>
Balance at December 31, 2018	\$ 27,184,310	\$ 251,010	\$ 17	\$ 1,891,476	\$ -	\$ 29,326,813

18) Loss allowance for discounts and loans

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

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 1,415,427	\$ 95,618	\$ 7,085	\$ 495,451	\$ -	\$ 2,013,581	\$ 2,320,761	\$ 4,334,342
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(1,218)	11,587	-	(10,369)	-	-		-
From conversion to credit-impaired financial assets	(12,472)	(36,226)	(2,106)	50,804	-	-		-
To 12-month ECL	3,523	(2,598)	-	(655)	-	-		-
Derecognizing financial assets during the current period	(574,215)	(28,259)	(255)	(98,452)	-	(701,181)		(701,181)
Purchased or originated new financial assets	1,073,941	4	-	118	-	1,074,063		1,074,063
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							14,039	
Write-off	-	-	-	(1,004,464)	-	(1,004,464)		14,039
Recovery of written-off	-	-	-	703,083	-	703,083		(1,004,464)
Effect of exchange rate changes and others	(454,186)	40,140	(3,245)	462,027	-	44,736		703,083
								44,736
Balance at December 31, 2019	\$ 1,450,530	\$ 80,266	\$ 1,479	\$ 597,543	\$ -	\$ 2,129,818	\$ 2,334,800	\$ 4,464,618

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 1,316,129	\$ 129,626	\$ -	\$ 530,904	\$ -	\$ 1,976,659	\$ 1,952,257	\$ 3,928,916
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(2,902)	(1,908)	12,440	(7,630)	-	-	-	-
From conversion to credit-impaired financial assets	(4,120)	(25,452)	-	29,572	-	-	-	-
To 12-month ECL	13,868	(2,306)	-	(11,562)	-	-	-	-
Derecognizing financial assets during the current period	(1,179,605)	(7,625)	(3,739)	(336,104)	-	(1,527,073)		(1,527,073)
Purchased or originated new financial assets	1,452,967	782	-	11,621	-	1,465,370		1,465,370
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							368,504	368,504
Write-off	-	-	-	(442,684)	-	(442,684)		(442,684)
Recovery of written-off	-	-	-	725,908	-	725,908		725,908
Effect of exchange rate changes and others	(180,910)	2,501	(1,616)	(4,574)	-	(184,599)		(184,599)
Balance at December 31, 2018	\$ 1,415,427	\$ 95,618	\$ 7,085	\$ 495,451	\$ -	\$ 2,013,581	\$ 2,320,761	\$ 4,334,342

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

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 335,634,555	\$ 1,729,750	\$ 23,616	\$ 2,826,173	\$ -	\$ 340,214,074
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	(583,927)	-	(7,020)	590,947	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(764,988)	(80,012)	-	845,000	-	-
Purchased or originated new discounts and loans	481,526,667	55	-	326	338,284	481,865,332
Write-off	-	-	-	(1,004,464)	-	(1,004,464)
Derecognition	(470,962,421)	(299,877)	(10,274)	(655,486)	(268,333)	(472,196,391)
Effect of exchange rate changes and others	(1,792,843)	432	903	(10,994)	-	(1,802,502)
Balance at December 31, 2019	\$ 343,057,023	\$ 1,350,348	\$ 7,225	\$ 2,591,502	\$ 69,951	\$ 347,076,049

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 292,239,778	\$ 1,977,828	\$ -	\$ 3,457,226	\$ -	\$ 297,674,832
Conversion from individual financial instruments to lifetime ECL	-	(33,735)	33,735	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	(13,113)	-	13,113	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(578,304)	191,268	-	387,036	-	-
Purchased or originated new discounts and loans	565,156,755	38,185	-	419,378	-	565,614,318
Write-off	-	-	-	(442,684)	-	(442,684)
Derecognition	(517,905,049)	(265,401)	(9,917)	(797,154)	-	(518,977,521)
Effect of exchange rate changes and others	(3,278,645)	(165,282)	(202)	(210,742)	-	(3,654,871)
Balance at December 31, 2018	\$ 335,634,535	\$ 1,729,750	\$ 23,616	\$ 2,826,173	\$ -	\$ 340,214,074

KGI Securities and subsidiaries

Credit risk analysis

1) Source of credit risk

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

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

2) Credit risk management

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

3) Default and credit derogation definition of financial assets

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

4) Credit risk statement for financial assets

- a) Cash and cash equivalents, other financial assets

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

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

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

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

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

d) Bonds purchased under resell agreements

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

e) Receivables

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

f) Customer margin accounts

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

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

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

h) Financial assets measured at amortized cost

On December 31, 2018, subsidiaries of KGI Securities held the principal of unsecured subordinated bonds and discounted value of coupon interests issued by Sunny Bank, Hwatai Bank and Panhsin Bank. Subsidiaries of KGI Securities Control the credit risk by evaluating the credit risk status of each financial institution.

i) Others noncurrent assets

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

5) Assessment of expected credit losses

a) Consideration of forward-looking information

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

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

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

b) Receivables and other financial assets

KGI Securities and domestic subsidiaries

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

Overseas subsidiaries

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

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

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

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

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

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

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 years ended December 31, 2019 and 2018.

Disclosure of total book value and allowance loss for financial assets' expected credit loss

- 1) Summary of KGI Securities and subsidiaries' total book value and allowance loss as of December 31, 2019 and 2018 are listed as follows:

Financial assets at fair value through other comprehensive income

Total book value and allowance loss for financial assets at debt instruments at fair value through other comprehensive income were \$26,859,655 thousand and \$16,110,773 thousand, respectively, and allowance loss for financial assets at fair value through other comprehensive income were \$10,992 thousand and \$5,447 thousand, respectively.

Accounts receivable and othersDecember 31, 2019

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	\$ 16,640,481	\$ (54)	\$ 16,640,427
Bonds purchased under resell agreement	18,188,175	-	18,188,175
Margin loans receivables	24,157,751	(1,887)	24,155,864
Trading securities receivables	5,365,585	(519)	5,365,066
Customer's margin accounts	37,536,024	(384)	37,535,640
Futures commission merchant receivable	167,493	(160,587)	6,906
Accounts receivable	27,580,924	(1,450)	27,579,474
Other current assets	37,512,606	(5,429)	37,507,177
Other non-current assets	<u>4,374,460</u>	<u>(1,752,929)</u>	<u>2,621,531</u>
	<u>\$ 171,523,499</u>	<u>\$ (1,923,239)</u>	<u>\$ 169,600,260</u>

December 31, 2018

	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
Margin loans receivables	21,181,502	(1,871)	21,179,631
Trading securities receivables	8,031,155	(1,223)	8,029,932
Customer margin accounts	34,123,313	(48)	34,123,265
Futures commission merchant receivable	188,951	(176,333)	12,618
Accounts receivable	24,764,645	(1,113)	24,763,532
Other current assets	32,774,799	(12,958)	32,761,841
Financial assets measured at amortized cost - non-current	500,000	(3,293)	496,707
Other non-current assets	<u>5,069,492</u>	<u>(1,797,288)</u>	<u>3,272,204</u>
	<u>\$ 159,931,764</u>	<u>\$ (1,994,676)</u>	<u>\$ 157,937,088</u>

- 2) Changes in allowance losses of KGI Securities and subsidiaries for the years ended December 31, 2019 and 2018 are as follows:

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

	12 Months Expected Credit Loss
January 1, 2019	\$ 5,447
Increase	5,732
Change in exchange rate	<u>(187)</u>
December 31, 2019	<u>\$ 10,992</u>
January 1, 2018 (IAS 39)	\$ -
Adjustment to IFRS 9	<u>293</u>
January 1, 2018 (IFRS 9)	293
Increase	5,086
Change in exchange rate	<u>68</u>
December 31, 2018	<u>\$ 5,447</u>

Investments in debt instruments at FVTOCI increased, and the allowance loss increased accordingly for the years ended December 31, 2019 and 2018.

- b) Receivables and others

	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)	(7,028)	(286)	(4,279)	(241)	(11,834)
Derecognizing financial assets during the current period	(3,426)	-	(40,227)	-	(43,653)
Written-off	-	-	(6,808)	-	(6,808)
Change in exchange rate	<u>(158)</u>	<u>471</u>	<u>(9,455)</u>	<u>-</u>	<u>(9,142)</u>
December 31, 2019	<u>\$ 5,263</u>	<u>\$ 402</u>	<u>\$ 1,914,235</u>	<u>\$ 3,339</u>	<u>\$ 1,923,239</u>
January 1, 2018 (IAS 39)	\$ -	\$ -	\$ 1,842,138	\$ 806	\$ 1,842,944
Adjustment to IFRS 9	<u>13,036</u>	<u>2</u>	<u>13</u>	<u>3,003</u>	<u>16,054</u>
January 1, 2018 (IFRS 9)	13,036	2	1,842,151	3,809	1,858,998
Addition (reversal)	2,531	211	104,216	(229)	106,729
Derecognizing financial assets during the current period	-	-	(11,096)	-	(11,096)
Written-off	-	-	(1,929)	-	(1,929)
Change in exchange rate	<u>308</u>	<u>4</u>	<u>41,662</u>	<u>-</u>	<u>41,974</u>
December 31, 2018	<u>\$ 15,875</u>	<u>\$ 217</u>	<u>\$ 1,975,004</u>	<u>\$ 3,580</u>	<u>\$ 1,994,676</u>

- c) The aforementioned total book value of receivables and other financial assets does not have a significant change. In February 2018 the futures trader of the subsidiary company defaulted due to deficiency of futures guarantee deposits. For the year ended December 31, 2018, KGI Securities and subsidiaries recognized an impairment loss of \$89,771 thousand for the unrecovered futures commission merchant receivable.

CDIB Capital Group and subsidiaries

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

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

China Life Insurance

- Credit risk analysis

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

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

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

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

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

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

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

Some of the allowance losses of part of receivables are measured by its expected credit losses for its lifetime. The expected credit losses during the existence period is considered by the past default records and current information, and the expected credit loss rate is set based on the overdue days of receivables.

2) Financial assets credit risk concentration analysis

- a) The largest credit risk exposure of the financial debt instrument investments held by China Life Insurance or deposit in the bank is listed in accordance with the regional distribution as follows:

December 31, 2019

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$ 59,222,242	\$ 18,687,554	\$ 8,016,222	\$ -	\$ -	\$ 85,926,018
Financial assets at fair value through profit or loss	25,533,331	8,950,753	16,606,529	1,224,110	-	52,314,723
Financial assets at fair value through other comprehensive income	74,743,643	110,640,035	77,612,643	80,575,074	-	343,571,395
Financial assets at amortized cost	133,360,531	238,509,983	248,102,345	372,806,878	18,256,497	1,011,036,234
Refundable deposits - bonds	<u>6,708,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,708,195</u>
	<u>\$ 299,567,942</u>	<u>\$ 376,788,325</u>	<u>\$ 350,337,739</u>	<u>\$ 454,606,062</u>	<u>\$ 18,256,497</u>	<u>\$ 1,499,556,565</u>
Proportion	<u>19.98%</u>	<u>25.13%</u>	<u>23.36%</u>	<u>30.31%</u>	<u>1.22%</u>	<u>100.00%</u>

December 31, 2018

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

- b) China Life Insurance's regional distribution of credit risk exposure for secured loans and overdue receivables (excluding policy loans and automatic premium loans) is as follows:

December 31, 2019

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	\$ 414,446	\$ 211,086	\$ 208,190	\$ 833,722
Overdue receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 414,446</u>	<u>\$ 211,086</u>	<u>\$ 208,190</u>	<u>\$ 833,722</u>
Proportion	<u>49.71%</u>	<u>25.32%</u>	<u>24.97%</u>	<u>100.00%</u>

December 31, 2018

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	<u>-</u>	<u>2,032</u>	<u>450</u>	<u>2,482</u>
	<u>\$ 553,282</u>	<u>\$ 291,033</u>	<u>\$ 309,286</u>	<u>\$ 1,153,601</u>
Proportion	<u>47.96%</u>	<u>25.23%</u>	<u>26.81%</u>	<u>100.00%</u>

3) Grading of financial instrument credit risk quality

China Life Insurance's internal credit risk is classified into investment grade and non-investment grade mainly based on rating of the credit rating agencies:

- Investment grade means credit rating reaches at least BBB-granted by a credit rating agency.
- Non-investment grade means no credit rating or credit rating lower than BBB-granted by a credit rating agency.

Grading of credit risk quality were as follows:

December 31, 2019

Financial Assets	Investment Grade	Non-investment Grade
Cash and cash equivalents	\$ 85,926,018	\$ -
Financial assets at fair value through profit or loss	52,314,723	-
Financial assets at fair value through other comprehensive income	336,578,279	6,993,116
Financial assets at amortized cost	1,011,036,234	-
Refundable deposits	<u>6,708,195</u>	<u>-</u>
	<u>\$ 1,492,563,449</u>	<u>\$ 6,993,116</u>
Proportion	<u>99.53%</u>	<u>0.47%</u>

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	<u>5,965,762</u>	<u>-</u>
	<u>\$ 1,356,862,651</u>	<u>\$ -</u>
Proportion	<u>100.00%</u>	<u>-</u>

4) Disclosure of total book value and allowance loss for financial assets' expected credit loss

China Life Insurance assesses its debt investments at fair value through other comprehensive income, debt investments measured at amortized cost and other receivables on December 31, 2019 and 2018. The assessment indicates those investments belongs to lower credit risk. Therefore, the 12-month expected credit loss (loss rate 0.00%-0.18%) is used to measure the amount of allowance loss.

The total book value of China Life Insurance debt investments measured at fair value through other comprehensive income and amortized cost and related other receivables on December 31, 2019 and 2018 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
Total book value on December 31, 2019 (Note)	<u>\$ 311,747,682</u>	<u>\$ 1,017,837,593</u>	<u>\$ 10,760,410</u>
Total book value on December 31, 2018 (Note)	<u>\$ 294,783,102</u>	<u>\$ 956,524,783</u>	<u>\$ 11,073,170</u>

Note: Including securities serving as collateral deposits.

Changes in allowance losses of financial asset at fair value through other comprehensive income, and debt investment measured at cost and other related receivables for the years ended December 31, 2019 and 2018 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
January 1, 2019	\$ 27,070	\$ 86,642	\$ 1,044
Disposal	(9,134)	(9,419)	(212)
Addition	20,255	21,242	483
Change in model/risk factors	1,649	6,056	64
Change in exchange rate and others	<u>(380)</u>	<u>(1,553)</u>	<u>(17)</u>
December 31, 2019	<u>\$ 39,460</u>	<u>\$ 102,968</u>	<u>\$ 1,362</u>
January 1, 2018	\$ 18,150	\$ 69,784	\$ 757
Disposal	(3,857)	(2,333)	(68)
Addition	12,662	16,849	314
Change in model/risk factors	(198)	848	29
Change in exchange rate and others	<u>313</u>	<u>1,494</u>	<u>12</u>
December 31, 2018	<u>\$ 27,070</u>	<u>\$ 86,642</u>	<u>\$ 1,044</u>

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

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

December 31, 2019

Credit Risk Ratings	Measurement of Expected Credit Loss	Guarantee Loans	Other Receivables
Low credit risk	12 months expected credit loss	\$ 835,898	\$ 847
Credit risk significantly increase	Lifetime expected credit loss	1,685	9
Impairment	Lifetime expected credit loss	<u>9,199</u>	<u>14</u>
Total book value		<u>\$ 846,782</u>	<u>\$ 870</u>

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	<u>16,250</u>	<u>66</u>
Total book value		<u>\$ 1,171,604</u>	<u>\$ 1,238</u>

Changes in allowance losses for the years ended December 31, 2019 and 2018 are as follows:

	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	99	-	(99)	-	-	-
Disposal	(10)	-	(345)	(355)	-	(355)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(4,381)	(4,381)
Change in exchange rate and others	<u>(109)</u>	<u>5</u>	<u>(103)</u>	<u>(207)</u>	<u>-</u>	<u>(207)</u>
December 31, 2019	<u>\$ 53</u>	<u>\$ 347</u>	<u>\$ 709</u>	<u>\$ 1,109</u>	<u>\$ 11,951</u>	<u>\$ 13,060</u>
January 1, 2018	\$ 1,012	\$ 16,815	\$ 351	\$ 18,178	\$ 23,772	\$ 41,950
Change due to financial assets recognized at the beginning of the period						
Change to duration expected credit loss	(2)	-	2	-	-	-
Change to 12 months expected credit loss	33	-	(33)	-	-	-
Disposal	(185)	-	(37)	(222)	-	(222)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(7,440)	(7,440)
Change in exchange rate and others	<u>(785)</u>	<u>(16,473)</u>	<u>973</u>	<u>(16,285)</u>	<u>-</u>	<u>(16,285)</u>
December 31, 2018	<u>\$ 73</u>	<u>\$ 342</u>	<u>\$ 1,256</u>	<u>\$ 1,671</u>	<u>\$ 16,332</u>	<u>\$ 18,003</u>

The allowance loss of China Life Insurance's accounts receivables arising from other transactions are measured by lifetime expected credit loss. Changes in allowance losses of receivables for the years ended December 31, 2019 and 2018 are as follows:

	Receivables
January 1, 2019	\$ 7,915
Reversal	(70)
Written-off due to uncollectable	<u>-</u>
December 31, 2019	<u>\$ 7,845</u>
January 1, 2018	\$ 724
Addition	7,191
Written-off due to uncollectable	<u>-</u>
December 31, 2018	<u>\$ 7,915</u>

c. Liquidity risk

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

Liquidity risk of KGI Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management policy of liquidity risk

KGI Bank's liquidity risk management gap limit management strategy, which is the cumulative inflows and outflows (net cumulative mismatch), the KGI Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The KGI Bank also actively deconcentrates funding sources, due dates of funding settlement, and the counterparties to the due from other banks and call loans to other banks, as well as maintains an adequate amount of corporate cash in banks to enhance its liquidity position.

3) Maturity gap analysis of financial assets and non-derivative financial liabilities held for liquidity purposes

a) Financial assets held for liquidity management

The KGI Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, securities purchased under resell agreement, accounts receivable, and discounts and loans.

b) Non-derivative financial liabilities

The following tables show the cash outflows on the KGI Bank's non-derivative financial liabilities based on contract maturities. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the balance sheets.

(In Thousands of New Taiwan Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 10,123,296	\$ -	\$ -	\$ 166,850	\$ -	\$ 10,290,146
Notes and bonds issued under repurchase agreement	5,791,571	-	-	-	-	5,791,571
Deposits and remittances	56,190,343	73,918,182	63,886,282	71,397,928	17,967,649	283,360,384
Bank debentures payable	-	-	1,000,000	-	9,450,000	10,450,000
Other capital outflow on maturity	3,174,240	977,602	610,172	632,082	2,508,531	7,902,627
Total	\$ 75,279,450	\$ 74,895,784	\$ 65,496,454	\$ 72,196,860	\$ 29,926,180	\$ 317,794,728

(In Thousands of New Taiwan Dollars)

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 U.S. Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 196,000	\$ 185,000	\$ 30,000	\$ -	\$ -	\$ 411,000
Notes and bonds issued under repurchase agreement	34,308	129,787	-	-	-	164,095
Deposits and remittances	1,475,688	1,040,336	497,607	710,207	16,677	3,740,515
Bank debentures payable	-	-	-	-	1,014,758	1,014,758
Other capital outflow on maturity	23,118	31,544	7,225	460	235,970	298,317
Total	\$ 1,729,114	\$ 1,386,667	\$ 534,832	\$ 710,667	\$ 1,267,405	\$ 5,628,685

(In Thousands of U.S. Dollars)

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

4) Maturity analysis of derivative financial instruments

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

(In Thousands of New Taiwan Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (164,347,333)	\$ (268,369,855)	\$ (133,746,346)	\$ (83,336,388)	\$ (981,280)	\$ (650,781,202)
Cash inflow	151,878,212	246,852,094	130,914,798	78,914,741	-	608,559,845
Interest rate derivatives instruments						
Cash outflow	(191,930)	(404,974)	(11,308)	-	(23,503,490)	(24,111,702)
Cash inflow	166,765	379,890	11,010	-	-	557,665
Cash outflow subtotal	(164,539,263)	(268,774,829)	(133,757,654)	(83,336,388)	(24,484,770)	(674,892,904)
Cash inflow subtotal	152,044,977	247,231,984	130,925,808	78,914,741	-	609,117,510
Net cash flow	\$ (12,494,286)	\$ (21,542,845)	\$ (2,831,846)	\$ (4,421,647)	\$ (24,484,770)	\$ (65,775,394)

(In Thousands of New Taiwan Dollars)

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

(In Thousands of U.S. Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (5,750,775)	\$ (9,001,291)	\$ (4,941,888)	\$ (3,195,125)	\$ (39,760)	\$ (22,928,839)
Cash inflow	6,494,421	9,827,038	4,757,470	3,276,983	71,760	24,427,672
Interest rate derivatives instruments						
Cash outflow	(64,773)	(104,723)	(61,874)	(7,424)	(59,508)	(298,302)
Cash inflow	42,890	93,676	46,775	2,148	-	185,489
Others						
Cash outflow	(42)	-	-	-	-	(42)
Cash inflow	301	-	-	-	-	301
Cash outflow subtotal	(5,815,590)	(9,106,014)	(5,003,762)	(3,202,549)	(99,268)	(23,227,183)
Cash inflow subtotal	6,537,612	9,920,714	4,804,245	3,279,131	71,760	24,613,462
Net cash flow	\$ 722,022	\$ 814,700	\$ (199,517)	\$ 76,582	\$ (27,508)	\$ 1,386,279

(In Thousands of U.S. Dollars)

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

5) Maturity analysis of off-balance sheet items

The table below shows KGI Bank's maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period.

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	\$ 15,435,073	\$ 4,342,895	\$ 3,866,860	\$ 11,583,264	\$ 12,995,388	\$ 48,223,480

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

6) The maturity analysis of lease agreement

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

The maturity analysis of lease commitments were as follows:

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

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)

December 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	\$ 151,970,909	\$ 126,185,567	\$ 293,006,276	\$ 163,421,009	\$ 140,933,669	\$ 180,673,425	\$ 1,056,190,855
Main capital outflow on maturity	127,341,482	129,000,673	375,874,625	225,921,766	211,322,106	217,972,573	1,287,433,225
Gap	24,629,427	(2,815,106)	(82,868,349)	(62,500,757)	(70,388,437)	(37,299,148)	(231,242,370)

(In Thousands of New Taiwan Dollars)

December 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	\$ 149,159,389	\$ 245,722,737	\$ 299,698,283	\$ 202,917,488	\$ 75,145,312	\$ 149,115,349	\$ 1,121,758,558
Main capital outflow on maturity	103,871,470	206,384,796	376,122,829	261,937,068	189,060,528	198,159,116	1,335,535,807
Gap	45,287,919	39,337,941	(76,424,546)	(59,019,580)	(113,915,216)	(49,043,767)	(213,777,249)

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

(In Thousands of U.S. Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 7,178,580	\$ 10,541,976	\$ 5,173,672	\$ 3,582,959	\$ 2,980,884	\$ 29,458,071
Main capital outflow on maturity	7,717,297	10,837,581	5,899,218	4,610,817	2,933,121	31,998,034
Gap	(538,717)	(295,605)	(725,546)	(1,027,858)	47,763	(2,539,963)

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 9,842,316	\$ 10,983,935	\$ 6,369,860	\$ 1,944,560	\$ 3,788,668	\$ 32,929,339
Main capital outflow on maturity	10,441,717	11,367,360	7,095,302	3,027,754	2,636,078	34,568,211
Gap	(599,401)	(383,425)	(725,442)	(1,083,194)	1,152,590	(1,638,872)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2019	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 5,696,868	\$ 10,953,559	\$ -	\$ -	\$ -	\$ 16,650,427
Financial assets measured at FVTPL - current	63,269,847	5,028,733	3,976,634	9,531,757	20,357	81,827,328
Financial assets measured at FVTOCI - current	17,490,965	2,763,329	727,176	-	-	20,981,470
Securities purchased under resell agreement	-	18,221,682	-	-	-	18,221,682
Receivables	36,369,508	2,953,477	17,790,823	-	-	57,113,808
Customer margin accounts	37,535,640	-	-	-	-	37,535,640
Stock borrowing collateral price and security lending deposits	1,023,538	10,110,005	5,647,820	-	-	16,781,363
Other financial assets - current	-	-	3,126,037	-	-	3,126,037
Current tax assets	-	-	12,683	4,259	286	17,228
Other current assets	35,613,718	509,440	1,384,019	-	-	37,507,117
Financial assets measured at FVTPL - non-current	-	-	-	716,206	2,375,584	3,091,790
Financial assets measured at FVTOCI - non-current	-	-	-	-	8,058,407	8,058,407
Investments accounted for using the equity method	-	-	-	-	16,385,894	16,385,894
Others non-current assets	-	-	-	329	2,578,969	2,579,298
Total	\$ 197,000,084	\$ 50,540,225	\$ 32,665,192	\$ 10,252,551	\$ 29,419,497	\$ 319,877,549
Percentage	61.59%	15.80%	10.21%	3.20%	9.20%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2019	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 18,789,210	\$ -	\$ -	\$ -	\$ 18,789,210
Commercial papers payable	-	6,043,308	-	-	-	6,043,308
Financial liabilities measured at FVTPL - current	3,882,975	1,334,940	4,227,440	5,771,703	1,057,325	16,274,383
Bonds issued under repurchase agreements	-	77,526,773	-	-	-	77,526,773
Payables	48,220,935	2,258,885	4,164,112	-	-	54,643,932
Guarantee deposits received from security lending	-	8,145,992	15,072,197	-	-	23,218,189
Futures customers' equity	36,405,424	-	-	-	-	36,405,424
Amounts collected for others/other payables/other current liabilities	565,630	1,241,103	11,667,891	37	-	13,474,661
Other financial liabilities - current	-	4,888,051	187	1,457	860	4,890,555
Lease liabilities-current	-	130,877	361,339	-	-	492,216
Current tax liabilities	-	-	160,908	-	739,950	900,858
Long-term liabilities - current portion	-	-	4,800,000	-	-	4,800,000
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve - non-current	-	-	-	24,753	195,457	220,210
Lease liabilities - non-current	-	-	-	752,538	-	752,538
Others non-current liabilities	-	-	609	685,100	68,013	753,722
Total	\$ 89,074,964	\$ 120,359,139	\$ 40,454,683	\$ 10,135,588	\$ 3,361,605	\$ 263,385,979
Percentage	33.82%	45.70%	15.36%	3.85%	1.27%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2019	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 197,000,084	\$ 50,540,225	\$ 32,665,192	\$ 10,252,551	\$ 29,419,497	\$ 319,877,549
Cash outflow	89,074,964	120,359,139	40,454,683	10,135,588	3,361,605	263,385,979
Amount of cash flow gap	\$ 107,925,120	\$ (69,818,914)	\$ (7,789,491)	\$ 116,963	\$ 26,057,892	\$ 56,491,570

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2018	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 5,114,643	\$ 8,733,893	\$ -	\$ -	\$ -	\$ 13,848,536
Financial assets measured at FVTPL - current	45,048,279	1,944,214	9,160,574	387,366	69,401	56,609,834
Financial assets measured at FVTOCI - current	8,151,851	5,575,724	643,797	-	-	14,371,372
Securities purchased under resell agreement	-	19,494,037	-	-	-	19,494,037
Receivables	31,774,433	4,088,892	15,752,425	2,371,131	-	53,986,881
Customer margin accounts	34,123,265	-	-	-	-	34,123,265
Stock borrowing collateral price and security lending deposits	2,925,678	2,093,783	6,916,890	-	-	11,936,351
Other financial assets - current	-	-	3,387,927	-	-	3,387,927
Current tax assets	-	-	48	2,255	569,624	571,927
Other current assets	30,703,794	986,209	1,071,838	-	-	32,761,841
Financial assets measured at FVTPL - non-current	-	-	-	549,334	2,233,090	2,782,424
Financial assets measured at FVTOCI - non-current	-	-	-	-	4,218,151	4,218,151
Financial assets at amortized cost - non-current	-	-	-	298,653	198,054	496,707
Investments accounted for using the equity method	-	-	-	-	11,170,844	11,170,844
Others non-current assets	70,000	-	100,000	259,621	2,814,781	3,244,402
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	-	2,457,752	-	-	-	2,457,752
Financial liabilities measured at FVTPL - current	3,723,021	1,236,609	5,532,983	1,124,791	69,401	11,686,805
Bonds issued under repurchase agreements	-	65,299,256	-	-	-	65,299,256
Payables	50,508,869	1,603,369	5,143,243	96,648	-	57,352,129
Guarantee deposits received from security lending	-	5,908,005	11,910,455	-	-	17,818,460
Futures customers' equity	32,140,949	-	-	-	-	32,140,949
Amounts collected for others/other payables/other current liabilities	424,784	1,101,415	2,601,633	30	-	4,127,862
Other financial liabilities - current	-	2,224,901	8,913	739	-	2,234,553
Current tax liabilities	-	-	175,426	-	738,425	913,851
Bonds payable	-	-	-	4,800,000	-	4,800,000
Liabilities reserve - non-current	-	-	-	21,840	205,228	227,068
Others non-current liabilities	-	-	-	694,628	67,593	762,221
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

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from December 31, 2019 and 2018, show that the sums from deducting cash outflow from cash inflow are \$56,491,570 thousand and \$48,401,370 thousand, respectively, all indicating sufficient fund liquidity.

Although an analysis of funds gap shows that the cash outflow during partial periods. Net cash inflow calculated from net spot financial assets are sufficient to cover the net cash outflows generated from subsequent periods, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

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

On a quarterly basis, KGI Securities also offers suggestions of an adequate safety level of capital and reports it to the general manager. The department reviews the available capital including cash and cash equivalents, short-term investments that are readily convertible into cash, and line of credit facility and will take the following action if available capitals are below 120% of the aforementioned level of capital:

- a) Except for those due payable and those payables with a business nature whose use of capital cannot be restricted due to the nature of their business, all other requests for capital uses from all business departments need to be approved by the fund-dispatching department in order to ensure the maintenance of an adequate safety level of capital.
- b) Fund-dispatching department will immediately propose to the related departments contingency measures, which include disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, obtaining financing from securities finance corporations or exploring other fund-raising methods that will increase available funds of KGI Securities.

CDIB Capital Group and subsidiaries

The management of liquidity risk is aimed to deal with financing CDIB Capital Group's operations and mitigate the effects of fluctuations in cash flows by monitoring and maintaining a level of cash and cash equivalents.

CDIB Capital Group's Management policies of liquidity risk are as follows:

- 1) Dispose of surplus capital should consider possible future capital requirements, deconcentration of capital sources and reasonable liquidity of liability Structure.
- 2) Pursuant to liquidity risk control, CDIB Capital Group uses performance index of financial structure and dispatching of funds to set up a system to monitor daily funding gap.

As of December 31, 2019 and 2018, CDIB Capital Group and subsidiaries' other financial liabilities are \$373,788 thousand and \$381,410 thousand, respectively, and will be paid by financial assets and the rest of non-derivative financial liabilities are \$985,757 thousand and \$905,189 thousand, respectively, and are mainly all current liabilities.

China Life Insurance

- 1) Liquidity risks are classified to "funding liquidity risk" and "market liquidity risk." "Funding liquidity risk" represents that China Life Insurance is not able to obtain sufficient funds at a reasonable funding cost to meet the demands within reasonable time. "Market liquidity risk" represents the risk that China Life Insurance sells at loss to meet the demand for cash.

China Life Insurance assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, China Life Insurance manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions with symmetric. To decentralize market risk when investment and to maintain investment each aspect (such as asset category, maturity, region, currency and tools) diversification. Planning emergency financing plan in order to assess how China Life Insurance in the long term illiquid environment still regularly operate to pay emergency and major funding requirements.

China Life Insurance regularly monitors market liquidity and formulates plans to use the funds depending on market conditions and funding demand arrangements for liquidity assets portfolio. To deal with possible liquidity risk early, China Life Insurance reports duration of assets and liabilities quarterly, creates cash flow model and reviews cash flow status regularly.

2) Financial assets held for managing liquidity risk and maturity analysis of non-derivative financial liabilities

a) Financial assets held for managing liquidity risk

China Life Insurance holds cash, highly liquid and superior assets to deal with payment obligation and the potential urgent funds needs to dispatch in the market environment. Financial assets for managing liquidity risk are cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, etc.

b) Maturity analysis of non-derivative financial liabilities

The analysis of cash outflows to China Life Insurance is listed below and based on the residual term from the date of balance sheet to the maturity. The disclosed amount is in accordance with cash flows on contracts, so the partial disclosed items are not the same as related items in the balance sheet.

Non-derivative financial instruments

	December 31, 2019			
	In 1 Year	1-5 Years	Over 5 Years	Total
Payables	\$ 19,381,881	\$ 35,415	\$ -	\$ 19,417,296
Lease liabilities (Note)	165,162	370,132	4,835,373	5,370,667
	December 31, 2018			
	In 1 Year	1-5 Years	Over 5 Years	Total
Payables	\$ 10,698,549	\$ 28,537	\$ -	\$ 10,727,086

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

c) Maturity analysis of derivative financial liabilities

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

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

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

December 31, 2019				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Financial liabilities at fair value through profit or loss	\$ 1,357,762	\$ 43,560	\$ 24,748	\$ -
				\$ 1,426,070
December 31, 2018				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Financial liabilities at fair value through profit or loss	\$ 1,782,682	\$ -	\$ 686,445	\$ -
				\$ 2,469,127

3) Maturity analysis of lease commitment

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

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2019 and 2018 are as follows:

	December 31, 2019 (Note)	December 31, 2018
Less than one year		\$ 111,219
More than one year but less than five years		438,883
More than five years		<u>4,834,881</u>
		<u>\$ 5,384,983</u>

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

The minimum lease payments of operating lease for the three and year ended December 31, 2018 amounted to \$63,301 thousand.

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

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2019 and 2018 are as follows:

	December 31, 2019 (Note)	December 31, 2018
Less than one year		\$ 407,686
More than one year but less than five years		873,984
More than five years		<u>223,248</u>
		<u>\$ 1,504,918</u>

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

d. Market risk

KGI Bank and subsidiaries

1) Source and definition of market risk

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

2) Risk management policies

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

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

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

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

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

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

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

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

4) Mitigation of risks or hedging of market risk

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

5) Valuation techniques of market risk

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

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

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2019			For the Year Ended December 31, 2018		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	\$ 139,196	\$ 226,896	\$ 66,552	\$ 172,030	\$ 263,393	\$ 72,541
Equity risk	1,145	10,137	-	13,929	27,333	3,477
Exchange rate risk	5,129	12,638	1,458	5,034	34,521	2,163

6) Interest rate risk in banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures every day. The interest rate risk management processes involving the banking book include risk identification, risk measurement, risk control, risk monitor and others. The unit monitoring the banking book interest rate risk reports interest rate risk exposures regularly to ALMCO, and adjust the structure of assets and liabilities according to the report, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs an analysis report, which is provided to the interest rate risk execution unit and top management. If risk missing or excess of limit occurred from monitor, written notices will be passed to interest rate risk implementation units to adjust and improve the program reported to ALMCO.

8) Concentration of currency risk information

The financial assets and liabilities denominated in foreign currency and with material influence on KGI Bank and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,748,558	30.11	\$ 173,066,073
EUR	459,981	33.76	15,528,947
HKD	3,767,759	3.87	14,566,157
CNY	1,005,243	4.32	4,345,667
ZAR	1,003,988	2.14	2,149,539
JPY	7,580,733	0.28	2,100,621
GBP	42,533	39.55	1,682,188
CAD	60,132	23.08	1,387,854
AUD	26,957	21.10	568,800
SGD	18,231	22.37	407,817
NZD	19,918	20.27	403,736
<u>Financial liabilities</u>			
Monetary items			
USD	7,193,801	30.11	216,576,559
CNY	4,143,416	4.32	17,911,985
EUR	290,357	33.76	9,802,438
ZAR	3,007,386	2.14	6,438,814
AUD	111,802	21.10	2,359,021
JPY	5,261,286	0.28	1,457,902
HKD	252,039	3.87	974,382
GBP	8,083	39.55	319,679
NZD	5,250	20.27	106,419

(In Thousands of New Foreign Currencies/Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,504,546	30.73	\$ 199,904,197
EUR	553,336	35.22	19,488,500
HKD	3,190,724	3.92	12,520,400
CNY	1,282,347	4.48	5,739,271
GBP	35,024	38.89	1,362,084
AUD	43,641	21.68	946,141
JPY	2,497,538	0.28	695,315
SGD	20,472	22.49	460,408
ZAR	202,838	2.13	431,843

Financial liabilities

Monetary items			
USD	8,133,541	30.73	249,968,104
CNY	3,795,557	4.48	16,987,396
EUR	391,754	35.22	13,797,578
ZAR	2,048,614	2.13	4,361,500
AUD	100,666	21.68	2,182,447
JPY	4,488,426	0.28	1,249,578
HKD	110,607	3.92	434,023
GBP	3,127	38.89	121,619
NZD	5,713	20.63	117,855

9) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

a) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (New Taiwan dollars)

December 31, 2019

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 303,272,809	\$ 19,249,480	\$ 36,383,885	\$ 58,866,755	\$ 417,772,929
Interest rate-sensitive liabilities	131,600,466	133,057,975	28,756,714	11,734,678	305,149,833
Interest rate sensitivity gap	171,672,343	(113,808,495)	7,627,171	47,132,077	112,623,096
Net worth					60,871,214
Ratio of interest rate-sensitive assets to liabilities (%)					136.91
Ratio of interest rate-sensitive gap to net worth (%)					185.02

December 31, 2018

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 290,680,052	\$ 13,938,764	\$ 5,363,941	\$ 96,967,939	\$ 406,950,696
Interest rate-sensitive liabilities	124,914,663	119,990,034	51,240,364	9,068,808	305,213,869
Interest rate sensitivity gap	165,765,389	(106,051,270)	(45,876,423)	87,899,131	101,736,827
Net worth					57,581,935
Ratio of interest rate-sensitive assets to liabilities (%)					133.33
Ratio of interest rate-sensitive gap to net worth (%)					176.68

Note 1: The above amounts included only New Taiwan dollar amounts held by KGI Bank excluded contingent assets and contingent liabilities.

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

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

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

b) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (U.S. dollars)

December 31, 2019

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

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 2,853,130	\$ 113,902	\$ 45,528	\$ 1,017,195	\$ 4,029,755
Interest rate-sensitive liabilities	3,559,953	402,898	336,081	998,504	5,297,436
Interest rate sensitivity gap	(706,823)	(288,996)	(290,553)	18,691	(1,267,681)
Net worth					109,641
Ratio of interest rate-sensitive assets to liabilities (%)					76.07
Ratio of interest rate-sensitive gap to net worth (%)					(1,156.21)

December 31, 2018

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

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 2,871,990	\$ 149,671	\$ 42,301	\$ 1,547,530	\$ 4,611,492
Interest rate-sensitive liabilities	4,215,405	768,422	465,888	892,835	6,342,550
Interest rate sensitivity gap	(1,343,415)	(618,751)	(423,587)	654,695	(1,731,058)
Net worth					25,518
Ratio of interest rate-sensitive assets to liabilities (%)					72.71
Ratio of interest rate-sensitive gap to net worth (%)					(6,783.67)

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

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

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

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

KGI Securities and subsidiaries

Market risk is the risk of potential loss or change in valuation for securities or financial products that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and commodity risk.

KGI Securities utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities also holds regular stress test to help the management understand the estimated influence on the income of investment portfolio under potential extreme events or circumstances.

1) Risk factor sensitivity

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

- a) Interest rate risk sensitivity: Measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.
- b) Equity securities risk sensitivity: Measured by the change of the value of investment portfolio with the price of the underlying assets linked to the equity securities (as the potential loss amount given that the TAIEX and stock of respective companies drop 1%).
- c) Exchange rate risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency (as the potential loss amount given that the foreign currencies depreciate 1% against NTD).
- d) Commodity risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with commodity for each currency (as the potential loss amount given that commodity currencies depreciate 1% against NTD).

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

Comparisons of Risk Sensitive Factors

(In Thousands of New Taiwan Dollars)

Risk Sensitivity	December 31, 2019	December 31, 2018
Interest rate risk	\$ 6,516	\$ 5,774
Equity securities risk	7,025,663	2,710,631
Exchange rate risk	4,587,344	957,905
Commodity risk	2,694	10,758

2) Value at risk

Value at risk ("VAR") is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. KGI Securities and subsidiaries uses parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading day might see the loss of the positions exceeding the value at risk estimated the day before. KGI Securities and subsidiaries continue to conduct back testing daily to ensure the effectiveness of the estimations made by the risk value model.

The comparison of risk value in the trading portfolio held by KGI Securities and subsidiaries were as follows:

	For the Year Ended December 31, 2019			December 31, 2019
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$ 97,014	\$ 52,400	\$ 178,336	\$ 75,799
Interest rate	94,274	60,944	161,965	84,423
Exchange rate	24,821	6,749	41,791	22,203
Commodity	15,277	729	74,792	8,851

	For the Year Ended December 31, 2018			December 31, 2018
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$ 146,388	\$ 65,496	\$ 332,135	\$ 159,003
Interest rate	118,562	61,188	249,690	126,778
Exchange rate	9,424	3,386	24,670	8,413
Commodity	5,501	146	17,873	3,037

3) Stress test

Stress test is one of the tools for risk management. It mainly evaluates the effects extreme changes in market risk factors in an investment portfolio to help a company's board of directors and management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are historic analysis and hypothetical scenarios analysis. The results will be regularly reported to the risk management committee and the board of directors of KGI Securities.

4) Foreign currency exchange rate of financial assets and liabilities information

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,526,736	30.09	\$ 76,026,980
EUR	309,281	33.76	10,440,653
HKD	113,315	3.86	436,901
CNY	66,949	4.32	289,403
JPY	998,477	0.28	275,883
Nonmonetary items			
USD	1,862,991	30.11	56,087,221
CNY	1,333,592	4.32	5,765,119
AUD	36,172	21.10	763,236
EUR	10,783	33.76	364,023
Investments accounted for using the equity method			
USD	86,389	30.11	2,600,838

(Continued)

December 31, 2019			
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 4,887,513	30.10	\$ 147,101,061
EUR	311,723	33.76	10,523,105
AUD	26,646	21.10	562,228
HKD	73,636	3.85	283,827
CNY	51,765	4.32	223,764
JPY	732,425	0.28	202,163
Nonmonetary items			
USD	279,293	30.11	8,408,404
AUD	8,594	21.10	181,324
CNY	26,862	4.32	116,126
(Concluded)			

(In Thousands of Foreign Currencies/New Taiwan Dollars)

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

CDIB Capital Group and subsidiaries

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

1) Foreign currency rate risk information

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

December 31, 2019			
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 151,924	30.106	\$ 4,573,833
CNY	218,454	4.323	944,375
HKD	81,115	3.866	313,592
JPY	414,683	0.277	114,909
Nonmonetary items			
USD	179,269	30.106	5,397,072
CNY	89,591	4.323	387,301
THB	159,162	1.010	160,753
KRW	3,851,200	0.026	100,393
Investment accounted for using the equity method			
USD	94,240	30.106	2,837,176
CNY	660,890	4.323	2,857,026
<u>Financial liabilities</u>			
Monetary items			
USD	15,869	30.106	477,763

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 223,828	30.733	\$ 6,878,905
CNY	187,203	4.476	837,845
HKD	55,585	3.924	218,117
KRW	6,854,094	0.028	188,755
JPY	414,683	0.278	115,448
Nonmonetary items			
USD	380,420	30.733	11,691,440
THB	230,845	0.949	219,072
Investment accounted for using the equity method			
CNY	685,898	4.476	3,069,805
USD	89,104	30.733	2,738,434
<u>Financial liabilities</u>			
Monetary items			
USD	15,381	30.733	472,712

Sensitivity analysis

The following table details CDIB Capital Group and subsidiaries' sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	Impact on Profit or Loss For the Year Ended December 31	
	2019	2018
Monetary items		
USD	\$ 40,961	\$ 64,062
CNY	8,970	8,171
HKD	3,131	2,180
JPY	1,149	1,154
KRW	443	1,760

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of December 31, 2019 and 2018 were cash in banks. Management believes that interest rate changes would have been no significant effect on CDIB Capital Group and subsidiaries.

3) Other price risk

CDIB Capital Group and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB Capital Group manages this exposure by setting risk acceptance limitation concerning industry, country, affiliated groups, and the same group.

If equity prices had been 1% higher/lower, the post-tax income for the years ended December 31, 2019 and 2018 would increase/decrease by \$162,521 thousand and \$176,008 thousand, respectively as a result of the changes in fair value of financial assets at fair value through profit or loss.

China Life Insurance

1) Market risk analysis

Market risk refers to financial assets and liabilities due to market risk factors volatility, making the change of the value to cause the risk of loss.

China Life Insurance has built value at risk (VaR) model. All financial assets involve market risks regularly monitor by risk management system and calculate the VaR. Risk control indices are notional amount and VaR. It will issue risk management reports and execute routine control and process when over limit. We also report VaR, the use of risk limits and the results of backtesting regularly to the board of directors or risk management committee.

2) Exchange rate risk

China Life Insurance continues to exercise swaps and forward exchange derivative transactions to hedge the value change risk of holding foreign currencies because of changes in exchange rates in accordance with relevant laws and internal control requirements to use the control mechanism to control this risk.

China Life Insurance's exchange rate risk is primarily related to operating activities (the currencies the income or expense used are not the same as the functional currency of China Life Insurance).

Some of China Life Insurance's accounts receivable and accounts payable are denoted in the same foreign currency. Under such circumstances, the similar positions will naturally generate the hedging effect. Some foreign currency positions use forward exchange contracts to manage foreign exchange risk. As the foregoing natural hedge and foreign exchange forward do not meet the requirements of hedge accounting in terms of managing exchange rate risk, hedge accounting is not adopted.

3) Interest rate risk

Interest rate risk refers to the risk resulting from changes in market interest rates which causes fluctuations in the fair value of financial instruments. China Life Insurance manages interest rate risk by combinations of fixed and floating interest rate products. Because they do not meet the requirements for hedge accounting, hedge accounting is not adopted.

4) Equity price risk

China Life Insurance holds equity securities of listed and unlisted companies, and OTC-traded and non-OTC traded companies. The price of such equity securities will be affected by uncertainties about the future value of the underlying investment. Equity securities of non-listed and non-OTC traded companies fall into available-for-sale category. China Life Insurance diversified its investment and set investment limits for a single equity security to manage price risk of equity securities. Portfolio information of equity securities is required to be regularly reported to senior executives of China Life Insurance. The Board of Directors should authorize the senior executives to review and approve the equity securities of all investment decisions.

5) Value at risk

Value-at-risk is the maximum loss on the portfolio with a given probability defined as the confidence level, over a given period of time. China Life Insurance uses 99% VaR to measure the market risk over the next ten days.

VaR model must be able to reasonably and appropriately measure the maximum potential risk of financial instruments and investment portfolio. VaR model used to manage risk must perform model validation and backtesting to show that the model can reasonably and effectively measure the maximum potential risks of the financial instruments or investment portfolio.

6) Stress testing

China Life Insurance measures and evaluates potential risks of the occurrence of extreme and abnormal events regularly in addition to Value at Risk models. Stress testing measures the potential impact on the value of the investment portfolio when extreme fluctuations of financial variables occur.

China Life Insurance performs stress testing regularly by using “Simple Sensitivity” and “Scenario Analysis” methods. The test is capable of representing the position loss resulted from the movement of a specific risk factor under different kinds of historical scenarios:

a) Simple sensitivity

Simple Sensitivity measures the dollar amount change for the portfolio value from the movement of specific risk factors.

b) Scenario analysis

Scenario Analysis measures the dollar amount changes for the total value of investment positions if stress scenarios occur. The types of scenario include:

i. Historical scenario:

Adding fluctuating risk factors to a specific historical event, China Life Insurance simulates what the dollar amount of losses for the current investment portfolio would be in the same period of time.

ii. Hypothetical scenario:

China Life Insurance makes hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses for the investment position by taking into consideration the movement of relevant risk factors.

Risk management department performs the stress testing with historical and hypothetical scenarios regularly. China Life Insurance's risk analysis, early warning, and business management are in accordance with the stress testing report.

**Summary of Factor Sensitivity Analysis
December 31, 2019**

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	\$ -	\$ 1,669,270
Interest rate risk (yield curve)	+1BP	-	(583,242)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(2,118,730)	(632,610)

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)

- 7) China Life Insurance's foreign currency financial assets and liabilities with significant influence as of December 31, 2019 and 2018 are as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 37,169,001	30.1060	\$ 1,119,007,204
AUD	3,964,377	21.0983	83,641,608
Non-monetary items			
USD	987,605	30.1060	29,732,838
<u>Financial liabilities</u>			
Monetary items			
USD	290,758	30.1060	8,753,554

(In Thousands of Foreign Currencies/New Taiwan Dollars)

December 31, 2018			
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 32,439,523	30.7330	\$ 996,964,533
AUD	1,994,104	21.6760	43,224,203
Non-monetary items			
USD	442,376	30.7330	13,595,540
<u>Financial liabilities</u>			
Monetary items			
USD	15,470	30.7330	475,440

The above information is disclosed based on the carrying amount of the foreign currencies, which has been translated to functional currency.

e. Transfers of financial assets

KGI Bank and subsidiaries

Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As KGI Bank's right to receive cash flows of the financial assets transferred to the counterparties, and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Bank does not derecognize it entirely because KGI Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition was listed below:

December 31, 2019					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at FVTPL	\$ 3,210,485	\$ 3,046,369	\$ 3,210,485	\$ 3,046,369	\$ 164,116
Financial assets at FVTOCI	16,624,605	15,703,472	16,624,605	15,703,472	921,133

December 31, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	\$ 307,248	\$ 291,964	\$ 307,330	\$ 291,964	\$ 15,366
Financial assets at FVTPL	8,359,623	7,844,863	8,359,623	7,844,863	514,760
Financial assets at FVTOCI	55,513,141	52,166,855	55,513,141	52,166,855	3,346,286

KGI Securities and subsidiaries

1) Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Securities and subsidiaries, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities held by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements. As the substance of these transactions is secured borrowing, securities that has transferred to counterparties during the transaction causes KGI Securities' right to receive cash flows of the financial assets transferred to the counterparties; KGI Securities only recognized related liabilities reflecting the obligation to repurchase the transferred financial assets at a fixed price in the future, and the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Securities does not derecognize it entirely because KGI Securities remains exposed to interest rate risk, credit risk and market risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition was listed below:

December 31, 2019					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	\$ 67,060,739	\$ 64,889,744	\$ 67,060,739	\$ 64,889,744	\$ 2,170,995
Transaction - borrowed securities	1,291,917	1,808,684	1,291,917	1,808,684	(516,767)

December 31, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	\$ 52,973,046	\$ 51,217,733	\$ 52,973,046	\$ 51,217,733	\$ 1,755,313
Transaction - borrowed securities	826,971	1,157,759	826,971	1,157,759	(330,788)

2) Transferred financial assets qualifying for full derecognition

KGI Securities uses convertible bonds acquired by an underwriter or dealer as the trading object of the asset swap transaction, then KGI Securities receives consideration by selling it, and exchange interests arise from convertible bonds for compensation interests according to the contracts, and has the right to redeem the bonds at any time before the maturity date. KGI Securities does not retain the control over the transferred assets and derecognizes them since counterparties have the ability to sell financial assets to third party and no restrictions will be made to counterparties. KGI Securities still retain the call option of the object, and the maximum exposure of the loss is the book value of the pledged instruments. Related information of transferred financial assets and liabilities qualifying for full derecognition were as follows:

Period	Types of Continuing Involvement	Outflows of Repurchased Transferred (Derecognized) Financial Assets	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
			Financial Assets at FVTPL	Assets	Liabilities	
December 31, 2019	Call option	\$ 11,705,100	\$ 1,115,752	\$ 1,115,752	\$ -	\$ 1,115,752
December 31, 2018	Call option	11,074,500	654,271	654,271	-	654,271

The following table is repurchased transferred financial assets' undiscounted cash flow maturity analysis. Information of cash flow is disclosed according to the circumstances of every balance sheet day.

Period	Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
December 31, 2019	Call option	\$ -	\$ 318,000	\$ 4,362,400	\$ 7,024,700	\$ -	\$ 11,705,100
December 31, 2018	Call option	-	241,400	1,875,100	8,958,000	-	11,074,500

The following table shows gains or losses recognized from continuing involvement - call option at the assets transferred day, continuing involvement of derecognized financial assets until balance sheet day and revenues and expenses recognized during the period.

Period	Types of Continuing Involvement	Gains or Losses Recognized at Balance Sheet Day	Revenues or Expenses Recognized from Continuing Involvement of Derecognized Financial Assets Until Balance Sheet Day	Revenues or Expenses Recognized During the Period
December 31, 2019	Call option	\$ 2,970	\$ (54,734)	\$ (51,764)
December 31, 2018	Call option	(12,172)	(357,181)	(369,353)

f. Offsetting financial assets and financial liabilities

KGI Bank and subsidiaries

KGI Bank and subsidiaries have enforceable master netting arrangements or similar agreements signed with counterparty, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

Related information of offsetting financial assets and financial liabilities were as follows:

December 31, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 18,686,598	\$ -	\$ 18,686,598	\$ 18,655,848	\$ 30,750	\$ -
Derivative instruments	30,493,327	-	30,493,327	5,239,990	3,229,772	22,023,565
Total	\$ 49,179,925	\$ -	\$ 49,179,925	\$ 23,895,838	\$ 3,260,522	\$ 22,023,565

December 31, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	\$ 18,749,841	\$ -	\$ 18,749,841	\$ 18,745,805	\$ 4,036	\$ -
Derivative instruments	46,196,967	-	46,196,967	5,239,990	6,207,146	34,749,831
Total	\$ 64,946,808	\$ -	\$ 64,946,808	\$ 23,985,795	\$ 6,211,182	\$ 34,749,831

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 15,164,692	\$ -	\$ 15,164,692	\$ 15,164,692	\$ -	\$ -
Derivative financial instruments	23,860,387	-	23,860,387	7,962,286	2,407,631	13,490,470
Total	\$ 39,025,079	\$ -	\$ 39,025,079	\$ 23,126,978	\$ 2,407,631	\$ 13,490,470

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	\$ 60,303,682	\$ -	\$ 60,303,682	\$ 59,626,359	\$ 677,323	\$ -
Derivative instruments	44,819,970	-	44,819,970	7,962,286	11,014,447	25,843,237
Total	\$ 105,123,652	\$ -	\$ 105,123,652	\$ 67,588,645	\$ 11,691,770	\$ 25,843,237

Note: Financial instruments include master netting arrangements and non-cash collateral.

KGI Securities and subsidiaries

KGI Securities and subsidiaries' transactions of derivative assets and liabilities do not correspond to the provisions of IAS, only in the circumstances of default, insolvency or bankruptcy will KGI Securities have the rights to offset derivative assets and liabilities.

KGI Securities has signed securities repurchase contracts with counterparties, and the agreements stating that KGI Securities to provide securities as collateral, meanwhile KGI Securities signed securities resell contracts with counterparties and receive securities as collateral which do not recognized in the balance sheet. Such contracts do not correspond to the provisions of IAS and bear the right to offset only in the circumstances of default, insolvency or bankruptcy, therefore, related securities sell with repurchase agreements and securities purchased with resell agreement are presented in the balance sheet respectively.

Related information of offsetting financial assets and financial liabilities were as follows:

December 31, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	\$ 3,206,002	\$ -	\$ 3,206,002	\$ -	\$ 462,937	\$ 2,743,065
Securities purchased under resell agreements	18,188,175	-	18,188,175	18,188,175	-	-
Total	\$ 21,394,177	\$ -	\$ 21,394,177	\$ 18,188,175	\$ 462,937	\$ 2,743,065

December 31, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	\$ 6,297,339	\$ -	\$ 6,297,339	\$ -	\$ 1,579,943	\$ 4,717,396
Notes and bonds issued under repurchase agreements	77,387,490	-	77,387,490	77,387,490	-	-
Total	\$ 83,684,829	\$ -	\$ 83,684,829	\$ 77,387,490	\$ 1,579,973	\$ 4,717,396

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	\$ 2,164,742	\$ -	\$ 2,164,742	\$ -	\$ 435,743	\$ 1,728,999
Securities purchased under resell agreements	19,448,822	-	19,448,822	19,448,822	-	-
Total	\$ 21,613,564	\$ -	\$ 21,613,564	\$ 19,448,822	\$ 435,743	\$ 1,728,999

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	\$ 2,899,593	\$ -	\$ 2,899,593	\$ -	\$ 676,921	\$ 2,222,672
Notes and bonds issued under repurchase agreements	65,175,218	-	65,175,218	65,175,218	-	-
Total	\$ 68,074,811	\$ -	\$ 68,074,811	\$ 65,175,218	\$ 676,921	\$ 2,222,672

Note: Financial instruments include master netting arrangements and non-cash collateral.

China Life Insurance

China Life Insurance holds financial instruments in accordance with paragraph 42 of IAS 32 recognized by the FSC and the related assets and liabilities are offset on the balance sheet.

China Life Insurance may perform transactions not meeting the requirements of offsetting, but has enforceable master netting arrangement or other similar agreements with the counterparties. When both parties agree to settle in net amount, financial assets and financial liabilities could be offset and settled in net amount, and if not, in total amount. However, if any party in the transaction defaults, the other party can choose net settlement.

Related information about above offsetting financial assets and financial liabilities are as follows:

December 31, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 9,761,846	\$ -	\$ 9,761,846	\$ 1,363,504	\$ 5,495,549	\$ 2,902,793

December 31, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 1,426,070	\$ -	\$ 1,426,070	\$ 1,363,504	\$ -	\$ 62,566

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 3,132,902	\$ -	\$ 3,132,902	\$ 1,543,353	\$ 83,901	\$ 1,505,648

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 2,469,127	\$ -	\$ 2,469,127	\$ 1,543,353	\$ 503,714	\$ 422,060

56. CAPITAL MANAGEMENT

a. Objective

The basic management objective includes eligible capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite. In order to undertake all kinds of risk, the Group conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

The Group had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital and legal capital were calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

c. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

Items Company	December 31, 2019		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		\$ 197,312,133	\$ 214,611,185
KGI Bank	100.00	73,132,603	49,915,933
KGI	100.00	23,161,337	10,346,016
CDIB Capital Group	100.00	42,672,343	22,121,983
China Development Asset Management Corp.	100.00	2,597,981	1,401,765
China Life Insurance	34.82	37,487,589	24,587,139
Deduct items		239,457,130	214,485,554
Subtotal		136,906,856 (A)	108,498,467 (B)
Group's CAR (C)=(A)÷(B)			126.18 (C)

(In Thousands of New Taiwan Dollars; %)

Items Company	December 31, 2018		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		\$ 169,227,317	\$ 186,836,128
KGI Bank	100.00	63,912,516	47,125,976
KGI	100.00	19,780,482	9,081,894
CDIB Capital Group	100.00	47,686,090	24,636,062
China Development Asset Management Corp.	100.00	2,358,918	1,595,846
China Life Insurance	34.96	28,048,402	20,653,219
Deduct items		211,244,920	185,756,820
Subtotal		119,768,805 (A)	104,172,305 (B)
Group's CAR (C)=(A)÷(B)			114.97 (C)

Note: Group's capital adequacy ratio = Group's eligible capital, net/Group's legal capital demand.

d. Financial holding companies' net eligible capital

(In Thousands of New Taiwan Dollars)

	December 31	
	2019	2018
Common stock	\$ 149,663,721	\$ 149,622,812
Capital instruments of comply with Tier 1 capital requirement	-	-
Other preferred stock and subordinated bonds	9,800,000	10,000,000
Reserve for raising capital	20,359	10,748
Capital surplus	1,093,745	1,630,992
Legal reserve	7,561,404	6,776,135
Special reserve	10,797,899	565,041
Retained earnings	12,617,375	14,754,530
Equity adjustment	8,907,903	(10,522,131)
Deduction: Capital items	<u>(3,150,273)</u>	<u>(3,610,810)</u>
	<u>\$ 197,312,133</u>	<u>\$ 169,227,317</u>

The Group's CARs were 126.18% and 114.97% as of December 31, 2019 and 2018, respectively. Since the Financial Holding Company Act and related regulations require, the Group's CAR should be at least 100%, the Group's CARs met its requirement.

57. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

- a. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Bank were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	December 31		Trust Liabilities	December 31	
	2019	2018		2019	2018
Bank deposits	\$ 1,838,862	\$ 585,926	Payables	\$ 149,274	\$ 151,212
Short-term investments	27,804,068	28,539,061	Payables on securities under custody	5,664,385	4,839,320
Financial assets at FVTPL	10,440	11,640	Other liabilities	74,328	57,865
Receivables	25,931	50,719	Donated assets received	1,906	1,811
Other financial assets	16,545	16,450	Trust capital	43,984,697	29,835,976
Real estate, net	13,522,176	534,259	Accumulated earnings	<u>33,505</u>	<u>675,725</u>
Intangible assets - surface right	984,534	984,534			
Securities under custody	5,664,385	4,839,320			
Other assets	<u>41,154</u>	<u>-</u>			
Total	<u>\$ 49,908,095</u>	<u>\$ 35,561,909</u>	Total	<u>\$ 49,908,095</u>	<u>\$ 35,561,909</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	2018
Trust income and gains		
Dividend income	\$ 10,834	\$ 9,976
Interest income	1,452,195	1,506,809
Rental income	27,657	28,367
Other income	<u>7,471</u>	<u>8,800</u>
Total trust income and gains	<u>1,498,157</u>	<u>1,553,952</u>
Trust expenses		
Properties transaction losses	(655,279)	(1,171,300)
Administrative expenses	(50,820)	(32,716)
Loss on financial assets at FVTPL, net	-	(3,753)
Other expenses	<u>(22,958)</u>	<u>(11,531)</u>
Total trust expenses	<u>(729,057)</u>	<u>(1,219,300)</u>
Net income	<u>\$ 769,100</u>	<u>\$ 334,652</u>

The above income from trust operations were excluded from KGI Bank's income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

	December 31	
Investment Portfolio	2019	2018
Bank deposits	\$ 1,838,862	\$ 585,926
Short-term investments		
Funds	25,711,359	26,786,220
Bonds	1,824,642	1,410,880
Common shares	70,200	73,200
Structured notes	93,766	93,766
ETF	104,101	174,995
Financial assets at FVTPL	10,440	11,640
Other financial assets	42,476	67,169
Real estate, net	13,522,176	534,259
Intangible assets - surface right	984,534	984,534
Securities under custody	5,664,385	4,839,320
Other assets	<u>41,154</u>	<u>-</u>
Total	<u>\$ 49,908,095</u>	<u>\$ 35,561,909</u>

- b. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Securities were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	December 31		Trust Liabilities	December 31	
	2019	2018		2019	2018
Bank deposits	\$ 1,030,073	\$ 1,043,226	Payables	\$ 24,674	\$ 11,274
Financial assets	28,466,294	21,051,505	Trust capital	26,212,975	21,967,226
Receivables	<u>402,789</u>	<u>33,903</u>	Reserves and retained earnings	<u>3,661,507</u>	<u>150,134</u>
Total	<u>\$ 29,899,156</u>	<u>\$ 22,128,634</u>	Total	<u>\$ 29,899,156</u>	<u>\$ 22,128,634</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	2018
Trust income	\$ 4,301,782	\$ 2,431,829
Trust expenses	<u>(2,381,197)</u>	<u>(3,579,009)</u>
Income before income tax	1,920,585	(1,147,180)
Income tax expenses	<u>-</u>	<u>-</u>
Income after income tax	<u>\$ 1,920,585</u>	<u>\$ (1,147,180)</u>

The above income from trust operations were excluded from KGI Securities' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31	
	2019	2018
Bank deposits	\$ 1,030,073	\$ 1,043,226
Stocks	11,891,410	10,733,485
Funds	14,146,389	9,350,380
Structured notes	1,979,707	957,456
Bonds	<u>448,788</u>	<u>10,184</u>
Total	<u>\$ 29,496,367</u>	<u>\$ 22,094,731</u>

58. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Please refer to Table 9 (attached).

59. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 10 (attached).

60. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCES SHARING IN THE GROUP

- a. Business or trading behaviors

Please refer to Note 48 for related-party transactions.

- b. Integrate business activities

The Corporation has become a full-functioning financial platform for its customers by improving the overall business performance of the company through integrating the insurance, investment, trust custody and channel of banking, securities and life insurance.

- c. Cross utilization of information or locations and business utilities

In compliance with Article 43 of “Financial Holding Companies Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Standards” and other related regulations from FSC, the Corporation has advocated cross-selling activities among China development Financial Holdings and its Subsidiaries. In addition, the Corporation and its subsidiaries which joined the cross selling business disclosure protection measures of customer information on official website (<http://www.cdibh.com/chhtml/content/1513>) to limit the use of the data, secure the customer information and related rights when handling cross-selling activities.

- d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits or losses arising from integrated business activities among subsidiaries are allocated to each subsidiary based on the related business features or other reasonable allocation methods.

61. CONTINGENCIES AND COMMITMENTS, DISASTER DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 50 to the consolidated financial statements. Information on disaster damages: None.

62. SUBSIDIARIES’ ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

Please refer to Notes 52 and 55 to the consolidated financial statements.

63. SPECIFIC RISK FROM FUTURES DEALING

The futures dealer needs to maintain adequate liquidity in case of its clients fail to fulfill the contracts in the futures transactions with the features of low financial leverage nature and unpredictable market fluctuation. If the dealing business fails to maintain the amount of margin, the open contracts may be closed. Thus, the margin may be lost entirely and may require further payment of deficiency.

64. FINANCIAL RATIOS OF FUTURES-DEALING SUBSIDIARIES

The following financial ratios of KGI Securities' futures department and KGI Futures Corp. are in compliance with the requirements of the Rules Governing Futures Commission Merchants.

a. KGI Securities' futures department

Rule No.	Formula	December 31				Standard	Meet Standard
		2019		2018			
		Formula	%	Formula	%		
17	Equities	\$1,600,505	= 26.09	\$1,791,507	= 4.33	≥ 1	Yes
	Total liabilities minus customers' equity accounts	\$61,353		\$413,737			
17	Current assets	\$1,898,585	= 31.25	\$2,330,195	= 5.65	≥ 1	Yes
	Current liabilities	\$60,759		\$412,737			
22	Equities	\$1,600,505	= 400.13%	\$1,791,507	= 447.88%	≥ 60%	Yes
	Capital stock	\$400,000		\$400,000		≥ 40%	
22	Adjusted net capital	\$1,373,156	= 570.76%	\$1,091,064	= 446.94%	≥ 20%	Yes
	Client and proprietary account	\$240,585		\$244,118		≥ 15%	

b. KGI Futures Corp.

Rule No.	Formula	December 31				Standard	Meet Standard
		2019		2018			
		Formula	%	Formula	%		
17	Equities	\$3,476,758	=7.22	\$3,416,097	=8.81	≥ 1	Yes
	Total liabilities minus customers' equity accounts	\$481,786		\$387,747			
17	Current assets	\$24,648,866	=1.09	\$24,284,147	=1.10	≥ 1	Yes
	Current liabilities	\$22,526,171		\$22,117,410			
22	Equities	\$3,476,758	=457.47%	\$3,416,097	=449.49%	≥ 60%	Yes
	Capital stock	\$760,000		\$760,000		≥ 40%	
22	Adjusted net capital	\$2,916,462	=53.83%	\$3,005,408	=59.41%	≥ 20%	Yes
	Client and proprietary account	\$5,418,240		\$5,059,084		≥ 15%	

65. DISCLOSURES REQUIRED BY THE FINANCIAL SUPERVISORY COMMISSION

KGI's investments in foreign enterprises are registered in a country whose securities and futures market regulators are not members of the International Organization of Securities Commissions (IOSCO), and these companies have no Multilateral Memorandum of Understanding (MMOU) members or didn't get the securities or futures licenses signed by the IOSCO. Thus, KGI disclose their foreign investees' business conditions and information on related-party transactions as follows:

a. Securities held:

Richpoint Company Limited

(In U.S. Dollars)

	Number of Shares	Carrying Amount
Financial assets at FVTPL - non-current		
Dragon Investment Fund I Co.	612,519	\$ 107,011
He Ding Venture Capital Investment Corporation	295,000	14,226
Lien Ding Venture Capital Investment Corporation	210,000	<u>26,212</u>
		<u>\$ 147,449</u>

KGI International Holdings Limited

(In U.S. Dollars)

	Number of Shares	Carrying Amount
Financial assets at FVTPL - non-current		
Sogo Financial Group Inc.	62,166.55	\$ 2,375,000

b. Derivative instruments and related capital resources:

KGI Asia (Holdings) Pte. Ltd.

(In U.S. Dollars)

Type of derivative	Capital Resources	Nominal Amount	Carrying Value
Foreign exchange	Borrowing	\$ 27,014,865	\$ (181,454)

c. Asset management revenues, service and litigation matters: Note 50(c).

d. Balance sheet: Tables 13-1 to 13-4 (attached).

e. Income statement: Tables 14-1 to 14-4 (attached).

f. Related party transactions or dealings among foreign enterprises: None.

66. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required for the Group:

- 1) Financing provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 1 (attached).
 - 2) Collaterals/guarantees provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 2 (attached).
 - 3) Marketable securities held: Not applicable to the Corporation, KGI Bank, KGI Securities and partial subsidiaries and China Life Insurance. For other subsidiaries' information: Please refer to Table 3 (attached).
 - 4) Marketable securities were acquired and disposed of, at cost or prices of at least NT\$300 million or 10% of the issued capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT\$300 million or 10% of the issued capital): For KGI Bank and subsidiaries' information: None. Not applicable to KGI Securities and subsidiaries and China Life Insurance. The Corporation, CDIB Capital Group and other subsidiaries' information please refer to Table 4 (attached).
 - 5) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the paid-in capital: For the Group's information: None.
 - 6) Disposal of individual real estate at price of at least NT\$300 million or 10% of the issued capital: For the Group's information: None.
 - 7) Discount on service fees received from related parties amounting to NT\$5 million: For the Group's information: None.
 - 8) Receivables from related parties amounting to NT\$300 million or 10% of the issued capital: Please refer to Note 48 and Table 5 (attached).
 - 9) Sale of nonperforming loans: Please refer to Table 7 (attached).
 - 10) For related information on the subsidiaries' securitization products approved under the Regulation on Financial Asset Securitization: None.
 - 11) Other significant transactions which may affect the decisions of financial statement users: None.
 - 12) The information of investees: Please refer to Table 6 (attached).
 - 13) Derivative transactions of the Group: Please refer to Notes 8, 53 and 55 to the consolidated financial statements.
- c. Investments in mainland China: Please refer to Table 11 (attached).
- d. Business relationships and significant transactions among the Group: Please refer to Table 12 (attached).

67. SEGMENT INFORMATION

The reportable segments of the Corporation are Commercial banking, Securities, Venture Capital and Insurance. Under the Banking Act of the Republic of China and relevant regulations, Commercial banking engaged in consumer banking, corporate banking and global market and financial institution. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. Venture Capital engaged in investment business directly. Insurance department operates life insurance business based on the provisions of the insurance law.

The accounting policies of the operating segments are the same as the Corporation's accounting policies described in Note 4. The Corporation uses income after tax as the measurement for segment profit and the basis of performance assessment. The net profit and income before income tax are composed of revenues and expenses directly attributable to an operating segment.

a. Segment revenues and results

Following were analysis of the Group's operating revenue and results by reportable segments:

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the year ended December 31, 2019						
Interest profit (loss), net	\$ 6,955,421	\$ 1,588,454	\$ 160,972	\$ 55,220,774	\$ (448,091)	\$ 63,477,530
Noninterest profits and gains, net	<u>4,373,687</u>	<u>14,727,897</u>	<u>3,429,396</u>	<u>156,674,448</u>	<u>(2,300,858)</u>	<u>176,904,570</u>
Net revenue	11,329,108	16,316,351	3,590,368	211,895,222	(2,748,949)	240,382,100
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	(365,413)	11,746	-	5,013	675	(347,979)
Net change in reserve for insurance liabilities	-	-	-	(191,941,972)	-	(191,941,972)
Operating expenses	<u>(6,102,201)</u>	<u>(11,694,439)</u>	<u>(1,505,695)</u>	<u>(4,988,360)</u>	<u>(2,235,647)</u>	<u>(26,526,342)</u>
Net profit (loss) before income tax	4,861,494	4,633,658	2,084,673	14,969,903	(4,983,921)	21,565,807
Income tax benefit (expense)	<u>(1,228,194)</u>	<u>(142,562)</u>	<u>(3,096)</u>	<u>(1,003,848)</u>	<u>465,714</u>	<u>(1,911,986)</u>
Net profit (loss) for the year	<u>\$ 3,633,300</u>	<u>\$ 4,491,096</u>	<u>\$ 2,081,577</u>	<u>\$ 13,966,055</u>	<u>\$ (4,518,207)</u>	<u>\$ 19,653,821</u>
For the year ended December 31, 2018						
Interest profit (loss), net	\$ 7,230,513	\$ 1,929,369	\$ 167,051	\$ 47,770,610	\$ (515,215)	\$ 56,582,328
Noninterest profits and gains, net	<u>1,553,670</u>	<u>12,643,152</u>	<u>3,617,913</u>	<u>180,116,376</u>	<u>(2,163,562)</u>	<u>195,767,549</u>
Net revenue	8,784,183	14,572,521	3,784,964	227,886,986	(2,678,777)	252,349,877
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	49,299	(111,815)	-	16,755	-	(45,761)
Net change in reserve for insurance liabilities	-	-	-	(213,695,965)	-	(213,695,965)
Operating expenses	<u>(5,901,328)</u>	<u>(11,477,179)</u>	<u>(1,357,325)</u>	<u>(4,330,807)</u>	<u>(2,099,633)</u>	<u>(25,166,272)</u>
Net profit (loss) before income tax	2,932,154	2,983,527	2,427,639	9,876,969	(4,778,410)	13,441,879
Income tax benefit (expense)	<u>(777,667)</u>	<u>(511,862)</u>	<u>(244,208)</u>	<u>574,748</u>	<u>331,750</u>	<u>(627,239)</u>
Net profit (loss) for the year	<u>\$ 2,154,487</u>	<u>\$ 2,471,665</u>	<u>\$ 2,183,431</u>	<u>\$ 10,451,717</u>	<u>\$ (4,446,660)</u>	<u>\$ 12,814,640</u>

b. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers	
	For the Year Ended December 31	
	2019	2018
Taiwan	\$ 234,268,255	\$ 245,895,973
Others	<u>6,113,845</u>	<u>6,453,904</u>
	<u>\$ 240,382,100</u>	<u>\$ 252,349,877</u>

c. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2019 and 2018.

TABLE 1

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

**FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	\$ 3,612,720	\$ 3,612,720	\$ 903,180	Floating	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 14,328,714 (Note 1)	\$ 14,328,714 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	4,214,840	4,214,840	-	Floating	Short-term financing	-	Working capital	-	-	-	14,328,714	
2	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	481,696	-	-	Floating	Short-term financing	-	Working capital	-	-	-	14,275,663 (Note 2)	14,275,663 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,505,300	1,505,300	-	Floating	Short-term financing	-	Working capital	-	-	-	17,919,543 (Note 3)	17,919,543 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	797,809	797,809	797,809	Floating	Short-term financing	-	Working capital	-	-	-	17,919,543	

Note 1: Richpoint Company Limited’s financing limit is based on the “Loan of Funds Making Guideline”. The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 2: KG Investments Holdings Limited’s financing limit is based on the “Loan of Funds Making Guideline”. The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 3: KGI International Holdings Limited’s financing limit is based on the “Loan of Funds Making Guideline”. The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

TABLE 2

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

**COLLATERALS/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	Maximum Collateral/ Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	KGI Securities	KGI Securities (Singapore) Pte. Ltd.	Note 1	\$ 6,739,999	\$ 715,840	\$ 715,840	\$ 715,840	\$ -	1.06%	\$ 26,959,996 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	17,919,543	1,317,183	933,286	30,106	-	5.21%	17,919,543 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	17,919,543	4,034,204	3,733,144	1,087,733	-	20.83%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	17,919,543	195,689	195,689	-	-	1.09%		No	No	No
		KGI Finance Limited	Note 1	17,919,543	129,456	129,456	-	-	0.72%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	17,919,543	2,253,171	2,253,171	-	-	12.57%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	17,919,543	903,180	903,180	-	-	5.04%		No	No	No
		KGI Asia (Holdings) Pte. Ltd.	Note 1	17,919,543	4,000,532	4,000,532	2,202,539	-	22.32%		No	No	No
3	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,079,965	1,655,830	-	-	-	0.00%	4,079,965 (Note 4)	No	No	Yes

Note 1: The Group owns directly or indirectly over 50% ownership of the investee company.

Note 2: The limit of maximum guarantee provided by KGI Securities is based on “Corporate Endorsement, Guarantee Making Guideline”. For each company, the amount of guarantee should not exceed 10% of the guarantee provider’s net asset value. The total amount available for collaterals or guarantee should not exceed 40% of the guarantee provider’s net asset value.

Note 3: The limit of maximum guarantee provided by KGI International Holdings Limited is based on the “Corporate Endorsement, Guarantee Making Guideline”. For each and all company, the amount of guarantee provided should not exceed the guarantee provider’s net asset value.

Note 4: CDIB Management Consulting Corporation: The total amount of guarantee provided should not exceed 5 times of the Company’s net asset value of the latest financial report.

TABLE 3

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars/Foreign Currencies)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	<u>Stocks</u>							
	Logitech Inc.	-	Financial assets at fair value through profit or loss	3,261,773	\$ 36,332	10.69	\$ 36,332	
	Solar Fine Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	241,403	9,804	10.83	9,804	
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	4,225,979	77,462	6.04	77,462	
	National Glory Development Corp.	-	Financial assets at fair value through profit or loss	646,884	4,709	6.47	4,709	
	Hair O'right International Corp.	-	Financial assets at fair value through profit or loss	1,735,837	130,188	8.53	130,188	
	DaBomb Protein Corp.	-	Financial assets at fair value through profit or loss	2,400,568	57,974	8.21	57,974	
	Power Venture Co.	-	Financial assets at fair value through profit or loss	677,245	5,318	5.68	5,318	
	Ori Vita Bio Application Inc.	-	Financial assets at fair value through profit or loss	858,690	5,715	0.42	5,715	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,000,000	34,420	9.91	34,420	
	HealthStream Taiwan Inc.	-	Financial assets at fair value through profit or loss	4,774,523	47,478	13.96	47,478	
	Subtron Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	12,316,000	150,502	4.28	150,502	
	Orgchem Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,067,220	13,016	1.95	13,016	
	General Life Biotechnology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,520,000	55,777	8.4	55,777	
	Mec Imex Inc.	-	Financial assets at fair value through profit or loss	4,802,000	54,681	10.52	54,681	
	Yieh United Steel Corp.	-	Financial assets at fair value through profit or loss	5,991,622	34,572	0.23	34,572	
	Hua-jie (Taiwan) Corp.	-	Financial assets at fair value through profit or loss	1,300,403	12,099	6.45	12,099	
	AMIA Co.	-	Financial assets at fair value through profit or loss	6,000,000	117,000	9.54	117,000	
	Up Sciencetech Materials Corp.	-	Financial assets at fair value through profit or loss	4,651,344	67,215	6.85	67,215	
	PlexBio Co., Ltd.	-	Financial assets at fair value through profit or loss	3,526,000	63,962	3.43	63,962	
	Riselink Restructuring Fund Corporation	-	Financial assets at fair value through profit or loss	986,905	15,795	12.5	15,795	
	Orient Pharma Co., Ltd.	-	Financial assets at fair value through profit or loss	2,857,800	41,438	1.83	41,438	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	7,567,424	103,440	5.64	103,440	
	Eastern Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss	4,348,680	29,594	6.47	29,594	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets at fair value through profit or loss	2,083,107	121,445	2.08	121,445	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,746,720	109,792	5.98	109,792	
	Kaohsiung Rapid Transit Corporation.	-	Financial assets at fair value through profit or loss	3,845,330	33,059	1.38	33,059	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,743,026	89,423	4.43	89,423	
	DragonJet Corporation	-	Financial assets at fair value through profit or loss	3,534,481	23,535	4.77	23,535	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	2,544,195	29,034	5.28	29,034	
	Terawins, Inc.	-	Financial assets at fair value through profit or loss	1,913,996	8,298	6.30	8,298	
	Feature Integration Technology Inc.	-	Financial assets at fair value through profit or loss	477,822	7,158	1.59	7,158	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through profit or loss	2,731,098	21,442	10.57	21,442	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,150,536	12,127	10.43	12,127	
	Overseas Investment & Development Corp.	-	Financial assets at fair value through profit or loss	2,600,000	12,102	2.89	12,102	
	Microprogram Co., Ltd.	-	Financial assets at fair value through profit or loss	2,550,000	46,168	7.95	46,168	
	TAK Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,467,706	1,104	4.14	1,104	
	Engineering & IP Advanced Technologies Ltd.	-	Financial assets at fair value through profit or loss	4,216	1	0.00	1	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	104,605	4.81	104,605	
	JHL. Biotech, Inc.	-	Financial assets at fair value through profit or loss	8,382,844	320,587	3.97	320,587	
	Easten Power and Electric Company Limited	-	Financial assets at fair value through profit or loss	3,201,019	160,753	12.00	160,753	
	Beauty Essentials International Ltd.	-	Financial assets at fair value through profit or loss	86,503,067	195,851	8.02	195,851	
	Neo Solar Power Corp.	-	Financial assets at fair value through profit or loss	3,675,000	21,936	0.15	21,936	
	Engineering & IP Advanced Technologies Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	6,392,765	1,399	0.35	1,399	
	Lightel Technologies, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	3,000,000	89,971	43.44	89,971	
	Apexigen, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	4,970,588	231,910	4.81	231,910	
	CDIB Capital Management Corporation	Subsidiary	Investments accounted for using the equity method	33,093,889	624,539	100.00	624,539	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	5,585,664	28.71	5,585,664	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	50,440,000	519,032	38.80	519,032	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	58,250,000	\$ 546,782	33.29	\$ 546,782	
	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	10,124,902	100.00	10,124,902	
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	4,431,405	32,124	20.00	32,124	
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	3,844	30.00	3,844	
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	30,000,000	322,085	35.71	322,085	
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,147,940	100.00	1,147,940	
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	6,560,448	100.00	6,560,448	
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	8,036,540	100.00	8,036,540	
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	666,335	100.00	666,335	
	<u>Fund</u>							
	Samara Capital Partners Fund I Limited	-	Financial assets at fair value through profit or loss	-	63,199	-	63,199	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	231,764	-	231,764	
	<u>Corporate bond</u>							
	Belta (Cayman) Holding Limited	-	Financial assets at fair value through profit or loss	11,959,916	7,676	-	7,676	
CDIB Capital Management Inc.	<u>Government bonds</u>							
	A00109	-	Financial assets at fair value through other comprehensive income	7,000,000	7,091	-	7,091	
	A01105	-	Financial assets at fair value through other comprehensive income	100,000,000	101,596	-	101,596	
	<u>Stocks</u>							
	ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	65,660	5,680	0.05	5,680	
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	101,240	3,063	0.09	3,063	
	MCM Stamping Co., Ltd.	-	Financial assets at fair value through profit or loss	70,000	197	0.22	197	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	783,000	10,703	0.58	10,703	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	297,623	1,678	1.44	1,678	
	CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	14,590	60.00	14,590	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	1,300,001	13,377	1.00	13,377	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	1,750,000	16,427	1.00	16,427	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	310,817	100.00	310,817	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	24,718	-	24,718	
	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	-	80,563	-	80,563	
CDIB Private Equity (Hong Kong) Corporation Limited	<u>Stocks</u>							
	CDIB Private Equity (China) Corporation	Subsidiary	Investments accounted for using the equity method	-	HK\$ 63,507	100.00	HK\$ 63,507	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK\$ 7,461	56.00	HK\$ 7,461	
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK\$ 3,629	27.08	HK\$ 3,629	
CDIB Private Equity (China) Corporation	<u>Stocks</u>							
	CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 18,769	70.00	CNY 18,769	
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 12,927	65.00	CNY 12,927	
CDIB Private Equity (Fujian) Co., Ltd.	<u>Stocks</u>							
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 2,383	20.00	CNY 2,383	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	<u>Stocks</u>							
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 6,990	58.33	CNY 6,990	
	<u>Funds</u>							
	Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Associate	Financial assets at fair value through profit or loss	-	CNY 2,952	-	CNY 2,952	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	<u>Funds</u> CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,263	-	CNY 10,263	
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	<u>Funds</u> CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 9,996	-	CNY 9,996	
CDIB Venture Capital Corporation	<u>Stocks</u>							
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	811,659	14,878	1.16	14,878	
	Azotek Co., Ltd.	-	Financial assets at fair value through profit or loss	989,400	24,826	0.00	24,826	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	4,303	1.24	4,303	
	Hotai Finance Corporation	-	Financial assets at fair value through profit or loss	1,297,000	115,303	0.25	115,303	
	Fukuta Co., Ltd.	-	Financial assets at fair value through profit or loss	1,872,753	183,019	4.68	183,019	
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	133,480	4,038	0.11	4,038	
	Handa Pharmaceuticals Inc.	-	Financial assets at fair value through profit or loss	2,809,000	83,764	2.43	83,764	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	75,000	1.55	75,000	
	Regal Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,101,000	33,140	2.86	33,140	
	Sino-American Silicon Products Inc.	-	Financial assets at fair value through profit or loss	3,114,000	309,532	0.53	309,532	
	Fusheng Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	788,000	141,446	0.60	141,446	
	M2Communication, Inc.	-	Financial assets at fair value through profit or loss	3,238,763	17,526	14.80	17,526	
	GSD Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	5,482,702	375,565	16.13	375,565	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	3,725,007	86,159	4.69	86,159	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	5,528,901	180,242	8.92	180,242	
	Greatland Electronics Taiwan Ltd.	-	Financial assets at fair value through profit or loss	1,920,000	12,060	5.50	12,060	
	Shengzhuang Holdings Limited	-	Financial assets at fair value through profit or loss	610,590	3,823	6.11	3,823	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	104,605	4.81	104,605	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	514,821	2,157	0.00	2,157	
	Cvie Therapeutics Company Limited	-	Financial assets at fair value through profit or loss	560,000	23,107	4.15	23,107	
	Viscovery (Cayman) Holding Company Limited	-	Financial assets at fair value through profit or loss	195,317	5,880	1.85	5,880	
	Kkday.com International Company Limited	-	Financial assets at fair value through profit or loss	3,000,000	31,376	1.03	31,376	
	I-Serve Holding Ltd.	-	Financial assets at fair value through profit or loss	2,232,219	153,854	4.17	153,854	
	Hartec Asia Pte. Ltd.	-	Financial assets at fair value through profit or loss	2,800,000	99,626	10.23	99,626	
	Windtree Therapeutic, Inc.	-	Financial assets at fair value through profit or loss	594,552	76,073	1.46	76,073	
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	5,105,377	30,474	0.20	30,474	
	iCHEF Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	11,167,513	102,558	40.74	102,558	
	4Gamers Entertainment Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	24,000	15,896	20.00	15,896	
	Viscovery (Cayman) Holding Company Limited - Preferred stock	-	Financial assets at fair value through profit or loss	304,878	9,179	8.20	9,179	
	Citiesocial Holding Cayman Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	479,635	15,053	18.18	15,053	
	Uimbo CV Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,394,145	21,074	10.29	21,074	
	CCMODA Corp. - Preferred stock	-	Financial assets at fair value through profit or loss	1,250,000	16,182	20.00	16,182	
	Asia Parents Holdings Limited	-	Financial assets at fair value through profit or loss	248,889	16,859	14.74	16,859	
	Kneron Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,469,072	198,141	9.50	198,141	
	Elixiron Immunotherapeutics (Cayman) Limited-Preferred stock	-	Financial assets at fair value through profit or loss	4,559,686	90,318	28.57	90,318	
	Cloud Mile Inc. -Preferred stock	-	Financial assets at fair value through profit or loss	502,934	18,064	10.00	18,064	
	Zentera Systems, Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,324,503	81,334	39.35	81,334	
	FUNP Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	400,000	43,353	20.00	43,353	
	Achieve Made International Limited - Preferred stock A	-	Financial assets at fair value through profit or loss	168,138	12,042	6.67	12,042	
	CBA Sports International Ltd.- Preferred stock	-	Financial assets at fair value through profit or loss	2,402,500	3,364	13.73	3,364	
	Viscovery (Cayman) Holding Company Limited - Preferred stock A	-	Financial assets at fair value through profit or loss	200,000	6,021	10.96	6,021	
	CCMODA Corp. - Preferred stock A	-	Financial assets at fair value through profit or loss	465,116	6,021	9.40	6,021	
	FunNow Ltd. - Preferred stock A	-	Financial assets at fair value through profit or loss	185,184	33,605	20.00	33,605	
	4Gamers Entertainment Inc. - Preferred stock B	-	Financial assets at fair value through profit or loss	8,727	5,780	4.80	5,780	
	Kkday.com International Company Limited - Preferred stock B	-	Financial assets at fair value through profit or loss	5,654,616	59,140	8.66	59,140	
	Traveler Co., Ltd. - Preferred stock B	-	Financial assets at fair value through profit or loss	32,077	24,085	10.85	24,085	
	Achieve Made International Limited-Preferred stock E	-	Financial assets at fair value through profit or loss	336,276	24,085	10.00	24,085	
	Kuo Heng Investment Holding Corp.	Associate	Investments accounted for using the equity method	5,000,000	49,533	38.46	49,533	
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	1,010,000,000	3,652,833	100.00	3,652,833	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Venture Capital Corporation	<u>Fund</u> CDIB Capital Growth Partners L.P.	Associate Managed by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	-	\$ 607,545	-	\$ 607,545	
	KGI Victory Money Market Securities Investment Trust Fund		Financial assets at fair value through profit or loss	-	201,174	-	201,174	
	<u>Corporate bond</u> Capital Excel Investment Limited		Financial assets at fair value through profit or loss	-	41,245	-	41,245	
	<u>Convertible (exchange) corporate bond</u> Kkday.com International Company Limited		Financial assets at fair value through profit or loss	-	48,170	-	48,170	
CDIB Venture Capital (Hong Kong) Corporation Limited	<u>Fund</u> CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 383,393	-	HK\$ 383,393	
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 336,826	-	HK\$ 336,826	
	Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Associate	Financial assets at fair value through profit or loss	-	CNY 96,882	-	CNY 96,882	
CDIB Capital Investment I Limited	<u>Stocks</u> Best Inc.	-	Financial assets at fair value through profit or loss	1,500,000	US\$ 8,340	0.38	US\$ 8,340	
	Casper Sleep, Inc.	-	Financial assets at fair value through profit or loss	266,690	US\$ 8,217	1.00	US\$ 8,217	
	CCAP Best Logistics Holdings Limited	-	Financial assets at fair value through profit or loss	1,000	US\$ 3,072	11.11	US\$ 3,072	
	Mestay Cayman Islands Limited - Preferred stock	-	Financial assets at fair value through profit or loss	13,722,047	US\$ 4,795	3.40	US\$ 4,795	
	Viking 3 Holdings Corporation - Preferred stock	-	Financial assets at fair value through profit or loss	18,000,000	US\$ 18,262	100.00	US\$ 18,262	
	Giddy Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	666,755	US\$ 7,287	6.26	US\$ 7,287	
	Great Team Backend Foundry Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,636,800	US\$ 945	1.81	US\$ 945	
	Rokid Corporation Ltd - Preferred stock	-	Financial assets at fair value through profit or loss	615,642	US\$ 5,000	1.51	US\$ 5,000	
	SCBS 1 Holding Corporation	Subsidiary	Investments accounted for using the equity method	3,578	US\$ 2,958	100.00	US\$ 2,958	
	<u>Fund</u> Carlyle Asia Partners II, L. P.	-	Financial assets at fair value through profit or loss	-	US\$ 127	-	US\$ 127	
	KKR Talk Co-invest L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 9,289	-	US\$ 9,289	
	CC KDC CO-INVEST L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 22,013	-	US\$ 22,013	
	Ripley Cable Holdings I, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 887	-	US\$ 887	
	MSD Sports Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 513	-	US\$ 513	
	BCP QualTek Investor Holdings, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 11,692	-	US\$ 11,692	
	CDIB Capital Global Opportunities Fund L.P.	Associate	Financial assets at fair value through profit or loss	-	US\$ 7,922	-	US\$ 7,922	
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US\$ 94,112	-	US\$ 94,112	
	<u>Corporate bond</u> Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	41,875,000	US\$ 7,222	-	US\$ 7,222	
	<u>Convertible (exchange) corporate bond</u> Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	28,094,510	US\$ 12,470	-	US\$ 12,470	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US\$ 3,600	-	US\$ 3,600	
SCBS 1 Holding Corporation	<u>Stocks</u> Simplify Compliance Holdings, LLC	-	Financial assets at fair value through profit or loss	2,833,333	US\$ 2,789	2.91	US\$ 2,789	
CDIB Capital Investment II Limited	<u>Stocks</u> Great Rich Technologies Limited	-	Financial assets at fair value through profit or loss	1,660,000	US\$ 3,335	2.46	US\$ 3,335	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	508,929	US\$ 71	0.89	US\$ 71	
	Indostar Capital	-	Financial assets at fair value through profit or loss	631,701	US\$ 5,161	2.88	US\$ 5,161	
	Indostar Everstone - Preferred stock	-	Financial assets at fair value through profit or loss	860,332	US\$ 6,995	8.12	US\$ 6,995	
	CBA Sports International Ltd. - Preferred stock A	-	Financial assets at fair value through profit or loss	2,375,000	US\$ 111	13.57	US\$ 111	
CDIB Global Markets Limited	<u>Stocks</u> GoPro, Inc.	-	Financial assets at fair value through profit or loss	51,878	US\$ 225	0.04	US\$ 225	
	Flemingo International (BVI) Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	1,048	US\$ 42,868	50.19	US\$ 42,868	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Global Markets Limited	<u>Fund</u>			-				
	Huaxing Capital Partners II LP	-	Financial assets at fair value through profit or loss	-	US\$ 9,722	-	US\$ 9,722	
	GS TDN Investors Offshore, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 187	-	US\$ 187	
	CX Partners Fund Alpha Limited	-	Financial assets at fair value through profit or loss	-	US\$ 6,031	-	US\$ 6,031	
	Carlyle Asia Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,497	-	US\$ 1,497	
	Riverwood Capital Partners L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 5,060	-	US\$ 5,060	
	ECP II (Cayman) Ltd. A	-	Financial assets at fair value through profit or loss	-	US\$ 7,293	-	US\$ 7,293	
	Sino-Century China Private Equity II L. P.	-	Financial assets at fair value through profit or loss	-	US\$ 384	-	US\$ 384	
	KKR Asian Fund II L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 7,957	-	US\$ 7,957	
	Carlyle Asia Partners IV, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 18,914	-	US\$ 18,914	
	Carlyle Giovanna Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,519	-	US\$ 1,519	
	Tenaya Capital V, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 2,523	-	US\$ 2,523	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 3,849	-	US\$ 3,849	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 945	-	US\$ 945	
	Industry Ventures Fund VI, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,601	-	US\$ 1,601	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 5,262	-	US\$ 5,262	
	Tenaya Capital VI, LP	-	Financial assets at fair value through profit or loss	-	US\$ 7,441	-	US\$ 7,441	
	Formation8 Partners Fund I, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 8,458	-	US\$ 8,458	
	Blue Point Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 6,011	-	US\$ 6,011	
	Riverwood Capital Partners II L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 21,712	-	US\$ 21,712	
CDIB Capital International Corporation	<u>Stocks</u>							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US\$ 6,435	100.00	US\$ 6,435	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	557,678	US\$ 2,254	100.00	US\$ 2,254	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US\$ 2,236	100.00	US\$ 2,236	
China Development Asset Management Corp.	<u>Stocks</u>							
	Waterland Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	8,302,564	54,592	1.07	54,592	
	Victor Taichung Machinery Works Co., Ltd.	-	Financial assets at fair value through profit or loss	94,266	627	0.05	627	
	Pine Street Asset Management Corp.	-	Financial assets at fair value through other comprehensive income	3,886,190	23,834	12.25	23,834	
CDIB Management Consulting Corp.	<u>Stocks</u>							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	649,415	76.04	649,415	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	61,026	100.00	61,026	
CDC Finance & Leasing Corp.	<u>Stocks</u>							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	61	19.00	61	
	Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	546,231	-	0.07	-	
Richpoint Company Limited	<u>Stocks</u>							
	Dragon Investment Fund I Co., Ltd.	-	Financial assets at fair value through profit or loss	612,519	US\$ 107	6.48	US\$ 107	
	He Ding Venture Capital Investment Corporation	-	Financial assets at fair value through profit or loss	295,000	US\$ 14	5.00	US\$ 14	
	Lien Ding Venture Capital Investment Corporation	-	Financial assets at fair value through profit or loss	210,000	US\$ 26	3.00	US\$ 26	
	KG Investments Holdings Limited	Subsidiary	Investments accounted for using the equity method	156,864,163	US\$ 489,264	100.00	US\$ 489,264	
KGI Venture Capital Co., Ltd.	KGI Investment Advisory (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	US\$ 938	100.00	US\$ 938	
	<u>Stocks</u>							
	Gingy Technology Inc.	-	Financial assets at fair value through profit or loss	1,148,837	6,562	4.25	6,562	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	203,490	30,524	0.63	30,524	
	Wiltrom Co., Ltd.	-	Financial assets at fair value through profit or loss	399,000	11,970	1.51	11,970	
	Yongda Food Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,100,000	7,533	4.02	7,533	
	Global Tek Fabrication Co., Ltd.	-	Financial assets at fair value through profit or loss	149,000	7,599	0.22	7,599	
	Drewloong Precision, Inc.	-	Financial assets at fair value through profit or loss	370,614	47,994	1.04	47,994	
	Yield Microelectronics Corp.	-	Financial assets at fair value through profit or loss	525,000	26,775	1.96	10,200	
	PharmaEssentia Corp.	-	Financial assets at fair value through profit or loss	137,373	15,111	0.06	15,111	
	WinWay Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	386,051	181,100	1.27	181,100	
	Jmc Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	550,000	44,385	0.55	44,385	
	San Neng Group Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	700,000	25,620	1.15	25,620	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
KGI Venture Capital Co., Ltd.	<u>Stocks</u>							
	Fittech Co., Ltd.	-	Financial assets at fair value through profit or loss	639,000	\$ 75,402	1.05	\$ 75,402	
	Deluxe Technology Group.	-	Financial assets at fair value through profit or loss	542,149	5,791	0.88	5,791	
	UPI Semiconductor Corp.	-	Financial assets at fair value through profit or loss	190,665	8,189	0.27	8,189	
	JG Environmental Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	106,000	3,386	0.52	3,386	
	Asia Metal Industries, Inc.	-	Financial assets at fair value through profit or loss	650,000	43,089	3.60	43,089	
	Top Bright Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	381,000	41,148	0.74	41,148	
	Allied Supreme Corporation	-	Financial assets at fair value through profit or loss	430,000	48,203	0.63	48,203	
	Chen Feng Optronics Corporation	-	Financial assets at fair value through profit or loss	1,601,752	41,646	2.81	41,646	
	Young Shine Electric Co., Ltd.	-	Financial assets at fair value through profit or loss	899,000	60,754	4.50	60,754	
	Taiwan Chinsan Electronic Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	-	8,316	-	8,316	
KGI Information Technology Co., Ltd.	<u>Fund</u>							
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	-	20,151	-	20,151	

Note 1: The Group recognized the related income or loss of investees as required by regulations.

Note 2: The preferred shares held divided by the number of preferred shares outstanding is the percentage of ownership.

Note 3: No securities were treated as collaterals or warrants.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

Note 5: Regent Investment Holding Corp. had been renamed as “Kuo Heng Investment Holding Corp.” in 4Q 2019.

(Concluded)

TABLE 4

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
The Corporation	<u>Stocks</u> The Capital Securities Corporation	Financial assets at fair value through profit or loss	-	-	52,711,215	\$ 703,034 (Note 1)	-	\$ -	52,711,215	\$ 495,353	\$ 703,034	\$ (207,681)	-	\$ -
	China Life Insurance Co., Ltd.	Investment accounted for using the equity method	-	-	1,016,752,000	23,371,430	151,102,432	18,577,310 (Note 2)	-	-	-	-	1,167,854,432	41,948,740
CDIB Capital Group	<u>Stocks</u> Taiwan Stock Exchange	Financial assets at fair value through profit or loss	-	-	18,449,638	3,188 (Note 1)	-	-	18,449,638	1,438,617	3,188	1,435,429	-	-
	CDIB Global Markets Limited	Investments accounted for using the equity method	-	-	339,392	9,142,006	-	-	-	-	2,581,558 (Note 3)	-	339,392	6,560,448
CDIB Venture Capital Corporation	<u>Fund</u> THL Equity Fund VI Investors (Ceridian) VI, L.P.	Financial assets at fair value through profit or loss	-	-	-	201,335 (Note 1)	-	-	-	576,860	140,685	436,175	-	60,650 (Note 1)
	<u>Stocks</u> CDIB Venture Capital (Hong Kong) Corporation Limited	Investments accounted for using the equity method	-	-	870,000,000	3,337,455	140,000,000	315,378 (Note 4)	-	-	-	-	1,010,000,000	3,652,833
CDIB Global Markets Limited	<u>Fund</u> Carlyle Giovanna Partners, L.P.	Financial assets at fair value through profit or loss	-	-	-	US\$ 587 (Note 1)	-	-	-	US\$ 14,351	US\$ 587	US\$ 13,764	-	-
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	Financial assets at fair value through profit or loss	-	-	-	US\$ 4,414 (Note 1)	-	-	-	US\$ 13,710	US\$ 3,063	US\$ 10,647	-	US\$ 1,351 (Note 1)
CDIB Capital Investment I Limited	<u>Stocks</u> Viking 3 Holdings Corporation - Preferred stock	Financial assets at fair value through profit or loss	-	-	-	US\$ -	18,000,000	US\$ 18,000	-	-	-	-	18,000,000	US\$ 18,000 (Note 1)
	<u>Fund</u> CDIB Capital Asia Partners L.P.	Investments accounted for using the equity method	-	-	-	US\$ 88,975	-	US\$ 5,137 (Note 5)	-	-	-	-	-	US\$ 94,112
	CC KDC CO-INVEST LP	Financial assets at fair value through profit or loss	-	-	-	US\$ -	-	US\$ 20,441	-	-	-	-	-	US\$ 20,441 (Note 1)
	MSD Sports Partners, L.P.	Financial assets at fair value through profit or loss	-	-	-	US\$ 292,908	-	-	-	US\$ 11,577	US\$ 7,859	US\$ 3,718	-	US\$ 285,049 (Note 1)

Note 1: Initial acquisition cost.

Note 2: Consists of cost of purchase \$3,112,710 thousand, investment gain \$2,700,475 thousand, reduction of treasury stocks \$43,625 thousand, increase of paid-in capital \$419,018 thousand, increase of retained earnings \$63,094 thousand, reduction of exchange differences on translating foreign operations of \$5,329 thousand, reduction of investments in equity instruments at FVTOCI of \$208,275 thousand, increase of gains of investments in debt instruments at FVTOCI of \$7,883,827 thousand and increase of other comprehensive income reclassified using the overlay approach \$4,238,865 thousand.

Note 3: Consists of capital reduction \$2,799,900 thousand, investment gain \$323,037 thousand and exchange loss on translating foreign operations of \$104,695 thousand.

Note 4: Consists of issuance of common stock for cash \$561,904 thousand, investment loss \$122,368 thousand and exchange loss on translating foreign operations of \$124,158 thousand.

Note 5: Consists of issuance of common stock for cash \$14,798 thousand and investment loss \$3,479 thousand and \$6,182 thousand of return of investment cost.

TABLE 5

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
The Corporation	CDIB Capital Group	Subsidiary	\$ 515,983 (Note 1)	-	\$ -	-	\$ -	\$ -
	KGI Bank	Subsidiary	600,802 (Note 1)	-	-	-	-	-
	KGI Securities Co., Ltd.	Subsidiary	737,608 (Note 1)	-	-	-	-	-
China Life Insurance	KGI Bank	Subsidiary of the parent company	2,188,412	-	-	-	2,188,412	-
	KGI Securities Co., Ltd.	Subsidiary of the parent company	644,117	-	-	-	644,117	-
Richpoint Company Limited	KG Investments Holdings Limited	Subsidiary	904,782	-	-	-	904,782	-
KGI International Holdings Limited	PT KGI Sekuritas Indonesia	Subsidiary	797,809	-	-	-	316,113	-

Note 1: Tax receivable result from linked-tax system.

Note 2: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Business	Percentage of Ownership, End of Year	Carrying Value, End of Year (Note 3)	Investment Gain (Loss)	Consolidated Investment (Note 1)				Note
							Present Shares	Virtual Shares (Note 2)	Total		
									Shares	Percentage of Ownership	
The Corporation	CDIB Capital Group	Taipei City, Taiwan	Venture capital	100.00	\$ 42,672,343	\$ 2,231,889	2,041,115,913	-	2,041,115,913	100.00	
	KGI Securities	Taipei City, Taiwan	Financial service	100.00	61,553,043	5,459,898	3,241,843,251	-	3,241,843,251	100.00	
	KGI Bank	Taipei City, Taiwan	Commercial bank	100.00	65,713,447	3,448,618	4,606,162,291	-	4,606,162,291	100.00	
	China Development Asset Management Corp.	Taipei City, Taiwan	Trading and management of nonperforming loans of financial institution	100.00	2,597,981	287,322	213,360,000	-	213,360,000	100.00	
	China Life Insurance	Taipei City, Taiwan	Financial insurance	26.16	41,948,740	2,700,475	1,562,035,178	-	1,562,035,178	35.00	

Note 1: All present shares and virtual shares of investee company held by the Company, directors, supervisors, the Corporation's managers and affiliates should be included.

Note 2:

a.

The virtual shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed and linked to investee company’s equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 36, Item 2 and Article 37 of the Company Act.

b.

The equity securities mentioned above are specified as those securities under the provision of Article 11, Item 1 of the bylaws to the ROC Securities and Exchange Act, for example, convertible bond and warrant.

c.

The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IFRS 9, for example, stock option.

Note 3: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

**SOLD NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

1. Summary of sold nonperforming loans

Transaction Date	Counter Party	Type of Loans	Carrying Value	Selling Price	Disposal Gain (Loss)	Other Condition	Relationship of Counter-party with the Subsidiaries
2019.03.25	A	Secured loans	\$ 863	\$ 1,620	\$ 757	-	-

2. Sale of nonperforming loans exceeding NT\$1 billion (excluding related-party transactions): For the Group: None.

TABLE 8

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

Consolidated entities

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
The Corporation	CDIB Capital Group	Venture fund	100.00	100.00	(Note 1)
	KGI Securities	Financial service	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	China Life Insurance Co., Ltd.	Life insurance	26.16	25.33	
CDIB Capital Group	CDIB Capital Management Corporation	Management and consulting	100.00	100.00	(Note 2)
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	
	CDIB Global Markets Limited	Investment	100.00	100.00	
	CDIB Capital Investment I Limited	Investment	100.00	100.00	
	CDIB Capital Investment II Limited	Investment	100.00	100.00	
	CDIB Capital International Corporation	Private equity advisory service	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Private equity advisory service	100.00	100.00	
	CDIB Capital International (USA) Corporation	Private equity advisory service	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Private equity advisory service	100.00	100.00	
	CDIB Capital Asia Partners Limited	Private equity advisory service	100.00	100.00	
CDIB Capital Investment I Limited	SCBS 1 Holding Corporation	Investment holdings	100.00	-	
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	
CDIB Capital Management Corporation	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	
	CDIB Capital Innovation Advisors Corporation	Management and consulting	60.00	60.00	
CDIB Private Equity (Hong Kong) Corporation Limited	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Fund management	27.08	27.08	
	CDIB Private Equity (China) Corporation	Management and consulting	100.00	100.00	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund management	56.00	56.00	
CDIB Private Equity (China) Corporation	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Fund management	65.00	65.00	
	CDIB Private Equity (Fujian) Co., Ltd.	Fund management	70.00	70.00	

(Continued)

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
CDIB Private Equity (Fujian) Co., Ltd.	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund management	20.00	20.00	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Fund management	58.34	58.34	
KGI Securities	Richpoint Company Limited	Investment holdings	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture capital	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	100.00	100.00	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	
	Global Corporation	Stock loans and financing purchase of securities	22.07	21.99	(Notes 3 and 4)
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	100.00	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	
KGI International Holdings Limited	KGI Limited	Investment holdings	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	(Note 5)
	KGI International Limited	Investment holdings	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	(Note 5)
KGI Limited	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	
	KGI Hong Kong Limited	Management and consulting	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	
	KGI Capital Asia Limited	Securities investment	100.00	100.00	
	KGI Asset Management Limited	Asset management	100.00	100.00	
	TG Holborn (HK) Limited	Other	-	100.00	(Note 6)
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00	(Note 7)
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	(Notes 7 and 8)
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	(Note 7)
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	99.00	

(Continued)

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd.	Securities and futures investment services	100.00	100.00	
KGI Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	100.00	(Note 1)
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	100.00	(Note 1)
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	100.00	(Note 1)

Note 1: China Development Asset Management Corp., Development Industrial Bank Asset Management Corp., and Chung Hwa Growth 4 Asset Management Corp. was acquired by Chung Hwa Growth 3 Asset Management Corp. on July 1, 2019. Also, Chung Hwa Growth 3 Asset Management Corp. was renamed as “China Development Asset Management Corp.” on the same day.

Note 2: The Corporation and the subsidiary, KGI securities, jointly held 34.82% and 34.96% of shares of China Life Insurance Co., Ltd. on December 31, 2019 and 2018, respectively.

Note 3: KGI Securities obtained more than half of the seats in the board of director, therefore, Global Securities Finance Corporation (GSFC) should be included in the consolidated financial statements.

Note 4: The former Global Securities Finance Corporation held the shareholder's meeting on November 29, 2019 to resolve termination of being securities finance enterprises, ceasing its status as a public company and changed its name to Global Corporation Ltd. It was approved by the authorities on the December 13, 2019 and the change of company registration was completed on December 25, 2019.

Note 5: Supersonic Services Inc. and Bauhinia 88 Ltd. submitted application for going out of business, and had been approved by the competent authority in Taiwan on January 20, 2020. The application will subject to the approval of the competent authority of local governments.

Note 6: TG Holborn (HK) Limited was closed on June 26, 2019.

Note 7: KGI Korea Limited、KGI Capital (Singapore) Pte. Ltd. and KGI Alliance Corporation. submitted application for going out of business, and had been approved by the Competent Authority in Taiwan on January 20, 2020. The application will subject to the approval of the competent authority of local governments.

Note 8: KGI Capital (Singapore) Pte. Ltd. has been discontinued.

(Concluded)

TABLE 9

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE

DECEMBER 31, 2019

(In Millions of New Taiwan Dollars; %)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
1. The same customer		
Ministry of Finance, R.O.C.	\$ 207,664	110.74
AT&T Inc.	31,029	16.55
Taipower Corporation	30,746	16.40
CITIGROUP INC	27,451	14.64
BANK OF AMERICA CORP	24,962	13.31
GOLDMAN SACHS GROUP INC.	24,384	13.00
COMCAST CORP	24,004	12.80
EDF	21,704	11.57
JPMORGAN CHASE & CO	21,681	11.56
FANNIE MAE	21,653	11.55
NOMURA INTL FUNDING PTE	20,919	11.16
SOCIETE GENERALE	20,050	10.69
DEUTSCHE BANK AG	19,719	10.52
Natixis S.A.	19,002	10.13
MORGAN STANLEY	18,952	10.11
Cathay Securities Investment Trust	18,548	9.89
ROYAL BANK OF CANADA	18,265	9.74
Republic Of Indonesia	18,021	9.61
BNP-PARIBAS SA	17,789	9.49
FREDDIE MAC	17,732	9.46
QNB FINANCE LTD	17,707	9.44
Fubon Asset Management Co., Ltd.	17,433	9.30
RUSSIAN FEDERATION	17,324	9.24
WELLS FARGO & COMPANY	17,261	9.20
UNITED MEXICAN STATES	17,178	9.16
ADCB Finance (Cayman) Limited	16,807	8.96
Yuanta Securities Investment Trust Co., Ltd.	16,397	8.74
Malayan Banking Berhad	15,558	8.30
VERIZON COMMUNICATIONS	15,481	8.26
Capital Investment Trust Corporation	15,378	8.20
Barclays PLC	15,366	8.19
SAUDI INTERNATIONAL BOND	15,031	8.02

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Anheuser-Busch Inbev Worldwide Inc.	\$ 14,979	7.99
KG Investment Holdings Ltd	14,723	7.85
STANDARD CHARTERED PLC	14,619	7.80
FIRST ABU DHABI BANK PJSC	14,150	7.55
Alibaba Group Holding Limited	14,074	7.51
Comision Federal de Electricidad	13,728	7.32
BANK OF NOVA SCOTIA	13,548	7.22
COOPERATIEVE RABOBANK UA	12,777	6.81
HSBC HOLDINGS PLC	12,717	6.78
NATIONAL BANK OF CANADA	12,705	6.78
TRANSCANADA PIPELINES	12,534	6.68
TSMC	12,378	6.60
CODELCO INC	12,144	6.48
CCB Life Insurance Co., Ltd.	12,003	6.40
Saudi Arabian Oil Company	11,732	6.26
GOVERNMENT NATL MORTGAGE ASSOCIATION	11,555	6.16
Anheuser-Busch Inbev Finance Inc	11,417	6.09
Emirates NBD Bank PJSC	11,028	5.88
MUFG BANK, LTD.	10,989	5.86
Credit Suisse Group AG	10,942	5.83
KOMMUNALBANKEN AS	10,537	5.62
BARCLAYS BANK PLC	10,495	5.60
E.SUN Commercial Bank, Ltd.	10,232	5.46
Bank of Montreal	10,133	5.40
DBS Bank Ltd.	9,949	5.31
BPCE SA	9,915	5.29
Hon Hai Precision Industry Co., Ltd.	9,886	5.27
Cathay Financial Holdings Co., Ltd.	9,860	5.26
KGI Securities Co. Ltd.	9,749	5.20
Fuh Hwa Securities Investment Trust Co., Ltd.	9,398	5.01
NATIONAL AUSTRALIA BANK LIMITED	9,203	4.91
CTBC Investments Co., Ltd.	8,972	4.78
WESTPAC BANKING CORP	8,797	4.69
LLOYDS BANK PLC	8,796	4.69
Nan Ya Plastics Corporation	8,681	4.63
FORMOSA CHEMICALS and FIBRE Corp.	8,568	4.57
CTBC Financial Holding Co., Ltd.	8,532	4.55
CVS Health Corp	8,299	4.43
RELIANCE INDUSTRIES LIMITED	8,289	4.42
CHINA DEVELOPMENT BANK	7,985	4.26
Taiwan Cement Corp.	7,783	4.15
International Bank for Reconstruction and Development	7,739	4.13
CTBC Bank Co., Ltd.	7,713	4.11
CPC Coporation, Taiwan	7,666	4.09
CREDIT SUISSE LONDON BRANCH (GFX)	7,527	4.01
AXA SA	7,523	4.01

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
MEGA FINANCIAL HOLDING COMPANY LIMITED	\$ 7,427	3.96
PCA Life Assurance Co., Ltd.	7,393	3.94
Cathay United Bank	7,379	3.93
Lloyds Banking Group PLC	7,193	3.84
HSBC BANK PLC	7,076	3.77
PT Pertamina (Persero)	7,020	3.74
Qatar	6,774	3.61
FORMOSA PLASTICS CORPORATION	6,706	3.58
CDIB & PARTNERS INVESTMENT HOLDING CORPORATION	6,563	3.50
ISHARES IBOXX INVESTMENT GRA	6,520	3.48
Southern Copper Corporation	6,475	3.45
Taishin Financial Holding Co., Ltd.	6,453	3.44
FED REPUBLIC OF BRAZIL	6,393	3.41
COMMONWEALTH BANK	6,381	3.40
Telefonica Emisiones SAU	6,352	3.39
China Development Bank	6,252	3.33
Perusahaan Listrik Negara PT	6,140	3.27
APPLE INC	6,029	3.22
GRUPO TELEVISA SAB	5,845	3.12
UNITED TECHNOLOGIES CORP	5,570	2.97
ABERDEEN STANDARD INVEST LIMITED	5,419	2.89
Far Eastern New Century Corporation	5,392	2.88
ING Groep NV	5,380	2.87
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	5,358	2.86
CITIC Limited	5,291	2.82
Swiss Re Finance (Luxembourg) S.A.	5,280	2.82
LANDESBANK BADEN-WUERTTEMBERG	5,193	2.77
CREDIT AGRICOLE SA	5,171	2.76
Cathay Life Insurance Co., Ltd.	5,027	2.68
Blackstone Holdings Finance Co. L.L.C.	4,986	2.66
Tencent Holdings Ltd.	4,894	2.61
STANDARD LIFE ABERDEEN	4,812	2.57
First Financial Holding Co., Ltd.	4,811	2.57
Qualcomm Inc	4,777	2.55
PHOENIX LEAD LTD	4,519	2.41
M&G Lux Investment Funds 1	4,516	2.41
EUROPEAN INVESTMENT BANK	4,504	2.40
China Cinda Finance (2017) III Limited	4,487	2.39
MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	4,128	2.20
Deutsche Bank	4,091	2.18
The Export-Import Bank of the Republic of China	4,081	2.18
CTCI Development Corp.	3,963	2.11
NATIONAL BK OF ABU DHABI	3,914	2.09
Industrial and Commercial Bank of China Limited	3,906	2.08
Land Bank of Taiwan	3,904	2.08
FIRST COMMERCIAL BANK CO., LTD.	3,849	2.05

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
HUARONG FINANCE 2017 CO LTD	\$ 3,836	2.05
CDIB Capital Asia Partners	3,778	2.01
CHINA GOVERNMENT BOND	3,753	2.00
CNOOC FINANCE 2012 LTD	3,703	1.97
TAIWAN MOBILE CO., LTD.	3,685	1.97
Chang Hwa Commercial Bank, Ltd.	3,615	1.93
REPUBLIC OF COLOMBIA	3,583	1.91
DELTA ELECTRONICS, INC.	3,570	1.90
OVPH LTD	3,564	1.90
Nan Shan Life Insurance Company, Ltd.	3,527	1.88
KGI Futures Co., Ltd.	3,486	1.86
Wanbao Development Co., Ltd.	3,460	1.85
COMMERZBANK AG	3,437	1.83
Taishin International Bank Co., Ltd.	3,399	1.81
Fubon Securities Co., Ltd.	3,391	1.81
The Export-Import Bank of China	3,266	1.74
CRED SUIS GP FUN LTD	3,240	1.73
GRAND PACIFIC PETROCHEMICAL CORPORATION	3,163	1.69
Fubon Life Insurance Co., Ltd.	3,107	1.66
Petronas Capital Limited	3,080	1.64
SWEDISH EXPORT CREDIT CORP	3,011	1.61
American International Group Inc	3,011	1.61
INTL FINANCE CORP	3,011	1.61
MORGAN STANLEY FIN LLC	3,011	1.61
Mizuho Securities Co., Ltd.	3,011	1.61
Pfizer Inc.	3,011	1.61
Total	\$ 1,694,468	879.60
2. The same group		
BPCE Group	\$ 28,918	15.42
Lin Yuan Group	28,866	15.39
CITI Group	27,669	14.75
AB InBev Group	26,967	14.38
COMCAST Group	26,587	14.18
Barclays Bank Group	25,882	13.80
Bank of America Group	25,292	13.49
HSBC Group	25,233	13.46
Goldman Sachs Group	24,952	13.31
Deutsche Bank Group	24,001	12.80
JPMorgan Chase Group	23,061	12.30
Morgan Stanle Group	21,962	11.71
Credit Suisse Group	21,710	11.58
Nomura Group	20,973	11.18
Societe Generale Group	20,071	10.70
Royal Bank of Canada Group	19,304	10.29
BNP Paribas Group	18,415	9.82

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
FAB Group	\$ 18,064	9.63
China Construction Bank Group	17,638	9.41
Fubon Group	17,488	9.33
Wells Fargo Bank Group	17,280	9.21
CTBC Group	16,693	8.90
LLOYDSBK Group	15,989	8.53
Foxconn Technology Group	15,455	8.24
Standard Chartered Group	15,085	8.04
China Development Bank Group	14,237	7.59
ScotiaBank Group	13,548	7.22
Mega Financial Holding Group	13,417	7.15
TSMC Group	12,781	6.82
Far Eastern Group	12,682	6.76
Formosa Plastic Group	12,349	6.59
DBS Group	12,345	6.58
E.SUN Financial Holding Group	11,758	6.27
Taishin Group	11,563	6.17
Westpac Banking Group	11,209	5.98
Mitsubishi UFJ Financial Group	10,989	5.86
World Bank Group	10,749	5.73
CITIC Group	9,926	5.29
CK Hutchison Group	9,858	5.26
First Financial Holding Group	9,456	5.04
National Australia Bank Group	9,203	4.91
Ruentex Group	9,051	4.83
Nanya Plastics Group	8,714	4.65
Formosa Chemicals and Fiber Group	8,596	4.58
RELIANCE INDUSTRIES LIMITED Group	8,590	4.58
Taiwan Cement Group	8,128	4.33
ICBC Group	8,075	4.31
Gateway Real Estate Fund Group	8,002	4.27
Sinopec Group	7,073	3.77
Commonwealth Bank of Australia Group	6,381	3.40
YFY Group	5,830	3.11
China Cinda Group	5,691	3.03
ING Group	5,542	2.96
CTCI Group	5,532	2.95
Crédit Agricole Group	5,475	2.92
Australia and New Zealand Banking Group	5,358	2.86
CNOOC Group	5,002	2.67
Tencent Group	4,894	2.61
Bank of China Group	4,829	2.58
ASE Group	4,680	2.50
Walsin Group	4,643	2.48
Taiwan Cooperative Group	4,439	2.37
Qsan Technology Group	4,271	2.28

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
UBS Group	\$ 4,081	2.18
China Steel Group	4,027	2.15
Yuanta Group	3,856	2.06
China Huarong Group	3,836	2.05
AU Optronics Group	3,709	1.98
Chailease Group	3,697	1.97
GRAND PACIFIC PETROCHEMICAL Group	3,642	1.94
Farglory Group	3,599	1.92
Delta Electronics Group	3,570	1.90
Shin Kong Group	3,549	1.89
Evergreen Group	3,538	1.89
COMMERZBANK Group	3,437	1.83
Mizuho Financial Group	3,357	1.79
The Export-Import Bank of China Group	3,266	1.74
Yulon Group	3,184	1.70
Wistron Group	3,045	1.62
Total	\$ 925,814	493.70

(Concluded)

TABLE 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2019	2018
Cash and cash equivalents	\$ 2,914,480	\$ 4,570,426
Financial assets at fair value through profit or loss	-	471,765
Receivables, net	49,216	50,567
Current tax assets	2,013,945	1,881,337
Investments accounted for using the equity method, net	214,485,554	185,756,820
Other financial assets	300	500,300
Right-of-use assets, net	6,285	-
Property and equipment, net	45,078	28,054
Other assets, net	<u>37,747</u>	<u>33,988</u>
Total	<u>\$ 219,552,605</u>	<u>\$ 193,293,257</u>
Liabilities and Equity		
Commercial paper payable, net	\$ 3,849,741	\$ 9,898,975
Payables	937,194	722,528
Current tax liabilities	418,779	1,129,319
Bonds payable	23,000,000	19,000,000
Other borrowings	3,799,796	3,299,951
Provisions	12,807	6,946
Lease liabilities	6,555	-
Other liabilities	<u>2,605</u>	<u>2,855</u>
Total liabilities	<u>32,027,477</u>	<u>34,060,574</u>
Equity		
Capital		
Common stock	149,663,721	149,622,812
Advance receipts for capital stock	20,359	10,748
Capital surplus	1,093,745	1,630,992
Retained earnings		
Legal reserve	7,561,404	6,776,135
Special reserve	10,797,899	565,041
Unappropriated earnings	12,617,375	14,754,530
Other		
Exchange differences on translation of financial statements of foreign operations	(1,790,483)	(930,286)
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	1,556,416	(66,615)
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	7,794,213	(5,071,947)
Other comprehensive income (loss) reclassified using the overlay approach	1,347,757	(4,451,944)
Others	-	(1,339)
Treasury shares	<u>(3,137,278)</u>	<u>(3,605,444)</u>
Total equity	<u>187,525,128</u>	<u>159,232,683</u>
Total	<u>\$ 219,552,605</u>	<u>\$ 193,293,257</u>

(Continued)

2. Statements of comprehensive income

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

	For the Year Ended December 31	
	2019	2018
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	\$ 14,177,282	\$ 9,353,789
Others	<u>54,167</u>	<u>19,686</u>
Total revenues	<u>14,231,449</u>	<u>9,373,475</u>
EXPENSES AND LOSSES		
Operating expenses	(1,200,044)	(993,269)
Others	<u>(411,211)</u>	<u>(547,105)</u>
Total expenses and losses	<u>(1,611,255)</u>	<u>(1,540,374)</u>
NET PROFIT BEFORE INCOME TAX	12,620,194	7,833,101
INCOME TAX BENEFIT	<u>175,496</u>	<u>19,587</u>
NET PROFIT FOR THE YEAR	<u>12,795,690</u>	<u>7,852,688</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss, net of income tax		
Remeasurement of defined benefit plans	(6,997)	11,442
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures	1,424,792	(2,229,298)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	(31,852)	385,487
Items that will be reclassified subsequently to profit or loss, net of income tax		
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	20,666,457	(12,722,740)
Income tax relating to the items that may be reclassified subsequently to profit or loss	<u>(2,840,730)</u>	<u>1,706,604</u>
Other comprehensive income (loss) for the year, net of income tax	<u>19,211,670</u>	<u>(12,848,505)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 32,007,360</u>	<u>\$ (4,995,817)</u>
BASIC EARNINGS PER SHARE	<u>\$0.88</u>	<u>\$0.54</u>
DILUTED EARNINGS PER SHARE	<u>\$0.88</u>	<u>\$0.54</u>

(Continued)

3. Statements of changes in equity

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

							Other Equity						
	Capital			Retained Earnings			Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares	Total Equity
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE AT JANUARY 1, 2018	\$ 149,763,034	\$ 5,162	\$ 1,173,719	\$ 5,606,606	\$ 2,078,602	\$ 13,184,948	\$ (2,031,949)	\$ -	\$ 2,113,838	\$ -	\$ (8,322)	\$ (4,205,566)	\$ 167,680,072
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-
Cash dividends - NT\$0.6 per share	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)
Reversal of special reserve	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-
	-	-	-	1,169,529	(1,513,561)	(8,630,345)	-	-	-	-	-	-	(8,974,377)
Net profit for the year ended December 31, 2018	-	-	-	-	-	7,852,688	-	-	-	-	-	-	7,852,688
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(80,056)	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(12,848,505)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	7,772,632	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(4,995,817)
Cancellation of treasury shares	(206,461)	-	-	-	-	-	-	-	-	-	-	206,461	-
Disposal of the Corporation shares, as treasury shares	-	-	176,732	-	-	-	-	-	-	-	-	393,661	570,393
Parent's appropriation of cash dividend to subsidiaries	-	-	287,529	-	-	-	-	-	-	-	-	-	287,529
Share-based payments	66,239	5,586	(6,988)	-	-	(4,159)	-	-	-	-	6,983	-	67,661
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	215,673	-	(215,673)	-	-	-	-	-
Net change in special reserve of subsidiaries	-	-	-	-	-	36,660	-	-	-	-	-	-	36,660
BALANCE AT DECEMBER 31, 2018	149,622,812	10,748	1,630,992	6,776,135	565,041	14,754,530	(930,286)	(5,138,562)	-	(4,451,944)	(1,339)	(3,605,444)	159,232,683
Appropriation of the 2018 earnings													
Legal reserve	-	-	-	785,269	-	(785,269)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	10,232,858	(10,232,858)	-	-	-	-	-	-	-
Cash dividends - NT\$0.245 per share	-	-	-	-	-	(3,666,666)	-	-	-	-	-	-	(3,666,666)
	-	-	-	785,269	10,232,858	(14,684,793)	-	-	-	-	-	-	(3,666,666)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(362)	-	-	-	-	-	-	-	-	-	(362)
Issuance of cash dividends from capital surplus	-	-	(823,129)	-	-	-	-	-	-	-	-	-	(823,129)
Other change in capital surplus	-	-	54,273	-	-	-	-	-	-	-	-	-	54,273
Net profit for the year ended December 31, 2019	-	-	-	-	-	12,795,690	-	-	-	-	-	-	12,795,690
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(121,894)	(860,174)	14,388,715	-	5,805,023	-	-	19,211,670
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	12,673,796	(860,174)	14,388,715	-	5,805,023	-	-	32,007,360
Disposal of the Corporation shares, as treasury shares	-	-	177,897	-	-	-	-	-	-	-	-	460,867	638,764
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	123,668	-	-	-	-	-	-	-	-	-	123,668
Changes in percentage of ownership interests in subsidiaries	-	-	(67,610)	-	-	(996)	(23)	(11,727)	-	(5,322)	-	7,299	(78,379)
Share-based payments	40,909	9,611	(1,984)	-	-	(9,671)	-	-	-	-	1,339	-	40,204
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(112,203)	-	112,203	-	-	-	-	-
Net change in special reserve of subsidiaries	-	-	-	-	-	(3,288)	-	-	-	-	-	-	(3,288)
BALANCE AT DECEMBER 31, 2019	\$ 149,663,721	\$ 20,359	\$ 1,093,745	\$ 7,561,404	\$ 10,797,899	\$ 12,617,375	\$ (1,790,483)	\$ 9,350,629	\$ -	\$ 1,347,757	\$ -	\$ (3,137,278)	\$ 187,525,128

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 12,620,194	\$ 7,833,101
Adjustments for:		
Depreciation and amortization expenses	7,886	4,986
(Gain) Loss on financial assets at fair value through profit or loss, net	(23,588)	135,770
Interest expenses	395,931	409,873
Interest income	(25,154)	(14,130)
Dividend income	-	(13,616)
Share-based payment compensation cost	1,433	9,286
Share of profit of subsidiaries, associates and joint ventures	(14,128,202)	(9,300,102)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	495,353	737,375
Receivables	1,780	(70,049)
Other financial assets	500,000	(500,000)
Other assets	(11,331)	(3,753)
Payables	207,761	48,573
Other liabilities	(1,386)	(22,794)
Interest paid	(383,148)	(437,378)
Interest received	26,504	11,678
Dividend received	5,466,966	11,600,918
Income tax refund (paid)	<u>(669,433)</u>	<u>55,684</u>
Net cash generated from operating activities	<u>4,481,566</u>	<u>10,485,422</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment under equity method	(3,112,710)	-
Acquisition of property and equipment	(21,025)	(9,446)
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	<u>3,000,000</u>	<u>5,000,000</u>
Net cash generated from (used in) investing activities	<u>(133,735)</u>	<u>4,990,554</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in commercial paper payable	(6,049,234)	(390)
Proceeds from corporate bonds	5,000,000	-
Repayments of corporate bonds	(1,000,000)	(3,000,000)
Proceeds from other borrowings	499,845	1
Cash dividends paid	(4,489,795)	(8,974,377)
Others	<u>35,407</u>	<u>54,669</u>
Net cash used in financing activities	<u>(6,003,777)</u>	<u>(11,920,097)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,655,946)	3,555,879
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,570,426</u>	<u>1,014,547</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,914,480</u>	<u>\$ 4,570,426</u>

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2019	2018
Cash and cash equivalents, due from the Central Bank and call loans to banks	\$ 36,394,030	\$ 33,083,932
Financial assets at fair value through profit or loss	78,108,576	81,922,752
Financial assets at fair value through other comprehensive income	135,245,604	151,669,704
Debt instruments measured at amortized cost	11,136,022	11,965,807
Securities purchased under resell agreements	18,686,598	15,164,692
Receivables, net	17,457,148	24,305,714
Assets held for sale, net	-	29,649
Discounts and loans, net	342,501,981	335,751,432
Investments accounted for using the equity method, net	1,744,809	1,654,220
Other financial assets, net	1,983,930	1,476,948
Property and equipment, net	5,334,376	5,374,246
Right-of-use assets, net	2,194,830	-
Investment property, net	1,102,245	1,108,910
Deferred tax assets	1,348,260	2,176,684
Other assets, net	<u>9,142,730</u>	<u>13,491,511</u>
Total assets	\$ 662,381,139	\$ 679,176,201
Deposits from the Central Bank and banks	\$ 22,965,260	\$ 21,359,259
Financial liabilities at fair value through profit or loss	76,747,276	73,866,749
Notes and bonds issued under repurchase agreements	18,749,841	60,303,682
Payables	8,441,522	6,940,026
Current tax liabilities	600,802	530,563
Deposits and remittances	421,415,142	421,726,228
Bank debentures payable	10,450,000	7,350,000
Principal received on structured notes	30,248,517	24,020,358
Other financial liabilities	66,667	3,716
Provisions	428,589	331,602
Lease liabilities	2,196,166	-
Deferred tax liabilities	24,660	24,413
Other liabilities	<u>5,875,067</u>	<u>4,345,130</u>
Total liabilities	598,209,509	620,801,726
Common stock	46,061,623	46,061,623
Capital surplus	7,251,306	7,251,173
Retained earnings	10,004,687	6,567,132
Others	<u>854,014</u>	<u>(1,505,453)</u>
Total equity	64,171,630	58,374,475
Total liabilities and equity	\$ 662,381,139	\$ 679,176,201

(Continued)

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2019	2018
Interest revenue	\$ 13,511,243	\$ 13,051,990
Interest expense	<u>(6,765,706)</u>	<u>(6,006,754)</u>
Interest profit, net	6,745,537	7,045,236
Noninterest profits and gains, net	<u>4,525,512</u>	<u>1,749,965</u>
Total net revenues	11,271,049	8,795,201
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	(404,715)	(15,111)
Operating expenses	<u>(6,142,534)</u>	<u>(5,891,545)</u>
Net profit before income tax	4,723,800	2,888,545
Income tax expense	<u>(1,117,192)</u>	<u>(743,091)</u>
Net profit for the year	3,606,608	2,145,454
Other comprehensive income (loss) for the year net of income tax	<u>2,190,414</u>	<u>(1,788,002)</u>
Total comprehensive income for the year	<u>\$ 5,797,022</u>	<u>\$ 357,452</u>
Basic earnings per share	<u>\$0.78</u>	<u>\$0.47</u>

(Continued)

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 180,711,551	\$ 136,199,128
Noncurrent assets	<u>49,800,020</u>	<u>43,193,399</u>
Total assets	<u>\$ 230,511,571</u>	<u>\$ 179,392,527</u>
Current liabilities	\$ 156,714,996	\$ 114,059,600
Noncurrent liabilities	<u>6,396,585</u>	<u>6,914,191</u>
Total liabilities	<u>163,111,581</u>	<u>120,973,791</u>
Common stock	32,418,432	32,418,432
Capital surplus	8,648,567	8,648,158
Retained earnings	25,428,702	21,243,911
Others	<u>904,289</u>	<u>(3,891,765)</u>
Total equity	<u>67,399,900</u>	<u>58,418,736</u>
Total liabilities and equity	<u>\$ 230,511,571</u>	<u>\$ 179,392,527</u>

2. Condensed statements of comprehensive income

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Revenues	\$ 11,121,170	\$ 9,690,226
Costs and expenses	<u>(9,206,654)</u>	<u>(8,717,146)</u>
Profit from operations	<u>1,914,516</u>	<u>973,080</u>
Share of profit (loss) of subsidiaries, associates and joint ventures	3,118,475	2,269,197
Other income and loss	<u>986,473</u>	<u>856,844</u>
Total non-operating income or loss	<u>4,104,948</u>	<u>3,126,041</u>
Net profit before income tax	6,019,464	4,099,121
Income tax expense	<u>33,093</u>	<u>(334,296)</u>
Net profit for the year	6,052,557	3,764,825
Other comprehensive income (loss)	<u>4,557,555</u>	<u>(2,981,994)</u>
Total comprehensive income (loss) for the year	<u>\$ 10,610,112</u>	<u>\$ 782,831</u>
Basic earnings per share	<u>\$1.87</u>	<u>\$1.16</u>

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 5,333,409	\$ 6,813,888
Noncurrent assets	<u>39,121,770</u>	<u>42,775,502</u>
Total assets	<u>\$ 44,455,179</u>	<u>\$ 49,589,390</u>
Current liabilities	\$ 944,851	\$ 941,433
Noncurrent liabilities	<u>837,985</u>	<u>961,867</u>
Total liabilities	<u>1,782,836</u>	<u>1,903,300</u>
Common stock	20,411,159	20,411,159
Capital surplus	590,409	589,866
Retained earnings	21,147,266	26,234,466
Others	<u>523,509</u>	<u>450,599</u>
Total equity	<u>42,672,343</u>	<u>47,686,090</u>
Total liabilities and equity	<u>\$ 44,455,179</u>	<u>\$ 49,589,390</u>

2. Condensed statements of comprehensive income

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 2,412,940	\$ 2,637,060
Operating expenses	<u>(477,625)</u>	<u>(408,289)</u>
Profit from operations	1,935,315	2,228,771
Non-operating income and expenses	<u>171,343</u>	<u>248,282</u>
Net profit before income tax	2,106,658	2,477,053
Income tax benefit (expense)	<u>125,231</u>	<u>(165,652)</u>
Net profit for the year	2,231,889	2,311,401
Other comprehensive income (loss) for the year, net of income tax	<u>67,828</u>	<u>441,682</u>
Total comprehensive income (loss) for the year	<u>\$ 2,299,717</u>	<u>\$ 2,753,083</u>
Basic earnings per share	<u>\$1.09</u>	<u>\$1.13</u>

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2019	2018 (After Restated)
Current assets	\$ 34,475	\$ 856,667
Noncurrent assets	<u>2,772,137</u>	<u>2,427,116</u>
Total assets	<u>\$ 2,806,612</u>	<u>\$ 3,283,783</u>
Current liabilities	\$ 137,331	\$ 923,166
Noncurrent liabilities	<u>71,300</u>	<u>1,699</u>
Total liabilities	<u>208,631</u>	<u>924,865</u>
Common stock	2,133,600	2,260,000
Capital surplus	139,538	129,957
Retained earnings	348,387	108,764
Others	(23,544)	-
Prior interest under common control	<u>-</u>	<u>(139,803)</u>
Total equity	<u>2,597,981</u>	<u>2,358,918</u>
Total liabilities and equity	<u>\$ 2,806,612</u>	<u>\$ 3,283,783</u>

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2019	2018 (After Restated)
Revenues and gains	\$ 461,037	\$ 191,141
Expenses and losses	<u>(91,936)</u>	<u>(109,169)</u>
Net profit before income tax	369,101	81,972
Income tax expense	<u>(81,779)</u>	<u>(46,770)</u>
Net profit for the year	287,322	35,202
Other comprehensive income (loss) for the year, net of income tax	<u>(3,520)</u>	<u>(98)</u>
Total comprehensive income (loss) for the year	<u>\$ 283,802</u>	<u>\$ 35,104</u>
Net profit attributable to:		
Owners of parent	\$ 274,126	\$ 52,321
Prior interest under common control	<u>13,196</u>	<u>(17,119)</u>
	<u>\$ 287,322</u>	<u>\$ 35,202</u>
Total comprehensive income attributable to:		
Owners of parent	\$ 272,015	\$ 52,321
Prior interest under common control	<u>11,787</u>	<u>(17,217)</u>
	<u>\$ 283,802</u>	<u>\$ 35,104</u>
Basic earnings per share	<u>\$1.35</u>	<u>\$0.16</u>

Note: The prior interest under common control is included in the financial information of China Development Asset Management Corp.

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2019	2018
Cash and cash equivalents	\$ 85,927,723	\$ 42,947,426
Receivables	26,826,102	17,549,054
Current tax assets	526,131	499,407
Financial assets at fair value through profit or loss	312,985,212	215,549,254
Financial assets at fair value through other comprehensive income	382,691,543	323,006,735
Financial assets measured at amortized cost	1,011,036,234	950,482,240
Investment property	23,136,905	23,143,854
Loans	34,033,871	33,379,965
Reinsurance assets	533,134	534,353
Property and equipment	14,113,541	10,722,338
Right-of-use assets	15,174,273	-
Intangible assets	190,409	230,128
Deferred tax assets	8,264,170	9,949,639
Other assets	6,876,554	19,859,278
Separate account product assets	<u>77,922,118</u>	<u>63,501,665</u>
Total assets	<u>\$ 2,000,237,920</u>	<u>\$ 1,711,355,336</u>
Payables	\$ 19,417,296	\$ 10,727,086
Current tax liabilities	714,434	-
Financial liabilities at fair value through profit or loss	1,426,070	2,469,127
Lease liabilities	2,206,846	-
Insurance liabilities	1,738,260,215	1,552,528,196
Foreign exchange valuation reserve	2,367,039	3,169,331
Provisions	209,328	134,940
Deferred tax liabilities	7,286,894	1,342,297
Other liabilities	7,758,119	4,388,310
Separate account product liabilities	<u>77,922,118</u>	<u>63,501,665</u>
Total liabilities	<u>1,857,568,359</u>	<u>1,638,260,952</u>
Common stock	44,635,823	40,135,823
Capital surplus	7,214,523	2,289,273
Retained earnings	61,240,158	48,243,509
Others	<u>29,579,057</u>	<u>(17,574,221)</u>
Total equity	<u>142,669,561</u>	<u>73,094,384</u>
Total liabilities and equity	<u>\$ 2,000,237,920</u>	<u>\$ 1,711,355,336</u>

(Continued)

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2019	2018
Operating revenues	\$ 339,115,451	\$ 338,495,113
Operating costs	(318,713,973)	(325,583,910)
Operating expenses	<u>(5,810,662)</u>	<u>(4,954,851)</u>
Profit from operations	14,590,816	7,956,352
Non-operating income and expenses	<u>10,910</u>	<u>1,646,887</u>
Income from continuing operations before income tax	14,601,726	9,603,239
Income tax benefit (expense)	<u>(1,003,848)</u>	<u>574,748</u>
Net income	13,597,878	10,177,987
Other comprehensive income (loss) for the year net of income tax	<u>46,561,453</u>	<u>(35,428,214)</u>
Total comprehensive income (loss) for the year	<u>\$ 60,159,331</u>	<u>\$ (25,250,227)</u>
Basic earnings per share	<u>\$3.20</u>	<u>\$2.54</u>

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Beauty Essential International (Shanghai) Ltd.	Sale and R&D of the cosmetics.	US\$ 2,000 thousand	Note 1,b,1)	US\$ 2,262 thousand	\$ -	\$ -	US\$ 2,262 thousand	(Note 3)	8.86	\$ -	\$ 67,521	\$ -
Beauteek (Shanghai) Co., Ltd.	Cosmetics and sin care products sales.	US\$ 1,700 thousand	Note 1,b,1)	-	US\$ 53 thousand	-	US\$ 53 thousand	(Note 3)	-	-	1,633	-
Shanghai Derby Software Co., Ltd.	The next-generation electronic distribution channel operator serving China's hotel industry.	US\$ 10,000 thousand	Note 1,b,2)	US\$ 3,267 thousand	-	-	US\$ 3,267 thousand	(Note 3)	6.87	-	107,235	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments.	US\$ 35,200 thousand	Note 1,b,3)	US\$ 1,400 thousand	-	-	US\$ 1,400 thousand	(Note 3)	1.66	-	45,003	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering.	US\$ 17,130 thousand	Note 1,b,4)	US\$ 3,000 thousand	-	-	US\$ 3,000 thousand	(Note 3)	10.23	-	99,603	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging.	US\$ 87,070 thousand	Note 1,b,5),19)	US\$ 228 thousand	-	-	US\$ 228 thousand	(Note 3)	1.79	-	6,864	-
MCM (Beijing) Commercial Co., Ltd.	Apparel, jewelry, watches, perfumes, cosmetics, glasses, bags, leather goods wholesale and retail; import and export of goods.	EUR 4,460 thousand	Note 1,b,6),20)	US\$ 182 thousand	-	-	US\$ 182 thousand	(Note 3)	5.00	-	6,147	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US\$ 28,000 thousand	Note 1,b,5),18)	US\$ 948 thousand	-	-	US\$ 948 thousand	(Note 3)	2.36	-	7,049	-
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US\$ 3,000 thousand	Note 1,b,5),18)	US\$ 33 thousand	-	-	US\$ 33 thousand	(Note 3)	2.36	-	247	-
Tianjin Mei Wei Information Technology Co., Ltd.	Computer IT consulting and technical services; computer hardware and software development; furniture, building materials, daily commodities, hardware wholesale.	CNY 171,574 thousand	Note 1,b,5),18)	CNY 297 thousand	-	-	CNY 297 thousand	(Note 3)	2.36	-	2,207	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale.	US\$ 500 thousand	Note 1,b,5),18)	US\$ 42 thousand	-	-	US\$ 42 thousand	(Note 3)	2.36	-	309	-
Jiangyin Suda Huicheng Composite Material Co., Ltd.	Lithium battery with extruded composite film.	CNY 19,812 thousand	Note 1,b,18)	US\$ 4,938 thousand	-	-	US\$ 4,938 thousand	(Note 3)	3.89	-	36,707	-
CDIB Private Equity (China) Corporation	Management and consulting.	US\$ 7,000 thousand	Note 1,b,8)	US\$ 7,000 thousand	-	-	US\$ 7,000 thousand	24,861	100.00	24,861	245,516	-
CDIB Private Equity (Fujian) Co., Ltd.	Fund Management.	CNY 10,000 thousand	Note 9	-	-	-	-	21,671	70.00	15,169	81,138	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund Management.	CNY 12,000 thousand	Note 1,b,8)	CNY 6,686 thousand	\$ -	\$ -	CNY 6,686 thousand	\$ (2,330)	70.00	\$ (1,631)	\$ 36,053	\$ -
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 350,000 thousand	-	-	CNY 350,000 thousand	(195,415)	-	(68,395)	1,525,410	-
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Fund Management.	CNY 7,000 thousand	Note 10	-	-	-	-	15,180	65.00	9,867	55,884	-
CDIB Yida Private Equity Management (Kushan) Enterprise (Limited Partnership)	Fund Management.	CNY 12,000 thousand	Note 1,b,8)	CNY 3,250 thousand	-	-	CNY 3,250 thousand	(1,620)	65.00	(1,053)	33,669	-
CDIB Yida Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 300,000 thousand	-	-	CNY 300,000 thousand	(139,379)	-	(41,814)	1,331,616	-
GSD Industrial (China) Co., Ltd.	Pumps manufacture and sale.	CNY 50,000 thousand	Note 1,b,9)	US\$ 2,235 thousand	-	-	US\$ 2,235 thousand	(Note 3)	19.86	-	68,353	-
Beijing Shengzhuang Co., Ltd.	Cosmetics sales.	CNY 54,300 thousand	Note 1,b,10)	US\$ 5,000 thousand	-	-	US\$ 5,000 thousand	(Note 3)	5.44	-	151,150	-
Lightel Technologies (Shenzhen) Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps.	US\$ 4,100 thousand	Note 1,b,11)	US\$ 337 thousand	-	-	US\$ 337 thousand	(Note 3)	11.58	-	10,076	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK\$ 313,432 thousand	Note 1,b,6),12)	US\$ 2,311 thousand	-	-	US\$ 2,311 thousand	(Note 3)	7.70	-	69,578	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK\$ 195,686 thousand	Note 1,b,6),12)	US\$ 1,678 thousand	-	-	US\$ 1,678 thousand	(Note 3)	7.70	-	50,528	-
Jiangsu Stonehenge Industrial Holding Ltd.	Business in research, development and manufacture of electro optic technology, process on TFT-LCD optical, functional film material, and production and marketing of other plastic product.	HK\$ 761,576 thousand	Note 1,b, 6),21)	US\$ 9,248 thousand	-	-	US\$ 9,248 thousand	(Note 3)	5.46	-	55,093	-
Tutwo (Xiamen) Outdoor Co., Ltd.	Business in wholesale and retail of outdoor sports products, sporting goods, clothing, shoes and hats, wholesale, retail and manufacture of textile and hosiery, leather garments, leather manufacturing, retail of kitchenware and daily groceries.	CNY 350,379 thousand	Note 1,b, 13)	US\$ 7,417 thousand	-	-	US\$ 7,417 thousand	(Note 3)	2.67	-	55,136	-
Best Logistics Technology (China) Co., Ltd.	Business in research, development, technical services, computer information, network logistics technology and wholesale and retail of general labor supplies, household appliances and building materials.	US\$ 183,000 thousand	Note 1,b, 14)	US\$ 211 thousand	-	-	US\$ 211 thousand	(Note 3)	-	-	2,566	-
Viscovery	Business in software development	US\$ 2,860 thousand	Note 1,b, 15)	US\$ 36 thousand	-	-	US\$ 36 thousand	(Note 3)	1.80	-	1,084	-
CDIB International Leasing Corporation	Financial Leasing and management business consulting.	CNY 187,750 thousand	Note 1,a	US\$ 30,000 thousand	-	-	US\$ 30,000 thousand	(106,919)	100.00	(106,919)	61,026	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US\$ 4,000 thousand	Note 1,b,16)	US\$ 4,000 thousand	\$ -	\$ -	US\$ 4,000 thousand	\$ (8,069)	100.00	\$ (8,069)	\$ 28,233	\$ -
CCB Life Insurance Company Limited	Life insurance.	CNY 7,120,461 thousand	Note 1,a	7,401,464	5,479,505	-	12,880,969	3,063,935	19.90	-	14,523,031	71,756
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US\$ 13,380 thousand	Note 1,b,17)	US\$ 381 thousand	-	-	US\$ 381 thousand	(Note 3)	0.88	-	1,354	-
Cheng Zong Environmental Protection Technology (Shanghai) Co., Ltd.	Business in Packaging materials, plastic products, machinery and equipment, providing molds and related products wholesale, commission agents.	US\$ 5,000 thousand	Note 1,b,17)	US\$ 107 thousand	-	-	US\$ 107 thousand	(Note 3)	0.88	-	378	-
Taro Technology (Hangzhou) Co., Ltd.	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US\$ 30,000 thousand	Note 1,b,22)	US\$ 2,000 thousand	-	-	US\$ 2,000 thousand	(Note 3)	1.01	-	60,212	\$ -
Rokid Business (Hangzhou) Co., Ltd.	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US\$ 15,000 thousand	Note 1,b,22)	US\$ 3,000 thousand	-	-	US\$ 3,000 thousand	(Note 3)	1.01	-	90,318	-
Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Equity investment	CNY 285,000 thousand	Note 1,b,7), 8)	-	CNY 89,224 thousand	-	CNY 89,224 thousand	(37,052)	-	(11,997)	387,305	-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$19,914,367	US\$826,038 thousand	\$168,624,355

Note 1: The investment types are as follows:

- a. Direct investments.
- b. Reinvested through a third area by:
 - 1) Beauty Essentials International Ltd.
 - 2) Derbysoft Holdings Limited.
 - 3) Capital Excel Investments Limited.
 - 4) Hartec Asia Pte Ltd.
 - 5) CDIB Capital Investment I Limited.
 - 6) CDIB Capital Investment II Limited
 - 7) CDIB Venture Capital (Hong Kong) Corporation Limited.
 - 8) CDIB Private Equity (Hong Kong) Corporation Limited.
 - 9) GSD Technologies Co., Ltd.
 - 10) Shengzhuang Holdings Limited.
 - 11) Lightel Technologies, Inc.
 - 12) CBA Sport International Limited.
 - 13) CCAP Tutwo Holdings (Hong Kong) Limited.
 - 14) Best Logistics.
 - 15) Viscovery (Cayman) Holding Company Limited.

(Continued)

- 16) Richpoint Company Limited.
- 17) Deluxe Technology Group Co., Ltd.
- 18) CDIB Capital Asia Partners L.P.
- 19) Great Team Backend Foundry, Inc.
- 20) Sungjoo Design Tech & Distribution Inc.
- 21) Great Rich Technologies Limited.
- 22) Rokid Corporation Limited.

c. Other.

Note 2: The financial statements were audited by international CPA firms having a corporative relation with CPA firms in the Republic of China.

Note 3: Investee Company was not significantly influenced by the Company; therefore the Group cannot acquire the related financial information.

Note 4: Subsidiary of the Corporation formerly indirectly invested in Focal Tech (Shenzhen) System Co., Ltd. through its subsidiary’s investment in Focal Tech (Shenzhen) Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.

Note 5: Subsidiary of the Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary’s investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.

Note 6: Subsidiary of the Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yangzhou Enteres Industrial Co., Ltd., Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.

Note 7: Subsidiary of the Corporation formerly indirectly invested in China Peptides (Wuhan) Co., Ltd. through its subsidiary’s investment in JHL Biotech, Inc. has been listed on the Taipei Exchange on September 17, 2015, refer to its financial report for the information.

Note 8: Subsidiary of the Corporation formerly indirectly invested in Power Logic Tech (DongGuan) Inc., Dongguan TaiYi Electronics Co., Ltd., Dongguan Yi Quan Electronics Co., Ltd. through Sun Max Tech Limited, has been listed on the Taipei Exchange on December 28, 2017, refer to its financial report for the information.

Note 9: In 2017, CDIB Private Equity (Fujian) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 10: In 2017, CDIB Yida Private Equity (Kunshan) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 11: Subsidiary of the Corporation formerly indirectly invested in Gio Van Gogh (International) Jewelry Limited through its subsidiary’s investment in Regal Holding Co., Ltd. has been listed on the Taiwan Stock Exchange on June 26, 2017, refer to its financial report for the information.

Note 12: Subsidiary of the Corporation formerly indirectly invested in San Neng Bakeware (Wuxi) Co., Ltd. through its subsidiary’s investment in San Neng Group Holdings Co., Ltd. has been listed on the Taiwan Stock Exchange on June 25, 2018, refer to its financial report for the information.

Note 13: Subsidiary of the Corporation formerly indirectly invested in Hangzhou Huatong Industries Inc. and Hangzhou Rilong Leather Co., Ltd. through its subsidiary’s investment in Shane Global Holding Inc. has been listed on the Taiwan Stock Exchange on August 15, 2018, refer to its financial report for the information.

Note 14: CCB Life Insurance Company Limited raised CNY6,000,000 thousand on 2019. The seasoned equity offering had already collected full proceeds and completed capital verification on April 2019. The total paid-in capital after right offering is subject to approval of China Banking and Insurance Regulatory Commission as of March 30, 2020.

(Concluded)

TABLE 12**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES****BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	CDIB Capital Group	1	Current tax assets	\$ 515,983	Note 4	0.02%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	515,983	Note 4	0.02%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	211,214	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	211,214	Note 4	0.01%
0	The Corporation	KGI Bank	1	Current tax assets	600,802	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	600,802	Note 4	0.02%
0	The Corporation	KGI Securities	1	Current tax assets	737,608	Note 4	0.02%
3	KGI Securities	The Corporation	2	Current tax liabilities	737,608	Note 4	0.02%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	2,871,141	Note 4	0.09%
2	KGI Bank	The Corporation	2	Deposits and remittances	2,871,141	Note 4	0.09%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	4,878,628	Note 4	0.16%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	4,878,628	Note 4	0.16%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	2,176,749	Note 4	0.06%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other financial assets	306,467	Note 4	0.01%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposits and remittances	2,483,216	Note 4	0.07%
3	KGI Securities	KGI Bank	3	Other financial assets	208,032	Note 4	0.01%
2	KGI Bank	KGI Securities	3	Deposits and remittances	208,032	Note 4	0.01%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities	KGI Bank	3	Restricted assets	\$ 9,775,316	Note 4	0.32%
2	KGI Bank	KGI Securities	3	Deposits and remittances	9,775,316	Note 4	0.32%
4	China Life Insurance	KGI Bank	3	Cash and cash equivalents	3,996,654	Note 4	0.13%
2	KGI Bank	China Life Insurance	3	Deposits and remittances	3,996,654	Note 4	0.13%
5	CDIB Capital Management Corporation	KGI Bank	3	Cash and cash equivalents	147,067	Note 4	0.00%
5	CDIB Capital Management Corporation	KGI Bank	3	Other financial assets	149,500	Note 4	0.00%
2	KGI Bank	CDIB Capital Management Corporation	3	Deposits and remittances	296,567	Note 4	0.01%
6	CDIB Venture Capital (Hong Kong) Corporation Limited	KGI Bank	3	Cash and cash equivalents	502,481	Note 4	0.02%
2	KGI Bank	CDIB Venture Capital (Hong Kong) Corporation Limited	3	Deposits and remittances	502,481	Note 4	0.02%
7	CDIB Venture Capital Corporation	KGI Bank	3	Cash and cash equivalents	109,195	Note 4	0.00%
2	KGI Bank	CDIB Venture Capital Corporation	3	Deposits and remittances	109,195	Note 4	0.00%
3	KGI Securities	KGI Bank	3	Other financial liabilities	903,180	Note 4	0.03%
2	KGI Bank	KGI Securities	3	Other financial assets	903,180	Note 4	0.03%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other financial liabilities	178,856	Note 4	0.01%
2	KGI Bank	KGI Securities and its subsidiaries	3	Cash and cash equivalents	178,856	Note 4	0.01%
4	China Life Insurance	KGI Bank	3	Financial assets at fair value through profit or loss	168,318	Note 4	0.01%
2	KGI Bank	China Life Insurance	3	Financial liabilities at fair value through profit or loss	168,318	Note 4	0.01%
4	China Life Insurance	KGI Bank	3	Receivables, net	2,188,412	Note 4	0.07%
2	KGI Bank	China Life Insurance	3	Other liabilities	2,188,412	Note 4	0.07%
4	China Life Insurance	KGI Securities	3	Receivables, net	644,117	Note 4	0.02%
3	KGI Securities	China Life Insurance	3	Payables	644,117	Note 4	0.02%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities and its subsidiaries	China Life Insurance	3	Service fee revenue and commission income	\$ 393,015	Note 4	0.16%
4	China Life Insurance	KGI Securities and its subsidiaries	3	Service fee expense and commission expense	393,015	Note 4	0.16%
4	China Life Insurance	KGI Securities and its subsidiaries	3	Service fee revenue and commission income	209,187	Note 4	0.09%
3	KGI Securities and its subsidiaries	China Life Insurance	3	Service fee expense and commission expense	209,187	Note 4	0.09%
2	KGI Bank	China Life Insurance	3	Service fee revenue and commission income	313,800	Note 4	0.13%
3	China Life Insurance	KGI Bank	3	Service fee expense and commission expense	313,800	Note 4	0.13%
3	KGI Securities	KGI Futures Co., Ltd.	3	Service fee revenue and commission income	185,052	Note 4	0.08%
8	KGI Futures Co., Ltd.	KGI Securities	3	Service fee expense and commission expense	185,052	Note 4	0.08%
3	KGI Securities	KGI Insurance Brokers Co., Ltd.	3	Other noninterest profits and gains, net	158,118	Note 4	0.07%
9	KGI Insurance Brokers Co., Ltd.	KGI Securities	3	Other noninterest profits and gains, net	158,118	Note 4	0.07%
3	KGI Securities	KGI Securities Investment Advisory Co., Ltd.	3	Operating expenses	159,171	Note 4	0.07%
10	KGI Securities Investment Advisory Co., Ltd.	KGI Securities	3	Other noninterest profits and gains, net	159,171	Note 4	0.07%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	935,550	Note 4	0.03%
8	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	935,550	Note 4	0.03%
11	Richpoint Company Limited	KG Investments Holdings Limited	3	Receivables, net	904,782	Note 4	0.03%
12	KG Investments Holdings Limited	Richpoint Company Limited	3	Other borrowings	904,782	Note 4	0.03%
8	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Financial assets at fair value through profit or loss	123,377	Note 4	0.00%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	123,377	Note 4	0.00%
8	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	1,137,249	Note 4	0.04%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	1,137,249	Note 4	0.04%
14	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Payables	241,658	Note 4	0.01%
15	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Receivables, net	241,658	Note 4	0.01%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
14	KGI Asia Limited	KGI Securities (Singapore) Pte. Ltd.	3	Payables	\$ 151,647	Note 4	0.01%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Asia Limited	3	Receivables, net	151,647	Note 4	0.01%
14	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Receivables, net	114,660	Note 4	0.00%
15	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Payables	114,660	Note 4	0.00%
14	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Financial liabilities at fair value through profit or loss	510,839	Note 4	0.02%
15	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Other financial assets	510,839	Note 4	0.02%
16	KGI Futures (Hong Kong) Limited	KGI Finance Limited	3	Futures customers' equity	377,219	Note 4	0.01%
17	KGI Finance Limited	KGI Futures (Hong Kong) Limited	3	Other financial assets	377,219	Note 4	0.01%
16	KGI Futures (Hong Kong) Limited	KGI Securities (Singapore) Pte. Ltd.	3	Futures customers' equity	125,101	Note 4	0.00%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial assets	125,101	Note 4	0.00%
16	KGI Futures (Hong Kong) Limited	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	202,743	Note 4	0.01%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial liabilities	202,743	Note 4	0.01%
18	KGI Hong Kong Limited	KGI Asia Limited	3	Other noninterest profits and gains, net	1,716,431	Note 4	0.71%
14	KGI Asia Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	1,716,431	Note 4	0.71%
18	KGI Hong Kong Limited	KGI Futures (Hong Kong) Limited	3	Other noninterest profits and gains, net	202,398	Note 4	0.08%
16	KGI Futures (Hong Kong) Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	202,398	Note 4	0.08%
18	KGI Hong Kong Limited	KGI Investments Management Limited	3	Other noninterest profits and gains, net	120,291	Note 4	0.05%
19	KGI Investments Management Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	120,291	Note 4	0.05%
18	KGI Hong Kong Limited	KGI International (Hong Kong) Limited	3	Other noninterest profits and gains, net	514,272	Note 4	0.21%
15	KGI International (Hong Kong) Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	514,272	Note 4	0.21%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
20	KGI International Finance Limited	KGI International (Hong Kong) Limited	3	Interest revenue	\$ 105,950	Note 4	0.04%
15	KGI International (Hong Kong) Limited	KGI International Finance Limited	3	Interest expense	105,950	Note 4	0.04%
21	KGI International Holdings Limited	PT KGI Sekuritas Indonesia	3	Receivables, net	797,809	Note 4	0.03%
22	PT KGI Sekuritas Indonesia	KGI International Holdings Limited	3	Other borrowings	797,809	Note 4	0.03%
23	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Receivables, net	108,369	Note 4	0.00%
24	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Payables	108,369	Note 4	0.00%
23	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Other noninterest profits and gains, net	276,544	Note 4	0.12%
24	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Operating expenses	276,544	Note 4	0.12%
24	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Other noninterest profits and gains, net	183,976	Note 4	0.08%
25	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Operating expenses	183,976	Note 4	0.08%

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - 0; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the midterm/Total consolidated net profit.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT\$100 million.

(Concluded)

TABLE 13-1**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS
DECEMBER 31, 2019**

	Richpoint Company Limited (In U.S. Dollars)	KG Investments Holdings Limited (In U.S. Dollars)	KGI International Holdings Limited (In U.S. Dollars)	KGI Investment Advisory (Shanghai) Co., Ltd. (In CNY)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 25,626	\$ 3,489	\$ 15,428	\$ 6,566,827
Other receivables - related parties	30,000,000	-	-	-
Other current assets	<u>211,600</u>	<u>-</u>	<u>-</u>	<u>51,003</u>
Total current assets	<u>30,237,226</u>	<u>3,489</u>	<u>15,428</u>	<u>6,617,830</u>
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent	147,449	-	-	-
Financial assets at fair value through other comprehensive income - noncurrent	-	-	2,375,000	-
Investments accounted for using the equity method	490,201,518	596,178,189	616,695,329	-
Property and equipment	-	-	-	3,372
Other noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,640</u>
Total noncurrent assets	<u>490,348,967</u>	<u>596,178,189</u>	<u>619,070,329</u>	<u>79,012</u>
TOTAL	<u>\$ 520,586,193</u>	<u>\$ 596,181,678</u>	<u>\$ 619,085,757</u>	<u>\$ 6,696,842</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 44,590,000	\$ -	\$ -	\$ -
Commercial paper payable	-	-	797,541	-
Other payables	54,043	53,218	168,461	11,221
Other payables - related parties	<u>-</u>	<u>121,948,532</u>	<u>22,905,150</u>	<u>-</u>
Total current liabilities	<u>44,644,043</u>	<u>122,001,750</u>	<u>23,871,152</u>	<u>11,221</u>
NONCURRENT LIABILITIES				
Other noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Total liabilities	<u>44,644,043</u>	<u>122,001,750</u>	<u>23,871,152</u>	<u>163,221</u>
EQUITY				
Common stock	147,043,557	156,864,163	209,248,261	25,278,600
Capital reserve	872,149	77,461	54,662,168	10,818
Special reserve	-	9,759,135	387,913	-
Retained earnings (accumulated deficit)	314,724,615	294,010,065	317,447,159	(18,755,797)
Other equity	<u>13,301,829</u>	<u>13,469,104</u>	<u>13,469,104</u>	<u>-</u>
Total equity	<u>475,942,150</u>	<u>474,179,928</u>	<u>595,214,605</u>	<u>6,533,621</u>
TOTAL	<u>\$ 520,586,193</u>	<u>\$ 596,181,678</u>	<u>\$ 619,085,757</u>	<u>\$ 6,696,842</u>

TABLE 13-2**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2019****(Expressed in U.S. Dollars)**

ASSETS	KGI Limited	Supersonic Service Inc.	KGI International Limited
CURRENT ASSETS			
Cash and cash equivalents	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 432</u>
Total current assets	<u> -</u>	<u> -</u>	<u> 432</u>
NONCURRENT ASSETS			
Investments accounted for using the equity method	<u> 453,287,344</u>	<u> -</u>	<u> 72,743,596</u>
Total noncurrent assets	<u> 453,287,344</u>	<u> -</u>	<u> 72,743,596</u>
TOTAL	<u>\$ 453,287,344</u>	<u>\$ -</u>	<u>\$ 72,744,028</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Other payables - related parties	\$ <u> 80,893,170</u>	\$ <u> -</u>	\$ <u> 2,755,403</u>
Total current liabilities	<u> 80,893,170</u>	<u> -</u>	<u> 2,755,403</u>
Total liabilities	<u> 80,893,170</u>	<u> -</u>	<u> 2,755,403</u>
EQUITY			
Common stock	308,341,129	100	81,511,717
Retained earnings (accumulated deficit)	<u> 64,053,045</u>	<u> (100)</u>	<u> (11,523,092)</u>
Total equity	<u> 372,394,174</u>	<u> -</u>	<u> 69,988,625</u>
TOTAL	<u>\$ 453,287,344</u>	<u>\$ -</u>	<u>\$ 72,744,028</u>

TABLE 13-3**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2019****(Expressed in U.S. Dollars)**

ASSETS	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 422,682	\$ -
Prepayments	-	-	1,039,251	-
Other receivables	-	-	50,723	-
Other receivables - related parties	-	-	-	1
Other current assets	-	1	2,127,257	-
Total current assets	-	1	3,639,913	1
NONCURRENT ASSETS				
Property and equipment	-	-	4,520,453	-
Right-of-use assets	-	-	16,897,194	-
Total noncurrent assets	-	-	21,417,647	-
TOTAL	\$ -	\$ 1	\$ 25,057,560	\$ 1
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	\$ -	\$ -	\$ 19,500,793	\$ -
Other payable - related parties	-	-	1,767,088	-
Lease liabilities - current	-	-	4,719,390	-
Total current liabilities	-	-	25,987,271	-
NONCURRENT LIABILITIES				
Lease liabilities - noncurrent	-	-	12,662,876	-
Other noncurrent liabilities	-	-	1,784,046	-
Total noncurrent liabilities	-	-	14,446,922	-
Total liabilities	-	-	40,434,193	-
EQUITY				
Common stock	2	1	15,000	1
Special reserve	-	-	58,265	-
Accumulated deficit	(2)	-	(15,449,898)	-
Total equity	-	1	(15,376,633)	1
TOTAL	\$ -	\$ 1	\$ 25,057,560	\$ 1

TABLE 13-4**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2019****(Expressed in U.S. Dollars)**

ASSETS	KGI Korea Limited	TG Holborn (HK) Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 117,757	\$ -
Other receivable - related parties	<u>72,750</u>	<u>-</u>	<u>-</u>	<u>3,699,353</u>
Total current assets	<u>72,750</u>	<u>-</u>	<u>117,757</u>	<u>3,699,353</u>
NONCURRENT ASSETS				
Investments accounted for using the equity method	<u>-</u>	<u>-</u>	<u>169,477,393</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>169,477,393</u>	<u>-</u>
TOTAL	<u>\$ 72,750</u>	<u>\$ -</u>	<u>\$ 169,595,150</u>	<u>\$ 3,699,353</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ -	\$ -	\$ 73,150,074	\$ -
Financial liabilities at fair value through profit or loss - current	-	-	181,454	-
Other payable	-	-	110,743	1,188
Other payable - related parties	<u>-</u>	<u>-</u>	<u>33,258,046</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>	<u>106,700,317</u>	<u>1,188</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>106,700,317</u>	<u>1,188</u>
EQUITY				
Common stock	10,000	-	75,749,306	5,738,175
Retained earnings (accumulated deficit)	62,750	-	(13,198,915)	(1,794,173)
Other equity	<u>-</u>	<u>-</u>	<u>344,442</u>	<u>(245,837)</u>
Total equity	<u>72,750</u>	<u>-</u>	<u>62,894,833</u>	<u>3,698,165</u>
TOTAL	<u>\$ 72,750</u>	<u>\$ -</u>	<u>\$ 169,595,150</u>	<u>\$ 3,699,353</u>

TABLE 14-1**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Richpoint Company Limited (In U.S. Dollars)	KG Investments Holdings Limited (In U.S. Dollars)	KGI International Holdings Limited (In U.S. Dollars)	KGI Investment Advisory (Shanghai) Co., Ltd. (In CNY)
REVENUES				
Other operating income	\$ 1,230	\$ (297,353)	\$ (460,619)	\$ 102,082
Total revenues	<u>1,230</u>	<u>(297,353)</u>	<u>(460,619)</u>	<u>102,082</u>
COSTS AND EXPENSES				
Financial costs	(1,232,043)	(351,525)	(1,511,571)	-
Employee benefit expenses	-	-	-	(939,027)
Depreciation and amortization expenses	-	-	-	(2,638)
Other operating expenses	<u>(25,495)</u>	<u>(26,500)</u>	<u>(38,978)</u>	<u>(969,303)</u>
Total costs and expenses	<u>(1,257,538)</u>	<u>(378,025)</u>	<u>(1,550,549)</u>	<u>(1,910,968)</u>
LOSS FROM OPERATIONS	<u>(1,256,308)</u>	<u>(675,378)</u>	<u>(2,011,168)</u>	<u>(1,808,886)</u>
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	39,529,843	40,368,356	41,935,802	-
OTHER PROFITS (LOSSES)	<u>1,115,379</u>	<u>97,806</u>	<u>443,722</u>	<u>7,015</u>
NON-OPERATING REVENUE AND EXPENSE	<u>40,645,222</u>	<u>40,466,162</u>	<u>42,379,524</u>	<u>7,015</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>39,388,914</u>	<u>39,790,784</u>	<u>40,368,356</u>	<u>(1,801,871)</u>
OTHER COMPREHENSIVE INCOME (LOSSES)	<u>8,676,384</u>	<u>8,694,224</u>	<u>8,694,224</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 48,065,298</u>	<u>\$ 48,485,008</u>	<u>\$ 49,062,580</u>	<u>\$ (1,801,871)</u>

TABLE 14-2**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(In U.S. Dollars)**

	KGI Limited	Supersonic Services Inc.	KGI International Limited
REVENUES			
Other operating income	\$ (442)	\$ -	\$ -
Total revenues	(442)	-	-
COSTS AND EXPENSES			
Other operating expenses	-	-	-
Total costs and expenses	-	-	-
PROFIT FROM OPERATIONS	(442)	-	-
OTHER PROFIT (LOSSES)	92,843,085	-	-
NON-OPERATING REVENUE AND EXPENSE	92,843,085	-	-
NET PROFIT FOR THE YEAR	92,842,643	-	-
OTHER COMPREHENSIVE INCOME (LOSSES)	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	\$ 92,842,643	\$ -	\$ -

TABLE 14-3**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(In U.S. Dollars)**

	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
REVENUES				
Other operating income	\$ -	\$ -	\$ (604,353)	\$ -
Total revenues	-	-	(604,353)	-
COSTS AND EXPENSES				
Financial costs	-	-	(1,003,806)	-
Employee benefits	-	-	(63,153,635)	-
Depreciation and amortization	-	-	(6,895,092)	-
Other operating expenses	-	-	(12,434,106)	-
Total costs and expenses	-	-	(83,486,639)	-
LOSS FROM OPERATIONS	-	-	(84,090,992)	-
OTHER REVENUE AND EXPENSE	-	-	84,568,860	-
NON-OPERATING REVENUE AND EXPENSE	-	-	84,568,860	-
NET PROFIT FOR THE YEAR	-	-	477,868	-
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ -	\$ -	\$ 477,868	\$ -

TABLE 14-4**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(In U.S. Dollars)**

	KGI Korea Limited	TG Holborn (HK) Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
REVENUES				
Derivative assets - counter	\$ -	\$ -	\$ 118,668	\$ -
Other operating income	-	24	451,747	-
Total revenues	-	24	570,415	-
COSTS AND EXPENSES				
Financial costs	-	-	(1,896,159)	-
Other operating expenses	-	-	(857,485)	(1,399)
Total costs and expenses	-	-	(2,753,644)	(1,399)
LOSS FROM OPERATIONS	-	24	(2,183,229)	(1,399)
OTHER REVENUE AND EXPENSE	-	-	4,543,361	-
NON-OPERATING REVENUE AND EXPENSE	-	-	4,543,361	-
NET PROFIT FOR THE YEAR	-	24	2,360,132	(1,399)
OTHER COMPREHENSIVE INCOME	-	-	771,119	45,321
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	\$ -	\$ 24	\$ 3,131,251	\$ 43,922

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CASH AND CASH EQUIVALENTS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description			Amount
Cash in banks	Time deposits			\$ 40,082,207
	Checking deposits and demand deposits			<u>48,606,029</u>
				<u>88,688,236</u>
	<u>Currency</u>	<u>Foreign currencies (dollar)</u>	<u>Exchange rate</u>	
Due from banks	USD	77,581	30.1060	2,335,655
	JPY	5,096,711	0.2771	1,412,299
	CAD	60,131	23.0800	1,387,833
	Others (Note 1)			<u>699,402</u>
				<u>5,835,189</u>
Short-term transactions instruments	Interest rate: 0.42%-0.56%; Last maturity date: February 2020			3,513,936
Others (Note 2)				<u>3,103,784</u>
				<u>\$ 101,141,145</u>

Note 1: The amount of each currency in others does not exceed 5% of the amount balance.

Note 2: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Asset	Description	Shares	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk	Note
							Unit Price	Gross Amount		
Financial assets mandatorily classified as at FVTPL										
Mutual funds						\$ 129,074,391		\$ 131,599,176	\$ -	Note 2
Shares						128,587,425		129,406,800	-	
Operating securities								74,477,290	-	
Bank debentures						37,600,586		39,401,337	-	
Others (Note 1)								83,097,317	(370,459)	
								457,981,920	(370,459)	
Financial assets designated as at FVTPL										
Government bonds						11,946,453		11,683,340	-	
Others (Note 2)								22,417,372	-	
								34,100,712	-	
								\$ 492,082,632	\$ (370,459)	

Note 1: The amount of each product in others does not exceed 5% of the account balance.

Note 2: For the information on pledged as collateral for the Group, please refer to Note 49.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Asset	Description	Shares	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Allowance for Impairment Loss	Fair Value		Note
								Unit Price	Gross Amount	
Government bonds	Expires before 2210					\$ 162,844,808	\$ 13,105,481		\$ 175,950,289	Note 2
Corporate bonds	Expires before 2059					138,617,045	9,421,841		148,038,886	
Bank debentures	Expires before 2048					106,449,379	10,017,282		116,466,661	Note 2
Negotiable certificates of deposit	Expires before 2021					62,620,000	(2,106)		62,617,894	
Others (Note 1)						<u>33,239,233</u>	<u>3,310,961</u>		<u>36,550,194</u>	
						<u>\$ 503,770,465</u>	<u>\$ 35,853,459</u>		<u>\$ 539,623,924</u>	

Note 1: The amount of each item in others does not exceed 5% of the account balance.

Note 2: For the information on pledged as collateral for the Group, please refer to Note 49.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES****SECURITIES PURCHASED UNDER RESALE AGREEMENTS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Item	Face Value	Carrying Amount	Note
Corporate bonds	\$ 21,288,111	\$ 21,288,455	
Commercial papers	11,135,000	11,121,028	
Government bonds	7,276,576	7,282,924	
Bank debentures	6,635,679	6,697,474	
Negotiable certificates of deposit	<u>400,000</u>	<u>400,000</u>	
	<u>\$ 46,735,366</u>	<u>\$ 46,789,881</u>	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

ACCOUNTS RECEIVABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Amount	Allowance for Impairment Loss	Net Value	Note
Receivable accounts for settlement	\$ 32,299,471	\$ (75)	\$ 32,299,396	
Receivables on margin loans, refinancing margin and refinancing deposits receivable	24,160,899	(1,887)	24,159,012	
Interest receivable	16,871,726	(13,836)	16,857,890	
Accounts receivable factoring without recourse	6,572,390	(88,306)	6,484,084	
Trading securities receivable	5,381,773	(519)	5,381,254	
Others (Note)	<u>20,557,265</u>	<u>(1,433,202)</u>	<u>19,124,063</u>	
	<u>\$ 105,843,524</u>	<u>\$ (1,537,825)</u>	<u>\$ 104,305,699</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

REINSURANCE ASSETS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
1. Claims recoverable from reinsurers			
Individual health insurance		\$ 283,323	
Group insurance		47,588	
Individual life insurance		47,396	
Individual accident insurance		22,295	
Investment-linked insurance		<u>14,718</u>	
		<u>\$ 415,320</u>	
2. Due from reinsurers and ceding companies			
MÜNCHENER			
RÜCKVERSICHERUNGS-GESELLSCHAFT		\$ 32,192	
Swiss Reinsurance Company		7,311	
Central Reinsurance Corporation		5,254	
GENERAL REINSURANCE AG		2,888	
Others (Note)		<u>927</u>	
		<u>\$ 48,572</u>	
3. Reinsurance reserve assets			
Ceded unearned premium reserve		\$ 55,487	
Ceded reserve for claims		<u>13,755</u>	
		<u>\$ 69,242</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DEBT INVESTMENT MEASURED AT AMORTIZED COST

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Title	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Allowance for Impairment Loss	Unamortized Premium (Discount)	Carrying Amount	Note
Bank debentures	Expires before 2110			\$ 1,688,401,047	0.00-7.75	\$ (59,189)	\$ (1,085,367,530)	\$ 602,974,328	
Corporate bonds	Expires before 2069			284,811,143	0.00-8.20	(39,605)	1,161,665	285,933,203	
Government bonds	Expires before 2110			93,183,219	1.13-7.75	(5,088)	3,821,123	96,999,254	
Others	Expires before 2054			<u>50,786,423</u>	2.50-5.00	<u>(2,285)</u>	<u>(1,104,697)</u>	<u>49,679,441</u>	
				<u>\$ 2,117,181,832</u>		<u>\$ (106,167)</u>	<u>\$ (1,081,489,439)</u>	1,035,586,226	
Less: Security deposit								<u>(6,698,391)</u>	
								<u>\$ 1,028,887,835</u>	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2018		Additions in Investment		Decrease in Investment		Balance, December 31, 2019			Market Value or Net Assets Value		Collateral	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price (NT\$)	Total Amount		
CDIB & Partners Investment Holding Corporation	367,200	\$ 5,364,742	-	\$ 1,184,064	-	\$ -	367,200	34	\$ 6,548,806	17.83	\$ 6,548,806		
CDIB Capital Asia Partners L.P.	-	3,587,002	-	101,251	-	-	-		3,688,253		3,688,253		
KGI Securities (Thailand) Public Company Limited	696,614	2,416,178	-	186,156	-	-	696,614	35	2,602,334	4.50	3,137,969		
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	-	1,648,309	-	-	-	122,899	-		1,525,410		1,525,410		
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	-	1,421,496	-	-	-	89,880	-		1,331,616		1,331,616		
CDIB Capital Healthcare Ventures Limited	74,998	749,682	-	-	-	45,435	74,998	43	704,247	9.39	704,247		
CDIB Capital Creative Industries Limited	69,495	696,239	-	-	-	75,245	69,495	46	620,994	8.96	620,994		
Others (Note 4)		<u>219,278</u>		<u>162,902</u>		<u>-</u>			<u>382,180</u>		<u>382,180</u>		
		<u>\$ 16,102,926</u>		<u>\$ 1,634,373</u>		<u>\$ 333,459</u>			<u>\$ 17,403,840</u>		<u>\$ 17,939,475</u>		

Note 1: The increase in the current year includes capital increase, investment income accounted for using equity method, capital surplus, unrealized gain on financial transactions, and effects of changes on consolidated subsidiaries.

Note 2: The decrease in the current year includes dissolution and liquidation, investment loss accounted for using equity method, capital surplus, unrealized loss on financial transactions, the distribution of cash dividends, and effects of changes on consolidated subsidiaries.

Note 3: The amount of each item in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES****OTHER FINANCIAL ASSETS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Note
Separate-account insurance products		\$ 77,922,118	
Guarantee deposits received on futures contracts			
Overseas guarantee deposits received on future contracts		17,568,058	
Cash in banks		14,578,240	
Settlement of futures clearing agency		2,909,770	
Settlement of other futures dealer		2,080,181	
Others (Note 1)		<u>8,653</u>	
		37,144,902	
Others (Note 2)		<u>6,000,475</u>	
		<u>\$ 121,067,495</u>	

Note 1: The amount of each product in others does not exceed 5% of the amount balance.

Note 2: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Royalty-Surface Right	Buildings and Facilities	Land	Computer Equipment	Transportation Equipment	Other Equipment	Total	Remark
Cost								
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Adjustments arising from initial application of accounting standards	13,179,623	3,654,737	2,098,517	152,825	32,549	13,904	19,132,155	
Additions	-	548,312	-	29,872	19,896	12,846	610,926	
Deductions	-	(48,303)	-	-	(3,792)	(14)	(52,109)	
Reclassification	-	(14,183)	-	-	-	-	(14,183)	
Effects of exchange rate changes	-	(18,874)	-	-	-	-	(18,874)	
Balance at December 31, 2019	<u>13,179,623</u>	<u>4,121,689</u>	<u>2,098,517</u>	<u>182,697</u>	<u>48,653</u>	<u>26,736</u>	<u>19,657,915</u>	
Revaluation of lease liability								
Balance at January 1, 2019	-	-	-	-	-	-	-	
Adjustments arising from initial application of accounting standards	-	-	-	-	-	-	-	
Additions	-	-	-	-	19	-	19	
Deductions	-	(2,992)	-	-	-	-	(2,992)	
Balance at December 31, 2019	<u>-</u>	<u>(2,992)</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>(2,973)</u>	
Accumulated depreciation								
Balance at January 1, 2019	-	-	-	-	-	-	-	
Additions	(202,605)	(803,330)	(32,243)	(67,719)	(19,089)	(11,838)	(1,136,824)	
Deductions	-	22,303	-	-	2,851	15	25,169	
Effects of exchange rate changes	-	5,632	-	-	-	-	5,632	
Balance at December 31, 2019	<u>(202,605)</u>	<u>(775,395)</u>	<u>(32,243)</u>	<u>(67,719)</u>	<u>(16,238)</u>	<u>(11,823)</u>	<u>(1,106,023)</u>	
Carrying amounts at December 31, 2019	<u>\$ 12,977,018</u>	<u>\$ 3,343,302</u>	<u>\$ 2,066,274</u>	<u>\$ 114,978</u>	<u>\$ 32,434</u>	<u>\$ 14,913</u>	<u>\$ 18,548,919</u>	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COMMERCIAL PAPER PAYABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Guarantee Agency	Contract Maturity Date	Interest Rate (%)	Amount			Collateral Item	Carrying Value
				Issue Amount	Unamortized Discounts	Carrying Amount		
CDFH								
Commercial paper payable	Non-guaranteed	2020/02/11	0.65	\$ 1,000,000	\$ (48)	\$ 999,952	Non-collateral	\$ -
Commercial paper payable	Non-guaranteed	2020/02/12	0.65	1,000,000	(50)	999,950	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/13	0.54	1,000,000	(52)	999,948	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/02/10	0.56	550,000	(95)	549,905	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/02/05	0.67	300,000	(14)	299,986	Non-collateral	-
				<u>3,850,000</u>	<u>(259)</u>	<u>3,849,741</u>		
China Development Asset Management Corp.								
Commercial paper payable	China Bills Finance Corporation	2020/02/17	1.01	<u>20,000</u>	<u>(26)</u>	<u>19,974</u>	Non-collateral	-
KGI Bank and its subsidiaries								
Commercial paper payable	Non-guaranteed	2020/02/06	1.02	300,000	(14)	299,986	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/06/18	1.19	300,000	(60)	299,940	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/21	1.02	200,000	(5)	199,998	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/08	1.02	200,000	(11)	199,989	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	1.02	150,000	(5)	149,995	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/10/25	1.19	150,000	(29)	149,971	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/02/10	1.02	130,000	(7)	129,993	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/10/25	1.29	120,000	(4)	119,996	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/02/24	1.02	120,000	(62)	119,938	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	1.02	100,000	(4)	99,996	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/08	1.32	100,000	(10)	99,990	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/20	1.04	100,000	(11)	99,989	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/20	1.02	100,000	(13)	99,987	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/10/26	1.19	70,000	(17)	69,983	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/13	1.02	40,000	(3)	39,997	Non-collateral	-
Commercial paper payable	International Bills Finance Corporation	2020/01/03	1.04	100,000	(2)	99,998	Non-collateral	-
Commercial paper payable	Ta Ching Finance Corporation	2020/01/10	1.04	100,000	(8)	99,992	Non-collateral	-
Commercial paper payable	Mega Bills Finance Corporation	2020/02/04	1.04	100,000	(22)	99,978	Non-collateral	-
Commercial paper payable	Taiwan Finance Corporation	2020/01/15	1.04	75,000	(14)	74,986	Non-collateral	-
Commercial paper payable	Dah Chung Bills Finance Corporation	2020/01/02	1.04	70,000	-	70,000	Non-collateral	-
Commercial paper payable	China Bills Finance Corporation	2020/02/03	1.04	35,000	(17)	34,983	Non-collateral	-
Commercial paper payable	Dah Chung Bills Finance Corporation	2020/01/17	1.04	30,000	(3)	29,997	Non-collateral	-
Commercial paper payable	China Bills Finance Corporation	2020/02/25	1.04	17,000	(14)	16,986	Non-collateral	-
Commercial paper payable	China Bills Finance Corporation	2020/01/21	1.04	<u>15,000</u>	<u>(4)</u>	<u>14,996</u>	Non-collateral	-
				<u>2,722,000</u>	<u>(339)</u>	<u>2,721,661</u>		

(Continued)

Item	Guarantee Agency	Contract Maturity Date	Interest Rate (%)	Amount			Collateral Item	Carrying Value
				Issue Amount	Unamortized Discounts	Carrying Amount		
KGI Securities and its subsidiaries								
Commercial paper payable	Non-guaranteed	2020/01/03	0.67	\$ 1,000,000	\$ (37)	\$ 999,963	Non-collateral	\$ -
Commercial paper payable	Non-guaranteed	2020/01/10	0.71	1,000,000	(175)	999,825	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/07	0.72	920,000	(109)	919,891	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/08	0.69	600,000	(79)	599,921	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	0.68	500,000	(46)	499,954	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/08	0.71	500,000	(68)	499,932	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/10	0.71	500,000	(87)	499,913	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	0.70	400,000	(38)	399,962	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/07	0.72	300,000	(35)	299,965	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	0.71	300,000	(29)	299,971	Non-collateral	-
Commercial paper payable	Non-guaranteed	2020/01/06	0.78	24,085	(74)	24,011	Non-collateral	-
				<u>6,044,085</u>	<u>(777)</u>	<u>6,043,308</u>		
				<u>\$ 12,636,085</u>	<u>\$ (1,401)</u>	<u>\$ 12,634,684</u>		

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Liabilities	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk	Note
						Unit Price	Gross Amount		
Financial liabilities held for trading									
Interest rate swap contracts							\$ 21,486,645	\$ (23,077)	
Option and futures contracts							17,278,382	(55)	
Currency swap and forward exchange contracts							11,511,583	(1,392)	
Borrowed securities payable							2,535,693	-	
Others (Note)							<u>4,188,909</u>	<u>(697,468)</u>	
							<u>57,001,212</u>	<u>(721,992)</u>	
Financial liabilities designated as at FVTPL									
Bank debentures payable									
15KGIB1	Principal due on maturity; maturity date: 2045/03/24	106	1,000	US\$	106,000	0.00	3,206,278	-	
P16KGIB1	Principal due on maturity; maturity date: 2046/05/03	110	1,000	US\$	110,000	0.00	3,329,742	-	
P16KGIB2	Principal due on maturity; maturity date: 2046/05/27	110	1,000	US\$	110,000	0.00	3,334,100	-	
P16KGIB3	Principal due on maturity; maturity date: 2046/11/08	80	1,000	US\$	80,000	0.00	2,343,106	-	
P17KGIB1	Principal due on maturity; maturity date: 2047/01/23	200	1,000	US\$	200,000	0.00	6,027,377	-	
P18KGIB1	Principal due on maturity; maturity date: 2048/01/30	200	1,000	US\$	200,000	0.00	6,266,756	-	
P18KGIB2	Principal due on maturity; maturity date: 2048/02/27	160	1,000	US\$	160,000	0.00	5,051,518	-	
Structured products							5,715,467	-	
Others (Note)							<u>1,793,431</u>	<u>-</u>	
							<u>37,067,775</u>	<u>-</u>	
							\$ 94,068,987	\$ (721,992)	

Note: The amount of each product in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES****NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Title	Face Value	Carrying Amount	Note
Corporate bonds	\$ 44,284,124	\$ 43,378,844	
Bank debentures	31,969,158	29,609,111	
Government bonds	22,738,384	22,794,538	
Commercial paper	<u>355,000</u>	<u>354,838</u>	
	<u>\$ 99,346,666</u>	<u>\$ 96,137,331</u>	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

PROVISION FOR THE YEAR ENDED DECEMBER 31, 2019 (In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Changes	Other Changes	Ending Balance	Note
Insurance liabilities					
Reserve for life insurance liabilities	\$ 1,513,115,547	\$ 192,237,031	\$ (6,611,443)	\$ 1,698,741,135	Note 1
Premium deficiency reserve	7,504,145	(844,052)	(32,547)	6,627,546	Note 2
Special reserve	6,364,597	531,114	11,755	6,907,466	Note 3
Unearned premium reserve	3,854,791	436,639	(1)	4,291,429	Note 4
Reserve for claims	1,686,742	539,512	(907)	2,225,347	Note 5
Other reserve	20,002,374	(535,082)	-	19,467,292	
Foreign exchange valuation reserve	3,169,331	(802,292)	-	2,367,039	
Other (Note 6)	<u>1,607,412</u>	<u>12,510</u>	<u>-</u>	<u>1,619,922</u>	
	<u>\$ 1,557,304,939</u>	<u>\$ 191,575,380</u>	<u>\$ (6,633,143)</u>	<u>\$ 1,742,247,176</u>	

Note 1: Other changes include \$1,244 thousands of traditional insurance policies generated from Allianz Life Insurance on May 18, 2018, \$6,596,575 thousands of gains on foreign exchanges, and \$16,112 thousands of reserve for life insurance - payables for the insured.

Note 2: Other changes include \$32,547 thousands of gains on foreign exchanges.

Note 3: Other changes include gain on equity instruments dividend policy measured at FVTOCI transferred to unappropriated earnings and reduce the amount of special reserve.

Note 4: Other changes include \$1 thousand of gains on foreign exchanges.

Note 5: Other changes include \$907 thousands of gains on foreign exchanges.

Note 6: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

STATEMENT OF LEASE LIABILITIES FOR THE YEAR ENDED DECEMBER 31, 2019 (In Thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount Rate (%)	Balance, End of Year
Building and facilities	Mainly for the use of branches, parking spaces and offices	1 to 10 years	0.75-9.79	\$ 3,368,574
Land	For surface rights	65 years	3.50	2,089,952
Computer equipment	For operation use	1 to 5 years	0.82-1.07	97,471
Transportation equipment	For operation use	1 to 7 years	0.12-1.08	40,936
Other equipment	For operation use	1 to 3 years	0.05-1.20	<u>18,748</u>
				<u>\$ 5,615,681</u>

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SHARE OF THE PROFIT (LOSS) OF ASSOCIATED AND JOINT VENTURES FOR THE YEAR ENDED DECEMBER 31, 2019 (In Thousands of New Taiwan Dollars)

Investees	Amount	Note
Share of the profit (loss) of associated and joint ventures		
CDIB & Partners Investment Holding corporation	\$ 713,670	
KGI Securities (Thailand) Public Company Limited	339,530	
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	(68,953)	
CDIB Capital Asia Partners L.P.	(45,835)	
CDIB Capital Healthcare Ventures Limited	(45,435)	
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	(42,284)	
Other (Note)	<u>43,312</u>	
	(894,005)	
Others	<u>11,630</u>	
	<u>\$ 905,635</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES**

**ALLOWANCE FOR BAD DEBTS AND LOSSES ON COMMITMENT AND GUARANTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount	Note
Allowance for bad debts - discounts and loans	\$ (458,967)	
Reversal of allowance for bad debts - accounts receivable	187,270	
Allowance for bad debts - guarantee liabilities	(74,571)	
Reversal of allowance for bad debts - loan commitments	(14,397)	
Allowance for bad debts - overdue loans	11,746	
Others	<u>940</u>	
	<u>\$ (347,979)</u>	

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES****NET CHANGE IN INSURANCE LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount	Note
Reserve for life insurance liabilities	\$(192,237,031)	
Premium deficiency reserve	844,052	
Reserve for claims	(552,961)	
Special reserve	(531,114)	
Other reserve	<u>535,082</u>	
	<u>\$(191,941,972)</u>	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

EMPLOYEE BENEFITS EXPENSE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Employee Benefits	Net Income and Gains Other Than Interest Income	Other Selling and Administrative Expense	Total	Note
Salaries and wages	\$ 13,859,207	\$ 4,054,602	\$ -	\$ 17,913,809	
Employee insurance	1,059,309	-	-	1,059,309	
Pension	651,516	-	-	651,516	
Remuneration of directors and supervisors	294,428	-	-	294,428	
Other employee benefits	<u>838,402</u>	<u>-</u>	<u>-</u>	<u>838,402</u>	
	<u>\$ 16,702,862</u>	<u>\$ 4,054,602</u>	<u>\$ -</u>	<u>\$ 20,757,464</u>	

Note:

1. As of December 31, 2019 and 2018, the number of employees in the Group were 12,506 and 12,682, including 31 and 30 directors who are not concurrently serving as employees, respectively.
2. As of December 31, 2019 and 2018, the average employee benefits were \$1,640 thousand and \$1,491 thousand, respectively.
3. As of December 31, 2019 and 2018, the average salaries and wages were \$1,436 thousand and \$1,302 thousand, respectively.
4. The average salaries increased by 10% year over year.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES****DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount	Note
Intangible assets	\$ 1,342,549	
Building and facilities	1,243,700	
Computer equipment	384,091	
Others (Note)	<u>327,603</u>	
	<u>\$ 3,297,943</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.