China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2018 and 2017 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and shareholders
China Development Financial Holding Corporation

Opinion

We have audited the accompanying consolidated financial statements of China Development Financial Holding Corporation (the Corporation) and subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of June 30, 2018, December 31, 2017 and June 30, 2017, and the related consolidated statements of comprehensive income for the three and six months ended June 30, 2018 and 2017, changes in equity and cash flow for the six months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2018, December 31, 2017 and June 30, 2017,the consolidated financial performance for the three and six months ended June 30, 2018 and 2017, and its consolidated cash flows for the six months ended 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Discounts, Loans, Receivables, Loan Commitments and Provisions

As stated in Note 5, to determine the impairment loss of discounts, loans, receivables, loan commitments and provisions, the management should (1) judge whether there is any objective evidence of impairment, (2) estimate the expected future cash flow based on past event, present status and future economic circumstances of the assets with similar credit risk, and (3) review periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment. The methodology and assumptions adopted for the assessment of objective evidence of impairment and the amount and timing of future cash flows (e.g. impairment occurrence rate, and recovery rate) require the exercise of critical judgments and estimates; therefore, the impairment of discounts, loans and receivables is deemed to be a key audit matter for the six months ended June 30, 2018.

Refer to Notes 4, 5 and 60 for the critical accounting policy, judgment, estimation uncertainty and related disclosure of the impairment for discounts, loans and receivables, loan commitments and provisions.

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

Assessment of Insurance Liabilities and Liability Adequacy Reserve

As stated in Note 33, reserve for life insurance liabilities were $1,395,190,864 thousand as of June 30, 2018. There was no need to make provision for liability adequacy reserve because the recorded insurance liability is sufficient as shown in Note 33.

As stated in Note 5, management uses actuarial models and several material assumptions when assessing the insurance liabilities and liability adequacy reserve. The assumptions were based on the principles embodied in the relevant laws and regulations, which cover the unique risk exposure, product characteristics and experiences from target markets of China Life Insurance Co., Ltd (China Life Insurance). The assessment of liability adequacy reserve is in compliance with the relevant norms promulgated by The Actuarial Institute of the Republic of China. When China Life Insurance assesses the liability adequacy reserve, the estimated present value of future cash flows of insurance contracts is based on reasonable estimate of future insurance payments, premium income and related expenses. Since any change in the actuarial model and material assumptions will have a significant influence on insurance liabilities and liability adequacy reserve, we consider them as key audit matters for the six months ended June 30, 2018.

Refer to Notes 4, 5 and 59 for the relevant accounting policy, critical accounting judgments, and estimation uncertainty, and disclosures of assessment of insurance liabilities and liability adequacy reserve.

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

Fair Value Measurement of Financial Products with No Quoted Market Prices in An Active Market

As stated in Note 58, the Group held financial instruments measured in fair value with no quoted markets prices in active markets that included financial assets of $395,650,536 thousand and financial liabilities of $120,672,366 thousand at June 30, 2018. The amounts are material to the Group's financial statements. The financial instruments belong to Level II Level III classification of financial instruments. Management uses valuation model or refer to the available quotations from other financial institutions in determining the fair value of financial products with no quoted market prices in an active market. Parameters used in valuation model include adjusted observable inputs and unobservable inputs. For the fact that the inputs involve material managerial estimation and judgement, we identified the valuation as a key audit matter for the six months ended June 30, 2018.

Refer to Notes 4and 5 and Note 58 for the relevant accounting policy, critical accounting judgments and estimation uncertainty, and disclosures of fair value measurement of financial products with no quoted market prices in an active market.

We understood and assessed the Group's internal controls related to the recognition and measurement of financial products. For financial products classified under Level II, we evaluated the reasonableness of the stated value by performing independent verification using public information on a sample basis. For financial products classified under Level III, we requested and our internal specialists assessed the reasonableness of the valuation methods and key assumptions used. Further, we calculated independently and compared the results with the evaluations made by the management to see whether the evaluation is within the reasonable range assessed by our internal specialists.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the Group. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 27, 2018

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

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2018		December 31, 2017		June 30, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 53)	$ 72,988,044	3	$ 63,807,752	3	$ 27,423,457	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS (Notes 7, 53 and 54)	31,087,128	1	33,829,034	2	43,762,617	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 53 and 54)	402,915,728	15	125,949,607	5	143,084,925	15
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 10, 19, 53 and 54)	-	-	558,889,116	23	163,291,013	18
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 11, 53, 54 and 60)	447,197,374	17	-	-	-	-
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 12, 54 and 60)	905,571,036	34	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 13)	57,444,637	2	55,150,889	2	31,215,380	3
RECEIVABLES, NET (Notes 4, 14, 53, 54 and 60)	118,147,374	4	100,219,420	4	95,619,610	10
CURRENT TAX ASSETS	821,578	-	745,603	-	958,766	-
DISCOUNT AND LOANS, NET (Notes 4, 15, 53 and 60)	363,591,273	13	325,147,363	14	276,521,855	30
REINSURANCE ASSET, NET (Note 16)	567,242	-	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)	16,477,145	1	16,375,012	1	14,318,552	1
RESTRICTED ASSETS (Notes 20, 53 and 54)	44,740,227	2	40,973,737	2	27,357,080	3
OTHER FINANCIAL ASSETS (Notes 19, 21, 53 and 54)	92,608,497	3	752,610,493	32	61,906,856	7
INVESTMENT PROPERTY, NET (Notes 22 and 54)	25,293,174	1	25,450,094	1	2,346,787	-
PROPERTY AND EQUIPMENT, NET (Notes 23 and 54)	31,199,805	1	30,880,691	1	14,404,188	2
INTANGIBLE ASSETS, NET (Note 24)	21,620,213	1	22,169,720	1	7,568,685	1
DEFERRED TAX ASSETS (Note 50)	12,317,349	-	9,081,862	-	4,572,385	-
OTHER ASSETS, NET (Notes 25, 53 and 54)	55,835,245	2	32,055,871	1	14,406,447	2
TOTAL	$ 2,700,423,069	100	$ 2,392,524,390	100	$ 929,058,603	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and financial institutions (Notes 26 and 53)	$ 34,237,060	1	$ 28,867,956	1	$ 29,482,333	3
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 53)	123,527,547	5	55,729,704	2	64,337,288	7
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 11, 27 and 53)	138,257,733	5	100,177,627	4	125,874,397	14
Commercial paper payable, net (Notes 28, 53 and 54)	23,360,687	1	20,549,392	1	27,206,408	3
Payables (Notes 29 and 53)	104,070,264	4	85,630,607	4	72,823,079	8
Current tax liabilities	1,484,257	-	5,443,513	-	729,382	-
Deposits and remittances (Notes 30 and 53)	407,176,069	15	362,729,069	15	320,884,564	34
Bonds payable (Note 31)	24,800,000	1	30,000,000	1	22,719,875	2
Other borrowings (Notes 32, 53 and 54)	30,323,783	1	25,704,261	1	19,751,368	2
Provisions (Note 33)	1,440,860,134	53	1,288,449,104	54	1,343,711	-
Other financial liabilities (Notes 35, 53and 54)	109,195,535	4	109,126,375	5	62,790,723	7
Deferred tax liabilities (Note 50)	7,427,295	-	9,391,454	1	1,537,408	-
Other liabilities (Note 36)	25,600,480	1	21,501,190	1	15,121,843	2
Total liabilities	2,470,320,844	91	2,143,300,252	90	764,602,379	82
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 37, 38 and 39)						
Capital						
Common stock	149,572,949	5	149,763,034	6	149,757,428	16
Advance receipts for capital stock	-	-	5,162	-	-	-
Capital surplus	1,240,569	-	1,173,719	-	1,109,577	-
Retained earnings						
Legal reserve	6,776,135	-	5,606,606	-	5,606,606	1
Special reserve	565,041	-	2,078,602	-	2,078,602	-
Unappropriated earnings	12,923,727	1	13,184,948	1	5,157,591	-
Other						
Exchange differences on translation of foreign financial statements	(1,196,570)	-	(2,031,949)	-	(1,502,196)	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	2,113,838	-	1,177,777	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	792,905	-	-	-	-	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	(4,709,541)	-	-	-	-	-
Other comprehensive income (loss) reclassified using the overlay approach	(1,387,854)	-	-	-	-	-
Others	(4,361)	-	(8,322)	-	(19,087)	-
Treasury shares	(3,861,394)	-	(4,205,566)	-	(2,376,747)	-
Total equity attributable to owners of the parent	160,711,606	6	167,680,072	7	160,989,551	17
NON-CONTROLLING INTERESTS (Notes 37 and 38)	69,390,619	3	81,544,066	3	3,466,673	1
Total equity	230,102,225	9	249,224,138	10	164,456,224	18
TOTAL	$ 2,700,423,069	100	$ 2,392,524,390	100	$ 929,058,603	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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 40 and 53)	$ 15,844,840	26	$ 3,323,116	46	$ 30,444,590	25	$ 6,325,408	45
INTEREST EXPENSE (Notes 40 and 53)	(1,909,319)	(3)	(1,255,542)	(17)	(3,564,191)	(3)	(2,452,616)	(17)
INTEREST PROFIT, NET	13,935,521	23	2,067,574	29	26,880,399	22	3,872,792	28
NONINTEREST PROFITS AND GAINS, NET								
Service fee and commission, net (Notes 21, 41 and 53)	(216,695)	-	2,020,019	28	129,493	-	4,037,755	29
Net income from insurance operations (Notes 42 and 53)	42,535,718	69	-	-	84,054,028	70	-	-
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net (Note 43)	(31,606,832)	(51)	1,448,545	20	(15,762,495)	(13)	2,865,424	20
Realized gain (loss) on available-for-sale financial assets, net (Note 44)	-	-	752,252	11	-	-	513,253	4
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Notes 4 and 45)	289,234	-	-	-	1,996,073	2	-	-
Gain (loss) on disposal of financial assets measured at amortized cost (Note 4)	(218,987)	-	-	-	(437,973)	-	-	-
Foreign exchange gain (loss), net	31,570,100	51	(285,513)	(4)	14,199,858	12	(447,212)	(3)
Impairment loss on assets, net	(4,453)	-	(290,132)	(4)	(11,749)	-	(353,598)	(3)
Share of the profit (loss) of associates and joint ventures	(124,536)	-	202,335	3	226,189	-	1,403,000	10
Gain (loss) on reclassification using the overlay approach (Note 8)	4,476,455	7	-	-	6,671,612	6	-	-
Gain on financial assets measured at cost, net (Note 46)	-	-	656,176	9	-	-	952,004	7
Consulting service revenue (Note 53)	293,182	-	297,650	4	597,388	-	552,536	4
Others (Notes 47 and 53)	754,442	1	300,524	4	1,096,459	1	574,973	4
Total noninterest profits and gains, net	47,747,628	77	5,101,856	71	92,758,883	78	10,098,135	72
TOTAL NET REVENUES	61,683,149	100	7,169,430	100	119,639,282	100	13,970,927	100
REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	85,686	-	(456,639)	(6)	(174,536)	-	(545,148)	(4)
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	(50,629,487)	(82)	-	-	(97,233,107)	(81)	-	-

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING EXPENSES (Notes 34, 48, 49 and 53)								
Employee benefits	$ (3,764,722)	(6)	$ (2,950,825)	(41)	$ (8,014,629)	(7)	$ (5,868,374)	(42)
Depreciation and amortization	(605,232)	(1)	(378,574)	(6)	(1,206,585)	(1)	(747,234)	(5)
Other general and administrative expenses	(1,805,888)	(3)	(1,509,708)	(21)	(3,629,871)	(3)	(2,839,964)	(20)
Total operating expenses	(6,175,842)	(10)	(4,839,107)	(68)	(12,851,085)	(11)	(9,455,572)	(67)
NET PROFIT BEFORE INCOME TAX	4,963,506	8	1,873,684	26	9,380,554	8	3,970,207	29
INCOME TAX EXPENSE (Note 50)	(1,033,968)	(1)	(300,251)	(4)	(173,024)	-	(549,996)	(4)
NET PROFIT FOR THE PERIOD	3,929,538	7	1,573,433	22	9,207,530	8	3,420,211	25
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss, net of income tax								
Remeasurement of defined benefit plans	104	-	-	-	104	-	-	-
Share of the other comprehensive income (loss) of associates and joint ventures	(250,885)	(1)	-	-	(144,844)	-	-	-
Gain (loss) on equity instruments measured at fair value through other comprehensive income	(1,757,916)	(3)	-	-	(3,094,306)	(3)	-	-
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Note 50)	389,390	1	-	-	581,332	1	-	-
Items that will be reclassified subsequently to profit or loss, net of income tax								
Exchange differences on translation of foreign financial statements	1,340,760	2	203,192	3	733,667	1	(1,784,539)	(13)
Unrealized gain on available-for-sale financial assets	-	-	922,247	13	-	-	2,811,601	20
Share of the other comprehensive income (loss) of associates and joint ventures	248,371	-	231,477	3	114,280	-	421,854	3
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 50)	1,884,343	3	139	-	4,018,770	3	(457)	-

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Gain (loss) on debt instruments measured at fair value through other comprehensive income	$ (6,424,210)	(10)	$ -	-	$ (19,535,325)	(16)	$ -	-
Other comprehensive income (loss) reclassified using the overlay approach (Note 8)	(4,476,455)	(7)	-	-	(6,671,612)	(6)	-	-
Other comprehensive income for the period, net of income tax	(9,046,498)	(15)	1,357,055	19	(23,997,934)	(20)	1,448,459	10
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ (5,116,960)	(8)	$ 2,930,488	41	$ (14,790,404)	(12)	$ 4,868,670	35
NET PROFIT ATTRIBUTABLE TO:								
Owners of parent	$ 2,773,776	4	$ 1,729,869	24	$ 6,050,400	5	$ 3,538,286	25
Non-controlling interests	1,155,762	2	(156,436)	(2)	3,157,130	3	(118,075)	(1)
	$ 3,929,538	6	$ 1,573,433	22	$ 9,207,530	8	$ 3,420,211	24
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of parent	$ 245,409	1	$ 3,074,984	43	$ (2,813,787)	(2)	$ 4,975,308	36
Non-controlling interests	(5,362,369)	(9)	(144,496)	(2)	(11,976,617)	(10)	(106,638)	(1)
	$ (5,116,960)	(8)	$ 2,930,488	41	$ (14,790,404)	(12)	$ 4,868,670	35
EARNINGS PER SHARE (Note 51)								
Basic	$ 0.19		$ 0.12		$ 0.42		$ 0.24	
Diluted	$ 0.19		$ 0.12		$ 0.42		$ 0.24	

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)

	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
Appropriation of the 2016 earnings															
Legal reserve	-	-	-	592,308	-	(592,308)	-	-	-	-	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,871)	-	-	-	-	-	-	(7,487,871)	-	(7,487,871)
Special reserve reversed	-	-	-	-	(949,694)	949,694	-	-	-	-	-	-	-	-	-
	-	-	-	592,308	(949,694)	(7,130,485)	-	-	-	-	-	-	(7,487,871)	-	(7,487,871)
Net profit for the six months ended June 30, 2017	-	-	-	-	-	3,538,286	-	-	-	-	-	-	3,538,286	(118,075)	3,420,211
Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	(1,996,573)	-	3,433,595	-	-	-	1,437,022	11,437	1,448,459
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	3,538,286	(1,996,573)	-	3,433,595	-	-	-	4,975,308	(106,638)	4,868,670
Reorganization	-	-	(93)	-	-	-	-	-	-	-	-	-	(93)	-	(93)
Share-based payments	13,225	(10)	5,149	-	-	(6,398)	-	-	-	-	2,124	-	14,090	-	14,090
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(35,610)	(35,610)
Trading loss reserve of subsidiaries reversed	-	-	-	-	(200,000)	200,000	-	-	-	-	-	-	-	-	-
BALANCE AT JUNE 30, 2017	$ 149,757,428	$ -	$ 1,109,577	$ 5,606,606	$ 2,078,602	$ 5,157,591	$ (1,502,196)	$ -	$ 1,177,777	$ -	$ (19,087)	$ (2,376,747)	$ 160,989,551	$ 3,466,673	$ 164,456,224
BALANCE AT JANUARY 1, 2018	$ 149,763,034	$ 5,162	$ 1,173,719	$ 5,606,606	$ 2,078,602	$ 13,184,948	$ (2,031,949)	$ -	$ 2,113,838	$ -	$ (8,322)	$ (4,205,566)	$ 167,680,072	$ 81,544,066	$ 249,224,138
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562	1,743,732	6,304,294
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634	83,287,798	255,528,432
Appropriation of the 2017 earnings															
Legal reserve	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)
Cash dividends - NT$0.6 per share	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-	-	-
	-	-	-	1,169,529	(1,513,561)	(8,630,345)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)
Net profit for the six months ended June 30, 2018	-	-	-	-	-	6,050,400	-	-	-	-	-	-	6,050,400	3,157,130	9,207,530
Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	59	835,379	(7,766,462)	-	(1,933,163)	-	-	(8,864,187)	(15,133,747)	(23,997,934)
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	6,050,459	835,379	(7,766,462)	-	(1,933,163)	-	-	(2,813,787)	(11,976,617)	(14,790,404)
Cancellation of treasury shares	(206,461)	-	-	-	-	-	-	-	-	-	-	206,461	-	-	-
Disposal of the Corporation shares, as treasury shares	-	-	65,318	-	-	-	-	-	-	-	-	137,711	203,029	-	203,029
Share-based payments	16,376	(5,162)	1,532	-	-	-	-	-	-	-	3,961	-	16,707	-	16,707
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,993,869)	(1,993,869)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	100,144	-	(100,144)	-	-	-	-	-	-	-
Changes in special reserve of subsidiaries	-	-	-	-	-	39,400	-	-	-	-	-	-	39,400	73,307	112,707
BALANCE AT JUNE 30, 2018	$ 149,572,949	$ -	$ 1,240,569	$ 6,776,135	$ 565,041	$ 12,923,727	$ (1,196,570)	$ (3,916,636)	$ -	$ (1,387,854)	$ (4,361)	$ (3,861,394)	$ 160,711,606	$ 69,390,619	$ 230,102,225

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 9,380,554	$ 3,970,207
Adjustments to reconcile net profit		
Depreciation expenses	532,242	319,062
Amortization expenses	674,343	428,172
Allowance for bad debts and losses on guarantees, net	174,536	545,148
Interest expense	3,564,191	2,452,616
Interest income	(30,444,590)	(6,325,408)
Dividend income	(1,583,558)	(312,966)
Net changes in insurance liabilities	101,881,941	-
Share of profit of associates and joint ventures	(225,505)	(381,566)
Gain on reclassification using the overlay approach	(6,671,612)	-
Gain on disposal of investments	(3,160,743)	(1,995,125)
Loss on financial asset impairment	12,411	354,091
Gain on unrealized foreign currency exchange	(15,829,270)	-
Others	(134,911)	4,896
Changes in operating assets and liabilities		
Due from the central bank and call loans to financial institutions	3,191,343	12,500,948
Financial assets at fair value through profit or loss	(74,965,962)	16,195,177
Financial assets at fair value through other comprehensive income	(31,416,011)	-
Debt investments measured at amortized cost	(6,360,712)	-
Available-for-sale financial assets	-	(54,335,636)
Securities purchased under resell agreements	75,601	-
Receivables	(14,333,469)	(787,988)
Discount and loans	(37,819,039)	(24,412,550)
Other financial assets	(9,288,116)	1,803,277
Other assets	(21,882,058)	1,915,704
Deposits from the Central Bank and financial institutions	5,369,104	(1,596,436)
Financial liabilities at fair value through profit or loss	67,797,843	12,772,022
Notes and bonds issued under repurchase agreements	38,080,106	6,313,954
Payables	7,222,964	(691,024)
Deposits and remittances	44,447,000	5,432,600
Other financial liabilities	(68,100)	2,422,549
Other liabilities	225,443	891,493
Cash generated from (used in) operations	28,445,966	(22,516,783)
Interest received	22,995,399	6,292,554
Dividend received	504,686	184,384
Interest paid	(2,727,020)	(2,119,459)
Income tax paid	(5,499,136)	(256,208)
Net cash generated from (used in) operating activities	43,719,895	(18,415,512)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	$ (77,817,789)	$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	57,723,337	-
Acquisition of financial assets measured at amortized cost	(79,926,810)	-
Proceeds from sale of financial assets measured at amortized cost	5,115,057	-
Maturity principal from financial assets measured at amortized cost	10,858,121	-
Acquisition of financial assets designated upon initial recognition as at fair value through profit or loss	-	(327,912)
Acquisition of available-for-sale financial assets	-	(485,985)
Proceeds from sale of available-for-sale financial assets	-	1,109,525
Acquisition of financial assets measured at cost	-	(662,386)
Proceeds from sale of financial assets measured at cost	-	1,459,329
Acquisition of equity-method investments	(43,547)	(1,438,608)
Proceeds from sale of equity-method investments	-	1,063,663
Acquisition of property and equipment	(650,053)	(284,921)
Cash received through merger	49,856,478	-
Others	425,985	288,767
Net cash (used in) generated from investing activities	(34,459,221)	721,472
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	4,726,450	334,406
Increase in commercial paper payable	2,811,295	9,656,611
Repayments of corporate bonds	(5,200,000)	(6,000,000)
Proceeds of long-term borrowings	-	238,926
Repayments of long-term borrowings	(106,929)	(700,422)
Sale of treasury shares	203,029	-
Changes in non-controlling interests	-	(34,251)
Others	9,760	-
Net cash generated from financing activities	2,443,605	3,495,270
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	294,800	(978,896)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2018	**2017**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 11,999,079	$ (15,177,666)
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	$ 144,255,241	$ 78,036,160

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2018 and 2017:

	June 30	
	2018	**2017**
Cash and cash equivalents in consolidated balance sheets	$ 72,988,044	$ 27,423,457
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	14,894,405	19,397,323
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	56,372,792	31,215,380
Cash and cash equivalents in consolidated statements of cash flows	$ 144,255,241	$ 78,036,380

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a 100% subsidiary of the Corporation. The effective date of the merger between KGI Securities and Grand Cathay was June 22, 2013. KGI Securities was the survivor company after the merger.

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

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

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

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

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

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

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

On January 19, 2017, under the approval of the board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, China Development Industrial Bank was converted and the name became CDIB Capital Group. The date of conversion was March 15, 2017, and CDIB Capital Group will continue to expand its assets management business. The FSC approved the conversion on March 10, 2017 with Official Letter No. 1060025880.

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

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of June 30, 2017, 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 June 30, 2017, 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 December 31, 2017, China Life Insurance had a head office, an offshore insurance unit, and 8 domestic branches.

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

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

For more information on the organization and business of the consolidated entities, please refer to Table 8 (attached).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on August 27, 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.

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount 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, loan commitments and provisions that the insurance subsidiary prepares for the dividend insurance policy. 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

The reconciliation of loss allowance from IAS 39 to IFRS 9

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. The IFRSs endorsed by the FSC for application starting from 2019

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)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) 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 the 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.

2) 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.

3) 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 may elect to 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.

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

New IFRSs	**Effective Date Announced by IASB (Note)**
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

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

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

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

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the 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.

2) IFRS 17 “Insurance Contract”

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

<u>Level of aggregation</u>

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

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

b) A group of contracts that at initial recognition have no significant risk of becoming onerous, if any, and

c) A group of the remaining contracts in the portfolio, if any.

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

<u>Recognition</u>

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

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

<u>Measurement</u>

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.

<u>Subsequent measurement</u>

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

Onerous contracts

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

Premium allocation approach

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

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

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

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

Investment contracts with a discretionary participation feature

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

Modification and derecognition

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

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

Transition

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 June 30, 2018, December 31, 2017 and June 30, 2017, the consolidated entities included in the consolidated financial statements included 65, 65 and 68 companies, respectively (please refer to the attached Tables 8).

Business Combinations

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

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.

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

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

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

Credits from KGI Bank deemed uncollectable which is estimated by possibility of collection and collateral value may be written off under the approval of the board of directors.

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

i. Total amount of 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts, 2% of the ending balance for the second category of loan assets that should be paid attention, 10% of the ending balance for the third category of loan assets that are expected to recover, 50% of the ending balance for the fourth category of loan assets that are difficult to recover and 100% of the ending balance for the fifth category of loan assets that are not expected to recover are aggregated.

ii. 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.

iii. Total unsecured portion of loans overdue and receivable on demand.

iv. If total amount of minimum allowance of uncollectible accounts measured from the categories above are less than the amount in accordance with GAAP, it should refer to the amount in accordance with GAAP as minimum allowance of uncollectible accounts. If the authorities in order to increase the ability to bear the loss of specific loan asset and demand the Group to increase the allowance for bad debts of specific loan assets according to the criteria and time limit specified by them, the Group shall cooperate with it.

c. Derecognition of financial assets

Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d. 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.

e. 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

a. Reserve for life insurance liabilities

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

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

b. 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.

c. Other reserve

To reflect the fair value of the insurance contract that the identifiable assets and liabilities, we acquired it will increase the other reserves based on IFRS 3 Business Combinations.

d. Liability adequacy reserve

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment loss on 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, receivables loan commitments and provisions - 2018

The management reviews loan, receivables, loan commitments and provisions 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, present conditions and future economic circumstances of the 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.

b. Assessment of insurance liabilities and liability adequacy reserve

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

c. Fair value measurement of financial products with no quoted market prices in an active market

Management uses valuation model or refers to the available quotations from other financial institutions in determining the fair value of financial products with no quoted market prices in an active market. Parameters used in valuation model include adjusted observable inputs and unobservable inputs, which involve material managerial estimation and judgement.

6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash in banks	$ 60,792,939	$ 44,944,821	$ 12,348,270
Due from banks	5,697,967	10,532,178	7,613,219
Short-term transactions instruments	2,929,347	3,755,416	4,439,654
Future excess margin	1,406,694	1,485,104	1,549,855
Cash on hand	1,520,355	1,403,492	1,289,474
Check for clearing	640,742	1,686,741	182,985
	$ 72,988,044	$ 63,807,752	$ 27,423,457

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 June 30, 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

	June 30, 2018	December 31, 2017	June 30, 2017
Due from the Central Bank	$ 3,500,000	$ 6,520,000	$ 10,930,000
Call loans to financial institutions	12,613,859	13,846,833	18,004,323
Deposit reserve - demand accounts	8,448,043	7,670,687	7,535,800
Deposit reserve - checking accounts	5,659,144	5,053,887	6,968,914
Due from the Central Bank - interbank settlement funds	701,382	600,326	183,574
Deposit reserve - foreign currencies	164,700	137,301	140,006
	$ 31,087,128	$ 33,829,034	$ 43,762,617

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

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets mandatorily classified as at FVTPL			
Derivative financial instrument			
Currency swap and forward exchange contracts	$ 26,986,048	$ -	$ -
Interest rate swap contracts	16,043,266	-	-
Option and futures contracts	5,377,707	-	-
Others	932,878	-	-
Non-derivative financial assets			
Shares	147,921,348	-	-
Operating securities (Note 9)	63,806,006	-	-
Bank debentures	38,598,965	-	-
Mutual funds	21,595,605		
Commercial papers	16,816,178	-	-
Corporate bonds	13,435,584	-	-
Others	18,672,550	-	-
	370,186,135	-	-
Financial assets held for trading			
Derivative financial instrument			
Currency swap and forward exchange contracts	-	9,210,098	11,583,889
Interest rate swap contracts	-	8,352,583	8,639,926
Option and futures contracts	-	2,328,239	3,382,178
Others	-	3,253,738	1,062,082
Non-derivative financial assets			
Operating securities (Note 9)	-	61,897,936	65,539,586
Commercial papers	-	8,775,184	5,157,706
Bank debentures	-	3,006,792	2,300,654
Convertible (exchangeable) corporate bonds	-	1,950,536	2,973,766
Others	-	2,308,709	2,509,533
	-	101,083,815	103,149,320
Financial assets designated as at FVTPL			
Government bonds	7,088,858	12,808,586	31,796,188
Others	25,640,735	12,057,206	8,139,417
	32,729,593	24,865,792	39,935,605
Financial assets at FVTPL	$ 402,915,728	$ 125,949,607	$ 143,084,925

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Financial liabilities held for trading			
Derivative financial instrument			
Currency swap and forward exchange contracts	$ 38,456,314	$ 7,229,847	$ 11,247,968
Option and futures contracts	22,718,490	11,722,449	10,100,801
Interest rate swap contracts	17,482,101	9,555,330	9,019,587
Others	9,614,514	4,323,214	2,414,626
Non-derivative financial liabilities			
Borrowed securities payable	4,681,662	4,343,645	12,099,495
Others	397,305	151,093	1,032,203
	93,350,386	37,325,578	45,914,680
Financial liabilities designated as at FVTPL			
Bank debentures payable	26,936,416	17,417,983	17,405,435
Structured products	893,486	986,143	1,017,173
Others	2,347,259	-	-
	30,177,161	18,404,126	18,422,608
Financial liabilities at FVTPL	$ 123,527,547	$ 55,729,704	$ 64,337,288

(Concluded)

As of June 30, 2018, December 31, 2017 and June 30, 2017, bank debentures issued by the Group designated as at FVTPL were as follows:

Bank Debenture Number	June 30, 2018	December 31, 2017	June 30, 2017	Issuance Period	Method of Paying Principles and Interests	Interest Rate
15KGIB1	$ 3,233,000	$ 3,163,888	$ 3,226,216	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16KGIB1	3,355,000	3,283,280	3,347,960	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB2	3,355,000	3,283,280	3,347,960	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB3	2,440,000	2,387,840	2,434,880	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17KGIB1	6,100,000	5,969,600	6,087,200	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
P18KGIB1	6,100,000	-	-	January 30, 2018 - January 30, 2048 (Note 3)	Principal due on maturity	0%
P18KGIB2	4,880,000	-	-	February 27, 2018 - February 27, 2048 (Note 3)	Principal due on maturity	0%
	29,463,000	18,087,888	18,444,216			
Valuation adjustments	(2,526,584)	(669,905)	(1,038,781)			
	$ 26,936,416	$ 17,417,983	$ 17,405,435			

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

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

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

China Life Insurance 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

	June 30, 2018
Share	$ 133,829,937
Bank debentures	37,607,651
Mutual funds	20,207,752
Corporate bonds	12,840,324
	$ 204,485,664

For the three and six months ended June 30, 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 June 30, 2018	For the Six Months Ended June 30, 2018
Gain (loss) on application of IFRS 9	$ (838,173)	$ 788,833
Loss (gain) on application of IAS 39	(3,638,282)	(7,460,445)
Gain (loss) on reclassification using the overlay approach	$ (4,476,455)	$ (6,671,612)

Due to the adjustment of the overlay approach, loss on financial assets measured at FVTPL decreased from $31,606,832 thousands to $27,130,377 thousands for the three months ended June 30, 2018; loss on financial assets measured at FVTPL decrease from $15,762,495 thousands to $9,090,883 thousands for the six months ended June 30, 2018.

The contract (nominal) amounts of the Group’s outstanding derivative financial instruments as of June 30, 2018, December 31, 2017 and June 30, 2017 are summarized as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Currency swap and forward exchange contracts	$ 2,152,287,071	$ 1,910,480,656	$ 1,479,651,203
Interest rate swap contracts	1,207,164,801	1,046,708,289	1,053,039,327
Option and Futures contracts	791,789,498	398,434,896	321,091,015
Non-deliverable forward contracts	225,016,701	173,435,869	1,097,719
Cross-currency swap contracts	30,953,994	27,978,819	38,515,704
Structured note contracts	14,031,164	15,265,526	27,871,229
Assets swap contracts	11,834,800	10,863,540	10,670,072
Credit default swap contracts	6,477,346	5,203,007	6,015,021
Commodity swap	728,450	695,444	714,051
Equity derivative financial contracts	174,123	217,776	518,690

As of June 30, 2018, December 31, 2017 and June 30, 2017, financial assets at fair value through profit or loss with aggregate carrying values of $44,225,885 thousand, $59,315,331 thousand and $64,313,306 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

The shares of Capital Securities Corporation held by CDIB Capital Group have been fully disposed in August 2017.

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

9. OPERATING SECURITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Dealing			
Oversea securities	$ 29,171,042	$ 27,853,047	$ 26,790,555
Government bonds	11,572,248	10,465,806	5,622,027
Corporate bonds	8,460,891	8,982,915	12,785,045
Listed, OTC and emerging market stocks	3,973,307	2,770,834	5,033,662
Others	4,240,251	3,488,218	1,656,551
	57,417,739	53,560,820	51,887,840
Underwriting			
Corporate bonds	514,587	593,309	422,996
Listed and OTC stocks	147,815	293,181	1,093,043
Others	84,070	-	18,000
	746,472	886,490	1,534,039
Hedge positions			
Listed and OTC stocks	4,502,144	6,032,090	11,375,825
Mutual funds	979,563	690,260	-
Others	160,088	728,276	741,882
	5,641,795	7,450,626	12,117,707
	$ 63,806,006	$ 61,897,936	$ 65,539,586

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017	June 30, 2017
Government bonds	$ 180,341,905	$ 62,794,257
Listed, OTC and emerging market stocks	144,164,822	23,557,335
Corporate bonds	112,005,423	27,682,679
Bank debentures	62,451,073	22,650,383
Negotiable certificates of deposit	30,834,526	25,802,540
Unlisted stocks	16,251,776	-
Mutual funds	8,545,481	-
Others	4,294,110	803,819
	$ 558,889,116	$ 163,291,013

As of December 31, 2017 and June 30, 2017, available-for-sale financial assets, with aggregate carrying values of $40,043,756 thousand and $59,731,319 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

	June 30, 2018
Investments in debt instruments at FVTOCI	
Government bonds	$ 176,455,765
Corporate bonds	110,318,415
Bank debentures	91,901,991
Negotiable certificates of deposit	40,365,608
Less: Security deposit	(12,023)
	419,029,756
Investments in equity instruments at FVTOCI	
Common stocks	20,027,898
Preferred stocks	8,139,720
	28,167,618
	$ 447,197,374

a. Investments in debt instruments at FVTOCI

As of June 30, 2018, investments in debt instruments at FVTOCI, with aggregate carrying values of $61,695,775 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 six months ended June 30, 2018, the Group sold its shares in order to manage its investment portfolio. The sold shares had a fair value of $2,611,053 thousand and the Group transferred a gain of $100,144 thousand from other equity related-unrealized gain (loss) on financial assets at fair value through other comprehensive income to retained earnings.

For the three and six months ended June 30, 2018, dividend income for $147,335 thousand and $157,345 thousand, respectively, 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

	June 30, 2018
Bank debentures	$ 533,045,320
Corporate bonds	238,995,803
Government bonds	74,242,300
Others	59,287,613
	$ 905,571,036

As of June 30, 2018, financial assets at amortized cost, with aggregate carrying values of $268,400 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

	June 30, 2018	December 31, 2017	June 30, 2017
Government bonds	$ 24,454,098	$ 18,465,702	$ 9,161,121
Corporate bonds	16,079,923	12,792,557	8,821,709
Commercial papers	10,497,894	11,184,033	908,096
Bank debentures	6,062,633	6,007,002	12,324,454
Negotiable certificates of deposit	350,089	6,701,595	-
	$ 57,444,637	$ 55,150,889	$ 31,215,380
Resold amounts	$ 57,455,579	$ 55,174,815	$ 31,231,234
Last maturity date	October 2018	April 2018	July 2017

14. RECEIVABLES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Receivables on margin loans, refinancing margin and refinancing deposits receivable	$ 36,630,360	$ 34,509,657	$ 31,383,891
Receivable accounts for settlement	22,531,590	16,526,561	23,354,389
Interest receivable	14,519,370	13,018,711	3,073,337
Accounts receivable factoring without recourse	9,749,139	8,498,843	8,916,480
Trading securities receivable	7,249,810	7,459,935	8,681,067
Accounts receivable - forfeiting	8,119,096	4,400,120	5,468,843
Settlement price	4,642,002	3,997,006	3,178,064

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Lease receivables	$ 3,743,509	$ 4,164,820	$ 4,984,138
Others	12,907,745	10,507,828	9,538,981
	120,092,621	103,083,481	98,579,190
Less: Unrealized interest revenue	(200,278)	(213,786)	(274,745)
Allowance for bad debts	(1,744,969)	(2,650,275)	(2,684,835)
	$ 118,147,374	$ 100,219,420	$ 95,619,610

(Concluded)

For the six months ended June 30, 2017, the Group's changes in allowance for bad debts of receivables were as follows:

	For the Six Months Ended June 30, 2017
Balance, January 1	$ 2,917,166
Allowance	329,827
Loans reclassified to nonperforming loans	(255,236)
Write-off	(265,224)
Recovery of written-off credit	16,743
Effect of exchange rate changes	(58,441)
Balance, June 30	$ 2,684,835

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

	June 30, 2018	December 31, 2017	June 30, 2017
Short-term loans	$ 90,641,628	$ 72,264,667	$ 70,985,769
Medium-term loans	183,961,211	171,185,239	163,069,985
Long-term loans	61,333,579	55,425,459	45,536,728
Loans reclassified to nonperforming loans	487,456	455,444	628,991
Export negotiations	80,694	17,155	141,489
Policy loans	25,575,110	24,244,766	-
Automatic premium loans	5,912,435	5,614,425	-
	367,992,113	329,207,155	280,362,962
Less: Allowance for bad debts	(4,289,329)	(3,966,481)	(3,773,595)
Discounts on loans	(111,511)	(93,311)	(67,512)
	$ 363,591,273	$ 325,147,363	$ 276,521,855

For the six months ended June 30, 2017, the Group's changes in allowance for bad debts of discounts and loans were as follows:

	For the Six Months Ended June 30, 2017
Balance, January 1	$ 3,429,672
Allowance	267,687
Recovery of written-off credits	371,366
Write-off	(232,162)
Reduction and exemption	(15,189)
Effects of exchange rate changes	(47,779)
Balance, June 30	$ 3,773,595

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

	June 30, 2018	December 31, 2017	June 30, 2017
Claims recoverable from reinsurers	$ 455,053	$ 201,338	$ -
Due from reinsurers and ceding companies	27,043	38,403	-
Reinsurance reserve assets			
Ceded unearned premium reserve	50,654	49,879	-
Ceded reserve for claims	34,492	12,484	-
	85,146	62,363	-
	$ 567,242	$ 302,104	$ -

No impairment loss was recognized for reinsurance assets.

17. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31, 2017	June 30, 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:

	June 30, 2018		December 31, 2017		June 30, 2017	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 5,785,336	34	$ 6,040,521	34	$ 5,442,149	34
CDIB Capital Asia Partners L.P.	3,809,184	-	3,582,136	-	2,663,211	-
KGI Securities (Thailand) Public Company Limited	2,164,561	35	2,192,355	35	1,995,868	35
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	1,723,119	-	1,674,714	-	1,648,862	-
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	1,441,414	-	1,369,820	-	1,355,254	-
CDIB Biomedical Venture Capital Corporation	727,045	43	719,342	43	581,912	34
CDIB CME Fund Ltd.	674,660	46	635,089	46	554,006	40
Others	151,826		161,035		77,290	
	$ 16,477,145		$ 16,375,012		$ 14,318,552	

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

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

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.

June 30, 2018

	Private Equity Fund	Asset Securitization	Total
Financial assets at fair value through profit or loss	$ 7,387,695	$ 2,249,843	$ 9,637,538
Debt instruments measured at amortized cost	-	60,872,020	60,872,020
Maximum exposure	7,387,695	63,121,863	70,509,558

December 31, 2017

	Private Equity Fund	Asset Securitization	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	63,614,761	69,610,249

June 30, 2017

	Private Equity Fund	Asset Securitization	Total
Financial assets measured at cost	$ 6,031,615	$ -	$ 6,031,615
Maximum exposure	6,031,615	-	6,031,615

b. Management on structured entities

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

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

	June 30, 2018	December 31, 2017	June 30, 2017
Management on private equity fund			
Total assets	$ 23,070,000	$ 21,713,595	$ 20,439,576
Total liabilities	269,396	127,922	90,719
Investments accounted for using the equity method	7,061,033	6,721,477	5,667,327
Financial assets at fair value through profit or loss	294,118	312,781	174,269
Maximum exposure	7,355,151	7,034,258	5,841,596

20. RESTRICTED ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Restricted demand deposits	$ 44,475,293	$ 40,757,666	$ 26,936,004
Accounts receivables	163,928	101,685	104,257
Others	101,006	114,386	316,819
	$ 44,740,227	$ 40,973,737	$ 27,357,080

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

After the filing of a certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 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, 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

	June 30, 2018	December 31, 2017	June 30, 2017
Separate - account insurance products	$ 62,878,397	$ 61,824,990	$ -
Guarantee deposits received on futures contracts	21,559,979	20,656,857	34,271,598
Time deposits not qualifying as cash equivalents	6,772,275	4,707,175	4,471,738
Pledged time deposit	1,263,434	1,029,134	1,137,183
Debt instruments with no active market	-	647,998,509	3,820,432
Financial assets measured at cost	-	16,156,027	18,105,404
Others	134,412	237,801	100,501
	$ 92,608,497	$ 752,610,493	$ 61,906,856

a. Separate-account insurance products

1) Separate-account insurance products - assets and liabilities

	Assets	
	June 30, 2018	December 31, 2017
Cash in banks	$ 785,877	$ 838,493
Financial assets at fair value through profit or loss	62,011,731	60,904,301
Other receivables	80,789	82,196
	$ 62,878,397	$ 61,824,990

	Liabilities	
	June 30, 2018	December 31, 2017
Reserve for separate-account	$ 62,611,096	$ 61,371,597
Other payables	267,301	453,393
	$ 62,878,397	$ 61,824,990

2) Separate-account insurance products - revenues and expenses

	Revenues	
	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Premium income	$ 1,507,781	$ 3,312,432
Gains (losses) from financial assets and liabilities at fair value through profit or loss	262,708	(214,572)
Interest income	71	143
Other revenues	45,784	93,055
Foreign exchange gains	636,198	269,252
	$ 2,452,542	$ 3,460,310

	Expenses	
	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Insurance claim payments	$ 1,567,157	$ 3,226,314
Net change in separate-account reserve	493,478	(711,390)
Custodian fee	391,907	945,386
	$ 2,452,542	$ 3,460,310

3) The rebate from counterparties in the investment-linked insurance business for the three and six months ended June 30, 2018 was $92,460 thousand and $176,127 thousand, respectively.

b. Debt instruments with no active value

	December 31, 2017	June 30, 2017
Bank debentures	$ 463,062,285	$ 2,526,188
Corporate bonds	97,972,448	-
Real estate mortgage bonds	60,589,707	-
Government bonds	29,385,024	-
Others	1,276,165	1,294,244
Less: Refundable deposits	(4,287,120)	-
	$ 647,998,509	$ 3,820,432

c. Financial assets measured at cost

	December 31, 2017	June 30, 2017
Unlisted stocks - common stock	$ 6,016,468	$ 6,878,472
Unlisted overseas partnership fund	5,616,943	6,031,615
Others	4,522,616	5,195,317
	$ 16,156,027	$ 18,105,404
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 15,350,439	$ 16,941,776
Financial assets at FVTPL	805,588	1,163,628
	$ 16,156,027	$ 18,105,404

CDIB Capital Group and subsidiaries disposed of certain financial assets measured at cost with carrying amount of $392,436 thousand and $538,474 thousand during the three and six months ended June 30, 2017, respectively, recognizing disposal gain of $580,721 thousand and $811,990 thousand.

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

22. INVESTMENT PROPERTY

	June 30, 2018	December 31, 2017	June 30, 2017
Land	$ 19,978,297	$ 19,983,888	$ 2,041,365
Buildings and facilities	5,314,877	5,466,206	305,422
	$ 25,293,174	$ 25,450,094	$ 2,346,787

Except for depreciation recognized, the Group had no significant addition, disposal and impairment of investment properties during the three and six months ended June 30, 2018 and 2017.

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

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

The fair values of the Group's investment property as of June 30, 2018, December 31, 2017 and June 30, 2017 were $24,894,170 thousand, $25,123,845 thousand and $4,395,156 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 June 30, 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. The Group examined the effectiveness of fair value of 2017 and 2016 by the Group, respectively. After evaluating, the group agree that the fair value on June 30, 2018 and 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

	June 30, 2018	December 31, 2017	June 30, 2017
Land	$ 20,492,174	$ 20,516,124	$ 8,669,096
Buildings and facilities	6,400,332	6,490,061	4,277,319
Computer equipment	802,819	846,248	531,752
Transportation equipment	7,066	8,482	2,680
Other equipment	336,353	355,604	217,494
Leasehold improvements	345,684	337,852	296,940
Leased assets	646,965	571,395	376,171
	29,031,393	29,125,766	14,371,452
Prepayments for acquisition of properties	2,168,412	1,754,925	32,736
	$ 31,199,805	$ 30,880,691	$ 14,404,188

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

	June 30, 2018	December 31, 2017	June 30, 2017
Purchase policy value	$ 12,961,548	$ 13,155,578	$ -
Operation rights	4,525,733	4,859,555	5,193,378
Goodwill	3,358,876	3,347,646	1,848,998
Computer software	737,660	770,545	489,913
Others	36,396	36,396	36,396
	$ 21,620,213	$ 22,169,720	$ 7,568,685

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

	June 30, 2018	December 31, 2017	June 30, 2017
Prepayment - surface rights	$ 13,280,925	$ 13,382,227	$ -
Guarantee deposits paid	24,902,360	5,979,918	6,598,205
Operating guarantee deposits	7,102,615	7,454,004	1,426,710
Security borrowing margins	7,035,621	2,330,427	3,668,537
Prepaid expense	1,584,334	1,022,925	944,198
Others	1,929,390	1,886,370	1,768,797
	$ 55,835,245	$ 32,055,871	$ 14,406,447

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

	June 30, 2018	December 31, 2017	June 30, 2017
Call loans from financial institutions	$ 33,878,855	$ 27,975,434	$ 28,278,621
Deposits from Chunghwa Post Co., Ltd.	358,205	892,522	1,203,712
	$ 34,237,060	$ 28,867,956	$ 29,482,333

27. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Corporate bonds	$ 48,377,647	$ 36,527,243	$ 42,809,191
Government bonds	52,587,392	26,344,136	35,498,663
Bank debentures	37,044,727	37,306,248	47,566,543
Commercial paper	247,967	-	-
	$ 138,257,733	$ 100,177,627	$ 125,874,397
Repurchased amounts	$ 138,570,770	$ 100,376,007	$ 126,057,405
Last maturity date	November 2018	April 2018	September 2017

28. COMMERCIAL PAPER PAYABLE

	June 30, 2018	December 31, 2017	June 30, 2017
Commercial paper payable	$ 23,367,990	$ 20,553,799	$ 27,217,057
Less: Unamortized discount	(7,303)	(4,407)	(10,649)
	$ 23,360,687	$ 20,549,392	$ 27,206,408
Rate	0.38%-2.48%	0.41%-1.57%	0.39%-1.88%
Last maturity date	September 2018	March 2018	October 2017

As of June 30, 2018, Ta Ching Finance Corporation, China Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Finance Corporation, International Bills Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Union Bank of Taiwan, Taishin International Bank, Shanghai Commercial Bank, Sunny Bank and Taiwan Business Bank guaranteed the above commercial paper. However, some commercial paper which amounted to $16,379,584 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 June 30, 2017, Ta Ching Finance Corporation, China Bills Finance Corporation, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Finance Corporation, International Bills Finance Corporation, Shanghai Commercial Bank, Sunny Bank, Union Bills Finance Corporation, Taiwan Business Bank, Taishin Bills Finance Corporation and Taiwan Cooperative Bank guaranteed the above commercial paper. However, some commercial paper, which amounted to $18,590,737 thousand, had no guarantee.

29. PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts payable for settlement	$ 49,660,611	$ 45,054,894	$ 41,415,333
Guaranteed price deposits received from securities borrowers	13,998,203	12,510,125	10,325,104
Cash dividends payable	10,946,324	-	7,490,228
Accrued expenses and Payable on insurance policies	10,122,543	10,619,440	2,536,763
Settlement proceeds	6,212,965	4,577,576	4,333,286
Others	13,129,618	12,868,572	6,722,365
	$ 104,070,264	$ 85,630,607	$ 72,823,079

30. DEPOSITS AND REMITTANCES

	June 30, 2018	December 31, 2017	June 30, 2017
Time deposits	$ 223,780,138	$ 198,081,691	$ 177,882,341
Saving deposits	96,321,286	99,318,877	99,811,390
Demand deposits	57,544,630	40,173,703	36,528,204
Negotiable CDs	26,945,800	22,502,900	4,155,000
Checking deposits	2,549,190	2,505,161	2,452,741
Inward remittance	35,025	146,737	54,888
	$ 407,176,069	$ 362,729,069	$ 320,884,564

31. BONDS PAYABLE

	June 30, 2018	December 31, 2017	June 30, 2017
Corporate bonds payable	$ 23,800,000	$ 29,000,000	$ 19,000,000
Bank debentures payable	1,000,000	1,000,000	3,719,875
	$ 24,800,000	$ 30,000,000	$ 22,719,875

Corporate Bonds Payable

	June 30, 2018	December 31, 2017	June 30, 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
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	4,800,000	7,000,000	7,000,000
	$ 23,800,000	$ 29,000,000	$ 19,000,000
Fair value	$ 24,347,038	$ 29,457,956	$ 19,205,561

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 interest:

   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 subordinate 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 interests:

Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

The bonds A will mature in September 2024, bond B mature in September 2027 and Bond C will mature in September 2032.

In June 2015, the Corporation 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 interests:

Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

The bonds A will mature in June 2018 and bond B mature in June 2020.

Bank Debentures Payable

Name	June 30, 2018	December 31, 2017	June 30, 2017	Issue Year	Repayment Year	Interest Rate
P06 KGIB1	$ 1,000,000	$ 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	3,750,000			
Unamortized discount	-	-	(30,125)			
Net amount	$ 1,000,000	$ 1,000,000	$ 3,719,875			
Fair value	$ 1,002,794	$ 1,002,863	$ 3,715,655			

32. OTHER BORROWINGS

	June 30, 2018	December 31, 2017	June 30, 2017
Short-term credit borrowings	$ 15,779,601	$ 15,566,162	$ 8,021,422
Short-term secured borrowings	9,329,063	4,816,052	6,924,997
Note issuance facility	4,899,289	4,899,515	4,499,007
Long-term credit borrowings	315,830	422,532	305,942
	$ 30,323,783	$ 25,704,261	$ 19,751,368
Rate	0.55%-8.25%	0.5%-4.75%	0.50%-4.75%
Last maturity date	October 2020	October 2020	June 2020

33. PROVISIONS

	June 30, 2018	December 31, 2017	June 30, 2017
Insurance liabilities	$ 1,436,255,645	$ 1,284,198,018	$ -
Foreign exchange valuation reserve	3,070,346	2,703,763	-
Provisions for employee benefits	987,489	1,106,252	895,019
Others	546,654	441,071	448,692
	$ 1,440,860,134	$ 1,288,449,104	$ 1,343,711

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

As at June 30, 2018 and December 31, 2017, movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Reserve for life insurance liabilities	$ 1,395,190,864	$ 1,263,844,149	$ -
Unearned premium reserve	3,842,666	3,384,890	-
Reserve for claims	1,538,666	1,544,777	-
Special reserve	5,660,863	6,259,742	-
Premium deficiency reserve	8,491,638	9,164,460	-
Other reserve	21,530,948	-	-
	$ 1,436,255,645	$ 1,284,198,018	$ -

a. Reserve for life insurance liabilities:

	June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 1,060,653,766	$ 57,985,898	$ 1,118,639,664
Health insurance	116,790,853	-	116,790,853
Annuity insurance	649,009	157,129,301	157,778,310
Investment-linked insurance	1,875,886	-	1,875,886
	$ 1,179,969,514	$ 215,115,199	$ 1,395,084,713

Note: The total amount of liability reserve is $1,395,190,864 thousand on June 30, 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 Six Months Ended June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,048,113,729	$ 215,730,420	$ 1,263,844,149
Reserve	123,829,473	8,997,532	132,827,005
Recover	(24,128,505)	(10,178,215)	(34,306,720)
Gains on foreign exchange	3,636,863	565,462	4,202,325
Others (Note 1)	28,517,954	-	28,517,954
Ending balance (Note 2)	$ 1,179,969,514	$ 215,115,199	$ 1,395,084,713

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

Note 2: The total amount of liability reserve is $1,395,190,864 thousand on June 30, 2018 after reserve for life insurance-accrued paid is added.

b. Unearned premium reserve

	June 30, 2018		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Individual life insurance	$ 1,147	$ -	$ 1,147
Individual injury insurance	1,071,429	-	1,071,429
Individual health insurance	1,750,413	-	1,750,413
Group insurance	963,267	-	963,267
Investment-linked insurance	56,352	-	56,352
Annuity insurance	-	58	58
	3,842,608	58	3,842,666
Less ceded unearned premium reserve			
Individual life insurance	14,916	-	14,916
Individual injury insurance	1,055	-	1,055
Individual health insurance	27,061	-	27,061
Group insurance	2,606	-	2,606
Investment-linked insurance	5,016	-	5,016
	50,654	-	50,654
Net amount	$ 3,791,954	$ 58	$ 3,792,012

	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 Six Months Ended June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 3,384,833	$ 57	$ 3,384,890
Reserve	2,121,230	58	2,121,288
Recover	(1,699,657)	(57)	(1,699,714)
Gain in foreign exchanges	1	-	1
Others (Note)	36,201	-	36,201
Ending balance	3,842,608	58	3,842,666
Less ceded unearned premium reserve			
Beginning balance	49,879	-	49,879
Increase	25,738	-	25,738
Decrease	(24,963)	-	(24,963)
Others	-	-	-
Ending balance	50,654	-	50,654
Net amount	$ 3,791,954	$ 58	$ 3,792,012

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

c. Reserve for claims

	June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	$ 216,688	$ 88,004	$ 304,692
Unreported claim	545	-	545
Individual injury insurance			
Reported but not paid claim	56,423	-	56,423
Unreported claim	170,648	-	170,648
Individual health insurance			
Reported but not paid claim	102,899	-	102,899
Unreported claim	479,759	-	479,759
Group insurance			
Reported but not paid claim	100,884	-	100,884
Unreported claim	298,882	-	298,882
Investment-linked insurance			
Reported but not paid claim	11,293	-	11,293
Unreported claim	-	-	-

(Continued)

	June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Annuity insurance			
Reported but not paid claim	$ 189	$ 12,399	$ 12,588
Unreported claim	-	53	53
	1,438,210	100,456	1,538,666
Less ceded reserve for claims			
Individual life insurance	8,127	-	8,127
Individual injury insurance	6,000	-	6,000
Individual health insurance	7,605	-	7,605
Group insurance	12,760	-	12,760
	34,492	-	34,492
Net amount	$ 1,403,718	$ 100,456	$ 1,504,174

(Concluded)

	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
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

Movement in reserve for claims is summarized below:

	For the Six Months Ended June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,437,951	$ 106,826	$ 1,544,777
Reserve	1,438,468	100,647	1,539,115
Recover	(1,446,997)	(106,826)	(1,553,823)
Losses on foreign exchange	(258)	(191)	(449)
Others (Note)	9,046	-	9,046
Ending balance	1,438,210	100,456	1,538,666
Less ceded unearned premium reserve			
Beginning balance	12,484	-	12,484
Increase	34,492	-	34,492
Decrease	(12,484)	-	(12,484)
Ending balance	34,492	-	34,492
Net amount	$ 1,403,718	$ 100,456	$ 1,504,174

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

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

d. Special reserve

	June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	$ 5,660,863	$ -	$ 5,660,863
Dividend risk reserve	-	-	-
	$ 5,660,863	$ -	$ 5,660,863

	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 Six Months Ended June 30, 2018
	Insurance Contract
Beginning balance	$ 6,259,742
Adjustment to IFRS 9	(6,676)
Adjusted beginning balance	6,253,066
Reserve for participating policy dividend revenue	1,269,088
Reverse for participating policy dividend revenue	(1,720,408)
Reserve for dividend risk reserve	-
Gain on equity instruments dividend policy measured at FVTOCI	(140,883)
Ending balance	$ 5,660,863

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

	June 30, 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

	June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 8,364,839	$ -	$ 8,364,839
Individual injury insurance	126,799	-	126,799
	$ 8,491,638	$ -	$ 8,491,638

	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 as below:

	For the Six Months Ended June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 9,164,460	$ -	$ 9,164,460
Reserve	490,685	-	490,685
Recover	(1,189,666)	-	(1,189,666)
Gains on foreign exchange	26,158	-	26,158
Others (Note)	1	-	1
Ending balance	$ 8,491,638	$ -	$ 8,491,638

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

g. Other reserve

	June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Others	$ 21,530,948	$ -	$ 21,530,948

	For the Six Months Ended June 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ -	$ -	$ -
Recover	(100,161)	-	(100,161)
Others (Note)	21,631,109	-	21,631,109
Ending balance	$ 21,530,948	$ -	$ 21,530,948

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

h. Liability adequacy reserve

	Insurance Contract and Financial Instruments with Discretionary Participation Feature	
	June 30, 2018	December 31, 2017
Reserve for life insurance liabilities	$ 1,395,084,713	$ 1,263,844,149
Unearned premium reserve	3,842,666	3,384,890
Premium deficiency reserve	8,491,638	9,164,460
Special reserve	5,660,863	6,259,742
Other reserve	21,530,948	-
Book value of insurance liabilities	$ 1,434,610,828	$ 1,282,653,241
Estimated present value of cash flows	$ 1,094,347,615	$ 974,892,299
Balance of liability adequacy reserve	$ -	$ -

Liability adequacy testing methodology is listed as follows:

	June 30, 2018
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2017), and discount rates were evaluated with consideration of current information.

	December 31, 2017
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2016), and discount rates were evaluated with consideration of current information.

i. Foreign exchange valuation reserve

1) The hedge strategy and risk exposure

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

2) Adjustment in foreign exchange valuation reserve

	For the Six Months Ended June 30, 2018
	Insurance Contract
Beginning balance	$ 2,703,763
Reserve	
Compulsory reserve	510,511
Extra reserve	1,273,875
	1,784,386
Recover	(1,417,803)
Ending balance	$ 3,070,346

3) Effects due to foreign exchange valuation reserve

	For the Six Months Ended June 30, 2018		
Item	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income	$ 6,551,894	$ 6,258,627	$ (293,267)
Earnings per share (dollar)	1.73	1.65	(0.08)
Foreign exchange valuation reserve	-	3,070,346	3,070,346
Equity	82,162,738	81,049,523	(1,113,215)

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 in their respective periods.

The Corporation recognized its contributions under defined benefit plans as pension expenses (recognized as employee benefits) amounting to $9,501 thousand, $7,872 thousand, $18,536 thousand and $17,294 thousand, respectively and recognized pension expenses (recognized as employee benefits) under defined contribution plans amounting to $151,501 thousand, $96,193 thousand, $305,251 thousand and $185,455 thousand, respectively for the three and six months ended June 30, 2018 and 2017.

35. OTHER FINANCIAL LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Separate - account product liabilities	$ 62,878,397	$ 61,824,990	$ -
Principal received on structured notes	24,122,110	24,247,363	27,246,391
Customers' equity accounts - futures	21,811,760	22,679,896	35,178,285
Others	383,268	374,126	366,047
	$ 109,195,535	$ 109,126,375	$ 62,790,723

36. OTHER LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Guarantee deposits received	$ 20,166,974	$ 16,557,996	$ 11,280,261
Temporary receipts and suspense accounts	1,945,499	1,892,848	1,870,969
Advance receipts	1,750,695	1,080,765	235,331
Collections for others	1,474,810	1,715,340	1,501,621
Others	262,502	254,241	233,661
	$ 25,600,480	$ 21,501,190	$ 15,121,843

37. EQUITY

a. Share capital

Common stock

	June 30, 2018	December 31, 2017	June 30, 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)	14,957,295	14,976,820	14,975,743
Shares issued	$ 149,572,949	$ 149,768,196	$ 149,757,428

b. Capital surplus

	June 30, 2018	December 31, 2017	June 30, 2017
Arising from treasury stock transactions	$ 1,050,529	$ 985,211	$ 821,193
Share-based payments awards	92,930	87,867	85,320
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	80,994	182,662
Arising from share of changes in capital surplus of associates	13,728	13,728	13,728
Capital surplus-issue of stock in excess	2,388	5,919	6,674
	$ 1,240,569	$ 1,173,719	$ 1,109,577

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.

On June 22, 2018 and June 16, 2017, the board of the directors and shareholders' meeting 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

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

e. Non-controlling interests

	For the Six Months Ended June 30	
	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	3,157,130	(118,075)
Exchange difference on translation of foreign financial statements	12,568	(2,028)
Unrealized gains on available-for-sale financial assets	-	13,465
Actual losses arising from defined benefit plans	(82)	-
Losses on equity instrument measured at FVTOCI	(1,649,385)	-
Losses on debt instrument measured at FVTOCI	(9,900,115)	-
Reclassification of other comprehensive income by overlay approach	(3,596,733)	-
Payment of cash dividends by subsidiaries	(1,993,801)	(35,827)
Others	73,239	217
Balance at June 30	$ 69,390,619	$ 3,466,673

38. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS

Subsidiaries	**The Main Place of Business**	**Non-controlling Interests Held by the Proportion of Equity** June 30, 2018	December 31, 2017
China Life Insurance Company Limited	Taipei	65.04%	65.04%

	Net Income Attributed to Non-controlling Interests For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
China Life Insurance Company Limited	$ 1,126,529	$ 3,093,368

	Non-controlling Interests	
	June 30, 2018	**December 31, 2017**
China Life Insurance Company Limited	$ 65,753,016	$ 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

	June 30, 2018	**December 31, 2017**
Total assets	$ 1,644,175,773	$ 1,494,361,519
Total liabilities	1,544,086,196	1,375,535,670
Equity	$ 100,089,577	$ 118,825,849
Equity attributable to:		
Owners of parent	$ 34,336,561	$ 40,886,461
Non-controlling interest	65,753,016	77,939,388
	$ 100,089,577	$ 118,825,849

	For the Three Months Ended June 30, 2018	**For the Six Months Ended June 30, 2018**
Revenue	$ 82,097,714	$ 154,843,816
Net profit for the year	$ 1,732,012	$ 4,755,983
Other comprehensive income	(10,019,610)	(23,267,892)
Total comprehensive income	$ (8,287,598)	$ (18,511,909)
Net profit attributable to:		
Owners of parent	$ 605,483	$ 1,662,615
Non-controlling interest	1,126,529	3,093,368
	$ 1,732,012	$ 4,755,983
Comprehensive income attributable to:		
Owners of parent	$ (2,897,213)	$ (6,471,468)
Non-controlling interest	(5,390,385)	(12,040,441)
	$ (8,287,598)	$ (18,511,909)

	For the Six Months Ended June 30, 2018
Cash flows	
From operating activities	$ 39,279,187
From investing activities	(35,144,562)
From financing activities	-
Net increase in cash	$ 4,134,625

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 six months ended June 30, 2018				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	519,062	-	39,846	479,216
For the six months ended June 30, 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 were treated as treasury stock. The market prices of the shares were $3,150,832 thousand, $3,063,126 thousand and $2,671,833 thousand on June 30, 2018, December 31, 2017 and June 30, 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 date of treasury stock retired was June 4, 2018. The market prices of the shares were $182,305 thousand on June 30, 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 $2,192,423 thousand and 1,995,793 thousand on June 30, 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 June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Interest revenues				
Securities	$ 11,838,902	$ 559,908	$ 22,747,354	$ 900,971
Discounts and loans	2,724,561	1,826,006	5,259,595	3,548,098
Margin loans and refinancing margin	536,800	456,117	1,052,251	885,035
Due from and call loans to banks	119,000	92,725	235,169	187,891
Others	625,577	388,360	1,150,221	803,413
	15,844,840	3,323,116	30,444,590	6,325,408
Interest expenses				
Deposits	1,032,768	649,035	1,926,969	1,261,762
Notes and bonds issued under repurchase agreements	409,987	282,614	756,596	555,972
Borrowing interest expense	118,818	80,065	224,829	162,891
Corporate bonds	107,872	65,436	220,547	145,138
Others	239,874	178,392	435,250	326,853
	1,909,319	1,255,542	3,564,191	2,452,616
Interest profit, net	$ 13,935,521	$ 2,067,574	$ 26,880,399	$ 3,872,792

41. SERVICE FEE AND COMMISSION, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Service fee revenue and commission income				
Brokerage	$ 2,378,608	$ 1,858,122	$ 4,839,189	$ 3,650,198
Commission income - insurance	210,689	223,852	474,199	507,989
Trust	140,972	111,695	323,777	221,940
Others	679,578	330,273	1,304,567	663,541
	3,409,847	2,523,942	6,941,732	5,043,668
Service fee expense and commission expense				
Commission expense - insurance	2,957,767	-	5,461,541	-
Brokerage	308,621	279,234	611,642	556,628
Others	360,154	224,689	739,056	449,285
	3,626,542	503,923	6,812,239	1,005,913
Service fee and commission, net	$ (216,695)	$ 2,020,019	$ 129,493	$ 4,037,755

42. INSURANCE BUSINESS, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Insurance business income				
Premium income	$ 67,547,708	$ -	$ 127,485,757	$ -
Reinsurance premium expense	(301,801)	-	(606,278)	-
Changes in unearned premium reserve	(416,226)	-	(420,799)	-
Retained earned premium	66,829,681	-	126,458,680	-
Separate-account insurance products revenues	2,452,542	-	3,460,310	-
	69,282,223	-	129,918,990	-
Insurance business expense				
Insurance claim payments	(23,326,471)	-	(42,184,540)	-
Claims recovered from reinsures	218,647	-	392,178	-
Retained claim payments	(23,107,824)	-	(41,792,362)	-
Brokerage expense	(2,104)	-	(3,456)	-
Disbursements toward industry stability fund	(128,355)	-	(242,250)	-
Changes in foreign exchange valuation reserve	(1,055,680)	-	(366,584)	-
Separate-account insurance products expenses	(2,452,542)	-	(3,460,310)	-
	(26,746,505)	-	(45,864,962)	-
Insurance business, net	$ 42,535,718	$ -	$ 84,054,028	$ -

43. GAIN ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Derivatives	$ (32,633,247)	$ 989,068	$ (18,120,221)	$ 2,395,939
Stocks	529,175	183,652	3,431,305	193,847
Bonds	(481,065)	(506,392)	226,776	29,396
Operating securities	247,863	989,560	326,960	1,562,645
Others	730,442	(207,343)	(1,627,315)	(1,316,403)
	$ (31,606,832)	$ 1,448,545	$ (15,762,495)	$ 2,865,424

For the three and six months ended June 30, 2018 and 2017, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of $875,464 thousand, $361,583 thousand, $1,544,283 thousand and $794,454 thousand, respectively, dividend income of $1,350,384 thousand, $101,507 thousand, $1,426,213 thousand and $107,096 thousand, respectively and interest expense of $330,313 thousand, $199,174 thousand, $590,801 thousand and $368,760 thousand, respectively.

44. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2017
Gain on stock disposal	$ 348,200	$ 265,824
Gain on bond disposal	335,278	165,387
Dividend income	64,543	77,100
Others	4,231	4,942
	$ 752,252	$ 513,253

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

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Dividend income	$ 147,335	$ 157,345
Gain on bond disposal	141,899	1,838,728
	$ 289,234	$ 1,996,073

46. GAIN ON FINANCIAL ASSETS MEASURED AT COST, NET

	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2017
Gain on security disposal	$ 566,327	$ 821,993
Dividend income	92,150	128,770
Others	(2,301)	1,241
	$ 656,176	$ 952,004

47. NET OTHER NONINTEREST PROFIT AND GAIN

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Revenue from underwriting	$ 106,502	$ 169,513	$ 279,483	$ 320,307
Rental income	53,720	39,877	98,897	69,689
Revenue from providing agency service for stock affairs	42,075	40,074	73,576	70,523
Others	552,145	51,060	644,503	114,454
	$ 754,442	$ 300,524	$ 1,096,459	$ 574,973

48. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Employee benefit expense				
Salaries and wages	$ 3,121,626	$ 2,561,327	$ 6,640,643	$ 5,047,076
Employee insurance	249,363	142,227	551,123	317,988
Pension	161,002	104,065	323,787	202,749
Others	232,731	143,206	499,076	300,561
	$ 3,764,722	$ 2,950,825	$ 8,014,629	$ 5,868,374
Depreciation and amortization expenses	$ 605,232	$ 378,574	$ 1,206,585	$ 747,234

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 and six months ended June 30, 2018 and 2017, the employees' compensation and the remuneration to directors and supervisors both were $64,695 thousand, $16,977 thousand, $32,844 thousand and $34,210 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 2017 and 2016 were reported on the shareholders meeting on June 22, 2018 and June 16, 2017, respectively.

	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 years 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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Taxation	$ 416,596	$ 307,302	$ 884,622	$ 593,269
Rental	257,389	256,785	513,021	514,114
Computer information	177,935	162,125	353,847	348,210
Professional services	177,918	128,636	473,505	251,824
Postage	121,892	86,454	245,045	173,458
Security lending expense	97,799	74,953	176,730	152,649
Others	556,359	493,453	983,101	806,440
	$ 1,805,888	$ 1,509,708	$ 3,629,871	$ 2,839,964

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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current income tax				
Current period	$ (965,402)	$ 80,030	$ 1,033,191	$ 201,974
Prior years	(62,081)	(37,623)	(148,088)	(70,676)
	(1,027,483)	42,407	885,103	131,298
Deferred income tax				
Current period	2,061,374	257,844	(15,670)	418,698
Prior years	77	-	(696,409)	-
	2,061,451	257,844	(712,079)	418,698
Income tax expense recognized in profit or loss	$ 1,033,968	$ 300,251	$ 173,024	$ 549,996

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 June 30		For the Six Months Ended June 30	
	2018	**2017**	**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	(389,389)	-	(752,228)	-
Unrealized (gain) loss on available-for-sale financial assets	-	(139)	-	457
(Gain) loss on debt instruments at fair value through other comprehensive income	(1,289,168)	-	(3,145,950)	-
(Gain) loss on reclassification using the overlay approach	(595,176)	-	(1,110,050)	-
Income tax expense (benefit)	$ (2,273,733)	$ (139)	$ (4,600,102)	$ 457

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Current income tax (benefit)				
Disposal of equity instruments at fair value through other comprehensive income	$ (6,307)	$ -	$ (28,795)	$ -
Deferred income tax (benefit)				
Disposal of equity instruments at fair value through other comprehensive income	6,307	-	28,795	-
Income tax expense (benefit)	$ -	$ -	$ -	$ -

d. Income tax assessments

The Corporation’s income tax returns through 2013 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 KBI Bank and formerly Wanyin Insurance Broker through 2014 had been examined by the tax authorities.

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

The income tax returns of KGI Securities for the years through 2013 had been examined by the tax authorities. KGI Securities disagreed with the tax authorities' assessments of its tax returns from 2009 to 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., KGI Securities Investment Trust Co., Ltd., and KGI Venture Capital Co., Ltd. through 2016 had been examined by the tax authorities.

CDIB Capital Group's income tax returns through 2013 had been examined by the tax authorities.

Income tax returns of CDIB Capital Management Inc., through 2016 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 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 June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Basic EPS	$ 0.19	$ 0.12	$ 0.42	$ 0.24
Diluted EPS	$ 0.19	$ 0.12	$ 0.42	$ 0.24

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

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Earnings used in the computation of EPS	$ 2,773,776	$ 1,729,869	$ 6,050,400	$ 3,538,286

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Weighted average number of common shares outstanding in computation of basic EPS	14,475,868	14,646,793	14,469,389	14,645,707
Effect of dilutive potentially common shares:				
Employee share options	16,468	1,254	16,573	1,254
Restricted shares	1,948	3,804	2,738	4,647
Weighted average number of common shares outstanding in computation of diluted EPS	14,494,284	14,651,851	14,488,700	14,651,608

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 Six Months Ended June 30			
	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	(1,121)	8.00	-	-
Options invalid	(440)	7.96	(6,416)	8.50
Balance at June 30	62,557	7.93	66,795	8.42
Options exercisable, end of period	40,177	7.92	34,057	8.37
Weighted-average remaining contractual life (years)	3.12		4.12	

The weighted-average share price at the date of exercise of share options from January 1 to June 30, 2018 was $10.41.

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

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

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

Compensation costs for the three and six months ended June 30, 2018 and 2017 were $1,962 thousand, $2,579 thousand, $3,777 thousand and $1,327 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 and six months ended June 30, 2018 and 2017, the Corporation recognized $1,511 thousand, $5,382 thousand, $3,961 thousand, and $12,670 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	%
June 30, 2018	$ 29,212	-
December 31, 2017	67,571	-
June 30, 2017	37,846	-

For the three and six months ended June 30, 2018 and 2017, the interest revenues from cash in bank were $139 thousand, $31 thousand, $149 thousand and $41 thousand, respectively.

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

	Amount	%
June 30, 2018	$ 235,943	-
December 31, 2017	262,228	-
June 30, 2017	167,135	1

For the three and six months ended June 30, 2018 and 2017, the interest revenues from due from banks were all $0 thousand.

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

	Amount	%
June 30, 2018	$ 370,002	-
June 30, 2017	32,278	-

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the six months ended June 30, 2018		
Other related parties	$ 1,076,993	$ 731,839
For the six months ended June 30, 2017		
Other related parties	400,455	199,831

5) Revenue receivable (recognized as receivables, net)

	Amount	%
June 30, 2018	$ 377,962	-
December 31, 2017	244,416	-
June 30, 2017	196,756	-

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

	Amount	%
June 30, 2018	$ 16,091	-
December 31, 2017	23,919	-
June 30, 2017	11,527	-

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

	Amount	%
June 30, 2018	$ 39,120	-
December 31, 2017	16,772	-
June 30, 2017	28,277	-

8) Other receivables (recognized as receivables, net)

	Amount	%
June 30, 2018	$ 8,509	-
December 31, 2017	6,102	-
June 30, 2017	16,813	-

9) Discounts and loans, net

	Amount	%	Interest Rate (%)
June 30, 2018	$ 1,015,459	-	1.54-15.00
December 31, 2017	962,341	-	1.54-15.00
June 30, 2017	883,253	-	1.54-15.00

For the three and six months ended June 30, 2018 and 2017, the interest revenues from discounts and loans were $3,964 thousand, $3,534 thousand, $8,227 thousand and $7,217 thousand, respectively.

For the six months ended June 30, 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	37	$ 27,755	$ 21,250	$ 21,250	$ -	None	Yes
Residential mortgage loans	74	1,216,764	985,525	985,525	-	Real estate	Yes
Others	10	14,964	8,684	8,684	-	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 six months ended June 30, 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	31	$ 20,180	$ 15,958	$ 15,958	$ -	None	Yes
Residential mortgage loans	63	955,597	847,786	847,786	-	Real estate	Yes
Others	13	24,793	19,509	19,509	-	Real estate/ deposit	Yes

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Other related parties	$ 4,457,500	13	$ 4,096,960	14	$ 4,500,000	15

For the three and six months ended June 30, 2018 and 2017, the interest expenses from call loans from banks were $2,981 thousand, $4,675 thousand, $6,450 thousand and $6,382 thousand, respectively.

11) Notes and bonds issued under repurchase agreements

	Amount	**%**
December 31, 2017	$ 61,219	-
June 30, 2017	523,086	-

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

	Amount	%
June 30, 2018	$ 2,925	-
December 31, 2017	6,286	-
June 30, 2017	18,555	-

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

	Amount	%
June 30, 2018	$ 3,234	-
December 31, 2017	6,902	-
June 30, 2017	20,518	-

14) Other payables (recognized as payables)

	Amount	%
June 30, 2018	$ 77,089	-
December 31, 2017	69,938	-
June 30, 2017	73,141	-

15) Deposits and remittances

	Amount	%	Interest Rate (%)
June 30, 2018	$ 1,014,325	-	0-5.58
December 31, 2017	1,278,464	-	0-5.58
June 30, 2017	779,667	-	0-5.58

For the three and six months ended June 30, 2018 and 2017, the interest expenses from deposits and remittances were $2,165 thousand, $1,717 thousand, $4,279 thousand and $3,579 thousand, respectively.

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

	Amount	%
June 30, 2018	$ 451,400	1
December 31, 2017	298,480	-
June 30, 2017	243,488	1

For the three and six months ended June 30, 2018 and 2017, the interest expenses from short-term borrowings were $1,739 thousand, $455 thousand, $3,779 thousand and $455 thousand, respectively.

17) Customers’ equity accounts - futures (recognized as other financial liabilities)

	Amount	%
June 30, 2018	$ 8,912	-
December 31, 2017	42,647	-
June 30, 2017	62,657	-

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2018				
Other related parties	$ 69,881	-	$ 119,000	-

19) Consulting service revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2018				
Other related parties	$ 136,917	47	$ 284,398	48
2017				
Other related parties	112,164	38	226,453	41

20) Outstanding derivative financial instruments

KGI Bank

June 30, 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	$ 12,165,962	$ 867,930	Financial assets at FVTPL	$ 377,791
					Financial liabilities at FVTPL	3,531

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

June 30, 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	$ 11,565,680	$ (119,769)	Financial liabilities at FVTPL	$ 119,769

China Life Insurance

June 30, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet Account	Balance Sheet Balance
Other related parties	Currency swap contracts	December 20, 2017 - September 25, 2018	US$ 494,000	Financial liabilities at FVTPL	$ 515,416

December 31, 2017

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet Account	Balance Sheet Balance
Other related parties	Currency swap contracts	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 June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Salary and short-term benefits	$ 127,441	$ 76,351	$ 274,312	$ 157,037
Share-based payment	1,223	4,881	3,438	11,323
Post-employment benefits	716	599	1,446	1,245
	$ 129,380	$ 81,831	$ 279,196	$ 169,605

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)

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Other related parties	$ 235,943	3	$ 262,228	2	$ 167,135	2

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 720,376	1	$ 391,201	1	$ 794,522	1

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

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	$ 157,021	1

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the six months ended June 30, 2018		
Subsidiary of the parent company	$ 3,431,410	$ 431,412
Other related parties	877,050	-
For the six months ended June 30, 2017		
Subsidiary of the parent company	2,332,059	1,845,381

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Other related parties	$ 4,457,500	13	$ 4,096,960	14	$ 4,500,000	16

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Parent company	$ 435,483	100	$ 412,845	100	$ 352,595	100

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

7) Deposits and remittances

	Amount	%	Interest Rate (%)
June 30, 2018			
Parent company	$ 7,743,316	2	0-0.28
Subsidiary of the parent company	10,244,651	2	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
June 30, 2017			
Parent company	21,043,186	6	0-0.57
Subsidiary of the parent company	10,720,346	3	0-1.03

8) Service fee revenue (recognized as service fee, net)

	For the Three Months Ended June 30, 2018		For the Six Months Ended June 30, 2018	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 60,076	13	$ 117,447	12

9) Outstanding derivative financial instrument

June 30, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,165,962	$ 867,930	Financial assets at FVTPL	$ 377,791
					Financial liabilities at FVTPL	3,531
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	April 06 2016 - February 05, 2022	675,200	(2,072)	Financial assets at FVTPL	8,516
					Financial liabilities at FVTPL	176
	Asset swap - option	April 06, 2016 - January 22, 2021	675,200	(19,465)	Financial liabilities at FVTPL	97,210
	Interest rate swap contracts	November 04, 2016 - November 06, 2020	1,088,850	(2,169)	Financial assets at FVTPL	204
					Financial liabilities at FVTPL	7,256
	Currency swap contracts	December 19, 2017 - September 21, 2018	13,877,500	487,002	Financial assets at FVTPL	426,635

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

June 30, 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	$ 11,565,680	$ (119,769)	Financial liabilities at FVTPL	$ 119,769
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 23, 2016 - March 10, 2019	576,540	11,983	Financial assets at FVTPL	16,325
	Asset swap - option	March 23, 2016 - February 10, 2019	576,540	(49,218)	Financial liabilities at FVTPL	54,299
	Interest rate swap contracts	November 04, 2016 - January 24, 2020	973,952	2,112	Financial liabilities at FVTPL	2,573
					Financial assets at FVTPL	565

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)

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,611,890	13	$ 4,360,264	28	$ 2,427,868	19

2) Available-for-sale financial assets - current

	December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**
Stock				
Parent company	$ 3,063,126	91	$ 2,671,833	31

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

	June 30, 2018	
Open Ended Fund and Money Market Instruments	**Amount**	**%**
Other related parties	$ 370,002	1

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

	June 30, 2018	
	Amount	**%**
Stocks		
Parent company	$ 3,150,832	28

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the six months ended June 30, 2018		
Subsidiary of the parent company	$ 2,134,496	$ 7,973,692
Other related parties	199,943	731,839
For the six months ended June 30, 2017		
Subsidiary of the parent company	1,845,381	2,332,059
Other related parties	400,455	199,831

6) Guarantee deposits received in futures contracts

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 445,671	2	$ 2,042,540	9	$ 1,797,648	5

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 129,696	-	$ 192,353	-	$ 110,801	-

8) Restricted assets (recognized as other assets)

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 993,763	2	$ 1,036,153	2	$ 923,428	3

9) Other receivables (recognized as receivables, net)

	June 30, 2018	
	Amount	**%**
Subsidiary of the parent company	$ 291,571	1

10) Short-term borrowings

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Other related parties	$ 451,400	2	$ 298,480	1	$ 243,488	2

11) Notes and bonds issued under repurchase agreement

	June 30, 2017	
	Amount	**%**
Other related parties	$ 523,086	1

12) Customers' equity accounts - futures

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 717,257	3	$ 362,052	2	$ 853,242	2

13) Payables

	June 30, 2017	
	Amount	**%**
Subsidiary of the parent company	$ 158,640	-

14) Current tax liabilities

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Parent company	$ 481,314	68	$ 340,456	46	$ 334,215	37

15) Other operating revenue

	For the Three Months Ended June 30, 2018		For the Six Months Ended June 30, 2018	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 63,808	29	$ 154,256	50

16) Outstanding derivative financial instruments

a) Asset swap IRS contracts value

	June 30, 2018	December 31, 2017	June 30, 2017
	Contract Amount (Principal)	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 675,200	$ 508,220	$ 576,540

b) Asset swap option contracts - call

	June 30, 2018	December 31, 2017	June 30, 2017
	Contract Amount (Principal)	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 675,200	$ 508,220	$ 576,540

c) Interest rate swap contracts

	June 30, 2018	December 31, 2017	June 30, 2017
	Contract Amount (Principal)	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 1,088,850	$ 955,136	$ 973,952

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

Related Party	Relationship with 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 became the related party.

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 6,943,338	45	$ 5,089,039	40	$ 5,460,601	47

2) Revenue receivable (recognized as receivable, net)

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Other related parties	$ 368,060	32	$ 118,497	22	$ 121,440	19

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Parent company	$ 339,279	98	$ 339,279	98	$ 339,279	98

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

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

	June 30, 2017	
	Amount	**%**
Stock		
Parent company	$ 182,305	2

5) Dividends payable

	June 30, 2017	
	Amount	**%**
Parent company	$ 2,343,237	100

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Parent company	$ 374,545	95	$ 323,549	97	$ 518,115	97

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

7) Consulting service revenue

	For the Three Months Ended June 30			For the Six Months Ended June 30		
		Amount	%		Amount	%
2018						
Other related parties	$	59,453	39	$	117,949	37
2017						
Other related parties		60,355	42		122,325	46

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)

	June 30, 2018		
		Amount	%
Subsidiary of the parent company	$	120,293	1

2) Financial assets at fair value through other comprehensive income

	June 30, 2018		
		Amount	%
Stocks			
Parent company	$	6,271,521	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)

	June 30, 2018 Amount	%	December 31, 2017 Amount	%
Subsidiary of the parent company	$ 323,173	2	$ 104,227	1

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended June 30, 2018</u>		
Subsidiary of the parent company	$ 4,542,222	$ 1,703,084

6) Payable from securities sale (recognized as payables)

	June 30, 2018 Amount	%
Subsidiary of the parent company	$ 263,789	2

7) Commission fee

	For the Three Months Ended June 30, 2018 Amount	%	For the Six Months Ended June 30, 2018 Amount	%
Subsidiary of the parent company	$ 125,461	4	$ 269,121	5

8) Outstanding derivative financial instrument

June 30, 2018

(In Thousands of United States Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet Account	Balance Sheet Balance
Subsidiaries of the parent company	Forward exchange contracts	June 28, 2018 - July 20, 2018	US$ 50,000	Financial assets at FVTPL	$ 1,492
Subsidiaries of the parent company	Currency swap contracts	December 19, 2017 - September 21, 2018	US$ 405,000	Financial liabilities at FVTPL	392,513
Other related parties	Currency swap contracts	December 20, 2017 - September 25, 2018	US$ 494,000	Financial liabilities at FVTPL	515,416

December 31, 2017

(In Thousands of United States Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet Account	Balance Sheet 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.

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets at fair value through profit or loss - negotiable certificate of deposit	$ 15,529,159	$ -	$ -
Other assets - operating guarantee deposits	7,102,615	7,454,004	1,426,710
Due from the Central Bank and call loans to financial institutions	3,500,000	6,520,000	10,830,000
Property and equipment, net	4,810,458	4,827,689	4,844,922
Lease receivables	2,305,826	2,541,307	2,568,792
Other financial assets - pledged time deposits	1,263,434	1,029,134	1,137,183
Investment property, net	345,706	348,297	350,888
Financial assets at fair value through profit or loss - bonds and stocks	327,678	356,457	252,971
Other assets - competitive bid transactions guarantee	299,351	299,258	299,165
Financial assets at fair value through other comprehensive income - bonds and stocks	182,351	-	-
Other assets - guarantee deposit paid	12,221	130,584	117,742
Checking accounts - restricted for agent's stock transfer purposes	51,691	52,128	77,258
Restricted assets - impound account	49,315	62,258	45,595
Available-for-sale financial assets - negotiable certificate of deposit	-	10,804,495	7,300,704
Available-for-sale financial assets - bonds and stocks	-	180,596	2,861,765

Note: 88,500 thousand of China Life Insurance shares held by KGI Securities on June 30, 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$378,846 thousand based on the exchange rate of June 30, 2018) was reclassified to “other financial liabilities”. The litigation had not yet been concluded as of June 30, 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 $645,459 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 June 30, 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 June 30, 2018, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is $582,356 thousand and unpaid amount is $5,041,557 thousand.

56. BUSINESS COMBINATION

a. 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.

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

2) 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

3) 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.

4) 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.

b. A Partial Traditional Insurance Policies of Allianz Taiwan Life Insurance

China Life Insurance acquired a partial traditional insurance related assets and liabilities business of Allianz Taiwan Life Insurance in exchange for NT$1. The delivery date was May 18, 2018.

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

	Fair Value on Settlement Date
Financial assets (include cash and cash equivalent $49,856,478)	$ 50,766,127
Financial liabilities	(2,569)
Insurance liabilities	(50,194,310)
Other liabilities	(357)
	$ 568,891

The bargain purchase gain due to the acquisitions of a partial traditional insurance of Allianz Taiwan Life Insurance was $568,891 thousand, which was generated by the acquisition consideration of $1 minus the fair value of the net identifiable assets of $568,891 thousand.

Had the acquisition happened on January 1, 2018, the pro forma net revenue and net income before tax of the subsidiary for the six months ended June 30, 2018 would be $119,899,911 thousand and $9,714,777 thousand, respectively.

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

Consolidated Profitability

(%)

Items		June 30, 2018	June 30, 2017
Return on total assets	Before income tax	0.74	0.87
	After income tax	0.72	0.75
Return on net worth	Before income tax	7.73	4.79
	After income tax	7.58	4.13
Profit margin		7.70	24.48

Profitability of the Corporation

(%)

Items		June 30, 2018	June 30, 2017
Return on total assets	Before income tax	6.31	3.61
	After income tax	6.04	3.78
Return on net worth	Before income tax	7.55	4.13
	After income tax	7.27	4.36
Profit margin		88.96	92.40

Profitability of KGI Bank

(%)

Items		**June 30, 2018**	**June 30, 2017**
Return on total assets	Before income tax	0.52	0.72
	After income tax	0.48	0.57
Return on net worth	Before income tax	5.57	7.01
	After income tax	5.19	5.54
Profit margin		33.74	33.04

Profitability of KGI Securities

(%)

Items		**June 30, 2018**	**June 30, 2017**
Return on total assets	Before income tax	2.42	1.30
	After income tax	2.13	1.24
Return on net worth	Before income tax	7.86	3.80
	After income tax	6.92	3.63
Profit margin		38.71	26.55

Profitability of China Life Insurance

(%)

Items		**June 30, 2018**
Return on total assets	Before income tax	0.74
	After income tax	0.81
Return on net worth	Before income tax	12.51
	After income tax	13.73
Profit margin		4.01

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:

June 30, 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	$ 149,772,647	$ 419,176	$ 10,021,332	$ 160,213,155
Bond investments	42,261,694	51,074,039	195,714	93,531,447
Others	25,071,277	29,803,741	12,226,616	67,101,634
Financial assets designated as at FVTPL	3,550,919	28,739,554	439,120	32,729,593
Financial assets at FVTOCI				
Stock investments	14,842,515	20,028	13,305,075	28,167,618
Bond investments	217,762,278	160,901,870	-	378,664,148
Others	-	40,365,608	-	40,365,608
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,900,829	3,178,138	-	5,078,967
Financial liabilities designated as at FVTPL	-	29,283,675	-	29,283,675
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	1,201,236	47,908,421	230,242	49,339,899
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	954,352	86,749,962	567,105	88,271,419
Financial liabilities designated as at FVTPL	-	893,486	-	893,486

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
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

June 30, 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	$ 21,158,455	$ -	$ -	$ 21,158,455
Bond investments	22,841,189	18,955,850	-	41,797,039
Others	117,266	15,408,485	-	15,525,751
Financial assets designated as at FVTPL	182,744	38,906,514	846,347	39,935,605
Available-for-sale financial assets				
Stock investments	23,557,334	133,145	438,568	24,129,047
Bond investments	56,276,504	56,850,815	-	113,127,319
Others	232,107	25,802,540	-	26,034,647
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	6,952,679	6,179,019	-	13,131,698
Financial liabilities designated as at FVTPL	-	17,405,435	-	17,405,435
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	1,828,704	22,768,614	70,757	24,668,075
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	2,028,042	30,229,591	525,349	32,782,982
Financial liabilities designated as at FVTPL	-	1,017,173	-	1,017,173

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 Six Months Ended June 30, 2018		**For the Six Months Ended June 30, 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	$ 5,186,315	$ 12,940,676	$ -	$ -
Available-for-sale financial assets - bond investments	-	-	8,276,696	1,330,449

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 Six Months Ended June 30, 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	$ 20,739,321	$ 1,256,990	$ 1,483,091	$ -	$ (805,498)	$ -	$ 22,673,904
Financial assets designated as at FVTPL	457,036	37,544	6,828	-	(62,288)	-	439,120
Financial assets at FVTOCI	16,855,341	(3,560,699)	42,000	-	(31,567)	-	13,305,075

For the Six Months Ended June 30, 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	$ (132,848)	$ 28,757	$ -	$ (66,536)	$ -	$ 70,757
Financial assets designated as at FVTPL	174,265	70,246	601,836	-	-	-	846,347
Available-for-sale financial assets	366,045	(38,670)	111,193	-	-	-	438,568

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

For the Six Months Ended June 30, 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	$ 14,928	$ 367,470	$ -	$ (264,334)	$ -	$ 567,105

For the Six Months Ended June 30, 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	$ (64,060)	$ 400,216	$ -	$ (48,657)	$ -	$ 525,349

The total gains or losses for the three and six months ended June 30, 2018 and 2017 included a gain of $1,457,479 thousand, a gain of $47,720 thousand, a gain of $1,944,555 thousand and a gain of $11,401 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 June 30, 2018	**Valuation Technique(s)**	**Significant Unobservable Inputs**	**Range**	**The Relationship Between Inputs and Fair Value**
Repetitive basis to fair value measurement items					
Nonderivative financial instruments					
Financial assets at FVTOCI	$ 417,068	Market approach, net asset method	P/B, P/E, Lack of liquidity discount and control discount	1.24-14.10, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of marketability and control.
Derivative financial instruments					
Financial assets at FVTPL	221,080	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	223,468	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at December 31, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Derivative financial instruments					
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.
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 June 30, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Derivative financial instruments					
Financial assets at FVTPL	$ 64,708	HullWhite, Libor Market Model, Discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	138,547	HullWhite, Libor Market Model, Discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

KGI Securities and subsidiaries

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

June 30, 2018

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of marketability	23%-26%	Assets at fair value is inversely proportional to discount for lack of marketability.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	14.60%-64.16%	According to condition of contract, fair value of asset may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	1.97%-47.83%	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	8.83%-60.57%	According to condition of contract, fair value of liabilities may be higher or lower.

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	Not applicable	Not applicable	Not applicable
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.

June 30, 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	Not applicable	Not applicable	Not applicable.
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	11.22%-70.48%	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	30.43%-42.36%	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	7.6%-38.95%	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	14.88%-65.72%	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:

June 30, 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%	$ 281	$ 289
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%	1,055	1,010
			$ 1,336	$ 1,299
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ -	$ 1
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	174	230
			$ 174	$ 231

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

June 30, 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%	$ 2,423	$ 2,396
Structured notes - premium - options (call options)	History volatility	+25%/-25%	42	38
			$ 2,465	$ 2,434
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ (25)	$ (38)
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	1,889	2,068
			$ 1,864	$ 2,030

CDIB Capital Group and subsidiaries

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

	Fair Value at June 30, 2018	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 19,711,735	Market approach	EV/Sales	0.58-3.9	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
			P/B	0.74-3.3	
			P/S	0.49-11.87	
			Lack of liquidity discount	23%-29%	
		Discounted cash-flow method	Lack of liquidity discount	23%-29%	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.
			WACC	10.87%-12.63%	
			Growth rate	3%-7%	
		Net asset adjustment method	Lack of liquidity discount	23%-29%	When the higher lack of liquidity discount, the lower of fair value.
			Non-controlling Interest discount	11%	
		Binomial tree model	Returns on stock value volatility	32%-40%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

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

	Fair Value at June 30, 2017	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 846,347	Market approach	EV/EBITDA Multiple	8.76	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; when the higher growth rate, the higher of fair value.
			Lack of liquidity discount	15%	
		Discounted cash-flow method	Lack of liquidity discount	15%	
			WACC	11.53%	
			Growth rate	3.0%	
		Recent strike price	-	-	-
		Net asset method	-	-	-
Available-for-sale financial assets	371,205	Discounted cash-flow method	Lack of liquidity discount	20%	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.
			WACC	12.1%-15.4%	
			Growth rate	2.5%-7.0%	
		Recent strike price	-	-	-

China Life Insurance

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

	June 30, 2018			
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
Financial assets				
Financial assets at fair value through profit or loss	Option	Volatility in stock price for the three-month period	28.730%	The higher the volatility in stock price for the three-month period, the higher the fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.46%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity, 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	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.
Available-for-sale	Market approach	Discount for lack of liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.51%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value.

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, debt instruments 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 June 30, 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	$ 2,801,529	
2009	2,243,111	2,870,648	2,924,110	2,934,461	2,936,046	2,939,451	2,940,095	2,940,209	2,940,748	2,941,197		
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963	3,144,299	3,144,902	3,145,142			
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,824	3,352,002				
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,221					
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,049,556						
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,302,146							
2015	3,530,448	4,420,482	4,498,438	4,505,580								
2016	3,721,820	4,648,280	4,711,304									
2017	4,320,234	5,227,681										
2018	1,881,495											$ 1,032,784

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

Add: Long-term insurance claims	378,780
Claim reserve for discount on no claim	127,102
Reserve for claims balance	$ 1,538,666

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	$ 2,738,100	
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	2,874,606		
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,782	3,073,109	3,073,699	3,073,934			
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,936	3,276,110				
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,071					
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,980,511						
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,202,741							
2015	3,468,881	4,336,525	4,407,051	4,404,004								
2016	3,657,093	4,560,257	4,615,851									
2017	4,244,930	5,128,476										
2018	1,848,755											$ 1,013,982

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

Add: Long-term insurance claims	363,090
Claim reserve for discount on no claim	127,102
Reserve for claims balance	$ 1,504,174

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 June 30, 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
June 30, 2018					
Insurance liabilities of investment contracts with discretionary participation features	$ (23,372,387)	$ 21,755,431	$ 114,565,941	$ 516,295,654	$ 3,204,172,738
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.

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

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

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

<u>China Life Insurance</u>

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

<u>KGI Bank and subsidiaries</u>

1) Definition and source of credit risk

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

2) Credit risk management policy

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

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

a) Credit investigation

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

b) Credit approval

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

c) Post-lending loan review

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

d) Risk report and information disclosures

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

3) Mitigation of risks or hedging of credit risk

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

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

4) Maximum exposure to credit risk

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

	June 30, 2018	December 31, 2017	June 30, 2017
Irrevocable loan commitments, guarantees and letters of credit	$ 97,817,029	$ 93,355,823	$ 95,331,346

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

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

	Discounts And Loans						
	June 30, 2018						
			Stage 3				
	Stage 1	Stage 2		Purchased or			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Originated Credit-impaired Financial Asset	Recognition of Impairment/ Adjustment	Total	June 30, 2017 Total
Short-term loans	$ 70,572,268	$ 1,203,311	$ 737,988	$ -		$ 72,513,567	$ 59,121,402
Short-term secured loans	17,968,663	4,750	154,648	-		18,128,061	11,864,367
Medium-term loans	131,521,646	223,262	349,906	-		132,094,814	112,310,299
Medium-term secured loans	51,779,052	71,980	10,271	-		51,861,303	50,759,686
Long-term loans	1,150,251	258,231	381,199	-		1,789,681	1,627,470
Long-term secured loans	57,010,794	135,118	1,006,484	-		58,152,396	43,909,258
Loans reclassified to nonperforming loans	-	-	486,955	-		486,955	628,991
Export negotiations	80,694	-	-	-		80,694	141,489
Total book values	330,083,368	1,896,652	3,127,451	-		335,107,471	280,362,962
Impairment allowance	(1,334,475)	(104,186)	(541,647)	-		(1,980,308)	(3,773,595)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (2,263,284)	(2,263,284)	
Adjusting for discounts and loans premium					(111,511)	(111,511)	(67,512)
Total	$ 328,748,893	$ 1,792,466	$ 2,585,804	$ -	$ (2,374,795)	$ 330,752,368	$ 276,521,855

	Receivables						
	June 30, 2018						
			Stage 3				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	Recognition of Impairment	Total	June 30, 2017 Total
Credit card business	$ 2,909,705	$ 203,812	$ 90,829	$ -		$ 3,204,346	$ 2,874,142
Accounts receivable - forfaiting	8,119,096	-	-	-		8,119,096	5,468,843
Accounts receivable factoring without recourse	9,748,678	276	223	-		9,749,177	8,916,524
Acceptances	150,268	-	-	-		150,268	330,659
Lease receivables	3,387,736	8,243	147,252	-		3,543,231	4,709,393
Total book value	24,315,483	212,331	238,304	-		24,766,118	22,299,561
Impairment allowance	(80,395)	(18,326)	(86,953)	-		(185,674)	(378,444)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (200,236)	(200,236)	
Total	$ 24,235,088	$ 194,005	$ 151,351	$ -	$ (200,236)	$ 24,380,208	$ 21,921,117

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

	June 30, 2018 Maximum Exposure Credit Risk
Financial assets at FVTPL	
Debt instrument	$ 31,299,133
Derivatives instruments	44,122,953

5) Collaterals and credit enhancement

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

KGI Bank and its subsidiaries observe collateral's value of financial instrument closely, and consider recognizing impairment for financial assets with credit impairment. KGI Bank and its subsidiaries' financial assets with impairment, and collateral's values for mitigation of potential losses for the six months ended June 30, 2018 were as follows:

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	$ 90,829	$ 33,796	$ 57,033	$ -
Accounts receivable factoring	223	53	170	-
Lease receivables	147,252	53,104	94,148	99,139
Discounts and loans	3,127,451	541,647	2,585,804	9,618,603
Total amount of impaired asset	$ 3,365,755	$ 628,600	$ 2,737,155	$ 9,717,742

The amount the of KGI Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount is $272,064 thousand for the six months ended June 30, 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 credits, due from and call loans to banks, investments, receivables and derivatives. To manage credit risk concentration, KGI Bank maintains a diversified portfolio and monitors its exposure continually. KGI Bank's most significant concentrations of credit risk are summarized as follows:

a) By object

Object	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Public and private enterprise	$ 226,380,146	67.56	$ 197,705,315	66.42	$ 191,474,950	68.30
Natural person	108,419,285	32.35	99,643,651	33.47	88,463,112	31.55
Non-profit organization	308,040	0.09	325,866	0.11	424,900	0.15
Total	$ 335,107,471	100.00	$ 297,674,832	100.00	$ 280,362,962	100.00

b) By region

Region	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Domestic	$ 248,785,645	74.24	$ 225,941,825	75.90	$ 216,552,179	77.24
Overseas	86,321,826	25.76	71,733,007	24.10	63,810,783	22.76
Total	$ 335,107,471	100.00	$ 297,674,832	100.00	$ 280,362,962	100.00

c) By collateral

Collateral	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Non-collateral	$ 207,808,096	62.01	$ 178,769,206	60.06	$ 174,223,298	62.14
Collateral						
Financial collateral	8,140,229	2.43	6,857,650	2.30	6,959,447	2.48
Property	101,189,177	30.20	89,144,353	29.95	75,942,543	27.09
Guarantee	12,433,091	3.71	16,997,483	5.71	17,172,576	6.13
Other	5,536,878	1.65	5,906,140	1.98	6,065,098	2.16
Total	$ 335,107,471	100.00	$ 297,674,832	100.00	$ 280,362,962	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 the Central Bank and call loans to banks, securities purchased under resell agreement, parts of receivables, parts of other financial assets, guarantee deposits paid, deposits for business operations and clearing and settlement fund are regarded as having very low credit risk because of the counterparties' good credit ratings.

In addition to the above, the credit analysis of other financial assets was as follows:

a) Credit quality analysis of discounts, 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

June 30, 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	$ 17,487,053	$ 43,796	$ 59,943	$ 17,590,792	$ 36,597	$ 227,979	$ 17,326,216
- other	9,077,101	81,314	1,806,046	10,964,461	1,175,588	59,240	9,729,633
Discount and loans	278,010,677	1,285,948	1,066,337	280,362,962	527,767	3,245,828	276,589,367

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

b) The credit analysis of discounts and loans and receivables of KGI Bank that were neither overdue nor impaired as shown by rating standards was as follows:

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

June 30, 2017	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 22,290,424	$ 10,009,638	$ 107,393	$ -	$ 32,407,455
- cash card	8,310,077	2,459,605	604,522	2,602,167	13,976,371
- micro credit loans	17,076,874	2,271,340	147,207	80,034	19,575,455
- other - secured	16,485,188	1,611,503	74,363	47,696	18,218,750
- other - unsecured	39,205	-	-	2,269	41,474
Corporate banking					
- secured	15,334,282	19,307,300	18,909,477	1,799,945	55,351,004
- unsecured	30,728,316	75,703,835	29,474,197	2,533,820	138,440,168
Total	$ 110,264,366	$ 111,363,221	$ 49,317,159	$ 7,065,931	$ 278,010,677

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

June 30, 2017	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 953,794	$ 598,325	$ 663,904	$ 555,081	$ 2,771,104
- forfeiting	1,817,626	811,719	-	2,839,499	5,468,844
- accounts receivable factoring - no recourse	5,391,896	3,410,653	71,424	42,473	8,916,446
- acceptances	-	259,296	71,363	-	330,659
Total	$ 8,163,316	$ 5,079,993	$ 806,691	$ 3,437,053	$ 17,487,053

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 instruments 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.

June 30, 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	$ 112,955,734	$ -	$ -	$ 112,955,734	$ -	$ -	$ 112,955,734	$ -	$ 112,955,734
- others	25,802,540	-	-	25,802,540	-	-	25,802,540	-	25,802,540
Debt instruments with no active market	2,526,188	-	-	2,526,188	-	-	2,526,188	-	2,526,188

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $6,080,490 thousand, loss on valuation of $397,638 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 borrowers' repayments and other administrative reasons could result in financial assets becoming overdue but not impaired. Based on KGI Bank's assessment of credits, financial assets overdue within 90 days are not considered impaired unless other evidence proves otherwise.

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
- micro 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

	June 30, 2017		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 24,401	$ 19,395	$ 43,796
Discount and loans			
Consumer banking			
- mortgage loans	269,707	37,025	306,732
- cash card	288,170	76,130	364,300
- micro credit loans	339,420	72,411	411,831
- other - secured	149,849	30,260	180,109
- other - unsecured	150	-	150
Corporate banking			
- secured	796	5,991	6,787
- unsecured	416	15,623	16,039

9) Analysis of impairment for financial assets

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

Items		Discounts and Loans		Allowance for Bad Debts	
		December 31, 2017	**June 30, 2017**	**December 31, 2017**	**June 30, 2017**
With objective evidence of impairment	Assessment of individual impairment	$ 184,525	$ 341,638	$ 42,374	$ 101,888
	Assessment of collective impairment	750,991	724,699	443,884	425,879
Without objective evidence of impairment	Assessment of collective impairment	296,739,316	279,296,625	3,438,273	3,245,828
Total		297,674,832	280,362,962	3,924,531	3,773,595

Items		Receivables		Allowance for Bad Debts	
		December 31, 2017	**June 30, 2017**	**December 31, 2017**	**June 30, 2017**
With objective evidence of impairment	Assessment of individual impairment	$ 1,707,936	$ 1,791,993	$ 1,173,526	$ 1,164,358
	Assessment of collective impairment	83,504	73,996	51,553	47,827
Without objective evidence of impairment	Assessment of collective impairment	21,743,478	26,689,264	243,149	287,219
Total		23,534,918	28,555,253	1,468,228	1,499,404

10) Management of foreclosed collateral

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

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

KGI Bank's foreclosed collaterals were mainly securities, land and buildings. As of June 30, 2018, December 31, 2017 and June 30, 2017, the carrying amounts of the collaterals were $0 thousand. Foreclosed collaterals assumed are classified as other assets in the balance sheets.

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

a) Asset quality of nonperforming loan and overdue credits

Item			June 30, 2018				
			Nonperforming Loan (NPL) (Note 1)	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 138,038	$ 59,539,652	0.23%	$ 753,801	546.08%
	Unsecured		156,918	170,137,202	0.09%	1,950,026	1,242.71%
Consumer loan	Mortgage (Note 4)		33,727	46,179,692	0.07%	697,313	2,067.50%
	Cash card		147,738	14,117,658	1.05%	286,430	193.88%
	Micro credit (Note 5)		158,908	22,527,211	0.71%	319,886	201.30%
	Other (Note 6)	Secured	23,642	22,572,011	0.10%	232,343	982.77%
		Unsecured	254	34,045	0.75%	3,793	1,490.66%
Total			659,225	335,107,471	0.20%	4,243,592	643.72%
			Overdue Receivable	**Account Receivable**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			19,498	3,204,346	0.61%	59,724	306.31%
Account receivable - factored without recourse (Note 7)			10	9,749,177	0.00%	133,076	1,386,932.12%

Item			June 30, 2017				
			Nonperforming Loan (NPL) (Note 1)	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 114,384	$ 55,463,521	0.21%	$ 661,106	577.97%
	Unsecured		295,647	138,746,663	0.21%	1,701,396	575.48%
Consumer loan	Mortgage (Note 4)		33,462	32,775,994	0.10%	438,644	1,310.87%
	Cash card		163,335	14,678,548	1.11%	419,356	256.75%
	Micro credit (Note 5)		150,680	20,233,132	0.74%	306,047	203.11%
	Other (Note 6)	Secured	22,475	18,421,707	0.12%	246,465	1,096.60%
		Unsecured	1,772	43,397	4.08%	581	32.79%
Total			781,755	280,362,962	0.28%	3,773,595	482.71%
			Overdue Receivable	**Account Receivable**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			19,317	2,874,142	0.67%	55,143	285.47%
Account receivable - factored without recourse (Note 7)			28	8,916,524	0.00%	130,457	459,159.92%

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

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

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

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

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

Note 6: "Others" under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.

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

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

Items	June 30, 2018		June 30, 2017	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 12,063	$ 124	$ 15,417	$ 193
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	46,602	4,813	33,441	4,790
Total	$ 58,665	$ 4,937	$ 48,858	$ 4,983

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

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

c) Concentration of KGI Bank's credit extensions

June 30, 2018

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 012711 Computer manufacturing	$ 7,210,016	12.38
2	B Group - 011850 Manmade fiber manufacturing	6,935,855	11.91
3	C Group - 012613 Packaging and testing of semi-conductors	5,318,459	9.14
4	D Group - 012411 Iron and steel smelting	4,562,167	7.84
5	E Group - 016700 Real estate brokerage	4,447,305	7.64
6	F Group - 016700 Real estate brokerage	4,240,000	7.28
7	G Group - 012729 Manufacture of other communication equipment	3,516,911	6.04
8	H Group - 016700 Real estate brokerage	3,485,947	5.99
9	I Group - 012711 Computer manufacturing	3,472,616	5.96
10	J Group - 015100 Civil aviation transportation	3,059,429	5.26

June 30, 2017

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	B Group - 011850 Manmade fiber manufacturing	$ 5,159,530	8.64
2	G Group - 012711 Computer manufacturing	4,484,775	7.51
3	D Group - 012411 Iron and steel smelting	3,729,592	6.25
4	A Group - 012641 LCD and related components manufacturing	3,726,978	6.24
5	J Group - 015100 Civil aviation transportation	3,601,954	6.03
6	K Group - 012641 LCD and related components manufacturing	3,520,487	5.90
7	L Group - 016611 Securities firms	3,479,466	5.83
8	H Group - 016700 Real estate brokerage	3,413,737	5.72
9	M Group - 012740 Data storage media	3,400,000	5.70
10	N Group - 014510 Wholesale on a fee or contract basis	3,043,600	5.10

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

Credit business

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

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

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

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

a) Quantitative index

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

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

b) Qualitative index

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

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

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

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

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

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

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

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

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

i. The guarantor or issuer cannot repay the principal or interest on the maturity date of the bond.

ii. Before the maturity of the note or bond, it can be objectively determined that the bond guarantor or issuer may not be able to repay the principal and interest of the bond on time.

iii. Before the maturity of the note or bond, the bond guarantor or issuer is in bankruptcy or in reorganization or taken over due to financial difficulties.

iv. Before the maturity of the note or bond, the bond guarantor or issuer close down or perform other financial restructuring.

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 reaching the criteria of write-off of the regulation.

b) There is a need to expedite the reduction of non-performing loans or for certain businesses that needs to comply with the requirements of the competent authority.

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

d) If it is difficult to dispose the collateral or it may take long time to recover the loan, the creditor's balance shall be written of within the period which specified in a).

e) Acquiring the documentary evidence or supporting documents with the assessments of no hope to recover the loan.

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.

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 + Stage 1</td><td rowspan="2">Credit risk has not increased significantly.</td></tr>
<tr><td>Small and medium enterprises + Stage 1</td></tr>
<tr><td>Large corporation + Stage 2</td><td rowspan="2">Credit risk has increased significantly.</td></tr>
<tr><td>Small and medium enterprises + Stage 2</td></tr>
<tr><td>Large corporation + Stage 3</td><td rowspan="2">Impaired credits.</td></tr>
<tr><td>Small and medium enterprises + Stage 3</td></tr>
<tr><td rowspan="3">Consumer banking</td><td>Product + Stage 1</td><td>Credit risk has not increased significantly.</td></tr>
<tr><td>Product + Stage 2</td><td>Credit risk has increased significantly.</td></tr>
<tr><td>Product + Stage 3</td><td>Impaired credits.</td></tr>
</table>

KGI Bank measures the allowance for the financial instruments based on the 12-month expected credit losses for financial instruments that do 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 lifetime expected credit losses.

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

Probability of default is the 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) Changes of provisions for off-balance-sheet guarantees and commitments

The off-balance-sheet guarantees and commitments provisions for the six months ended June 30, 2018 are adjusted as follows:

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	**Lifetime ECL (Collectively Assessed)**	**Lifetime ECL (Individually Assessed)**	**Non-purchased or Originated Credit-impaired Financial Assets**	**Purchased or Originated Credit-impaired Financial Assets**	**Impairment in Accordance With IFRS 9**	**The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans**	**Total**
Balance at January 1	$ 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	(52)	42	-	10	-	-		-
From conversion to credit-impaired financial assets	-	-	-	-	-	-		-
To 12-month ECL	-	-	-	-	-	-		-
Derecognizing financial assets during the current period	(12,916)	(15)	-	-	-	(12,931)		(12,931)
Purchased or originated new financial assets	22,891	-	-	-	-	22,891		22,891
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							23,674	23,674
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	(20,025)	(52)	-	213	-	(19,864)	-	(19,864)
Balance at June 30	$ 150,928	$ 608	$ -	$ 1,949	$ -	$ 153,485	$ 51,115	$ 204,600

KGI Bank and its subsidiaries had no significant increase in off-balance-sheet guarantees, letter of credit, and irrevocable contractual commitment credit risk for the six months ended June 30, 2018. Net increase of $4,435,187 thousand change in total book value resulted in abovementioned provisions increased by $13,770 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 debt instruments measured at amortized cost of KGI Bank and subsidiaries; therefore, the 12-month expected credit losses were used to assess allowance for loss. 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 $3,954 thousand of loss allowance on June 30, 2018.

20) Loss allowance for receivables

The reconciliation statement of loss allowance for receivables for the six months ended June 30, 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	(947)	2,925	-	(1,978)	-	-		-
From conversion to credit-impaired financial assets	(793)	(5,067)	-	5,860	-	-		-
To 12-month ECL	1,546	(140)	-	(1,406)	-	-		-
Derecognizing financial assets during the current period	(38,826)	(5,435)	-	(6,907)	-	(51,168)		(51,168)
Purchased or originated new financial assets	41,281	7	-		-	41,288		41,288
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							81,545	81,545
Write-off	-	(6,351)	-	(29,923)	-	(36,274)	-	(36,274)
Recovery of written-off	-	-	-	79,840	-	79,840	-	79,840
Effect of exchange rate changes and others	(25,903)	646	-	(46,075)	-	(71,332)	-	(71,332)
Balance at June 30	$ 84,660	$ 19,027	$ -	$ 1,231,992	$ -	$ 1,335,679	$ 216,825	$ 1,552,504

Changes in total book values of receivables for the six months ended June 30, 2018 of KGI Bank and subsidiaries:

	Stage 1	Stage 2		Stage 3		
		Lifetime ECL		Lifetime ECL		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total
Balance at January 1	$ 21,697,882	$ 251,185	$ -	$ 1,938,926	$ -	$ 23,887,993
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(58,986)	10,433	-	48,553	-	-
Purchased or originated new receivables	11,245,046	4,433	-	22,217	-	11,271,696
Write-off	-	(6,351)	-	(29,923)	-	(36,274)
Derecognition	(4,029,363)	(40,357)	-	(100,586)	-	(4,170,306)
Others	(475)	71	-	29,977	-	29,573
Balance at June 30	$ 28,854,104	$ 219,414	$ -	$ 1,909,164	$ -	$ 30,982,682

21) Loss allowance for discounts and loans

The reconciliation statement of allowance for bad debts of discounts and loans for the six months ended June 30, 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	(2,226)	9,432	-	(7,206)	-	-		-
From conversion to credit-impaired financial assets	(2,246)	(23,418)	-	25,664	-	-		-
To 12-month ECL	2,049	(1,645)	-	(404)	-	-		-
Derecognizing financial assets during the current period	(271,561)	(2,474)	-	(6,702)	-	(280,737)		(280,737)
Purchased or originated new financial assets	453,559	380	-	6,851	-	460,790		460,790
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							311,027	311,027
Write-off	-	-	-	(204,371)	-	(204,371)		(204,371)
Recovery of written-off	-	-	-	375,494	-	375,494		375,494
Effect of exchange rate changes and others	(161,229)	(7,715)	-	(178,583)	-	(347,527)		(347,527)
Balance at June 30	$ 1,334,475	$ 104,186	$ -	$ 541,647	$ -	$ 1,980,308	$ 2,263,284	$ 4,243,592

Changes in total book values of discounts and loans for the six months ended June 30, 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	(466,342)	197,957	-	268,385	-	-
Purchased or originated new discounts and loans	180,347,838	19,134	-	385,253	-	180,752,225
Write-off	-	-	-	(204,371)	-	(204,371)
Derecognition	(138,275,226)	(126,164)	-	(304,304)	-	(138,705,694)
Others	(3,762,680)	(172,103)	-	(474,738)	-	(4,409,521)
Balance at June 30	$ 330,083,368	$ 1,896,652	$ -	$ 3,127,451	$ -	$ 335,107,471

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) Credit risk statement for financial assets

a) Cash and cash equivalents, other financial assets

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

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

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

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

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

d) Bonds purchased under resell agreements

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

e) Receivables

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

f) Customers' margin accounts

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

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

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

h) Held-to-maturity financial assets - noncurrent

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

i) Others noncurrent assets

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

5) Assessment of expected credit losses

a) Consideration of forward-looking information

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

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

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

b) Receivables and other financial assets

KGI Securities and domestic subsidiaries

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

Overseas subsidiaries

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

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

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

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

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

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

Degree of Credit Risk	Indicators	Measurement of Expected Credit Loss
Low credit risk	Ratings above BBB-/ counterparty with good credit	12 months expected credit loss
Credit risk significantly increase	Ratings between BB+-C (Note)	Lifetime expected credit loss
Impaired/default	Ratings below D and impaired	Lifetime expected credit loss

Note: KGI Securities and subsidiaries consider information which indicates significant and evidential increase in credit risk (including forward-looking information) since the initial recognition. The main considerations including:

i. External credit ratings, overdue status information, credit spreads, other market information related to borrowers, issuers or counterparties, and the same borrowers' credit risk of other financial instruments increases significantly.

ii. Low credit risk: If it is determined that the credit risk of a financial instrument at the reporting date is low, it can be assumed that the credit risk of the financial instrument has not increased significantly since the date of initial recognition.

6) The estimation techniques or material assumptions used by KGI Securities and subsidiaries to assess expected credit losses did not change significantly for the six months ended June 30, 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 - futures	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%

June 30, 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	$ 12,856,775	$ -	$ 90,127	$ -	$ -	$ -	$ -	$ 12,946,902
Financial assets measured at FVTPL - current	49,204,356	300,564	3,900,990	-	-	-	-	53,405,910
Available-for-sale financial assets - current	11,492	-	-	-	-	-	-	11,492
Bonds purchased under resell agreements	26,904,775	3,402,509	-	-	-	-	-	30,307,284
Receivables	55,139,895	10,135,470	499,250	6,452	-	-	-	65,781,067
Customers' margin accounts - futures	36,526,948	-	-	-	-	-	-	36,526,948
Stock borrowing collateral price and guarantee deposits - borrowed securities	3,100,623	668,415	-	-	-	-	-	3,769,038
Other financial assets - current	2,967,755	-	-	-	-	-	-	2,967,755
Other current assets	29,998,463	-	-	-	-	-	-	29,998,463
Financial assets measured at FVTPL - noncurrent	50,006	-	-	-	-	-	-	50,006
Held to maturity financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,187,531	-	50,000	-	-	-	-	3,237,531
Total	$ 219,948,619	$ 14,506,958	$ 4,840,367	$ 6,452	$ -	$ -	$ -	$ 239,302,396
Percentage	91.91%	6.06%	2.02%	0.01%	-	-	-	100.00%

Financial assets for KGI Securities and subsidiaries are divided into the following three categories based on their credit quality: Positions that are neither past due nor impaired, past due but unimpaired, and impaired.

a) Cash and cash equivalents

Cash and cash equivalents of KGI Securities mainly are the securities deposit for futures transactions which is stored in a specific account. KGI Securities related department will evaluate financial, operating and credit risk situations periodically and take it as reference to management of credit risks. However, assessment results show that just few credit rating of futures companies are middle risk degree. Because the percentage of middle risk rating is low, the credit risk is believed under KGI Securities' controllable range. Besides, subsidiaries routinely examine credit risk exposure of their securities sell with repurchase agreement, so the credit risk is believed under KGI Securities' controllable range.

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

Medium risk financial assets refer to the unsecured corporate bonds, convertible (exchangeable) corporate bonds and CB asset swap that KGI Securities has. Issuers of unsecured corporate bonds are listed/OTC companies or financial institutions. Issuers of convertible (exchangeable) corporate bonds are listed/OTC companies in Taiwan and partial of them are secured by bank; the other unsecured, most of the issuers' risk is medium. KGI Securities conducts CB asset swap and issues credit linked note to transfer risk and lower the credit risk exposure of it. KGI Securities also reviews the risk exposure of the position periodically and therefore the credit risk is effectively under control.

c) Receivables

Receivables are the amount of margin loan receivables and trading securities receivable that KGI Securities and subsidiaries shall collect from clients in credit transactions. If clients' risk ranked as medium (the collateral maintenance ratio from 130% to 140%) or high (the collateral maintenance ratio below 130%) collateral main risk, KGI Securities and subsidiaries will closely monitor market fluctuations and counterparties credit history, and also enforces related control measures to minimize the credit risk it faces.

d) Held to maturity financial assets - noncurrent

It refers to the principal and discounted value of coupon rate listed in unsecured subordinated debentures issued by Sunny Bank, Hwatai Bank and Panhsin Bank that KGI Securities' subsidiary holds. This issuer is ranked as medium risk.

e) Other assets - noncurrent

The medium risk financial assets under this category include KGI Securities' guarantee deposits-out. KGI Securities evaluates all counterparties based on the amounted materiality. The result shows that only certain counterparties are ranked as medium risk. As for the rest of the counterparties, they have low withdrawal amount and credit risk is diversified and therefore, the risk is low.

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 June 30, 2018 are listed as follows:

Financial assets at fair value through other comprehensive income

Total book value and allowance loss for financial assets at financial assets at fair value through other comprehensive income were $8,145,690 thousand and $1,750 thousand, respectively.

Financial assets measured at amortized cost

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	$ 12,081,481	$ (140)	$ 12,081,341
Bonds purchased under resell agreement	31,650,373	(5)	31,650,368
Receivables on margin loans	36,630,361	(2,540)	36,627,821
Trading securities receivables	7,249,810	(1,245)	7,248,565
Customer's margin accounts	22,557,369	(709)	22,556,660
Accounts receivable futures guarantee deposits	196,942	(181,354)	15,588
Accounts receivable	28,167,092	(1,332)	28,165,760
Other current assets	47,996,511	(9,773)	47,986,738
Financial assets measured at amortized cost - non-current	500,000	(3,293)	496,707
Other non-current assets	5,127,054	(1,783,557)	3,343,497
	$ 192,156,993	$ (1,983,948)	$ 190,173,045

b) Changes in allowance losses of KGI Securities and subsidiaries for the six months ended June 30, 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
Increase	1,448
Change in exchange rate	9
June 30, 2018	$ 1,750

ii. Financial assets measured at amortized cost

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss (Collective)	Credit Impaired Financial Assets (Lifetime Expected Credit Loss)	Lifetime Expected Credit Loss (Simplify)	Total
January 1, 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)	1,234	215	97,239	76	98,764
Derecognizing financial assets during the current period	-	-	(2,326)	-	(2,326)
Written-off	-	-	(7,602)	-	(7,602)
Change in exchange rate	236	7	35,871	-	36,114
June 30, 2018	$ 14,506	$ 224	$ 1,965,333	$ 3,885	$ 1,983,948

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 $97,372 thousand for the outstanding accounts receivable - futures guarantee deposits.

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

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

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

China Life Insurance

- Credit risk analysis

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

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

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

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

   China Life Insurance assesses expected credit losses in accordance with IFRS 9, except for receivables arising from transactions within the scope of IFRS 15, which allowance are measured by lifetime expected credit losses. The original purchase of the rest, which do not belong to debt instruments measured at fair value through profit or loss, is based on the premise of low credit risk and uses credit risk as the basis of the differentiation group. On each balance sheet date, assessing whether the credit risk is significantly increased after the initial recognition to determine the method of measuring the allowance loss and its loss rate. The main considerations for determining whether the credit risk has increased significantly include objective evidence such as the external credit rating and its degree of change, overdue status, occurrence of major financial difficulties or liquidation and reorganization. Expected credit losses will be measured by the probability of default (PD) of the issuer or the counterparty over the next 12 months and the lifetime, multiplied by the loss given default (LGD) and the exposure at default (EAD), and is considered by the impact of the time value of money. The expected credit losses for 12 months and duration is calculated, respectively.

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

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

The allowance losses of receivables arising from transactions within the scope of IFRS 15 are measured by its expected credit losses for its lifetime. The expected credit losses during the existence period is considered by the past default records and current information, and the expected credit loss rate is set based on the overdue days of receivables.

2) Financial assets credit risk concentration analysis

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:

June 30, 2018

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$ 41,462,189	$ 6,457,669	$ 930,496	$ -	$ -	$ 48,850,354
Financial assets at fair value through profit or loss	20,564,562	7,588,466	21,375,361	1,115,300	-	50,643,689
Financial assets at fair value through other comprehensive income	85,182,745	70,219,241	51,494,025	60,824,680	-	267,720,691
Financial assets at amortized cost	120,263,677	210,817,217	192,996,056	343,551,333	17,536,401	885,164,684
Refundable deposits - bonds	5,632,054	-	-	-	-	5,632,054
Total	$ 273,105,227	$ 295,082,593	$ 266,795,938	$ 405,491,313	$ 17,536,401	$ 1,258,011,472
Proportion	21.71%	23.46%	21.21%	32.23%	1.39%	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 (excluding policy loans and automatic premium loans) is as follows:

June 30, 2018

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	$ 666,536	$ 349,973	$ 334,360	$ 1,350,869
Overdue receivables	-	-	491	491
Total	$ 666,536	$ 349,973	$ 334,851	$ 1,351,360
Proportion	49.32%	25.90%	24.78%	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:

June 30, 2018

Financial Assets	Normal Assets	
	Investment Grade	Non-investment Grade
Cash and cash equivalents	$ 48,850,354	$ -
Financial assets at fair value through profit or loss	50,643,689	-
Financial assets at fair value through other comprehensive income	267,720,691	-
Financial assets at amortized cost	885,164,684	-
Refundable deposits	5,632,054	-
	$ 1,258,011,472	$ -
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: Normal Users	Potential Risk Account: Worsening Solvency	Potential Risk Account: 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

China Life Insurance's 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 June 30, 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.

The total book value of China Life Insurance debt investments measured at fair value through other comprehensive income and amortized cost and related other receivables on June 30, 2018 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
Total book value on June 30, 2018 (Note)	$ 268,640,430	$ 890,858,422	$ 8,573,274

Note: Including securities serving as collateral deposits.

Changes in allowance losses for the six months ended June 30, 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	(2,784)	(1,110)	(182)
Addition	7,942	8,237	206
Change in model/risk factors	(2,487)	(4,310)	(72)
Change in exchange rate and others	212	1,106	9
June 30, 2018	$ 21,033	$ 73,707	$ 718

For the six months ended June 30, 2018, the increase in debt investments measured at amortized cost and at fair value through other comprehensive income correspond with the increase in the allowance loss measured on the basis of 12 months.

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

Credit Risk Ratings	Measurement of Expected Credit Loss	Loans	Other Receivables
Low credit risk	12 months expected credit loss	$ 1,373,757	$ 1,273
Credit risk significantly increase	Lifetime expected credit loss	3,593	23
Impairment	Lifetime expected credit loss	19,747	47
Total book value		$ 1,397,097	$ 1,343

Changes in allowance losses for the six months ended June 30, 2018 are as follows:

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss - Collective	Lifetime Expected Credit Loss - Individual	Impairment Recognized In Accordance with IFRS 9	Impairment Recognized In Accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts By Insurance Enterprises	Total
January 1, 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 12 months expected credit loss	15	-	(15)	-	-	-
Disposal	(925)	-	(1)	(926)	-	(926)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(4,385)	(4,385)
Change in exchange rate and others	(15)	7,927	1,186	9,098	-	9,098
June 30, 2018	$ 87	$ 24,742	$ 1,521	$ 26,350	$ 19,387	$ 45,737

The allowance loss of China Life Insurance's accounts receivables arising from the transactions within the scope of IFRS 15 are measured by lifetime expected credit loss. Changes in allowance losses of receivables for the six months ended June 30, 2018 are as follows:

	Receivables
January 1, 2018	$ 724
Addition	3,302
Written-off due to uncollectable	-
June 30, 2018	$ 4,026

c. Liquidity risk

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

Liquidity risk of KGI Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management policy of liquidity risk

KGI Bank's liquidity risk management gap limit management strategy, which is the cumulative inflows and outflows (net cumulative mismatch), the KGI Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The KGI Bank also actively deconcentrates funding sources, due dates of funding settlement, and the counterparties to the due from other banks and call loans to other banks, as well as maintains an adequate amount of corporate cash in banks to enhance its liquidity position.

3) Maturity gap analysis of financial assets and non-derivative financial liabilities held for liquidity purposes

a) Financial assets held for liquidity management

The KGI Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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.

(In Thousands of New Taiwan Dollars)

June 30, 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	$ 17,014,885	$ 119,978	$ 187,547	$ 25,795	$ -	$ 17,348,205
Notes and bonds issued under repurchase agreement	10,561,101	3,460,394	-	-	-	14,021,495
Deposits and remittances	42,894,159	71,527,720	52,801,734	82,643,933	26,083,489	275,951,035
Bank debentures payable	-	-	-	-	1,000,000	1,000,000
Other capital outflow on maturity	1,463,807	734,328	1,075,876	744,897	261,596	4,280,504
Total	$ 71,933,952	$ 75,842,420	$ 54,065,157	$ 83,414,625	$ 27,345,085	$ 312,601,239

(In Thousands of New Taiwan 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	$ 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

(In Thousands of New Taiwan Dollars)

June 30, 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	$ 16,724,885	$ 119,978	$ 498,736	$ 560,113	$ -	$ 17,903,712
Notes and bonds issued under repurchase agreement	19,576,028	2,763,882	-	-	-	22,339,910
Deposits and remittances	44,009,486	71,946,953	41,999,441	55,650,323	25,678,859	239,285,062
Bank debentures payable	-	-	2,750,000	-	1,000,000	3,750,000
Other capital outflow on maturity	2,190,375	211,978	292,954	739,661	469,505	3,904,473
Total	$ 82,500,774	$ 75,042,791	$ 45,541,131	$ 56,950,097	$ 27,148,364	$ 287,183,157

(In Thousands of U.S. Dollars)

June 30, 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	$ 130,000	$ 285,000	$ 70,000	$ 20,000	$ -	$ 505,000
Notes and bonds issued under repurchase agreement	240,690	608,257	258,939	-	-	1,107,886
Deposits and remittances	1,808,418	885,453	503,661	896,518	55	4,094,105
Bank debentures payable	-	-	-	-	960,120	960,120
Other capital outflow on maturity	37,732	27,402	9,604	1,882	191,705	268,325
Total	$ 2,216,840	$ 1,806,112	$ 842,204	$ 918,400	$ 1,151,880	$ 6,935,436

(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)

June 30, 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	$ 150,000	$ 159,000	$ 30,000	$ -	$ -	$ 339,000
Notes and bonds issued under repurchase agreement	665,065	793,805	-	-	-	1,458,870
Deposits and remittances	982,972	899,980	606,728	777,591	10,068	3,277,339
Bank debentures payable	-	-	-	-	571,870	571,870
Other capital outflow on maturity	211,885	14,894	3,113	1,090	60,099	291,081
Total	$ 2,009,922	$ 1,867,679	$ 639,841	$ 778,681	$ 642,037	$ 5,938,160

4) Maturity analysis of derivative financial instruments

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

(In Thousands of New Taiwan Dollars)

June 30, 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	$ (259,164,818)	$ (288,757,543)	$ (157,187,649)	$ (71,768,060)	$ (2,390,280)	$ (779,268,350)
Cash inflow	244,684,325	267,409,155	157,018,044	73,252,673	929,302	743,293,499
Interest rate derivatives instruments						
Cash outflow	(184,077)	(342,879)	(17,953)	-	(14,201,108)	(14,746,017)
Cash inflow	167,520	356,187	18,384	-	-	542,091
Cash outflow subtotal	(259,348,895)	(289,100,422)	(157,205,602)	(71,768,060)	(16,591,388)	(794,014,367)
Cash inflow subtotal	244,851,845	267,765,342	157,036,428	73,252,673	929,302	743,835,590
Net cash flow	$ (14,497,050)	$ (21,335,080)	$ (169,174)	$ 1,484,613	$ (15,662,086)	$ (50,178,777)

(In Thousands of New Taiwan 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	$ (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)

(In Thousands of New Taiwan Dollars)

June 30, 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	$ (183,469,810)	$ (266,453,053)	$ (150,605,151)	$ (63,298,001)	$ (5,296,770)	$ (669,122,785)
Cash inflow	181,198,011	251,154,510	142,079,740	64,459,972	4,969,770	643,862,003
Interest rate derivatives instruments						
Cash outflow	(211,259)	(441,835)	(324,610)	(907,974)	(16,214,873)	(18,100,551)
Cash inflow	184,581	431,040	17,479	-	-	633,100
Cash outflow subtotal	(183,681,069)	(266,894,888)	(150,929,761)	(64,205,975)	(21,511,643)	(687,223,336)
Cash inflow subtotal	181,382,592	251,585,550	142,097,219	64,459,972	4,969,770	644,495,103
Net cash flow	$ (2,298,477)	$ (15,309,338)	$ (8,832,542)	$ 253,997	$ (16,541,873)	$ (42,728,233)

(In Thousands of U.S. Dollars)

June 30, 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	$ (9,413,531)	$ (9,717,821)	$ (5,643,969)	$ (2,684,781)	$ (80,860)	$ (27,540,962)
Cash inflow	9,847,698	10,491,360	5,551,793	2,667,508	129,660	28,688,019
Interest rate derivatives instruments						
Cash outflow	(51,781)	(97,383)	(62,445)	(63,467)	(41,576)	(316,652)
Cash inflow	59,817	101,177	55,364	584	71	217,013
Others						
Cash outflow	(44)	-	-	-	-	(44)
Cash inflow	27	-	-	-	-	27
Cash outflow subtotal	(9,465,356)	(9,815,204)	(5,706,414)	(2,748,248)	(122,436)	(27,857,658)
Cash inflow subtotal	9,907,542	10,592,537	5,607,157	2,668,092	129,731	28,905,059
Net cash flow	$ 442,186	$ 777,333	$ (99,257)	$ (80,156)	$ 7,295	$ 1,047,401

(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)

June 30, 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	$ (6,925,338)	$ (8,996,633)	$ (5,081,788)	$ (2,542,234)	$ (302,916)	$ (23,848,909)
Cash inflow	7,304,286	9,412,674	5,295,807	2,447,784	305,435	24,765,986
Interest rate derivatives instruments						
Cash outflow	(22,536)	(45,947)	(33,185)	(21,770)	(22,734)	(146,172)
Cash inflow	24,445	51,299	34,365	583	-	110,692
Others						
Cash outflow	(812)	-	-	-	-	(812)
Cash inflow	908	-	-	-	-	908
Cash outflow subtotal	(6,948,686)	(9,042,580)	(5,114,973)	(2,564,004)	(325,650)	(23,995,893)
Cash inflow subtotal	7,329,639	9,463,973	5,330,172	2,448,367	305,435	24,877,586
Net cash flow	$ 380,953	$ 421,393	$ 215,199	$ (115,637)	$ (20,215)	$ 881,693

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.

(In Thousands of New Taiwan Dollars)

June 30, 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	$ 8,709,166	$ 7,221,815	$ 8,710,865	$ 29,235,927	$ 43,939,256	$ 97,817,029

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

June 30, 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	$ 3,838,808	$ 6,456,332	$ 10,234,109	$ 28,574,157	$ 46,227,940	$ 95,331,346

6) The maturity analysis of lease agreement

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

The maturity analysis of lease commitments were as follows:

(In Thousands of New Taiwan Dollars)

June 30, 2018	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 1,759,196	$ 1,984,313	$ -	$ 3,743,509
Financial lease present value income (lessor)	1,641,273	1,901,958	-	3,543,231
Operating lease payment (lessee)	329,454	455,822	96,090	881,366
Operating lease income (lessor)	15,638	57,047	12,222	84,907
Present value of financial lease payment (lessee)	-	4,078	-	4,078

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

June 30, 2017	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 2,560,547	$ 2,423,591	$ -	$ 4,984,138
Financial lease present value income (lessor)	2,398,947	2,310,446	-	4,709,393
Operating lease payment (lessee)	287,723	585,168	-	872,891
Operating lease income (lessor)	15,695	15,441	-	31,136
Present value of financial lease payment (lessee)	222	1,268	-	1,490

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

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

(In Thousands of New Taiwan Dollars)

June 30, 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	$ 148,385,453	$ 268,909,633	$ 314,786,939	$ 193,315,808	$ 120,213,979	$ 114,775,078	$1,160,386,890
Main capital outflow on maturity	115,333,933	228,095,177	388,652,005	240,631,160	225,877,663	203,920,048	1,402,509,986
Gap	33,051,520	40,814,456	(73,865,066)	(47,315,352)	(105,663,684)	(89,144,970)	(242,123,096)

(In Thousands of New Taiwan Dollars)

June 30, 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	$ 137,938,731	$ 214,777,075	$ 293,719,412	$ 171,894,040	$ 101,072,928	$ 108,408,141	$1,027,810,327
Main capital outflow on maturity	129,430,978	147,099,296	362,209,198	222,417,985	185,861,848	202,168,258	1,249,187,563
Gap	8,507,753	67,677,779	(68,489,786)	(50,523,945)	(84,788,920)	(93,760,117)	(221,377,236)

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

(In Thousands of U.S. Dollars)

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 11,382,381	$ 11,733,096	$ 6,055,393	$ 3,099,234	$ 3,356,197	$ 35,626,301
Main capital outflow on maturity	11,898,742	12,054,407	7,089,803	4,628,468	2,844,074	38,515,494
Gap	(516,361)	(321,311)	(1,034,410)	(1,529,234)	512,123	(2,889,193)

(In Thousands of U.S. Dollars)

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 9,004,995	$ 10,556,366	$ 5,831,939	$ 2,701,281	$ 2,409,522	$ 30,504,103
Main capital outflow on maturity	9,215,268	11,423,578	6,416,036	4,544,043	2,968,822	34,567,747
Gap	(210,273)	(867,212)	(584,097)	(1,842,762)	(559,300)	(4,063,644)

<u>KGI Securities and subsidiaries</u>

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

June 30, 2018	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,116,267	$ 5,965,074	$ -	$ -	$ -	$ 12,081,341
Financial assets measured at FVTPL - current	55,325,792	1,654,627	13,490,025	372,717	91,253	70,934,414
Financial assets measured at FVTOCI - current	11,278,773	-	-	-	-	11,278,773
Securities purchased under resell agreement	-	31,670,375	-	-	-	31,670,375
Receivable	40,700,427	5,625,551	21,153,087	4,579,724	-	72,058,789
Customers' margin accounts	22,556,660	-	-	-	-	22,556,660
Stock borrowing collateral price and guarantee deposits - borrowed securities	870,123	1,738,853	4,487,451	-	-	7,096,427
Other financial assets - current	-	-	3,782,015	-	-	3,782,015
Current tax assets	-	-	5,572	557	569,624	575,753
Other current assets	46,619,521	615,833	751,384	-	-	47,986,738
Financial assets measured at FVTPL - noncurrent	-	-	50,188	-	2,819,932	2,870,120
Financial assets measured at FVTOCI - noncurrent	-	-	-	-	2,122	2,122
Financial assets at amortized cost - noncurrent	-	-	-	298,653	198,054	496,707
Investments accounted for using the equity method	-	-	-	-	11,759,242	11,759,242
Others noncurrent assets	-	100,000	149,837	318,978	2,747,388	3,316,203
Total	$ 183,467,563	$ 47,370,313	$ 43,869,559	$ 5,570,629	$ 18,187,615	$ 298,465,679
Percentage	61.47%	15.87%	14.70%	1.87%	6.09%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

June 30, 2018	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ 20,000	$ 24,954,628	$ -	$ -	$ -	$ 24,974,628
Commercial papers payable, net	-	12,062,236	-	-	-	12,062,236
Financial liabilities measured at FVTPL - current	3,450,049	460,881	7,554,270	1,122,733	91,029	12,678,962
Bonds issued under repurchase agreements	-	76,980,900	-	-	-	76,980,900
Payables	67,146,978	138,393	3,940,735	53,503	-	71,279,609
Guarantee deposits - borrowed securities	-	3,773,288	11,903,982	-	-	15,677,270
Futures customers' equity	22,529,017	-	-	-	-	22,529,017
Other current liabilities	687,602	1,054,575	2,121,564	4	-	3,863,745
Other financial liabilities - current	-	4,211,216	-	350,030	-	4,561,246
Current tax liabilities	-	-	115,148	-	597,153	712,301
Bonds payable	-	-	-	4,800,000	-	4,800,000
Provisions - noncurrent	-	-	-	22,369	196,727	219,096
Others noncurrent liabilities	-	-	-	641,436	100,725	742,161
Total	$ 93,833,646	$ 123,636,117	$ 25,635,699	$ 6,990,075	$ 985,634	$ 251,081,171
Percentage	37.37%	49.24%	10.21%	2.79%	0.39%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

June 30, 2018	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 183,467,563	$ 47,370,313	$ 43,869,559	$ 5,570,629	$ 18,187,615	$ 298,465,679
Cash outflow	93,833,646	123,636,117	25,635,699	6,990,075	985,634	251,081,171
Amount of cash flow gap	$ 89,633,917	$ (76,265,804)	$ 18,233,860	$ (1,419,446)	$ 17,201,981	$ 47,384,508

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 liability - 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 and Payment 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)

June 30, 2017	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 5,624,070	$ 7,322,832	$ -	$ -	$ -	$ 12,946,902
Financial assets measured at FVTPL - current	54,128,679	5,259,114	14,667,327	327,549	137,249	74,519,918
Financial assets at cost - current	818,347	-	-	-	-	818,347
Available-for-sale financial assets - current	8,689,090	-	-	-	-	8,689,090
Securities purchased under resell agreement	-	30,323,035	-	-	-	30,323,035
Receivable	37,236,800	5,176,364	19,239,691	4,128,212	-	65,781,067
Customers' margin accounts	36,526,948	-	-	-	-	36,526,948
Stock borrowing collateral price and guarantee deposits - borrowed securities	929,074	2,116,336	723,628	-	-	3,769,038
Other financial assets - current	-	-	2,967,755	-	-	2,967,755
Current tax assets	-	-	23,027	13,226	569,624	605,877
Other current assets	28,864,866	925,087	208,510	-	-	29,998,463
Financial assets measured at FVTPL - noncurrent	-	50,313	-	-	-	50,313
Financial assets at cost - noncurrent	-	-	415	-	864,818	865,233
Available-for-sale financial assets - noncurrent	-	-	-	543,935	468,160	1,012,095
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,012,465	2,012,465
Others noncurrent assets	-	100,000	-	469,657	2,707,484	3,277,141
Total	$ 172,817,874	$ 51,273,081	$ 37,830,353	$ 5,482,579	$ 7,059,800	$ 274,463,687
Percentage	62.97%	18.68%	13.78%	2.00%	2.57%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

June 30, 2017	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 14,430,777	$ -	$ -	$ -	$ 14,430,777
Commercial papers payable, net	-	14,777,731	-	-	-	14,777,731
Financial liabilities measured at FVTPL - current	6,988,238	6,255,077	8,257,726	914,347	137,250	22,552,638
Bonds issued under repurchase agreements	-	59,201,589	-	-	-	59,201,589
Payables	48,861,259	138,775	3,676,287	77,480	-	52,753,801
Guarantee deposits - borrowed securities	-	1,180,589	8,725,449	-	-	9,906,038
Futures customers' equity	35,972,804	-	-	-	-	35,972,804
Other current liabilities	783,943	889,233	1,688,018	26	-	3,361,220
Other financial liability - current	-	5,079,213	31,045	-	-	5,110,258
Current tax liabilities	-	210,032	87,012	92,025	503,817	892,886
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	-	-	-	23,079	198,930	222,009
Others noncurrent liabilities	-	-	-	638,852	75,159	714,011
Total	$ 92,606,244	$ 102,163,016	$ 24,665,537	$ 6,545,809	$ 915,156	$ 226,895,762
Percentage	40.81%	45.03%	10.87%	2.89%	0.40%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

June 30, 2017	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 172,817,874	$ 51,273,081	$ 37,830,353	$ 5,482,579	$ 7,059,800	$ 274,463,687
Cash outflow	92,606,244	102,163,016	24,665,537	6,545,809	915,156	226,895,762
Amount of cash flow gap	$ 80,211,630	$ (50,889,935)	$ 13,164,816	$ (1,063,230)	$ 6,144,644	$ 47,567,925

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from June 30, 2018, December 31, 2017 and June 30, 2017, show that the sums from deducting cash outflow from cash inflow are $47,384,508 thousand, $47,210,147 thousand and $47,567,925 thousand, respectively, all indicating sufficient fund liquidity.

An observation of fund inflow and outflow in different periods of time shows that current and receivable items contribute to the most of the financial assets of KGI Securities and subsidiaries, taking up to nearly 61.47% 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 June 30, 2018, December 31, 2017 and June 30, 2017, net cash inflow calculated from net spot financial assets are respectively \$89,633,917 thousand, \$75,769,563 thousand and \$80,211,630 thousand, which are sufficient to cover the net cash outflows of \$77,685,250 thousand, \$59,648,125 thousand and \$51,953,165 thousand from the 3 months and 1-5 years period, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

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

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

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

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

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

The management of liquidity risk is aimed to deal with financing CDIB Capital Group’s operations and mitigate the effects of fluctuations in cash flows by monitoring and maintaining a level of cash and cash equivalents.

CDIB Capital Group’s Management policies of liquidity risk are as follows:

1) Dispose of surplus capital should consider possible future capital requirements, deconcentration of capital sources and reasonable liquidity of liability Structure.

2) Pursuant to liquidity risk control, CDIB Capital Group uses performance index of financial structure and dispatching of funds to set up a system to monitor daily funding gap.

As of June 30, 2018, December 31, 2017 and June 30, 2017, CDIB Capital Group and subsidiaries' other financial liabilities are $378,846 thousand, $370,737 thousand and $364,557 thousand, respectively, and will be paid by financial assets and the rest of nonderivative financial liabilities are $722,032 thousand, $909,527 thousand and $2,980,278 thousand, respectively, and are mainly all current liabilities.

China Life Insurance

1) Liquidity risks are classified to "funding liquidity risk" and "market liquidity risk." "Funding liquidity risk" represents that China Life Insurance is not able to obtain sufficient funds at a reasonable funding cost to meet the demands within reasonable time. "Market liquidity risk" represents the risk that China Life Insurance sells at loss to meet the demand for cash.

   China Life Insurance assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, China Life Insurance manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions with symmetric. To decentralize market risk when investment and to maintain investment each aspect (such as asset category, maturity, region, currency and tools) diversification. Planning emergency financing plan in order to assess how China Life Insurance in the long term illiquid environment still regularly operate to pay emergency and major funding requirements.

   China Life Insurance regularly monitors market liquidity and formulates plans to use the funds depending on market conditions and funding demand arrangements for liquidity assets portfolio. To deal with possible liquidity risk early, China Life Insurance reports duration of assets and liabilities quarterly, creates cash flow model and reviews cash flow status regularly.

2) Financial assets held for managing liquidity risk and maturity analysis of non-derivative financial liabilities

   a) Financial assets held for managing liquidity risk

      China Life Insurance holds cash, highly liquid and superior assets to deal with payment obligation and the potential urgent funds needs to dispatch in the market environment. Financial assets for managing liquidity risk are cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, 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

	June 30, 2018		
	In 1 Year	**Over 1 Year**	**Total**
Payables	$ 13,236,811	$ 30,383	$ 13,267,194

	December 31, 2017		
	In 1 Year	Over 1 Year	Total
Payables	$ 8,495,206	$ 52,723	$ 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:

	June 30, 2018				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 15,957,797	$ 2,788,199	$ 661,409	$ -	$ 19,407,405

	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 June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018	December 31, 2017
Less than one year	$ 109,471	$ 121,955
More than one year but less than five years	417,163	451,549
More than five years	4,875,820	5,250,407
	$ 5,402,454	$ 5,823,911

The minimum lease payments of operating lease for the three and six months ended June 30, 2018 amounted to $15,959 thousand and $31,541 thousand, respectively.

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 June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018	December 31, 2017
Less than one year	$ 419,101	$ 401,125
More than one year but less than five years	978,460	1,000,913
More than five years	241,358	232,402
	$ 1,638,919	$ 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 June 30, 2018 and December 31, 2017 is as follows:

	June 30, 2018	December 31, 2017
Less than one year	$ 49,354	$ 51,874
More than one year but less than five years	61,596	85,012
	$ 110,950	$ 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 Six Months Ended June 30, 2018			For the Year Ended December 31, 2017			For the Six Months Ended June 30, 2017		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 182,367	$ 263,393	$ 108,589	$ 98,810	$ 187,181	$ 29,201	$ 76,331	$ 136,332	$ 29,201
Equity risk	14,251	22,137	6,541	8,254	13,354	4,918	7,461	10,929	4,918
Exchange rate risk	6,447	34,521	3,159	10,860	44,645	2,060	11,262	44,645	2,682

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)

	June 30, 2018		
	Foreign Currencies	**Exchange Rate (Dollar)**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 8,047,684	30.50	$ 245,454,348
EUR	579,178	35.48	20,549,228
HKD	2,527,039	3.89	9,822,600
CNY	1,499,509	4.60	6,898,339
JPY	15,176,873	0.28	4,184,264
SGD	19,826	22.37	443,499
ZAR	152,656	2.22	339,202
GBP	8,340	40.01	333,692
AUD	8,197	22.54	184,761
Financial liabilities			
Monetary items			
USD	9,024,960	30.50	275,261,278
CNY	3,474,495	4.60	15,984,068
EUR	437,832	35.48	15,534,268
JPY	16,014,162	0.28	4,415,104
ZAR	1,652,731	2.22	3,672,367
AUD	133,611	22.54	3,011,597
HKD	177,897	3.89	691,484
NZD	16,751	20.65	345,910
GBP	2,859	40.01	114,375

(In Thousands of New Taiwan Dollars/Foreign Currencies)

	December 31, 2017		
	Foreign Currencies	Exchange Rate (Dollar)	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 5,914,373	29.85	$ 176,532,206
CNY	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
Financial liabilities			
Monetary items			
USD	7,027,583	29.85	209,759,297
CNY	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

(In Thousands of New Taiwan Dollars/Foreign Currencies)

	June 30, 2017		
	Foreign Currencies	Exchange Rate (Dollar)	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 6,089,621	30.44	$ 185,343,708
CNY	2,066,134	4.49	9,275,910
EUR	116,377	34.73	4,041,772
HKD	622,290	3.90	2,426,308
JPY	2,198,897	0.27	597,220
AUD	17,382	23.36	406,039
ZAR	90,777	2.33	211,329
Nonmonetary items			
HKD	579,386	3.90	2,259,025

(Continued)

	June 30, 2017		
	Foreign Currencies	Exchange Rate (Dollar)	New Taiwan Dollars
Financial liabilities			
Monetary items			
USD	$ 6,726,337	30.44	$ 204,722,795
CNY	2,570,726	4.49	11,541,275
ZAR	1,473,167	2.33	3,429,532
AUD	62,703	23.36	1,464,753
EUR	39,237	34.73	1,362,688
JPY	2,890,886	0.27	785,165
HKD	115,440	3.90	450,101
NZD	15,843	22.29	353,142

(Concluded)

9) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

a) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (New Taiwan dollars)

June 30, 2018

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 288,383,901	$ 15,407,278	$ 6,422,453	$ 78,612,298	$ 388,825,930
Interest rate-sensitive liabilities	140,418,138	108,258,015	49,902,474	6,134,963	304,713,590
Interest rate sensitivity gap	147,965,763	(92,850,737)	(43,480,021)	72,477,335	84,112,340
Net worth					58,504,709
Ratio of interest rate-sensitive assets to liabilities (%)					127.60
Ratio of interest rate-sensitive gap to net worth (%)					143.77

June 30, 2017

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 231,791,093	$ 16,245,837	$ 4,188,623	$ 103,691,548	$ 355,917,101
Interest rate-sensitive liabilities	147,364,851	105,591,219	22,529,186	4,397,547	279,882,803
Interest rate sensitivity gap	84,426,242	(89,345,382)	(18,340,563)	99,294,001	76,034,298
Net worth					58,876,410
Ratio of interest rate-sensitive assets to liabilities (%)					127.17
Ratio of interest rate-sensitive gap to net worth (%)					129.14

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)

June 30, 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	$ 3,642,720	$ 160,429	$ 47,585	$ 1,504,996	$ 5,355,730
Interest rate-sensitive liabilities	4,486,278	700,485	520,173	883,216	6,590,152
Interest rate sensitivity gap	(843,558)	(540,056)	(472,588)	621,780	(1,234,422)
Net worth					(9,431)
Ratio of interest rate-sensitive assets to liabilities (%)					81.27
Ratio of interest rate-sensitive gap to net worth (%)					-

June 30, 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	$ 2,957,844	$ 374,019	$ 184,465	$ 1,486,201	$ 5,002,529
Interest rate-sensitive liabilities	4,012,231	553,326	499,585	581,938	5,647,080
Interest rate sensitivity gap	(1,054,387)	(179,307)	(315,120)	904,263	(644,551)
Net worth					26,696
Ratio of interest rate-sensitive assets to liabilities (%)					88.59
Ratio of interest rate-sensitive gap to net worth (%)					(2,414.41)

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	June 30, 2018	December 31, 2017	June 30, 2017
Interest rate risk	$ 7,921	$ 4,820	$ 4,945
Equity securities risk	4,126,560	9,081,111	17,208,169
Exchange rate risk	2,056,384	199,480	1,068,270
Commodity risk	(25,234)	95,944	15,365

2) Value at risk

Value at risk ("VAR") is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. KGI Securities and subsidiaries uses parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading day might see the loss of the positions exceeding the value at risk estimated the day before. KGI Securities and subsidiaries continue to conduct back testing daily to ensure the effectiveness of the estimations made by the risk value model.

The comparison of risk value in the trading portfolio held by KGI Securities and subsidiaries were as follows:

	For the Six Months Ended June 30, 2018			June 30, 2018
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 168,488	$ 91,772	$ 301,501	$ 112,343
Interest rate	138,343	79,818	211,119	107,355
Exchange rate	7,791	3,371	17,362	13,767
Commodity	7,969	146	11,516	6,620

	For the Six Months Ended June 30, 2017			June 30, 2017
	Average VAR	**Minimum VAR**	**Maximum VAR**	**Ending VAR**
Equity securities	$ 328,811	$ 211,517	$ 527,618	$ 280,543
Interest rate	77,133	44,719	136,617	85,284
Exchange rate	8,277	5,098	15,489	7,344
Commodity	4,169	303	33,934	4,543

3) Stress test

Stress test is one of the tools for risk management. It mainly evaluates the effects extreme changes in market risk factors in an investment portfolio to help a company's board of directors and management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are historic analysis and hypothetical scenarios analysis. The results will be regularly reported to the risk management committee and the board of directors of KGI Securities.

4) Foreign currency exchange rate of financial assets and liabilities information

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2018		
	Foreign Currencies	**Exchange Rate (Dollar)**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 1,809,592	30.50	$ 55,179,815
JPY	19,851,987	0.28	5,472,310
EUR	74,469	35.47	2,641,630
HKD	126,302	3.88	490,516
CNY	38,991	4.60	179,367
Nonmonetary items			
USD	929,485	30.50	28,349,299
CNY	523,470	4.60	2,408,170
AUD	35,093	22.54	791,001
Investments accounted for using the equity method			
USD	71,212	30.50	2,171,951
Financial liabilities			
Monetary items			
USD	4,156,660	30.50	126,765,390
JPY	19,573,435	0.28	5,396,096
EUR	73,588	35.47	2,610,352
AUD	30,434	22.54	685,977
HKD	72,051	3.88	279,641
Nonmonetary items			
USD	239,524	30.50	7,305,483
CNY	33,316	4.60	153,267

(In Thousands of New Taiwan Dollars/Foreign Currencies)

	December 31, 2017		
	Foreign Currencies	**Exchange Rate (Dollar)**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary items			
USD	$ 1,533,281	29.83	$ 45,733,639
JPY	10,660,054	0.26	2,822,099
CNY	181,517	4.58	831,136
HKD	130,431	3.81	497,062
Nonmonetary items			
USD	948,179	29.85	28,301,257
CNY	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
<u>Financial liabilities</u>			
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
CNY	31,864	4.58	145,903

(In Thousands of New Taiwan Dollars/Foreign Currencies)

	June 30, 2017		
	Foreign Currencies	Exchange Rate (Dollar)	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 2,642,555	30.44	$ 80,423,646
JPY	12,922,328	0.27	3,509,128
HKD	153,247	3.90	597,244
EUR	5,021	33.70	169,175
CNY	35,331	4.49	158,614
Nonmonetary items			
USD	1,064,573	30.44	32,401,329
CNY	368,625	4.49	1,654,944
AUD	13,731	23.36	320,748
Investments accounted for using the equity method			
USD	66,013	30.44	2,009,161
Financial liabilities			
Monetary items			
USD	4,019,994	30.44	122,347,420
JPY	12,667,960	0.27	3,440,618
HKD	131,802	3.90	513,631
AUD	8,503	23.36	198,636
Nonmonetary items			
USD	427,244	30.44	13,003,601
CNY	40,288	4.49	180,874
AUD	4,660	23.36	108,850

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)

	June 30, 2018		
	Foreign Currencies	**Exchange Rate (Dollar)**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 224,263	30.500	$ 6,840,035
HKD	130,654	3.887	507,852
CNY	88,220	4.600	405,848
KRW	6,940,511	0.027	189,767
JPY	417,233	0.276	115,031
Investment accounted for using the equity method			
CNY	687,882	4.600	3,164,533
USD	95,667	30.500	2,917,850
Financial liabilities			
Monetary items			
USD	36,853	30.500	1,124,026

(In Thousands of New Taiwan Dollars/Foreign Currencies)

	December 31, 2017		
	Foreign Currencies	**Exchange Rate (Dollar)**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 268,954	29.848	$ 8,027,743
HKD	125,165	3.819	478,007
CNY	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			
CNY	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 New Taiwan Dollars/Foreign Currencies)

	June 30, 2017		
	Foreign Currencies	**Exchange Rate (Dollar)**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 246,856	30.436	$ 7,513,313
HKD	116,075	3.899	452,578
CNY	78,676	4.490	353,083
KRW	6,669,220	0.027	177,168
JPY	429,353	0.272	116,612
Investment accounted for using the equity method			
USD	87,644	30.436	2,667,530
CNY	669,143	4.490	3,004,115
Financial liabilities			
Monetary items			
USD	15,898	30.436	483,869

Sensitivity analysis

The following table details CDIB Capital Group and subsidiaries' sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	Impact to Profit or Loss For the Six Months Ended June 30	
	2018	**2017**
Monetary items		
USD	$ 57,160	$ 70,294
HKD	5,079	4,526
CNY	4,058	3,531
KRW	1,898	1,772
JPY	1,150	1,166

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of June 30, 2018, December 31, 2017 and June 30, 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 six months ended June 30, 2018 would increase/decrease by $231,972 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 six months ended June 30, 2017 would increase/decrease by $4,127 thousand as a result of the changes in fair value of financial assets held for trading. The post-tax other comprehensive income for the six months ended June 30, 2017 would increase/decrease by $106,059 thousand as a result of the changes in fair value of available-for-sale financial assets.

China Life Insurance

1) Market risk analysis

Market risk refers to financial assets and liabilities due to market risk factors volatility, making the change of the value to cause the risk of loss.

China Life Insurance has built value at risk (VaR) model. All financial assets involve market risks regularly monitor by risk management system and calculate the VaR. Risk control indices are notional amount and VaR. It will issue risk management reports and execute routine control and process when over limit. We also report VaR, the use of risk limits and the results of backtesting regularly to the board of directors or risk management committee.

2) Exchange rate risk

China Life Insurance continues to exercise swaps and forward exchange derivative transactions to hedge the value change risk of holding foreign currencies because of changes in exchange rates in accordance with relevant laws and internal control requirements to use the control mechanism to control this risk.

China Life Insurance's exchange rate risk is primarily related to operating activities (the currencies the income or expense used are not the same as the functional currency of China Life Insurance).

Some of China Life Insurance's accounts receivable and accounts payable are denoted in the same foreign currency. Under such circumstances, the similar positions will naturally generate the hedging effect. Some foreign currency positions use forward exchange contracts to manage foreign exchange risk. As the foregoing natural hedge and foreign exchange forward do not meet the requirements of hedge accounting in terms of managing exchange rate risk, hedge accounting is not adopted.

3) Interest rate risk

Interest rate risk refers to the risk resulting from changes in market interest rates which causes fluctuations in the fair value of financial instruments. China Life Insurance manages interest rate risk by combinations of fixed and floating interest rate products. Because they do not meet the requirements for hedge accounting, hedge accounting is not adopted.

4) Equity price risk

China Life Insurance holds equity securities of listed and unlisted companies, and OTC-traded and non-OTC traded companies. The price of such equity securities will be affected by uncertainties about the future value of the underlying investment. Equity securities of non-listed and non-OTC traded companies fall into available-for-sale category. China Life Insurance diversified its investment and set investment limits for a single equity security to manage price risk of equity securities. Portfolio information of equity securities is required to be regularly reported to senior executives of China Life Insurance. The Board of Directors should authorize the senior executives to review and approve the equity securities of all investment decisions.

5) Value at risk

Value-at-risk is the maximum loss on the portfolio with a given probability defined as the confidence level, over a given period of time. China Life Insurance uses 99% VaR to measure the market risk over the next ten days.

VaR model must be able to reasonably and appropriately measure the maximum potential risk of financial instruments and investment portfolio. VaR model used to manage risk must perform model validation and backtesting to show that the model can reasonably and effectively measure the maximum potential risks of the financial instruments or investment portfolio.

6) Stress testing

China Life Insurance measures and evaluates potential risks of the occurrence of extreme and abnormal events regularly in addition to Value at Risk models. Stress testing measures the potential impact on the value of the investment portfolio when extreme fluctuations of financial variables occur.

China Life Insurance performs stress testing regularly by using “Simple Sensitivity” and “Scenario Analysis” methods. The test is capable of representing the position loss resulted from the movement of a specific risk factor under different kinds of historical scenarios:

a) Simple sensitivity

Simple Sensitivity measures the dollar amount change for the portfolio value from the movement of specific risk factors.

b) Scenario analysis

Scenario Analysis measures the dollar amount changes for the total value of investment positions if stress scenarios occur. The types of scenario include:

i. Historical scenario:

Adding fluctuating risk factors to a specific historical event, China Life Insurance simulates what the dollar amount of losses for the current investment portfolio would be in the same period of time.

ii. Hypothetical scenario:

China Life Insurance makes hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses for the investment position by taking into consideration the movement of relevant risk factors. Risk management department performs the stress testing with historical and hypothetical scenarios regularly. China Life Insurance's risk analysis, early warning, and business management are in accordance with the stress testing report.

Summarization of Simple Sensitivity
June 30, 2018

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ 2,176	$ 1,515,631
Interest rate risk (yield curve)	+1BP	-	(408,893)
Exchange risk (foreign exchange rate)	+1% (USD for each currency appreciates 1%)	(1,574,314)	(434,210)

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%)	(1,278,343)	(70,985)

7) China Life Insurance's foreign currency financial assets and liabilities with significant influence as of June 30, 2018 and December 31, 2017 are as follows:

(In Thousands of New Taiwan Dollars/Foreign Currencies)

	June 30, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 30,085,603	30.5000	$ 917,610,903
Non-monetary items			
USD	570,144	30.5000	17,389,384

(In Thousands of New Taiwan Dollars/Foreign Currencies)

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollars
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			
Monetary items			
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:

June 30, 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	$ 305,000	$ 268,400	$ 305,000	$ 268,400	$ 36,600
Financial assets at FVTPL	4,613,327	4,331,458	4,613,327	4,331,458	281,869
Financial assets at FVTOCI	57,959,850	53,750,242	57,959,850	53,750,242	4,209,608

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

June 30, 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	$ 5,444,352	$ 5,180,974	$ 5,444,352	$ 5,180,974	$ 263,378
Available-for-sale financial assets	63,960,770	59,731,319	63,960,770	59,731,319	4,229,451

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 were listed below:

June 30, 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	$ 78,128,231	$ 76,938,259	$ 78,128,231	$ 76,938,259	$ 1,189,972
Transaction - borrowed securities	1,299,609	1,819,453	1,299,609	1,819,453	(519,844)

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)

June 30, 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	$ 58,752,025	$ 59,132,332	$ 58,752,025	$ 59,132,332	$ (380,307)
Transaction - borrowed securities	91,843	128,580	91,843	128,580	(36,737)

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:

June 30, 2018					
Types of Continuing Involvement	Outflows of Repurchased Transferred (Derecognized) Financial Assets	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	$ 11,765,800	$ 1,139,715	$ 1,139,715	$ -	$ 1,139,715

December 31, 2017					
Types of Continuing Involvement	Outflows of Repurchased Transferred (Derecognized) Financial Assets	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	$ 10,430,900	$ 1,128,581	$ 1,128,581	$ -	$ 1,128,581

June 30, 2017					
Types of Continuing Involvement	Outflows of Repurchased Transferred (Derecognized) Financial Assets	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	$ 9,508,700	$ 706,159	$ 706,159	$ -	$ 706,159

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.

June 30, 2018						
Types of Continuing Involvement	**Spot**	**3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
Call option	$ -	$ 649,100	$ 2,172,800	$ 8,943,900	$ -	$ 11,765,800

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

June 30, 2017						
Types of Continuing Involvement	**Spot**	**3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
Call option	$ -	$ 2,045,200	$ 1,899,500	$ 5,564,000	$ -	$ 9,508,700

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.

June 30, 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	$ (40)	$ (64,020)	$ (63,980)

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

June 30, 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	$ (26,836)	$ (86,668)	$ (113,504)

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 were as follows:

June 30, 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	$ 21,240,195	$ -	$ 21,240,195	$ 21,240,195	$ -	$ -
Derivative financial instruments	44,122,953	-	44,122,953	11,878,176	4,011,578	28,233,199
Total	$ 65,363,148	$ -	$ 65,363,148	$ 33,118,371	$ 4,011,578	$ 28,233,199

June 30, 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	$ 61,319,474	$ -	$ 61,319,474	$ 61,097,592	$ 221,882	$ -
Derivative financial instruments	62,844,972	-	62,844,972	11,878,176	14,250,669	36,716,127
Total	$ 124,164,446	$ -	$ 124,164,446	$ 72,975,768	$ 14,472,551	$ 36,716,127

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

June 30, 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	$ 908,096	$ -	$ 908,096	$ 908,096	$ -	$ -
Derivative financial instruments	18,477,146	-	18,477,146	7,723,048	1,007,327	9,746,771
Total	$ 19,385,242	$ -	$ 19,385,242	$ 8,631,144	$ 1,007,327	$ 9,746,771

June 30, 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	$ 66,742,065	$ -	$ 66,742,065	$ 66,742,065	$ -	$ -
Derivative financial instruments	24,639,447	-	24,639,447	7,723,048	4,397,185	12,519,214
Total	$ 91,381,512	$ -	$ 91,381,512	$ 74,465,113	$ 4,397,185	$ 12,519,214

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 were as follows:

June 30, 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	$ 2,697,084	$ -	$ 2,697,084	$ -	$ 269,231	$ 2,427,853
Securities purchased under resell agreements	31,650,368	-	31,650,368	31,650,368	-	-
Total	$ 34,347,452	$ -	$ 34,347,452	$ 31,650,368	$ 269,231	$ 2,427,853

June 30, 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	$ 5,600,532	$ -	$ 5,600,532	$ -	$ 733,130	$ 4,867,402
Notes and bonds issued under repurchase agreements	76,938,259	-	76,938,259	76,938,259	-	-
Total	$ 82,538,791	$ -	$ 82,538,791	$ 76,938,259	$ 733,130	$ 4,867,402

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

June 30, 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	$ 5,918,947	$ -	$ 5,918,947	$ -	$ 98,908	$ 5,820,039
Securities purchased under resell agreements	30,307,284	-	30,307,284	30,307,284	-	-
Total	$ 36,226,231	$ -	$ 36,226,231	$ 30,307,284	$ 98,908	$ 5,820,039

June 30, 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	$ 7,392,726	$ -	$ 7,392,726	$ -	$ 612,169	$ 6,780,557
Notes and bonds issued under repurchase agreements	59,132,332	-	59,132,332	59,132,332	-	-
Total	$ 66,525,058	$ -	$ 66,525,058	$ 59,132,332	$ 612,169	$ 6,780,557

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:

June 30, 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	$ 2,074,324	$ -	$ 2,074,324	$ 2,074,324	$ -	$ -

June 30, 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	$ 19,407,405	$ -	$ 19,407,405	$ 2,074,324	$ 7,300,480	$ 10,032,601

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”.

c. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

Company \ Items	June 30, 2018		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		$ 170,707,555	$ 193,605,324
CDIB Capital Group	100.00	52,855,994	27,225,190
KGI Securities	100.00	18,647,668	10,877,916
KGI Bank	100.00	56,446,776	48,073,731
China Development Asset Management Corp.	100.00	2,367,811	1,594,747
China Life Insurance	34.96	30,001,038	19,803,280
Deduct items		218,246,941	191,843,073
Subtotal		112,779,901 (A)	109,337,115 (B)
Group's CAR (C)=(A)÷(B)			103.15 (C)

(In Thousands of New Taiwan Dollars; %)

Company \ Items	December 31, 2017		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		$ 177,675,815	$ 201,842,194
CDIB Capital Group	100.00	52,975,226	27,081,901
KGI Securities	100.00	18,167,949	9,237,377
KGI Bank	100.00	57,719,776	37,661,494
China Development Asset Management Corp.	100.00	2,421,554	1,627,981
China Life Insurance	34.96	28,422,520	16,262,902
Deduct items		227,132,016	200,445,118
Subtotal		110,250,824 (A)	93,268,731 (B)
Group's CAR (C)=(A)÷(B)			118.21 (C)

(In Thousands of New Taiwan Dollars; %)

Company \ Items	June 30, 2017		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		$ 160,984,903	$ 171,986,266
KGI Bank	100.00	54,540,724	39,138,716
KGI Securities	100.00	18,442,043	8,557,815
CDIB Capital Group	100.00	50,623,339	27,188,905
China Development Asset Management Corp.	100.00	2,339,449	1,581,638
Deduct items		192,512,417	168,320,172
Subtotal		94,418,041 (A)	80,133,168 (B)
Group's CAR (C)=(A)÷(B)			117.83 (C)

d. Financial holding companies’ net eligible capital

(In Thousands of New Taiwan Dollars)

	June 30, 2018	December 31, 2017	June 30, 2017
Common stock	$ 149,572,949	$ 149,763,034	$ 149,757,428
Capital instruments that comply with Tier 1 capital requirement	-	-	-
Other preferred stock and subordinated bonds	10,000,000	10,000,000	-
Reserve for raising capital	-	5,162	-
Capital surplus	1,240,569	1,173,719	1,109,577
Legal reserve	6,776,135	5,606,606	5,606,606
Special reserve	565,041	2,078,602	2,078,602
Retained earnings	12,923,727	13,184,948	5,157,591
Equity adjustment	(6,505,421)	73,567	(343,506)
Deduction: Capital items	(3,865,445)	(4,209,823)	(2,381,395)
	$ 170,707,555	$ 177,675,815	$ 160,984,903

The Group’s CARs were 103.15%, 118.21% and 117.83% as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively. Since the Financial Holding Company Act and related regulations require that the Group’s CAR should be at least 100%, and the Group’s CARs met its requirement.

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	June 30, 2018	December 31, 2017	June 30, 2017	Trust Liabilities	June 30, 2018	December 31, 2017	June 30, 2017
Bank deposits	$ 806,202	$ 371,243	$ 370,953	Payables	$ 150,401	$ 152,685	$ 152,313
Short-term investments	29,716,127	29,283,250	29,831,549				
Financial assets at FVTPL	11,640	241,655	2,482,227				
Receivables	63,819	193	81,686	Payables on securities under custody	8,072,287	2,571,397	4,897,697
Other financial assets	10,450	7,650	7,650	Other liabilities	70,815	5,730	19,109
Real estate, net	534,259	534,259	417,202				
				Donated assets received	1,811	1,811	1,811
Intangible assets - surface right	984,534	984,534	984,534	Trust capital	31,235,451	30,555,629	33,135,608
Securities under custody	8,072,287	2,571,397	4,897,697	Accumulated earnings	672,794	707,034	866,960
Other assets	4,241	105	-				
Total	$ 40,203,559	$ 33,994,286	$ 39,073,498	Total	$ 40,203,559	$ 33,994,286	$ 39,073,498

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Trust income and gains				
Dividend income	$ 1,200	$ 60,313	$ 1,901	$ 71,274
Interest income	364,662	313,538	728,989	626,414
Rental income	7,090	7,495	14,185	15,232
Gain on financial assets at FVTPL, net	(44,327)	182,447	-	615,790
Properties transaction losses	(41,818)	-	-	-
Other income	7,670	3,692	10,031	7,819
Total trust income and gains	294,477	567,485	755,106	1,336,529
Trust expenses				
Administrative expenses	(8,552)	(8,789)	(19,072)	(16,272)
Interest expenses	(1,453)	-	(1,453)	-
Service fee	-	(10)	-	(25)
Loss on financial assets at FVTPL, net	(3,753)	-	(3,753)	-
Other expenses	(1,263)	(4,532)	(3,841)	(7,210)
Properties transaction losses	(139,262)	(74,783)	(139,262)	(187,079)
Total trust expenses	(154,283)	(88,114)	(167,381)	(210,586)
Net income	$ 140,194	$ 479,371	$ 587,725	$ 1,125,943

The above income from trust operations were excluded from KGI Bank's income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**
Bank deposits	$ 806,202	$ 371,243	$ 370,953
Short-term investments			
Funds	28,119,632	27,956,024	28,173,912
Bonds	1,264,727	1,013,666	1,375,465
Common shares	75,900	75,900	76,400
Structured notes	93,766	93,766	93,766
ETF	162,102	143,894	112,006
Financial assets at FVTPL	11,640	241,655	2,482,227
Other financial assets	10,450	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	8,072,287	2,571,397	4,897,697
Other assets	68,060	298	81,686
Total	$ 40,203,559	$ 33,994,286	$ 39,073,498

b. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Securities were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	June 30, 2018	December 31, 2017	June 30, 2017	Trust Liabilities	June 30, 2018	December 31, 2017	June 30, 2017
Bank deposits	$ 1,908,252	$ 1,136,142	$ 962,116	Payables	$ 19,847	$ 59,962	$ 24,214
Financial assets	23,514,841	26,411,297	25,497,137	Trust capital	23,730,428	25,510,294	25,239,420
Receivables	223,514	127,032	114,403	Reserves and retained earnings	1,896,332	2,104,215	1,310,022
Total	$ 25,646,607	$ 27,674,471	$ 26,573,656	Total	$ 25,646,607	$ 27,674,471	$ 26,573,656

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Trust income	$ (158,623)	$ 404,179	$ 2,569,391	$ 2,173,136
Trust expenses	(412,046)	74,079	(2,286,091)	(2,058,775)
Income before income tax	$ (570,669)	$ 478,258	$ 283,300	$ 114,361

The above income from trust operations were excluded from KGI Securities' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	June 30, 2018	December 31, 2017	June 30, 2017
Bank deposits	$ 1,908,252	$ 1,136,142	$ 962,116
Stocks	12,956,211	14,493,874	12,489,101
Funds	9,814,029	11,532,078	12,912,289
Receivables	223,514	127,032	114,403
Structured notes	744,601	385,345	95,747
Total	$ 25,646,607	$ 27,674,471	$ 26,573,656

63. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Please refer to Table 9 (attached).

64. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 10 (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	June 30, 2018 Formula	%	December 31, 2017 Formula	%	June 30, 2017 Formula	%	Standard	Meet Standard
17	Equities / Total liabilities minus	$1,716,176 / $449,917	=3.81	$1,855,943 / $633,222	=2.93	$1,774,840 / $587,782	=3.02	≧1	Yes
17	Current assets / Current liabilities	$2,445,196 / $449,917	=5.43	$2,443,795 / $322,389	=7.58	$2,138,082 / $300,975	=7.70	≧1	Yes
22	Equities / Capital stock	$1,716,176 / $400,000	=429.04%	$1,855,943 / $400,000	=463.99%	$1,774,840 / $400,000	=443.71%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$1,065,792 / $418,752	=254.52%	$1,327,438 / $340,935	=389.35%	$1,233,725 / $377,708	=326.64%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	June 30, 2018 Formula	%	December 31, 2017 Formula	%	June 30, 2017 Formula	%	Standard	Meet Standard
17	Equities / Total liabilities minus	$3,073,512 / $287,771	=10.79	$2,609,333 / $315,529	=8.27	$2,404,517 / $493,256	=4.87	≧1	Yes
17	Current assets / Current liabilities	$24,808,517 / $22,968,371	=1.08	$23,777,258 / $21,872,001	=1.09	$23,612,290 / $21,832,763	=1.08	≧1	Yes
22	Equities / Capital stock	$3,073,512 / $760,000	=404.41%	$2,609,333 / $760,000	=343.33%	$2,404,517 / $760,000	=316.38%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$2,511,996 / $6,085,511	=41.28%	$2,387,050 / $4,433,304	=53.84%	$2,079,346 / $4,014,680	=51.79%	≧20% ≧15%	Yes

70. DISCLOSURES REQUIRED BY THE FINANCIAL SUPERVISORY COMMISSION

KGI's investments in foreign enterprises are registered in a country whose securities and futures market regulators are not members of the International Organization of Securities Commissions (IOSCO), and these companies have no Multilateral Memorandum of Understanding (MMOU) members or didn't get the securities or futures licenses signed by the IOSCO. Thus, KGI disclose their foreign investees' business conditions and information on related-party transactions as follows:

a. Securities held:

Richpoint Company Limited

(In U.S. Dollars)

	Number of Shares	**Carrying Amount**
Financial assets measured at FVTPL - non-current		
Dragon Investment Fund I Co.	4,375,142	$ 199,960
He Ding Venture Capital Investment Corporation	347,500	73,243
Lien Ding Venture Capital Investment Corporation	336,000	106,543
		$ 379,746

b. Derivative instruments and related capital resources:

KGI Asia (Holdings) Pte. Ltd.

(In U.S. Dollars)

Type of derivative	**Capital resources**	**Nominal amount**	**Carrying Value**
Foreign exchange	Borrowing	$ 90,478	$ 1,216

c. Asset management revenues, service and litigation matters: Note 55(c).

d. Balance sheet: Tables 13-1 to 13-4 (attached).

e. Income statement: Tables 14-1 to 14-4 (attached).

f. Related party transactions or dealings among foreign enterprises: None.

71. 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 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 7 (attached).

10) For related information on the subsidiaries' securitization products approved under the Regulation on Financial Asset Securitization: None.

11) Other significant transactions which may affect the decisions of financial statement users: None.

12) The information of investees: Please refer to Table 6 (attached).

13) Derivative transactions of the Group: Please refer to Notes 8, 58 and 60 to the consolidated financial statements.

c. Subsidiaries investment in Mainland China: Please refer to Table 11 (attached).

d. Business relationships and significant transactions among the Group: Please refer to Table 12 (attached).

72. SEGMENT INFORMATION

The reportable segments of the Corporation are Commercial banking, Securities, Venture Capital and Insurance. Under the Banking Act of the Republic of China and relevant regulations, Commercial banking engaged in consumer banking, corporate banking and global market and financial institution. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. Venture Capital engaged in investment business directly. Insurance department operates life insurance business based on the provisions of the insurance law.

The accounting policies of the operating segments are the same as the Corporation's accounting policies described in Note 4. The Corporation uses income after tax as the measurement for segment profit and the basis of performance assessment. The net profit and income before income tax are composed of revenues and expenses directly attributable to an operating segment.

Segment revenues and results

Following were analysis of the Group's operating revenue and results by reportable segments:

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the three months ended June 30, 2018						
Interest profit (loss), net	$ 1,847,658	$ 523,826	$ 35,151	$ 11,657,688	$ (128,802)	$ 13,935,521
Noninterest profit (loss), net	496,945	3,452,760	1,575,743	42,969,737	(747,557)	47,747,628
Net profit (loss)	2,344,603	3,976,586	1,610,894	54,627,425	(876,359)	61,683,149
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	96,458	(5,415)	-	(5,357)	-	85,686
Net change in insurance liabilities	-	-	-	(50,629,487)	-	(50,629,487)
Operating expenses	(1,413,915)	(2,969,357)	(380,716)	(906,654)	(505,200)	(6,175,842)
Income (loss) before income tax	1,027,146	1,001,814	1,230,178	3,085,927	(1,381,559)	4,963,506
Income tax expense	(160,085)	(165,416)	(81,174)	(399,309)	(227,984)	(1,033,968)
Net income (loss)	$ 867,061	$ 836,398	$ 1,149,004	$ 2,686,618	$ (1,609,543)	$ 3,929,538
For the three months ended June 30, 2017						
Interest profit (loss), net	$ 1,665,073	$ 487,459	$ 22,446	$ -	$ (107,404)	$ 2,067,574
Noninterest profit, net	1,064,510	2,995,198	1,021,080	-	21,068	5,101,856
Net profit (loss)	2,729,583	3,482,657	1,043,526	-	(86,336)	7,169,430
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(206,195)	(251,073)	-	-	629	(456,639)
Operating expenses	(1,354,757)	(2,718,589)	(375,679)	-	(390,082)	(4,839,107)
Income (loss) before income tax	1,168,631	512,995	667,847	-	(475,789)	1,873,684
Income tax benefit (expense)	(337,946)	(19,625)	(5,887)	-	63,207	(300,251)
Net income (loss)	$ 830,685	$ 493,370	$ 661,960	$ -	$ (412,582)	$ 1,573,433
For the six months ended June 30, 2018						
Interest profit (loss), net	$ 3,647,061	$ 1,034,056	$ 71,348	$ 22,388,865	$ (260,931)	$ 26,880,399
Noninterest profit (loss), net	946,767	6,763,452	3,245,307	83,101,747	(1,298,390)	92,758,883
Net profit (loss)	4,593,828	7,797,508	3,316,655	105,490,612	(1,559,321)	119,639,282
Allowance for bad debts and losses on guarantees, net	(67,234)	(100,212)	-	(7,090)	-	(174,536)
Net change in insurance liabilities	-	-	-	(97,233,107)	-	(97,233,107)
Operating expenses	(2,814,004)	(5,932,373)	(728,761)	(2,304,271)	(1,071,676)	(12,851,085)
Income (loss) before income tax	1,712,590	1,764,923	2,587,894	5,946,144	(2,630,997)	9,380,554
Income tax benefit (expense)	(125,703)	(357,111)	(145,097)	556,775	(101,888)	(173,024)
Net income (loss)	$ 1,586,887	$ 1,407,812	$ 2,442,797	$ 6,502,919	$ (2,732,885)	$ 9,207,530
For the six months ended June 30, 2017						
Interest profit (loss), net	$ 3,100,901	$ 944,761	$ 48,747	$ -	$ (221,617)	$ 3,872,792
Noninterest profit, net	2,196,917	5,613,220	2,259,848	-	28,150	10,098,135
Net profit (loss)	5,297,818	6,557,981	2,308,595	-	(193,467)	13,970,927
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(344,644)	(205,621)	-	-	5,117	(545,148)
Operating expenses	(2,701,442)	(5,356,127)	(669,095)	-	(728,908)	(9,455,572)
Income (loss) before income tax	2,251,732	996,233	1,639,500	-	(917,258)	3,970,207
Income tax benefit (expense)	(457,170)	(120,534)	(156,194)	-	183,902	(549,996)
Net income (loss)	$ 1,794,562	$ 875,699	$ 1,483,306	$ -	$ (733,356)	$ 3,420,211

TABLE 1

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	$ 3,660,000	$ 3,660,000	$ 2,745,000	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 12,684,211 (Note 1)	$ 12,684,211 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,185,000	5,185,000	915,000	Floating	Short-term financing	-	Working capital	-	-	-	12,684,211	
2	KGI Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	945,500	945,500	488,000	Floating	Short-term financing	-	Working capital	-	-	-	12,607,145 (Note 2)	12,607,145 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,525,000	1,525,000	-	Floating	Short-term financing	-	Working capital	-	-	-	16,268,182 (Note 3)	16,268,182 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	610,000	152,500	-	Floating	Short-term financing	-	Working capital	-	-	-	16,268,182	
4	KGI International Finance Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	61,000	-	-	Floating	Short-term financing	-	Working capital	-	-	-	232,471 (Note 4)	232,471 (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 SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	Maximum Collateral/ Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	KGI Securities	KGI Securities (Singapore) Pte. Ltd.	Note 1	$ 5,799,143	$ 768,945	$ 738,210	$ 738,210	$ -	1.27%	$ 23,196,573 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	16,268,182	1,486,698	1,486,698	30,500	-	9.14%	16,268,182 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	16,268,182	3,294,000	2,562,000	470,237	-	15.75%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	16,268,182	198,250	198,250	-	-	1.22%		No	No	No
		KGI Finance Limited	Note 1	16,268,182	131,150	131,150	-	-	0.81%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	16,268,182	1,891,000	1,891,000	-	-	11.62%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	16,268,182	610,000	610,000	-	-	3.75%		No	No	No
		KGI Asia (Holdings) Pte. Limited	Note 1	16,268,182	1,353,590	1,311,674	152,500	-	8.06%		No	No	No
3	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,517,805	1,372,500	1,220,000	610,000	-	135.02%	4,517,805 (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.

TABLE 3

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2018
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2018 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Fair Value	Note
CDIB Capital Group	Stocks							
	China Metal Products Co., Ltd.	-	Financial assets at fair value through profit or loss	5,908,003	$ 169,855	1.53	$ 169,855	
	Taiwan Stock Exchange	-	Financial assets at fair value through profit or loss	48,604,914	3,293,751	7.00	3,293,751	
	Tong Hsing Electronic Industries, Ltd.	-	Financial assets at fair value through profit or loss	1,400,248	148,426	0.85	148,426	
	Logitech Inc.	-	Financial assets at fair value through profit or loss	2,965,248	38,039	10.69	38,039	
	Solar Fine Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	4,828,064	14,341	10.83	14,341	
	Gold Peak Industries (Taiwan) Ltd.	-	Financial assets at fair value through profit or loss	30,616,980	9,853	15.04	9,853	
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	4,225,979	81,773	6.04	81,773	
	National Glory Development Corp.	-	Financial assets at fair value through profit or loss	646,884	4,179	6.47	4,179	
	ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	105,000	9,293	0.09	9,293	
	TopGreen Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	633,377	5,555	1.17	5,555	
	Powertech Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	2,867,596	42,584	2.92	42,584	
	Everest Display Inc.	-	Financial assets at fair value through profit or loss	408,760	1,244	2.49	1,244	
	Insrea Game Center Corporation	-	Financial assets at fair value through profit or loss	3,000,000	866	17.65	866	
	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	96,665	12.79	96,665	
	Power Venture Co.	-	Financial assets at fair value through profit or loss	769,597	7,392	5.68	7,392	
	Ori Vita Bio Application Inc.	-	Financial assets at fair value through profit or loss	858,690	6,172	0.42	6,172	
	Echem Hightech Co., Ltd.	-	Financial assets at fair value through profit or loss	1,535,934	9,301	11.69	9,301	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,000,000	33,142	9.91	33,142	
	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	1,322	9.68	1,322	
	HealthStream Taiwan Inc.	-	Financial assets at fair value through profit or loss	4,774,523	46,064	13.96	46,064	
	Subtron Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	12,316,000	109,120	4.31	109,120	
	Orgchem Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,067,220	15,226	1.92	15,226	
	General Life Biotechnology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,520,000	26,618	8.40	26,618	
	Mec Imex Inc.	-	Financial assets at fair value through profit or loss	4,802,000	52,470	10.52	52,470	
	Copartner Technology Corporation	-	Financial assets at fair value through profit or loss	2,736,340	61,568	3.22	61,568	
	Chain Yarn Corporation	-	Financial assets at fair value through profit or loss	15,828,324	147,362	10.30	147,362	
	Yieh United Steel Corp.	-	Financial assets at fair value through profit or loss	9,485,622	61,751	0.36	61,751	
	Hua-jie (Taiwan) Corp.	-	Financial assets at fair value through profit or loss	1,300,403	11,831	6.45	11,831	
	AMIA Co.	-	Financial assets at fair value through profit or loss	6,000,000	114,900	9.54	114,900	
	Up Scientech Materials Corp.	-	Financial assets at fair value through profit or loss	4,651,344	63,436	6.85	63,436	
	PlexBio Co., Ltd.	-	Financial assets at fair value through profit or loss	3,526,000	61,423	5.07	61,423	
	Riselink Restructuring Fund Corporation	-	Financial assets at fair value through profit or loss	5,771,370	52,941	12.50	52,941	
	5V Technologies, Ltd.	-	Financial assets at fair value through profit or loss	159,435	1,000	0.83	1,000	
	Solartech Energy Corp.	-	Financial assets at fair value through profit or loss	4,019,266	43,408	1.07	43,408	
	Top Green Energy Technologies, Inc.	-	Financial assets at fair value through profit or loss	16,240,740	2,369	12.99	2,369	
	Awise Fiber Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	3,500,000	2,868	18.15	2,868	
	Biodenta Corporation	-	Financial assets at fair value through profit or loss	150,000	44	1.67	44	
	Orient Pharma Co., Ltd.	-	Financial assets at fair value through profit or loss	2,857,800	51,869	1.83	51,869	
	Wai-Gin Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	1,170,000	2,143	3.44	2,143	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	7,567,424	82,184	5.64	82,184	
	Kuangli Photoelectric Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,662,326	58,046	10.21	58,046	
	Eastern Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss	4,348,680	39,169	6.47	39,169	
	HCT Logistics Co., Ltd.	-	Financial assets at fair value through profit or loss	4,920,876	139,310	1.97	139,310	
	Topview Optromics Corporation	-	Financial assets at fair value through profit or loss	1,526,000	48,527	6.63	48,527	
	Vita Genomics, Inc.	-	Financial assets at fair value through profit or loss	77,720	664	0.13	664	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets at fair value through profit or loss	3,224,867	187,687	4.03	187,687	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Fair Value	
CDIB Capital Group	Sunko Ink Co., Ltd.	-	Financial assets at fair value through profit or loss	8,199,788	$ 86,098	3.69	$ 86,098	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,118,764	7,363	6.27	7,363	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,746,720	69,207	5.83	69,207	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through profit or loss	3,845,330	34,742	1.38	34,742	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,308,026	91,459	7.83	91,459	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	1,293,232	181,040	1.19	181,040	
	DragonJet Corporation	-	Financial assets at fair value through profit or loss	4,300,000	44,656	4.77	44,656	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	2,494,309	35,282	5.28	35,282	
	Chipsip Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,915,288	5,172	4.56	5,172	
	Terawins, Inc.	-	Financial assets at fair value through profit or loss	1,913,996	10,294	6.30	10,294	
	Feature Integration Technology Inc.	-	Financial assets at fair value through profit or loss	1,341,803	16,102	4.03	16,102	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through profit or loss	2,731,098	20,772	10.57	20,772	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,150,536	9,289	10.43	9,289	
	Luxtaltek Corporation	-	Financial assets at fair value through profit or loss	1,535,188	4,369	2.47	4,369	
	Donpon Precision Inc.	-	Financial assets at fair value through profit or loss	73,000	1,205	0.07	1,205	
	Overseas Investment & Development Corp.	-	Financial assets at fair value through profit or loss	2,600,000	16,114	2.89	16,114	
	Microprogram Co., Ltd.	-	Financial assets at fair value through profit or loss	2,550,000	38,896	7.95	38,896	
	Pili International Multimedia Co., Ltd.	-	Financial assets at fair value through profit or loss	657,000	33,310	1.37	33,310	
	Lefram Technology Corporation	-	Financial assets at fair value through profit or loss	7,484,454	48,724	17.48	48,724	
	TAK Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,467,706	1,440	4.14	1,440	
	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	7	-	7	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	121,247	4.81	121,247	
	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	193,234	12.00	193,234	
	Beauty Essentials International Ltd.	-	Financial assets at fair value through profit or loss	86,503,067	217,622	8.02	217,622	
	Neo Solar Power Corp.	-	Financial assets at fair value through profit or loss	3,675,000	32,415	0.36	32,415	
	Entery Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	8,364,000	18,821	11.22	18,821	
	Engineering & IP Advanced Technologies Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	6,392,765	10,726	0.35	10,726	
	Lightel Technologies, Inc.	-	Financial assets at fair value through profit or loss	3,000,000	90,330	43.44	90,330	
	Apexigen, Inc.	-	Financial assets at fair value through profit or loss	4,970,588	59,717	9.59	59,717	
	Leyou, Inc.	-	Financial assets at fair value through profit or loss	663,958,732	626,822	75.00	626,822	
	CDIB Capital Management Corporation	Subsidiary	Investments accounted for using the equity method	33,093,889	621,761	100.00	621,761	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	4,934,479	28.71	4,934,479	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	58,200,000	563,973	38.80	563,973	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	58,250,000	564,488	33.29	564,488	
	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	9,986,534	100.00	9,986,534	
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	4,816,745	46,214	20.00	46,214	
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	3,853	30.00	3,853	
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	15,000,000	145,002	35.71	145,002	
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,845,626	100.00	1,845,626	
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	8,847,814	100.00	8,847,814	
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	8,087,674	100.00	8,087,674	
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	633,991	100.00	633,991	
	<u>Funds</u>							
	CommLaunch	-	Financial assets at fair value through profit or loss	-	42,114	-	42,114	
	ARCH Venture Fund V, L.P.	-	Financial assets at fair value through profit or loss	-	6,425	-	6,425	
	Forward Venture IV, L.P.	-	Financial assets at fair value through profit or loss	-	26,090	-	26,090	
	Forward Venture V	-	Financial assets at fair value through profit or loss	-	27,527	-	27,527	
	MPM Bioventures III L.P.	-	Financial assets at fair value through profit or loss	-	18,062	-	18,062	
	Sanderling	-	Financial assets at fair value through profit or loss	-	13,960	-	13,960	
	Samara Capital Partners Fund I Limited	-	Financial assets at fair value through profit or loss	-	137,402	-	137,402	
	THL Equity Fund VI Investors (Ceridan) L.P.	-	Financial assets at fair value through profit or loss	-	574,182	-	574,182	
	CA-Hire Co-Investment	-	Financial assets at fair value through profit or loss	-	16,622	-	16,622	
	<u>Corporate bonds</u>							
	Belta (Cayman) Holding Limited	-	Financial assets at fair value through profit or loss	11,959,916	7,663	-	7,663	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2018 Shares/Face Value/Units	June 30, 2018 Carrying Value (Note 2)	June 30, 2018 Percentage of Ownership	June 30, 2018 Fair Value	Note
CDIB Capital Group	<u>Government bonds</u>							
	A00109	-	Financial assets at fair value through other comprehensive income	7,000,000	$ 7,137	-	$ 7,137	
	A01105	-	Financial assets at fair value through other comprehensive income	100,000,000	102,135	-	102,135	
	A03115	-	Financial assets at fair value through other comprehensive income	50,000,000	50,459	-	50,459	
CDIB Capital Management Corporation	<u>Stocks</u>							
	Tong Hsing Electronic Industries, Ltd.	-	Financial assets at fair value through profit or loss	188,000	19,928	0.11	19,928	
	ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	65,660	5,811	0.05	5,811	
	MCM Stamping Co., Ltd.	-	Financial assets at fair value through profit or loss	70,000	372	0.22	372	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	783,000	8,504	0.58	8,504	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	235,474	818	0.70	818	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	297,623	1,286	1.44	1,286	
	Pili International Multimedia Co., Ltd.	-	Financial assets at fair value through profit or loss	300,000	15,210	0.63	15,210	
	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	4,094	0.13	4,094	
	CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	15,162	60.00	15,162	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	1,500,000	14,535	1.00	14,535	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	1,750,000	16,959	1.00	16,959	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	299,253	100.00	299,253	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	11,498	-	11,498	
CDIB Private Equity (Hong Kong) Corporation Limited	<u>Stocks</u>							
	CDIB Private Equity (China) Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 58,471	100.00	HK$ 58,471	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 8,404	56.00	HK$ 8,404	
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 3,923	27.08	HK$ 3,923	
CDIB Private Equity (China) Corporation	<u>Stocks</u>							
	CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 14,055	70.00	CNY 14,055	
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 9,847	65.00	CNY 9,847	
CDIB Private Equity (Fujian) Co., Ltd.	<u>Stocks</u>							
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 2,536	20.00	CNY 2,536	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	<u>Stocks</u>							
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 7,138	58.34	CNY 7,138	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	<u>Funds</u>							
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,429	1.00	CNY 10,429	
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	<u>Funds</u>							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,609	1.00	CNY 10,609	
CDIB Venture Capital Corporation	<u>Stocks</u>							
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	1,408,659	27,258	2.01	27,258	
	Azotek Co., Ltd.	-	Financial assets at fair value through profit or loss	824,500	11,693	0.00	11,693	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	4,143	1.24	4,143	
	Anpec Electronics Corporation	-	Financial assets at fair value through profit or loss	2,950,011	173,461	2.87	173,461	
	HIM International Music Inc.	-	Financial assets at fair value through profit or loss	387,656	56,985	0.82	56,985	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets at fair value through profit or loss	1,500,000	6,823	4.22	6,823	
	Fukuta Co., Ltd.	-	Financial assets at fair value through profit or loss	1,608,600	155,307	4.80	155,307	
	Chain Yarn Corporation	-	Financial assets at fair value through profit or loss	550,653	5,127	0.36	5,127	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Fair Value	
CDIB Venture Capital Corporation	Dynamic Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	3,285,131	$ 32,654	1.17	$ 32,654	
	Dyaco Co., Ltd.	-	Financial assets at fair value through profit or loss	4,476,500	156,230	4.82	156,230	
	Handa Pharmaceuticals Inc.	-	Financial assets at fair value through profit or loss	2,809,000	78,708	2.69	78,708	
	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	47,882	1.39	47,882	
	Top Green Energy Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,111,111	162	0.89	162	
	DL-tek Co., Ltd.	-	Financial assets at fair value through profit or loss	3,772,331	7,851	1.03	7,851	
	Biodenta Corporation	-	Financial assets at fair value through profit or loss	129,999	38	1.44	38	
	Enterex International Limited	-	Financial assets at fair value through profit or loss	1,594,000	43,676	1.59	43,676	
	Sum Max Tech. Limited	-	Financial assets at fair value through profit or loss	2,875,481	248,729	12.13	248,729	
	Regal Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,364,000	87,705	3.57	87,705	
	Sino-American Silicon Products Inc.	-	Financial assets at fair value through profit or loss	5,708,562	702,153	0.96	702,153	
	Fusheng Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	800,000	127,032	0.68	127,032	
	M2Communication, Inc.	-	Financial assets at fair value through profit or loss	6,477,527	7,073	14.81	7,073	
	Cvie Therapeutics Limited	-	Financial assets at fair value through profit or loss	846,351	69,443	4.15	69,443	
	GSD Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	5,841,702	195,280	19.47	195,280	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	630,518	2,191	1.87	2,191	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	3,725,007	54,311	4.57	54,311	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	5,528,901	117,379	10.05	117,379	
	Chipsip Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	428,928	1,158	1.02	1,158	
	Sunfun Info Co., Ltd.	-	Financial assets at fair value through profit or loss	267,000	17,622	1.87	17,622	
	Share Hope Medicine Co., Ltd.	-	Financial assets at fair value through profit or loss	234,846	8,126	0.25	8,126	
	Greatland Electronics Taiwan Ltd.	-	Financial assets at fair value through profit or loss	1,920,000	14,971	5.50	14,971	
	Luxtaltek Corporation	-	Financial assets at fair value through profit or loss	124,474	354	0.20	354	
	Topoint Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,333,383	48,534	1.46	48,534	
	Aces Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	2,850,421	60,714	2.33	60,714	
	Shengzhuang Holding Limited	-	Financial assets at fair value through profit or loss	610,590	21,661	6.11	21,661	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	121,247	4.81	121,247	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	514,821	2,206	-	2,206	
	CVie Therapeutics Company Limited	-	Financial assets at fair value through profit or loss	560,000	14,495	4.15	14,495	
	Shane Global Holding Inc.	-	Financial assets at fair value through profit or loss	1,715,700	177,395	1.72	177,395	
	Hartec Asia Pte. Ltd.	-	Financial assets at fair value through profit or loss	2,800,000	70,543	10.23	70,543	
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	202,480	8,187	0.25	8,187	
	Neo Solar Power Corp.	-	Financial assets at fair value through profit or loss	1,470,000	12,966	0.14	12,966	
	iCHEF Co., Ltd.	-	Financial assets at fair value through profit or loss	11,167,513	79,575	40.74	79,575	
	4Gamers Entertainment Inc.	-	Financial assets at fair value through profit or loss	32,727	21,960	24.80	21,960	
	Viscovery (Cayman) Holding Company Limited	-	Financial assets at fair value through profit or loss	504,878	21,350	19.16	21,350	
	Citiesocial Holding Cayman Co., Ltd.	-	Financial assets at fair value through profit or loss	479,635	15,250	18.18	15,250	
	Uimbo CV Inc.	-	Financial assets at fair value through profit or loss	1,394,145	21,350	10.29	21,350	
	CCMODA Corp.	-	Financial assets at fair value through profit or loss	666,666	15,250	20.00	15,250	
	Zentera Systems, Inc.	-	Financial assets at fair value through profit or loss	1,324,503	72,372	39.35	72,372	
	Kneron, Inc.	-	Financial assets at fair value through profit or loss	1,546,391	70,290	10.00	70,290	
	Funp Co., Ltd.	-	Financial assets at fair value through profit or loss	400,000	43,920	20.00	43,920	
	Achieve Made International Limited	-	Financial assets at fair value through profit or loss	168,138	13,179	6.67	13,179	
	CBA Sports International Ltd.- Preferred stock	-	Financial assets at fair value through profit or loss	2,402,500	10,294	13.73	10,294	
	Derbysoft Holdings Limited - Preferred stock A	-	Financial assets at fair value through profit or loss	28,000,000	101,157	45.78	101,157	
	Derbysoft Holdings Limited - Preferred stock B	-	Financial assets at fair value through profit or loss	4,643,469	16,776	9.26	16,776	
	Kkday.com International Company Limited	-	Financial assets at fair value through profit or loss	3,000,000	15,257	0.74	15,257	
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	870,000,000	3,423,097	100.00	3,423,097	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	282,620	-	282,620	
	<u>Convertible (exchangeable) corporate bond</u>							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	2,000	119,242	-	119,242	
CDIB Venture Capital (Hong Kong) Corporation Limited	<u>Funds</u>							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 430,747	-	HK$ 430,747	
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 362,325	-	HK$ 362,325	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Fair Value	
CDIB Capital Investment I Limited	Stocks							
	DaChan Food (Asia) Limited	-	Financial assets at fair value through profit or loss	11,297,000	US$ 713	1.11	US$ 713	
	Global Sweeteners Holdings Ltd.	-	Financial assets at fair value through profit or loss	2,780,000	US$ 51	0.18	US$ 51	
	Casper Sleep, Inc.	-	Financial assets at fair value through profit or loss	266,690	US$ 7,570	20.05	US$ 7,570	
	CCAP Best Logistics Holdings Limited	-	Financial assets at fair value through profit or loss	1,000	US$ 6,756	11.11	US$ 6,756	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	13,722,047	US$ 7,826	3.40	US$ 7,826	
	Great Team Backend Foundry Inc.	-	Financial assets at fair value through profit or loss	1,636,800	US$ 752	1.81	US$ 752	
	Rokid Corporation Ltd	-	Financial assets at fair value through profit or loss	615,642	US$ 5,000	1.51	US$ 5,000	
	Simplify Compliance Holding, LLC.	-	Financial assets at fair value through profit or loss	8,500,000	US$ 9,285	8.74	US$ 9,285	
	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$ 155	-	US$ 155	
	MSD Sports Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 9,668	-	US$ 9,668	
	Ripley Cable Holdings I, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 2,752	-	US$ 2,752	
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US$ 95,544	-	US$ 95,544	
	Corporate bonds							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	41,875,000	US$ 6,389	-	US$ 6,389	
	Convertible (exchangeable) Corporate bond							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	28,094,510	US$ 8,361	-	US$ 8,361	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,489	US$ 4,000	-	US$ 4,000	
	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							
	Great Rich Technologies Limited	-	Financial assets at fair value through profit or loss	1,660,000	US$ 3,504	2.46	US$ 3,504	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	508,929	US$ 71	0.89	US$ 71	
	Indostar Capital	-	Financial assets at fair value through profit or loss	992,674	US$ 23,375	4.53	US$ 23,375	
	Indostar Everstone	-	Financial assets at fair value through profit or loss	992,332	US$ 23,256	9.37	US$ 23,256	
	CBA Sports International Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	2,375,000	US$ 334	13.57	US$ 334	
CDIB Global Markets Limited	Stocks							
	Light Sciences Oncology, Inc.	-	Financial assets at fair value through profit or loss	250,000	US$ 5	0.28	US$ 5	
	Facebook Inc.	-	Financial assets at fair value through profit or loss	575	US$ 112	-	US$ 112	
	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$ 334	0.04	US$ 334	
	Flemingo International (BVI) Ltd.	-	Financial assets at fair value through profit or loss	1,048	US$ 40,434	50.19	US$ 40,434	
	Optoplex Corporation - Preferred stock A	-	Financial assets at fair value through profit or loss	7,956	US$ 4	0.42	US$ 4	
	Sonics, Inc.	-	Financial assets at fair value through profit or loss	114,359	US$ 12	14.74	US$ 12	
	Microfabrica, Inc. - Preferred stock B	-	Financial assets at fair value through profit or loss	13,091	US$ 16	0.12	US$ 16	
	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$ 9	0.48	US$ 9	
	Funds							
	Huaxing Capital Partners II LP	-	Financial assets at fair value through profit or loss	-	US$ 7,857	-	US$ 7,857	
	GS TDN Investors Offshore, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 525	-	US$ 525	
	CX Partners Fund Alpha Limited	-	Financial assets at fair value through profit or loss	-	US$ 8,042	-	US$ 8,042	
	Carlyle Asia Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 4,303	-	US$ 4,303	
	Riverwood Capital Partners L.P.	-	Financial assets at fair value through profit or loss	-	US$ 4,757	-	US$ 4,757	
	ECP II (Cayman) Ltd. A	-	Financial assets at fair value through profit or loss	-	US$ 9,104	-	US$ 9,104	
	Sino-Century China Private Equity II L. P.	-	Financial assets at fair value through profit or loss	-	US$ 384	-	US$ 384	
	KKR Asian Fund II L.P.	-	Financial assets at fair value through profit or loss	-	US$ 8,352	-	US$ 8,352	
	Carlyle Asia Partners IV, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 25,762	-	US$ 25,762	
	Carlyle Giovanna Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 39,023	-	US$ 39,023	
	Tenaya Capital V, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 5,124	-	US$ 5,124	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	US$ 9,413	-	US$ 9,413	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Fair Value	
CDIB Global Markets Limited	Platinum Equity Capital Partners II, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 1,620	-	US$ 1,620	
	Industry Ventures Fund VI, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 3,501	-	US$ 3,501	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 8,286	-	US$ 8,286	
	Tenaya Capital VI, LP	-	Financial assets at fair value through profit or loss	-	US$ 7,014	-	US$ 7,014	
	Formation8 Partners Fund I, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 7,843	-	US$ 7,843	
	Blue Point Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 6,690	-	US$ 6,690	
	Riverwood Capital Partners II L.P.	-	Financial assets at fair value through profit or loss	-	US$ 13,578	-	US$ 13,578	
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 13,910	-	US$ 13,910	
CDIB Capital International Corporation	Stocks							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US$ 7,107	100.00	US$ 7,107	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US$ 5,858	100.00	US$ 5,858	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 1,810	100.00	US$ 1,810	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US$ (67)	100.00	US$ (67)	
China Development Asset Management Corp.	Stocks							
	Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	2,000,000	114,415	100.00	114,415	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,472,565	100.00	2,472,565	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	192,955	100.00	192,955	
	Pine Street Asset Management Corp.	-	Financial assets at fair value through profit or loss	3,886,190	27,968	12.25	27,968	
	Waterland Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	8,034,740	53,083	1.07	53,083	
	Victor Taichung Machinery Works Co., Ltd.	-	Financial assets at fair value through profit or loss	94,266	85	0.06	85	
CDIB Management Consulting Corp.	Stocks							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	646,937	76.04	646,937	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	222,739	100.00	222,739	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	346	19.00	346	
	Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	496,574	3	0.07	3	
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	248,165	-	248,165	
	NB AR Taiwan Equity Fund T Inc.	-	Financial assets at fair value through profit or loss	2,000,000	19,280	-	19,280	
	Bank debentures							
	Sunny Bank Second Subordinated Bank Debentures issued in 2015	-	Financial assets measured at amortized cost	200,000,000	199,288	-	199,986	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issued in 2015	-	Financial assets measured at amortized cost	100,000,000	99,365	-	99,992	
	Bank of Panhsin 3th Unsecured Subordinate Financial Debentures issued in 2017	-	Financial assets measured at amortized cost	200,000,000	198,054	-	199,985	
	Bank SinoPac Third Subordinated Bank Debentures issued in 2011	-	Other financial assets	150,000,000	149,837	-	150,631	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other financial assets	50,000,000	49,946	-	50,123	
	Government bonds							
	A05113	-	Other financial assets	100,000,000	99,604	-	99,950	
	A06102	-	Other financial assets	100,000,000	99,747	-	100,317	

Note 1: The Group recognized the related income or loss of investees as required by regulations.

Note 2: The preferred shares held divided by the number of preferred shares outstanding is the percentage of ownership.

Note 3: No securities were treated as collaterals or warrants.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

(Concluded)

TABLE 4

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
The Corporation	Stocks													
	The Capital Securities Corporation	Financial assets at fair value through profit or loss	-	-	115,940,510	$ 1,656,293	-	$ -	32,129,000	$ 365,501	$ 458,986	$ (93,485)	83,811,510	$ 1,197,307
CDIB Capital Group	Stocks													
	Qisda Corporation	Financial assets at fair value through profit or loss	-	-	148,867,816	2,974,383	-	-	148,867,816	3,404,898	2,974,383	430,515	-	-
	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	-	-	1,758,072	865,618	123,960	741,658	-	-
	Sino-American Silicon Products Inc.	Financial assets at fair value through profit or loss	-	-	3,423,956	173,252	-	-	3,423,956	429,316	173,252	256,064	-	-
CDIB Global Markets Limited	Funds													
	Carlyle Giovanna Partners, L.P.	Financial assets at fair value through profit or loss	-	-	-	US$ 12,858	-	-	-	US$ 26,144	US$ 2,520	US$ 23,624	-	US$ 10,338
CDIB Capital Investment I Limited	Funds													
	Ripley Cable Holdings I, L.P.	Financial assets at fair value through profit or loss	-	-	-	US$ -	-	-	-	US$ 10,785	US$ -	US$ 10,785	-	-

Note: Initial acquisition cost.

TABLE 5

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
JUNE 30, 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	-	$ -	-	$ 26,623	$ -
The Corporation	CDIB Capital Group	Subsidiary	374,545	-	-	-	-	-
	KGI Bank	Subsidiary	435,483	-	-	-	-	-
	KGI Securities	Subsidiary	481,314	-	-	-	-	-
	China Life Insurance	Subsidiary	767,360	-	-	-	-	-
China Life Insurance	KGI Securities	Subsidiary of the parent company	323,173	-	-	-	323,173	-

Note: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTED ENTERPRISES
JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Business	Percentage of Ownership, End of Period	Carrying Value, End of Period (Note 3)	Investment Gain (Loss)	Consolidated Investment (Note 1)				Note
							Present Shares	Virtual Shares (Note 2)	Total		
									Shares	Percentage of Ownership	
The Corporation	CDIB Capital Group	Taipei City, Taiwan	Venture capital	100.00	$ 52,855,994	$ 2,515,674	2,041,115,913	-	2,041,115,913	100.00	
	KGI Securities	Taipei City, Taiwan	Financial service	100.00	51,241,243	1,837,125	3,241,843,251	-	3,241,843,251	100.00	
	KGI Bank	Taipei City, Taiwan	Commercial bank	100.00	60,023,366	1,443,326	4,606,162,291	-	4,606,162,291	100.00	
	China Development Asset Management Corp.	Taipei City, Taiwan	Trading and management of nonperforming loans of financial institution	100.00	2,367,811	43,616	200,000,000	-	200,000,000	100.00	
	China Life Insurance	Taipei City, Taiwan	Financial insurance	25.33	25,354,659	1,204,824	1,330,185,655	-	1,330,185,655	35.13	

Note 1: All present shares and virtual shares of investee company held by the Company, directors, supervisors, the Corporation's managers and affiliates should be included.

Note 2:
a. The virtual shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed and linked to investee company’s equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 36, Item 2 and Article 37 of the Company Act.

b. The equity securities mentioned above are specified as those securities under the provision of Article 11, Item 1 of the bylaws to the ROC Securities and Exchange Act, for example, convertible bond and warrant.

c. The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IFRS 9, for example, stock option.

Note 3: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SOLD NONPERFORMING LOANS
FOR THE SIX MONTHS ENDED JUNE 30, 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.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2018	December 31, 2017	June 30, 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
			June 30, 2018	December 31, 2017	June 30, 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	
KGI International Holdings Limited	KGI Limited	Investment holdings	100.00	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	100.00	
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment	-	-	100.00	(Note 7)
	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 7)
	KGI Capital Asia Limited	Securities investment	100.00	100.00	100.00	
	Grand Cathay Securities (Hong Kong) Limited	Securities investment	-	-	100.00	(Note 7)
	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 7)
	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	
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)

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2018	December 31, 2017	June 30, 2017	
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	
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	-	-	100.00	(Note 7)
KGI Asia Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	100.00	-	(Note 7)
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 8)
	KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Securities investment	100.00	100.00	100.00	(Note 8)
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 June 30, 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. is in the process of cancellation of registration.

Note 6: KGI Capital (Singapore) Pte. Ltd. has been suspended operations.

Note 7: 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 8: 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.

(Continued)

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2018	December 31, 2017	June 30, 2017	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	50.00	As of June 30, 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 June 30, 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 9

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE
JUNE 30, 2018
(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.	$ 254,999	158.67
Taipower Corporation	14,633	9.11
KG Investment Holdings Limited	13,060	8.13
Verizon Communications	11,057	6.88
AT&T Inc.	10,296	6.41
Fannie Mae	10,020	6.23
JPMorgan Chase & Co.	9,787	6.09
Goldman Sachs Group Inc.	9,034	5.62
Citigroup Inc.	8,491	5.28
Societe Generale	8,150	5.07
Deutsche Bank AG	8,086	5.03
Bank of America Corp.	7,920	4.93
Natixis S.A.	7,527	4.68
TSMC	7,454	4.64
Wells Fargo & Company	7,359	4.58
Comcast Corp.	7,169	4.46
Freddie Mac	6,921	4.31
Barclays Bank Plc	6,889	4.29
Morgan Stanley	6,888	4.29
Westpac Banking Corp.	6,847	4.26
Saudi International Bond	6,471	4.03
Credit Suisse	6,215	3.87
HSBC	6,174	3.84
National Bank of Canada	6,003	3.74
Lloyds Bank Plc	5,891	3.67
CDIB & Partners Investment Holding Corporation	5,817	3.62
China Development Bank	5,712	3.55
Nomura Holdings	5,557	3.46
BNP-PARIBAS SA	5,468	3.40
Rabobank Nederland	5,256	3.27
Mexico	5,137	3.20

(Continued)

Counter-party		Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
	Anheuser-Busch Inbev	$ 4,984	3.10
	Hon Hai Precision Industry Co., Ltd.	4,949	3.08
	Adcb Finance Cayman Ltd.	4,877	3.03
	Malayan Banking Bhd	4,694	2.92
	Nan Ya Plastics Corporation	4,650	2.89
	Royal Bank of Canada	4,628	2.88
	Standard Chartered Plc	4,388	2.73
	Government Natl Mortgage Association	4,323	2.69
	Russian Federation	4,304	2.68
	QNB Finance Ltd.	4,280	2.66
	Kommunalbanken AS	4,265	2.65
	COMISION FED DE EKECTRIC	4,205	2.62
	CTBC Financial Holding Co., Ltd.	4,174	2.60
	Alibaba Group Holding Limited	4,076	2.54
	Chunghwa Telecom Co., Ltd.	4,063	2.53
	NATIONAL BK OF ABU DHABI	4,052	2.52
	The Export-Import Bank of the Republic of China	4,009	2.49
	EDF	3,979	2.48
	Commonwealth Bank	3,879	2.41
	DBS Bank Ltd.	3,866	2.41
	Jin Hua Integrated Circuit (Fujian) Co., Ltd.	3,838	2.39
	Cathay Financial Holdings Co., Ltd.	3,672	2.28
	China Petroleum Corporation, Taiwan	3,537	2.20
	Cathay United Commercial Bank	3,443	2.14
	E.SUN Commercial Bank, Ltd.	3,409	2.12
	Apple Inc.	3,407	2.12
	Farglory Land Development Co., Ltd.	3,297	2.05
	Intel Corp.	3,245	2.02
	National Australia Bank Limited	3,244	2.02
	Bank of Jiangsu	3,229	2.01
	CDIB Capital Asia Partners	3,185	1.98
	KGI Futures Co., Ltd.	3,081	1.92
	Ennoconn Corporation	3,071	1.91
	Total	$ 616,591	383.66
2.	The same group		
	Fubon Group	$ 14,154	8.81
	Lin Yuan Group	13,043	8.12
	Foxconn Technology Group	11,740	7.30
	JPMorgan Chase Group	11,326	7.05
	Far Eastern Group	10,208	6.35
	Goldman Sachs Group	10,135	6.31
	CITI Group	9,894	6.16
	Deutsche Bank Group	9,396	5.85
	Societe Generale Group	8,857	5.51
	CTBC Group	8,360	5.20
	HSBC Group	8,335	5.19

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Bank of America Group	$ 7,920	4.93
TSMC Group	7,766	4.83
Ruentex Group	7,596	4.73
Natixis S.A. Group	7,527	4.68
Wells Fargo Bank Group	7,377	4.59
Barclays Bank Group	7,064	4.40
YFY Group	6,953	4.33
Morgan Stanle Group	6,888	4.29
Westpac Banking Group	6,847	4.26
Credit Suisse Group	6,215	3.87
Formosa Plastic Group	6,199	3.86
BNP Paribas Group	5,987	3.73
Lloydsbk Group	5,891	3.67
ASE Group	5,747	3.58
China Development Bank Group	5,712	3.55
Nomura Group	5,590	3.48
Royal Bank of Canada Group	5,391	3.35
RABO Bank Group	5,256	3.27
National Australia Bank Group	4,968	3.09
Standard Chartered Group	4,846	3.02
Nanya Plastics Group	4,672	2.91
FAB Group	4,585	2.85
Farglory Group	4,574	2.85
Mega Financial Holding Group	4,510	2.81
Taishin Group	4,413	2.75
Yulon Group	4,365	2.72
Yageo Group	4,289	2.67
E.SUN Financial Holding Group	4,270	2.66
Chunghwa Telecom Group	4,063	2.53
Yuanta Financial Holding Group	4,052	2.52
DBS Group	4,031	2.51
GAW Capital Group	4,021	2.50
The Common Wealth Bank of Australia Group	3,879	2.41
Fujian Electronics & Information Group	3,838	2.39
China Steel Group	3,742	2.33
Wistron Group	3,594	2.24
Qsan Technology Group	3,554	2.21
PECOS Group	3,396	2.11
Evergreen Group	3,348	2.08
Formosa Chemicals and Fiber Group	3,345	2.08
Tencent Group	3,288	2.05
Walsin Group	3,166	1.97
Chailease Group	3,153	1.96
Bank of China Group	3,085	1.92
Total	$ 336,421	209.33

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**
Cash and cash equivalents	$ 7,787,766	$ 1,014,547	$ 21,066,511
Financial assets at fair value through profit or loss	947,070	-	-
Available-for-sale financial assets	-	1,344,910	1,236,877
Receivables, net	768,358	4,689	2,352,342
Current tax assets	1,450,798	1,234,121	1,549,128
Investments accounted for using the equity method, net	191,843,073	200,445,118	168,320,172
Other financial assets	300	300	300
Property and equipment, net	24,877	21,488	15,555
Other assets, net	25,697	29,946	65,668
Total	$ 202,847,939	$ 204,095,119	$ 194,606,553
Liabilities and Equity			
Commercial paper payable	$ 9,199,397	$ 9,899,365	$ 9,849,761
Payables	9,706,535	699,065	7,908,604
Current tax liabilities	900,773	472,630	506,086
Bonds payable	19,000,000	22,000,000	12,000,000
Other borrowings	3,299,803	3,299,950	3,299,470
Provisions	18,853	41,362	38,789
Other liabilities	10,972	2,675	14,292
Total liabilities	42,136,333	36,415,047	33,617,002
Equity			
Capital			
Common stock	149,572,949	149,763,034	149,757,428
Advance receipts for capital stock	-	5,162	-
Capital surplus	1,240,569	1,173,719	1,109,577
Retained earnings			
Legal reserve	6,776,135	5,606,606	5,606,606
Special reserve	565,041	2,078,602	2,078,602
Unappropriated earnings	12,923,727	13,184,948	5,157,591
Other			
Exchange differences on translation of foreign financial statements	(1,196,570)	(2,031,949)	(1,502,196)
Unrealized gain (loss) on available-for-sale financial assets	-	2,113,838	1,177,777
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	792,905	-	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	(4,709,541)	-	-
Other comprehensive income (loss) reclassified using the overlay approach	(1,387,854)	-	-
Others	(4,361)	(8,322)	(19,087)
Treasury shares	(3,861,394)	(4,205,566)	(2,376,747)
Total equity	160,711,606	167,680,072	160,989,551
Total	$ 202,847,939	$ 204,095,119	$ 194,606,553

(Continued)

2. Statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
REVENUES				
Share of profit of subsidiaries, associates and joint ventures	$ 3,407,607	$ 1,976,761	$ 7,045,875	$ 3,950,731
Others	4,210	10,052	4,426	15,304
Total revenues	3,411,817	1,986,813	7,050,301	3,966,035
EXPENSES AND LOSSES				
Operating expenses	(228,150)	(257,237)	(515,597)	(475,246)
Others	(103,114)	(63,009)	(249,113)	(136,664)
Total expenses and losses	(331,264)	(320,246)	(764,710)	(611,910)
NET PROFIT BEFORE INCOME TAX	3,080,553	1,666,567	6,285,591	3,354,125
INCOME TAX BENEFIT (EXPENSE)	(306,777)	63,302	(235,191)	184,161
NET PROFIT FOR THE PERIOD	2,773,776	1,729,869	6,050,400	3,538,286
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss, net of income tax				
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures	(902,154)	-	(1,212,098)	-
Income tax relating to the items that will not be reclassified subsequently to profit or loss	136,124	-	203,849	-
	(766,030)	-	(1,008,249)	-
Items that will be reclassified subsequently to profit or loss, net of income tax				
Unrealized gain (loss) on available-for-sale financial assets	-	(7,429)	-	37,143
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(2,421,073)	1,352,405	(9,260,836)	1,400,334
Income tax relating to the items that may be reclassified subsequently to profit or loss	658,736	139	1,404,898	(455)
Other comprehensive income (loss) for the period, net of income tax	(2,528,367)	1,345,115	(8,864,187)	1,437,022
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 245,409	$ 3,074,984	$ (2,813,787)	$ 4,975,308
BASIC EARNINGS PER SHARE	$0.19	$0.12	$0.42	$0.24
DILUTED EARNINGS PER SHARE	$0.19	$0.12	$0.42	$0.24

(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
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	592,308	-	(592,308)	-	-	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,871)	-	-	-	-	-	-	(7,487,871)
Reversal of special reserve	-	-	-	-	(949,694)	949,694	-	-	-	-	-	-	-
	-	-	-	592,308	(949,694)	(7,130,485)	-	-	-	-	-	-	(7,487,871)
Net profit for the six months ended June 30, 2017	-	-	-	-	-	3,538,286	-	-	-	-	-	-	3,538,286
Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	(1,996,573)	-	3,433,595	-	-	-	1,437,022
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	3,538,286	(1,996,573)	-	3,433,595	-	-	-	4,975,308
Reorganization	-	-	(93)	-	-	-	-	-	-	-	-	-	(93)
Share-based payments	13,225	(10)	5,149	-	-	(6,398)	-	-	-	-	2,124	-	14,090
Trading loss reserve of subsidiaries reversed	-	-	-	-	(200,000)	200,000	-	-	-	-	-	-	-
BALANCE AT JUNE 30, 2017	$ 149,757,428	$ -	$ 1,109,577	$ 5,606,606	$ 2,078,602	$ 5,157,591	$ (1,502,196)	$ -	$ 1,177,777	$ -	$ (19,087)	$ (2,376,747)	$ 160,989,551
BALANCE AT JANUARY 1, 2018	$ 149,763,034	$ 5,162	$ 1,173,719	$ 5,606,606	$ 2,078,602	$ 13,184,948	$ (2,031,949)	$ -	$ 2,113,838	$ -	$ (8,322)	$ (4,205,566)	$ 167,680,072
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)
Reversal of special reserve	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-
	-	-	-	1,169,529	(1,513,561)	(8,630,345)	-	-	-	-	-	-	(8,974,377)
Net profit for the six months ended June 30, 2018	-	-	-	-	-	6,050,400	-	-	-	-	-	-	6,050,400
Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	59	835,379	(7,766,462)	-	(1,933,163)	-	-	(8,864,187)
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	6,050,459	835,379	(7,766,462)	-	(1,933,163)	-	-	(2,813,787)
Cancellation of treasury shares	(206,461)	-	-	-	-	-	-	-	-	-	-	206,461	-
Disposal of the Corporation shares, as treasury shares	-	-	65,318	-	-	-	-	-	-	-	-	137,711	203,029
Share-based payments	16,376	(5,162)	1,532	-	-	-	-	-	-	-	3,961	-	16,707
Disposal of equity instruments at FVTOCI	-	-	-	-	-	100,144	-	(100,144)	-	-	-	-	-
Net change special reserve of subsidiaries	-	-	-	-	-	39,400	-	-	-	-	-	-	39,400
BALANCE AT JUNE 30, 2018	$ 149,572,949	$ -	$ 1,240,569	$ 6,776,135	$ 565,041	$ 12,923,727	$ (1,196,570)	$ (3,916,636)	$ -	$ (1,387,854)	$ (4,361)	$ (3,861,394)	$ 160,711,606

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 6,285,591	$ 3,354,125
Adjustments for:		
Depreciation and amortization expenses	2,330	2,451
Interest expenses	208,639	128,855
Interest income	(1,173)	(13,464)
Share-based payment compensation cost	5,850	10,788
Share of profit of subsidiaries, associates and joint ventures	(7,044,565)	(3,950,045)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	397,840	-
Receivables	3,690	(22,770)
Other assets	1,389	475,080
Payables	(11,206)	(117,620)
Other liabilities	(14,212)	13,883
Interest paid	(162,526)	(255,293)
Interest received	1,173	13,464
Dividend received	10,819,942	3,403,347
Income tax paid	(23,725)	(154,303)
Net cash generated from operating activities	10,469,037	2,888,498
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(4,672)	(7,106)
Purchase of equity investment under equity method	-	(2,321,887)
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	-	20,000,000
Net cash generated from (used in) investing activities	(4,672)	17,671,007
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in commercial paper payable	(699,968)	5,849,987
Repayments of corporate bonds	(3,000,000)	(6,000,000)
Decrease in other borrowings	(147)	(700,422)
Exercise of employee share options	8,969	-
Net cash used in financing activities	(3,691,146)	(850,435)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,773,219	19,709,070
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	$ 7,787,766	$ 21,066,511

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 39,499,232	$ 47,564,313	$ 53,351,567
Financial assets at fair value through profit or loss	98,112,987	54,441,219	68,147,525
Financial assets at fair value through other comprehensive income	145,584,944	-	-
Debt instruments measured at amortized cost	11,880,146	-	-
Securities purchased under resell agreements	21,240,195	18,829,142	908,096
Receivables, net	25,973,186	18,552,904	22,825,324
Current tax assets	-	-	13,230
Assets held for sale, net	-	-	12,290
Discount and loans, net	330,752,368	293,656,990	276,521,855
Available-for-sale financial assets, net	-	127,662,495	144,441,126
Investments accounted for using the equity method, net	1,762,023	1,738,613	1,737,096
Other financial assets, net	2,990,260	7,862,447	4,285,830
Property and equipment, net	5,534,714	5,518,787	5,382,584
Investment property, net	969,550	932,134	884,191
Deferred tax assets	2,839,524	2,855,924	4,021,551
Other assets, net	17,789,787	5,884,365	6,429,206
Total assets	$ 704,928,916	$ 585,499,333	$ 588,961,471
Deposits from the Central Bank and banks	$ 33,535,560	$ 28,330,692	$ 28,356,201
Financial liabilities at fair value through profit or loss	92,128,647	43,284,681	42,044,882
Notes and bonds issued under repurchase agreements	61,319,474	45,444,814	66,742,065
Payables	7,919,013	6,787,707	9,642,841
Current tax liabilities	435,483	412,845	352,595
Deposits and remittances	425,351,001	376,649,751	352,845,096
Bank debentures payable	1,000,000	1,000,000	3,719,875
Principal received on structured notes	19,912,294	20,147,989	22,138,708
Other financial liabilities	4,078	3,162	1,490
Provisions	320,738	213,712	221,985
Deferred tax liabilities	230,315	243,838	175,384
Other liabilities	4,555,256	1,758,392	3,034,081
Total liabilities	646,711,859	524,277,583	529,275,203
Common stock	46,061,623	46,061,623	46,061,623
Capital surplus	7,250,905	7,250,553	7,250,014
Retained earnings	5,958,700	8,166,473	6,656,824
Others	(1,054,171)	(256,899)	(282,193)
Total equity	58,217,057	61,221,750	59,686,268
Total liabilities and equity	$ 704,928,916	$ 585,499,333	$ 588,961,471

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Interest revenue	$ 3,237,032	$ 2,531,959	$ 6,204,258	$ 4,777,137
Interest expense	(1,434,065)	(947,216)	(2,647,370)	(1,823,063)
Interest profit, net	1,802,967	1,584,743	3,556,888	2,954,074
Noninterest profits and gains, net	569,695	908,045	1,035,170	2,005,604
Total net revenues	2,372,662	2,492,788	4,592,058	4,959,678
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	41,552	(80,373)	(142,820)	(229,102)
Operating expenses	(1,401,252)	(1,325,701)	(2,784,224)	(2,654,015)
Net profit before income tax	1,012,962	1,086,714	1,665,014	2,076,561
Income tax expense	(155,618)	(336,069)	(115,467)	(437,796)
Net profit for the period	857,344	750,645	1,549,547	1,638,765
Other comprehensive income (loss) for the period net of income tax	(261,153)	402,765	(1,349,245)	1,022,648
Total comprehensive income for the period	$ 596,191	$ 1,153,410	$ 200,302	$ 2,661,413
Basic earnings per share	$0.19	$0.16	$0.34	$0.36

(Continued)

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$ 161,569,005	$ 132,216,805	$ 140,204,240
Noncurrent assets	43,093,365	43,216,936	33,836,667
Total assets	$ 204,662,370	$ 175,433,741	$ 174,040,907
Current liabilities	$ 139,734,375	$ 110,425,142	$ 108,564,411
Noncurrent liabilities	6,936,562	6,847,824	6,597,200
Total liabilities	146,670,937	117,272,966	115,161,611
Common stock	32,418,432	29,988,123	34,988,123
Capital surplus	8,647,392	8,646,690	8,645,526
Retained earnings	19,616,769	20,657,851	13,735,416
Others	(2,691,160)	(1,131,889)	1,510,231
Total equity	57,991,433	58,160,775	58,879,296
Total liabilities and equity	$ 204,662,370	$ 175,433,741	$ 174,040,907

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenues	$ 2,821,824	$ 2,276,837	$ 5,256,825	$ 4,069,841
Operating expenses	(2,314,491)	(1,975,350)	(4,397,632)	(3,839,483)
Profit from operations	507,333	301,487	859,193	230,358
Share of profit (loss) of subsidiaries, associates and joint ventures	545,960	211,977	1,251,109	580,875
Other income and loss	141,821	187,859	201,654	319,516
Total non-operating income or loss	687,781	399,836	1,452,763	900,391
Net profit before income tax	1,195,114	701,323	2,311,956	1,130,749
Income tax expense	(130,575)	(6,142)	(277,100)	(50,022)
Net profit for the period	1,064,539	695,181	2,034,856	1,080,727
Other comprehensive income (loss)	(256,279)	329,482	(1,679,317)	(744,703)
Total comprehensive income (loss) for the period	$ 808,260	$ 1,024,663	$ 355,539	$ 336,024
Basic earnings per share	$0.33	$0.19	$0.63	$0.29

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$ 7,344,733	$ 5,089,560	$ 5,480,542
Noncurrent assets	47,444,926	49,413,520	49,236,547
Total assets	$ 54,789,659	$ 54,503,080	$ 54,717,089
Current liabilities	$ 821,697	$ 723,199	$ 3,302,569
Noncurrent liabilities	1,111,968	804,655	791,181
Total liabilities	1,933,665	1,527,854	4,093,750
Common stock	20,411,159	20,411,159	20,603,994
Capital surplus	4,689,088	4,688,261	4,704,063
Retained earnings	27,338,905	28,585,639	26,810,365
Others	416,842	(709,833)	(1,495,083)
Total equity	52,855,994	52,975,226	50,623,339
Total liabilities and equity	$ 54,789,659	$ 54,503,080	$ 54,717,089

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenues	$ 1,238,658	$ 1,090,430	$ 2,793,741	$ 2,369,637
Operating costs	-	(253,962)	-	(288,203)
Gross profit	1,238,658	836,468	2,793,741	2,081,434
Operating expenses	(140,269)	(202,325)	(332,276)	(372,208)
Profit from operations	1,098,389	634,143	2,461,465	1,709,226
Non-operating income and expenses	147,749	60,629	121,684	(12,516)
Net profit before income tax	1,246,138	694,772	2,583,149	1,696,710
Income tax benefit (expense)	(58,231)	6,469	(67,475)	(135,161)
Net profit for the period	1,187,907	701,241	2,515,674	1,561,549
Other comprehensive income (loss) for the period, net of income tax	812,100	781,913	408,091	1,370,823
Total comprehensive income (loss) for the period	$ 2,000,007	$ 1,483,154	$ 2,923,765	$ 2,932,372
Basic earnings per share	$0.58	$0.34	$1.23	$0.76

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$ 55,451	$ 44,161	$ 27,848
Noncurrent assets	3,134,042	3,211,800	3,135,427
Total assets	$ 3,189,493	$ 3,255,961	$ 3,163,275
Current liabilities	$ 819,969	$ 832,695	$ 822,114
Noncurrent liabilities	1,712	1,712	1,712
Total liabilities	821,681	834,407	823,826
Common Stock	2,000,000	2,000,000	2,000,000
Capital surplus	8,743	8,735	8,724
Retained earnings	378,479	412,819	330,725
Others	(19,410)	-	-
Total equity	2,367,812	2,421,554	2,339,449
Total liabilities and equity	$ 3,189,493	$ 3,255,961	$ 3,163,275

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Revenues and gains	$ 29,970	$ 27,357	$ 88,475	$ 56,790
Expenses and losses	(17,499)	(21,972)	(41,715)	(37,821)
Net profit before income tax	12,471	5,385	46,760	18,969
Income tax expense	(578)	-	(3,144)	-
Net profit for the period	11,893	5,385	43,616	18,969
Other comprehensive income (loss) for the period, net of income tax	385	-	385	-
Total comprehensive income (loss) for the period	$ 12,278	$ 5,385	$ 44,001	$ 18,969
Basic earnings per share	$0.06	$0.02	$0.22	$0.09

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	June 30, 2018	December 31, 2017
Cash and cash equivalents	$ 48,852,238	$ 44,717,613
Receivables	14,362,926	12,998,829
Current tax assets	81,138	-
Financial assets at fair value through profit or loss	207,724,881	4,531,910
Financial assets at fair value through other comprehensive income	299,810,106	-
Available-for-sale financial assets	-	424,694,976
Financial assets measured at amortized cost	885,164,684	-
Debt instruments with no active market	-	632,451,850
Held-to-maturity financial assets	-	194,762,878
Investment property	23,076,973	23,149,852
Loans	32,838,905	31,490,373
Reinsurance assets	567,242	302,104
Property and equipment	9,739,365	9,387,145
Intangible assets	183,978	186,275
Deferred tax assets	8,988,626	5,689,044
Other assets	26,741,483	19,546,345
Separate account product assets	62,878,397	61,824,990
Total assets	$ 1,621,010,942	$ 1,465,734,184
Payables	$ 13,267,194	$ 8,547,929
Current tax liabilities	692,854	4,934,199
Financial liabilities at fair value through profit or loss	19,407,405	535,854
Insurance liabilities	1,436,255,645	1,284,198,018
Foreign exchange valuation reserve	3,070,346	2,703,763
Provisions	118,976	120,084
Deferred tax liabilities	993,297	2,553,444
Other liabilities	3,277,305	4,978,156
Separate account product liabilities	62,878,397	61,824,990
Total liabilities	1,539,961,419	1,370,396,437
Common stock	40,135,823	37,863,984
Capital surplus	2,289,273	2,289,273
Retained earnings	44,711,220	44,077,239
Others	(6,086,793)	11,107,251
Total equity	81,049,523	95,337,747
Total liabilities and equity	$ 1,621,010,942	$ 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 June 30, 2018	For the Six Months Ended June 30, 2018
Operating revenues	$ 82,876,859	$ 156,187,489
Operating costs	(79,415,558)	(148,493,597)
Operating expenses	(1,029,447)	(2,545,115)
Profit from operations	2,431,854	5,148,777
Non-operating income and expenses	548,149	553,075
Income from continuing operations before income tax	2,980,003	5,701,852
Income tax benefit (expense)	(399,309)	556,775
Net income	2,580,694	6,258,627
Other comprehensive income for the period net of income tax	(10,107,799)	(23,561,556)
Total comprehensive income for the period	$ (7,527,105)	$ (17,302,929)
Basic earnings per share	$0.68	$1.65

(Concluded)

TABLE 11

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
JUNE 30, 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 June 30, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow						
Beauty Essential International (Shanghai) 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	-	6,954	-
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	-	6,461	-
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$ 7 thousand	-	US$ 948 thousand	(Note 3)	2.16	-	7,141	-
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	-	251	-
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 151 thousand	-	CNY 1,883 thousand	(Note 3)	2.16	-	2,107	-
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	-	313	-
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	-	37,187	-
CDIB Private Equity (China) Corporation	Management and consulting.	US$ 7,000 thousand	Note 1,b,8)	US$ 7,000 thousand	-	-	US$ 7,000 thousand	20,390	100.00	20,390	227,246	-
CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting.	CNY 10,000 thousand	Note 11	-	-	-	-	14,528	70.00	10,170	64,659	-
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	1,044	70.00	731	40,830	-

(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 June 30, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow						
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	$ 115,232	-	$ 40,331	$ 1,723,119	$ -
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting.	CNY 7,000 thousand	Note 12	-	-	-	-	9,084	65.00	5,904	45,298	-
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	2,045	65.00	1,330	36,588	-
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	215,778	-	64,734	1,441,414	-
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	-	506,673	-
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	-	133,321	-
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	-	26,678	-
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	-	5,309	-
GSD Industrial (China) 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	-
Beijing 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 (Shenzhen) 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	-
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	-	70,489	-
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	-	51,189	-

(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 June 30, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow						
Jiangsu Stonehenge Industrial Holding Ltd.	Business in research, development and manufacture of electro optic technology, process on TFT-LCD optical, functional film material, and production and marketing of other plastic product.	HK$ 494,706 thousand	Note 1,b,6),27)	US$ 9,248 thousand	$ -	$ -	US$ 9,248 thousand	(Note 3)	4.05	$ -	$ 69,651	$ -
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	-	172,828	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	-	55,858	-
Best Logistics Technology (China) Co., Ltd.	Business in research, development, technical services, computer information, network logistics technology and wholesale and retail of general labor supplies, household appliances and building materials.	US$ 133,000 thousand	Note 1,b, 17)	US$ 211 thousand	-	-	US$ 211 thousand	(Note 3)	0.42	-	6,451	-
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	-	1,098	-
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	45,938	100.00	45,938	222,739	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US$ 4,000 thousand	Note 1,b,20)	US$ 4,000 thousand	-	-	US$ 4,000 thousand	(7,973)	100.00	(7,973)	41,038	-
CCB Life Insurance Company Limited	Life insurance.	CNY 4,495,789 thousand	Note 1,a	7,401,464	-	-	7,401,464	1,221,279	19.90	-	10,415,179	-
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US$ 10,000 thousand	Note 1,b,21)	US$ 360 thousand	-	-	US$ 360 thousand	(Note 3)	0.88	-	10,868	-
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	-

(Continued)

Accumulated Investment in Mainland China as of June 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$14,340,891	US$793,580 thousand	$133,912,240

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.

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: In 2017, CDIB Private Equity (Fujian) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 12: In 2017, CDIB Yida Private Equity (Kunshan) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 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	$ 374,545	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	374,545	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	Current tax assets	435,483	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	435,483	Note 4	0.02%
0	The Corporation	KGI Securities	1	Current tax assets	481,314	Note 4	0.02%
3	KGI Securities	The Corporation	2	Current tax liabilities	481,314	Note 4	0.02%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	7,743,316	Note 4	0.29%
2	KGI Bank	The Corporation	2	Deposits and remittances	7,743,316	Note 4	0.29%
0	The Corporation	China Life Insurance	1	Receivables, net	767,360	Note 4	0.03%
4	China Life Insurance	The Corporation	2	Payables	767,360	Note 4	0.03%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	6,738,797	Note 4	0.25%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	6,738,797	Note 4	0.25%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	1,741,586	Note 4	0.06%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposits and remittances	1,741,586	Note 4	0.06%
3	KGI Securities	KGI Bank	3	Other financial assets	445,671	Note 4	0.02%
2	KGI Bank	KGI Securities	3	Deposits and remittances	445,671	Note 4	0.02%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities	KGI Bank	3	Restricted assets	$ 993,763	Note 4	0.04%
2	KGI Bank	KGI Securities	3	Deposits and remittances	993,763	Note 4	0.04%
4	China Life Insurance	KGI Bank	3	Cash and cash equivalents	120,293	Note 4	0.00%
2	KGI Bank	China Life Insurance	3	Deposits and remittances	120,293	Note 4	0.00%
5	CDIB Capital Management Corporation	KGI Bank	3	Cash and cash equivalents	204,541	Note 4	0.01%
2	KGI Bank	CDIB Capital Management Corporation	3	Deposits and remittances	204,541	Note 4	0.01%
4	China Life Insurance	KGI Bank	3	Financial liabilities at fair value through profit or loss	392,513	Note 4	0.01%
2	KGI Bank	China Life Insurance	3	Financial assets at fair value through profit or loss	392,513	Note 4	0.01%
4	China Life Insurance	KGI Bank	3	Service fee expense and commission expense	115,386	Note 4	0.10%
2	KGI Bank	China Life Insurance	3	Service fee revenue and commission income	115,386	Note 4	0.10%
3	KGI Securities	KGI Bank	3	Other financial liabilities	717,257	Note 4	0.03%
2	KGI Bank	KGI Securities	3	Financial assets at fair value through profit or loss	717,257	Note 4	0.03%
3	KGI Securities	China Life Insurance F	3	Receivables, net	291,571	Note 4	0.01%
4	China Life Insurance	KGI Securities	3	Payables	291,571	Note 4	0.01%
3	KGI Securities	China Life Insurance	3	Service fee revenue and commission income	153,735	Note 4	0.13%
4	China Life Insurance	KGI Securities	3	Service fee expense and commission expense	153,735	Note 4	0.13%
4	China Life Insurance	KGI Securities	3	Receivables, net	323,173	Note 4	0.01%
4	China Life Insurance	KGI Securities	3	Payables	263,789	Note 4	0.01%
3	KGI Securities	China Life Insurance	3	Payables	59,384	Note 4	0.00%
3	KGI Securities	KGI Futures Co., Ltd.	3	Service fee revenue and commission income	130,250	Note 4	0.11%
6	KGI Futures Co., Ltd.	KGI Securities	3	Service fee expense and commission expense	130,250	Note 4	0.11%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	$ 576,723	Note 4	0.02%
6	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	576,723	Note 4	0.02%
6	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Financial assets at fair value through profit or loss	264,528	Note 4	0.01%
7	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	264,528	Note 4	0.01%
6	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	2,893,076	Note 4	0.11%
7	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	2,893,076	Note 4	0.11%
6	KGI Futures Co., Ltd.	KGI Futures (Hong Kong) Pte. Ltd.	3	Other financial assets	126,121	Note 4	0.00%
8	KGI Futures (Hong Kong) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	126,121	Note 4	0.00%
9	Richpoint Company Limited	KG Investments Holdings Limited	3	Receivables, net	2,750,673	Note 4	0.10%
10	KG Investments Holdings Limited	Richpoint Company Limited	3	Other borrowings	2,750,673	Note 4	0.10%
9	Richpoint Company Limited	KGI International Holdings Limited	3	Receivables, net	916,891	Note 4	0.03%
11	KGI International Holdings Limited	Richpoint Company Limited	3	Other borrowings	916,891	Note 4	0.03%
12	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Operating expenses	116,663	Note 4	0.10%
13	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Consulting service revenues	116,663	Note 4	0.10%

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - 0; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the midterm/Total consolidated net profit.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT$100 million.

(Concluded)

TABLE 13-1

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
JUNE 30, 2018

ASSETS	Richpoint Company Limited (In U.S. Dollars)	KG Investments Holdings Limited (In U.S. Dollars)	KGI International Holdings Limited (In U.S. Dollars)	KGI Investment Advisory (Shanghai) Co., Ltd. (In CNY)
CURRENT ASSETS				
Cash and cash equivalents	$ 287,815	$ 93,857	$ 16,936	$ 8,763,783
Other receivable - related parties	120,000,000	16,000,000	36,204,259	-
Other current assets	362,479	-	-	83,127
Total current assets	120,650,294	16,093,857	36,221,195	8,846,910
NONCURRENT ASSETS				
Financial assets fair value through profit or loss - noncurrent	379,746	-	-	-
Investments accounted for using the equity method	429,778,157	534,346,905	552,531,752	-
Property and equipment	-	-	-	8,750
Other noncurrent assets	-	-	-	218,163
Total noncurrent assets	430,157,903	534,346,905	552,531,752	226,913
TOTAL	$ 550,808,197	$ 550,440,762	$ 588,752,947	$ 9,073,823
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	$ 134,800,000	$ -	$ -	$ -
Commercial paper payable	-	-	25,115,229	-
Other payable	132,418	186,002	254,397	13,586
Other payable - related parties	-	136,905,899	30,000,000	-
Total current liabilities	134,932,418	137,091,901	55,369,626	13,586
NONCURRENT LIABILITIES				
Other noncurrent liabilities	-	-	-	152,000
Total noncurrent liabilities	-	-	-	152,000
Total liabilities	134,932,418	137,091,901	55,369,626	165,586
EQUITY				
Common stock	147,043,557	156,864,163	209,248,261	25,278,600
Capital reserve	871,463	76,776	54,661,483	10,818
Special reserve	-	9,759,135	387,913	-
Retained earnings (accumulated deficit)	263,574,832	242,165,710	264,602,587	(16,381,181)
Other equity	4,385,927	4,483,077	4,483,077	-
Total equity	415,875,779	413,348,861	533,383,321	8,908,237
TOTAL	$ 550,808,197	$ 550,440,762	$ 588,752,947	$ 9,073,823

TABLE 13-2

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
JUNE 30, 2018
(Expressed in U.S. Dollars)

ASSETS	KGI Limited	Supersonic Service Inc.	KGI International Limited
CURRENT ASSETS			
Cash and cash equivalents	$ -	$ -	$ 500
Total current assets	-	-	500
NONCURRENT ASSETS			
Investments accounted for using the equity method	362,734,794	-	72,743,596
Total noncurrent assets	362,734,794	-	72,743,596
TOTAL	$ 362,734,794	$ -	$ 72,744,096

LIABILITIES AND EQUITY	KGI Limited	Supersonic Service Inc.	KGI International Limited
CURRENT LIABILITIES			
Other payable - related parties	$ 81,573,402	$ -	$ 2,753,259
Total liabilities	81,573,402	-	2,753,259
EQUITY			
Common stock	308,341,129	100	81,511,717
Accumulated deficit	(27,179,737)	(100)	(11,520,880)
Total equity	281,161,392	-	69,990,837
TOTAL	$ 362,734,794	$ -	$ 72,744,096

TABLE 13-3

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
JUNE 30, 2018
(Expressed in U.S. Dollars)

ASSETS	**Bauhinia 88 Ltd.**	**Global Treasure Investments Limited**	**KGI Hong Kong Limited**	**KGI Nominees (Hong Kong) Limited**
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ -	$ 377,783	$ -
Prepayments	-	-	1,713,887	-
Other receivable - related parties	-	-	-	1
Other current assets	-	-	1,842,479	-
Total current assets	-	-	3,934,149	1
NONCURRENT ASSETS				
Property and equipment	-	-	3,596,233	-
Total noncurrent assets	-	-	3,596,233	-
TOTAL	$ -	$ -	$ 7,530,382	$ 1
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	$ -	$ -	$ 14,510,363	$ -
Other payable - related parties	-	-	9,589,318	-
Total current liabilities	-	-	24,009,681	-
NONCURRENT LIABILITIES				
Other noncurrent liabilities	-	-	1,510,515	-
Total noncurrent liabilities	-	-	1,510,515	-
Total liabilities	-	-	25,610,196	-
EQUITY				
Common stock	2	-	15,000	1
Special reserve	-	-	57,652	-
Accumulated deficit	(2)	-	(18,152,466)	-
Total equity	-	-	(18,079,814)	1
TOTAL	$ -	$ -	$ 7,530,382	$ 1

TABLE 13-4

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
JUNE 30, 2018
(Expressed in U.S. Dollars)

ASSETS	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
CURRENT ASSETS			
Cash and cash equivalents	$ -	$ 51,799	$ 4,981
Other receivable - related parties	72,750	-	3,656,047
Financial assets at fair value through profit or loss - current	-	1,216,001	-
Total current assets	72,750	1,267,800	3,661,028
NONCURRENT ASSETS			
Investments accounted for using the equity method	-	171,203,824	-
Total noncurrent assets	-	171,203,824	-
TOTAL	$ 72,750	$ 172,471,624	$ 3,661,028
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	$ -	$ 5,000,000	$ -
Other payable	-	16,559	5,649
Other payable - related parties	-	107,148,438	-
Total current liabilities	-	112,164,997	5,649
Total liabilities	-	112,164,997	5,649
EQUITY			
Common stock	10,000	75,749,306	5,738,175
Retained earnings (accumulated deficit)	62,750	(14,923,829)	(1,791,380)
Other equity	-	(518,850)	(291,416)
Total equity	72,750	60,306,627	3,655,379
TOTAL	$ 72,750	$ 172,471,624	$ 3,661,028

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Richpoint Company Limited (In U.S. Dollars)	KG Investments Holdings Limited (In U.S. Dollars)	KGI International Holdings Limited (In U.S. Dollars)	KGI Investment Advisory (Shanghai) Co., Ltd. (In CNY)
REVENUES				
Other operating income	$ (2)	$ (49)	$ 191,418	$ 58,040
Total revenues	(2)	(49)	191,418	58,040
COSTS AND EXPENSES				
Financial costs	1,516,056	852,900	643,616	-
Employee benefit expenses	-	-	-	983,448
Depreciation and amortization expenses	-	-	-	2,740
Other operating expenses	12,483	52,626	27,469	792,767
Total costs and expenses	1,528,539	905,526	671,085	1,778,955
LOSS FROM OPERATIONS	(1,528,541)	(905,575)	(479,667)	(1,720,915)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	15,797,534	16,861,693	17,266,249	-
OTHER PROFITS (LOSSES)	1,592,982	111,254	75,111	2,852
NON-OPERATING REVENUE AND EXPENSE	17,390,516	16,972,947	17,341,360	2,852
NET PROFIT (LOSS) FOR THE PERIOD	15,861,975	16,067,372	16,861,693	(1,718,063)
OTHER COMPREHENSIVE INCOME	(1,685,190)	(1,668,696)	(1,668,696)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 14,176,785	$ 14,398,676	$ 15,192,997	$ (1,718,063)

TABLE 14-2

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In U.S. Dollars)

	KGI Limited	Supersonic Services Inc.	KGI International Limited
REVENUES			
Other operating income	$ 13,132	$ -	$ 583,752
Total revenues	13,132	-	583,752
COSTS AND EXPENSES			
Other operating expenses	-	-	-
Total costs and expenses	-	-	-
PROFIT FROM OPERATIONS	13,132	-	583,752
NON-OPERATING REVENUE AND EXPENSE	-	-	-
NET PROFIT FOR THE PERIOD	13,132	-	583,752
OTHER COMPREHENSIVE INCOME (LOSSES)	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	$ 13,132	$ -	$ 583,752

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In U.S. Dollars)

	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
REVENUES				
Other operating income	$ -	$ -	$ 16,229	$ -
Total revenues	-	-	16,229	-
COSTS AND EXPENSES				
Employee benefits	-	-	37,646,176	-
Depreciation and amortization	-	-	860,948	-
Other operating expenses	-	-	8,934,627	-
Total costs and expenses	-	-	47,441,751	-
LOSS FROM OPERATIONS	-	-	(47,425,522)	-
OTHER REVENUE AND EXPENSE	-	-	46,742,503	-
NON-OPERATING REVENUE AND EXPENSE	-	-	46,742,503	-
NET LOSS FOR THE PERIOD	-	-	(683,019)	-
OTHER COMPREHENSIVE INCOME (LOSSES)	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	$ -	$ -	$ (683,019)	$ -

TABLE 14-4

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In U.S. Dollars)

	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
REVENUES			
Derivative assets - counter	$ -	$ 1,152,460	$ -
Operating income	-	(1,786,174)	1
Total revenues	-	(633,714)	1
COSTS AND EXPENSES			
Financial costs	-	301,962	-
Other operating expenses	-	714,988	3,833
Total costs and expenses	-	1,016,950	3,833
LOSS FROM OPERATIONS	-	(1,650,664)	(3,832)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	-	7,000,640	-
OTHER REVENUE AND EXPENSE	-	898	-
NON-OPERATING REVENUE AND EXPENSE	-	7,001,538	-
NET PROFIT (LOSS) FOR THE PERIOD	-	5,350,874	(3,832)
OTHER COMPREHENSIVE INCOME (LOSSES)	-	16,921,845	(73,023)
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	$ -	$ 22,272,719	$ (76,855)