China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2018 and 2017 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
China Development Financial Holding Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of China Development Financial Holding Corporation (the "Corporation") and its subsidiaries as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and related notes, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the China Development Financial Holding Corporation as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Accounting Standard 34 "Interim Financial Reporting".

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 28, 2018

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

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 53)	$ 53,646,943	2	$ 63,807,752	3	$ 21,532,859	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS (Notes 7, 53 and 54)	38,900,851	2	33,829,034	2	45,409,694	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 53 and 54)	365,041,238	14	125,949,607	5	146,766,015	16
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 10, 19, 53 and 54)	-	-	558,889,116	23	147,934,772	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 11, 53, 54 and 60)	414,058,132	16	-	-	-	-
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 12, 54 and 60)	854,159,312	34	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 13)	63,091,117	2	55,150,889	2	50,467,734	5
RECEIVABLES, NET (Notes 4, 14, 53, 54 and 60)	112,290,891	4	100,219,420	4	94,616,689	10
CURRENT TAX ASSETS	745,217	-	745,603	-	744,706	-
DISCOUNT AND LOANS, NET (Notes 4, 15, 53 and 60)	344,620,111	14	325,147,363	14	266,583,134	29
REINSURANCE ASSET, NET (Note 16)	418,079	-	302,104	-	-	-
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Note 17)	-	-	198,886,022	8	300,000	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 18 and 19)	16,778,760	1	16,375,012	1	13,406,599	1
RESTRICTED ASSETS (Notes 20, 53 and 54)	46,660,694	2	40,973,737	2	26,202,813	3
OTHER FINANCIAL ASSETS (Notes 19, 21, 53 and 54)	90,037,848	4	752,610,493	32	68,944,801	7
INVESTMENT PROPERTY, NET (Notes 22 and 54)	25,342,581	1	25,450,094	1	2,207,815	-
PROPERTY AND EQUIPMENT, NET (Notes 23 and 54)	31,043,200	1	30,880,691	1	14,433,547	2
INTANGIBLE ASSETS, NET (Note 24)	21,863,322	1	22,169,720	1	7,724,610	1
DEFERRED TAX ASSETS (Note 50)	12,954,620	-	9,081,862	-	4,812,722	1
OTHER ASSETS, NET (Notes 25, 53 and 54)	42,164,867	2	32,055,871	1	14,486,989	2
TOTAL	$ 2,533,817,783	100	$ 2,392,524,390	100	$ 926,575,499	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and financial institutions (Notes 26 and 53)	$ 24,780,429	1	$ 28,867,956	1	$ 23,598,929	3
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 53)	86,461,526	3	55,729,704	2	67,999,129	7
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 11, 27 and 53)	130,517,863	5	100,177,627	4	128,582,698	14
Commercial paper payable, net (Notes 28, 53 and 54)	22,800,573	1	20,549,392	1	27,471,075	3
Payables (Notes 29 and 53)	88,735,420	4	85,630,607	4	60,249,447	7
Current tax liabilities	7,036,011	-	5,443,513	-	883,048	-
Deposits and remittances (Notes 30 and 53)	398,847,777	16	362,729,069	15	319,129,016	35
Bonds payable (Note 31)	30,000,000	1	30,000,000	1	21,701,957	2
Other borrowings (Notes 32, 53 and 54)	25,452,164	1	25,704,261	1	21,898,081	2
Provisions (Note 33)	1,330,063,879	53	1,288,449,104	54	1,350,734	-
Other financial liabilities (Notes 35, 53 and 54)	107,801,009	4	109,126,375	5	65,313,775	7
Deferred tax liabilities (Note 50)	8,898,113	-	9,391,454	1	1,559,570	-
Other liabilities (Note 36)	26,319,550	1	21,501,190	1	17,796,784	2
Total liabilities	2,287,714,314	90	2,143,300,252	90	757,534,243	82
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 37, 38 and 39)						
Capital						
Common stock	149,770,403	6	149,763,034	6	149,757,428	16
Advance receipts for capital stock	3,614	-	5,162	-	-	-
Capital surplus	1,239,541	-	1,173,719	-	1,106,998	-
Retained earnings						
Legal reserve	5,606,606	-	5,606,606	-	5,014,298	1
Special reserve	2,078,602	-	2,078,602	-	3,228,296	-
Unappropriated earnings	18,693,985	1	13,184,948	1	10,358,207	1
Other						
Exchange differences on translation of foreign financial statements	(2,760,766)	-	(2,031,949)	-	(1,718,070)	-
Unrealized gain on available-for-sale financial assets	-	-	2,113,838	-	48,536	-
Unrealized gain on equity instruments at fair value through other comprehensive income	1,618,770	-	-	-	-	-
Unrealized losses on debt instruments at fair value through other comprehensive income	(2,739,930)	-	-	-	-	-
Other comprehensive income reclassified using the overlay approach	(31,020)	-	-	-	-	-
Others	(5,872)	-	(8,322)	-	(24,469)	-
Treasury shares	(4,067,855)	-	(4,205,566)	-	(2,376,747)	-
Total equity attributable to owners of the parent	169,406,078	7	167,680,072	7	165,394,477	18
NON-CONTROLLING INTERESTS (Notes 37 and 38)	76,697,391	3	81,544,066	3	3,646,779	-
Total equity	246,103,469	10	249,224,138	10	169,041,256	18
TOTAL	$ 2,533,817,783	100	$ 2,392,524,390	100	$ 926,575,499	100

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 40 and 53)	$ 14,599,750	25	$ 3,002,292	44
INTEREST EXPENSE (Notes 40 and 53)	(1,654,872)	(3)	(1,197,074)	(17)
INTEREST PROFIT, NET	12,944,878	22	1,805,218	27
NONINTEREST PROFITS AND GAINS, NET				
Service fee and commission, net (Notes 21, 41 and 53)	346,188	1	2,017,736	30
Net income from insurance operations (Notes 42 and 53)	41,518,310	72	-	-
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net (Note 43)	15,844,337	27	1,416,879	21
Realized gain (loss) on available-for-sale financial assets, net (Note 44)	-	-	(238,999)	(4)
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Notes 4 and 45)	1,706,839	3	-	-
Gain (loss) on disposal of financial assets measured at amortized cost (Note 4)	(218,986)	-	-	-
Foreign exchange gain (loss), net	(17,370,242)	(30)	(161,699)	(3)
Impairment loss on assets, net	(7,296)	-	(63,466)	(1)
Share of the profit (loss) of associates and joint ventures	350,725	1	1,200,665	18
Gain (loss) on reclassification using the overlay approach (Note 8)	2,195,157	4	-	-
Gain on financial assets measured at cost, net (Note 46)	-	-	295,828	4
Consulting service revenue (Note 53)	304,206	-	254,886	4
Others (Notes 47 and 53)	342,017	-	274,449	4
Total noninterest profits and gains, net	45,011,255	78	4,996,279	73
TOTAL NET REVENUES	57,956,133	100	6,801,497	100
ALLOWANCE FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	(260,222)	-	(88,509)	(1)
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	(46,603,620)	(80)	-	-

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
OPERATING EXPENSES (Notes 34, 48, 49 and 53)				
Employee benefits	$ (4,249,907)	(8)	$ (2,917,549)	(43)
Depreciation and amortization	(601,353)	(1)	(368,660)	(5)
Other general and administrative expenses	(1,823,983)	(3)	(1,330,256)	(20)
Total operating expenses	(6,675,243)	(12)	(4,616,465)	(68)
NET PROFIT BEFORE INCOME TAX	4,417,048	8	2,096,523	31
INCOME TAX BENEFIT (EXPENSE) (Notes 50)	860,944	1	(249,745)	(4)
NET PROFIT FOR THE PERIOD	5,277,992	9	1,846,778	27
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss, net of income tax				
Share of the other comprehensive gain (loss) of associates and joint ventures	106,041	-	-	-
Gain (loss) on equity instruments measured at fair value through other comprehensive income	(1,336,390)	(2)	-	-
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Note 50)	191,942	-	-	-
Items that will be reclassified subsequently to profit or loss, net of income tax				
Exchange differences on translation of foreign financial statements	(607,093)	(1)	(1,987,731)	(30)
Unrealized gain (loss) on available-for-sale financial assets	-	-	1,889,354	28
Share of the other comprehensive income of associates and joint ventures	(134,091)	-	190,377	3
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 50)	2,134,427	4	(596)	-

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
Gain (loss) on debt instruments measured at fair value through other comprehensive income	$ (13,111,115)	(23)	$ -	-
Other comprehensive income reclassified using the overlay approach (Note 8)	(2,195,157)	(4)	-	-
Other comprehensive income for the period, net of income tax	(14,951,436)	(26)	91,404	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ (9,673,444)	(17)	$ 1,938,182	28
NET PROFIT ATTRIBUTABLE TO:				
Owners of parent	$ 3,276,624	6	$ 1,808,417	27
Non-controlling interests	2,001,368	3	38,361	-
	$ 5,277,992	9	$ 1,846,778	27
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of parent	$ (3,059,196)	(5)	$ 1,900,324	28
Non-controlling interests	(6,614,248)	(12)	37,858	-
	$ (9,673,444)	(17)	$ 1,938,182	28
EARNINGS PER SHARE (Note 51)				
Basic	$ 0.23		$ 0.12	
Diluted	$ 0.23		$ 0.12	

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Earnings Per Shares)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent														
	Capital			Retained Earnings			Other Equity								
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	$ 149,744,203	$ 10	$ 1,104,521	$ 5,014,298	$ 3,228,296	$ 8,556,188	$ 494,377	$ -	$ (2,255,818)	$ -	$ (21,211)	$ (2,376,747)	$ 163,488,117	$ 3,608,921	$ 167,097,038
Net profit for the three months ended March 31, 2017	-	-	-	-	-	1,808,417	-	-	-	-	-	-	1,808,417	38,361	1,846,778
Other comprehensive income (loss) for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	-	(2,212,447)	-	2,304,354	-	-	-	91,907	(503)	91,404
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	-	1,808,417	(2,212,447)	-	2,304,354	-	-	-	1,900,324	37,858	1,938,182
Share-based payments	13,225	(10)	2,477	-	-	(6,398)	-	-	-	-	(3,258)	-	6,036	-	6,036
BALANCE AT MARCH 31, 2017	$ 149,757,428	$ -	$ 1,106,998	$ 5,014,298	$ 3,228,296	$ 10,358,207	$ (1,718,070)	$ -	$ 48,536	$ -	$ (24,469)	$ (2,376,747)	$ 165,394,477	$ 3,646,779	$ 169,041,256
BALANCE AT JANUARY 1, 2018	$ 149,763,034	$ 5,162	$ 1,173,719	$ 5,606,606	$ 2,078,602	$ 13,184,948	$ (2,031,949)	$ -	$ 2,113,838	$ -	$ (8,322)	$ (4,205,566)	$ 167,680,072	$ 81,544,066	$ 249,224,138
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562	1,743,732	6,304,294
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634	83,287,798	255,528,432
Net profit for the three months ended March 31, 2018	-	-	-	-	-	3,276,624	-	-	-	-	-	-	3,276,624	2,001,368	5,277,992
Other comprehensive loss for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	(45)	(728,817)	(5,030,629)	-	(576,329)	-	-	(6,335,820)	(8,615,616)	(14,951,436)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	3,276,579	(728,817)	(5,030,629)	-	(576,329)	-	-	(3,059,196)	(6,614,248)	(9,673,444)
Disposal of the Corporation shares, as treasury shares	-	-	65,318	-	-	-	-	-	-	-	-	137,711	203,029	-	203,029
Share-based payments	7,369	(1,548)	504	-	-	-	-	-	-	-	2,450	-	8,775	-	8,775
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(43)	(43)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	40,501	-	(40,501)	-	-	-	-	-	-	-
Changes in special reserve of subsidiaries	-	-	-	-	-	12,836	-	-	-	-	-	-	12,836	23,884	36,720
BALANCE AT MARCH 31, 2018	$ 149,770,403	$ 3,614	$ 1,239,541	$ 5,606,606	$ 2,078,602	$ 18,693,985	$ (2,760,766)	$ (1,121,160)	$ -	$ (31,020)	$ (5,872)	$ (4,067,855)	$ 169,406,078	$ 76,697,391	$ 246,103,469

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 4,417,048	$ 2,096,523
Adjustments to reconcile net profit		
Depreciation expenses	265,679	155,729
Amortization expenses	335,674	212,931
Allowance for bad debts and losses on guarantees, net	260,222	88,509
Interest expense	1,654,872	1,197,074
Interest income	(14,599,750)	(3,002,292)
Dividend income	(85,839)	(55,007)
Net changes in insurance liabilities	42,255,416	-
Share of profit of associates and joint ventures	(350,383)	(186,660)
Gain on reclassification using the overlay approach	(2,195,157)	-
Gain on disposal of investments	(1,712,607)	(902,952)
Loss on financial asset impairment	7,296	63,466
Loss on unrealized foreign currency exchange	19,230,219	-
Others	(676,315)	(23,470)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	400,527	9,672,864
Financial assets at fair value through profit or loss	(37,091,472)	12,514,087
Financial assets at fair value through other comprehensive income	(29,921,507)	-
Debt investments measured at amortized cost	(5,257,682)	-
Available-for-sale financial assets	-	(39,989,214)
Securities purchased under resell agreements	854,692	-
Receivables	(12,944,967)	(3,040,238)
Discount and loans	(19,639,947)	(14,371,714)
Other financial assets	(6,627,102)	(5,254,585)
Other assets	(10,778,911)	3,366,427
Deposits from the Central Bank and banks	(4,087,527)	(7,479,840)
Financial liabilities at fair value through profit or loss	30,731,822	16,433,863
Notes and bonds issued under repurchase agreements	30,340,236	9,022,255
Payables	(2,879,048)	(3,584,248)
Deposits and remittances	36,118,708	3,677,052
Other financial liabilities	952,599	4,273,119
Other liabilities	5,794,516	3,931,827
Cash generated from (used in) operations	24,771,312	(11,184,494)
Interest received	12,365,939	3,353,350
Dividend received	138,016	16,723
Interest paid	(1,343,746)	(1,055,278)
Income tax refund (paid)	(173,503)	210,558
Net cash generated from (used in) operating activities	35,758,018	(8,659,141)

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	$ (32,968,422)	$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	40,854,562	-
Acquisition of financial assets measured at amortized cost	(51,092,833)	-
Proceeds from sale of financial assets measured at amortized cost	5,542,617	-
Maturity principal from financial assets measured at amortized cost	4,307,445	-
Acquisition of available-for-sale financial assets	-	(223,594)
Proceeds from sale of available-for-sale financial assets	-	419,170
Acquisition of financial assets measured at cost	-	(194,044)
Proceeds from sale of financial assets measured at cost	-	374,001
Acquisition of equity-method investments	-	(715,653)
Proceeds from sale of equity-method investments	-	1,063,663
Acquisition of property and equipment	(321,151)	(116,966)
Others	168,845	121,066
Net cash (used in) generated from investing activities	(33,508,937)	727,643
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(1,381,708)	1,512,996
Increase in commercial paper payable	2,251,181	9,921,278
Repayments of corporate bonds	-	(6,000,000)
Proceeds of long-term borrowings	1,199,752	506,627
Sale of treasury shares	203,029	-
Others	(64,249)	1,849
Net cash generated from financing activities	2,208,005	5,942,750
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,457,086	(1,988,748)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(350,630)	(1,008,170)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	132,256,162	93,213,826
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 136,362,618	$ 90,216,908

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of March 31, 2018 and 2017:

	March 31	
	2018	2017
Cash and cash equivalents in consolidated balance sheets	$ 53,646,943	$ 21,532,859
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	19,917,312	18,216,315
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	62,798,363	50,467,734
Cash and cash equivalents in consolidated statements of cash flows	$ 136,362,618	$ 90,216,908

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

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 18.27% shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a wholly owned subsidiary of the Corporation. The effective date of the merger between KGI Securities and Grand Cathay was June 22, 2013. KGI Securities was the survivor company after the merger.

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

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

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

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

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

CDIB Capital Group was incorporated under the Company Act and relevant regulations and started operations on May 14, 1959. Effective January 1, 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 FSC approved the conversion on March 10, 2017 with Official Letter No. 1600025880.

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

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of March 31, 2018, KGI Securities had a head office and 79 branches which included head office.

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

KGI Bank was established on January 14, 1992. As of March 31, 2018, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 52 domestic branches.

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

China Development Asset Management Corporation was established on September 27, 2001, and its operation includes acquiring, valuation, auction and management of debts from financial institution, acquiring of accounts receivable, management of overdue accounts receivable, and leasing and investment of real estate.

China Life Insurance was incorporated in Taiwan on April 25, 1963. In 2009, China Life Insurance completed the acquisition of major assets and liabilities of Prudential Corporation Asia Life Taiwan. As of March 31, 2018, China Life Insurance had a head office, an offshore insurance unit, and 8 domestic branches.

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 reported to the Corporation's board of directors and authorized for issue on May 28, 2018.

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

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

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

1) IFRS 9 "Financial Instruments" and Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group have performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	$ 63,807,752	$ 63,807,716	j)
Financial assets at fair value through profit or loss	Fair value through profit or loss (i.e. FVTPL)	FVTPL	125,949,607	125,948,302	a)
Receivables, net	Loans and receivables	FVTPL	-	1,011,817	j)
		Financial assets at amortized cost	100,219,420	99,108,996	j)
Discount and loans, net	Loans and receivables	Financial assets at amortized cost	325,147,363	325,142,978	j)
Available-for-sale financial assets	Available-for-sale financial assets	FVTPL	558,889,116	164,941,478	b)
		FVTOCI	-	270,598,480	e)
		Financial assets at amortized cost	-	123,076,109	h)
Held-to-maturity financial assets, net	Held-to-maturity financial assets	FVTOCI	-	75,210,285	f)
		Financial assets at amortized cost	198,886,022	126,571,738	i)
Restricted assets - restricted demand deposits	Loans and receivables	Financial assets at amortized cost	40,757,666	40,750,912	j)
Other financial assets - financial assets measured at cost	Available-for-sale	FVTPL	15,350,439	19,520,398	c)
	Fair value through profit or loss (i.e. FVTPL)	FVTOCI	805,588	456,150	g)
Other financial assets - debt instruments with no active market	Loans and receivables	FVTPL	-	17,539,588	d)
		FVTOCI	-	60,548,590	f)
		Financial assets at amortized cost	647,998,509	570,469,232	i)
Other financial assets - guarantee deposits received on futures contracts	Loans and receivables	Financial assets at amortized cost	20,656,857	20,656,403	j)
Other assets - operating guarantee deposits	Loans and receivables	Financial assets at amortized cost	7,324,619	7,059,897	l)
	Available-for-sale financial assets	FVTOCI	129,385	422,939	l)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 125,949,607	$ -	$ (1,305)	$ 125,948,302	$ (1,305)	$ -	a)
Add:							
Reclassification from available-for-sale financial assets (IAS 39)		164,941,478	-	164,941,478	(1,573,404)	1,573,404	b)
Reclassification from financial assets measured at cost (IAS 39)		15,854,656	3,665,742	19,520,398	3,663,873	-	c)
Reclassification from debt instruments with no active market (IAS 39)		17,093,593	445,995	17,539,588	219,471	79,189	d)
	125,949,607	197,889,727	4,110,432	327,949,766	2,308,635	1,652,593	
FVTOCI							
Add: Debt instruments							
Reclassification from available-for-sale financial assets (IAS 39)		245,902,008	-	245,902,008	(23,992)	23,992	e)
Reclassification from held-to-maturity financial assets (IAS 39)		72,299,261	2,911,024	75,210,285	(1,865)	1,019,513	f)
Reclassification from debt instruments with no active market (IAS 39)		60,385,912	162,678	60,548,590	(1,706)	58,576	f)
Add: Equity instruments							
Reclassification from available-for-sale financial assets (IAS 39)		24,782,902	(86,430)	24,696,472	2,258	(32,473)	e)
Reclassification from financial assets measured at cost (IAS 39)		301,371	154,779	456,150	44,132	110,458	g)
		403,671,454	3,142,051	406,813,505	18,827	1,180,066	

(Continued)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at amortized cost							
Add:							
Reclassification from available-for-sale financial assets (IAS 39)		$ 123,262,728	$ (186,619)	$ 123,076,109	$ (3,189)	$ (62,050)	h)
Reclassification from held-to-maturity financial assets (IAS 39)		126,586,761	(15,023)	126,571,738	(4,811)	-	i)
Reclassification from debt instruments with no active market (IAS 39)		570,519,004	(49,772)	570,469,232	(18,818)	-	i)
		820,368,493	(251,414)	820,117,079	(26,818)	(62,050)	
Cash and cash equivalent	63,807,752	-	(36)	63,807,716	(36)	-	j)
Receivables, net	100,219,420	-	(98,607)	100,120,813	(91,957)	-	j)
Discount and loans	325,147,363	-	(4,385)	325,142,978	(4,385)	-	j)
Investments accounted for using the equity method	16,375,012	-	114,034	16,489,046	392,262	(284,525)	k)
Restricted assets (restricted demand deposits)	40,757,666	-	(6,754)	40,750,912	(6,754)	-	j)
Other financial assets (guarantee deposits received on futures contracts)	20,656,857	-	(454)	20,656,403	(454)	-	j)
Other assets (operating guarantee deposits)	7,454,004	-	28,832	7,482,836	(75)	10,199	l)
Deferred tax liability	9,391,454	-	641,520	10,032,974	(318,098)	(114,842)	m)
Provisions	1,288,449,104	-	87,885	1,288,536,989	(92,026)	-	n)
Net effects of reclassifications and remeasurements as of January 1, 2018		$ 1,421,929,674	$ 6,304,294		$ 2,179,121	$ 2,381,441	
Non-controlling interest					$ (61,908)	$ 1,805,640	

(Concluded)

a) The Group elected to designate its investments previously classified as FVTPL under IAS 39 as at FVTPL under IFRS 9. According to the facts and circumstances that exist at January 1, 2018, a decrease $1,305 thousand in retained earnings of was recognized.

b) The Group elected to designate its stock investments previously classified as available-for-sale under IAS 39 as at FVTPL under IFRS 9, because these stock investments are not designated as FVTOCI. A decrease of $1,571,282 thousand in retained earnings and an increase of $1,571,282 thousand in other equity were recognized on January 1, 2018, respectively.

   Debt investments and funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows were not solely payments of principal and interest on the principal outstanding. Except insurance subsidiary's debt investments and funds apply overlay approach under IFRS 4 "Insurance Contracts" which do not have an impact on retained earnings and other equity. A decrease of $2,122 thousand in retained earnings and an increase of $2,122 thousand in other equity were recognized on January 1, 2018.

c) The Group elected to designate its equity instrument investment originally measured at cost based on IAS 39 is classified as a financial asset measured at FVTPL under IFRS 9, and should be measured at fair value. An increase of $3,663,873 thousand in retained earnings was recognized on January 1, 2018.

d) The Group elected to designate its debt investments previously classified as other financial assets - debt investments with no active market under IAS 39 were classified as FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding. The debt investments of insurance subsidiary were elected to apply overlay approach under IFRS 4 "Insurance Contracts". An increase of $219,471 thousand in retained earnings and an increase of $79,189 thousand in other equity were recognized on January 1, 2018.

e) The Group elected to designate its stock investments previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9. An increase of $2,258 thousand in retained earnings and a decrease of $32,473 thousand in other equity were recognized on January 1, 2018.

Investments in bonds previously classified as available-for-sale under IAS 39 were classified as at FVTOCI with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows and sell financial assets. A decrease of $23,992 thousand in retained earnings and an increase of $23,992 thousand in other equity were recognized on January 1, 2018.

f) The Group elected to designate its debts investments previously classified as held-to-maturity financial assets or other financial assets-debt investments with no active market under IAS 39 as financial assets with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows and sell financial assets. A decrease of $3,571 thousand in retained earnings and an increase of $1,078,089 thousand in other equity were recognized on January 1, 2018.

g) The Group elected to designate its investments in equity instruments previously measured at cost under IAS 39 as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $44,132 thousand in retained earnings and an increase of $110,458 thousand in other equity were recognized on January 1, 2018.

h) The Group elected to designate its debt investments previously classified as available-for-sale under IAS 39 as financial assets at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. A decrease of $3,189 thousand in retained earnings and a decrease of $62,050 thousand in other equity were recognized on January 1, 2018.

i) The Group elected to designate its debt investments previously classified as held-to-maturity financial assets or other financial assets-debt investments with no active market under IAS 39 as financial assets with the assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. A decrease of $23,629 thousand in retained earnings was recognized on January 1, 2018.

j) Except for factoring which was previously classified as loans and receivables under IAS 39 was classified as at FVTPL under IFRS 9, the group elected to designate its cash and cash equivalents, receivables, discounts and loans, restricted assets – restricted demand deposits and other financial assets - guarantee deposits received on futures contracts that were previously classified as loans and receivables under IAS 39 as financial assets at amortized cost with an assessment of expected credit losses under IFRS 9; because the former’s contractual cash flows were not solely payments of principal and interest on the principal outstanding, and the latter’s contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. As a result of retrospective application, a decrease of $39,706 thousand in retained earnings due to the adjustment of factoring and a decrease of $63,880 thousand in retained earnings due to the adjustments of the remaining comprised were recognized on January 1, 2018.

k) The Group recognized IFRS 9 influences of investments accounted for equity method based on the investment ratio. An increase of $392,262 thousand in retained earnings and a decrease of $284,525 thousand in other equity were recognized on January 1, 2018.

l) The Group elected to designate its operating guarantee deposits previously classified as available-for-sale or amortized cost under IAS 39 as at FVTOCI and financial assets at amortized cost under IFRS 9. A decrease of $75 thousand in retained earnings and an increase of $10,199 thousand in other equity were recognized on January 1, 2018.

m) With regards to the classification and measurement under IFRS 9 and the impact of income tax, the Group recognized deferred tax liabilities. As a result, a decrease of $318,098 thousand in retained earnings and a decrease of $114,842 thousand in other equity were recognized on January 1, 2018.

n) In accordance to the assessment of impairment of financial assets under IFRS 9, the Group recognized provisions for off-balance-sheet guarantee, letters of credit and loan commitments. As a result, a decrease of $92,026 thousand in retained earnings was recognized on January 1, 2018.

2) The reconciliation of loss allowance for initial application IFRS 9

<u>The reconciliation of loss allowance from IAS 39 to IFRS 9</u>

The following table shows the reconciliation of balance of loss allowance recognized under IAS 39 based on Credit Loss Occurrence Model in prior period to balance of loss allowance recognized under IFRS 9 based on Expected Credit Losses Model on January 1, 2017.

Category	Allowance under IAS 39 and IAS 37	Reclassifications	Remeasurements	Allowance under IFRS 9
Loan and receivables (IAS 39)/Financial assets at amortized cost (IFRS 9)				
Cash and cash equivalents	$ -	$ -	$ 36	$ 36
Receivables	2,583,373	-	(1,060,803)	1,522,570
Discount and loans	2,566,333	-	(547,724)	2,018,609
Other financial assets	12,697	-	2,475	15,172
Other assets	-	-	75	75
Impairment recognized in accordance with Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	1,467,050	-	625,220	2,092,270
	6,629,453	-	(980,721)	5,648,732
Available-for-sale (IAS 39)/FVTOCI (IFRS 9)				
Available-for-sale financial assets	-	-	28,057	28,057
Available-for-sale (IAS 39)/Financial assets at amortized cost (IFRS 9)				
Available-for-sale financial assets	-	-	10,569	10,569
Held-to-maturity (IAS 39)/FVTOCI (IFRS 9)				
Held-to-maturity financial assets	-	-	6,345	6,345
Held-to-maturity (IAS 39)/Financial assets at amortized cost (IFRS 9)				
Held-to-maturity financial assets	-	-	15,022	15,022
Debt investments with no active market (IAS 39)/ FVTOCI (IFRS 9)				
Debt investments with no active market	-	-	5,809	5,809
Debt investments with no active market (IAS 39)/ Financial assets at amortized cost (IFRS 9)				
Debt investments with no active market	-	-	49,772	49,772
Loan commitments and provisions				
Loans and receivables (loan commitments)	-	-	94,258	94,258
Guarantee receivable	91,133	-	(22,304)	68,829
Letters of credit receivable	-	-	302	302
Impairment recognized in accordance with Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	5,137	-	22,304	27,441
	96,270	-	94,560	190,830
	$ 6,725,723	$ -	$ ((770,587)	$ 5,955,136

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 4)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 5)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: In June 2015, IASB has decided to postpone the application of IFRS 10 and IAS 28 which issued in September 2014. Early application is permitted.

Note 4: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 5: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that the reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

2) 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 unrelated investors' interest 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 unrelated investors' interest in the associate, i.e. the Group's share of the gain or loss is eliminated.

3) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by 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.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

4) 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.

Onerous contracts

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

Premium allocation approach

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

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

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

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

Investment contracts with a discretionary participation feature

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

Modification and derecognition

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

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

Transition

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

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

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

5) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

6) Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

7) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in their income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess their judgments and estimates if facts and circumstances change.

The Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

It refers to the consolidated statement for the year ended December 31, 2017, except for those described below.

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Principles for Preparing Consolidated Financial Statements

As of March 31, 2018, December 31, 2017 and March 31, 2017, the consolidated entities included in the consolidated financial statements included 65, 65 and 70 companies, respectively (please refer to the attached Table 7 for details).

Retirement Benefit Costs

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

Taxation

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

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL 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

   2018

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

   1) Financial asset at FVTPL

      Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets 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 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 the financial asset. Fair value is determined in the manner described in Note 58.

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 to gross carrying amount determined by 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 a financial asset, except for:

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

b) Financial asset that has subsequently become credit-impaired instead of Purchased or originated credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits, which can cancel at any time and won't afford principal losses, and investments, which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and highly liquid.

3) Investments in debt instruments at FVTOCI

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

a) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; 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.

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 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, they will be transferred to retained earnings.

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

b. Impairment of financial assets

2018

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 the financial instruments, the Group recognizes lifetime Expected Credit Loss (i.e. ECL) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the 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 ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL 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 the financial asset.

c. Derivative financial instruments

From 2018, derivatives embedded in hybrid contracts that contain financial asset hosts 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 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.

d. Financial asset elected to apply for overlay approach

China Life Insurance elected to use overlay approach permitted in IFRS 4 "Insurance Contracts" in initial application of IFRS 9, which permits the reclassification between profit or loss and other comprehensive income an amount equal to the difference between the amount reported in profit or loss for designated financial assets applying IFRS 9 and the amount that would have been report in profit or loss for those assets if the entity had applied IAS 39. Therefore, the amount reclassified is the difference between profit or loss and other comprehensive income.

1) Profit or loss results from designated financial assets applying IFRS 9; and

2) The amount reported should designated financial assets apply IAS 39.

The exceptions are only permitted for a financial asset to meet the designated criteria under overlay approach:

1) The financial asset applies IFRS 9 and measures at fair value through profit or loss, while should it is under IAS 39, it is not measured at fair value through profit or loss as a whole; and

2) The financial is irrelevant to activities not within the scope of IFRS 4 “Insurance Contracts.”

Thereafter, the exceptions are only permitted for qualifying financial assets to adopt overlay approach:

1) Initial recognition of the asset; or

2) The assets newly meet the criteria within the scope of IFRS 4 “Insurance Contract” that the assets is held predominantly connected with insurance and did not previously meet the condition.

The designated financial assets shall continuously be applied with overlay approach unless the assets do not meet the criteria within IFRS 4 “Insurance Contracts”. The financial assets shall not be designated. Besides, at the beginning date in any annual period, it is permitted not to adopt overlay approach to all the designated financial assets. When stop applying overlay approach, it is applicable to change in accounting policy under IAS 8.

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

Special reserve

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. Besides, special reserve for dividend participation which is designated as investment in equity instruments at FVTOCI shall recognize the pretax amount of disposal gain or loss recognized in retained earnings to special reserve for dividend participation. The excess dividend should be accounted as special reserve for dividend risks.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

It refers to the consolidated statement for the year ended December 31, 2017, except for those described below.

Impairment Loss on Loans and Receivables

Impairment loss on loans and receivables-2017

The management reviews loan portfolios to assess impairment periodically. To determine whether an impairment loss should be recognized, the management exercises its judgments on whether there is any indication of impairment. For the purpose of impairment assessment, the management determines the expected future cash flows based on historical loss on assets with similar credit risks. The management also reviews periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment.

Impairment loss on loans and receivables-2018

The management reviews loan portfolios to assess impairment periodically. To determine whether an impairment loss should be recognized, the management exercises its judgments on whether there has been a significant increase in credit risk or there is any indication of credit impairment. For the purpose of impairment assessment, the management determines the expected future cash flows based on past events, current conditions and future economic conditions on assets with similar credit risks. The management also reviews periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment.

6. CASH AND CASH EQUIVALENTS

	March 31, 2018	December 31, 2017	March 31, 2017
Cash in banks	$ 42,829,187	$ 44,944,821	$ 13,075,647
Due from banks	3,186,276	10,532,178	2,454,649
Short-term transactions instruments	2,781,588	3,755,416	2,840,799
Future excess margin	2,207,318	1,485,104	1,424,819
Cash on hand	1,468,152	1,403,492	1,388,638
Check for clearing	1,174,422	1,686,741	348,307
	$ 53,646,943	$ 63,807,752	$ 21,532,859

Cash and cash equivalents as of December 31, 2017 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of March 31, 2018 and 2017:

	December 31, 2017
Cash and cash equivalents in consolidated balance sheet	$ 63,807,752
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	14,444,967
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	54,003,443
Cash and cash equivalents in consolidated statement of cash flow	$ 132,256,162

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

	March 31, 2018	December 31, 2017	March 31, 2017
Due from the Central Bank	$ 6,020,000	$ 6,520,000	$ 13,730,000
Call loans to financial institutions	17,510,153	13,846,833	16,828,255
Deposit reserve - demand accounts	8,121,083	7,670,687	7,021,395
Deposit reserve - checking accounts	6,411,494	5,053,887	7,188,921
Due from the Central Bank - interbank settlement funds	704,169	600,326	501,577
Deposit reserve - foreign currencies	133,952	137,301	139,546
	$ 38,900,851	$ 33,829,034	$ 45,409,694

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

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

For the certificates of deposit issued by the Central Bank of the ROC and pledged as collateral for day-term overdraft, please refer to Note 54.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets mandatorily classified as at FVTPL			
Derivative financial instrument			
Currency swap and forward exchange contracts	$ 13,607,379	$ -	$ -
Interest rate swap contracts	13,190,989	-	-
Option and futures contracts	4,942,112	-	-
Others	5,175,432	-	-
Non-derivative financial assets			
Shares	144,383,493	-	-
Operating securities (Note 9)	67,042,637	-	-
Bank debentures	24,498,444	-	-
Mutual funds	18,639,116		
Commercial papers	14,762,993	-	-
Corporate bonds	14,053,770	-	-
Others	14,013,874	-	-
	334,310,239	-	-
Financial assets held for trading			
Derivative financial instrument			
Currency swap and forward exchange contracts	-	9,210,098	18,709,215
Interest rate swap contracts	-	8,352,583	9,668,776
Option and futures contracts	-	2,328,239	3,856,421
Others	-	3,253,738	1,261,187
Non-derivative financial assets			
Operating securities (Note 9)	-	61,847,938	62,793,597
Commercial papers	-	8,775,184	2,718,963
Bank debentures	-	3,006,792	4,469,320
Convertible (exchangeable) corporate bonds	-	1,950,536	3,156,632
Others	-	2,358,707	4,056,066
	-	101,083,815	110,690,177
Financial assets designated as at FVTPL			
Government bonds	10,051,555	12,808,586	29,737,594
Others	20,679,444	12,057,206	6,338,244
	30,730,999	24,865,792	36,075,838
Financial assets at FVTPL	$ 365,041,238	$ 125,949,607	$ 146,766,015

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
Financial liabilities held for trading			
Derivative financial instrument			
Option and futures contracts	$ 21,703,929	$ 11,722,449	$ 9,472,539
Interest rate swap contracts	14,668,368	9,555,330	10,375,208
Currency swap contracts	10,610,273	7,229,847	19,321,818
Others	4,907,747	4,323,214	2,032,383
Non-derivative financial liabilities			
Borrowed securities payable	5,196,724	4,343,645	7,362,249
Others	709,937	151,093	1,443,632
	57,796,978	37,325,578	50,007,829
Financial liabilities designated as at FVTPL			
Bank debentures payable	26,182,251	17,417,983	17,012,545
Structured products	929,805	986,143	978,755
Others	1,552,492	-	-
	28,664,548	18,404,126	17,991,300
Financial liabilities at FVTPL	$ 86,461,526	$ 55,729,704	$ 67,999,129

As of March 31, 2018, December 31, 2017 and March 31, 2017, bank debentures issued by the Group designated as at FVTPL were as follows:

Bank Debenture Number	March 31, 2018	December 31, 2017	March 31, 2017	Issuance Period	Method of Paying Principles and Interests	Interest Rate
15 KGIB1	$ 3,086,720	$ 3,163,888	$ 3,215,616	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16 KGIB1	3,203,200	3,283,280	3,336,960	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16 KGIB2	3,203,200	3,283,280	3,336,960	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16 KGIB3	2,329,600	2,387,840	2,426,880	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17 KGIB1	5,824,000	5,969,600	6,067,200	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
P18 KGIB1	5,824,000	-	-	January 30, 2018 - January 30, 2048 (Note 3)	Principal due on maturity	0%
P18 KGIB2	4,659,200	-	-	February 27, 2018 - February 27, 2048 (Note 3)	Principal due on maturity	0%
	28,129,920	18,087,888	18,383,616			
Valuation adjustments	(1,947,669)	(669,905)	(1,371,071)			
	$ 26,182,251	$ 17,417,983	$ 17,012,545			

Note 1: Based on 100% of the face value of each bond plus the interest shall be payable for early redemption after two years from the issue date (inclusive).

Note 2: Based on 100% of the face value of each bond plus the interest shall be payable for early redemption after one year from the issue date (inclusive).

Note 3: Based on 100% of the face value of each bond plus the interest shall be payable for early redemption after five years from the issue date (inclusive).

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

Financial assets mandatorily classified as at FVTPL

	March 31, 2018
Share	$ 122,924,936
Bank debentures	23,402,960
Mutual funds	17,164,566
Corporate bonds	13,244,244
	$ 176,736,706

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

	For the Three Months Ended March 31, 2018
Gain on application of IFRS 9	$ 1,627,006
Loss on application of IAS 39	(3,822,163)
Gain on reclassification using the overlay approach	$ (2,195,157)

Due to the adjustment of the overlay approach, gain on financial assets measured at FVTPL increased from $15,844,337 thousands to $18,039,494 thousands for the three months ended March 31, 2018 and 2017.

The contract (nominal) amounts of the Group's outstanding derivative financial instruments as of March 31, 2018, December 31, 2017 and March 31, 2017 are summarized as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Currency swap and forward exchange contracts	$ 2,008,687,884	$ 1,910,480,656	$ 1,498,403,916
Interest rate swap contracts	1,161,853,707	1,046,708,289	1,113,323,954
Option and Futures contracts	714,624,527	398,434,896	347,860,626
Non-deliverable forward contracts	215,762,066	173,435,869	11,362,254
Cross-currency swap contracts	27,207,145	27,978,819	41,168,613
Structured note contracts	13,104,622	15,265,526	10,409,376
Assets swap contracts	11,897,572	10,863,540	10,934,008
Credit default swap contracts	4,728,273	5,203,007	5,919,224
Commodity swap	871,228	695,444	107,480
Equity derivative financial contracts	397,902	217,776	147,291

As of March 31, 2018, December 31, 2017 and March 31, 2017, financial assets at fair value through profit or loss with aggregate carrying values of $73,676,777 thousand, $59,315,331 thousand and $76,047,958 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.

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Group, please refer to Note 54.

9. OPERATING SECURITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Dealing			
Oversea securities	$ 29,477,976	$ 27,853,047	$ 31,948,568
Government bonds	14,325,172	10,415,808	6,865,415
Corporate bonds	9,001,080	8,982,915	10,177,061
Listed, OTC and emerging market stocks	4,613,319	2,770,834	5,191,081
Others	3,388,850	3,488,218	1,935,805
	60,806,397	53,510,822	56,117,930
Underwriting			
Corporate bonds	543,387	593,309	262,953
Listed and OTC stocks	201,537	293,181	1,172,404
Others	74,998	-	29,480
	819,922	886,490	1,464,837
Hedge positions			
Listed and OTC stocks	4,230,795	6,032,090	4,539,634
Mutual funds	951,638	690,260	-
Others	233,885	728,276	671,196
	5,416,318	7,450,626	5,210,830
	$ 67,042,637	$ 61,847,938	$ 62,793,597

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017	March 31, 2017
Government bonds	$ 180,341,905	$ 68,914,535
Listed, OTC and emerging market stocks	144,164,822	23,486,378
Corporate bonds	112,005,423	17,800,253
Bank debentures	62,451,073	13,461,435
Negotiable certificates of deposit	30,834,526	23,801,274
Unlisted stocks	16,251,776	-
Mutual funds	8,545,481	-
Others	4,294,110	470,897
	$ 558,889,116	$ 147,934,772

As of December 31, 2017 and March 31, 2017, available-for-sale financial assets, with aggregate carrying values of $40,043,756 thousand and $52,534,740 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Group's trust contract of stock of Capital Securities Corporation. Please refer to Note 8. The shares of Capital Securities Corporation held by CDIB Capital Group have been fully disposed in August 2017.

For the information on available-for-sale financial assets pledged as collateral for the Group, please refer to Note 54.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2018
Investments in debt instruments at FVTOCI	
Government bonds	$ 178,556,642
Corporate bonds	97,432,180
Bank debentures	81,769,307
Negotiable certificates of deposit	36,728,183
Less: Security deposit	(6,278,270)
	388,208,042
Investments in equity instruments at FVTOCI	
Common stocks	21,201,035
Preferred stocks	4,649,055
	25,850,090
	$ 414,058,132

a. Investments in debt instruments at FVTOCI

As of March 31, 2018, investments in debt instruments at FVTOCI, with aggregate carrying values of $56,045,978 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on investments in debt instruments at FVTOCI pledged as collateral for the Group, please refer to Note 54.

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at FVTOCI, please refer to Note 60.

b. Investments in equity instruments at FVTOCI

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

Dividend income of $10,010 thousand were recognized during the period, which were all related to investments held at the end of the reporting period.

For the information on investments in equity instruments at FVTOCI pledged as collateral for the Group, please refer to Note 54.

12. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2018
Bank debentures	$ 499,023,988
Corporate bonds	220,973,845
Government bonds	76,221,772
Others	57,939,707
	$ 854,159,312

As of March 31, 2018, financial assets at amortized cost, with aggregate carrying values of $262,080 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

There are no any financial assets at amortized cost was pledged as collateral.

For the information regarding credit risk analysis and assessment of impairment on financial assets at amortized cost, please refer to Note 60.

13. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	March 31, 2018	December 31, 2017	March 31, 2017
Government bonds	$ 27,245,728	$ 18,465,702	$ 13,151,393
Corporate bonds	18,532,694	12,792,557	8,691,447
Commercial papers	12,057,232	11,184,033	12,983,190
Negotiable certificates of deposit	1,000,106	6,701,595	-
Bank debentures	4,255,357	6,007,002	15,641,704
	$ 63,091,117	$ 55,150,889	$ 50,467,734
Resold amounts	$ 63,111,908	$ 55,174,815	$ 50,564,720
Last maturity date	May 2018	April 2018	April 2017

14. RECEIVABLES, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Receivables on margin loans, refinancing margin and refinancing deposits receivable	$ 35,104,706	$ 34,509,657	$ 30,506,334
Receivable accounts for settlement	25,253,139	16,526,561	23,060,164
Interest receivable	12,385,603	13,018,711	2,534,702
Accounts receivable factoring without recourse	8,884,700	8,498,843	9,294,846
Trading securities receivable	7,192,976	7,459,935	8,118,525
Accounts receivable - forfeiting	6,674,987	4,400,120	6,912,045
Lease receivables	3,918,369	4,164,820	5,646,997
Settlement price	3,897,147	3,997,006	2,940,097
Others	10,892,709	10,507,828	8,620,259
	114,204,336	103,083,481	97,633,969

(Continued)

		March 31, 2018	December 31, 2017	March 31, 2017
Less:	Unrealized interest revenue	$ (199,735)	$ (213,786)	$ (313,395)
	Allowance for bad debts	(1,713,710)	(2,650,275)	(2,703,885)
		$ 112,290,891	$ 100,219,420	$ 94,616,689

(Concluded)

For the three months ended March 31, 2017, the Group's changes in allowance for bad debts of receivables were as follows:

	For the Three Months Ended March 31, 2017
Balance, January 1	$ 2,917,166
Reversal	(34,915)
Write-off	(128,986)
Recovery of written-off credit	10,975
Effect of exchange rate changes	(60,355)
Balance, March 31	$ 2,703,885

For the information on credit risk management and impairment loss analysis of receivables for 2018, please refer to Note 60.

The amount of receivables pledged as collateral for the Group please refer to Note 54.

15. DISCOUNTS AND LOANS, NET

		March 31, 2018	December 31, 2017	March 31, 2017
Short-term loans		$ 83,576,141	$ 72,264,667	$ 66,070,781
Medium-term loans		177,182,594	171,185,239	160,102,439
Long-term loans		57,635,920	55,425,459	43,289,938
Loans reclassified to nonperforming loans		470,990	455,444	669,641
Export negotiations		35,370	17,155	115,964
Policy loans		24,337,080	24,244,766	-
Automatic premium loans		5,658,274	5,614,425	-
		348,896,369	329,207,155	270,248,763
Less:	Allowance for bad debts	(4,179,978)	(3,966,481)	(3,596,878)
Less:	Discounts on loans	(96,280)	(93,311)	(68,751)
		$ 344,620,111	$ 325,147,363	$ 266,583,134

For the three months ended March 31, 2017, the Group's changes in allowance for bad debts of discounts and loans were as follows:

	For the Three Months Ended March 31, 2017
Balance, January 1	$ 3,429,672
Allowance	165,572
Recovery of written-off credits	173,697
Write-off	(110,506)
Reduction and exemption	(8,174)
Effects of exchange rate changes	(53,383)
Balance, March 31	$ 3,596,878

For the information on credit risk management and impairment loss analysis of discounts and loans for 2018, please refer to Note 60.

16. REINSURANCE ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Claims recoverable from reinsurers	$ 348,591	$ 201,338	$ -
Due from reinsurers and ceding companies	6,166	38,403	-
Reinsurance reserve assets			
Ceded unearned premium reserve	50,282	49,879	-
Ceded reserve for claims	13,040	12,484	-
	63,322	62,363	-
	$ 418,079	$ 302,104	$ -

No impairment loss was recognized for reinsurance assets.

17. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31, 2017	March 31, 2017
Corporate bonds	$ 108,256,527	$ -
Government bonds	51,739,979	-
Bank debentures	38,889,516	300,000
	$ 198,886,022	$ 300,000

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

	March 31, 2018		December 31, 2017		March 31, 2017	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 6,189,184	34	$ 6,040,521	34	$ 5,244,428	34
CDIB Capital Asia Partners L.P.	3,560,449	-	3,582,136	-	2,575,582	-
KGI Securities (Thailand) Public Company Limited	2,301,146	35	2,192,355	35	2,163,213	35
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	1,693,735	-	1,674,714	-	1,130,088	-
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	1,462,541	-	1,369,820	-	913,541	-
CDIB Biomedical Venture Capital Corporation	765,264	43	719,342	43	582,963	34
CDIB CME Fund Ltd.	660,787	46	635,089	46	563,258	40
Others	145,654		161,035		233,526	
	$ 16,778,760		$ 16,375,012		$ 13,406,599	

Investments accounted for using the equity method and the Group’s share of earnings and other comprehensive income of CDIB & Partners Investment Holding Corporation and KGI Securities (Thailand) Public Company Limited are calculated based on reviewed financial statements; those of other affiliates are calculated based on unreviewed financial statements. Management believes that the financial statements of these investees had not been 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.

19. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investment in structured entities

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

March 31, 2018

	Private Equity Fund	Real Estate Investment Trust	Real Estate Beneficiary Certificate	Total
Financial assets at fair value through profit or loss	$ 6,464,838	$ 1,901,372	$ -	$ 8,366,210
Debt instruments measured at amortized cost	-	-	59,567,281	59,567,281
Maximum exposure	6,464,838	1,901,372	59,567,281	67,933,491

December 31, 2017

	Private Equity Fund	Real Estate Investment Trust	Real Estate Beneficiary Certificate	Total
Available-for-sale financial assets	$ 378,545	$ 1,356,184	$ -	$ 1,734,729
Financial assets measured at cost	5,616,943	-	-	5,616,943
Debt instruments with no active value	-	-	62,258,577	62,258,577
Maximum exposure	5,995,488	1,356,184	62,258,577	69,610,249

March 31, 2017

	Private Equity Fund	Real Estate Investment Trust	Real Estate Beneficiary Certificate	Total
Financial assets measured at cost	$ 5,958,065	$ -	$ -	$ 5,958,065
Maximum exposure	5,958,065	-	-	5,958,065

b. Management on structured entities

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

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

	March 31, 2018	December 31, 2017	March 31, 2017
Management on private equity fund			
Total assets	$ 22,201,714	$ 21,713,595	$ 16,936,531
Total liabilities	186,066	127,922	78,823
Investments accounted for using the equity method	6,797,107	6,721,477	4,619,211
Financial assets at fair value through profit or loss	412,219	312,781	-
Maximum exposure	7,209,326	7,034,258	4,619,211

20. RESTRICTED ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Restricted demand deposits	$ 46,452,822	$ 40,757,666	$ 25,799,771
Accounts receivable	118,681	101,685	104,180
Others	89,191	114,386	298,862
	$ 46,660,694	$ 40,973,737	$ 26,202,813

The above restricted demand deposits refer to amounts received from clients for the securities brokerage business and the deposit guarantee for engaging in derivatives transactions from the Corporation's subsidiaries in overseas.

After the filing of a certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 55), 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, available-for-sale 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 54.

21. OTHER FINANCIAL ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Separate-account insurance products	$ 62,544,045	$ 61,824,990	$ -
Guarantee deposits received on futures contracts	19,241,618	20,656,857	37,568,625
Time deposits with original maturities over three months	7,177,404	4,707,175	8,071,055
Pledged time deposit	976,417	1,029,134	839,617
Debt instruments with no active market	-	647,998,509	3,587,473
Financial assets measured at cost	-	16,156,027	18,838,014
Others	98,364	237,801	40,017
	$ 90,037,848	$ 752,610,493	$ 68,944,801

a. Separate-account insurance products

1) Separate-account insurance products - assets and liabilities

	Assets	
	March 31, 2018	December 31, 2017
Cash in banks	$ 428,673	$ 838,493
Financial assets at fair value through profit or loss	62,057,624	60,904,301
Other receivables	57,748	82,196
	$ 62,544,045	$ 61,824,990

	Liabilities	
	March 31, 2018	December 31, 2017
Reserve for separate-account	$ 62,308,590	$ 61,371,597
Other payables	235,455	453,393
	$ 62,544,045	$ 61,824,990

2) Separate-account insurance products - revenues and expenses

	Revenues For the Three Months Ended March 31, 2018
Premium income	$ 1,804,651
Losses from financial assets and liabilities at fair value through profit or loss	(477,280)
Interest income	72
Other revenues	47,270
Foreign exchange losses	(366,946)
	$ 1,007,767

	Expenses For the Three Months Ended March 31, 2018
Insurance claim payments	$ 1,659,156
Net change in separate-account reserve	(1,204,868)
Custodian fee	553,479
	$ 1,007,767

3) The rebate from counterparties in the investment-linked insurance business for the three months ended March 31, 2018 was $83,667 thousand.

b. Debt instruments with no active value

	December 31, 2017	March 31, 2017
Bank debentures	$ 463,062,285	$ 2,153,856
Corporate bonds	97,972,448	-
Real estate mortgage bonds	60,589,707	-
Government bonds	29,385,024	-
Others	1,276,165	1,433,617
Less: Refundable deposits	(4,287,120)	-
	$ 647,998,509	$ 3,587,473

c. Financial assets measured at cost

	December 31, 2017	March 31, 2017
Unlisted stocks - common stock	$ 6,016,468	$ 7,515,391
Unlisted overseas partnership fund	5,616,943	5,958,065
Others	4,522,616	5,364,558
	$ 16,156,027	$ 18,838,014

(Continued)

	December 31, 2017	March 31, 2017
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 15,350,439	$ 17,584,153
Financial assets at FVTPL	805,588	1,253,861
	$ 16,156,027	$ 18,838,014

(Concluded)

CDIB Capital Group and subsidiaries disposed of certain financial assets measured at cost with carrying amount of $146,038 thousand during the three months ended March 31, 2017, recognizing disposal gain of $231,269 thousand.

For the information on other financial assets pledged as collateral for the Group, please refer to Note 54.

22. INVESTMENT PROPERTY

	March 31, 2018	December 31, 2017	March 31, 2017
Land	$ 19,882,544	$ 19,983,888	$ 1,896,110
Buildings and facilities	5,460,037	5,466,206	311,705
	$ 25,342,581	$ 25,450,094	$ 2,207,815

Except for depreciation recognized, the Group had no significant addition, disposal and impairment of investment properties during the three months ended March 31, 2018 and 2017.

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

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

The fair values of the Group’s investment property as of March 31, 2018, December 31, 2017 and March 31, 2017 were $24,955,890 thousand, $25,123,845 thousand and $4,293,295 thousand, respectively. Investment property was categorized into Level 3.

The Group had development of the vacant land and prepayments for buildings without construction license, and the carrying amount was $2,520,574 thousand on March 31, 2018 and December 31, 2017. Because its fair value cannot be reliably determined, it was excluded from the amount of fair value above mentioned.

The fair value of their investment property of the Group, besides the effectiveness of valuation report examined by the valuation division of China life insurance Co., Ltd. On December 31, 2017, is also examined the effectiveness of fair value of 2017 and 2016 by the Group, respectively. After evaluating, China life insurance Co., Ltd. agree that the fair value on March 31, 2018 and March 31, 2017 are effective. Except KGI Securities and its subsidiaries arrived at the fair value of their investment properties without independent appraisers, but referred to available external appraisal reports and valuation models commonly used by market participants. All the other subsidiaries of the Group engaged independent appraisers for valuation of their investment properties. The valuation applied sales comparison approach which compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transaction, and income approach which takes the net operating income of the rent collected and divides it by the capitalization rate.

All of the Group's investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged by the Group to secure borrowings were reflected in Note 54.

23. PROPERTY AND EQUIPMENT

	March 31, 2018	December 31, 2017	March 31, 2017
Land	$ 20,492,174	$ 20,516,124	$ 8,814,351
Buildings and facilities	6,443,461	6,490,061	4,312,121
Computer equipment	811,023	846,248	516,758
Transportation equipment	7,669	8,482	2,954
Other equipment	343,780	355,604	225,635
Leasehold improvements	341,200	337,852	292,128
Leased assets	627,506	571,395	265,169
	29,066,813	29,125,766	14,429,116
Prepayments for acquisition of properties	1,976,387	1,754,925	4,431
	$ 31,043,200	$ 30,880,691	$ 14,433,547

Except for depreciation recognized, the Group's had no significant addition, disposal and impairment of property and equipment during the three months ended March 31, 2018 and 2017.

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

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

For the information on property and equipment pledged as collateral for the Group, please refer to Note 54.

24. INTANGIBLE ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Purchase policy value	$ 13,058,563	$ 13,155,578	$ -
Operation rights	4,692,643	4,859,555	5,360,290
Goodwill	3,327,775	3,347,646	1,829,835
Computer software	747,945	770,545	498,089
Others	36,396	36,396	36,396
	$ 21,863,322	$ 22,169,720	$ 7,724,610

Except for amortization recognized, the Group's had no significant addition, disposal, and impairment of other intangible assets during the three months ended March 31, 2018 and 2017.

The above items of intangible assets are amortized on a straight-line basis over the estimated economic lives as follows:

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

25. OTHER ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Prepayment - surface rights	$ 13,331,576	$ 13,382,227	$ -
Guarantee deposits paid	13,313,978	5,979,918	7,874,382
Operating guarantee deposits	7,748,625	7,454,004	1,416,884
Security borrowing margins	4,168,370	2,330,427	2,329,790
Prepaid expense	1,852,844	1,022,925	945,094
Others	1,749,474	1,886,370	1,920,839
	$ 42,164,867	$ 32,055,871	$ 14,486,989

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.

For the information on other assets pledged as collateral for the Group, please refer to Note 54.

26. DEPOSITS FROM THE CENTRAL BANK AND FINANCIAL INSTITUTIONS

	March 31, 2018	December 31, 2017	March 31, 2017
Call loans from financial institutions	$ 24,175,120	$ 27,975,434	$ 22,388,582
Deposits from Chunghwa Post Co., Ltd.	605,309	892,522	1,210,347
	$ 24,780,429	$ 28,867,956	$ 23,598,929

27. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	March 31, 2018	December 31, 2017	March 31, 2017
Corporate bonds	$ 48,279,857	$ 36,527,243	$ 35,590,086
Government bonds	43,909,900	26,344,136	44,434,318
Bank debentures	36,281,073	37,306,248	48,558,294
Commercial paper	2,047,033	-	-
	$ 130,517,863	$ 100,177,627	$ 128,582,698
Repurchased amounts	$ 130,716,103	$ 100,376,007	$ 129,498,873
Last maturity date	July 2018	April 2018	June 2017

28. COMMERCIAL PAPER PAYABLE

	March 31, 2018	December 31, 2017	March 31, 2017
Commercial paper payable	$ 22,808,138	$ 20,553,799	$ 27,480,717
Less: Unamortized discount	(7,565)	(4,407)	(9,642)
	$ 22,800,573	$ 20,549,392	$ 27,471,075
Rate	0.39%-2.07%	0.41%-1.57%	0.40%-1.87%
Last maturity date	July 2018	March 2018	October 2017

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

As of December 31, 2017, Ta Ching Finance Corporation, China Bills Finance Corporation, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Finance Corporation, International Bills Finance Corporation, Dah Chang Bills Finance Corporation, Shanghai Commercial Bank, Sunny Bank, Union Bills Finance Corporation, Taiwan Business Bank, Taishin International Bank, Far Eastern International Bank, Hua Nan Commercial Bank and Taipei Star Bank guaranteed the above commercial paper. However, some commercial paper which amounted to $14,327,188 thousand, had no guarantee.

As of March 31, 2017, Taipei Star Bank, Dah Chang Bills Finance Corporation, Ta Ching Finance Corporation, Mega Bank, China Bills Finance Corporation, International Bills Finance Corporation, Far Eastern International Bank, Taichung Commercial Bank, Grand Bills Finance Corporation, Taiwan Finance Corporation guaranteed the above commercial paper. However, some commercial paper issued by the Group, which amounted to $13,306,596 thousand, had no guarantee.

29. PAYABLES

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts payable for settlement	$ 50,303,463	$ 45,054,894	$ 38,831,548
Guaranteed price deposits received from securities borrowers	14,363,073	12,510,125	9,770,936
Payable on insurance policies	4,777,086	4,579,736	-
Accrued expenses	3,738,158	6,039,704	2,039,873
Settlement proceeds	3,675,396	4,577,576	3,646,138
Securities financing guarantee deposits	1,389,024	3,129,677	1,702,479
Others	10,489,220	9,738,895	4,258,473
	$ 88,735,420	$ 85,630,607	$ 60,249,447

30. DEPOSITS AND REMITTANCES

	March 31, 2018	December 31, 2017	March 31, 2017
Time deposits	$ 230,245,904	$ 198,081,691	$ 172,310,975
Saving deposits	98,129,110	99,318,877	99,775,097
Demand deposits	47,067,131	40,173,703	38,973,372
Negotiable CDs	21,303,300	22,502,900	5,896,500
Checking deposits	2,055,882	2,505,161	2,068,964
Inward remittance	46,450	146,737	104,108
	$ 398,847,777	$ 362,729,069	$ 319,129,016

31. BONDS PAYABLE

	March 31, 2018	December 31, 2017	March 31, 2017
Corporate bonds payable	$ 29,000,000	$ 29,000,000	$ 19,000,000
Bank debentures payable	1,000,000	1,000,000	2,701,957
	$ 30,000,000	$ 30,000,000	$ 21,701,957

Corporate Bonds Payable

	March 31, 2018	December 31, 2017	March 31, 2017
1st corporate bonds in 2011 - the Corporation	$ 1,000,000	$ 1,000,000	$ 1,000,000
1st corporate bonds in 2013 - the Corporation	3,000,000	3,000,000	3,000,000
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000	6,000,000
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000	2,000,000
1st corporate bonds in 2017 - the Corporation	10,000,000	10,000,000	-
1st corporate bonds in 2015 - KGI Securities	7,000,000	7,000,000	7,000,000
	$ 29,000,000	$ 29,000,000	$ 19,000,000
Fair value	$ 29,474,376	$ 29,457,956	$ 19,220,035

In March 2012, the Corporation issued $6,000,000 thousand of 1st unsecured corporate bonds in 2011 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period:

Bond A: Five years.
Bond B: Seven years.

b. Issue coupon/interest rate:

Bond A: 1.32% fixed annual interest rate.
Bond B: 1.42% fixed annual interest rate.

c. Method of paying principal and interest:

Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

Bond A will mature in March 2017 and Bond B will mature in March 2019.

In May 2013, the Corporation issued $3,000,000 thousand of 1st unsecured corporate bonds in 2013 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period: Five years.

b. Issue coupon/interest rate: 1.37% fixed annual interest rate.

c. Method of paying principal and interests:

Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

The bonds will mature in May 2018.

In March 2015, the Corporation issued $6,000,000 thousand of 1st unsecured corporate bonds in 2014 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period: Five years.

b. Issue coupon/interest rate: 1.42% fixed annual interest rate.

c. Method of paying principal and interests:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   The bonds will mature in March 2020.

In September 2015, the Corporation issued $2,000,000 thousand of 1st unsecured corporate bonds in 2015 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period: Five years.

b. Issue coupon/interest rate: 1.37% fixed annual interest rate.

c. Method of paying principal and interests:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

The bonds will mature in September 2020.

In September 2017, the Corporation issued $10,000,000 thousand of 1st unsecured corporate bonds in 2017 with par value of $1,000 thousand. The bond terms were as follows:

a. Issue period:

   Bond A: Seven years.
   Bond B: Ten years.
   Bond C: Fifteen years.

b. Issue coupon/interest rate:

   Bond A: 1.75% fixed annual interest rate.
   Bond B: 1.90% fixed annual interest rate.
   Bond C: 2.10% fixed annual interest rate.

c. Method of paying principal and interest:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

In June 2015, KGI Securities issued $7,000,000 thousand of 1st unsecured corporate bonds in 2015 with par value of $10,000 thousand. The bond terms were as follows:

a. Issue period:

   Bond A: Three years.
   Bond B: Five years.

b. Issue coupon/interest rate:

Bond A: 1.20% fixed annual interest rate.
Bond B: 1.42% fixed annual interest rate.

c. Method of paying principal and interest:

Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

Bond A will mature in June 2018 and Bond B will mature in June 2020.

Bank Debentures Payable

Name	March 31, 2018	December 31, 2017	March 31, 2017	Issue Year	Repayment Year	Interest Rate
P06 KGIB1	$ 1,000,000	$ 1,000,000	$ -	2017.05.19-2020.05.19	Principal due on maturity interest payable annually	0.9%
04 KGIB2	-	-	2,750,000	2008.01.09-2017.12.13	Principal due on maturity	0%
	1,000,000	1,000,000	2,750,000			
Unamortized discount	-	-	(48,043)			
Net amount	$ 1,000,000	$ 1,000,000	$ 2,701,957			
Fair value	$ 1,002,855	$ 1,002,863	$ 2,692,487			

32. OTHER BORROWINGS

	March 31, 2018	December 31, 2017	March 31, 2017
Short-term credit borrowings	$ 11,964,863	$ 15,566,162	$ 10,920,604
Short-term secured borrowings	7,035,643	4,816,052	5,204,405
Note issuance facility	6,099,164	4,899,515	5,399,477
Long-term credit borrowings	352,494	422,532	373,595
	$ 25,452,164	$ 25,704,261	$ 21,898,081
Rate	0.49%-4.35%	0.5%-4.75%	0.50%-7.00%
Last maturity date	October 2020	October 2020	January 2020

33. PROVISIONS

	March 31, 2018	December 31, 2017	March 31, 2017
Insurance liabilities	$ 1,326,488,286	$ 1,284,198,018	$ -
Foreign exchange valuation reserve	2,014,667	2,703,763	-
Provisions for employee benefits	1,015,686	1,106,252	907,836
Others	545,240	441,071	442,898
	$ 1,330,063,879	$ 1,288,449,104	$ 1,350,734

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

As at March 31, 2018 and December 31, 2017, movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Reserve for life insurance liabilities	$ 1,306,045,535	$ 1,263,844,149	$ -
Unearned premium reserve	3,389,866	3,384,890	-
Reserve for claims	1,577,069	1,544,777	-
Special reserve	6,702,378	6,259,742	-
Premium deficiency reserve	8,773,438	9,164,460	-
	$ 1,326,488,286	$ 1,284,198,018	$ -

a. Reserve for life insurance liabilities:

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

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

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 940,755,861	$ 59,541,345	$ 1,000,297,206
Health insurance	104,884,793	-	104,884,793
Annuity insurance	664,066	156,189,075	156,853,141
Investment-linked insurance	1,809,009	-	1,809,009
	$ 1,048,113,729	$ 215,730,420	$ 1,263,844,149

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

Movement in reserve for life insurance liabilities is summarized below:

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

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

b. Unearned premium reserve

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

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,213	$ -	$ 1,213
Individual injury insurance	1,037,088	-	1,037,088
Individual health insurance	1,764,841	-	1,764,841
Group insurance	527,757	-	527,757
Investment-linked insurance	53,934	-	53,934
Annuity insurance	-	57	57
	3,384,833	57	3,384,890
Less ceded unearned premium reserve			
Individual life insurance	14,836	-	14,836
Individual injury insurance	1,006	-	1,006
Individual health insurance	27,308	-	27,308
Group insurance	1,766	-	1,766
Investment-linked insurance	4,963	-	4,963
	49,879	-	49,879
Net amount	$ 3,334,954	$ 57	$ 3,335,011

Movement in unearned premium reserve is summarized below:

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

c. Reserve for claims

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

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	$ 244,206	$ 80,286	$ 324,492
Unreported claim	-	-	-
Individual injury insurance			
Reported but not paid claim	42,643	-	42,643
Unreported claim	174,687	-	174,687

(Continued)

	December 31, 2017		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Individual health insurance			
Reported but not paid claim	$ 113,776	$ -	$ 113,776
Unreported claim	460,408	-	460,408
Group insurance			
Reported but not paid claim	72,290	-	72,290
Unreported claim	301,794	-	301,794
Investment-linked insurance			
Reported but not paid claim	28,147	-	28,147
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	26,484	26,484
Unreported claim	-	56	56
	1,437,951	106,826	1,544,777
Less ceded reserve for claims			
Individual life insurance	2,084	-	2,084
Individual injury insurance	107	-	107
Individual health insurance	9,493	-	9,493
Group insurance	800	-	800
	12,484	-	12,484
Net amount	$ 1,425,467	$ 106,826	$ 1,532,293

(Concluded)

Movement in reserve for claims is summarized below:

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

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. For example, actual loss rate will lead to fluctuations of claims. The actuarial department will evaluate periodically to make reasonable estimate of claims reserve.

d. Special reserve

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

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	$ 6,259,742	$ -	$ 6,259,742
Dividend risk reserve	-	-	-
	$ 6,259,742	$ -	$ 6,259,742

Movement in special reserve is summarized below:

	For the Three Months Ended March 31, 2018
	Insurance Contract
Beginning balance	$ 6,259,742
Reserve for participating policy dividend reserve	495,212
Others	(52,576)
Ending balance	$ 6,702,378

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

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

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,893	$ -	$ 1,893
Individual injury insurance	846,176	-	846,176
Individual health insurance	2,286,647	-	2,286,647
Group insurance	2,857,669	-	2,857,669
Annuity insurance	-	593	593
	$ 5,992,385	$ 593	$ 5,992,978

f. Premium deficiency reserve

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

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 9,042,441	$ -	$ 9,042,441
Individual injury insurance	122,019	-	122,019
	$ 9,164,460	$ -	$ 9,164,460

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

Movement in premium deficiency reserve is summarized below:

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

g. Liability adequacy reserve

	Insurance Contract and Financial Instruments with Discretionary Participation Feature	
	March 31, 2018	December 31, 2017
Reserve for life insurance liabilities	$ 1,305,959,067	$ 1,263,844,149
Unearned premium reserve	3,389,866	3,384,890
Premium deficiency reserve	8,773,438	9,164,460
Special reserve	6,702,378	6,259,742
Book value of insurance liabilities	$ 1,324,824,749	$ 1,282,653,241
Estimated present value of cash flows	$ 1,013,973,823	$ 974,892,299
Balance of liability adequacy reserve	$ -	$ -

Liability adequacy testing methodology is listed as follows:

Test method	March 31, 2018 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).

Test method	December 31, 2017 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 2016), and discount rates were evaluated with consideration of current information.

h. Foreign exchange valuation reserve

1) The hedge strategy and risk exposure

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

2) Adjustment in foreign exchange valuation reserve

	For the Three Months Ended March 31, 2018 Insurance Contract
Beginning balance	$ 2,703,763
Reserve	
Compulsory reserve	257,182
Extra reserve	394,999
	652,181
Recover	(1,341,277)
Ending balance	$ 2,014,667

3) Effects due to foreign exchange valuation reserve

Item	For the Three Months Ended March 31, 2017 Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income	$ 3,126,656	$ 3,677,933	$ 551,277
Earnings per share (dollar)	0.83	0.97	0.14
Foreign exchange valuation reserve	-	2,014,667	2,014,667
Equity	91,798,431	91,529,760	(268,671)

34. RETIREMENT BENEFIT PLANS

The Group's retirement benefit plans include defined contribution and defined benefit plans. For defined benefit plans, employee benefit expenses were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016, and recognized for the three months ended March 31, 2018 and 2017.

The Corporation recognized its contributions under defined benefit plans as pension expenses (recognized as employee benefits) amounting to $9,035 thousand and $9,422 thousand, respectively and recognized pension expenses (recognized as employee benefits) under defined contribution plans amounting to $153,750 thousand and $89,262 thousand, respectively for the three months ended March 31, 2018 and 2017.

35. OTHER FINANCIAL LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Separate - account product liabilities	$ 62,544,045	$ 61,824,990	$ -
Principal received on structured notes	24,312,276	24,247,363	27,163,783
Customers' equity accounts - futures	20,578,398	22,679,896	37,786,249
Others	366,290	374,126	363,743
	$ 107,801,009	$ 109,126,375	$ 65,313,775

36. OTHER LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Guarantee deposits received	$ 19,341,999	$ 16,557,996	$ 14,505,035
Temporary receipts and suspense accounts	4,094,638	1,892,848	1,368,008
Collections for others	1,348,225	1,715,340	1,541,472
Advance receipts	1,257,297	1,080,765	135,390
Others	277,391	254,241	246,879
	$ 26,319,550	$ 21,501,190	$ 17,796,784

37. EQUITY

a. Share capital

Common stock

	March 31, 2018	December 31, 2017	March 31, 2017
Numbers of shares authorized (in thousands)	20,000,000	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands)	14,977,402	14,976,820	14,975,743
Shares issued	$ 149,774,017	$ 149,768,196	$ 149,757,428

b. Capital surplus

	March 31, 2018	December 31, 2017	March 31, 2017
Arising from treasury stock transactions	$ 1,050,529	$ 985,211	$ 821,193
Share-based payments awards	91,656	87,867	82,648
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	80,994	182,755
Arising from share of changes in capital surplus of associates	13,728	13,728	13,728
Capital surplus-issue of stock in excess	2,634	5,919	6,674
	$ 1,239,541	$ 1,173,719	$ 1,106,998

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.

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 special 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.

The board of directors on April 30, 2018 and the board of the stockholders on June 16, 2017 approved the resolution on the appropriations from the earnings of 2017 and 2016, respectively, including bonus to employees and remuneration to directors and supervisors, as follows:

	Earnings Appropriation		Dividends Per Share (NT$)	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 1,169,529	$ 592,308		
Reversal of special reserve	(1,713,561)	(949,694)		
Cash dividends	8,974,377	7,487,871	$ 0.6	$ 0.5

The appropriation of earnings of 2017 will be resolved by the board of the stockholders on June 22, 2018.

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

e. Non-controlling interests

	For the Three Months Ended March 31	
	2018	**2017**
Balance at January 1	$ 81,544,066	$ 3,608,921
Effect of retrospective application and retrospective restatement	1,743,732	-
Attributable to non-controlling interests		
Share of profit for the period	2,001,368	38,361
Exchange difference on translation of foreign financial statements	(12,208)	(3,306)
Unrealized gains (losses) on available-for-sale financial assets	-	2,803
Actual gains (losses) arising from defined benefit plans	(83)	-
Gains (losses) on equity instrument measured at FVTOCI	(796,105)	-
Gains (losses) on debt instrument measured at FVTOCI	(6,734,933)	-

(Continued)

	For the Three Months Ended March 31	
	2018	2017
Reclassification of other comprehensive income by overlay approach	$ (1,072,287)	$ -
Others	23,841	-
Balance at March 31	$ 76,697,391	$ 3,646,779

(Concluded)

38. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS

Subsidiaries	The Main Place of Business	Non-controlling Interests Held by the Proportion of Equity	
		March 31, 2018	December 31, 2017
China Life Insurance Company Limited	Taipei	65.04%	65.04%

	Net Income Attributed to Non-controlling Interests
	For the Year Ended December 31, 2017
China Life Insurance Company Limited	$ 1,966,839

	Non-controlling Interests	
	March 31, 2018	December 31, 2017
China Life Insurance Company Limited	$ 73,064,166	$ 77,939,388

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

China Life Insurance Company Limited

	March 31, 2018	December 31, 2017
Total assets	$ 1,533,803,730	$ 1,494,361,519
Total liabilities	1,422,473,425	1,375,535,670
Equity	$ 111,330,305	$ 118,825,849
Equity attributable to:		
Owners of parent	$ 38,266,139	$ 40,886,461
Non-controlling interest	73,064,166	77,939,388
	$ 111,330,305	$ 118,825,849

	For the Year Ended December 31, 2017
Revenue	$ 72,746,102
Net profit for the year	$ 3,023,971
Other comprehensive income	(13,248,282)
Total comprehensive income	$ (10,224,311)
Net profit attributable to:	
Owners of parent	$ 1,057,132
Non-controlling interest	1,966,839
	$ 3,023,971
Comprehensive income attributable to:	
Owners of parent	$ (3,574,255)
Non-controlling interest	(6,650,056)
	$ (10,224,311)
Cash flows	
From operating activities	$ 39,992,019
From investing activities	(33,543,483)
From financing activities	-
Net increase in cash	$ 6,448,536

39. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Period (In Thousands)	Share Increase During the Period (In Thousands)	Share Decrease During the Period (In Thousands)	Shares at End of the Period (In Thousands)
For the three months ended March 31, 2018				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	519,062	-	19,200	499,862
For the three months ended March 31, 2017				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	323,232	-	-	323,232

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 and share swap date respectively, were treated as treasury stock. The market prices of the shares were $2,910,634 thousand, $3,063,126 thousand and $2,520,540 thousand on March 31, 2018, December 31, 2017 and March 31, 2017, respectively. The Corporation's shares held by CDIB Capital Group are also treated as treasury stock and recognized book value on the swap date. On September 25, 2017, under the approval of the CDIB Capital Group's board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, CDIB Capital Group reduced its capital by reducing 20,646 thousand shares of Corporation's shares held. The effective date of the reduction was December 29, 2017. On March 26, 2017, the board of directors approved the cancelation of treasury stock through capital reduction, and obtained the approval of the FSC on May 16, 2018. The market prices of the shares were $171,982 thousand on March 31, 2017. The Corporation's shares held by China Life Insurance are also treated as treasury stock and recognized book value on the completion day of acquisition. The market prices of the shares were $2,025,288 thousand and 1,995,793 thousand on March 31, 2018 and December 31, 2017, respectively.

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

40. INTEREST PROFIT, NET

	For the Three Months Ended March 31	
	2018	2017
Interest revenues		
Securities	$ 10,908,452	$ 341,063
Discounts and loans	2,535,034	1,722,092
Margin loans and refinancing margin	515,451	428,918
Due from and call loans to banks	116,169	95,166
Others	524,644	415,053
	14,599,750	3,002,292
Interest expenses		
Deposits	894,201	612,727
Notes and bonds issued under repurchase agreements	346,609	273,358
Corporate bonds	112,675	79,702
Borrowing interest expense	106,011	82,826
Others	195,376	148,461
	1,654,872	1,197,074
Interest profit, net	$ 12,944,878	$ 1,805,218

41. SERVICE FEE AND COMMISSION, NET

	For the Three Months Ended March 31	
	2018	2017
Service fee revenue and commission income		
Brokerage	$ 2,460,581	$ 1,792,076
Commission income - insurance	263,510	284,137
Trust	182,805	110,245
Others	624,989	333,268
	3,531,885	2,519,726
Service fee expense and commission expense		
Commission expense - insurance	2,503,774	-
Brokerage	303,021	277,394
Others	378,902	224,596
	3,185,697	501,990
Service fee and commission, net	$ 346,188	$ 2,017,736

42. INSURANCE BUSINESS, NET

	For the Three Months Ended March 31	
	2018	2017
Insurance business income		
Premium income	$ 59,938,049	$ -
Reinsurance premium expense	(304,477)	-
Changes in unearned premium reserve	(4,573)	-
Retained earned premium	59,628,999	-
Separate-account insurance products revenues	1,007,767	-
	60,636,766	-
Insurance business expense		
	(18,858,069)	-
Insurance claim payments	173,531	-
Claims recovered from reinsures	(18,684,538)	-
Retained claim payments	(1,352)	-
Brokerage expense	(113,895)	-
Disbursements toward industry stability fund	689,096	-
Changes in foreign exchange valuation reserve	(1,007,767)	-
Separate-account insurance products expenses	(19,118,456)	-
Insurance business, net	$ 41,518,310	$ -

43. GAIN ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Three Months Ended March 31	
	2018	2017
Derivatives	$ 14,513,026	$ 1,406,871
Stocks	2,602,088	10,195
Mutual funds	768,852	12,526
Bonds	707,841	535,788
Call (put) warrants	291,073	670
Operating securities	79,097	573,085
Others	(3,117,640)	(1,122,256)
	$ 15,844,337	$ 1,416,879

For the three months ended March 31, 2018 and 2017, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of $668,819 thousand and $432,871 thousand, respectively, dividend income of $75,829 thousand and $5,589 thousand, respectively and interest expense of $260,488 thousand and $169,586 thousand, respectively.

44. REALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Three Months Ended March 31, 2017
Gain on bond disposal	$ (169,891)
Gain on stock disposal	(82,376)
Others	13,268
	$ (238,999)

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

	For the Three Months Ended March 31, 2018
Gain on bond disposal	$ 1,696,829
Dividend income	10,010
	$ 1,706,839

46. GAIN ON FINANCIAL ASSETS MEASURED AT COST

	For the Three Months Ended March 31, 2017
Gain on security disposal	$ 255,666
Dividend income	36,620
Others	3,542
	$ 295,828

47. NET OTHER NONINTEREST PROFIT AND GAIN

	For the Three Months Ended March 31	
	2018	2017
Revenue from underwriting	$ 172,981	$ 150,794
Rental income	45,177	29,812
Revenue from providing agency service for stock affairs	31,501	30,449
Others	92,358	63,394
	$ 342,017	$ 274,449

48. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended March 31	
	2018	2017
Employee benefit expense		
Salaries and wages	$ 3,519,017	$ 2,485,749
Employee insurance	301,760	175,761
Pension	162,785	98,684
Others	266,345	157,355
	$ 4,249,907	$ 2,917,549
Depreciation and amortization expenses	$ 601,353	$ 368,660

The Company's Articles of Incorporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the three months ended March 31, 2018 and 2017, the employees' compensation were $31,851 thousand and $17,233 thousand, respectively; the remuneration to directors and supervisors were $31,851 thousand and $17,233 thousand, respectively.

The employees' compensation bonus of employees and remuneration to directors and supervisors for 2017 and 2016 which have been approved in the shareholders' meetings on March 26, 2018 and March 27, 2017, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors for 2016 were reported on the shareholders meeting on June 16, 2017.

	For the Year Ended December 31	
	2017	2016
Employees' compensation to employees	$ 116,000	$ 59,000
Remuneration of directors and supervisors	110,000	58,000

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 year ended December 31, 2017 and 2016.

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).

49. OTHER GENERAL ADMINISTRATIVE EXPENSES

	For the Three Months Ended March 31	
	2018	2017
Taxation	$ 468,026	$ 285,967
Professional services	295,587	123,188
Rental	255,632	257,329
Computer information	175,912	186,085
Postage	123,153	87,004
Security lending expense	78,931	77,696
Others	426,742	312,987
	$ 1,823,983	$ 1,330,256

50. INCOME TAX

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

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

a. Income tax expense recognized in profit or loss

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

	For the Three Months Ended March 31	
	2018	2017
Current income tax		
Current period	$ 1,998,593	$ 121,944
Prior years	(86,007)	(33,053)
	1,912,586	88,891
Deferred income tax		
Current period	(2,077,044)	160,854
Prior years	(696,486)	-
	(2,773,530)	160,854
Income tax expense (benefit) recognized in profit or loss	$ (860,944)	$ 249,745

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

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

	For the Three Months Ended March 31	
	2018	**2017**
Current income tax		
(Gain) loss on equity instruments at fair value through other comprehensive income	$ (960)	$ -
Deferred income tax		
Adjustment in tax rate	409,086	-
(Gain) loss on equity instruments at fair value through other comprehensive income	(362,839)	-
Unrealized (gain) loss on available-for-sale financial assets	-	596
(Gain) loss on debt instruments at fair value through other comprehensive income	(1,856,782)	-
(Gain) loss on reclassification using the overlay approach	(514,874)	-
Income tax expense (benefit)	$ (2,326,369)	$ 596

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

	For the Three Months Ended March 31	
	2018	**2017**
Current income tax (benefit)		
Disposal of equity instruments at fair value through other comprehensive income	$ (22,488)	$ -
Deferred income tax (benefit)		
Disposal of equity instruments at fair value through other comprehensive income	22,488	-
Income tax expense (benefit)	$ -	$ -

d. Income tax assessments

The Corporation's income tax returns through 2012 had been examined by the tax authorities. The Corporation disagreed with the tax authorities' assessments of its 2011 tax returns and thus filed tax appeals.

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

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

The income tax returns of KGI Securities through 2013 had been examined by the tax authorities. KGI Securities disagreed with the tax authorities' rejection of the tax withheld from interest income earned by predecessors, respective operating costs and other tax-exempt income of 2009 through 2013. As a result, KGI filed tax appeals.

Income tax returns of KGI Insurance Brokers Co., KGI Securities Investment Advisory Co., Ltd., KGI Information Technology Co., Ltd., GSFC, KGI Futures Co., Ltd. and KGI Venture Capital Co., Ltd. through 2016 had been examined by the tax authorities. KGI Securities Investment Trust Co., Ltd.'s income tax returns through 2015 had been examined by the tax authorities.

Income tax returns of CDIB Capital Group through 2013 had been examined by the tax authorities.

Income tax returns of CDIB Capital Management Corporation through 2016 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2013 had been examined by the tax authorities.

Income tax returns of China Development Asset Management Corp., CHG3, CHG4, Development Industrial Bank Asset Management Corp., through 2016 had been examined by the tax authorities.

Capital Life Insurance's income tax returns through 2015 had been examined by the tax authorities.

51. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Three Months Ended March 31	
	2018	**2017**
Basic EPS	$ 0.23	$ 0.12
Diluted EPS	$ 0.23	$ 0.12

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

Net Profit for the Period

	For the Three Months Ended March 31	
	2018	**2017**
Earnings used in the computation of EPS	$ 3,276,624	$ 1,808,417

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

	For the Three Months Ended March 31	
	2018	**2017**
Weighted average number of common shares outstanding in computation of basic EPS	14,462,838	14,644,610
Effect of potentially dilutive common shares:		
Employee share options	6,946	1,174
Restricted shares	3,451	4,834
Weighted average number of common shares outstanding in computation of diluted EPS	14,473,235	14,650,618

52. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Corporation

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

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

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

Information on employee share options was as follows:

	For the Three Months Ended March 31			
	2018		2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	64,118	$ 7.93	73,211	$ 8.43
Options exercised	(582)	7.75	-	-
Options invalid	(90)	7.96	(5,824)	8.50
Balance at March 31	63,446	7.94	67,387	8.42
Options exercisable, end of period	40,691	7.92	34,207	8.37
Weighted-average remaining contractual life (years)	3.37		4.37	

The weighted-average share price at the date of exercise of share options from January 1 to March 31, 2018 was $10.30.

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 and reversal amount for the three months ended March 31, 2018 and 2017 were $1,815 thousand and $1,252 thousand.

b. Issue restricted share plan

The board of directors of the Corporation has decided to issue restricted shares plan which is $60,833 thousand in total, and $10 per face value totaled 6,083 thousand shares with issue price of $0 (free issuance) at January 27, 2014. Further, the board of directors made January 27, 2014 as the base-date for capital increase. Fair value on the payment day of the stock was $8.84.

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

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

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

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

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

For the three months ended March 31, 2018 and 2017, the Corporation recognized $2,450 thousand and $7,288 thousand as compensation cost.

53. RELATED-PARTY TRANSACTIONS

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

a. Related parties

Related Party	Relationship with the Group
Others	Other related parties

b. Significant transactions with related-parties

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

	Amount	%
March 31, 2018	$ 141,279	-
December 31, 2017	67,571	-
March 31, 2017	18,604	-

For the three months ended March 31, 2018 and 2017, the interest revenues from cash in bank were $10 thousand and $10 thousand, respectively.

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

	Amount	%
March 31, 2018	$ 300,092	1
December 31, 2017	262,228	-
March 31, 2017	163,165	1

For the three months ended March 31, 2018 and 2017, the interest revenues from due from banks were both $0 thousand.

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

	Amount	%
March 31, 2017	$ 11,886	-

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the three months ended March 31, 2018</u>		
Other related parties	$ 877,050	$ 231,584
<u>For the three months ended March 31, 2017</u>		
Other related parties	149,798	49,962

5) Revenue receivable (recognized as receivables, net)

	Amount	%
March 31, 2018	$ 201,023	-
December 31, 2017	244,416	-
March 31, 2017	65,586	-

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

	Amount	%
March 31, 2018	$ 16,130	-
December 31, 2017	23,919	-
March 31, 2017	20,118	-

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

	Amount	%
March 31, 2018	$ 14,226	-
December 31, 2017	16,772	-
March 31, 2017	15,804	-

8) Other receivables (recognized as receivables, net)

	Amount	%
March 31, 2018	$ 5,462	-
December 31, 2017	6,102	-
March 31, 2017	14,200	-

9) Discounts and loans, net

	Amount	%	Interest Rate (%)
March 31, 2018	$ 1,099,493	-	1.54-15.00
December 31, 2017	962,341	-	1.54-15.00
March 31, 2017	922,718	-	1.54-15.00

For the three months ended March 31, 2018 and 2017, the interest revenues from discounts and loans were $4,263 thousand and $3,683 thousand, respectively.

For the Three Months Ended March 31, 2018

(In Thousands of New Taiwan Dollars)

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

For the Year Ended December 31, 2017

(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	44	$ 36,768	$ 19,006	$ 19,006	$ -	None	Yes
Residential mortgage loans	78	1,183,655	933,659	933,659	-	Real estate	Yes
Others	16	30,209	9,676	9,676	-	Deposit/real estate	Yes

For the Three Months Ended March 31, 2017

(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	29	$ 18,920	$ 17,708	$ 17,708	$ -	None	Yes
Residential mortgage loans	61	938,457	896,078	896,078	-	Real estate	Yes
Others	9	15,028	8,932	8,932	-	Deposit/real estate	Yes

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

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Other related parties	$ 582,400	2	$ 4,096,960	14	$ 606,720	3

For the three months ended March 31, 2018 and 2017, the interest expenses from call loans from financial institutions were $3,469 thousand and $1,707 thousand, respectively.

11) Notes and bonds issued under repurchase agreements

	Amount	%
March 31, 2018	$ 159,543	-
December 31, 2017	61,219	-
March 31, 2017	52,102	-

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

	Amount	%
March 31, 2018	$ 10,064	-
December 31, 2017	6,286	-
March 31, 2017	8,259	-

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

	Amount	%
March 31, 2018	$ 11,128	-
December 31, 2017	6,902	-
March 31, 2017	9,132	-

14) Other payables (recognized as payables)

	Amount	%
March 31, 2018	$ 43,915	-
December 31, 2017	69,938	-
March 31, 2017	19,213	-

15) Deposits and remittances

	Amount	%	Interest Rate (%)
March 31, 2018	$ 1,282,542	-	0-5.58
December 31, 2017	1,278,464	-	0-5.58
March 31, 2017	921,871	-	0-5.58

For the three months ended March 31, 2018 and 2017, the interest expenses from deposits and remittances were $2,114 thousand and $1,862 thousand, respectively.

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

	Amount	%
December 31, 2017	$ 298,480	-

For the three months ended March 31, 2018, the interest expenses from short-term borrowings were $2,040 thousand.

17) Customers' equity accounts - futures

	Amount	%
March 31, 2018	$ 21,876	-
December 31, 2017	42,647	-
March 31, 2017	66,365	-

18) Consulting service revenue

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
Other related parties	$ 147,481	48	$ 114,289	45

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

	Amount	%
For the three months ended March 31, 2018	$ 49,119	-

20) Outstanding derivative financial instruments

KGI Bank

March 31, 2018

(In Thousands of New Taiwan Dollars)

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

December 31, 2017

(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	$ 11,431,784	$ (493,670)	Financial liabilities at FVTPL	$ 493,670

March 31, 2017

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Exchange option swap contracts	March 21, 2017 - April 20, 2017	$ 6,148	$ 75	Financial assets at FVTPL	$ 75
	Interest rate swap contracts	March 17, 2017 - April 07, 2047	11,527,680	133,664	Financial assets at FVTPL	133,664

China Life Insurance

March 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	December 19, 2017 - September 25, 2018	US$ 564,000	Financial assets at FVTPL	$ 223,946

December 31, 2017

(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	February 14, 2017 - September 25, 2018	US$ 464,000	Financial assets at FVTPL	$ 65,887

21) Compensation of key management personnel

	For the Three Months Ended March 31	
	2018	2017
Salary and short-term benefits	$ 146,871	$ 80,686
Share-based payment	2,215	6,442
Post-employment benefits	730	646
	$ 149,816	$ 87,774

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	Subsidiary of the parent company
KGI Securities	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company (Note)
Others	Other related parties

Note: Since the public tender of the parent company, it become the related party.

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

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Other related parties	$ 300,092	4	$ 262,228	2	$ 163,165	3

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

	March 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,219,973	1	$ 391,201	1

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

	March 31, 2018		December 31, 2017	
	Amount	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 370,201	1	$ 157,021	1

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the three months ended March 31, 2018		
Subsidiary of the parent company	$ 2,779,214	$ 245,447
Other related parties	877,050	-
For the three months ended March 31, 2017		
Subsidiary of the parent company	2,321,559	1,612,128

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

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Other related parties	$ 582,400	2	$ 4,096,960	14	$ 606,720	3

6) Payable on securities purchased (recognized as payables)

	Amount	%
March 31, 2017	$ 153,306	4

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

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Parent company	$ 508,243	100	$ 412,845	100	$ 379,060	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 (%)
March 31, 2018			
Parent company	$ 936,625	-	0-0.57
Subsidiary of the parent company	10,763,162	3	0-1.03
December 31, 2017			
Parent company	974,422	-	0-0.57
Subsidiary of the parent company	12,720,348	3	0-1.03
March 31, 2017			
Parent company	1,372,968	-	0-0.06
Subsidiary of the parent company	29,120,251	8	0-1.03

9) Outstanding derivative financial instrument

March 31, 2018

(In Thousands of New Taiwan Dollars)

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

December 31, 2017

(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	$ 11,431,784	$ (493,670)	Financial liabilities at FVTPL	$ 493,670
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 23, 2016 - March 01, 2020	508,220	6,070	Financial assets at FVTPL	10,412
	Asset swap - option	March 23, 2016 - February 13, 2020	508,220	(72,664)	Financial liabilities at FVTPL	77,745
	Interest rate swap contracts	November 04, 2016 - January 24, 2020	955,136	(763)	Financial liabilities at FVTPL	4,883
	Currency swap contracts	February 15, 2017 - September 21, 2018	7,014,280	11,733	Financial liabilities at FVTPL	60,367

March 31, 2017

(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	$ 11,527,680	$ 133,664	Financial assets at FVTPL	$ 133,664
Subsidiary of the parent company	Asset swap - interest rate swap contracts	January 05, 2016 - June 03, 2019	608,040	17,949	Financial assets at FVTPL	22,290
	Asset swap - option	January 05, 2016 - May 20, 2019	608,040	(27,748)	Financial liabilities at FVTPL	32,289
	Interest rate swap contracts	November 04, 2016 - October 27, 2019	819,072	(732)	Financial liabilities at FVTPL	4,852

KGI Securities and subsidiaries

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

Note: Since the public tender of the parent company, it become the related party.

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

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,423,514	12	$ 4,360,264	28	$ 2,162,410	18

2) Available-for-sale financial assets – current

	December 31, 2017		March 31, 2017	
	Amount	%	Amount	%
Stocks				
Parent company	$ 3,063,126	91	$ 2,520,540	28

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

	March 31, 2018	
	Amount	%
Stocks		
Parent company	$ 2,910,634	43

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the three months ended March 31, 2018		
Subsidiary of the parent company	$ 1,177,506	$ 7,321,496
Other related parties	-	231,584
For the three months ended March 31, 2017		
Subsidiary of the parent company	1,612,128	2,321,559
Other related parties	149,798	-

5) Guarantee deposits received in futures contracts

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 1,234,912	6	$ 2,042,540	9	$ 938,245	2

6) Sale of securities receivable (recognized as receivable, net)

	Amount	%
March 31, 2017	$ 153,306	-

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

	December 31, 2017	
	Amount	**%**
Subsidiary of the parent company	$ 192,353	-

8) Restricted assets (recognized as other current assets)

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 1,031,538	2	$ 1,036,153	2	$ 1,082,500	4

9) Short-term borrowings

	December 31, 2017	
	Amount	**%**
Other related parties	$ 298,480	1

10) Notes and bonds issued under repurchase agreement

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

11) Customers' equity accounts - futures

	March 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,219,940	6	$ 362,052	2

12) Payables

	March 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 502,671	1	$ 158,640	-

13) Current tax liabilities

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Parent company	$ 365,934	61	$ 340,456	46	$ 297,941	39

14) Outstanding derivative financial instruments

a) Asset swap IRS contracts value

	March 31, 2018	December 31, 2017	March 31, 2017
	Contract Amount (Principal)	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 673,328	$ 508,220	$ 608,040

b) Asset swap option contracts - call

	March 31, 2018
	Contract Amount (Principal)
Subsidiary of the parent company	$ 108,400

c) Asset swap option contracts - put

	March 31, 2018	December 31, 2017	March 31, 2017
	Contract Amount (Principal)	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 564,928	$ 508,220	$ 608,040

d) Interest rate swap contracts

	March 31, 2018	December 31, 2017	March 31, 2017
	Contract Amount (Principal)	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 1,039,584	$ 955,136	$ 819,072

CDIB Capital Group and subsidiaries

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

Note: Since the public tender of the parent company, it become the related party.

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

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 6,836,661	45	$ 5,089,039	40	$ 24,924,413	80

2) Revenue receivable (recognized as other receivable, net)

	March 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Other related parties	$ 174,502	21	$ 118,497	22

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

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Parent company	$ 339,279	98	$ 339,279	98	$ 339,279	99

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

4) Securities holding (recognized as available-for-sale financial assets - non-current)

	March 31, 2017	
	Amount	**%**
Stocks		
Parent company	$ 171,982	2

5) Accrued payable

	March 31, 2017	
	Amount	**%**
Parent company	$ 8,000,000	94

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

	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Parent company	$ 342,151	95	$ 323,549	97	$ 530,784	100

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

China Life Insurance

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

Note: Since the acquisition of China Development Financial Holding Corporation, the Company became the related party.

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

	March 31, 2018	
	Amount	**%**
Subsidiary of the parent company	$ 187,084	1
Other related parties	132,992	-

2) Financial assets at fair value through other comprehensive income

	March 31, 2018	
	Amount	**%**
Stocks		
Parent company	$ 5,793,423	2

3) Available-for-sale financial assets

	December 31, 2017	
	Amount	**%**
Stocks		
Parent company	$ 5,709,053	1

4) Receivable from securities sale (recognized as receivables)

	March 31, 2018		December 31, 2017	
	Amount	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 497,088	4	$ 104,227	1

5) Purchase and sale of bonds

	Purchase of Bonds
For the year ended March 31, 2018	
Subsidiary of the parent company	$ 874,890

6) Payable from securities sale (recognized as payables)

	March 31, 2018	
	Amount	**%**
Subsidiary of the parent company	$ 267,801	3

7) Outstanding derivative financial instrument

March 31, 2018

(In Thousands of United States Dollars/US Dollars)

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

December 31, 2017

(In Thousands of United States Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	February 15, 2017 - September 21, 2018	US$ 235,000	Financial assets at FVTPL	$ 61,327
Other related parties	Currency swap contracts	February 14, 2017 - September 25, 2018	US$ 464,000	Financial assets at FVTPL	65,887

54. PLEDGED ASSETS

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

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets at fair value through profit or loss - negotiable certificate of deposit	$ 11,826,827	$ -	$ -
Other assets - operating guarantee deposits	7,748,625	7,454,004	1,416,884
Due from the Central Bank and call loans to financial institutions	6,020,000	6,520,000	13,430,000
Property and equipment, net	4,819,074	4,827,689	4,853,537
Lease receivables	2,335,235	2,541,307	2,699,189
Other financial assets - pledged time deposits	976,417	1,029,134	839,617
Investment property, net	347,002	348,297	352,182
Financial assets at fair value through profit or loss - bonds and stocks	329,555	356,457	253,004
Other assets - competitive bid transactions guarantee	$ 299,304	$ 299,258	$ 399,119
Financial assets at fair value through other comprehensive income - bonds and stocks	185,481	-	-
Other assets - guarantee deposit paid	178,052	130,584	189,309
Checking accounts - restricted for agent's stock transfer purposes	51,974	52,128	61,083
Restricted assets - impound account	37,217	62,258	52,508
Available-for-sale financial assets - negotiable certificate of deposit	-	10,804,495	7,100,552
Available-for-sale financial assets - bonds and stocks	-	180,596	2,834,415

Note: 88,500 thousand of China Life Insurance shares held by KGI Securities on March 31, 2018 and December 31, 2017 have been pledged.

55. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 58 and 60 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$362,259 thousand based on the exchange rate of March 31, 2018) was reclassified to "other financial liabilities". The litigation had not yet been concluded as of March 31, 2018. In addition, Morgan Stanley overlooked CDIB Capital Group's efforts and terminated interest rate swap (IRS) contracts (nominal principal amount: KRW24,000,000 thousand) and CDS contracts (nominal principal amount: JPY586,510 thousand), CDIB Capital Group reserves the right of legal proceedings.

b. Securities and Futures Investors Protection Center sued Grand Cathay (KGI Securities as the survivor company after merging on June 22, 2013) and claimed that due to the fact that KGI Securities was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds which issued on November 7, 2007, KGI Securities must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, which against the Article 20 and 32 of Securities and Exchange Act and the Article 184 and 185 of Civil Code. On June 16, 2010, the plaintiffs sued KGI Securities, Taiwan Kolin Co., Ltd., the principal of formerly management team, Moore Stephens and the auditor with jointly liability amounted to $133,308 thousand plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court. However, Taiwan Kolin Co., Ltd. is under the procedure of reorganization, this lawsuit is withdrawn now.

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

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

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

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. According to the IT outsource contract, besides extra services being charged according to professional rates, KGI Bank has to pay a total of $683,319 thousand for the basic framework, support service, IT application service and integration and transformation of server and so on as annual services fees in the future contract periods, starting from March 31, 2018.

g. On December 16, 2016, the Company signed the contract with CHUNG-LU Construction Co., Ltd. for the construction of Taipei Academy, and on March 1, 2017 signed the first contract change protocol, modify the total amount of the contract is $5,623,913 thousand. As of March 31, 2018, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is $459,579 thousand and unpaid amount is $5,164,334 thousand.

h. 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 (based on the evaluation as of December 31, 2016). China Life Insurance has undertaken from Allianz Taiwan Life Insurance's reserve of insurance policies of NT$27.6 billion and the corresponding assets of NT$49.8 billion. The acquisition of the assets will be adjusted on the actual settlement date. This acquisition has been approved by the authority on February 27, 2018.

56. BUSINESS COMBINATION

China Life Insurance

To establish comprehensive domain of financial distribution, enhance operating ability and scale of assets and further enhance the return on equity, the Corporation acquired 25.33% shares of China Life Insurance through public tender offer. Thus, China Life Insurance is a subsidiary of the Corporation as defined by the Financial Holding Company Act. The 25.33% shares plus 9.63% of ordinary shares (excluding hedging accounts of financial derivative) held by a subsidiary, KGI Securities, equals to 34.96% shares of China Life Insurance.

a. The consideration of the acquisition distributed by cash was $30,800,000 thousand.

b. Assets acquired and liabilities assumed on the acquisition date were as follows:

	Fair Value on Acquisition Date
Financial assets (include cash and cash equivalent $16,959,162)	$ 1,368,742,655
Property, equipment and investment property	39,102,635
Intangible assets	13,464,251
Other assets	25,198,203
Financial liabilities	(12,364,748)
Insurance liabilities	(1,237,772,554)
Other liabilities	(79,263,575)
	$ 117,106,867

c. Non-controlling interests of China Life Insurance, which accounted for 65.04% of ownership, were measured at the fair value of $79,733,854 thousand on the acquisition date. The fair value was estimated by market approach.

d. The goodwill of China Life Insurance of $1,698,925 thousand was the consideration in the public tender offer and the value of shares held by a subsidiary and the value of non-controlling interests in total of $118,805,792 thousand minus identifiable intangible assets of $117,106,867 thousand.

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

Consolidated Profitability

(%)

Items		March 31, 2018	March 31, 2017
Return on total assets	Before income tax	0.72	0.92
	After income tax	0.86	0.81
Return on net worth	Before income tax	7.04	4.99
	After income tax	8.42	4.40
Profit margin		9.11	27.15

Profitability of CDFH

(%)

Items		March 31, 2018	March 31, 2017
Return on total assets	Before income tax	6.39	3.65
	After income tax	6.49	3.87
Return on net worth	Before income tax	7.50	4.10
	After income tax	7.67	4.40
Profit margin		93.82	94.90

Profitability of KGI Bank

(%)

Items		March 31, 2018	March 31, 2017 (Note)
Return on total assets	Before income tax	0.42	0.69
	After income tax	0.44	0.62
Return on net worth	Before income tax	4.27	6.66
	After income tax	4.53	5.97
Profit margin		31.19	36.00

Profitability of KGI Securities

(%)

Items		March 31, 2018	March 31, 2017
Return on total assets	Before income tax	2.48	0.96
	After income tax	2.16	0.86
Return on net worth	Before income tax	7.52	2.87
	After income tax	6.53	2.57
Profit margin		39.85	21.50

Profitability of China Life Insurance

(%)

Items		March 31, 2018
Return on total assets	Before income tax	0.73
	After income tax	0.99
Return on net worth	Before income tax	11.29
	After income tax	15.26
Profit margin		5.02

58. FINANCIAL INSTRUMENTS

a. The definitions of each hierarchy are as follows:

1) Level I fair values are quoted prices in active markets for financial instruments.

2) Level II fair values are those directly or indirectly observable inputs other than Level I quoted prices, such as the quoted prices of similar financial instruments; in less active markets, quoted price arrived from pricing models that use inputs such as in interest rates and volatility rates, which are derived from or can be corroborated with observable market data.

3) Level III refers to inputs that are not based on observable market data.

b. Fair value

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

March 31, 2018

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	$ 145,844,170	$ 550,956	$ 11,842,407	$ 158,237,533
Bond investments	40,829,375	41,385,713	417,511	82,632,599
Others	20,322,421	28,075,197	8,126,577	56,524,195
Financial assets designated as at FVTPL	204,170	30,114,610	412,219	30,730,999
Financial assets at FVTOCI				
Stock investments	10,719,914	43,575	15,086,601	25,850,090
Bond investments	194,441,805	157,038,054	-	351,479,859
Others	-	36,728,183	-	36,728,183
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	2,248,566	3,658,095	-	5,906,661
Financial liabilities designated as at FVTPL	-	27,734,743	-	27,734,743
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	1,098,728	35,645,231	171,953	36,915,912
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,504,765	49,794,984	590,568	51,890,317
Financial liabilities designated as at FVTPL	-	929,805	-	929,805

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	$ 12,996,195	$ -	$ -	$ 12,996,195
Bond investments	24,982,960	19,930,069	-	44,913,029
Others	785,808	19,244,125	-	20,029,933
Financial assets designated as at FVTPL	-	23,650,076	1,215,716	24,865,792
Available-for-sale financial assets				
Stock investments	146,337,350	555,487	17,091,036	163,983,873
Bond investments	123,530,695	231,267,706	-	354,798,401
Others	8,092,318	30,834,526	1,179,998	40,106,842
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,330,993	3,163,745	-	4,494,738
Financial liabilities designated as at FVTPL	-	17,417,983	-	17,417,983
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	655,067	22,340,390	149,201	$ 23,144,658

(Continued)

	Level I	Level II	Level III	Total
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	$ 1,349,139	$ 31,032,660	$ 449,041	$ 32,830,840
Financial liabilities designated as at FVTPL	-	986,143	-	986,143

(Concluded)

March 31, 2017

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	$ 15,605,227	$ -	$ -	$ 15,605,227
Bond investments	30,398,462	19,307,503	-	49,705,965
Others	66,767	11,816,619	-	11,883,386
Financial assets designated as at FVTPL	181,123	35,730,939	163,776	36,075,838
Available-for-sale financial assets				
Stock investments	23,343,768	144,516	369,643	23,857,927
Bond investments	49,234,317	50,941,905	-	100,176,222
Others	99,349	23,801,274	-	23,900,623
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	4,413,913	4,391,968	-	8,805,881
Financial liabilities designated as at FVTPL	-	17,012,545	-	17,012,545
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	654,959	32,754,290	86,350	33,495,599
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	629,431	40,400,445	172,072	41,201,948
Financial liabilities designated as at FVTPL	-	978,755	-	978,755

2) Evaluation technology at fair value

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

3) Reconciliation of fair value

a) The limitation of valuation techniques and uncertain inputs

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

b) Credit risk valuation adjustments

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

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

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

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

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

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

4) Transfer between the first level and the second level

	For the Three Months Ended March 31, 2018		**For the Three Months Ended March 31, 2017**	
	Level One Converted Into Level Two	**Level Two Converted Into Level One**	**Level One Converted Into Level Two**	**Level Two Converted Into Level One**
Financial assets at FVOCI - bond investments	$ 5,567,161	$ 12,889,489	$ -	$ -
Available-for-sale financial assets - bond investments	-	-	8,988,484	9,928,915

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

5) Reconciliation of Level III items of financial instruments

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

For the Three Months Ended March 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	$ 20,633,942	$ (437,752)	$ 572,854	$ -	$ (210,596)	$ -	$ 20,558,448
Financial assets designated as at FVTPL	457,036	17,246	225	-	(62,288)	-	412,219
Financial assets at FVTOCI	16,827,758	(1,741,157)	-	-	-	-	15,086,601

For the Three Months Ended March 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial assets at FVTPL							
Financial assets held for trading	$ 241,384	$ (122,717)	$ 18,815	$ -	$ (51,132)	$ -	$ 86,350
Financial assets designated as at FVTPL	174,265	(10,489)	-	-	-	-	163,776
Available-for-sale financial assets	366,045	(92,402)	96,000	-	-	-	369,643

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

For the Three Months Ended March 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 449,041	$ (13,462)	$ 212,012	$ -	$ (57,023)	$ -	$ 590,568

For the Three Months Ended March 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 237,850	$ (86,824)	$ 49,068	$ -	$ (28,022)	$ -	$ 172,072

The total gains or losses for the three months ended March 31, 2018 and 2017 included a gain of $487,076 thousand and a loss of $36,319 thousand relating to assets and liabilities measured at fair value on Level III fair value measurement and held at the end of reporting date.

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

KGI Bank and subsidiaries

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

	Fair Value at March 31, 2018	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Nonderivative financial assets					
Financial assets at FVTOCI	$ 420,738	Market approach, net asset method	P/B, P/E, Lack of liquidity discount and control discount	1.49-16.3, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of marketability and control.
Derivative financial assets					
Financial assets at FVTPL	162,010	HullWhite, Libor Market Model, discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Derivative financial liabilities					
Financial liabilities at FVTPL	158,783	HullWhite, Libor Market Model, discounted cash flow	Quanlity/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, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Derivative financial assets					
Financial assets at FVTPL	$ 143,196	HullWhite, Libor Market Model, discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Derivative financial liabilities					
Financial liabilities at FVTPL	140,494	HullWhite, Libor Market Model, discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at March 31, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Derivative financial assets					
Financial assets at FVTPL	$ 65,902	HullWhite, Libor Market Model, discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Derivative financial liabilities					
Financial liabilities at FVTPL	134,479	HullWhite, Libor Market Model, discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

KGI Securities and subsidiaries

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

March 31, 2018

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Fair value from counter-party, recent strike price or measured by using asset-based approach.	Fair value from counter-party, recent strike price or measured by using asset-based approach.	Fair value from counter-party, recently strike price or measured by using asset-based approach.
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of marketability	23%-26%	Assets at fair value is inversely proportional to discount for lack of marketability.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Fair value from counter-party, recent strike price or measured by using asset-based approach.	Fair value from counter-party, recent strike price or measured by using asset-based approach.	Fair value from counter-party, recently strike price or measured by using asset-based approach.
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.32%-58.57%	According to condition of contract, fair value of asset may be higher or lower.
Equity derivatives - premium - equity option (call option)	Martingale pricing technique	History volatility	56.15%-56.15%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	2.28%-46.49%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	6.32%-59.23%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

December 31, 2017

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Available-for-sale financial assets	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party.
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.42%-69.92%	According to condition of contract, fair value of assets may be higher or lower.
Equity derivatives - premium - equity option (call option)	Martingale pricing technique	History volatility	19.70%-19.70%	According to condition of contract, fair value of assets may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	2.13%-56.98%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	13.93%-59.80%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

March 31, 2017

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Available-for-sale financial assets	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party.
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	12.06%-42.73%	According to condition of contract, fair value of assets may be higher or lower.
Equity derivatives - premium - equity option (call option)	Martingale pricing technique	History volatility	22.85%-45.94%	According to condition of contract, fair value of assets may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Modal	Recovery rate	0.4	According to ISDA Standard Upfront Modal, recovery rate is set from the category of targets' debts.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	11.37%-32.70%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	19.64%-58.79%	According to condition of contract, fair value of liabilities may be higher or lower.

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

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

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

March 31, 2018

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	**Positive/ Negative Change**	**Positive Impact**	**Negative Impact**
Financial assets				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Reduction proportion	+1%/-1%	$ (172)	$ 180
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	History volatility	+25%/-25%	2,575	2,388
Equity derivative instruments - premium - options (call options)	History volatility	+25%/-25%	149	134
			$ 2,552	$ 2,702
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ -	$ -
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	273	362
			$ 273	$ 362

December 31, 2017

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	**Positive/ Negative Change**	**Positive Impact**	**Negative Impact**
Financial assets				
Non-derivative instruments				
Available-for-sale financial assets	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	History volatility	+25%/-25%	$ 1,217	$ 1,135
Equity derivative instruments - premium - options (call options)	History volatility	+25%/-25%	4	4
			$ 1,221	$ 1,139
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ (210)	$ (175)
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	971	1,103
			$ 761	$ 928

March 31, 2017

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	**Positive/ Negative Change**	**Positive Impact**	**Negative Impact**
Financial assets				
Non-derivative instruments				
Available-for-sale financial assets	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	History volatility	+25%/-25%	$ 2,716	$ 2,491
Equity derivative instruments - premium - options (put options)	History volatility	+25%/-25%	104	97
			$ 2,820	$ 2,588
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ -	$ 3
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	2,011	2,125
			$ 2,011	$ 2,128

CDIB Capital Group and subsidiaries

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

	Fair Value at March 31, 2018	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 17,768,326	Market approach	P/B P/S Lack of liquidity discount	0.76-14.31 0.65-6.28 23%-29%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
		Discounted cash-flow method	Lack of liquidity discount WACC Growth rate Non-controlling Interest discount	23%-29% 8.46%-12.58% 0.5%-7% 11%	When the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Lack of liquidity discount Non-controlling Interest discount	23%-29% 11%	When the higher lack of liquidity discount, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	32%-41%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

	Fair Value at December 31, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 971,150	Market approach	P/B Lack of liquidity discount	2.34 26%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
		Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	26% 11.44% 3.0%	
		Recent strike price	-	-	-
		Net asset method	-	-	-
Available-for-sale financial assets	435,236	Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	20% 12.1%-15.4% 2.5%-7.0%	When the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Recent strike price	-	-	-

	Fair Value at March 31, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 163,776	Market approach	Income multiplier lack of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
Available-for-sale financial assets	311,424	Market approach Discounted cash-flow method	Income multiplier WACC lack of liquidity discount	4.7 11.7% 20%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value.
		Recent strike price	-	-	-
Derivative financial assets					
Financial assets at FVTPL	9,233	Recent strike price	-	-	-

China Life Insurance

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

	March 31, 2018			
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
Financial assets				
Financial assets at fair value through profit or loss				
Private convertible bonds	Option	Volatility in stock price for the three-month period	32.259%	The higher the volatility in stock price for the three-month period, the higher the fair value of convertible bonds
Stock	Net asset value approach	N/A	N/A	N/A
Private equity fund	Net asset value approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income				
Stock	Market approach	Discount for lack of liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value
Stock	Market approach	Control premium	0%-10%	The higher the control premium, the higher the estimated fair value
Stock	Income approach	Long-term operating profit, long-term average cost of capital	6.51%	The higher the long-term average cost of capital, the lower the estimated fair value
Stock	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value

	December 31, 2017			
	Valuation Techniques	**Significant Unobservable Inputs**	**Quantification Information**	**Relationship Between Inputs and Fair Value**
Financial assets				
Financial assets at fair value through profit or loss				
Private convertible bonds	Option	Volatility in stock price for the three-month period	26.727%	The higher the volatility in stock price for the three-month period, the higher the fair value of convertible bonds
Available-for-sale				
Stock	Market approach	Discount for lack of liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value
Stock	Market approach	Control premium	0%-10%	The higher the control premium, the higher the estimated fair value
Stock	Income approach	Long-term operating profit, long-term average cost of capital	6.51%	The higher the long-term average cost of capital, the lower the estimated fair value
Stock	Net asset value approach	N/A	N/A	N/A
Private equity fund	Net asset value approach	N/A	N/A	N/A

7) Pricing process of Level III fair value

KGI Bank and subsidiaries

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

KGI Securities and subsidiaries

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

CDIB Capital Group and subsidiaries

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

China Life Insurance

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

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

Assets and liabilities measured at cost, excluding investment accounted for using equity method - unlisted stocks, financial assets measured at cost, financial assets measured at amortized cost, held to maturity financial assets, debt instruments with no active market, investment properties, guarantee deposits paid, bank debentures payable, have carrying amounts that are reasonably close to their fair value; thus, their fair values are not disclosed.

Investments accounted for using the equity method - unlisted stocks and financial assets measured at cost both are unlisted financial assets, which have no quoted market prices in an active market and the fair value cannot be reliably measured owing to the variation interval of the estimate of the fair value is not quite small and the possibilities of the estimates in the interval cannot be assessed reasonably; thus, the Group does not disclose their fair value.

For fair value measurement of investment property, please refer to Note 22.

Bonds payable with quoted price in an active market are using market price as fair value; bond payable with no quoted price in an active market are estimated by valuation methods or opponent's price.

59. INFORMATION OF INSURANCE CONTRACTS

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

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

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

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

2) Risk management policies, procedures and methods:

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

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

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

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

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

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

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

b. Information of insurance risks

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

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

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

As at March 31, 2018, assuming a 5% change in mortality, morbidity, surrender and expenses, and a decrease in investment return of 0.1%, all insurance contracts and financial instruments with discretionary participation feature will not cause China Life Insurance’s insurance liability inadequate.

2) Interpretation for concentration of insurance risks

a) China Life Insurance's insurance business is mainly in Taiwan, Republic of China and there is no significant difference in insurance risk between each region. China Life Insurance had set tolerable cumulative risk limits for each risk unit and incident. Insurance risks that exceed the limits will be transferred through reinsurance. Please refer to Note 33 for concentration of risk before and after the reinsurance for China Life Insurance.

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

3) Claim development trend

a) Direct business loss development trend

Accident Year	Development Year											Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	
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	$ 2,800,516	
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	2,940,838		
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	3,144,912			
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,824	3,351,854				
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,169					
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,046,856						
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,299,552							
2015	3,518,471	4,403,823	4,479,887	4,483,865								
2016	3,696,639	4,617,098	4,653,770									
2017	4,300,693	5,031,702										
2018	645,845											$ 1,001,426

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

Add: Long-term insurance claims	447,419
Claim reserve for discount on no claim	128,224
Reserve for claims balance	$ 1,577,069

b) Retained business loss development trend

Accident Year	Development Year											Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	
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	$ 2,737,110	
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	2,874,255		
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,781	3,073,109	3,073,699	3,073,709			
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,936	3,275,965				
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,020					
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,977,873						
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,202,206							
2015	3,456,864	4,319,866	4,388,499	4,382,347								
2016	3,631,913	4,529,075	4,558,836									
2017	4,225,389	4,935,775										
2018	634,537											$ 996,667

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

Add: Long-term insurance claims	439,138
Claim reserve for discount on no claim	128,224
Reserve for claims balance	$ 1,564,029

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

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

4) Credit risk:

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

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

5) Liquidity risk:

As at March 31, 2018 and December 31, 2017, the maturity analysis of liquidity risk for insurance contract liabilities are as follow:

	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
March 31, 2018					
Insurance liabilities of investment contracts with discretionary participation features	$ (23,233,409)	$ 11,711,355	$ 108,422,792	$ 481,272,534	$ 2,989,437,273
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
December 31, 2017					
Insurance liabilities of investment contracts with discretionary participation features	(20,408,694)	9,987,603	111,026,996	457,700,212	2,985,206,011
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.

60. 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 market, credit, 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 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 supervises 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.

<u>KGI Securities and subsidiaries</u>

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:

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

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

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

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

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

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

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

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

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

3) Risk management system

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

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

4) Risk management mechanism

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

a) Market risk

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

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

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

b) Credit risk

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

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

c) Liquidity risk

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

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

d) Operating risk and other risks

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

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

5) Risk hedge and mitigation strategy

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

CDIB Capital Group and subsidiaries

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

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

China Life Insurance

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

b. Credit risk

KGI Bank and subsidiaries

1) The source and definition of credit risk

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

2) Management policy of credit risk

KGI Bank has set standard control procedures on credit risk identification, measurement, and information on disclosures and reports to conduct rational identification, measurement, disclosures and effective control on credit risk. KGI Bank also deliberates the fluctuation in economics and adjusts the credit risk structure accordingly to control the risks in credit portfolio within the risk appetite. These procedures include criteria for targeted client, credit investigation, credit approval or rejection, approval on exceptions, risk control and management, credit review, management on non-performing loans and requests and control of all related documents and information. Based on the risk management policies, the illustration of management process carried out by the competent authority is as follows:

a) Credit investigation

With respect to the criteria for targeted client, KGI Bank should ask for all necessary documents from the clients in order to filter client accurately and control credit portfolio within the acceptable range.

b) Credit approval

Cases that have passed through the credit investigation are reviewed by the credit authority of each level. The credit authorities authorize credits in compliance with the credit limitation structure and authorization policies of KGI Bank. The credit limitation structure and authorization policies of KGI Bank are not only based on banking act and the rules stipulated by the authority, concerning the credit extended to same person or same affiliated enterprises/groups, stock collateral, industry and country, but also based on the professionalism of the credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities on occasional basis.

c) Post-lending loan review mechanisms

The corporate banking business of KGI Bank strengthens the tracking control of the financial and business conditions on creditors, carry out risk assessment report of credit asset portfolio on a regular basis, set-up warning system and adjust business development strategy to cope with economic conditions and changes in asset quality through the account management scheme and regular reassessment system. As regards to delinquent loans, KGI Bank uses concentration management method, together with information systems and analysis model to conduct regular review to improve the performance on overdue to 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 the director of risk management, general manager, risk committee and board of directors.

3) Mitigation or hedging of 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 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 credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance sheet financial assets is equal to their carrying values and the maximum exposure of credit risk of off-balance sheet financial instruments were as follows:

	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Irrevocable loan commitments, guarantees and letters of credit	$ 94,441,433	$ 93,355,823	$ 96,940,366

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

	Discounts And Loans						
	March 31, 2018						**March 31, 2017**
	Stage 1	**Stage 2**	**Stage 3**				
	12-month Expected Credit Losses	**Full Lifetime Expected Credit Losses**	**Full Lifetime Expected Credit Losses**	**Purchased or Originated Credit-impaired Financial Asset**	**Recognition of Impairment/ Adjustment**	**Total**	**Total**
Short-term loans	$ 67,783,697	$ 247,950	$ 260,321	$ -		$ 68,291,968	$ 56,587,790
Short-term secured loans	15,025,907	17,161	241,105	-		15,284,173	9,482,991
Medium-term loans	124,115,391	506,760	573,437	-		125,195,588	110,483,146
Medium-term secured loans	51,545,068	246,124	189,648	-		51,980,840	49,619,293
Long-term loans	1,475,718	13,600	43,857	-		1,533,175	1,683,384
Long-term secured loans	51,864,569	954,031	1,747,046	-		54,565,646	41,606,554
Loans reclassified to nonperforming loans	-	-	470,990	-		470,990	669,641
Export negotiations	35,370	-	-	-		35,370	115,964
Total book values	311,845,720	1,985,626	3,526,404	-		317,357,750	270,248,763
Impairment allowance	(1,316,525)	(117,441)	(560,638)	-		(1,994,604)	(3,596,878)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (2,141,798)	(2,141,798)	
Adjusting for discounts and loans premium					(96,280)	(96,280)	(68,751)
Total	$ 310,529,195	$ 1,868,185	$ 2,965,766	$ -	$ (2,238,078)	$ 313,125,068	$ 266,583,134

	Receivables						
	March 31, 2018						
	Stage 1	Stage 2	Stage 3				
	12-month Expected Credit Losses	Full Lifetime Expected Credit Losses	Full Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	Recognition of Impairment	Total	March 31, 2017 Total
Credit card business	$ 2,294,397	$ 203,442	$ 98,424	$ -		$ 2,596,263	$ 2,440,015
Accounts receivable - forfeiting	6,674,987	-	-	-		6,674,987	6,912,045
Accounts receivable factoring - no recourse	8,880,582	258	3,899	-		8,884,739	9,294,890
Acceptances	317,001	-	-	-		317,001	109,936
Lease receivables	3,518,482	33,934	166,218	-		3,718,634	5,333,602
Total book value	21,685,449	237,634	268,541	-		22,191,624	24,090,488
Impairment allowance	(81,069)	(28,353)	(95,196)	-		(204,618)	(397,530)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (183,597)	(183,597)	
Total	$ 21,604,380	$ 209,281	$ 173,345	$ -	$ (183,597)	$ 21,803,409	$ 23,692,958

Financial instruments which are not applicable to impairment of maximum exposure credit risk were as follows:

	March 31, 2018
	Maximum Exposure Credit Risk
Financial assets at FVTPL	
Debt instrument	$ 28,546,131
Derivatives instruments	25,285,105

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

5) Collaterals and credit enhancement

KGI Bank and 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 subsidiaries observe collaterals values of financial instrument closely, and consider recognizing impairment for financial assets which is impaired credit. KGI Bank and subsidiaries' financial assets which is impaired credit, and collaterals values to mitigation of potential losses for the three months ended March 31, 2018 were as follows:

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortised Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	$ 98,424	$ 38,286	$ 60,138	$ -
Accounts receivable factoring	3,899	3,427	472	-
Lease receivables	166,218	53,484	112,734	24,416
Discounts and loans	3,526,404	560,638	2,965,766	16,829,641
Total amount of impaired asset	$ 3,794,945	$ 655,835	$ 3,139,110	$ 16,854,057

KGI Bank and subsidiaries' financial assets which write off and still has recourse activities of outstanding contract amount is 130,304 thousand for the three months ended March 31, 2018.

6) Concentrations of credit risk

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or 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 credit, loan and deposits, call loan to banks, investment, receivables and derivatives. KGI Bank maintains a diversified portfolio, limits its exposure on a continuous basis. The information on the significant concentration of credit risk of discount and loans at KGI Bank based on industry, land and collateral is as follows:

a) By object

Object	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Public and private enterprise	$ 213,884,145	67.39	$ 197,705,315	66.42	$ 185,837,386	68.77
Natural person	103,158,205	32.51	99,643,651	33.47	83,979,009	31.07
Non-profit organization	315,400	0.10	325,866	0.11	432,368	0.16
Total	$ 317,357,750	100.00	$ 297,674,832	100.00	$ 270,248,763	100.00

b) By region

Object	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Domestic	$ 240,135,597	75.67	$ 225,941,825	75.90	$ 211,668,127	78.32
Overseas	77,222,153	24.33	71,733,007	24.10	58,580,636	21.68
Total	$ 317,357,750	100.00	$ 297,674,832	100.00	$ 270,248,763	100.00

c) By collateral

Collateral	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Non-collateral	$ 195,869,570	61.72	$ 178,769,206	60.06	$ 169,706,151	62.80
Collateral						
Financial collateral	7,349,655	2.32	6,857,650	2.30	6,431,716	2.38
Property	93,952,952	29.60	89,144,353	29.95	72,854,571	26.96
Guarantee	14,278,150	4.50	16,997,483	5.71	15,703,730	5.81
Other	5,907,423	1.86	5,906,140	1.98	5,552,595	2.05
Total	$ 317,357,750	100.00	$ 297,674,832	100.00	$ 270,248,763	100.00

7) The analysis of financial assets credit quality and impairment of overdue credit

Some financial assets held by KGI Bank and its subsidiaries such as cash and cash equivalents, due from Central Bank and call loan to banks, securities purchased under resell agreements, part of receivable and other financial assets, refundable deposits, operation guarantee deposits and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

Apart from the abovementioned, the analysis of remaining financial assets quality is as follows:

a) Discount, loans and receivables

December 31, 2017	Neither Overdue Nor Impaired Amount (A)	Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Amount (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	Without Objective Evidence of Impairment	
Receivables							
- credit card and credit business	$ 15,698,179	$ 43,486	$ 64,953	$ 15,806,618	$ 37,122	$ 194,872	$ 15,574,624
- other	5,978,176	23,637	1,726,487	7,728,300	1,187,957	48,277	6,492,066
Discount and loans	295,523,731	1,215,585	935,516	297,674,832	486,258	3,438,273	293,750,301

March 31, 2017	Neither Overdue Nor Impaired Amount (A)	Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Amount (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	Without Objective Evidence of Impairment	
Receivables							
- credit card and credit business	$ 18,654,586	$ 40,740	$ 62,379	$ 18,757,705	$ 39,352	$ 239,500	$ 18,478,853
- other	6,883,357	128,992	1,795,215	8,807,564	1,169,366	67,291	7,570,907
Discount and loans	267,725,707	1,457,540	1,065,516	270,248,763	497,869	3,099,009	266,651,885

Note: The total of discounts and loans is the original amount without the adjustments for premiums or discounts.

b) When the discount and loan of KGI Bank incurs no overdue nor impaired, the analysis is based on the credit quality of the client

December 31, 2017	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 27,762,808	$ 12,031,615	$ 158,841	$ -	$ 39,953,264
- cash card	8,177,519	2,800,191	571,461	2,313,105	13,862,276
- micro credit loans	18,203,312	2,402,956	131,530	87,718	20,825,516
- other-secured	18,557,903	1,612,323	75,362	77,038	20,322,626
- other - unsecured	36,502	-	-	-	36,502
Corporate banking					
- secured	13,679,272	19,220,389	23,656,679	2,300,147	58,856,487
- unsecured	34,207,906	67,845,728	33,107,571	6,505,855	141,667,060
Total	$ 120,625,222	$ 105,913,202	$ 57,701,444	$ 11,283,863	$ 295,523,731

March 31, 2017	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 21,473,022	$ 8,347,896	$ 108,287	$ -	$ 29,929,205
- cash card	8,158,681	2,578,235	540,941	2,689,194	13,967,051
- micro credit loans	16,513,412	2,118,840	144,920	78,480	18,855,652
- other-secured	15,717,763	1,521,434	105,168	41,603	17,385,968
- other - unsecured	41,177	-	-	2,515	43,692
Corporate banking					
- secured	14,274,542	20,617,187	17,140,490	695,071	52,727,290
- unsecured	28,606,287	76,506,507	28,433,884	1,270,171	134,816,849
Total	$ 104,784,884	$ 111,690,099	$ 46,473,690	$ 4,777,034	$ 267,725,707

December 31, 2017	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 747,269	$ 530,405	$ 623,286	$ 643,356	$ 2,544,316
- forfeiting	803,084	1,399,341	-	2,197,695	4,400,120
- accounts receivable factoring - no recourse	5,220,381	2,545,856	414,862	313,992	8,495,091
- acceptances	-	233,900	24,752	-	258,652
Total	$ 6,770,734	$ 4,709,502	$ 1,062,900	$ 3,155,043	$ 15,698,179

March 31, 2017	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 696,307	$ 515,581	$ 680,487	$ 445,420	$ 2,337,795
- forfeiting	1,979,384	1,893,175	-	3,039,486	6,912,045
- accounts receivable factoring - no recourse	5,676,865	3,526,259	-	91,686	9,294,810
- acceptances	-	43,787	66,149	-	109,936
Total	$ 8,352,556	$ 5,978,802	$ 746,636	$ 3,576,592	$ 18,654,586

c) Securities investment credit quality analysis

December 31, 2017	Neither Overdue Nor Impaired				Overdue but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Amount (A)+(B)+ (C)-(D)
	Excellent	Good	Normal	Total (A)					
Available-for-sale financial assets									
- investment in bonds	$ 91,497,295	$ -	$ -	$ 91,497,295	$ -	$ -	$ 91,497,295	$ -	$ 91,497,295
- Negotiable CDs	30,834,526	-	-	30,834,526	-	-	30,834,526	-	30,834,526
Debt instrument with no active market	5,523,388	-	-	5,523,388	-	-	5,523,388	-	5,523,388

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $5,865,555 thousand, loss on valuation of $534,881 thousand and accumulated impairment of $0 thousand.

Note 2: Financial assets measured at cost have an initial cost of $296,423 thousand and accumulated impairments of $40,764 thousand.

March 31, 2017	Neither Overdue Nor Impaired				Overdue but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Amount (A)+(B)+ (C)-(D)
	Excellent	Good	Normal	Total (A)					
Available-for-sale financial assets									
- investment in bonds	$ 100,005,376	$ -	$ -	$ 100,005,376	$ -	$ -	$ 100,005,376	$ -	$ 100,005,376
- others	23,801,274	-	-	23,801,274	-	-	23,801,274	-	23,801,274
Debt instrument with no active market	2,153,856	-	-	2,153,856	-	-	2,153,856	-	2,153,856

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $5,961,062 thousand, loss on valuation of $458,953 thousand and accumulated impairment of $0 thousand.

Note 2: Financial assets measured at cost have an initial cost of $296,423 thousand and accumulated impairments of $40,764 thousand.

8) Aging analysis of financial assets overdue but not yet impaired

Delays in processing payments by borrowers and other administrative reasons could result in financial assets overdue but not yet impaired. According to KGI Bank's credit regulations, financial assets overdue within 90 days are not considered as impairment, unless other evidence supported.

The aging analysis of KGI Bank's financial assets overdue but not yet impaired is as follows:

	December 31, 2017		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 22,548	$ 20,938	$ 43,486
Discount and loans			
Consumer banking			
- mortgage loans	224,158	41,454	265,612
- cash card	264,761	58,552	323,313
- small-scale credit loans	303,909	92,686	396,595
- other - secured	116,562	41,731	158,293
- other - unsecured	654	-	654
Corporate banking			
- secured	46,112	625	46,737
- unsecured	24,172	209	24,381

	March 31, 2017		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 21,890	$ 18,850	$ 40,740
Discount and loans			
Consumer banking			
- mortgage loans	394,005	39,946	433,951
- cash card	265,443	56,197	321,640
- small-scale credit loans	379,652	59,361	439,013
- other - secured	169,720	19,517	189,237
- other - unsecured	1,316	-	1,316
Corporate banking			
- secured	5,110	5,243	10,353
- unsecured	30,376	31,654	62,030

9) Analysis of impairment for financial assets

KGI Bank and subsidiaries' analysis of impairment for discounts, loans and receivables and accumulated impairment are as follows:

Items		Discounts and Loans		Allowance for Bad Debts	
		December 31, 2017	**March 31, 2017**	**December 31, 2017**	**March 31, 2017**
With objective evidence of impairment	Assessment of individual impairment	$ 184,525	$ 353,240	$ 42,374	$ 74,141
	Assessment of collective impairment	750,991	712,276	443,884	423,728
Without objective evidence of impairment	Assessment of collective impairment	296,739,316	269,183,247	3,438,273	3,099,009
Total		297,674,832	270,248,763	3,924,531	3,596,878

Items		Receivables		Allowance for Bad Debts	
		December 31, 2017	**March 31, 2017**	**December 31, 2017**	**March 31, 2017**
With objective evidence of impairment	Assessment of individual impairment	$ 1,707,936	$ 1,780,754	$ 1,173,526	$ 1,157,791
	Assessment of collective impairment	83,504	76,840	51,553	50,927
Without objective evidence of impairment	Assessment of collective impairment	21,743,478	25,707,675	243,149	306,791
Total		23,534,918	27,565,269	1,468,228	1,515,509

10) Management of foreclosed collateral

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

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

KGI Bank's foreclosed collateral includes securities, land and property. As of March 31, 2018, December 31, 2017 and March 31, 2017, the carrying amounts of the collaterals both were $0 thousand. The foreclosed collateral recognized as other assets in balance sheet.

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

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

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

Item			March 31, 2017				
			Nonperforming Loan (NPL) (Note 1)	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 130,479	$ 52,865,255	0.25%	$ 635,293	486.89%
	Unsecured		305,016	135,180,249	0.23%	1,624,489	532.59%
Consumer loan	Mortgage (Note 4)		46,665	30,412,480	0.15%	406,797	871.73%
	Cash card		165,889	14,629,994	1.13%	398,677	240.33%
	Micro credit (Note 5)		141,442	19,532,198	0.72%	295,867	209.18%
	Other (Note 6)	Secured	11,878	17,582,923	0.07%	235,144	1,979.64%
		Unsecured	656	45,664	1.44%	611	93.09%
Total			802,025	270,248,763	0.30%	3,596,878	448.47%
			Overdue Receivable	**Account Receivable**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			$ 22,365	$ 2,440,015	0.92%	$ 49,264	220.27%
Account receivable - factored without recourse (Note 7)			13	9,294,890	0.00%	131,062	1,042,575.66%

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."

Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL ratio = Nonperforming loans ÷ Total loan balance.

For credit card business: Delinquency ratio = Overdue credit card receivables ÷ Credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Overdue credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower or the spouse or the minor children of the borrower.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, except for credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. 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 factored without recourse.

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

Items	**March 31, 2018**		**March 31, 2017**	
	Discounts and Loans	**Accounts Receivable**	**Discounts and Loans**	**Accounts Receivable**
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 12,655	$ 156	$ 33,261	$ 160
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	48,174	5,004	39,151	4,788
Total	$ 60,829	$ 5,160	72,412	4,948

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 (Ref. No. 09510001270).

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

c) Concentration of KGI Bank’s credit extensions

December 31, 2018

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	**Group (Industry Category)**	**Total Credit**	**Percentage of Net Worth**
1	A Group - 011850 manufacture of man-made fibers	$ 7,409,616	12.18
2	B Group - 012719 manufacture of computers	6,129,370	10.07
3	C Group - 012711 manufacture of computers	4,664,131	7.66
4	D Group - 016700 real estate brokerage	4,330,000	7.12
5	E Group - 012411 smelting and refining of iron and steel	3,552,231	5.84
6	F Group - 016700 real estate brokerage	3,476,837	5.71
7	G Group - 012740 manufacture of magnetize and optical media	3,250,000	5.34
8	H Group - 012712 manufacture of display and terminal	3,060,805	5.03
9	I Group - 014510 wholesale on a fee or contract basis	2,912,000	4.79
10	J Group - 011850 manufacture of man-made fibers	2,802,222	4.60

March 31, 2017

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 011850 manufacture of man-made fibers	$ 4,903,777	8.14
2	C Group - 012711 manufacture of computers	4,301,793	7.14
3	K Group - 015100 air transport	3,754,795	6.23
4	L Group - 016611 securities firms	3,470,040	5.76
5	G Group - 012740 manufacture of magnetic and optical media	3,400,000	5.64
6	E Group - 012411 smelting and refining of iron and steel	3,161,693	5.25
7	M Group - 010850 manufacture of dairy products	3,044,000	5.05
8	I Group - 014510 wholesale on a fee or contract basis	3,033,600	5.04
9	H Group - 012641 manufacture of liquid crystal panel and components	2,986,006	4.96
10	B Group - 012641 manufacture of liquid crystal panel and components	2,915,837	4.84

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

<u>Credit business</u>

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 the following:

a) Quantitative index

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

b) Qualitative index

i. Changing in 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 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.

The various types of credit assets of KGI Bank which do not be regarded as low credit risk can be assumed that the credit risk has not increased significantly since the initial recognition.

13) Definition of default and impaired credit of financial assets

The definition of the credit assets default 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

The borrower overdue payment of the contract for more than 90 days.

b) Qualitative index

If there is evidence that the borrower will be unable to pay, 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 in a KGI bank reclassifies to nonperforming loans or writes off bad debts.

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.

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 is used the relevant impairment assessment model.

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

KGI Bank's definition of default and credit impairment for financial asset and debt instruments:

If the credit risk of the debt instrument has increased significantly, or the credit rating is obviously deteriorated, it is regarded as an impaired credit asset. Besides, front-end transaction unit examines various objective evidences (e.g., the relevant institution has incurred interest payments or repayment of the principal amount has defaulted or overdue), that indicate the debt instrument may have a real credit derogation deemed as a breach of contract.

14) 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 the statutory write-off is reached.

b) There is a need to expedite the reduction of non-performing loans or for certain businesses which comply with the requirements of the administration.

c) Written off by the competent authority or the financial inspection authority.

d) Although collateral is enlisted, if it is assessed that the disposition of the collateral is not easy or it is difficult to recover from the day-to-day time, the creditor's balance shall be written off to the bad debt within the period under first standard requirement.

e) Unable to recover and obtaining the documentary evidence or supporting documents.

15) Amendment of financial assets contract cash flow

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

KGI Bank measured the loss allowance of discounts and loans for expected credit loss for the three months ended March 31, 2018, the pre-modification amortized costs of the contractual cash flow is $133,483 thousand and the net revision loss is $7,037 thousand.

16) Measurement of expected credit losses

For the purpose of measuring the expected credit losses, KGI Bank divides credit assets into the following combinations according to scale characteristics of corporate banking and product characteristics of consumer banking, listed as follows:

<table>
<tr><th>Business</th><th>Combination</th><th>Definition</th></tr>
<tr><td rowspan="6">Corporate banking</td><td>Large corporation + Stage1</td><td rowspan="2">Credit risk has not increased significantly.</td></tr>
<tr><td>Small and medium enterprises + Stage1</td></tr>
<tr><td>large corporation + Stage2</td><td rowspan="2">Credit risk has increased significantly.</td></tr>
<tr><td>Small and medium enterprises + Stage2</td></tr>
<tr><td>Large corporation + Stage3</td><td rowspan="2">Impaired credits</td></tr>
<tr><td>Small and medium enterprises + Stage3</td></tr>
<tr><td rowspan="3">Consumer banking</td><td>Product + Stage1</td><td>Credit risk has not increased significantly.</td></tr>
<tr><td>Product + Stage2</td><td>Credit risk has increased significantly.</td></tr>
<tr><td>Product + Stage3</td><td>Impaired credits</td></tr>
</table>

KGI Bank measured the allowance for the financial instruments based on the 12-month expected credit losses for financial instruments that did not have a significant increase in credit risk since the initial recognition. For the financial instruments that has been recognized significant increase of credit risk or credit impairment since the initial recognition are measured as full lifetime expected credit losses.

To measure the expected credit losses, KGI Bank took 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 default probability of a borrower (or counterparty) over a period of time; the loss given default is caused by default of the borrower (or counterparty) through the reminder procedure, and cannot recover after the end of the procedure. 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.) to calculate the expected losses probability of default.

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

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

17) 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 type of business, KGI Bank used different overall indicator. The Corporate banking business takes an 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 KGI Bank's credit impairment forecast adopts an external credit migration matrix method to calculate Probability of default (PD), and incorporates the information of forward-looking factors.

18) Off-balance-sheet guarantees and promises for changes in bad debts

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

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 161,030	$ 633	$ -	$ 1,726	$ -	$ 163,389	$ 27,441	$ 190,830
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	-	-	-	-	-	-	-	-
From conversion to credit-impaired financial assets	-	-	-	-	-	-	-	-
To 12-month ECL	-	-	-	-	-	-	-	-
Derecognizing financial assets during the current period	(6,575)	-	-	-	-	(6,575)	-	(6,575)
Purchased or originated new financial assets	15,092	-	-	-	-	15,092	-	15,092
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	8,986	8,986
Write-off	-	-	-	-	-	-	-	-
Recovery of written-off	-	-	-	-	-	-	-	-
Effect of exchange rate changes and others	(1,159)	(1)	-	(3)	-	(1,163)	-	(1,163)
Balance at March 31	$ 168,388	$ 632	$ -	$ 1,723	$ -	$ 170,743	$ 36,427	$ 207,170

KGI Bank and subsidiaries had no significant increase in off-balance-sheet guarantees, letter of credit, and irrevocable contractual commitment credit risk for the three months ended March 31, 2018. Net increase of $1,074,831 thousand change in total book value resulted in off-balance-sheet guarantees and loss allowance for loan commitments increased by $16,340 thousand in comparison to the prior period.

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

There was no significant increase in the credit risk of financial assets measured at amortized cost of KGI Bank and subsidiaries; therefore, the 12-month expected credit losses were used to assess allowance for loss. The retroactive application of IFRS 9 on January 1, 2018 resulted in $2,181 thousand of loss allowance. An increase in the investment position resulted in $3,795 thousand of loss allowance on March 31, 2018.

20) Loss allowance for receivables

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

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 108,302	$ 32,442	$ -	$ 1,232,581	$ -	$ 1,373,325	$ 135,280	$ 1,508,605
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(825)	825	-	-	-	-	-	-
From conversion to credit-impaired financial assets	(695)	(3,210)	-	3,905	-	-	-	-
To 12-month ECL	1,459	(99)	-	(1,360)	-	-	-	-
Derecognizing financial assets during the current period	(22,260)	(1,033)	-	(13)	-	(23,306)	-	(23,306)
Purchased or originated new financial assets	14,994	-	-	1	-	14,995	-	14,995
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	50,255	50,255
Write-off	-	-	-	(15,759)	-	(15,759)	-	(15,759)
Recovery of written-off	-	-	-	26,141	-	26,141	-	26,141
Effect of exchange rate changes and others	(2,571)	(254)	-	(37,797)	-	(40,622)	-	(40,622)
Balance at March 31	$ 98,404	$ 28,671	$ -	$ 1,207,699	$ -	$ 1,334,774	$ 185,535	$ 1,520,309

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

21) Loss allowance for discounts and loans

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

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 1,316,129	$ 129,626	$ -	$ 530,904	$ -	$ 1,976,659	$ 1,952,257	$ 3,928,916
Changes due to financial instruments that have been identified at the beginning of the period:			-		-			
To lifetime ECL	(238)	238	-	-	-	-	-	-
From conversion to credit-impaired financial assets	(51)	(7,710)	-	7,761	-	-	-	-
To 12-month ECL	-	-	-	-	-	-	-	-
Derecognizing financial assets during the current period	(99,723)	(239)	-	(3,688)	-	(103,650)	-	(103,650)
Purchased or originated new financial assets	184,579	-	-	2,734	-	187,313	-	187,313
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	189,541	189,541
Write-off	-	-	-	(99,512)	-	(99,512)	-	(99,512)
Recovery of written-off	-	-	-	187,924	-	187,924	-	187,924
Effect of exchange rate changes and others	(84,171)	(4,474)	-	(65,485)	-	(154,130)	-	(154,130)
Balance at March 31	$ 1,316,525	$ 117,441	$ -	$ 560,638	$ -	$ 1,994,604	$ 2,141,798	$ 4,136,402

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

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

KGI Securities and subsidiaries

Credit risk analysis after January 1, 2018

1) Source of credit risk

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

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

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

2) Credit risk management

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

3) Default and credit derogation definition of financial assets

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

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

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

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

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

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

c) If a credit asset that are assessed to no longer meets the definition of default and credit impairment, it is determined to 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) 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

<u>KGI Securities and domestic subsidiaries</u>

KGI Securities and its domestic subsidiaries use simplified approach of IFRS 9 to measure the allowance losses by full lifetime expected credit losses. The full 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 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.

<u>Overseas subsidiaries</u>

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 full 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, 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 full 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)	Full lifetime expected credit loss
Impaired/default	Ratings below D and impaired	Full 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.

5) The maximum exposures to credit risk of KGI Securities and subsidiaries' financial instruments s that are not subject to impairment are as follows:

	March 31, 2018
Item	Maximum Exposures to Credit Risk
Financial assets at fair value through profit or losses	
Debt instrument	$ 42,040,471
Derivative instrument	2,238,634

6) The estimation techniques or material assumptions used by KGI Securities and subsidiaries to assess expected credit losses did not change significantly for the three months ended March 31, 2018.

Credit risk analysis before January 1, 2018

1) Source of credit risk

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

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

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

2) Internal risk rating

KGI Securities and subsidiaries classify the credit risk of financial Assets into four levels; the definition of each level is listed as follows:

a) Low risk: A debt issuer/counterparty who has a stronger capability to fulfill its financial commitment and is mostly able to repay the principal and interest on the appointed dates in the contract. This counterparty is capable of creating cash flow and is ranked as low risk to KGI Securities.

b) Medium-low risk: A debt issuer/counterparty who has a good capability to fulfill its financial commitment related to the debt with a sound financial structure but its ability to repay on time might be affected by poor economic conditions or changes in the environment. A debt issuer/counterparty like this is ranked as medium-low risk to KGI Securities.

c) Medium risk: A debt issuer/counterparty who has an acceptable capability to fulfill its financial commitment related to the debt but its ability to do so might be affected by poor business operations, financial or economic conditions. An issuer/counterparty like this is ranked as medium risk to KGI Securities.

d) High risk: A debt issuer/counterparty who has a poor capability to fulfill its financial commitment related to the debt and its ability to do so solely depends on its business operation and the stability of the economic environment. A debt issuer/counterparty like this is ranked as high risk to KGI Securities.

The internal credit risk ratings used inside KGI Securities and subsidiaries is not related to external credit ratings. The chart below shows the similarities of the credit quality in KGI Securities' internal rating system and external rating system.

Interior Risk Rating of KGI Securities and Subsidiaries	Taiwan Ratings
Low risk	twAAA - twAA
Medium-low risk	twAA- - twA
Medium risk	twA- - twBBB-
High risk	twBB+ - under twC

3) Quality and past due of financial assets

December 31, 2017

(In Thousands of New Taiwan Dollars)

Financial Assets	Positions That Are Neither Past Due Nor Impaired				Past Due But Unimpaired	Impaired	Impaired Reserve	Total
	Low	Medium-low	Medium	High				
Cash and cash equivalents	$ 15,701,224	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,701,224
Financial assets measured at FVTPL - current	47,977,185	914,741	4,518,462	-	-	-	-	53,410,388
Available-for-sale financial assets - current	11,454	-	-	-	-	-	-	11,454
Bonds purchased under resell agreements	13,644,197	7,384,243	100,688	-	-	-	-	21,129,128
Receivables	50,122,706	11,984,186	986,950	3,228	-	-	-	63,097,070
Customers' margin accounts	23,061,445	-	-	-	-	-	-	23,061,445
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,044,464	484,544	-	-	-	-	-	2,529,008
Other financial assets - current	2,620,785	-	-	-	-	-	-	2,620,785
Other current assets	43,790,374	-	-	-	-	-	-	43,790,374
Financial assets measured at FVTPL - noncurrent	49,998	-	-	-	-	-	-	49,998
Held to maturity Financial assets - noncurrent	-	-	500,000	-	-	-	-	500,000
Others noncurrent assets	3,122,448	40,299	50,000	-	-	-	-	3,212,747
Total	$ 202,146,280	$ 20,808,013	$ 6,156,100	$ 3,228	$ -	$ -	$ -	$ 229,113,621
Percentage	88.23%	9.08%	2.69%	0.00%	-	-	-	100.00%

March 31, 2017

(In Thousands of New Taiwan Dollars)

Financial Assets	Positions That Are Neither Past Due Nor Impaired				Past Due But Unimpaired	Impaired	Impaired Reserve	Total
	Low	Medium-low	Medium	High				
Cash and cash equivalents	$ 11,654,352	$ -	$ 97,910	$ -	$ -	$ -	$ -	$ 11,752,262
Financial assets measured at FVTPL - current	49,238,721	268,871	4,100,769	-	-	-	-	53,608,361
Available-for-sale financial assets - current	11,292	-	-	-	-	-	-	11,292
Bonds purchased under resell agreements	30,332,541	7,152,003	-	-	-	-	-	37,484,544
Receivables	56,244,897	9,529,456	406,914	11,898	-	-	-	66,193,165
Customers' margin accounts	38,524,875	-	-	-	-	-	-	38,524,875
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,095,972	273,836	-	-	-	-	-	2,369,808
Other financial assets - current	6,334,859	39,000	-	-	-	-	-	6,373,859
Other current assets	28,482,536	-	-	-	-	-	-	28,482,536
Financial assets measured at FVTPL - noncurrent	50,031	-	-	-	-	-	-	50,031
Held to maturity Financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,313,404	-	50,000	-	-	-	-	3,363,404
Total	$ 226,283,480	$ 17,263,166	$ 4,955,593	$ 11,898	$ -	$ -	$ -	$ 248,514,137
Percentage	91.05%	6.95%	2.00%	0.00%	-	-	-	100.00%

4) Disclosure of total book value and allowance loss for financial assets' expected credit loss

a) Summary of KGI Securities and subsidiaries' total book value and allowance loss as of March 31, 2018 are listed as follows:

	Total Book Value	Less: Allowance Loss	Total
Financial assets at fair value through other comprehensive income - current	$ 6,744,020	$ (1,148)	$ 6,742,872
Financial assets measured at amortized cost			
Receivable on margin loans	35,105,619	(2,816)	35,102,803
Trading securities receivable	7,192,976	(1,294)	7,191,682
Accounts receivable - futures guarantee deposits	207,608	(182,328)	25,280
Accounts receivable	27,937,612	(1,570)	27,936,042
Cash and cash equivalents	11,921,325	(37)	11,921,288
Customers' margin accounts	21,691,293	(443)	21,690,850
Other current assets	49,190,259	(7,993)	49,182,266

(Continued)

	Total Book Value	Less: Allowance Loss	Total
Financial assets measured at amortized cost - non-current	$ 500,000	$ (3,398)	$ 496,602
Other noncurrent assets	2,144,619	(1,745,377)	399,242
	155,891,311	(1,945,256)	153,946,055
	$ 162,635,331	(1,946,404)	$ 160,688,927

(Concluded)

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

i. Financial assets at fair value through other comprehensive income

	12 Months Expected Credit Loss
January 1, 2018 (IAS 39)	$ -
Adjustment to IFRS 9	293
January 1, 2018 (IFRS 9)	293
Impairment loss	859
Change in exchange rate	(4)
March 31, 2018	$ 1,148

ii. Financial assets measured at amortized cost

	12 Months Expected Credit Loss	Full Lifetime Expected Credit Loss (Collective)	Credit Impaired Financial Assets (Full Lifetime Expected Credit Loss)	Full Lifetime Expected Credit Loss (Simplify)	Total
January 1, 2018 (IAS 39)	$ -	$ -	$ 1,842,138	$ 806	$ 1,842,944
Adjustment to IFRS 9	13,036	2	13	3,003	16,054
January 1, 2018 (IFRS 9)	13,036	2	1,842,151	3,809	1,858,998
Addition (reversal)	9	-	94,224	(161)	94,072
Written - off	-	-	(3)	-	(3)
Change in exchange rate	(200)	-	(7,611)	-	(7,811)
March 31, 2018	$ 12,845	$ 2	$ 1,928,761	$ 3,648	$ 1,945,256

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

CDIB Capital Group and subsidiaries

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

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

<u>China Life Insurance</u>

- 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 receivables arising from transactions within the scope of IFRS 15, which allowance are measured by full 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 full 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.

The allowance losses of receivables arising from transactions within the scope of IFRS 15 are measured by its expected credit losses for its full 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

i. The largest credit risk exposure of the financial debt instrument investments held by China Life Insurance or deposit in the bank is listed in accordance with the regional distribution as follows:

March 31, 2018

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

December 31, 2017

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$ 37,942,583	$ 2,655,757	$ 4,113,469	$ -	$ -	$ 44,711,809
Financial assets at fair value through profit or loss	244,566	-	-	-	-	244,566
Available-for-sale financial assets	130,195,274	47,346,210	32,785,699	51,139,887	1,662,034	263,129,104
Debt instrument investments for which no active market exists	90,963,102	140,614,283	156,877,446	228,488,478	15,508,541	632,451,850
Held-to-maturity financial assets	23,460,391	43,333,988	31,667,515	96,300,984	-	194,762,878
Refundable deposits - bonds	5,982,395	-	-	-	-	5,982,395
Total	$ 288,788,311	$ 233,950,238	$ 225,444,129	$ 375,929,349	$ 17,170,575	$ 1,141,282,602
Proportion	25.30%	20.50%	19.75%	32.94%	1.51%	100.00%

ii. China Life Insurance's regional distribution of credit risk exposure for secured loans and overdue receivables is as follows:

March 31, 2018

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

December 31, 2017

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	$ 825,222	$ 416,195	$ 389,765	$ 1,631,182
Overdue receivables	-	-	-	-
Total	$ 825,222	$ 416,195	$ 389,765	$ 1,631,182
Proportion	50.59%	25.52%	23.89%	100.00%

3) Financial asset credit quality and overdue impairment analysis

The following is the analysis of China Life Insurance's financial assets' credit quality and overdue losses in accordance with IAS 39.

i. 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:

i) Investment grade means credit rating reaches at least BBB- granted by a credit rating agency.

ii) Non-investment grade means no credit rating or credit rating lower than BBB-granted by a credit rating agency.

iii) Impaired means China Life Insurance or the object fails to perform its obligations. China Life Insurance estimates the impairment criteria in accordance with potential losses.

China Life Insurance's financial instruments are classified into normal assets, past due but not impaired and impaired according to credit quality, listed as follows:

March 31, 2018

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

December 31, 2017

Financial Assets	Normal Assets: Investment Grade	Normal Assets: Non-investment Grade	Past Due But Not Impaired	Impaired	Total
Cash and cash equivalents	$ 44,711,809	$ -	$ -	$ -	$ 44,711,809
Financial assets at fair value through profit or loss	244,566	-	-	-	244,566
Available-for-sale financial assets	263,129,104	-	-	-	263,129,104
Debt instrument investments for which no active market exists	632,451,850	-	-	-	632,451,850
Held-to-maturity financial assets	194,762,878	-	-	-	194,762,878
Refundable deposits	5,982,395	-	-	-	5,982,395
	$ 1,141,282,602	$ -	$ -	$ -	$ 1,141,282,602
Proportion	100.00%	-	-	-	100.00%

ii. China Life Insurance classifies the risk of secured loans to evaluate whether there is objective evidence indicating impairment and whether there is observable information indicating credit deterioration of the borrower. The credit classification is defined as follows:

i) Normal users: The borrower makes monthly payment within 30 days after the due date. There is no sign of credit deterioration, so the borrower can make payments continuously.

ii) Worsening solvency: There is no objective evidence indicating impairment. However, the borrower has financial difficulty and credit deterioration. The borrower enters in financial reorganization such as conducting a repayment agreement, preceding compromise, liquidation or debt settlement proceedings, indicating the borrower's capacity to make payment worsens.

iii) Delayed users: The borrower makes monthly payment in 31 to 90 days after the due date. The borrower is lack of contractual capacity since the borrower fails to make payment on time under the terms of the loan contract.

iv) Past due but not impaired: The borrower makes monthly payment over 91 days after the due date. There is objective evidence indicating impairment and China Life Insurance should evaluate the asset for impairment. The present value of estimated future cash flows (including disposal of collateral) is higher than the book value of the loan, indicating the asset is not impaired.

v) Past due and impaired: The overdue day meets the standard of overdue loans. There is objective evidence indicating impairment and China Life Insurance should evaluate the asset for impairment. The present value of estimated future cash flows (including disposal of collateral) is lower than the book value of the loan, indicating the asset is impaired.

Secured loans listed according to the above levels are as follows:

December 31, 2017

Secured Loans and Overdue Receivables	Low risk	Potential Risk Account					
	Normal Users	Worsening Solvency	Delayed Users	Past Due But Not Impaired	Past Due and Impaired	Provision for Impairment	Total
Consumer finance	$ 1,646,887	$ 18,938	$ 7,307	$ -	$ -	$ 41,950	$ 1,631,182
Corporate finance	-	-	-	-	-	-	-
	$ 1,646,887	$ 18,938	$ 7,307	$ -	$ -	$ 41,950	$ 1,631,182

Aging analysis for net amount of secured loans is as follows:

	Neither Delayed Nor Impaired	Delayed But Not Impaired	Past Due or Impaired		
	Within 30 Days	31-90 Days	91-180 Days	Over 181 Days	Total
2017.12.31	$ 1,624,021	$ 7,161	$ -	$ -	$ 1,631,182

4) Disclosure of total book value and allowance loss for financial assets' expected credit loss

China Life Insurance assesses its debt investments at fair value through other comprehensive income, debt investments measured at amortized cost and other receivables on March 31, 2018. The assessment indicates those investments belongs to lower credit risk which is the same as the initial assessment. Therefore, the 12-month expected credit loss (loss rate 0.00%-0.16%) is used to measure the amount of allowance loss. Changes in allowance losses for the three months ended March 31, 2018 are as follows:

	At Fair Value Through Other Comprehensive Income	At Amortized Cost	Other Receivables
January 1, 2018	$ 18,150	$ 69,784	$ 757
Disposal	(2,285)	(1,068)	(373)
Addition	2,519	4,741	350
Change in model/risk factors	(957)	(5,257)	(34)
Change in exchange rate and others	(263)	(1,210)	(5)
March 31, 2018	$ 17,164	$ 66,990	$ 695

For the three months ended March 31, 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. However, due to the increase in the credit rating of some issuers, there was a net decrease in allowance losses.

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

Credit Risk Ratings	Measurement of Expected Credit Loss	Loans
Low credit risk	12 months expected credit loss	$ 1,512,423
Credit risk significantly increase	Full lifetime expected credit loss	10,432
Impairment	Full lifetime expected credit loss	20,410
Total book value		$ 1,543,265

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

	12 Months Expected Credit Loss	Full Lifetime Expected Credit Loss - Collective	Full 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, 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 full lifetime expected credit loss	(4)	-	4	-	-	-
Disposal	(79)	-	(13)	(92)	-	(92)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(1,895)	(1,895)
Change in exchange rate and others	-	3,538	75	3,613	-	3,613
March 31, 2018	$ 929	$ 20,353	$ 417	$ 21,699	$ 21,877	$ 43,576

The allowance loss of China Life Insurance's accounts receivables arising from the transactions within the scope of IFRS 15 are measured by full lifetime expected credit loss. Changes in allowance losses of receivables for the three months ended March 31, 2018 are as follows:

	Receivables
January 1, 2018	$ 724
Addition (reversal)	106
Written-off due to uncollectable	-
March 31, 2018	$ 830

c. Liquidity risk

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

Liquidity risk of the 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, discounts and loans, and available-for-sale financial assets.

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.

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

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 13,674,126	$ 228,883	$ 247,104	$ 332,409	$ -	$ 14,482,522
Notes and bonds issued under repurchase agreement	3,860,000	1,471,476	-	-	-	5,331,476
Deposits and remittances	48,460,575	81,507,923	44,251,682	52,244,104	22,537,387	249,001,671
Bank debentures payable	-	-	-	-	1,000,000	1,000,000
Other capital outflow on maturity	2,441,434	719,738	412,288	440,011	544,546	4,558,017
Total	$ 68,436,135	$ 83,928,020	$ 44,911,074	$ 53,016,524	$ 24,081,933	$ 274,373,686

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 8,131,049	$ 222,690	$ 144,863	$ 811,745	$ -	$ 9,310,347
Notes and bonds issued under repurchase agreement	22,164,280	2,961,632	-	-	-	25,125,912
Deposits and remittances	33,723,867	82,885,983	33,007,896	63,319,508	25,410,909	238,348,163
Bank debentures payable	-	-	-	2,750,000	-	2,750,000
Other capital outflow on maturity	2,200,806	244,468	314,845	604,269	520,109	3,884,497
Total	$ 66,220,002	$ 86,314,773	$ 33,467,604	$ 67,485,522	$ 25,931,018	$ 279,418,919

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 270,000	$ 140,000	$ 45,000	$ -	$ -	$ 455,000
Notes and bonds issued under repurchase agreement	242,013	978,842	67,705	-	-	1,288,560
Deposits and remittances	1,543,470	696,629	458,433	998,432	89	3,697,053
Bank debentures payable	-	-	-	-	583,556	583,556
Other capital outflow on maturity	33,284	18,330	6,844	1,961	84,454	144,873
Total	$ 2,088,767	$ 1,833,801	$ 577,982	$ 1,000,393	$ 668,099	$ 6,169,042

(In Thousands of U.S. Dollars)

March 31, 2017	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	$ 145,000	$ 50,000	$ -	$ -	$ 430,000
Notes and bonds issued under repurchase agreement	676,306	455,776	-	-	-	1,132,082
Deposits and remittances	1,059,817	690,356	758,129	717,129	26,163	3,251,594
Bank debentures payable	-	-	-	-	560,804	560,804
Other capital outflow on maturity	27,124	12,705	4,940	954	150,648	196,371
Total	$ 1,998,247	$ 1,303,837	$ 813,069	$ 718,083	$ 737,615	$ 5,570,851

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:

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

December 31, 2017	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	$ (199,409,025)	$ (277,117,930)	$ (135,180,509)	$ (91,264,010)	$ (4,671,300)	$ (707,642,774)
Cash inflow	189,405,927	255,970,080	133,687,744	88,661,268	4,671,300	672,396,319
Interest rate derivatives instruments						
Cash outflow	(192,636)	(414,702)	(318,008)	(2,424)	(14,701,217)	(15,628,987)
Cash inflow	176,526	430,372	14,089	-	-	620,987
Cash outflow subtotal	(199,601,661)	(277,532,632)	(135,498,517)	(91,266,434)	(19,372,517)	(723,271,761)
Cash inflow subtotal	189,582,453	256,400,452	133,701,833	88,661,268	4,671,300	673,017,306
Net cash flow	$ (10,019,208)	$ (21,132,180)	$ (1,796,684)	$ (2,605,166)	$ (14,701,217)	$ (50,254,455)

March 31, 2017	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	$ (250,242,603)	$ (239,199,330)	$ (165,771,502)	$ (36,621,451)	$ (4,998,300)	$ (696,833,186)
Cash inflow	221,715,354	226,785,312	160,683,690	37,278,926	4,671,300	651,134,582
Interest rate derivatives instruments						
Cash outflow	(236,417)	(450,671)	(17,522)	(909,189)	(17,523,076)	(19,136,875)
Cash inflow	206,896	440,154	17,169	-	-	664,219
Others						
Cash outflow	-	-	-	-	-	-
Cash inflow	20,802	-	-	-	-	20,802
Cash outflow subtotal	(250,479,020)	(239,650,001)	(165,789,024)	(37,530,640)	(22,521,376)	(715,970,061)
Cash inflow subtotal	221,943,052	227,225,466	160,700,859	37,278,926	4,671,300	651,819,603
Net cash flow	$ (28,535,968)	$ (12,424,535)	$ (5,088,165)	$ (251,714)	$ (17,850,076)	$ (64,150,458)

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (7,089,091)	$ (9,185,379)	$ (4,702,153)	$ (3,255,039)	$ (174,400)	$ (24,406,062)
Cash inflow	7,808,458	9,763,212	4,716,875	3,294,657	174,400	25,757,602
Interest rate derivatives instruments						
Cash outflow	(27,159)	(61,388)	(54,912)	(6,757)	(22,015)	(172,231)
Cash inflow	28,842	61,674	35,369	550	-	126,435
Others						
Cash outflow	(2)	-	-	-	-	(2)
Cash inflow	15	-	-	-	-	15
Cash outflow subtotal	(7,116,252)	(9,246,767)	(4,757,065)	(3,261,796)	(196,415)	(24,578,295)
Cash inflow subtotal	7,837,315	9,824,886	4,752,244	3,295,207	174,400	25,884,052
Net cash flow	$ 721,063	$ 578,119	$ (4,821)	$ 33,411	$ (22,015)	$ 1,305,757

(In Thousands of U.S. Dollars)

March 31, 2017	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	$ (8,173,552)	$ (7,839,589)	$ (5,705,291)	$ (1,659,609)	$ (286,278)	$ (23,664,319)
Cash inflow	9,266,551	8,252,492	5,805,723	1,531,752	312,354	25,168,872
Interest rate derivatives instruments						
Cash outflow	(24,558)	(53,290)	(22,907)	(6,124)	(20,825)	(127,704)
Cash inflow	21,511	49,776	31,873	986	-	104,146
Others						
Cash outflow	(475)	-	-	-	-	(475)
Cash inflow	144	-	-	-	-	144
Cash outflow subtotal	(8,198,585)	(7,892,879)	(5,728,198)	(1,665,733)	(307,103)	(23,792,498)
Cash inflow subtotal	9,288,206	8,302,268	5,837,596	1,532,738	312,354	25,273,162
Net cash flow	$ 1,089,621	$ 409,389	$ 109,398	$ (132,995)	$ 5,251	$ 1,480,664

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. The disclosures in the table below are prepared based on the contractual cash flows. Therefore, the partial accounts illustrated below may not match with the corresponding accounts on the balance sheets.

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees and letters of credit	$ 7,006,764	$ 7,533,140	$ 7,835,532	$ 28,630,555	$ 43,435,442	$ 94,441,433

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees and letters of credit	$ 5,439,604	$ 7,515,960	$ 7,969,697	$ 28,447,836	$ 43,982,726	$ 93,355,823

March 31, 2017	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	$ 3,975,028	$ 6,836,574	$ 8,663,681	$ 30,739,735	$ 46,725,348	$ 96,940,366

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 was as follows:

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

December 31, 2017	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 2,111,269	$ 2,053,551	$ -	$ 4,164,820
Financial lease present value income (lessor)	1,994,828	1,956,206	-	3,951,034
Operating lease payment (lessee)	324,587	577,781	73,273	975,641
Operating lease income (lessor)	11,481	11,466	-	22,947
Present value of financial lease payment (lessee)	8	3,154	-	3,162

March 31, 2017	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 2,916,815	$ 2,730,182	$ -	$ 5,646,997
Financial lease present value income (lessor)	2,732,093	2,601,509	-	5,333,602
Operating lease payment (lessee)	297,276	647,552	-	944,828
Operating lease income (lessor)	16,376	18,850	-	35,226
Present value of financial lease payment (lessee)	384	-	-	384

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

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

March 31, 2017	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 147,909,159	$ 255,434,468	$ 266,017,423	$ 193,185,861	$ 71,757,265	$ 115,246,089	$1,049,550,265
Main capital outflow on maturity	132,808,674	193,644,411	345,082,768	223,734,906	167,158,307	199,228,609	1,261,657,675
Gap	15,100,485	61,790,057	(79,065,345)	(30,549,045)	(95,401,042)	(83,982,520)	(212,107,410)

b) Maturity analysis of assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 10,380,967	$ 9,120,754	$ 6,375,270	$ 2,043,938	$ 2,042,695	$ 29,963,624
Main capital outflow on maturity	10,440,985	9,685,024	7,194,378	3,599,821	3,039,937	33,960,145
Gap	(60,018)	(564,270)	(819,108)	(1,555,883)	(997,242)	(3,996,521)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

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

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

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

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

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

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2017	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,197,630	$ 9,503,594	$ -	$ -	$ -	$ 15,701,224
Financial assets measured at FVTPL - current	52,603,579	1,680,289	11,839,587	298,687	105,692	66,527,834
Financial assets at cost - current	464,219	-	-	-	-	464,219
Available-for-sale financial assets - current	3,074,580	-	294,439	-	-	3,369,019
Securities purchased under resell agreement	-	21,145,230	-	-	-	21,145,230
Receivable	32,683,905	5,802,279	21,436,030	3,174,856	-	63,097,070
Customers' margin accounts	23,061,445	-	-	-	-	23,061,445
Stock borrowing collateral price and guarantee deposits - borrowed securities	642,043	781,381	1,105,584	-	-	2,529,008
Other financial assets - current	-	-	2,620,785	-	-	2,620,785
Current tax assets	-	-	5,428	2,188	569,624	577,240
Other current assets	42,812,176	516,276	461,922	-	-	43,790,374
Financial assets measured at FVTPL - noncurrent	-	-	50,188	-	-	50,188
Financial assets at cost - noncurrent	-	-	-	-	987,613	987,613
Available-for-sale financial assets - noncurrent	-	-	-	336,654	456,900	793,554
Held-to-maturity financial assets - noncurrent	-	-	-	-	500,000	500,000
Investments accounted for using the equity method	-	-	-	-	13,535,865	13,535,865
Others noncurrent assets	-	100,000	-	469,402	2,683,642	3,253,044
Total	$ 161,539,577	$ 39,529,049	$ 37,813,963	$ 4,281,787	$ 18,839,336	$ 262,003,712
Percentage	61.66%	15.09%	14.43%	1.63%	7.19%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2017	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 20,036,492	$ -	$ -	$ -	$ 20,036,492
Commercial papers payable, net	-	8,625,804	-	-	-	8,625,804
Financial liabilities measured at FVTPL - current	2,763,476	1,687,810	6,535,931	1,149,735	105,692	12,242,644
Bonds issued under repurchase agreements	-	54,764,877	-	-	-	54,764,877
Payables	59,132,885	1,190,292	5,390,025	156,221	-	65,869,423
Guarantee deposits - borrowed securities	-	4,781,100	7,648,001	-	-	12,429,101
Futures customers' equity	23,041,948	-	-	-	-	23,041,948
Other current liabilities	831,705	1,182,278	2,656,192	298	-	4,670,473
Other financial liabilities - current	-	4,101,044	-	231,030	-	4,332,074
Current tax liabilities	-	-	123,071	-	574,191	697,262
Noncurrent liabilities due in one year or an operating cycle	-	-	2,200,000	-	-	2,200,000
Bonds payable	-	-	-	4,800,000	-	4,800,000
Provisions - noncurrent	-	-	-	22,878	197,705	220,583
Others noncurrent liabilities	-	-	-	729,102	133,782	862,884
Total	$ 85,770,014	$ 96,369,697	$ 24,553,220	$ 7,089,264	$ 1,011,370	$ 214,793,565
Percentage	39.93%	44.87%	11.43%	3.30%	0.47%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2017	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 161,539,577	$ 39,529,049	$ 37,813,963	$ 4,281,787	$ 18,839,336	$ 262,003,712
Cash outflow	85,770,014	96,369,697	24,553,220	7,089,264	1,011,370	214,793,565
Amount of cash flow gap	$ 75,769,563	$ (56,840,648)	$ 13,260,743	$ (2,807,477)	$ 17,827,966	$ 47,210,147

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

March 31, 2017	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,558,929	$ 5,193,333	$ -	$ -	$ -	$ 11,752,262
Financial assets measured at FVTPL - current	53,680,140	3,382,383	11,559,083	395,638	159,686	69,176,930
Financial assets at cost - current	942,995	-	-	-	-	942,995
Available-for-sale financial assets - current	8,949,959	-	-	-	-	8,949,959
Securities purchased under resell agreement	-	37,579,613	-	-	-	37,579,613
Receivable	37,913,355	4,061,378	18,610,949	5,607,483	-	66,193,165
Customers' margin accounts	38,524,875	-	-	-	-	38,524,875
Stock borrowing collateral price and guarantee deposits - borrowed securities	1,086,623	312,962	970,223	-	-	2,369,808
Other financial assets - current	363,889	-	6,009,970	-	-	6,373,859
Current tax assets	-	-	58,183	13,012	387,756	458,951
Other current assets	27,628,142	292,047	562,347	-	-	28,482,536
Financial assets measured at FVTPL - noncurrent	-	-	50,313	-	-	50,313
Financial assets at cost - noncurrent	-	-	415	-	879,081	879,496
Available-for-sale financial assets - noncurrent	-	-	-	349,434	355,771	705,205
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,184,855	2,184,855
Others noncurrent assets	100,000	-	100,000	404,203	2,796,412	3,400,615
Total	$ 175,748,907	$ 50,821,716	$ 37,921,483	$ 6,769,770	$ 7,063,561	$ 278,325,437
Percentage	63.15%	18.26%	13.62%	2.43%	2.54%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

March 31, 2017	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 15,189,192	$ -	$ -	$ -	$ 15,189,192
Commercial papers payable, net	-	12,642,542	-	-	-	12,642,542
Financial liabilities measured at FVTPL - current	4,107,547	4,736,942	4,902,058	1,010,235	159,686	14,916,468
Bonds issued under repurchase agreements	-	69,948,184	-	-	-	69,948,184
Payables	50,369,601	760,052	2,892,294	68,071	-	54,090,018
Guarantee deposits - borrowed securities	-	2,576,912	7,443,466	-	-	10,020,378
Futures customers’ equity	37,804,254	-	-	-	-	37,804,254
Other current liabilities	616,081	803,638	1,719,094	25	-	3,138,838
Other financial liabilities - current	-	4,143,625	-	-	-	4,143,625
Current tax liabilities	-	-	234,476	92,025	433,342	759,843
Bonds payable	-	-	-	7,000,000	-	7,000,000
Provisions - noncurrent	-	-	-	23,078	196,006	219,084
Others noncurrent liabilities	-	-	-	638,627	72,613	711,240
Total	$ 92,897,483	$ 110,801,087	$ 17,191,388	$ 8,832,061	$ 861,647	$ 230,583,666
Percentage	40.29%	48.05%	7.46%	3.83%	0.37%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

March 31, 2017	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 175,748,907	$ 50,821,716	$ 37,921,483	$ 6,769,770	$ 7,063,561	$ 278,325,437
Cash outflow	92,897,483	110,801,087	17,191,388	8,832,061	861,647	230,583,666
Amount of cash flow gap	$ 82,851,424	$ (59,979,371)	$ 20,730,095	$ (2,062,291)	$ 6,201,914	$ 47,741,771

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from March 31, 2018, December 31, 2017 and March 31, 2017, show that the sums from deducting cash outflow from cash inflow are $47,605,853 thousand, $47,210,147 thousand and $47,741,771 thousand, respectively, all indicating sufficient fund liquidity.

An observation of fund inflow and outflow in different periods of time shows that current and receivable items contribute to the most of the financial assets of KGI Securities and subsidiaries, taking up to nearly 63.29% of the entire financial assets. This shows that most of these financial assets can be liquidated immediately and therefore have high liquidity. As for financial liabilities, there is no particular period with a high number of due payments which will put stress on fund dispatching.

Although an analysis of funds gap shows that the cash outflow exceeded cash inflow within 3 months period and 1 to 5 years period, the main differentiating factor is that the financial assets of KGI Securities and subsidiaries have high liquidity, which causes financial assets and liabilities to have different impacts during different cash flow periods. On March 31, 2018, December 31, 2017 and March 31, 2017, net cash inflow calculated from net spot financial assets are respectively $86,081,134 thousand, $75,769,563 thousand and $82,851,424 thousand, which are sufficient to cover the net cash outflows of $77,471,880 thousand, $59,648,125 thousand and $62,041,662 thousand from the 3 months and 1-5 years, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

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

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

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

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

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

The management of liquidity risk is aimed to deal with financing CDIB Capital Group's operations and mitigate the effects of fluctuations in cash flows by monitoring and maintaining a level of cash and cash equivalents.

CDIB Capital Group's Management policies of liquidity risk are as follows:

1) Dispose of surplus capital should consider possible future capital requirements, deconcentration of capital sources and reasonable liquidity of liability Structure.

2) Pursuant to liquidity risk control, CDIB Capital Group uses performance index of financial structure and dispatching of funds to set up a system to monitor daily funding gap.

As of March 31, 2018, December 31, 2017 and March 31, 2017, CDIB Capital Group and subsidiaries' other financial liabilities are $362,259 thousand, $370,737 thousand and $363,359 thousand, respectively, and will be paid by financial assets and the rest of nonderivative financial liabilities are $597,142 thousand, $909,527 thousand and $8,497,114 thousand, respectively, and are mainly current liabilities.

<u>China Life Insurance</u>

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, loans and receivables, available-for-sale financial assets, held-to-maturity financial assets and debt instrument investments for which no active market exists, etc.

b) Maturity analysis of non-derivative financial liabilities

The analysis of cash outflows to China Life Insurance is listed below and based on the residual term from the date of balance sheet to the maturity. The disclosed amount is in accordance with cash flows on contracts, so the partial disclosed items are not the same as related items in the balance sheet.

Non-derivative financial instruments

	March 31, 2018		
	In 1 Year	**Over 1 Year**	**Total**
Payables	$ 9,087,350	$ -	$ 9,087,350

	December 31, 2017		
	In 1 Year	**Over 1 Year**	**Total**
Payables	$ 8,547,929	$ -	$ 8,547,929

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.

Maturity structure of derivative financial liabilities is as follows:

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

	December 31, 2017				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 406,856	$ 117,292	$ 11,706	$ -	$ 535,854

3) Maturity analysis of lease commitment

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

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018	December 31, 2017
Less than one year	$ 113,320	$ 121,955
More than one year but less than five years	418,507	451,549
More than five years	4,892,107	5,250,407
	$ 5,423,934	$ 5,823,911

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

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

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018	December 31, 2017
Less than one year	$ 403,062	$ 401,125
More than one year but less than five years	974,006	1,000,913
More than five years	217,375	232,402
	$ 1,594,443	$ 1,634,440

c) Finance lease commitment - China Life Insurance as the lessee

China Life Insurance has entered into a finance lease contract on certain equipment. The execution date of the contract was November 1, 2015 for a term of 5 years. As of October 31, 2020 of the expiration date, China Life Insurance can acquire the equipment with no payment.

In accordance with the non-cancellable finance lease, the total amount of the minimum lease payment as at March 31, 2018 and December 31, 2017 is as follows:

	March 31, 2018	December 31, 2017
Less than one year	$ 49,028	$ 51,874
More than one year but less than five years	73,304	85,012
	$ 122,332	$ 136,886

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. Market Risk Limits are regularly reviewed and controlled based on the revaluation results.

5) Valuation techniques of market risk

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

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

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31, 2018			For the Year Ended December 31, 2017			For the Three Months Ended March 31, 2017		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 190,354	$ 263,393	$ 108,589	$ 98,810	$ 187,181	$ 29,201	$ 68,912	$ 136,332	$ 29,201
Equity risk	11,548	22,137	6,541	8,254	13,354	4,918	7,212	10,929	4,918
Exchange rate risk	7,687	20,404	3,159	10,860	44,645	2,060	15,189	44,645	5,561

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 New Taiwan Dollars/Foreign Currencies)

	March 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 7,191,255	29.12	$ 209,409,337
EUR	589,450	35.87	21,143,585
RMB	1,878,995	4.65	8,734,883
HKD	1,324,253	3.71	4,912,977
JPY	2,894,628	0.27	793,417
SGD	20,046	22.21	445,231
ZAR	147,147	2.46	362,424
CAD	6,402	22.59	144,621
Nonmonetary items			
HKD	187,376	3.71	695,163
Financial liabilities			
Monetary items			
USD	8,170,575	29.12	237,927,134
EUR	457,375	35.87	16,406,028
RMB	3,133,190	4.65	14,565,261
ZAR	1,506,079	2.46	3,709,472
AUD	78,116	22.38	1,748,232
JPY	3,380,845	0.27	926,690
HKD	137,882	3.71	511,543
NZD	13,028	21.07	274,491
GBP	3,312	40.83	135,249

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 5,914,373	29.85	$ 176,532,206
RMB	2,382,398	4.58	10,908,763
EUR	191,275	35.67	6,822,783
HKD	1,338,076	3.82	5,110,111
JPY	6,663,892	0.26	1,765,265
GBP	41,090	40.21	1,652,217
SGD	20,243	22.32	451,818
ZAR	180,741	2.42	437,031
Nonmonetary items			
HKD	568,390	3.82	2,170,682

(Continued)

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial liabilities</u>			
Monetary items			
USD	$ 7,027,583	29.85	$ 209,759,297
RMB	3,032,704	4.58	13,886,450
ZAR	1,594,860	2.42	3,856,371
EUR	88,468	35.67	3,155,661
AUD	63,370	23.26	1,473,986
JPY	4,329,719	0.26	1,146,943
HKD	178,360	3.82	681,156
NZD	16,677	21.20	353,544
GBP	2,665	40.21	107,141

(Concluded)

	March 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary items			
USD	$ 5,533,127	30.34	$ 167,852,941
RMB	1,596,122	4.41	7,036,185
HKD	577,605	3.91	2,255,546
EUR	55,710	32.43	1,806,666
JPY	2,206,659	0.27	598,887
ZAR	88,693	2.25	199,825
AUD	8,425	23.23	195,712
THD	170,113	0.88	149,700
CAD	5,084	22.75	115,665
Nonmonetary items			
HKD	581,098	3.91	2,269,187
<u>Financial liabilities</u>			
Monetary items			
USD	6,756,035	30.34	204,951,073
RMB	2,497,602	4.41	11,010,181
ZAR	1,458,982	2.25	3,287,087
AUD	50,222	23.23	1,166,651
EUR	33,432	32.43	1,084,186
HKD	168,611	3.91	658,424
JPY	1,934,454	0.27	525,011
NZD	15,757	21.19	333,881
GBP	4,209	37.81	159,152

9) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

a) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (New Taiwan dollars)

March 31, 2018

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

March 31, 2017

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 246,877,618	$ 13,427,372	$ 6,444,511	$ 103,741,180	$ 370,490,681
Interest rate-sensitive liabilities	141,809,497	92,519,164	34,219,676	3,806,570	272,354,907
Interest rate sensitivity gap	105,068,121	(79,091,792)	(27,775,165)	99,934,610	98,135,774
Net worth					60,353,679
Ratio of interest rate-sensitive assets to liabilities (%)					136.03
Ratio of interest rate-sensitive gap to net worth (%)					162.60

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 (in New Taiwan dollars).

b) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (U.S. dollars)

March 31, 2018

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

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

March 31, 2017

(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	$ 2,436,453	$ 383,431	$ 370,278	$ 961,792	$ 4,151,954
Interest rate-sensitive liabilities	3,681,530	711,373	394,610	586,967	5,374,480
Interest rate sensitivity gap	(1,245,077)	(327,942)	(24,332)	374,825	(1,222,526)
Net worth					(4,334)
Ratio of interest rate-sensitive assets to liabilities (%)					77.25
Ratio of interest rate-sensitive gap to net worth (%)					-

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

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

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (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 extent to which KGI Securities can handle stress in this dire economic environment.

1) Risk factor sensitivity

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

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

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

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

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

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

Comparisons of Risk Sensitive Factors

(In Thousands of New Taiwan Dollars)

Risk Sensitivity	March 31, 2018	December 31, 2017	March 31, 2017
Interest rate risk	$ 7,322	$ 4,820	$ 7,250
Equity securities risk	6,754,698	9,081,111	17,728,034
Exchange rate risk	199,857	199,480	1,216,014
Commodity risk	21,023	95,944	1,123

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 are as follows:

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

	For the Three Months Ended March 31, 2017			March 31, 2017
	Average VAR	**Minimum VAR**	**Maximum VAR**	**Ending VAR**
Equity securities	$ 355,363	$ 247,728	$ 520,180	$ 255,526
Interest rate	76,548	59,259	100,140	76,086
Exchange rate	9,369	7,131	12,330	7,274
Commodity	5,250	303	33,934	2,267

3) Stress test

Stress test is one of the tools for risk management. It mainly evaluates the effects extreme changes in market risk factors in an investment portfolio to help a company's board of directors and management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are historic analysis and hypothetical scenarios analysis. The results will be regularly reported to the risk management committee and the board of directors of KGI Securities.

4) Foreign currency exchange rate of financial assets and liabilities information

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 1,785,515	29.12	$ 51,989,496
JPY	16,375,767	0.27	4,488,391
HKD	152,314	3.71	564,932
RMB	46,425	4.65	215,813
Nonmonetary items			
USD	972,910	29.12	28,331,129
RMB	552,481	4.65	2,563,671
AUD	31,288	22.38	700,233
Investments accounted for using the equity method			
USD	79,296	29.12	2,309,086
Financial liabilities			
Monetary items			
USD	4,124,828	29.12	120,110,321
JPY	16,097,731	0.27	4,412,183
AUD	29,705	22.38	664,807
HKD	97,616	3.71	362,004
Nonmonetary items			
USD	251,589	29.12	7,326,286
RMB	31,408	4.65	146,004

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 1,533,281	29.83	$ 45,733,639
JPY	10,660,054	0.26	2,822,099
RMB	181,517	4.58	831,136
HKD	130,431	3.81	497,062
Nonmonetary items			
USD	948,179	29.85	28,301,257
RMB	332,660	4.58	1,523,219
AUD	30,770	23.26	715,714
Investments accounted for using the equity method			
USD	73,746	29.85	2,201,177

(Continued)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary items			
USD	$ 3,737,065	29.84	$ 111,512,461
JPY	10,364,108	0.26	2,744,556
AUD	24,696	23.26	574,426
HKD	99,931	3.81	380,589
Nonmonetary items			
USD	212,777	29.85	6,350,974
RMB	31,864	4.58	145,903

(Concluded)

	March 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 2,822,677	30.34	$ 85,627,143
JPY	8,802,990	0.27	2,388,388
HKD	181,526	3.90	708,735
RMB	41,458	4.41	182,758
EUR	4,406	32.43	142,879
Nonmonetary items			
USD	1,138,295	30.34	34,531,320
RMB	409,963	4.41	1,807,240
AUD	8,717	23.23	202,490
HKD	27,354	3.91	106,819
Investments accounted for using the equity method			
USD	71,915	30.34	2,181,624
Financial liabilities			
Monetary items			
USD	4,428,258	30.34	134,334,048
JPY	8,311,308	0.27	2,255,577
HKD	124,397	3.91	485,647
RMB	36,312	4.41	160,075
Nonmonetary items			
USD	278,783	30.34	8,457,174
RMB	40,108	4.41	176,807
AUD	4,714	23.23	109,507

CDIB Capital Group and subsidiaries

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

1) Foreign currency rate risk information

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 281,517	29.120	$ 8,197,784
HKD	125,616	3.710	466,035
RMB	65,537	4.649	304,661
KRW	6,552,686	0.027	179,681
JPY	414,683	0.274	113,665
Investment accounted for using the equity method			
RMB	678,959	4.649	3,156,277
USD	94,499	29.120	2,751,813
Financial liabilities			
Monetary items			
USD	15,682	29.120	456,646

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 268,954	29.848	$ 8,027,743
HKD	125,165	3.819	478,007
RMB	70,069	4.579	320,838
KRW	6,938,074	0.028	194,162
JPY	429,684	0.265	113,823
Investment accounted for using the equity method			
RMB	664,905	4.579	3,044,534
USD	92,247	29.848	2,753,391
Financial liabilities			
Monetary items			
USD	40,011	29.848	1,194,258

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 239,080	30.336	$ 7,252,741
HKD	332,698	3.905	1,299,185
RMB	54,740	4.402	240,966
KRW	6,599,547	0.027	179,037
JPY	429,188	0.271	116,482
Investment accounted for using the equity method			
USD	85,046	30.336	2,579,943
RMB	463,587	4.408	2,043,629
Financial liabilities			
Monetary items			
USD	15,900	30.336	482,338

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.

	Impact to Profit or Loss For the Three Months Ended March 31	
	2018	**2017**
Monetary items		
USD	$ 77,411	$ 67,704
HKD	4,660	12,992
RMB	3,047	2,410
KRW	1,797	1,790
JPY	1,137	1,165

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of March 31, 2018, December 31, 2017 and March 31, 2017 were cash in banks. Management believes that interest rate changes would have been no significant effect on CDIB Capital Group and subsidiaries.

3) Other price risk

CDIB Capital Group and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB Capital Group manages this exposure by setting risk acceptance limitation concerning industry, country, affiliated groups, and the same group.

If equity prices had been 1% higher/lower, the post-tax income for the three months ended March 31, 2018 would increase/decrease by $194,810 thousand as a result of the changes in fair value of financial assets at fair value through profit or loss.

If equity prices had been 1% higher/lower, the post-tax income for the three months ended March 31, 2017 would increase/decrease by $1,128 thousand as a result of the changes in fair value of financial assets held for trading. The post-tax other comprehensive income for the three months ended March 31, 2017 would increase/decrease by $102,595 thousand as a result of the changes in fair value of available-for-sale financial assets.

<u>China Life Insurance</u>

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 correlation model and control mechanism to effectively 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.

Summarization of Simple Sensitivity
March 31, 2018

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ 1,126,951	$ 235,721
Interest rate risk (yield curve)	+1BP	(85,688)	(306,323)
Exchange risk (foreign exchange rate)	+1% (USD for each currency appreciates 1%)	1,183,328	(325,388)

Summarization of Simple Sensitivity
December 31, 2017

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ -	$ 1,193,279
Interest rate risk (yield curve)	+1BP	(35)	(381,892)
Exchange risk (foreign exchange rate)	+1% (USD for each currency appreciates 1%)	1,017,499	56,501

7) China Life Insurance's foreign currency financial assets and liabilities with significant influence as of March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	NTD
Financial assets			
Monetary items			
USD	$ 28,419,808	29.1200	$ 827,584,812
Non-monetary items			
USD	409,659	29.1200	11,929,282
Financial labilities			
USD	149,650	29.1200	4,357,808

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	NTD
Financial assets			
Monetary items			
USD	$ 27,567,151	29.8480	$ 822,824,310
Non-monetary items			
USD	211,293	29.8480	6,306,678
Financial labilities			
USD	76,240	29.8480	2,275,612

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 are listed below:

March 31, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	$ 291,200	$ 262,080	$ 291,200	$ 262,080	$ 29,120
Financial assets at FVTPL	4,564,488	4,376,316	4,564,488	4,376,316	188,172
Financial assets at FVTOCI	59,616,806	56,045,978	59,616,806	56,045,978	3,570,828

December 31, 2017					
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	$ 4,824,192	$ 4,582,517	$ 4,824,192	$ 4,582,517	$ 241,675
Available-for-sale financial assets	43,558,559	40,043,756	43,558,559	40,043,756	3,514,803

March 31, 2017					
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	$ 7,203,504	$ 6,934,010	$ 7,203,504	$ 6,934,010	$ 269,494
Available-for-sale financial assets	56,517,697	52,534,740	56,517,697	52,534,740	3,982,957

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 are listed below:

March 31, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	$ 70,152,687	$ 69,300,461	$ 70,152,687	$ 69,300,461	$ 852,226
Transaction - borrowed securities	308,055	431,277	308,055	431,277	(123,222)

December 31, 2017					
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	$ 55,612,999	$ 54,732,813	$ 55,612,999	$ 54,732,813	$ 880,186
Transaction - borrowed securities	153,986	215,580	153,986	215,580	(61,594)

March 31, 2017					
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	$ 68,745,469	$ 69,113,948	$ 68,745,469	$ 69,113,948	$ (368,479)
Transaction - borrowed securities	324,769	454,676	324,769	454,676	(129,907)

2) Transferred financial assets qualifying for full derecognition

KGI Securities uses convertible bonds acquired by an underwriter or dealer as the trading object of the asset swap transaction, then KGI Securities receives consideration by selling it, and exchange interests arise from convertible bonds for compensation interests according to the contracts, and has the right to redeem the bonds at any time before the maturity date. KGI Securities does not retain the control over the transferred assets and derecognizes them since counterparties have the ability to sell financial assets to third party and no restrictions will be made to counterparties. KGI Securities still retain the call option of the object, and the maximum exposure of the loss is the book value of the pledged instruments. Related information of transferred financial assets and liabilities qualifying for full derecognition are as follows:

March 31, 2018					
Types of Continuing Involvement	Outflows of Repurchased Transferred Financial Assets (Derecognized)	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	$ 11,709,800	$ 1,304,181	$ 1,304,181	$ -	$ 1,304,181

December 31, 2017					
Types of Continuing Involvement	Outflows of Repurchased Transferred Financial Assets (Derecognized)	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	$ 10,430,900	$ 1,128,581	$ 1,128,581	$ -	$ 1,128,581

March 31, 2017					
Types of Continuing Involvement	Outflows of Repurchased Transferred Financial Assets (Derecognized)	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	$ 9,681,600	$ 765,969	$ 765,969	$ -	$ 765,969

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.

March 31, 2018						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ -	$ 508,600	$ 2,798,200	$ 8,403,000	$ -	$ 11,709,800

December 31, 2017						
Types of Continuing Involvement	**Spot**	**3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
Call option	$ -	$ 437,400	$ 2,807,800	$ 7,185,700	$ -	$ 10,430,900

March 31, 2017						
Types of Continuing Involvement	**Spot**	**3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
Call option	$ -	$ 758,000	$ 3,741,400	$ 5,182,200	$ -	$ 9,681,600

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.

March 31, 2018			
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**
Call option	$ (1,701)	$ 227,822	$ 226,121

December 31, 2017			
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**
Call option	$ (2,167)	$ 210,551	$ 208,384

March 31, 2017			
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**
Call option	$ (27,168)	$ 99,656	$ 72,488

f. Offsetting financial assets and financial liabilities

KGI Bank and subsidiaries

KGI Bank have and subsidiaries has no transactions of financial instruments that correspond to the provisions of IAS 32-42, but there are 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 are as follows:

March 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 15,140,275	$ -	$ 15,140,275	$ 15,140,275	$ -	$ -
Derivative financial instruments	25,285,105	-	25,285,105	8,077,864	2,612,601	14,594,640
Total	$ 40,425,380	$ -	$ 40,425,380	$ 23,218,139	$ 2,612,601	$ 14,594,640

March 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Notes and bonds issued under repurchase agreements	$ 61,217,402	$ -	$ 61,217,402	$ 60,678,450	$ 538,952	$ -
Derivative financial instruments	43,898,126	-	43,898,126	8,077,864	9,607,981	26,212,281
Total	$ 105,115,528	$ -	$ 105,115,528	$ 68,756,314	$ 10,146,933	$ 26,212,281

December 31, 2017						
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	$ 18,829,142	$ -	$ 18,829,142	$ 18,829,142	$ -	$ -
Derivative financial instruments	16,405,402	-	16,405,402	5,634,398	1,327,598	9,443,406
Total	$ 35,234,544	$ -	$ 35,234,544	$ 24,463,540	$ 1,327,598	$ 9,443,406

December 31, 2017						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	$ 45,444,814	$ -	$ 45,444,814	$ 45,251,592	$ 193,222	$ -
Derivative financial instruments	25,866,698	-	25,866,698	5,634,398	3,709,337	16,522,963
Total	$ 71,311,512	$ -	$ 71,311,512	$ 50,885,990	$ 3,902,559	$ 16,522,963

March 31, 2017						
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	$ 12,983,190	$ -	$ 12,983,190	$ 12,983,190	$ -	$ -
Derivative financial instruments	29,955,991	-	29,955,991	8,001,937	4,012,579	17,941,475
Total	$ 42,939,181	$ -	$ 42,939,181	$ 20,985,127	$ 4,012,579	$ 17,941,475

March 31, 2017						
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	$ 59,468,750	$ -	$ 59,468,750	$ 58,963,824	$ 504,926	$ -
Derivative financial instruments	36,340,634	-	36,340,634	8,001,937	5,798,524	22,540,173
Total	$ 95,809,384	$ -	$ 95,809,384	$ 66,965,761	$ 6,303,450	$ 22,540,173

Note: Financial instruments include master netting arrangements and non-cash collateral.

<u>KGI Securities and subsidiaries</u>

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 are as follows:

March 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	$ 2,328,201	$ -	$ 2,328,201	$ -	$ 131,858	$ 2,196,343
Securities purchased under resell agreements	23,391,483	-	23,391,483	23,391,483	-	-
Total	$ 25,719,684	$ -	$ 25,719,684	$ 23,391,483	$ 131,858	$ 2,196,343

March 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	$ 5,645,589	$ -	$ 5,645,589	$ -	$ 881,695	$ 4,763,894
Notes and bonds issued under repurchase agreements	69,300,461	-	69,300,461	69,300,461	-	-
Total	$ 74,946,050	$ -	$ 74,946,050	$ 69,300,461	$ 881,695	$ 4,763,894

December 31, 2017						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	$ 2,258,637	$ -	$ 2,258,637	$ -	$ 70,133	$ 2,188,504
Securities purchased under resell agreements	21,129,128	-	21,129,128	21,129,128	-	-
Total	$ 23,387,765	$ -	$ 23,387,765	$ 21,129,128	$ 70,133	$ 2,188,504

December 31, 2017						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 5,259,084	$ -	$ 5,259,084	$ -	$ 453,886	$ 4,805,198
Notes and bonds issued under repurchase agreements	54,732,813	-	54,732,813	54,732,813	-	-
Total	$ 59,991,897	$ -	$ 59,991,897	$ 54,732,813	$ 453,886	$ 4,805,198

March 31, 2017						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 3,012,984	$ -	$ 3,012,984	$ -	$ 471,131	$ 2,541,853
Securities purchased under resell agreements	37,484,544	-	37,484,544	37,484,544	-	-
Total	$ 40,497,528	$ -	$ 40,497,528	$ 37,484,544	$ 471,131	$ 2,541,853

March 31, 2017						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 4,363,688	$ -	$ 4,363,688	$ -	$ 573,790	$ 3,789,898
Notes and bonds issued under repurchase agreements	69,113,948	-	69,113,948	69,113,948	-	-
Total	$ 73,477,636	$ -	$ 73,477,636	$ 69,113,948	$ 573,790	$ 3,789,898

Note: Financial instruments include master netting arrangements and non-cash collateral.

<u>China Life Insurance</u>

China Life Insurance holds financial instruments in accordance with paragraph 42 of IAS 32 recognized by the FSC and the related assets and liabilities are offset on the balance sheet.

China Life Insurance may perform transactions not meeting the requirements of offsetting, but has enforceable master netting arrangement or other similar agreements with the counterparties. When both parties agree to settle in net amount, financial assets and financial liabilities could be offset and settled in net amount, and if not, in total amount. However, if any party in the transaction defaults, the other party can choose net settlement.

Related information about above offsetting financial assets and financial liabilities are as follows:

March 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments	**Cash Collateral Received**	
Derivative financial instruments	$ 8,416,810	$ -	$ 8,416,810	$ 1,039,157	$ 4,357,808	$ 3,019,845

March 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments	**Cash Collateral Received**	
Derivative financial instruments	$ 1,039,157	$ -	$ 1,039,157	$ 1,039,157	$ -	$ -

December 31, 2017						
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	$ 4,287,344	$ -	$ 4,287,344	$ 493,857	$ 2,275,612	$ 1,517,875

December 31, 2017						
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	$ 535,854	$ -	$ 535,854	$ 493,857	$ -	$ 41,997

61. CAPITAL MANAGEMENT

a. Objectives

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".

62. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

a. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Bank were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	March 31, 2018	December 31, 2017	March 31, 2017	Trust Liabilities	March 31, 2018	December 31, 2017	March 31, 2017
Bank deposits	$ 425,408	$ 371,243	$ 383,851	Payables	$ 151,482	$ 152,685	$ 187,092
Short-term investment	29,111,970	29,283,250	29,932,693	Payables on securities under custody	3,014,377	2,571,397	5,139,474
Financial assets at FVTPL	256,336	241,655	1,941,305	Other liabilities	12,587	5,730	29,360
Receivables	-	193	22,745	Donated asset received	1,811	1,811	1,811
Other financial assets	7,650	7,650	7,650	Trust capital	30,450,076	30,555,629	32,439,908
Real estate, net	534,259	534,259	417,202	Accumulated earnings	713,632	707,034	1,031,809
Intangible assets - surface rights	984,534	984,534	984,534				
Securities under custody	3,014,377	2,571,397	5,139,474				
Other assets	9,431	105	-				
Total	$ 34,343,965	$ 33,994,286	$ 38,829,454		$ 34,343,965	$ 33,994,286	$ 38,829,454

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2018	**2017**
Trust income and gains		
Dividend income	$ 701	$ 10,961
Interest income	364,327	312,876
Rental income	7,095	7,737
Gain or loss on financial assets at FVTPL, net	44,327	433,343
Other income	2,361	4,127
Properties transaction gains	41,818	-
Total trust income and gains	460,629	769,044

(Continued)

	For the Three Months Ended March 31	
	2018	2017
Trust expenses		
Properties transaction losses	$ -	$ (112,296)
Administrative expenses	(10,520)	(7,483)
Service fee	-	(15)
Other expenses	(2,578)	(2,678)
Total trust expenses	(13,098)	(122,472)
Net income	$ 447,531	$ 646,572

(Concluded)

The above income from trust operations were excluded from KGI Bank's income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	March 31, 2018	December 31, 2017	March 31, 2017
Bank deposits	$ 425,408	$ 371,243	$ 383,851
Short-term investments			
Funds	27,748,449	27,956,024	28,260,889
Bonds	1,036,623	1,013,666	1,389,574
Common shares	75,900	75,900	77,300
Structured notes	93,766	93,766	93,766
ETF	157,232	143,894	111,164
Financial assets at FVTPL	256,336	241,655	1,941,305
Other financial assets	7,650	7,650	7,650
Real estate, net	534,259	534,259	417,202
Intangible assets - surface right	984,534	984,534	984,534
Securities under custody	3,014,377	2,571,397	5,139,474
Other assets	9,431	298	22,745
Total	$ 34,343,965	$ 33,994,286	$ 38,829,454

b. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Securities were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	March 31, 2018	December 31, 2017	March 31, 2017	Trust Liabilities	March 31, 2018	December 31, 2017	March 31, 2017
Bank deposits	$ 1,348,016	$ 1,136,142	$ 4,187,445	Payables	$ 8,678	$ 59,962	$ 3,237,493
Financial assets	25,959,566	26,411,297	28,327,273	Trust capital	24,735,758	25,510,294	28,468,552
Receivables	68,698	127,032	97,786	Reserves and retained earnings	2,631,844	2,104,215	906,459
Total	$ 27,376,280	$ 27,674,471	$ 32,612,504	Total	$ 27,376,280	$ 27,674,471	$ 32,612,504

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2018	**2017**
Trust income	$ 2,728,014	$ 1,768,957
Trust expenses	(1,874,045)	(2,132,854)
Income before income tax	$ 853,969	$ (363,897)

The above income from trust operations were excluded from KGI Securities' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	**March 31, 2018**	**December 31, 2017**	**March 31, 2017**
Bank deposits	$ 1,348,016	$ 1,136,142	$ 4,187,445
Stocks	14,807,216	14,493,874	13,493,839
Funds	10,584,953	11,532,078	14,762,726
Structured notes	567,397	385,345	70,708
Receivables	68,698	127,032	97,786
	$ 27,376,280	$ 27,674,471	$ 32,612,504

63. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Please refer to Table 8 (attached).

64. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 9 (attached).

65. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCES SHARING IN THE GROUP

For the resources sharing in the Group, please refer to Note 53 to the consolidated financial statements.

66. CONTINGENCIES AND COMMITMENT, DISASTROUS DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 55 to the consolidated financial statements. Information on disaster damages: None.

67. SUBSIDIARIES' ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

Please refer to Notes 57 and 60 to the consolidated financial statements.

68. 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.

69. FINANCIAL RATIOS OF FUTURES-DEALING SUBSIDIARY

The following financial ratios of KGI Securities' futures department and KGI Futures Corp. in compliance with the requirements of the Rules Governing Futures Commission Merchants.

a. KGI Securities' futures department

Rule No.	Formula	March 31, 2018 Formula	March 31, 2018 %	December 31, 2017 Formula	December 31, 2017 %	March 31, 2017 Formula	March 31, 2017 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$1,685,909 / $1,045,299	=1.61	$1,855,943 / $633,222	=2.93	$1,808,390 / $577,511	=3.13	≧1	Yes
17	Current assets / Current liabilities	$2,684,086 / $665,064	=4.04	$2,443,795 / $322,389	=7.58	$2,341,524 / $339,866	=6.89	≧1	Yes
22	Equities / Capital stock	$1,685,909 / $400,000	=421.48%	$1,855,943 / $400,000	=463.99%	$1,808,390 / $400,000	=452.10%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$750,029 / $738,628	=101.54%	$1,327,438 / $340,935	=389.35%	$1,322,595 / $281,803	=469.33%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	March 31, 2018 Formula	March 31, 2018 %	December 31, 2017 Formula	December 31, 2017 %	March 31, 2017 Formula	March 31, 2017 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$3,184,161 / $277,347	=11.48	$2,609,333 / $315,529	=8.27	$2,787,847 / $260,608	=10.70	≧1	Yes
17	Current assets / Current liabilities	$23,529,264 / $21,573,575	=1.09	$23,777,258 / $21,872,001	=1.09	$23,633,151 / $21,451,612	=1.10	≧1	Yes
22	Equities / Capital stock	$3,184,161 / $760,000	=418.97%	$2,609,333 / $760,000	=343.33%	$2,787,847 / $760,000	=366.82%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$2,850,854 / $4,359,993	=65.39%	$2,387,050 / $4,433,304	=53.84%	$2,559,825 / $3,524,465	=72.63%	≧20% ≧15%	Yes

70. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required for the Group:

1) Financing provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 1 (attached).

2) Collaterals/guarantees provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 2 (attached).

3) Marketable securities held: Not applicable to the Corporation, KGI Bank, KGI Securities and subsidiaries and China Life Insurance. For other subsidiaries' information: Please refer to Table 3 (attached).

4) Subsidiaries were acquired and disposed of, at cost or price of at least NT$300 million or 10% of the issued capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT$300 million or 10% of the issued capital): For the Corporation and KGI Bank and subsidiaries' information: None. Not applicable to KGI Securities and subsidiaries and China Life Insurance. For the 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 issued 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 53 and Table 5 (attached).

9) Sold nonperforming loans: Please refer to Table 6 (attached).

10) For related information on the subsidiaries' securitization products approved under the Regulation on Financial Asset Securitization: None.

11) Other significant transactions which may affect the decisions of financial statement users: None.

12) The information of investees: None.

13) Derivative transactions of the Group: Please refer to Notes 8, 58 and 60 to the consolidated financial statements.

c. Subsidiaries investment in Mainland China: Please refer to Table 10 (attached).

d. Business relationships and significant transactions among the Group: Please refer to Table 11 (attached).

71. SEGMENT INFORMATION

The reportable segments of the Corporation are Commercial banking, Securities, Venture Capital and Insurance. Under the Banking Act of the Republic of China and relevant regulations, Commercial banking engaged in consumer banking, corporate banking and global market and financial institution. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. Venture Capital engaged in investment business directly. Insurance department operates life insurance business based on the provisions of the insurance law.

The accounting policies of the operating segments are the same as the Corporation's accounting policies described in Note 4. The Corporation uses income after tax as the measurement for segment profit and the basis of performance assessment. The net profit and income before income tax, are composed of revenues and expenses directly attributable to an operating segment.

Segment Revenue and Results

Following is an analysis of the Group's operating revenue and results by reportable segment:

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the three months ended March 31, 2018						
Interest profit (loss), net	$ 1,799,403	$ 510,230	$ 36,197	$ 10,731,177	$ (132,129)	$ 12,944,878
Noninterest profit (loss), net	449,822	3,310,692	1,669,564	40,132,010	(550,833)	45,011,255
Net profit (loss)	2,249,225	3,820,922	1,705,761	50,863,187	(682,962)	57,956,133
Allowance for bad debts and losses on guarantees, net	(163,692)	(94,797)	-	(1,733)	-	(260,222)
Net change in insurance liabilities	-	-	-	(46,603,620)	-	(46,603,620)
Operating expenses	(1,400,089)	(2,963,016)	(348,045)	(1,397,617)	(566,476)	(6,675,243)
Income (loss) before income tax	685,444	763,109	1,357,716	2,860,217	(1,249,438)	4,417,048
Income tax benefit (expense)	34,382	(191,695)	(63,923)	956,084	126,096	860,944
Net income (loss)	$ 719,826	$ 571,414	$ 1,293,793	$ 3,816,301	$ (1,123,342)	$ 5,277,992
For the three months ended March 31, 2017						
Interest profit (loss), net	$ 1,435,828	$ 457,302	$ 26,301	$ -	$ (114,213)	$ 1,805,218
Noninterest profit, net	1,132,407	2,618,022	1,238,768	-	7,082	4,996,279
Net profit (loss)	2,568,235	3,075,324	1,265,069	-	(107,131)	6,801,497
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(138,449)	45,452	-	-	4,488	(88,509)
Operating expenses	(1,346,685)	(2,637,538)	(293,416)	-	(338,826)	(4,616,465)
Income (loss) before income tax	1,083,101	483,238	971,653	-	(441,469)	2,096,523
Income tax benefit (expense)	(119,224)	(100,909)	(150,307)	-	120,695	(249,745)
Net income (loss)	$ 963,877	$ 382,329	$ 821,346	$ -	$ (320,774)	$ 1,846,778

TABLE 1

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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	$ 3,494,400	$ 3,494,400	$ 2,620,800	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 12,057,467 (Note 1)	$ 12,057,467 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	4,950,400	4,950,400	873,600	Floating	Short-term financing	-	Working capital	-	-	-	12,057,467	-
2	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	902,720	902,720	465,920	Floating	Short-term financing	-	Working capital	-	-	-	11,986,200 (Note 2)	11,986,200 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,456,000	1,456,000	-	Floating	Short-term financing	-	Working capital	-	-	-	15,467,758 (Note 3)	15,467,758 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	582,400	145,600	-	Floating	Short-term financing	-	Working capital	-	-	-	15,467,758	-
4	KGI International Finance Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	58,240	-	-	Floating	Short-term financing	-	Working capital	-	-	-	201,976 (Note 4)	201,976 (Note 4)

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: KGI International Finance 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 5: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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	$ 5,917,573	$ 734,154	$ 732,930	$ 732,930	$ -	1.24%	$ 23,670,294 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	15,467,758	1,128,118	1,128,118	219,430	-	7.29%	15,467,758 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	15,467,758	3,144,960	2,737,280	482,297	-	17.70%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	15,467,758	189,280	189,280	-	-	1.22%		No	No	No
		KGI Finance Limited	Note 1	15,467,758	125,216	125,216	-	-	0.81%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	15,467,758	1,805,440	1,805,440	-	-	11.67%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	15,467,758	582,400	582,400	-	-	3.77%		No	No	No
		KGI Asia (Holdings) Pte. Ltd.	Note 1	15,467,758	1,292,346	1,290,666	291,200	-	8.34%		No	No	No
3	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,251,130	1,310,400	1,164,800	291,200	-	137.00%	4,251,130 (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.

Note 5: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2018				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value	
CDIB Capital Group	Stocks							
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	15,000,000	$ 141,109	35.71	$ 141,109	
	China Metal Products Co., Ltd.	-	Financial assets at fair value through profit or loss	10,087,003	296,558	2.62	296,558	
	Taiwan Stock Exchange	-	Financial assets at fair value through profit or loss	48,604,914	3,145,193	7.00	3,145,193	
	Tong Hsing Electronic Industries, Ltd.	-	Financial assets at fair value through profit or loss	1,400,248	172,931	0.85	172,931	
	Logitech Inc.	-	Financial assets at fair value through profit or loss	2,965,248	37,372	10.69	37,372	
	Solar Fine Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	4,828,064	15,189	10.83	15,189	
	Gold Peak Industries (Taiwan) Ltd.	-	Financial assets at fair value through profit or loss	30,616,980	20,786	15.04	20,786	
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	4,225,979	79,786	6.04	79,786	
	National Glory Development Corp.	-	Financial assets at fair value through profit or loss	646,884	4,754	6.47	4,754	
	ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	1,481,211	140,863	1.24	140,863	
	Qisda Corporation	-	Financial assets at fair value through profit or loss	148,867,816	3,275,092	7.57	3,275,092	
	TopGreen Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	633,377	5,320	1.17	5,320	
	Powertech Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	3,235,596	46,107	3.29	46,107	
	Everest Display Inc.	-	Financial assets at fair value through profit or loss	408,760	1,352	2.49	1,352	
	Insrea Game Center Corporation	-	Financial assets at fair value through profit or loss	3,000,000	1,621	17.65	1,621	
	Hair O’right International Corp.	-	Financial assets at fair value through profit or loss	1,835,837	93,189	9.02	93,189	
	DaBomb Protein Corp.	-	Financial assets at fair value through profit or loss	3,284,568	84,151	12.79	84,151	
	Power Venture Co.	-	Financial assets at fair value through profit or loss	769,597	6,582	5.68	6,582	
	Ori Vita Bio Application Inc.	-	Financial assets at fair value through profit or loss	858,690	6,784	0.42	6,784	
	Echem Hightech Co., Ltd.	-	Financial assets at fair value through profit or loss	1,535,934	10,273	11.69	10,273	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,000,000	30,526	9.91	30,526	
	E-one Moli Energy Corp.	-	Financial assets at fair value through profit or loss	6,875,493	68,755	2.28	68,755	
	Jouge Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,568,700	1,252	9.68	1,252	
	HealthStream Taiwan Inc.	-	Financial assets at fair value through profit or loss	4,774,523	52,328	13.96	52,328	
	Subtron Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	12,316,000	106,903	4.31	106,903	
	Orgchem Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,067,220	13,398	1.92	13,398	
	General Life Biotechnology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,520,000	34,235	8.40	34,235	
	Mec Imex Inc.	-	Financial assets at fair value through profit or loss	4,802,000	52,538	10.52	52,538	
	Copartner Technology Corporation	-	Financial assets at fair value through profit or loss	3,359,340	69,706	3.95	69,706	
	Chain Yarn Corporation	-	Financial assets at fair value through profit or loss	15,828,324	151,319	10.30	151,319	
	Yieh United Steel Corp.	-	Financial assets at fair value through profit or loss	10,336,622	70,082	0.39	70,082	
	Hua-jie (Taiwan) Corp.	-	Financial assets at fair value through profit or loss	1,300,403	11,808	6.45	11,808	
	AMIA Co.	-	Financial assets at fair value through profit or loss	6,000,000	125,700	9.54	125,700	
	Up Scientech Materials Corp.	-	Financial assets at fair value through profit or loss	4,651,344	97,376	6.85	97,376	
	PlexBio Co., Ltd.	-	Financial assets at fair value through profit or loss	3,526,000	62,622	5.07	62,622	
	Riselink Restructuring Fund Corporation	-	Financial assets at fair value through profit or loss	5,771,370	53,339	12.50	53,339	
	Aspeed Technology Inc.	-	Financial assets at fair value through profit or loss	56,276	49,298	0.17	49,298	
	5V Technologies, Ltd.	-	Financial assets at fair value through profit or loss	159,435	1,594	0.99	1,594	
	Solartech Energy Corp.	-	Financial assets at fair value through profit or loss	7,717,266	103,797	2.05	103,797	
	Neo Solar Power Corp.	-	Financial assets at fair value through profit or loss	14,012,424	172,943	1.37	172,943	
	Top Green Energy Technologies, Inc.	-	Financial assets at fair value through profit or loss	16,240,740	21,475	12.99	21,475	
	FocalTech Systems Co., Ltd.	-	Financial assets at fair value through profit or loss	3,217,061	102,785	1.08	102,785	
	Lextar Electronics Corp.	-	Financial assets at fair value through profit or loss	3,926,065	82,055	0.77	82,055	
	Globalwafers. Co., Ltd.	-	Financial assets at fair value through profit or loss	1,084,072	493,253	0.25	493,253	
	Lager Network Technologies Inc.	-	Financial assets at fair value through profit or loss	1,500,000	56	5.00	56	
	Awise Fiber Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	3,500,000	4,994	18.15	4,994	
	Biodenta Corporation	-	Financial assets at fair value through profit or loss	150,000	1,500	1.67	1,500	
	Orient Pharma Co., Ltd.	-	Financial assets at fair value through profit or loss	2,857,800	54,441	1.84	54,441	
	Gallant Precision Machining Co., Ltd.	-	Financial assets at fair value through profit or loss	7,074,358	153,514	4.28	153,514	
	Wai-Gin Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	1,170,000	6,195	3.44	6,195	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2018				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value	
CDIB Capital Group	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	7,567,424	$ 97,961	5.64	$ 97,961	
	Kuangli Photoelectric Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,792,326	65,415	10.50	65,415	
	Eastern Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss	4,348,680	42,727	6.47	42,727	
	HCT Logistics Co., Ltd.	-	Financial assets at fair value through profit or loss	4,920,876	154,222	1.97	154,222	
	Sino-American Silicon Products Inc.	-	Financial assets at fair value through profit or loss	2,823,956	300,751	0.48	300,751	
	Topview Optromics Corporation	-	Financial assets at fair value through profit or loss	1,569,000	54,366	6.82	54,366	
	Vita Genomics, Inc.	-	Financial assets at fair value through profit or loss	77,720	741	0.13	741	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets at fair value through profit or loss	3,224,867	206,682	4.03	206,682	
	Sunko Ink Co., Ltd.	-	Financial assets at fair value through profit or loss	10,431,788	133,005	4.69	133,005	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,118,764	6,728	6.27	6,728	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,746,720	65,172	5.83	65,172	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through profit or loss	3,845,330	36,617	1.38	36,617	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,308,026	65,224	7.83	65,224	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	1,293,232	174,845	1.19	174,845	
	DragonJet Corporation	-	Financial assets at fair value through profit or loss	4,300,000	38,553	4.77	38,553	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	2,494,309	36,569	5.28	36,569	
	Chipsip Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,915,288	4,092	4.56	4,092	
	Terawins, Inc.	-	Financial assets at fair value through profit or loss	1,913,996	9,629	6.30	9,629	
	Feature Integration Technology Inc.	-	Financial assets at fair value through profit or loss	1,341,803	14,814	4.03	14,814	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through profit or loss	2,731,098	24,428	10.57	24,428	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,150,536	11,490	10.43	11,490	
	Luxtaltek Corporation	-	Financial assets at fair value through profit or loss	1,535,188	4,227	2.47	4,227	
	Utechzone Co., Ltd.	-	Financial assets at fair value through profit or loss	1,948,496	88,072	3.17	88,072	
	Donpon Precision Inc.	-	Financial assets at fair value through profit or loss	6,585,493	95,490	6.62	95,490	
	Overseas Investment & Development Corp.	-	Financial assets at fair value through profit or loss	2,600,000	17,049	2.89	17,049	
	Microprogram Co., Ltd.	-	Financial assets at fair value through profit or loss	2,550,000	36,787	7.95	36,787	
	Topoint Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	195,910	4,006	0.12	4,006	
	Pili International Multimedia Co., Ltd.	-	Financial assets at fair value through profit or loss	1,220,000	68,564	2.54	68,564	
	Lefram Technology Corporation	-	Financial assets at fair value through profit or loss	7,484,454	52,167	17.48	52,167	
	TAK Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,467,706	1,508	4.14	1,508	
	Luminous Town Electric Co., Ltd.	-	Financial assets at fair value through profit or loss	2,303,749	23,037	3.45	23,037	
	Engineering & IP Advanced Technologies Ltd.	-	Financial assets at fair value through profit or loss	4,216	3	0.00	3	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	118,889	4.81	118,889	
	JHL. Biotech, Inc.	-	Financial assets at fair value through profit or loss	8,382,844	528,119	3.80	528,119	
	Easten Power and Electric Company Limited	-	Financial assets at fair value through profit or loss	3,201,019	186,799	12.00	186,799	
	Beauty Essentials International Ltd.	-	Financial assets at fair value through profit or loss	86,503,067	207,776	8.79	207,776	
	Entery Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	8,364,000	24,294	11.22	24,294	
	Engineering & IP Advanced Technologies Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	6,392,765	4,987	0.35	4,987	
	Lightel Technologies, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	3,000,000	72,901	43.44	72,901	
	Apexigen, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	4,970,588	59,985	9.59	59,985	
	Leyou, Inc. - preferred stock D	-	Financial assets at fair value through profit or loss	663,958,732	370,775	75.00	370,775	
	CDIB Capital Management Corporation	Subsidiary	Investments accounted for using the equity method	33,093,889	691,239	100.00	691,239	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200	5,278,932	28.71	5,278,932	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	58,200,000	552,356	38.80	552,356	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	58,250,000	594,172	33.29	594,172	
	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	9,881,972	100.00	9,881,972	
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	4,816,745	46,337	20.00	46,337	
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	3,749	30.00	3,749	
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,783,498	100.00	1,783,498	
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	8,138,743	100.00	8,138,743	
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	7,591,515	100.00	7,591,515	
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	623,385	100.00	623,385	
	<u>Government bonds</u>							
	A00109	-	Financial assets at fair value through other comprehensive income	7,000,000	7,154	-	7,154	
	A01105	-	Financial assets at fair value through other comprehensive income	100,000,000	102,534	-	102,534	
	A03115	-	Financial assets at fair value through other comprehensive income	50,000,000	50,564	-	50,564	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2018 Shares/Face Value/Units	March 31, 2018 Carrying Value (Note 2)	March 31, 2018 Percentage of Ownership	March 31, 2018 Market Value or Net Asset Value	Note
CDIB Capital Group	Corporate bonds							
	Belta (Cayman) Holding Limited	-	Financial assets at fair value through profit or loss	11,959,916	$ 35,505	-	$ 35,505	
	Funds							
	CommLaunch	-	Financial assets at fair value through profit or loss	-	40,209	-	40,209	
	ARCH Venture Fund V, L.P.	-	Financial assets at fair value through profit or loss	-	6,134	-	6,134	
	Forward Venture IV, L.P.	-	Financial assets at fair value through profit or loss	-	23,841	-	23,841	
	Forward Venture V	-	Financial assets at fair value through profit or loss	-	33,650	-	33,650	
	MPM Bioventures III L.P.	-	Financial assets at fair value through profit or loss	-	15,932	-	15,932	
	Sanderling	-	Financial assets at fair value through profit or loss	-	13,218	-	13,218	
	Samara Capital Partners Fund I Limited	-	Financial assets at fair value through profit or loss	-	133,332	-	133,332	
	THL Equity Fund VI Investors (Ceridan) L.P.	-	Financial assets at fair value through profit or loss	-	263,248	-	263,248	
CDIB Capital Management Corporation	Stocks							
	Tong Hsing Electronic Industries, Ltd.	-	Financial assets at fair value through profit or loss	188,000	23,218	0.11	23,218	
	ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	65,660	6,244	0.05	6,244	
	MCM Stamping Co., Ltd.	-	Financial assets at fair value through profit or loss	70,000	385	0.22	385	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	783,000	10,136	0.58	10,136	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	235,474	748	0.70	748	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	297,623	1,590	1.44	1,590	
	Pili International Multimedia Co., Ltd.	-	Financial assets at fair value through profit or loss	300,000	16,860	0.63	16,860	
	Luminous Town Electric Co., Ltd.	-	Financial assets at fair value through profit or loss	358,883	3,589	0.54	3,589	
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	101,240	5,837	0.13	5,837	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	289,455	100.00	289,455	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	1,500,000	14,236	1.00	14,236	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	1,750,000	17,851	1.00	17,851	
	CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	14,401	60.00	14,401	
	Funds							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	10,599	1.00	10,599	
CDIB Private Equity (Hong Kong) Corporation Limited	Stocks							
	CDIB Private Equity (China) Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 58,944	100.00	HK$ 58,944	
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 4,172	27.08	HK$ 4,172	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 8,703	56.00	HK$ 8,703	
CDIB Private Equity (China) Corporation	Stocks							
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 9,343	65.00	CNY 9,343	
	CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 19,915	70.00	CNY 19,915	
CDIB Private Equity (Fujian) Co., Ltd.	Stocks							
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 2,481	20.00	CNY 2,481	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Stocks							
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 7,171	58.33	CNY 7,171	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Funds							
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,472	1.00	CNY 10,472	
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Funds							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,322	1.00	CNY 10,322	
CDIB Venture Capital Corporation	Stocks							
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	1,408,659	26,595	2.01	26,595	
	ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	387,567	36,858	0.32	36,858	
	Azotek Co., Ltd.	-	Financial assets at fair value through profit or loss	824,500	14,018	-	14,018	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	3,816	1.24	3,816	
	Anpec Electronics Corporation	-	Financial assets at fair value through profit or loss	3,288,011	161,606	3.20	161,606	
	HIM International Music Inc.	-	Financial assets at fair value through profit or loss	887,656	128,266	1.87	128,266	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2018 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value	Note
CDIB Venture Capital Corporation	Macroblock, Inc.	-	Financial assets at fair value through profit or loss	212,500	$ 17,829	0.61	$ 17,829	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets at fair value through profit or loss	1,500,000	4,644	4.22	4,644	
	Fukuta Co., Ltd.	-	Financial assets at fair value through profit or loss	1,608,600	131,255	4.80	131,255	
	Chain Yarn Corporation	-	Financial assets at fair value through profit or loss	550,653	5,264	0.36	5,264	
	Dynamic Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	3,285,131	32,589	1.17	32,589	
	Dyaco Co., Ltd.	-	Financial assets at fair value through profit or loss	5,102,500	199,508	5.49	199,508	
	Handa Pharmaceuticals Inc.	-	Financial assets at fair value through profit or loss	2,809,000	108,455	2.69	108,455	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	45,000	1.70	45,000	
	Solartech Energy Corp.	-	Financial assets at fair value through profit or loss	5,215,328	59,319	1.39	59,319	
	Neo Solar Power Corp.	-	Financial assets at fair value through profit or loss	4,502,307	55,118	0.44	55,118	
	Top Green Energy Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,111,111	1,469	0.89	1,469	
	FocalTech Systems Co., Ltd.	-	Financial assets at fair value through profit or loss	352	11	-	11	
	Lextar Electronics Corp.	-	Financial assets at fair value through profit or loss	2,608,065	54,509	0.51	54,509	
	DL-tek Co., Ltd.	-	Financial assets at fair value through profit or loss	3,772,331	10,988	1.03	10,988	
	Biodenta Corporation	-	Financial assets at fair value through profit or loss	129,999	1,300	1.44	1,300	
	Enterex International Limited	-	Financial assets at fair value through profit or loss	1,736,000	55,465	1.73	55,465	
	Sum Max Tech. Limited	-	Financial assets at fair value through profit or loss	2,875,481	246,429	12.13	246,429	
	Regal Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,602,000	131,364	4.20	131,364	
	Sino-American Silicon Products Inc.	-	Financial assets at fair value through profit or loss	5,708,562	607,962	0.96	607,962	
	Fusheng Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	800,000	121,872	0.68	121,872	
	M2Communication, Inc.	-	Financial assets at fair value through profit or loss	6,477,527	8,735	16.73	8,735	
	Cvie Therapeutics Limited	-	Financial assets at fair value through profit or loss	846,351	44,769	4.15	44,769	
	GSD Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	5,841,702	204,543	19.47	204,543	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	630,518	2,002	1.87	2,002	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	3,725,007	51,144	4.57	51,144	
	Trea Xtal Technology Corp.	-	Financial assets at fair value through profit or loss	2,781,000	1,669	1.46	1,669	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	5,528,901	83,708	10.05	83,708	
	Chipsip Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	428,928	916	1.02	916	
	Sunfun Info Co., Ltd.	-	Financial assets at fair value through profit or loss	604,000	41,072	4.22	41,072	
	Share Hope Medicine Co., Ltd.	-	Financial assets at fair value through profit or loss	234,846	8,314	0.30	8,314	
	Greatland Electronics Taiwan Ltd.	-	Financial assets at fair value through profit or loss	1,920,000	8,084	5.50	8,084	
	Luxtaltek Corporation	-	Financial assets at fair value through profit or loss	124,474	343	0.20	343	
	Topoint Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,513,383	51,399	1.58	51,399	
	Aces Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	2,850,421	75,821	2.33	75,821	
	Shengzhuang Holding Limited	-	Financial assets at fair value through profit or loss	610,590	41,258	6.11	41,258	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	118,889	4.81	118,889	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	514,821	5,076	-	5,076	
	Cvie Therapeutics Company Limited	-	Financial assets at fair value through profit or loss	560,000	17,471	4.15	17,471	
	Shane Global Holding Inc.	-	Financial assets at fair value through profit or loss	1,715,700	175,364	1.72	175,364	
	Hartec Asia Pte. Ltd.	-	Financial assets at fair value through profit or loss	2,800,000	65,425	10.23	65,425	
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	202,480	11,675	0.25	11,675	
	iCHEF Co., Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	11,167,513	62,860	40.74	62,860	
	4Gamers Entertainment Inc. - preferred stock	-	Financial assets at fair value through profit or loss	24,000	11,648	20.00	11,648	
	Viscovery (Cayman) Holding Company Limited - preferred stock	-	Financial assets at fair value through profit or loss	304,878	14,560	8.20	14,560	
	Citiesocial Holding Cayman Co., Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	479,635	14,561	18.18	14,561	
	Uimbo CV Inc. - preferred stock	-	Financial assets at fair value through profit or loss	1,394,145	20,384	10.29	20,384	
	CCMODA Corp. - preferred stock	-	Financial assets at fair value through profit or loss	666,666	14,560	20.00	14,560	
	Zentera Systems, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	1,324,503	74,988	39.35	74,988	
	Kneron, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	1,546,391	43,680	10.00	43,680	
	FUNP Co., Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	400,000	41,933	20.00	41,933	
	Achieve Made International Limited - preferred stock	-	Financial assets at fair value through profit or loss	168,138	12,583	6.67	12,583	
	CBA Sports International Ltd.- preferred stock A	-	Financial assets at fair value through profit or loss	2,402,500	23,689	13.73	23,689	
	Derbysoft Holdings Limited - preferred stock A	-	Financial assets at fair value through profit or loss	28,000,000	84,429	45.78	84,429	
	Derbysoft Holdings Limited - preferred stock B	-	Financial assets at fair value through profit or loss	4,643,469	14,002	9.26	14,002	
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	870,000,000	3,398,034	100.00	3,398,034	
	Funds							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	260,511	-	260,511	
	Convertible (exchangeable) corporate bond							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	2,000	142,650	-	142,650	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2018 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value	Note
CDIB Venture Capital (Hong Kong) Corporation Limited	Funds							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 443,599	-	HK$ 443,599	
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 385,116	-	HK$ 385,116	
CDIB Capital Investment I Limited	Stocks							
	DaChan Food (Asia) Limited	-	Financial assets at fair value through profit or loss	29,233,000	US$ 1,900	2.88	US$ 1,900	
	Global Sweeteners Holdings Ltd.	-	Financial assets at fair value through profit or loss	16,384,000	US$ 376	1.07	US$ 376	
	Casper Sleep, Inc.	-	Financial assets at fair value through profit or loss	266,690	US$ 7,500	20.05	US$ 7,500	
	CCAP Best Logistics Holdings Limited	-	Financial assets at fair value through profit or loss	1,000	US$ 5,409	11.11	US$ 5,409	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	13,722,047	US$ 7,826	3.40	US$ 7,826	
	Rokid Corp. Ltd.	-	Financial assets at fair value through profit or loss	7,821	US$ 2,500	0.75	US$ 2,500	
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets at fair value through profit or loss	1,636,800	US$ 770	1.91	US$ 770	
	Rock Mobile (Cayman) Co. - preferred stock C	-	Financial assets at fair value through profit or loss	840,336	US$ 132	3.26	US$ 132	
	Subicvest Inc.	Subsidiary	Investments accounted for using the equity method	200,000	US$ 80	100.00	US$ 80	
	Funds							
	Carlyle Asia Partners II, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 127	-	US$ 127	
	MSD Sports Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 9,383	-	US$ 9,383	
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US$ 94,362	-	US$ 94,362	
	Corporate bonds							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	41,875,000	US$ 6,784	-	US$ 6,784	
	Convertible (exchangeable) Corporate bond							
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US$ 4,000	-	US$ 4,000	
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	28,094,510	US$ 8,324	-	US$ 8,324	
	Giddy Inc.	-	Financial assets at fair value through profit or loss	586,003	US$ 6,500	-	US$ 6,500	
Subicvest Inc.	Stocks							
	SPEC Protertices, Inc.	-	Financial assets at fair value through profit or loss	242,683	PHP 2,590	3.44	PHP 2,590	
CDIB Capital Investment II Limited	Stocks							
	Neo-neon Holdings Ltd.	-	Financial assets at fair value through profit or loss	9,290,000	US$ 900	0.44	US$ 900	
	Great Rich Technologies Limited	-	Financial assets at fair value through profit or loss	1,660,000	US$ 4,682	2.46	US$ 4,682	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	508,929	US$ 172	0.89	US$ 172	
	Indostar Capital	-	Financial assets at fair value through profit or loss	992,674	US$ 22,853	4.53	US$ 22,853	
	Indostar Everstone - preferred stock	-	Financial assets at fair value through profit or loss	992,332	US$ 22,737	9.37	US$ 22,737	
	CBA Sports International Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	2,375,000	US$ 804	13.57	US$ 804	
CDIB Global Markets Limited	Stocks							
	Light Sciences Oncology, Inc.	-	Financial assets at fair value through profit or loss	250,000	US$ 34	0.28	US$ 34	
	Facebook Inc.	-	Financial assets at fair value through profit or loss	575	US$ 92	-	US$ 92	
	Optoplex Corporation	-	Financial assets at fair value through profit or loss	55	US$ -	-	US$ -	
	GoPro, Inc.	-	Financial assets at fair value through profit or loss	51,878	US$ 248	0.04	US$ 248	
	Flemingo International (BVI) Ltd.	-	Financial assets at fair value through profit or loss	1,048	US$ 38,200	50.19	US$ 38,200	
	Optoplex Corporation - preferred stock A	-	Financial assets at fair value through profit or loss	7,956	US$ 4	0.42	US$ 4	
	Sonics, Inc. - preferred stock B	-	Financial assets at fair value through profit or loss	114,359	US$ 4	14.74	US$ 4	
	Microfabrica, Inc. - preferred stock B	-	Financial assets at fair value through profit or loss	13,091	US$ 14	0.12	US$ 14	
	Optoplex Corporation - preferred stock B	-	Financial assets at fair value through profit or loss	20,602	US$ 10	0.75	US$ 10	
	Microfabrica, Inc. Preferred Stock AC	-	Financial assets at fair value through profit or loss	7,749	US$ 8	0.48	US$ 8	
	Funds							
	Huaxing Capital Partners II LP	-	Financial assets at fair value through profit or loss	-	US$ 7,129	-	US$ 7,129	
	GS TDN Investors Offshore, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 1,050	-	US$ 1,050	
	CX Partners Fund Alpha Limited	-	Financial assets at fair value through profit or loss	-	US$ 9,346	-	US$ 9,346	
	Carlyle Asia Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 5,053	-	US$ 5,053	
	Riverwood Capital Partners L.P.	-	Financial assets at fair value through profit or loss	-	US$ 5,955	-	US$ 5,955	
	ECP II (Cayman) Ltd. A	-	Financial assets at fair value through profit or loss	-	US$ 8,533	-	US$ 8,533	
	Sino-Century China Private Equity II L. P.	-	Financial assets at fair value through profit or loss	-	US$ 384	-	US$ 384	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2018 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value	Note
CDIB Global Markets Limited	KKR Asian Fund II L.P.	-	Financial assets at fair value through profit or loss	-	US$ 8,349	-	US$ 8,349	
	Carlyle Asia Partners IV, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 19,084	-	US$ 19,084	
	Carlyle Giovanna Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 47,695	-	US$ 47,695	
	Tenaya Capital V, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 4,037	-	US$ 4,037	
	THL EQUITY FUND VI INVESTORS (CERIDIAN), L.P.	-	Financial assets at fair value through profit or loss	-	US$ 6,207	-	US$ 6,207	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 2,431	-	US$ 2,431	
	Industry Ventures Fund VI, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 3,660	-	US$ 3,660	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 9,554	-	US$ 9,554	
	Tenaya Capital VI, LP	-	Financial assets at fair value through profit or loss	-	US$ 6,995	-	US$ 6,995	
	Formation8 Partners Fund I, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 7,808	-	US$ 7,808	
	Blue Point Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 5,718	-	US$ 5,718	
	Riverwood Capital Partners II L.P.	-	Financial assets at fair value through profit or loss	-	US$ 10,496	-	US$ 10,496	
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 9,217	-	US$ 9,217	
CDIB Capital International Corporation	Stocks							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US$ 6,912	100.00	US$ 6,912	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US$ 6,097	100.00	US$ 6,097	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 1,758	100.00	US$ 1,758	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US$ (64)	100.00	US$ (64)	
China Development Asset Management Corp.	Stocks							
	Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	2,000,000	113,783	100.00	113,783	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,563,745	100.00	2,563,745	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	191,731	100.00	191,731	
	Pine Street Asset Management Corp.	-	Financial assets at fair value through other comprehensive income	3,886,190	27,583	12.25	27,583	
	Waterland Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	8,034,740	54,846	1.07	54,846	
	Victor Taichung Machinery Works Co., Ltd.	-	Financial assets at fair value through profit or loss	94,266	177	0.09	177	
CDIB Management Consulting Corp.	Stocks							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	644,224	76.04	644,224	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	221,433	100.00	221,433	
CDC Finance & Leasing Corp.	Stocks							
	Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	496,574	1,286	0.07	1,286	
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	411	19.00	411	
Global Securities Finance Corporation	Mutual funds							
	PineBridge Preferred Securities Income Fund-B (TWD)	-	Financial assets at fair value through profit or loss	26,040,000	246,603	-	246,603	
	NB AR Taiwan Equity Fund T Inc.	-	Financial assets at fair value through profit or loss	2,000,000	19,240	-	19,240	
	Bank debentures							
	Sunny Bank Second Subordinated Bank Debentures issued in 2015	-	Financial assets measured at amortized cost	200,000,000	199,262	-	199,985	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issued in 2015	-	Financial assets measured at amortized cost	100,000,000	99,357	-	99,994	
	Bank of Panhsin 3th Unsecured Subordinate Financial Debentures issued in 2017	-	Financial assets measured at amortized cost	200,000,000	197,983	-	199,986	
	Bank SinoPac Third Subordinated Bank Debentures issued in 2011	-	Other financial assets	150,000,000	150,002	-	150,354	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other financial assets	50,000,000	49,936	-	50,135	
	Government bonds							
	A05113	-	Other financial assets	100,000,000	99,574	-	100,000	
	A06102	-	Other financial assets	100,000,000	99,730	-	100,398	

Note 1: The Group recognized the related income or loss of investees as required by regulations. For decline in value that was other than temporary, investment loss was recognized.

Note 2: The market value or net worth of preferred stock is equal to the ratio of preferred shares held to the number of preferred shares outstanding multiplied by the total market value or total net worth of all of investee's common and preferred shares.

Note 3: No securities were treated as collaterals or warrants.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED 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 THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 (Note)
CDIB Capital Group	Stock													
	Chipbond Technology Corporation	Financial assets at fair value through profit or loss	-	-	7,971,229	$ 356,735	-	$ -	7,971,229	$ 502,519	$ 356,735	$ 145,784	-	$ -
	Globalwafers. Co., Ltd.	Financial assets at fair value through profit or loss	-	-	1,758,072	123,960	-	-	674,000	300,023	47,523	252,500	1,804,072	76,437
CDIB Global Markets Limited	Funds													
	Carlyle Giovanna Partners, L.P.	Financial assets at fair value through profit or loss	-	-	-	US$ 12,858	-	-	-	US$ 16,715	US$ 1,762	US$ 14,953	-	US$ 11,096
CDIB Capital Investment I Limited	Funds													
	Ripley	Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	US$ 9,660	-	US$ 9,660	-	-

Note: Initial acquisition cost.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
CDIB Capital Group	The Corporation	Parent company	$ 339,279	-	$ -	-	$ -	$ -
The Corporation	CDIB Capital Group	Subsidiary	342,151	-	-	-	-	-
	KGI Bank	Subsidiary	508,243	-	-	-	-	-
	KGI Securities	Subsidiary	365,934	-	-	-	-	-
KGI Bank	KGI Securities	Subsidiary of the parent company	370,201	-	-	-	370,201	-
China Life Insurance	KGI Securities	Subsidiary of the parent company	497,088	-	-	-	497,088	-

Note: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

TABLE 6

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SOLD NONPERFORMING LOANS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

1. Summary of sold nonperforming loans

Transaction Date	Counter Party	Type of Loans	Carrying Value (Note 1)	Selling Price	Disposal Gain (Loss) (Note 2)	Other Condition	Relationship of Counter-party with the Subsidiaries
2018.01.26	A	Unsecured loans	$ 116	$ 800	$ 684	-	-

Note 1: Carrying value = Original amount - Allowance for bad debts

Note 2: Disposal gain (loss) is including the gain on reversal of allowance for bad debts.

2. Sale of nonperforming loans exceeding NT$1 billion (excluding related-party transactions): For the Group: None.

TABLE 7

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
The Corporation	CDIB Capital Group	Venture fund	100.00	100.00	100.00	
	KGI Securities	Financial service	100.00	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	China Life Insurance Co., Ltd.	Financial insurance	25.33	25.33	-	(Note 1)
CDIB Capital Group	CDIB Capital Management Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	100.00	
	CDIB Global Markets Limited	Venture fund	100.00	100.00	100.00	
	CDIB Capital Investment I Limited	Venture fund	100.00	100.00	100.00	
	CDIB Capital Investment II Limited	Venture fund	100.00	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	100.00	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital International (USA) Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital Asia Partners Limited	Management of private equity fund	100.00	100.00	100.00	(Note 2)
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	100.00	
CDIB Private Equity (Fujian) Co., Ltd.	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	20.00	20.00	20.00	
CDIB Capital Management Corporation	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	100.00	
	CDIB Capital Innovation Advisors Corporation	Management and consulting	60.00	60.00	60.00	
CDIB Private Equity (Hong Kong) Corporation Limited	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	27.08	27.08	4.33	
	CDIB Private Equity (China) Corporation	Management and consulting	100.00	100.00	100.00	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	56.00	56.00	56.00	
CDIB Private Equity (China) Corporation	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting	65.00	65.00	65.00	
	CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting	70.00	70.00	70.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	58.34	58.34	93.34	
KGI Securities	Richpoint Company Limited	Investment holdings	100.00	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting	100.00	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	100.00	99.99	99.99	(Note 3)
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	99.61	
	Global Securities Finance Corporation	Stock loans and financing purchase of securities	21.99	21.99	21.99	(Note 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	100.00	
KGI Information Technology Co., Ltd.	KGI Information Technology (Shanghai) Co., Ltd.	Information service	100.00	100.00	100.00	(Note 5)
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	100.00	100.00	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	100.00	
	ANEW Holdings Limited	Investment holdings	-	-	100.00	
KGI International Holdings Limited	KG Investments Asset Management (International) Limited	Investment services	-	-	100.00	
	KGI Limited	Investment holdings	100.00	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	100.00	
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment	-	-	100.00	(Note 8)
	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00	
	KGI Hong Kong Limited	Management services	100.00	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	100.00	(Note 8)
	KGI Capital Asia Limited	Securities investment	100.00	100.00	100.00	
	Grand Cathay Securities (Hong Kong) Limited	Securities investment	-	-	100.00	(Note 8)
	KGI Asset Management Limited	Asset management	100.00	100.00	100.00	
	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00	100.00	
	KGI Wealth Management Limited	Securities investment	-	-	100.00	(Note 8)
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	100.00	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	100.00	(Note 6)
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	100.00	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	99.00	99.00	(Note 7)
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	-	-	100.00	(Note 8)
KGI Asia Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	100.00	-	(Note 8)
KGI Asia (Holdings) Pte. Ltd.	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Futures investment and foreign - currency services	-	-	100.00	(Note 9)
	KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Securities investment	100.00	100.00	100.00	(Note 9)
KGI Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	

Note 1: The Corporation and the subsidiary, KGI securities, jointly held 34.96% of shares of China Life Insurance Co., Ltd.

Note 2: CDIB Capital Asia Partners Limited conducted registration of establishment on March 21, 2014, however, CDIB Capital International Corporation had not invested any capital as of March 31, 2018.

Note 3: In order to integrate KGI Securities Investment Trust Co., Ltd. into a wholly-owned subsidiaries of KGI Securities to meet future business development needs, on January 26, 2018, KGI Securities's board of directors resolved to buy back the remaining 1,833 shares of KGI Securities with a total purchase price of $19 thousand. The delivery date was February 22, 2018.

Note 4: KGI Securities held 21.99% of the shares of Global Securities Finance Corporation (GSFC) and obtained more than half of the seats in the board of director, therefore, GSFC should be included in the consolidated financial statements.

Note 5: KGI Information Technology (Shanghai) Co., Ltd. conducted registration of establishment on May 30, 2016, however, KGI Information Technology Co., Ltd. had not invested any capital as of March 31, 2018.

Note 6: KGI Capital (Singapore) Pte. Ltd. has been suspended operations.

Note 7: KGI Capital Asia Limited invested by KGI Securities, Acquired PT KGI Securities Indonesia, which was approved by authorities of Taiwan and Indonesia and completed the acquisition on August 31, 2016. PT KGI Securities Indonesia was renamed PT KGI Sekuritas Indonesia, which was approved by No. Financial-Supervisory-Securities-Firms-1050005075 on February 25, 2016, and has been incorporated into the consolidated financial statements of the Company since 2016.

(Continued)

Note 8: To integrate internal resources and improve the effectiveness of funding operation, the overseas investee enterprises of KGI Limited, which included KGI Securities (Hong Kong) Limited, KGI Asia Limited, Grand Cathay Securities (Hong Kong) Limited and KGI Wealth Management Limited, were merged. KGI Asia Limited was the survivor company after the merger. The effective date of the merger was October 3, 2017.

Note 9: To integrate internal resources, strengthen capital and enhance refinancing ability, the overseas investee enterprises of KGI Asia (Holdings) Ptd. Ltd., which included KGI Futures (Singapore) Pte. Ltd. and KGI Securities (Singapore) Pte. Ltd., were merged. KGI Securities (Singapore) Pte. Ltd. was the survivor company after the merger. The effective date of the merger was October 2, 2017.

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	50.00	As of March 31, 2018, CDIB Capital Group's investment in CDIB Biotech USA Investment Co., Ltd. of CDIB Capital Group had amounted to $0 thousand; CDIB Biotech USA Investment Co., Ltd. was approbated to liquidate by the Board of Director on April 20, 2008, therefore, CDIB Biotech USA Investment Co., Ltd. was not included in the consolidated financial statement.
CDIB Capital Investment I Limited	Subicvest Inc.	Leasing	100.00	100.00	100.00	As of March 31, 2018, CDIB Capital Investment I Limited's investment in Subicvest Inc. of CDIB Capital Investment I Limited had amounted to US$80 thousand; Subicvest Inc. was approbated to liquidate by the Board of Director on May 24, 2016, therefore, Subicvest was not included in the consolidated financial statement.
KGI Securities	Grand Cathay Holding Limited	Holding company	-	-	-	Grand Cathay Holding Limited was approbated to liquidate by the board of directors on December 27, 2013, therefore, Grand Cathy Holding Limited was not included in the consolidated financial statement. The liquidation was settled on May 1, 2018.

(Concluded)

TABLE 8

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE
DECEMBER 31, 2017
(In Millions of New Taiwan Dollars; %)

The Corporation

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.	$ 141,497	84.39
Taipower Corporation	14,994	8.94
KG Investment Holdings Limited	12,332	7.35
AT&T Inc.	11,074	6.60
FANNIE MAE	10,593	6.32
VERIZON COMMUNICATIONS	8,370	4.99
JPMORGAN CHASE & CO	8,280	4.94
WELLS FARGO & COMPANY	8,136	4.85
DEUTSCHE BANK AG	7,534	4.49
GOLDMAN SACHS GROUP INC.	7,473	4.46
Hon Hai Precision Industry Co., Ltd.	7,414	4.42
CITIGROUP INC.	7,354	4.39
FREDDLE MAC	6,956	4.15
MORGAN STANLEY	6,787	4.05
BANK OF AMERICA CORP	6,682	3.98
Chunghwa Telecom Co., Ltd.	6,158	3.67
CDIB & Partners Investment Holding Corporation	5,998	3.58
COMCAST CORP.	5,852	3.49
SOCIETE GENERALE, PARIS, FRANCE	5,739	3.42
HSBC	5,472	3.26
China Development Bank	5,253	3.13
BARCLAYS BANK PLC	5,222	3.11
RABOBANK NEDERLAND	5,144	3.07
CREDIT SUISSE	5,042	3.01
NATIONAL BANK OF CANADA	4,906	2.93
ANHEUSER-BUSCH INBEV	4,882	2.91
LLOYDS BANK PLC	4,864	2.90
TSMC	4,804	2.86
Chailease International Financial Services	4,363	2.60
ROYAL BANK OF CANADA	4,339	2.59

(Continued)

Counter-party		Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
	GOVERNMENT NATL MORTGAGE ASSOCIATION	$ 4,203	2.51
	KOMMUNALBANKEN AS	4,174	2.49
	NATIONAL BK OF ABU DHABI	3,965	2.36
	NOMURA	3,902	2.33
	NAN YA PLASTICS CORPORATION	3,880	2.31
	Yuanta Securities Co., Ltd.	3,877	2.31
	Natixis S.A.	3,849	2.30
	ADCB FINANCE CAYMAN LTD	3,793	2.26
	BNP-PARIBAS SA	3,749	2.24
	MALAYAN BANKING BHD	3,684	2.20
	Microsoft Corporation	3,659	2.18
	STANDARD CHARTERED PLC	3,558	2.12
	CTBC Financial Holding Co., Ltd.	3,340	1.99
	Farglory Land Development Co., Ltd.	3,297	1.97
	Alibaba Group Holding Limited	3,282	1.96
	Qisda Corporation	3,214	1.92
	Netronix, INc.	3,200	1.91
	WESTPAC BANKING CORP	3,194	1.90
	DBS BANK LTD.	3,183	1.90
	Intel Corp.	3,177	1.89
	Cathay United Commercial Bank	3,089	1.84
	Total	$ 418,783	249.75
2.	The same group		
	Foxconn Technology Group	$ 11,340	6.76
	Far Tastern Group	8,580	5.12
	Fubon Group	8,035	4.79
	BenQ Group	7,699	4.59
	CTBC Group	7,084	4.22
	YFY Group	6,307	3.76
	Formosa Plastic Group	6,199	3.70
	Chunghwa Telecom Group	6,158	3.67
	LinYuan Group	6,001	3.58
	Chailease Group	5,625	3.35
	TSMC Group	4,949	2.95
	Yuanta Group	4,497	2.68
	Qsan Technology Group	4,313	2.57
	Ruentex Group	4,062	2.42
	Nanya Plastics Group	4,045	2.41
	Tashin Group	3,749	2.24
	Evergreen Group	3,622	2.16
	Formosa Chemicals and Fiber Group	3,619	2.16
	Mega Group	3,615	2.16
	Farglory Group	3,469	2.07
	PECOS Group	3,340	1.99
	Netronix Group	3,200	1.91
	Total	$ 119,508	71.27

(Concluded)

TABLE 9

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2018**	**December 31, 2017**	**March 31, 2017**
Cash and cash equivalents	$ 970,801	$ 1,014,547	$ 1,412,416
Financial assets at fair value through profit or loss	1,095,250	-	-
Available-for-sale financial assets	-	1,344,910	1,244,306
Receivables, net	4,343	4,689	8,000,115
Current tax assets	1,376,664	1,234,121	1,488,108
Investments accounted for using the equity method, net	202,524,564	200,445,118	182,736,269
Other financial assets	300	300	300
Property and equipment, net	20,899	21,488	9,258
Other assets, net	23,945	29,946	82,288
Total	$ 206,016,766	$ 204,095,119	$ 194,973,060
Liabilities and Equity			
Commercial paper payable	$ 8,899,413	$ 9,899,365	$ 11,899,605
Payables	614,757	699,065	326,681
Current tax liabilities	543,588	472,630	803,109
Bonds payable	22,000,000	22,000,000	12,000,000
Other borrowings	4,499,701	3,299,950	4,499,853
Provisions	42,073	41,362	38,039
Other liabilities	11,156	2,675	11,296
Total liabilities	36,610,688	36,415,047	29,578,583
Equity			
Capital			
Common stock	149,770,403	149,763,034	149,757,428
Advance receipts for capital stock	3,614	5,162	-
Capital surplus	1,239,541	1,173,719	1,106,998
Retained earnings			
Legal reserve	5,606,606	5,606,606	5,014,298
Special reserve	2,078,602	2,078,602	3,228,296
Unappropriated earnings	18,693,985	13,184,948	10,358,207
Other			
Exchange differences on translation of foreign financial statements	(2,760,766)	(2,031,949)	(1,718,070)
Unrealized gains on available-for-sale financial assets	-	2,113,838	48,536
Gain (loss) on equity investment measured at FVTOCI	1,618,770	-	-
Gain (loss) on financial assets mandatorily measured at FVTOCI	(2,739,930)	-	-
Reclassification of other comprehensive income by overlap approach	(31,020)	-	-
Others	(5,872)	(8,322)	(24,469)
Treasury shares	(4,067,855)	(4,205,566)	(2,376,747)
Total equity	169,406,078	167,680,072	165,394,477
Total	$ 206,016,766	$ 204,095,119	$ 194,973,060

(Continued)

2. Statements of comprehensive income

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

	For the Three Months Ended March 31	
	2018	**2017**
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	$ 3,638,268	$ 1,973,970
Others	216	5,252
Total revenues	3,638,484	1,979,222
EXPENSES AND LOSSES		
Operating expenses	(287,447)	(218,009)
Others	(145,999)	(73,655)
Total expenses and losses	(433,446)	(291,664)
NET PROFIT BEFORE INCOME TAX	3,205,038	1,687,558
INCOME TAX BENEFIT	71,586	120,859
NET PROFIT FOR THE PERIOD	3,276,624	1,808,417
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss, net of income tax		
Share of the other comprehensive loss of subsidiaries, associates and joint ventures	(309,944)	-
Income tax relating to the items that will not be reclassified subsequently to profit or loss	67,725	-
	(242,219)	-
Items that will be reclassified subsequently to profit or loss, net of income tax		
Unrealized gain (loss) on available-for-sale financial assets	-	44,572
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(6,839,763)	47,929
Income tax relating to the items that may be reclassified subsequently to profit or loss	746,162	(594)
Other comprehensive income (loss) for the period, net of income tax	(6,335,820)	91,907
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ (3,059,196)	$ 1,900,324
BASIC EARNINGS PER SHARE	$0.23	$0.12
DILUTED EARNINGS PER SHARE	$0.23	$0.12

(Continued)

3. Statements of changes in equity

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

	Capital			Retained Earnings			Other Equity						
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2017	$ 149,744,203	$ 10	$ 1,104,521	$ 5,014,298	$ 3,228,296	$ 8,556,188	$ 494,377	$ -	$ (2,255,818)	$ -	$ (21,211)	$ (2,376,747)	$ 163,488,117
Net profit for the three months ended March 31, 2017	-	-	-	-	-	1,808,417	-	-	-	-	-	-	1,808,417
Other comprehensive income (loss) for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	-	(2,212,447)	-	2,304,354	-	-	-	91,907
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	-	1,808,417	(2,212,447)	-	2,304,354	-	-	-	1,900,324
Share-based payments	13,225	(10)	2,477	-	-	(6,398)	-	-	-	-	(3,258)	-	6,036
BALANCE AT MARCH 31, 2017	$ 149,757,428	$ -	$ 1,106,998	$ 5,014,298	$ 3,228,296	$ 10,358,207	$ (1,718,070)	$ -	$ 48,536	$ -	$ (24,469)	$ (2,376,747)	$ 165,394,477
BALANCE AT JANUARY 1, 2018	$ 149,763,034	$ 5,162	$ 1,173,719	$ 5,606,606	$ 2,078,602	$ 13,184,948	$ (2,031,949)	$ -	$ 2,113,838	$ -	$ (8,322)	$ (4,205,566)	$ 167,680,072
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634
Net profit for the three months ended March 31, 2018	-	-	-	-	-	3,276,624	-	-	-	-	-	-	3,276,624
Other comprehensive loss for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	(45)	(728,817)	(5,030,629)	-	(576,329)	-	-	(6,335,820)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	3,276,579	(728,817)	(5,030,629)	-	(576,329)	-	-	(3,059,196)
Disposal of the Corporation shares, as treasury shares	-	-	65,318	-	-	-	-	-	-	-	-	137,711	203,029
Share-based payments	7,369	(1,548)	504	-	-	-	-	-	-	-	2,450	-	8,775
Disposal of equity instruments at FVTOCI	-	-	-	-	-	40,501	-	(40,501)	-	-	-	-	-
Net changes in special reserve of subsidiaries	-	-	-	-	-	12,836	-	-	-	-	-	-	12,836
BALANCE AT MARCH 31, 2018	$ 149,770,403	$ 3,614	$ 1,239,541	$ 5,606,606	$ 2,078,602	$ 18,693,985	$ (2,760,766)	$ (1,121,160)	$ -	$ (31,020)	$ (5,872)	$ (4,067,855)	$ 169,406,078

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 3,205,038	$ 1,687,558
Adjustments for:		
Depreciation and amortization expenses	1,136	1,238
Interest expense	105,802	70,757
Interest income	(8)	(5,088)
Share-based payment compensation cost	3,040	4,377
Share of profit of subsidiaries, associates and joint ventures	(3,637,614)	(1,973,653)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	249,660	-
Other assets	5,835	266,631
Payables	(81,315)	(32,606)
Other liabilities	9,193	10,887
Interest paid	(108,795)	(198,426)
Interest received	8	5,088
Income tax returned	-	140,398
Net cash used in operating activities	(248,020)	(22,839)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment under equity method	-	(2,321,887)
Acquisition of property and equipment	(35)	(91)
Net cash used in investing activities	(35)	(2,321,978)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payable	(999,952)	7,899,831
Repayments of corporate bonds	-	(6,000,000)
Increase in other borrowings	1,199,751	499,961
Exercise of employee share options	4,510	-
Net cash generated from financing activities	204,309	2,399,792
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(43,746)	54,975
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,014,547	1,357,441
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 970,801	$ 1,412,416

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2018**	**December 31, 2017**	**March 31, 2017**
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 45,930,207	$ 47,564,313	$ 49,909,673
Financial assets at fair value through profit or loss	75,961,223	54,441,219	77,508,493
Financial assets at fair value through other comprehensive income	148,655,425	-	-
Other instruments at amortized cost	10,777,275	-	-
Securities purchased under resell agreements	15,140,275	18,829,142	12,983,190
Receivables, net	23,779,778	18,552,904	21,190,934
Current tax assets	-	-	68,488
Assets held for sale, net	-	-	12,290
Discount and loans, net	313,125,068	293,656,990	266,583,134
Available-for-sale financial assets, net	-	127,662,495	129,308,759
Investments accounted for using the equity method, net	1,813,813	1,738,613	1,826,258
Other financial assets, net	4,276,804	7,862,447	4,106,711
Property and equipment, net	5,498,989	5,518,787	5,520,092
Investment property, net	970,834	932,134	711,222
Deferred tax assets	3,076,800	2,855,924	4,291,054
Other assets, net	13,419,176	5,884,365	7,640,473
Total assets	$ 662,425,667	$ 585,499,333	$ 581,660,771
Deposits from the Central Bank and banks	$ 23,906,829	$ 28,330,692	$ 22,628,177
Financial liabilities at fair value through profit or loss	71,732,884	43,284,681	53,353,179
Notes and bonds issued under repurchase agreements	61,217,402	45,444,814	59,468,750
Payables	7,944,108	6,787,707	3,885,494
Current tax liabilities	508,243	412,845	379,060
Deposits and remittances	410,639,398	376,649,751	349,951,378
Bank debentures payable	1,000,000	1,000,000	2,701,957
Principal received on structured notes	19,531,830	20,147,989	23,021,599
Other financial liabilities	3,710	3,162	384
Provisions	323,796	213,712	227,159
Deferred tax liabilities	274,167	243,838	162,333
Other liabilities	4,486,462	1,758,392	5,647,622
Total liabilities	601,568,829	524,277,583	521,427,092
Common stock	46,061,623	46,061,623	46,061,623
Capital surplus	7,250,788	7,250,553	7,249,667
Retained earnings	8,337,445	8,166,473	7,607,347
Others	(793,018)	(256,899)	(684,958)
Total equity	60,856,838	61,221,750	60,233,679
Total liabilities and equity	$ 662,425,667	$ 585,499,333	$ 581,660,771

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended March 31	
	2018	**2017**
Interest revenue	$ 2,967,226	$ 2,245,178
Interest expense	(1,213,305)	(875,847)
Interest profit, net	1,753,921	1,369,331
Noninterest profits and gains, net	465,475	1,097,559
Total net revenues	2,219,396	2,466,890
Reversal of allowance (allowance) for bad debts, commitments and losses on guarantees, net	(184,372)	(148,729)
Operating expenses	(1,382,972)	(1,328,314)
Net profit before income tax	652,052	989,847
Income tax benefit (expense)	40,151	(101,727)
Net profit for the period	692,203	888,120
Other comprehensive income (loss) for the period net of income tax	(1,088,092)	619,883
Total comprehensive income for the period	$ (395,889)	$ 1,508,003
Basic earnings per share	$0.15	$0.19

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2018**	**December 31, 2017**	**March 31, 2017**
Current assets	$ 139,104,746	$ 132,216,805	$ 148,631,177
Noncurrent assets	43,895,113	43,216,936	34,353,632
Total assets	$ 182,999,859	$ 175,433,741	$ 182,984,809
Current liabilities	$ 116,825,850	$ 110,425,142	$ 114,604,567
Noncurrent liabilities	6,998,275	6,847,824	8,824,025
Total liabilities	123,824,125	117,272,966	123,428,592
Common stock	29,988,123	29,988,123	34,988,123
Capital surplus	8,647,267	8,646,690	8,644,931
Retained earnings	22,958,699	20,657,851	14,742,414
Others	(2,418,355)	(1,131,889)	1,180,749
Total equity	59,175,734	58,160,775	59,556,217
Total liabilities and equity	$ 182,999,859	$ 175,433,741	$ 182,984,809

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended March 31 2018	For the Three Months Ended March 31 2017
Operating revenues	$ 2,435,001	$ 1,793,004
Operating expenses	(2,083,141)	(1,864,133)
Profit (Loss) from operations	351,860	(71,129)
Share of profit (loss) of subsidiaries, associates and joint ventures	705,149	368,898
Other income and loss	59,833	131,657
Total non-operating income or loss	764,982	500,555
Net profit before income tax	1,116,842	429,426
Income tax expense	(146,525)	(43,880)
Net profit for the period	970,317	385,546
Other comprehensive income (loss), net of income tax	(1,423,038)	(1,074,185)
Total comprehensive income (loss) for the period	$ (452,721)	$ (688,639)
Basic earnings per share	$0.32	$0.11

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	$ 7,064,142	$ 5,089,560	$ 24,858,176
Noncurrent assets	51,099,588	49,413,520	48,288,345
Total assets	$ 58,163,730	$ 54,503,080	$ 73,146,521
Current liabilities	$ 738,437	$ 723,199	$ 8,868,663
Noncurrent liabilities	1,076,827	804,655	795,037
Total liabilities	1,815,264	1,527,854	9,663,700
Common stock	20,411,159	20,411,159	20,603,994
Capital surplus	4,688,670	4,688,261	16,703,462
Retained earnings	31,643,894	28,585,639	28,452,361
Others	(395,257)	(709,833)	(2,276,996)
Total equity	56,348,466	52,975,226	63,482,821
Total liabilities and equity	$ 58,163,730	$ 54,503,080	$ 73,146,521

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended March 31	
	2018	**2017**
Operating revenue	$ 1,555,083	$ 1,279,207
Operating cost	-	(34,241)
Operating profit, net	1,555,083	1,244,966
Operating expenses	(192,007)	(174,277)
Profit from operations	1,363,076	1,070,689
Non-operating income or loss	(26,065)	(68,751)
Net profit before income tax	1,337,011	1,001,938
Income tax expense	(9,244)	(141,630)
Net profit for the period	1,327,767	860,308
Other comprehensive income (loss) for the period, net of income tax	(404,009)	588,910
Total comprehensive income (loss) for the period	$ 923,758	$ 1,449,218
Basic earnings per share	$0.65	$0.42

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2018**	**December 31, 2017**	**March 31, 2017**
Current assets	$ 165,273	$ 44,161	$ 26,154
Noncurrent assets	3,108,238	3,211,800	3,125,230
Total assets	$ 3,273,511	$ 3,255,961	$ 3,151,384
Current liabilities	$ 825,312	$ 832,695	$ 815,615
Noncurrent liabilities	1,712	1,712	1,712
Total liabilities	827,024	834,407	817,327
Common Stock	2,000,000	2,000,000	2,000,000
Capital surplus	8,739	8,735	8,718
Retained earnings	457,543	412,819	325,339
Others	(19,795)	-	-
Total equity	2,446,487	2,421,554	2,334,057
Total liabilities and equity	$ 3,273,511	$ 3,255,961	$ 3,151,384

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended March 31	
	2018	**2017**
Revenues and gains	$ 58,505	$ 29,433
Expenses and losses	(24,216)	(15,849)
Net profit before income tax	34,289	13,584
Income tax expense	(2,566)	-
Net profit for the period	31,723	13,584
Other comprehensive income (loss), net of income tax	-	-
Total comprehensive income for the period	$ 31,723	$ 13,584
Basic earnings per share	$0.16	$0.07

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**March 31, 2018**	**December 31, 2017**
Cash and cash equivalents	$ 51,166,149	$ 44,717,613
Receivables	13,105,112	12,998,829
Financial assets at fair value through profit or loss	186,284,907	4,531,910
Financial assets at fair value through other comprehensive income	267,415,012	-
Available-for-sale financial assets	-	424,694,976
Financial assets measured at amortized cost	834,636,951	-
Debt instruments with no active market	-	632,451,850
Held-to-maturity financial assets	-	194,762,878
Investment property	23,127,777	23,149,852
Loans	31,495,043	31,490,373
Reinsurance assets	418,079	302,104
Property and equipment	9,587,599	9,387,145
Intangible assets	178,854	186,275
Deferred tax assets	9,373,184	5,689,044
Other assets	20,514,715	19,546,345
Separate account product assets	62,544,045	61,824,990
Total assets	$ 1,509,847,427	$ 1,465,734,184
Payables	$ 9,087,350	$ 8,547,929
Current tax liabilities	6,583,177	4,934,199
Financial liabilities at fair value through profit or loss	1,039,157	535,854
Insurance liabilities	1,326,488,286	1,284,198,018
Foreign exchange valuation reserve	2,014,667	2,703,763
Provisions	119,426	120,084
Deferred tax liabilities	2,397,749	2,553,444
Other liabilities	8,043,810	4,978,156
Separate account product liabilities	62,544,045	61,824,990
Total liabilities	1,418,317,667	1,370,396,437
Common stock	37,863,984	37,863,984
Capital surplus	2,289,273	2,289,273
Retained earnings	47,491,282	44,077,239
Others	3,885,221	11,107,251
Total equity	91,529,760	95,337,747
Total liabilities and equity	$ 1,509,847,427	$ 1,465,734,184

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended March 31, 2018
Operating revenue	$ 73,310,630
Operating costs	(69,078,039)
Operating expense	(1,515,668)
Profit from operations	2,716,923
Non-operating income and expenses	4,926
Income from continuing operations before income tax	2,721,849
Income tax benefit	956,084
Net income	3,677,933
Other comprehensive income for the period net of income tax	(13,453,757)
Total comprehensive income for the period	$ (9,775,824)
Basic earnings per share	$0.97

(Concluded)

TABLE 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
MARCH 31, 2018
(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow						
Beauty Essential International Ltd.	Sale and R&D the cosmetic.	US$ 2,000 thousand	Note 1,b,1)	US$ 2,262 thousand	$ -	$ -	US$ 2,262 thousand	Note 3	8.86	$ -	$ 67,521	$ -
Derby Software (Shanghai) 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),24)	US$ 228 thousand	-	-	US$ 228 thousand	Note 3	1.79	-	6,639	-
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),25)	US$ 182 thousand	-	-	US$ 182 thousand	Note 3	5.00	-	6,532	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US$ 27,700 thousand	Note 1,b,5),23)	US$ 941 thousand	-	-	US$ 941 thousand	Note 3	2.16	-	6,767	-
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),23)	US$ 33 thousand	-	-	US$ 33 thousand	Note 3	2.16	-	239	-
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 165,249 thousand	Note 1,b,5),23)	CNY 1,732 thousand	-	-	CNY 1,732 thousand	Note 3	2.16	-	1,842	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale.	US$ 500 thousand	Note 1,b,5),23)	US$ 42 thousand	-	-	US$ 42 thousand	Note 3	2.16	-	299	-
Jiangyin Suda Huicheng Composite Material Co., Ltd.	Lithium battery with extruded composite film	CNY 19,812 thousand	Note 1,b,23)	US$ 4,938 thousand	-	-	US$ 4,938 thousand	Note 3	3.89	-	35,505	-
CDIB Private Equity (China) Corporation	Management and consulting.	US$ 7,000 thousand	Note 1,b,8)	US$ 7,000 thousand	-	-	US$ 7,000 thousand	9,402	100.00	9,402	218,690	-
CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting.	CNY 10,000 thousand	Note 12	-	-	-	-	6,922	70.00	4,845	92,578	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow						
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 6,686 thousand	$ -	$ -	CNY 6,686 thousand	$ (234)	70.00	$ (164)	$ 40,361	$ -
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	(18,143)	-	(6,350)	1,693,735	-
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting.	CNY 7,000 thousand	Note 13	-	-	-	-	5,451	65.00	3,543	43,433	-
CDIB Yida Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 3,250 thousand	-	-	CNY 3,250 thousand	2,295	65.00	1,492	37,144	-
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	234,259	-	70,278	1,462,541	-
Focus Multimedia Technology (Shanghai) Co., Ltd.	Multimedia network information systems software R&D; multimedia network engineering design consultancy; market research and intermediary service; sales of self-produced products.	US$ 38,000 thousand	Note 1,b,9),26)	US$ 16,612 thousand	-	-	US$ 16,612 thousand	Note 3	0.94	-	483,748	-
Focus (China) Information Technology Co., Ltd.	LCD advertising, software and hardware of computers manufacture and sale, and network technology design and development; computer integrated design, debugging and maintenance; self-developed technological achievement transfer; related technologies consultancy and technical service.	US$ 10,000 thousand	Note 1,b,9) 26)	US$ 4,371 thousand	-	-	US$ 4,371 thousand	Note 3	0.94	-	127,288	-
Chi Zhong Information Technology (Shanghai) Co., Ltd.	LCD advertising, software and hardware of computers manufacture and sale, and network technology design and development; computer integrated design, debugging and maintenance; self-developed technological achievement transfer; related technologies consultancy and technical service.	US$ 10,000 thousand	Note 1,b,9),26)	US$ 875 thousand	-	-	US$ 875 thousand	Note 3	0.94	-	25,471	-
Shanghai OOH Advertising Co., Ltd.	Domestic and foreign advertisement design, production, releases and agent.	US$ 400 thousand	Note 1,b,9),26)	US$ 174 thousand	-	-	US$ 174 thousand	Note 3	0.94	-	5,068	-
GSD Industrial Co., Ltd.	Pumps manufacture and sale.	CNY 50,000 thousand	Note 1,b,10)	US$ 2,235 thousand	-	-	US$ 2,235 thousand	Note 3	19.86	-	68,353	-
Shengzhuang Co., Ltd.	Cosmetics sales.	CNY 54,300 thousand	Note 1,b,11)	US$ 5,000 thousand	-	-	US$ 5,000 thousand	Note 3	5.44	-	151,150	-
Lightel Technologies Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps.	US$ 4,100 thousand	Note 1,b,12)	US$ 337 thousand	-	-	US$ 337 thousand	Note 3	11.58	-	10,076	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow						
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK$ 313,432 thousand	Note 1,b,6),13)	US$ 2,311 thousand	$ -	$ -	US$ 2,311 thousand	Note 3	7.73	$ -	$ 67,299	$ -
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK$ 195,686 thousand	Note 1,b,6),13)	US$ 1,678 thousand	-	-	US$ 1,678 thousand	Note 3	7.73	-	48,873	-
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$ 494,706 thousand	Note 1,b,6),27)	US$ 9,248 thousand	-	-	US$ 9,248 thousand	Note 3	4.05	-	66,500	-
Hangzhou Huatong Industries Inc.	Business in sofa manufacture and sale; slipcover and leather products; the clothing; fur products; plush products; toys sale and doing wholesale and import business in furniture.	US$ 32,000 thousand	Note 1,b,5),14)	US$ 4,722 thousand	-	-	US$ 4,722 thousand	Note 3	2.37	-	168,408	13,594
Hangzhou Rilong Leather Co., Ltd.	Business in toys sale and doing wholesale and import business in furniture	US$ 1,000 thousand	Note 1,b,5),14)	US$ 20	-	-	US$ 20	Note 3	2.46	-	-	-
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,16)	US$ 7,417 thousand	-	-	US$ 7,417 thousand	Note 3	2.67	-	53,331	-
Best Logistics Technology 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$ 133,000 thousand	Note 1,b, 17)	US$ 211 thousand	-	-	US$ 211 thousand	Note 3	0.42	-	6,159	-
Loyou, Inc.	Children’s products.	US$ 62,150 thousand	Note 1,b, 18)	US$ 963 thousand	-	-	US$ 963 thousand	Note 3	5.24	-	29,206	-
Viscovery	Business in development of image and video, provide identification of patent and video service.	US$ 3,500 thousand	Note 1,b, 19)	US$ 36 thousand	-	-	US$ 36 thousand	Note 3	1.80	-	1,048	-
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	42,025	100.00	42,025	221,433	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US$ 4,000 thousand	Note 1,b,20)	US$ 4,000 thousand	-	-	US$ 4,000 thousand	(6,353)	100.00	(6,353)	42,920	-
CCB Life Insurance Company Limited	Life insurance.	CNY 4,495,789 thousand	Note 1,a	7,401,464	-	-	7,401,464	961,846	19.90	-	12,303,892	-
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US$ 6,000 thousand	Note 1,b,21)	US$ 360 thousand	-	-	US$ 360 thousand	Note 3	0.88	-	10,868	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow						
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,21)	US$ 107 thousand	$ -	$ -	US$ 107 thousand	Note 3	0.88	$ -	$ 3,212	$ -
Sauneng Bakeware (Wuxi) Co., Ltd.	Development, manufacture and sale of food and baking appliances	US$ 32,000 thousand	Note 1,b,22)	US$ 1,540 thousand	-	-	US$ 1,540 thousand	Note 3	1.30	-	46,200	-

Accumulated Investment in Mainland China as of March 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$14,019,033	US$790,435 thousand	$142,165,721

Note 1: The investment types are as follows:

a. Direct investments.

b. Reinvested through a third place by:

1) Beauty Essentials International Ltd.
2) Derbysoft Holdings Limited.
3) Capital Excel Investments Limited.
4) Hartec Asia Pet Ltd.
5) CDIB Capital Investment I Limited.
6) CDIB Capital Investment II Limited
7) CDIB Venture Capital (Hong Kong) Corporation Limited.
8) CDIB Private Equity (Hong Kong) Corporation Limited.
9) CDIB Global Markets Limited.
10) GSD Technologies Co., Ltd.
11) Shengzhuang Holdings Limited.
12) Lightel Technologies, Inc.
13) CBA Sport International Limited.
14) Shane Global Holding Inc.
15) Sun Max Tech Limited.
16) CCAP Tutwo Holdings (Hong Kong) Limited.
17) Best Logistics.
18) Leyou, Inc.
19) Viscovery (Cayman) Holding Company Limited.
20) Richpoint Company Limited.
21) Deluxe Technology Group Co., Ltd.
22) San Neng Group Holdings Co., Ltd.
23) CDIB Capital Asia Partners L.P.
24) Great Team Backend Foundry, Inc.
25) Sungjoo Design Tech & Distribution Inc.
26) Carlyle Giovanna Partners, L.P.
27) Great Rich Technologies 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: Investment amount authorized or soon authorized by Investment Commission, MOEA.

(Continued)

Note 5: Subsidiary of the Corporation formerly indirectly invested in Focal Tech System Co., Ltd. through its subsidiary's investment in Focal Tech Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.

Note 6: Subsidiary of the Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary's investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.

Note 7: Subsidiary of the Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yanghou Enteres Industrial Co., Ltd., Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.

Note 8: Subsidiary of the Corporation formerly indirectly invested in Jinjiang Chandra Shoes Industry Co., Ltd. through its subsidiary's investment in Victory New Materials limited company has been listed on the Taiwan Stock Exchange on January 14, 2014, refer to its financial report for the information.

Note 9: 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 10: 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 11: Subsidiary of the Corporation formerly indirectly invested in Touch Equipment Leasing (Shanghai) Co., Ltd. and Touch Multimedia Technology (Shanghai) Co., Ltd. through its subsidiary's investment in Touch Media International Holdings, and the amount of investment in Touch Media International Holdings by subsidiary has been totally recognized as impairment loss in 2017.

Note 12: CDIB Private Equity (Fujian) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 13: CDIB Yida Private Equity (Kunshan) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

(Concluded)

TABLE 11

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(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	$ 342,151	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	342,151	Note 4	0.01%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	339,279	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	339,279	Note 4	0.01%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	936,625	Note 4	0.04%
2	KGI Bank	The Corporation	2	Deposits and remittances	936,625	Note 4	0.04%
0	The Corporation	KGI Bank	1	Current tax assets	508,243	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	508,243	Note 4	0.02%
0	The Corporation	KGI Securities	1	Current tax assets	365,934	Note 4	0.01%
3	KGI Securities	The Corporation	2	Current tax liabilities	365,934	Note 4	0.01%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	6,547,272	Note 4	0.26%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	6,547,272	Note 4	0.26%
2	KGI Bank	KGI Securities and its subsidiaries	3	Other financial assets	1,214,320	Note 4	0.05%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other financial liabilities	1,214,320	Note 4	0.05%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposits and remittances	1,423,514	Note 4	0.06%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	1,423,514	Note 4	0.06%
2	KGI Bank	KGI Securities	3	Deposits and remittances	1,234,912	Note 4	0.05%
3	KGI Securities	KGI Bank	3	Other financial assets	1,234,912	Note 4	0.05%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
2	KGI Bank	KGI Securities	3	Deposits and remittances	1,031,538	Note 4	0.04%
3	KGI Securities	KGI Bank	3	Restricted assets	1,031,538	Note 4	0.04%
2	KGI Bank	KGI Securities	3	Receivables, net	370,201	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Payables	370,201	Note 4	0.01%
2	KGI Bank	CDIB Venture Capital Corp.	3	Deposits and remittances	289,388	Note 4	0.01%
4	CDIB Venture Capital Corp.	KGI Bank	3	Cash and cash equivalents	289,388	Note 4	0.01%
3	KGI Securities	China Life Insurance Co., Ltd.	3	Payables	229,287	Note 4	0.01%
5	China Life Insurance Co., Ltd.	KGI Securities	3	Receivables, net	497,088	Note 4	0.02%
5	China Life Insurance Co., Ltd.	KGI Securities	3	Payables	267,801	Note 4	0.01%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	504,802	Note 4	0.02%
6	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	504,802	Note 4	0.02%
7	Richpoint Company Limited (BVI Holding Co.)	KG Investments Holdings Limited	3	Receivables, net	2,623,960	Note 4	0.10%
8	KG Investments Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	2,623,960	Note 4	0.10%
7	Richpoint Company Limited (BVI Holding Co.)	KGI International Holdings Limited	3	Receivables, net	876,970	Note 4	0.03%
9	KGI International Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	876,970	Note 4	0.03%
6	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Financial assets at fair value through profit or loss	201,369	Note 4	0.01%
10	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	201,369	Note 4	0.01%
6	KGI Futures Co., Ltd.	KGI Futures (Hong Kong) Pte. Ltd.	3	Other financial assets	109,501	Note 4	0.00%
11	KGI Futures (Hong Kong) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	109,501	Note 4	0.00%
6	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	2,309,653	Note 4	0.09%
10	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	2,309,653	Note 4	0.09%

(Continued)

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - 0; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the midterm/Total consolidated net profit.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT$100 million.

(Concluded)