China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2017 and 2016 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
China Development Financial Holding Corporation

We have reviewed the accompanying consolidated balance sheets of China Development Financial Holding Corporation (the "Corporation") and subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three and nine months ended September 30, 2017 and 2016, changes in equity and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Review of Financial Statements" issued by the Auditing Standards Committee of Accounting Research and Development Foundation of the Republic of China. A review of financial statements consists primarily of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements of China Development Financial Holding Corporation and subsidiaries (as of and for the nine months ended September 30, 2017) referred to above for them to be in conformity 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 by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 27, 2017

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

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2017 (Reviewed)		December 31, 2016 (Audited)		September 30, 2016 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 51)	$ 46,078,141	2	$ 28,312,347	3	$ 24,817,551	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7, 51 and 52)	31,743,330	1	71,884,564	8	73,456,853	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 9, 51 and 52)	127,147,740	5	159,280,102	18	196,165,123	21
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 10, 17, 51 and 52)	543,656,220	23	106,359,065	12	94,498,811	10
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	49,814,511	2	29,883,158	3	24,069,199	3
RECEIVABLES, NET (Notes 12, 51, 52 and 59)	112,606,455	5	92,190,214	10	93,625,848	10
CURRENT TAX ASSETS	992,407	-	855,145	-	844,310	-
DISCOUNT AND LOANS, NET (Notes 13, 51 and 59)	324,255,959	14	252,376,992	28	251,897,396	28
REINSURANCE ASSET (Note 14)	427,116	-	-	-	-	-
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Note 15)	180,846,786	8	300,000	-	300,000	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 16 and 17)	15,599,729	1	12,675,804	2	12,567,714	1
RESTRICTED ASSETS (Notes 18, 51 and 52)	31,587,678	1	27,933,924	3	29,068,117	3
OTHER FINANCIAL ASSETS (Notes 17, 19, 51 and 52)	770,932,896	33	64,285,076	7	63,591,454	7
INVESTMENT PROPERTY, NET (Notes 20 and 52)	25,685,511	1	2,179,356	-	2,092,022	-
PROPERTY AND EQUIPMENT, NET (Notes 21 and 52)	23,492,315	1	14,512,916	2	14,629,597	2
INTANGIBLE ASSETS, NET (Note 22)	36,523,298	2	7,948,378	1	8,102,461	1
DEFERRED TAX ASSETS (Note 48)	8,875,487	-	4,912,053	1	5,271,901	1
OTHER ASSETS, NET (Notes 23 and 52)	35,154,144	1	16,308,415	2	17,032,476	2
TOTAL	$ 2,365,419,723	100	$ 892,197,509	100	$ 912,030,833	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Notes 24 and 51)	$ 31,705,437	1	$ 31,078,769	4	$ 23,349,332	3
Financial liabilities at fair value through profit or loss (Notes 8 and 51)	57,316,965	3	51,565,266	6	51,036,281	6
Notes and bonds issued under repurchase agreements (Notes 8, 10, 25 and 51)	109,287,228	5	119,560,443	13	139,222,803	15
Commercial paper payable, net (Notes 26, 51 and 52)	19,849,922	1	17,549,797	2	20,828,387	2
Payables (Notes 27 and 51)	89,534,835	4	60,337,328	7	71,714,660	8
Current tax liabilities	5,285,880	-	826,620	-	808,509	-
Deposits and remittances (Notes 28 and 51)	351,671,796	15	315,451,964	35	311,361,040	34
Bonds payable (Note 29)	32,737,989	1	27,684,236	3	28,605,062	3
Other borrowings (Notes 30, 51 and 52)	25,454,266	1	19,878,458	2	17,904,915	2
Provisions (Notes 31 and 32)	1,252,492,736	53	1,373,667	-	1,442,859	-
Other financial liabilities (Notes 33, 51 and 53)	123,111,745	5	62,753,830	7	60,970,118	7
Deferred tax liabilities (Note 48)	3,331,685	-	1,487,885	-	1,455,306	-
Other liabilities (Note 34)	25,523,867	1	15,552,208	2	18,394,196	2
Total liabilities	2,127,304,351	90	725,100,471	81	747,093,468	82
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 35, 36 and 37)						
Capital						
Common stock	149,757,428	6	149,744,203	17	149,740,122	16
Advance receipts for capital stock	5,606	-	10	-	1,644	-
Capital surplus	1,170,689	-	1,104,521	-	1,101,779	-
Retained earnings						
Legal reserve	5,606,606	-	5,014,298	1	5,014,298	1
Special reserve	2,078,602	-	3,228,296	-	3,228,296	-
Unappropriated earnings	10,588,362	1	8,556,188	1	7,214,823	1
Other						
Exchange differences on translation of foreign financial statements	(1,553,099)	-	494,377	-	(450,038)	-
Unrealized gain (loss) on available-for-sale financial assets	(1,313,945)	-	(2,255,818)	-	(2,109,850)	-
Others	(13,704)	-	(21,211)	-	(31,941)	-
Treasury shares	(4,211,305)	-	(2,376,747)	(1)	(2,376,747)	-
Total equity attributable to owners of the parent	162,115,240	7	163,488,117	18	161,332,386	18
NON-CONTROLLING INTERESTS (Notes 35 and 36)	76,000,132	3	3,608,921	1	3,604,979	-
Total equity	238,115,372	10	167,097,038	19	164,937,365	18
TOTAL	$ 2,365,419,723	100	$ 892,197,509	100	$ 912,030,833	100

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 38 and 51)	$ 6,404,721	30	$ 2,787,406	33	$ 12,730,129	36	$ 8,427,498	42
INTEREST EXPENSE (Notes 38 and 51)	(1,426,431)	(7)	(1,029,285)	(12)	(3,879,047)	(11)	(3,249,577)	(16)
INTEREST PROFIT, NET	4,978,290	23	1,758,121	21	8,851,082	25	5,177,921	26
NONINTEREST PROFITS AND GAINS, NET								
Service fee and commission, net (Notes 39 and 51)	2,074,706	10	1,921,070	22	6,112,461	17	5,534,189	27
Net income from insurance operations (Note 40)	8,056,839	38	-	-	8,056,839	23	-	-
Gain (Loss) on financial assets or liabilities measured at fair value through profit or loss, net (Note 41)	(2,036,512)	(10)	2,055,943	24	828,912	2	3,606,478	18
Realized gain on available-for-sale financial assets, net (Note 42)	3,458,395	16	932,509	11	3,971,648	11	1,890,728	9
Foreign exchange gain (loss), net	3,573,089	17	169,224	2	3,125,877	9	304,688	2
Impairment loss on assets, net (Note 43)	(21,058)	-	(338,148)	(4)	(374,656)	(1)	(903,847)	(4)
Share of the profit of associates and joint ventures	143,674	1	223,356	3	1,546,674	4	521,142	3
Gain (Loss) on financial assets measured at cost, net (Note 44)	510,816	2	622,543	7	1,462,820	4	1,497,936	7
Consulting service revenue (Note 51)	297,187	1	313,452	4	849,723	3	891,817	4
Others (Notes 45 and 51)	412,908	2	830,662	10	987,881	3	1,647,790	8
Total noninterest profits and gains, net	16,470,044	77	6,730,611	79	26,568,179	75	14,990,921	74
TOTAL NET REVENUES	21,448,334	100	8,488,732	100	35,419,261	100	20,168,842	100
ALLOWANCE FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	(184,147)	(1)	(242,059)	(3)	(729,295)	(2)	(614,601)	(3)
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	(9,749,928)	(45)	-	-	(9,749,928)	(27)	-	-
OPERATING EXPENSES (Notes 4, 33, 46, 47 and 51)								
Employee benefits	(3,645,054)	(17)	(3,163,569)	(37)	(9,513,428)	(27)	(8,614,532)	(43)
Depreciation and amortization	(477,780)	(2)	(374,075)	(5)	(1,225,014)	(3)	(1,103,038)	(6)
Other general and administrative expenses	(1,616,967)	(8)	(1,708,555)	(20)	(4,456,931)	(13)	(4,714,590)	(23)
Total operating expenses	(5,739,801)	(27)	(5,246,199)	(62)	(15,195,373)	(43)	(14,432,160)	(72)
NET PROFIT BEFORE INCOME TAX	5,774,458	27	3,000,474	35	9,744,665	28	5,122,081	25
INCOME TAX EXPENSE (Notes 4 and 48)	(367,609)	(2)	(440,455)	(5)	(917,605)	(3)	(618,781)	(3)
NET PROFIT FOR THE PERIOD	5,406,849	25	2,560,019	30	8,827,060	25	4,503,300	22

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will be reclassified subsequently to profit or loss, net of income tax								
Exchange differences on translation of foreign financial statements	$ (150,650)	(1)	$ (1,050,895)	(12)	$ (1,935,189)	(6)	$ (2,015,582)	(10)
Unrealized gain (loss) on available-for-sale financial assets	(4,590,225)	(21)	1,636,503	19	(1,778,624)	(5)	2,112,980	11
Share of the other comprehensive income of associates and joint ventures	220,435	1	39,000	1	642,289	2	53,008	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 48)	241,389	1	(685)	-	240,932	1	(1,550)	-
Other comprehensive income for the period, net of income tax	(4,279,051)	(20)	623,923	8	(2,830,592)	(8)	148,856	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 1,127,798	5	$ 3,183,942	38	$ 5,996,468	17	$ 4,652,156	23
NET PROFIT ATTRIBUTABLE TO:								
Owners of parent	$ 5,430,771	25	$ 2,553,475	30	$ 8,969,057	25	$ 4,441,633	22
Non-controlling interests	(23,922)	-	6,544	-	(141,997)	-	61,667	-
	$ 5,406,849	25	$ 2,560,019	30	$ 8,827,060	25	$ 4,503,300	22
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of parent	$ 2,888,146	13	$ 3,179,693	38	$ 7,863,454	22	$ 4,596,389	23
Non-controlling interests	(1,760,348)	(8)	4,249	-	(1,866,986)	(5)	55,767	-
	$ 1,127,798	5	$ 3,183,942	38	$ 5,996,468	17	$ 4,652,156	23
EARNINGS PER SHARE (Note 49)								
Basic	$ 0.37		$ 0.17		$ 0.61		$ 0.30	
Diluted	$ 0.37		$ 0.17		$ 0.61		$ 0.30	

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent												
	Capital			Retained Earnings			Other Equity						
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Others	Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	$ 151,124,071	$ 1,370	$ 654,803	$ 4,161,475	$ 765,041	$ 13,580,644	$ 1,741,670	$ (4,456,314)	$ (32,187)	$ (2,376,747)	$ 165,163,826	$ 3,606,912	$ 168,770,738
Appropriation of the 2015 earnings													
Legal reserve	-	-	-	852,823	-	(852,823)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	2,463,255	(2,463,255)	-	-	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,006)	-	-	-	-	(7,487,006)	-	(7,487,006)
	-	-	-	852,823	2,463,255	(10,803,084)	-	-	-	-	(7,487,006)	-	(7,487,006)
Other change in capital surplus	-	-	161,616	-	-	-	-	-	-	-	161,616	-	161,616
Net profit for the nine months ended September 30, 2016	-	-	-	-	-	4,441,633	-	-	-	-	4,441,633	61,667	4,503,300
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	-	(2,191,708)	2,346,464	-	-	154,756	(5,900)	148,856
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	-	4,441,633	(2,191,708)	2,346,464	-	-	4,596,389	55,767	4,652,156
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	(1,150,440)	(1,150,440)	-	(1,150,440)
Cancellation of treasury shares	(1,430,100)	-	279,660	-	-	-	-	-	-	1,150,440	-	-	-
Share-based payments	46,151	274	5,700	-	-	(4,370)	-	-	246	-	48,001	-	48,001
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(57,700)	(57,700)
BALANCE AT SEPTEMBER 30, 2016	$ 149,740,122	$ 1,644	$ 1,101,779	$ 5,014,298	$ 3,228,296	$ 7,214,823	$ (450,038)	$ (2,109,850)	$ (31,941)	$ (2,376,747)	$ 161,332,386	$ 3,604,979	$ 164,937,365
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)
Other change in capital surplus	-	-	59,948	-	-	-	-	-	-	-	59,948	-	59,948
Net profit for the nine months ended September 30, 2017	-	-	-	-	-	8,969,057	-	-	-	-	8,969,057	(141,997)	8,827,060
Other comprehensive income (loss) for the nine months ended September 30, 2017, net of income tax	-	-	-	-	-	-	(2,047,476)	941,873	-	-	(1,105,603)	(1,724,989)	(2,830,592)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	8,969,057	(2,047,476)	941,873	-	-	7,863,454	(1,866,986)	5,996,468
Reorganization	-	-	(93)	-	-	-	-	-	-	-	(93)	-	(93)
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	-	-	-	-	-	-	-	-	-	(1,834,558)	(1,834,558)	-	(1,834,558)
Share-based payments	13,225	5,596	6,313	-	-	(6,398)	-	-	7,507	-	26,243	-	26,243
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	74,258,197	74,258,197
Trading loss reserve of subsidiaries reversed	-	-	-	-	(200,000)	200,000	-	-	-	-	-	-	-
BALANCE AT SEPTEMBER 30, 2017	$ 149,757,428	$ 5,606	$ 1,170,689	$ 5,606,606	$ 2,078,602	$ 10,588,362	$ (1,553,099)	$ (1,313,945)	$ (13,704)	$ (4,211,305)	$ 162,115,240	$ 76,000,132	$ 238,115,372

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 9,744,665	$ 5,122,081
Adjustments to reconcile net profit		
Depreciation expenses	563,388	454,948
Amortization expenses	661,626	648,090
Allowance for bad debts and losses on guarantees, net	729,295	614,601
Interest expense	3,879,047	3,249,577
Interest income	(12,730,129)	(8,427,498)
Dividend income	(1,911,770)	(1,747,469)
Net changes in insurance liabilities	10,458,469	-
Gain disposal foreclosed collateral	(131,399)	(895)
Share of profit of associates and joint ventures	(524,116)	(479,282)
Gain on disposal of investments	(2,257,447)	(1,667,148)
Loss on financial asset impairment	421,292	889,988
Loss (reversal of impairment) on non-financial assets	(46,636)	13,859
Others	(2,408)	59,737
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	15,173,544	(21,029,711)
Financial assets at fair value through profit or loss	30,671,051	(38,385,038)
Available-for-sale financial assets	(36,907,995)	(22,409,545)
Securities purchased under resell agreements	-	1,153,060
Receivables	(9,100,070)	6,917,097
Discount and loans	(41,613,704)	(34,267,106)
Other financial assets	(2,606,177)	(5,640,840)
Other assets	(4,459,771)	5,467,333
Deposits from the Central Bank and banks	626,668	13,324,933
Financial liabilities at fair value through profit or loss	2,237,900	11,138,102
Notes and bonds issued under repurchase agreements	(10,273,215)	19,610,935
Payables	10,361,173	3,555,715
Deposits and remittances	36,219,832	(13,951,092)
Other financial liabilities	8,857,320	8,081,101
Other liabilities	1,769,362	3,152,690
Cash generated from (used in) operations	9,809,795	(64,551,777)
Interest received	12,807,161	8,853,339
Dividend received	2,875,959	1,659,036
Interest paid	(3,234,864)	(3,065,965)
Income tax paid	399,716	(326,809)
Net cash generated from (used in) operating activities	22,657,767	(57,432,176)

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated upon initial recognition as at fair value through profit or loss	$ (150,000)	$ -
Acquisition of available-for-sale financial assets	(20,157,499)	(362,502)
Proceeds on sale of available-for-sale financial assets	19,428,533	1,335,165
Acquisition of debt investments with no active market	(8,128,364)	(360,353)
Proceeds on sale of debt investments with no active market	10,440,945	946,432
Acquisition of held-to-maturity financial assets	(7,410,526)	-
Maturity principal from held-to-maturity financial assets	-	102,564
Acquisition of financial assets measured at cost	(869,915)	(1,676,495)
Proceeds on financial assets measured at cost	1,861,397	2,546,701
Return of capital from financial assets measured at cost	109,468	143,397
Acquisition of equity-method investments	(1,464,519)	(1,927,861)
Proceeds from sale of equity-method investments	1,063,663	-
Net cash inflow on acquisition of subsidiaries	(7,880,764)	(148,615)
Acquisition of property and equipment	(546,053)	(383,039)
Others	369,377	365,771
Net cash (used in) generated from investing activities	(13,334,257)	581,165
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	6,335,410	(1,332,924)
Increase in commercial paper payable	2,300,125	7,689,185
Proceeds from issue of corporate bonds	10,000,000	-
Repayments of corporate bonds	(6,000,000)	-
Proceeds of long-term borrowings	-	998,933
Repayments of long-term borrowings	(759,602)	(3,326,401)
Cash dividends paid	(7,487,871)	(7,487,006)
Purchase of treasury shares	-	(1,150,440)
Others	(33,575)	(55,451)
Net cash generated from (used in) financing activities	4,354,487	(4,664,104)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(948,539)	(855,801)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,729,458	(62,370,916)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	93,213,826	135,637,871
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 105,943,284	$ 73,266,955

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of September 30, 2017 and 2016:

	September 30	
	2017	**2016**
Cash and cash equivalents in consolidated balance sheets	$ 46,078,141	$ 24,817,551
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	10,050,632	31,610,514
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	49,814,511	16,838,890
Cash and cash equivalents in consolidated statements of cash flows	$ 105,943,284	$ 73,266,955

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

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 China Development Asset Management Corporation which was held by CDIB Capital Group directly.

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

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. 1600025880.

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

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of September 30, 2017, KGI Securities had a head office and 81 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 September 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 Co., Ltd. was incorporated in Taiwan on April 25, 1963. In 2009, China Life Insurance Co., Ltd. accomplished the acquisition of major assets and liabilities from Prudential Corporation Asia Life Taiwan. As of September 30, 2017, China Life Insurance Co., Ltd. had a head office, an offshore insurance unit, and 8 domestic branches.

China Life Insurance Co., Ltd. mainly engaged in the business of life insurance.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and issue on November 27, 2017.

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) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 “Operating Segments” requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

3) Annual Improvements to IFRSs: 2011-2013 Cycle

IAS 40 “Investment Property” was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

4) Amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group is deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017, please refer to Note 51.

b. The Regulations Governing the Preparation of Financial Reports by Financial Holding Company and the IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures," were amended in this annual improvement.

The amendment to IFRS 12 clarified that when the Group's interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5. the Group will apply the aforementioned amendment retrospectively.

The amendment to IAS 28 clarified that when an investment in an associate or a joint venture is held by, or is held indirectly through, the Group that is a venture capital organization, or a mutual fund, or a unit trust or similar entities (including investment-linked insurance funds), the Group may elect to measure that investment at fair value through profit or loss. The Group shall make this election separately for each associate or joint venture at the initial recognition of the associate or joint venture.

Furthermore, the amendment to IAS 28 clarified that when the Group (non-investment entity) applies the equity method to account for investment in an associate or a joint venture that is an investment entity, the Group may elect to retain the fair value of the investment in subsidiaries of the investment entity associate or joint venture. The election should be made separately for each investment entity associate or joint venture, at the later of the date (a) the investment entity associate or joint venture is initially recognized, (b) the associate or joint venture becomes an investment entity, or (c) the investment entity associate or joint venture first becomes a parent.

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

Recognition, measurement and impairment of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Besides, the amendments to IFRS 4 gave exceptions to the companies applying IFRS 9 that issue contracts within the scope of IFRS 4 to use overlap approach. It's only permitted for qualifying financial assets applied IFRS 9 and measured by fair value through profit and loss, which is different to that of be measured by IAS 39 and irrelevant to activities not within the scope of IFRS 4 insurance contracts. Once elected to use overlap approach, the company shall designate qualifying financial assets applying overlap approach when initially applied IFRS 9. Subsequent newly obtained assets shall be designated when initially recognized. The change in fair value for designate qualifying financial assets shall be divided into two parts: The change in fair value applying IAS 39 shall be recognized as profit or loss, and the difference from applying IFRS 9 to that of applying IAS 39 shall be recognized as other comprehensive income. The amounts reclassified to other comprehensive income shall be disclosed in statement of comprehensive income and relevant information shall be disclosed in footnotes.

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

<u>Transition</u>

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

3) IFRS 15 "Revenue from Contracts with Customers" and its amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

a) Identify the contract with the customer;
b) Identify the performance obligations in the contract;
c) Determine the transaction price;
d) Allocate the transaction price to the performance obligations in the contracts; and
e) Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expect to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that the Group will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendment will be applied retrospectively in 2018.

5) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Group should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

6) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

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 1)**
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
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 (Note 2)
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
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: In June 2015, IASB has decided to postpone the application of IFRS 10 and IAS 28 which issued in September 2014. Early application is permitted.

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

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

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

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

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

3) IFRS 16 “Leases”

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

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

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

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

4) IFRS 17 “Insurance Contract”

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

Level of aggregation

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Subsequent measurement

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

Onerous Contracts

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

Premium Allocation Approach

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

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

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

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

Investment Contracts with a Discretionary Participation Feature

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

Modification and derecognition

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

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

Transition

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

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

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

5) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

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

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

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

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

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

The accounting policies of these consolidated financial statements please refer to the consolidated financial statements for the year ended December 31, 2016, 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 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 September 30, 2017, December 31, 2016 and September 30, 2016, the consolidated entities included in the consolidated financial statements included 70, 70 and 71 companies, respectively (please refer to the attached Table 7).

Investments in Associates

Subsidiaries in the Group which are venture capital can choose to measure investments in associates by equity method or by fair value through profit or loss.

Financial Instruments

<u>Impairment of financial assets</u>

a. Financial assets measured at amortized cost

The Group's discounts and loans, held-to-maturity financial assets, accounts receivable, interest receivable, acquired loans, and other receivables are assessed for impairment at each balance sheet date and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the above credit losses, the estimated future cash flows of the asset have been affected. Loans and receivables that are assessed as not impaired individually are further assessed for impairment on a collective basis.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows (reflected the effect of collateral), discounted at the financial asset's original effective interest rate.

Based on the Regulatory Governing the procedures for Banking Industry to evaluate Assets and Deal with Non-performing/Non-annual 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 Co., Ltd. is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

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

2) 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.

3) Total unsecured portion of loans overdue and receivable on demand.

4) If total amount of minimum allowance of uncollectible accounts measured from the categories above are less than the amount in accordance with GAAP, it should refer to the amount in accordance with GAAP as minimum allowance of uncollectible accounts.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

b. Financial assets measured at cost

When objective evidences indicate that financial assets measured at cost are impaired, the amount of the loss is recognized as "loss on asset impairment' and cannot be reversed.

Retirement Benefits

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.

Separate Account Products

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

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

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

China Life Insurance Co., Ltd.’s reserved funds for insurance contracts and financial instruments whether with or without discretionary participation feature are made in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.” Furthermore, they have been validated by the certified actuarial professionals approved by Financial Supervisory Commission. The required amount to be reserved for short-term group insurance is based upon the greater of premium received or calculated premium following the regulations established by the authorities. Reserved amount for the rest of other provisions is addressed below:

Moreover, an insurance contract with discretionary participation feature is classified as liability.

a. Unearned premium reserve

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

b. Reserve for claims

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

c. Reserve for life insurance liabilities

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

   Starting from policy year of 2003, for valid insurance contract whose dividend calculation is stipulated by the regulations established by the authorities, the downward adjustments of dividend due to the offset between mortality saving (loss) and loss (gain) from difference of interest rates should be recognized and recorded as the increase of reserve for long-term valid contract.

d. Special reserve

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

      a) Special capital reserve - Special reserve for major incidents

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

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

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

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

2) China Life Insurance Co., Ltd. sells participating life insurance policy. According to the "Rule Governing application of revenue and expenses related to participating/non-participating policy", the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from this account. The excess dividend should be accounted as special reserve for dividend risks.

e. Premium deficiency reserve

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

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

f. Liability adequacy reserve

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

g. Reserves for insurance contracts with feature of financial instruments

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

Foreign Exchange Valuation Reserve

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

Reinsurance

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

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

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

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

   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.

b. Insurance liability assessment

The liability for insurance contracts and investment contracts with discretionary participation feature of financial instruments is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows. The main assumptions used relate to mortality, morbidity, investment returns, and expenses and surrender rates. China Life Insurance Co., Ltd. bases its assumptions on the standards published by the Actuarial Institute of the Republic of China, adjusted when appropriate to reflect China Life Insurance Co., Ltd.'s unique risk exposure, product characteristics and experiences from target markets.

The best estimates of future investment income from the assets are based on current market returns, as well as expectation about future economic development. Assumptions on future expense are based on current expense level, adjusted for expected expense inflation, if appropriate. Surrender rates are based on China Life Insurance Co., Ltd.'s historical experience.

The assessment of liability adequacy reserve is in compliance with the relevant norms promulgated by the Actuarial Society of the Republic of China. China Life Insurance Co., Ltd. assessed the liability adequacy reserve for the current estimation of future cash flows of insurance contracts is based on China Life Insurance Co., Ltd.'s reasonable estimate of future insurance benefits, premium income and related expenses.

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Cash in banks	$ 32,669,364	$ 18,662,103	$ 12,727,078
Due from banks	6,045,264	4,386,202	6,525,589
Short-term transactions instruments with maturities of up to three months	3,883,031	2,352,369	2,482,014
Future excess margin	1,955,605	1,044,184	1,378,635
Cash on hand	1,360,115	1,247,909	1,323,806
Check for clearing	164,762	619,580	380,429
	$ 46,078,141	$ 28,312,347	$ 24,817,551

Cash and cash equivalents as of December 31, 2016 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 September 30, 2017 and 2016:

	December 31, 2016
Cash and cash equivalents in consolidated balance sheet	$ 28,312,347
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	35,018,321
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	29,883,158
Cash and cash equivalents in consolidated statement of cash flow	$ 93,213,826

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	September 30, 2017	December 31, 2016	September 30, 2016
Due from the Central Bank	$ 9,995,000	$ 37,130,000	$ 43,175,000
Call loans to banks	10,049,013	13,568,474	20,645,002
Deposit reserve - demand accounts	7,929,076	8,078,055	7,196,924
Deposit reserve - checking accounts	3,318,201	12,358,953	2,110,760
Due from the Central Bank - interbank settlement funds	312,637	600,599	184,883
Deposit reserve - foreign currencies	139,403	148,483	144,284
	$ 31,743,330	$ 71,884,564	$ 73,456,853

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserve are 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 52.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2017	December 31, 2016	September 30, 2016
Financial assets held for trading			
Derivative instrument			
Interest rate swap contracts	$ 7,787,026	$ 10,239,924	$ 8,889,084
Currency swap and forward exchange contracts	6,224,486	12,760,005	11,423,635
Option and futures contracts	2,535,932	4,184,386	5,970,628
Others	1,633,492	1,036,037	572,607
Non-derivative financial assets			
Operating securities (Note 9)	63,105,388	55,752,957	90,137,939
Commercial papers	6,860,395	2,797,870	2,998,583
Convertible (exchangeable) corporate bonds	2,173,114	3,121,853	2,949,042
Mutual funds	2,125,898	2,522,042	5,649,661
Bank debentures	1,335,970	20,819,329	20,491,889
Others	940,792	4,508,628	4,277,647
	94,722,493	117,743,031	153,360,715
Financial assets designated as at FVTPL			
Government bonds	23,192,233	39,174,578	40,776,616
Others	9,233,014	2,362,493	2,027,792
	32,425,247	41,537,071	42,804,408
Financial assets at FVTPL	$ 127,147,740	$ 159,280,102	$ 196,165,123

(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
Financial liabilities held for trading			
Derivative instrument			
Option and futures contracts	$ 10,469,377	$ 5,769,857	$ 8,107,127
Interest rate swap contracts	8,671,861	10,947,600	8,916,672
Currency swap and forward exchange contracts	7,367,695	12,200,101	11,502,408
Others	3,485,310	1,805,444	1,609,328
Non-derivative financial liabilities			
Borrowed securities payable	7,369,046	5,484,802	7,305,248
Others	1,494,221	2,361,581	1,883,641
	38,857,510	38,569,385	39,324,424
Financial liabilities designated as at FVTPL			
Bank debentures payable	17,421,581	11,892,012	10,381,985
Structured products	1,019,100	1,103,869	1,329,872
Others	18,774	-	-
	18,459,455	12,995,881	11,711,857
Financial liabilities at FVTPL	$ 57,316,965	$ 51,565,266	$ 51,036,281

(Concluded)

The Group's trust contract of stock of Capital Securities Corporation. Please refer to Note 10.

As of September 30, 2017, December 31, 2016 and September 30, 2016, bank debentures issued by the Group designated as at FVTPL were as follows:

Bank Debenture Number	September 30, 2017	December 31, 2016	September 30, 2016	Issuance Period	Method of Paying Principles and Interests	Interest Rate
15KGIB1	$ 3,212,330	$ 3,421,574	$ 3,324,796	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16KGIB1	3,333,550	3,550,690	3,450,260	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB2	3,333,550	3,550,690	3,450,260	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB3	2,424,400	2,582,320	-	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17KGIB1	6,061,000	-	-	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
	18,364,830	13,105,274	10,225,316			
Valuation adjustments	(943,249)	(1,213,262)	156,669			
	$ 17,421,581	$ 11,892,012	$ 10,381,985			

Note 1: Base on 100% of the carry value of each bond principal plus the interest shall be payable early redemption since the expiration of two year from the issue date (inclusive).

Note 2: Base on 100% of the carry value of each bond principal plus the interest shall be payable early redemption since the expiration of one year from the issue date (inclusive).

The contract (nominal) amounts of the Group's outstanding derivative financial instruments as of September 30, 2017, December 31, 2016 and September 30, 2016 are summarized as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Currency swap contracts and forward exchange contracts	$ 1,460,605,518	$ 1,359,878,566	$ 1,322,334,737
Interest rate swap contracts	1,069,976,909	1,020,801,145	838,095,141
Option and Futures contracts	374,703,996	286,325,519	328,245,482
Cross-currency swap contracts	28,963,356	23,941,077	29,167,240
Credit default swap contracts	14,350,220	5,679,224	3,252,971
Structured note contracts	14,220,873	11,537,615	9,050,646
Assets swap contracts	10,135,200	12,387,775	12,275,850
Non-deliverable forward contracts	6,541,899	852,483	1,459,656
Commodity swap	1,034,378	104,891	190,102
Equity derivative financial contracts	240,973	21,471	257,772

As of September 30, 2017, December 31, 2016 and September 30, 2016, financial assets held for trading with aggregate carrying values of $67,108,088 thousand, $90,931,440 thousand and $111,554,666 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Group, please refer to Note 52.

9. OPERATING SECURITIES

	September 30, 2017	December 31, 2016	September 30, 2016
Dealing			
Oversea securities	$ 26,431,768	$ 22,465,807	$ 26,413,940
Corporate bonds	12,613,441	12,777,415	17,554,295
Government bonds	12,242,921	6,718,872	32,833,056
Listed, OTC and emerging market stocks	3,739,312	7,441,187	8,041,896
Others	1,084,331	209,542	210,285
	56,111,773	49,612,823	85,053,472
Underwriting			
Corporate bonds	432,221	292,668	304,686
Listed and OTC stocks	41,575	1,226,436	1,038,372
Others	20,900	149,705	65,520
	494,696	1,668,809	1,408,578
Hedge positions			
Listed and OTC stocks	6,300,580	3,875,537	3,011,750
Listed and OTC warrant	72,837	3,704	8,852
Oversea securities	40,829	592,084	655,287
Others	84,673	-	-
	6,498,919	4,471,325	3,675,889
	$ 63,105,388	$ 55,752,957	$ 90,137,939

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Government bonds	$ 181,565,311	$ 65,878,067	$ 51,792,880
Listed, OTC and emerging market stocks	138,605,207	21,758,314	21,848,903
Corporate bonds	102,626,098	5,161,140	6,368,408
Bank debentures	64,329,554	13,051,597	14,149,574
Negotiable certificates of deposit	26,234,898	-	-
Unlisted stocks	15,949,302	-	-
Mutual funds	10,845,462	-	-
Others	3,500,388	509,947	339,046
	$ 543,656,220	$ 106,359,065	$ 94,498,811

As of September 30, 2017, December 31, 2016 and September 30, 2016, available-for-sale financial assets, with aggregate carrying values of $41,902,188 thousand, $28,629,003 thousand and $27,359,731 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

For the information on available-for-sale financial assets pledged as collateral for the Group, please refer to Note 52.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Corporate bonds	$ 15,407,011	$ 4,851,085	$ 7,443,045
Government bonds	14,890,543	9,135,147	4,609,303
Commercial papers	11,643,702	745,844	399,896
Bank debentures	7,873,255	15,151,082	11,616,955
	$ 49,814,511	$ 29,883,158	$ 24,069,199
Resold amounts	$ 49,835,824	$ 29,910,667	$ 24,015,809
Last maturity date	November 2017	February 2017	November 2016

12. RECEIVABLES, NET

	September 30, 2017	December 31, 2016	September 30, 2016
Receivables on margin loans, refinancing margin and refinancing deposits receivable	$ 31,866,277	$ 28,686,768	$ 29,358,088
Receivable accounts for settlement	27,258,414	17,058,010	28,391,946
Interest receivable	10,898,367	2,111,142	2,659,027
Accounts receivable factoring without recourse	9,331,924	9,590,021	2,451,065
Trading securities receivable	7,843,209	6,901,611	5,618,725
Accounts receivable - forfeiting	6,531,422	7,912,584	11,252,516
Lease receivables	4,516,499	6,424,942	5,906,363
Settlement price	3,284,466	6,798,639	2,749,923
Others	13,978,987	10,001,877	8,345,835
	115,509,565	95,485,594	96,733,488
Less: Unrealized interest revenue	(239,834)	(378,214)	(362,254)
Allowance for bad debts	(2,663,276)	(2,917,166)	(2,745,386)
	$ 112,606,455	$ 92,190,214	$ 93,625,848

The Group’s changes in allowance for bad debts of receivables were as follows:

	For the Nine Months Ended September 30	
	2017	2016
Balance, January 1	$ 2,917,166	$ 3,006,575
Allowance (reversal)	378,276	(29,601)
Loans reclassified to nonperforming loans	(255,236)	(1,520)
Write-off	(353,092)	(187,093)
Recovery of written-off credit	37,140	7,686
Effect of exchange rate changes	(60,978)	(50,661)
Balance, September 30	$ 2,663,276	$ 2,745,386

For the information on impairment loss analysis of receivables, please refer to Note 59.

The amount of receivables pledged as collateral for the Group, please refer to Note 52.

13. DISCOUNTS AND LOANS, NET

	September 30, 2017	December 31, 2016	September 30, 2016
Short-term loans	$ 76,186,628	$ 60,824,456	$ 62,944,143
Medium-term loans	171,407,708	152,145,653	151,046,971
Long-term loans	51,121,253	42,061,948	40,813,102
Loans reclassified to nonperforming loans	542,637	708,046	494,324
Export negotiations	75,471	139,441	35,241
Policy loans	23,581,967	-	-
Automatic premium loans	5,478,920	-	-
	328,394,584	255,879,544	255,333,781

(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
Less: Allowance for bad debts	$ (4,055,741)	$ (3,429,672)	$ (3,367,721)
Discounts on loans	(82,884)	(72,880)	(68,664)
	$ 324,255,959	$ 252,376,992	$ 251,897,396

(Concluded)

The Group’s changes in allowance for bad debts of discounts and loans were as follows:

	For the Nine Months Ended September 30	
	2017	2016
Balance, January 1	$ 3,429,672	$ 3,115,696
Allowance	443,882	150,038
Recovery of written-off credits	558,414	612,847
Write-off	(341,978)	(451,840)
Reduction and exemption	(23,622)	(22,589)
Effects of exchange rate changes	(49,619)	(36,431)
Effect of changes in consolidated entities	38,992	-
Balance, September 30	$ 4,055,741	$ 3,367,721

For the information on impairment loss analysis of discounts and loans, please refer to Note 59.

14. REINSURANCE ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Claims recoverable from reinsurers	$ 342,357	$ -	$ -
Due from reinsurers and ceding companies	17,545	-	-
Reinsurance reserve assets			
Ceded unearned premium reserve	47,719	-	-
Ceded reserve for claims	19,495	-	-
	67,214	-	-
	$ 427,116	$ -	$ -

15. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	September 30, 2017	December 31, 2016	September 30, 2016
Corporate bonds	$ 102,363,994	$ -	$ -
Government bonds	44,110,380	-	-
Bank debentures	34,372,412	300,000	300,000
	$ 180,846,786	$ 300,000	$ 300,000

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

	September 30, 2017		December 31, 2016		September 30, 2016	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 5,580,981	34	$ 4,988,044	34	$ 4,781,761	34
CDIB Capital Asia Partners L.P.	3,467,650	-	2,109,639	-	2,307,975	-
KGI Securities (Thailand) Public Company Limited	2,078,140	35	2,160,555	35	2,034,924	35
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	1,673,005	-	1,165,320	-	1,180,763	-
CPEC Huachuang Private Management Equity (Kunshan) Enterprise (Limited Partnership)	1,369,681	-	960,603	-	971,420	-
CDIB Biomedical Venture Capital Corporation	724,014	43	582,599	34	578,645	34
CDIB CME Fund Ltd.	637,869	46	568,380	40	573,972	40
Others	68,329		140,664		138,254	
	$ 15,599,729		$ 12,675,804		$ 12,567,714	

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

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

17. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

CDIB Capital Group and Subsidiaries

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.

September 30, 2017

	Private Equity Fund	Real Estate Investment Trust	Real Estate Beneficiary Certificate	Total
Available-for-sale financial assets	$ 348,910	$ 1,305,139	$ -	$ 1,654,049
Financial assets measured at cost	6,026,114	-	-	6,026,114
Debt instruments with no active value	-	-	60,418,840	60,418,840
Maximum exposure	6,375,024	1,305,139	60,418,840	68,099,003

December 30, 2016

	Private Equity Fund	Real Estate Investment Trust	Real Estate Beneficiary Certificate	Total
Financial assets measured at cost	$ 6,135,403	$ -	$ -	$ 6,135,403
Maximum exposure	6,135,403	-	-	6,135,403

September 30, 2016

	Private Equity Fund	Real Estate Investment Trust	Real Estate Beneficiary Certificate	Total
Financial assets measured at cost	$ 6,192,782	$ -	$ -	$ 6,192,782
Maximum exposure	6,192,782	-	-	6,192,782

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

	September 30, 2017	December 31, 2016	September 30, 2016
Management on private equity fund			
Total assets	$ 21,176,260	$ 15,250,696	$ 16,252,117
Total liabilities	125,674	17,840	233,135
Investments accounted for using the equity method	6,510,336	4,235,562	4,460,158
Maximum exposure	6,510,336	4,235,562	4,460,158

18. RESTRICTED ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Restricted demand deposits	$ 30,918,916	$ 27,519,235	$ 28,641,189
Checking accounts - restricted for agent's stock transfer purposes	326,857	62,566	62,759
Stocks	149,392	149,392	149,392
Accounts receivables	103,412	105,831	119,304
Accrued revenue	44,575	35,879	35,880
Impound account	44,526	48,012	46,030
Due from banks	-	13,009	13,563
	$ 31,587,678	$ 27,933,924	$ 29,068,117

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

After the filing of a certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 53), CDIB Capital Group could not access the following financial assets of the fund in connection with transactions made with Morgan Stanley because of its unauthorized disposition: Accounts receivable, deposits, cash security on CDS contracts, available-for-sale stock investments and the related accrued revenue. These financial assets were reclassified as "restricted assets" because of the inaccessibility of it.

For the information on restricted assets pledged as collateral for the Group, please refer to Note 52.

19. OTHER FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Debt instruments with no active market	$ 650,041,322	$ 2,083,503	$ 1,470,123
Separate account insurance products	60,923,532	-	-
Guarantee deposits received on futures contracts	34,188,759	36,201,863	34,569,377
Financial assets measured at cost	18,633,320	19,491,762	19,853,355
Time deposits with original maturities over three months	5,974,083	5,573,703	6,705,714
Pledged time deposit	1,032,154	744,223	743,610
Others	139,726	190,022	249,275
	$ 770,932,896	$ 64,285,076	$ 63,591,454

a. Debt instruments with no active value

	September 30, 2017	December 31, 2016	September 30, 2016
Bank debentures	$ 465,206,657	$ 581,022	$ -
Corporate bonds	93,946,663	-	-
Real estate mortgage bonds	60,418,840	-	-
Government bonds	33,470,254	-	-
Others	1,290,217	1,502,481	1,470,123
Less: Refundable deposits	(4,291,309)	-	-
	$ 650,041,322	$ 2,083,503	$ 1,470,123

b.

1) Separate account insurance products - assets and liabilities

	September 30, 2017
Cash in banks	$ 1,093,936
Financial assets at fair value through profit or loss	59,769,572
Other receivables	60,024
	$ 60,923,532

(Continued)

	September 30, 2017
Reserve for separate account	$ 60,511,521
Other payables	412,011
	$ 60,923,532

(Concluded)

2) Separate account insurance products - revenues and expenses

	Revenues	
	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2017
Premium income	$ 371,403	$ 371,403
Losses from financial assets and liabilities at fair value through profit or loss	(64,488)	(64,488)
Interest income	24	24
Other revenues	10,642	10,642
Foreign exchange gains	64,376	64,376
	$ 381,957	$ 381,957

	Expenses	
	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2017
Insurance claim payments	$ 511,782	$ 511,782
Net change in separate account reserve	(311,561)	(311,561)
Custodian fee	181,736	181,736
	$ 381,957	$ 381,957

3) The rebate earned for engaging in investment-linked insurance business from counterparties for the three and nine months ended September 30, 2017 and 2016 were all $17,502 thousand.

c. Financial assets measured at cost

	September 30, 2017	December 31, 2016	September 30, 2016
Unlisted stocks - common stock	$ 7,186,249	$ 7,818,874	$ 7,628,226
Unlisted overseas partnership fund	6,026,114	6,135,403	6,192,782
Others	5,420,957	5,537,485	6,032,347
	$ 18,633,320	$ 19,491,762	$ 19,853,355
Classified according to financial asset measurement categories			
Available-for-sale financial assets	$ 17,644,028	$ 18,043,472	$ 18,385,659
Financial assets at FVTPL	989,292	1,448,290	1,467,696
	$ 18,633,320	$ 19,491,762	$ 19,853,355

CDIB Capital Group and subsidiaries disposed of certain financial assets measured at cost with carrying amount of $201,513 thousand, $723,846 thousand, $739,987 thousand and $1,586,564 thousand during the three and nine months ended September 30, 2017 and 2016, respectively, recognizing disposal gain of $438,420 thousand, $369,340 thousand, $1,250,410 thousand and $1,053,038 thousand, respectively.

For the information on other financial assets pledged as collateral for the Group, please refer to Note 52.

20. INVESTMENT PROPERTY

	September 30, 2017	December 31, 2016	September 30, 2016
Land	$ 20,111,916	$ 1,879,859	$ 1,817,326
Buildings and facilities	5,573,595	299,497	274,696
	$ 25,685,511	$ 2,179,356	$ 2,092,022

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

	For the Nine Months Ended September 30	
	2017	2016
Cost		
Beginning balance	$ 2,838,006	$ 2,682,688
Additions	30,169	31,152
Disposal	(7,145)	(3,381)
Effect of increase in consolidated subsidiaries	23,266,469	-
Reclassification	255,179	28,710
Ending balance	26,382,678	2,739,169

(Continued)

	For the Nine Months Ended September 30	
	2017	2016
Accumulated depreciation		
Beginning balance	$ (160,115)	$ (134,095)
Depreciation	(18,223)	(6,170)
Disposal	926	354
Reclassification	(21,283)	(7,537)
Ending balance	(198,695)	(147,448)
Accumulated impairment		
Beginning balance	(498,535)	(500,282)
Reversal of impairment	63	583
Ending balance	(498,472)	(499,699)
Carrying amount	$ 25,685,511	$ 2,092,022

(Concluded)

The above items of investment property were depreciated on a straight-line basis at economics lives estimated 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 September 30, 2017, December 31, 2016 and September 30, 2016 were $25,309,139 thousand, $4,147,015 thousand and $3,948,976 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 $2,522,109 thousand on September 30, 2017. Because its fair value cannot be reliably determined, it was excluded from the amount of fair value above mentioned.

The fair value of their investment property of the Group, besides the effectiveness of valuation report examined by the valuation division of China life insurance Co., Ltd. on June 30, 2017, is also examined the effectiveness of fair value of 2016 and 2105 by the Group, respectively. After evaluating, China life insurance Co., Ltd. agree that the fair value on Sep. 30, 2017 and Sep. 30, 2016 are effective. KGI Bank and subsidiaries, as well as CDIB Capital Group and subsidiaries and the fair value of their investment property of China Life insurance Co, Ltd on June 30, 2017, arrived at the fair value of their investment property by using reports of external appraisers that are not identified as related parties, and instead of evaluating by independent professional, the subsidiaries' management other than KGI Bank and CDIB Capital Group of the Group apply valuation models which market participants commonly use in determining the fair value. Sales comparison approach compares a subject property's characteristics with those of comparable properties which have recently sold in the similar transaction; Income approach 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 for the Group to secure borrowings were reflected in Note 52.

21. PROPERTY AND EQUIPMENT

	September 30, 2017	December 31, 2016	September 30, 2016
Land	$ 14,366,503	$ 8,831,716	$ 8,896,380
Buildings and facilities	5,605,298	4,368,108	4,429,172
Computer equipment	785,471	525,987	530,695
Transportation equipment	7,533	3,363	7,555
Other equipment	359,646	236,998	236,929
Leasehold improvements	296,079	302,598	303,845
Leased assets	517,713	240,303	218,236
	21,938,243	14,509,073	14,622,812
Prepayments for acquisition of properties	1,554,072	3,843	6,785
	$ 23,492,315	$ 14,512,916	$ 14,629,597

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

	Land	Buildings and Facilities	Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments for Acquisition of Properties	Total
Cost									
Balance at January 1, 2016	$ 8,919,653	$ 6,716,830	$ 1,381,780	$ 53,161	$ 1,836,284	$ 670,775	$ 268,931	$ 1,847	$ 19,849,261
Additions	-	3,862	151,802	4,988	51,936	104,602	43,414	22,435	383,039
Disposals	-	(40,984)	(236,386)	(10,655)	(93,403)	(94,507)	(23,768)	(788)	(500,491)
Reclassification	(19,016)	(9,192)	42,279	(21,656)	(12,078)	30,961	(2,514)	(16,671)	(7,887)
Effects of changes on consolidated subsidiaries	-	-	-	1,180	1,970	-	-	-	3,150
Effect of exchange rate changes	-	-	(10,516)	(140)	(35,120)	(16,562)	-	(38)	(62,376)
Balance at September 30, 2016	8,900,637	6,670,516	1,328,959	26,878	1,749,589	695,269	286,063	6,785	19,664,696
Accumulated depreciation and impairment									
Balance at January 1, 2016	(4,257)	(2,162,496)	(893,379)	(31,737)	(1,579,349)	(423,304)	(37,579)	-	(5,132,101)
Additions	-	(123,621)	(140,665)	(5,163)	(66,965)	(72,348)	(40,196)	-	(448,958)
Disposals	-	40,775	236,155	10,655	93,121	93,727	8,065	-	482,498
Reclassification	-	3,998	(5,399)	6,893	8,454	(1,670)	1,883	-	14,159
Effects of exchange rate changes	-	-	5,024	29	32,079	12,171	-	-	49,303
Balance at September 30, 2016	(4,257)	(2,241,344)	(798,264)	(19,323)	(1,512,660)	(391,424)	(67,827)	-	(5,035,099)
Balance at September 30, 2016, net	$ 8,896,380	$ 4,429,172	$ 530,695	$ 7,555	$ 236,929	$ 303,845	$ 218,236	$ 6,785	$ 14,629,597
Cost									
Balance at January 1, 2017	$ 8,837,807	$ 6,617,306	$ 1,309,908	$ 20,736	$ 1,770,372	$ 723,167	$ 323,076	$ 3,843	$ 19,606,215
Additions	-	21,668	114,721	11	48,544	95,646	122,363	143,100	546,053
Disposals	-	(23,233)	(72,148)	(80)	(103,791)	(25,981)	(28,065)	(2,200)	(255,498)
Reclassification	(224,938)	(33,845)	35,152	-	34,769	(22,820)	228,266	3,618	20,202
Effects of changes on consolidated subsidiaries	5,759,725	1,356,758	270,974	5,259	111,586	72	-	1,405,773	8,910,147
Effect of exchange rate changes	-	-	(7,022)	(162)	(38,253)	(17,127)	-	(62)	(62,626)
Balance at September 30, 2017	14,372,594	7,938,654	1,651,585	25,764	1,823,227	752,957	645,640	1,554,072	28,764,493
Accumulated depreciation and impairment									
Balance at January 1, 2017	(6,091)	(2,249,198)	(783,921)	(17,373)	(1,533,374)	(420,569)	(82,773)	-	(5,093,299)
Additions	-	(183,568)	(148,315)	(1,034)	(66,908)	(78,199)	(67,141)	-	(545,165)
Disposals	-	22,482	70,280	80	101,759	24,377	14,135	-	233,113
Reclassification	-	76,928	(7,852)	-	-	-	7,852	-	76,928
Effect of exchange rate changes	-	-	3,694	96	34,942	17,513	-	-	56,245
Balance at September 30, 2017	(6,091)	(2,333,356)	(866,114)	(18,231)	(1,463,581)	(456,878)	(127,927)	-	(5,272,178)
Balance at September 30, 2017, net	$ 14,366,503	$ 5,605,298	$ 785,471	$ 7,533	$ 359,646	$ 296,079	$ 517,713	$ 1,554,072	$ 23,492,315

The above items of property and equipment were depreciated on a straight-line basis at economic lives estimated 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

(Continued)

Other equipment	
Office furniture and equipment	2-10 years
Others	10 years
Leasehold improvements	1-10 years
Leased assets	1-20 years
	(Concluded)

For the information on property and equipment pledged as collateral for the Group, please refer to Note 52.

22. INTANGIBLE ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Operation rights	$ 5,026,467	$ 5,527,201	$ 5,695,118
Goodwill	30,838,404	1,895,744	1,905,672
Computer software	622,031	489,037	465,275
Others	36,396	36,396	36,396
	$ 36,523,298	$ 7,948,378	$ 8,102,461

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

	Operation Rights	Goodwill	Computer Software	Others	Total
Cost					
Balance at January 1, 2016	$ 8,542,562	$ 1,892,627	$ 822,706	$ 51,994	$ 11,309,889
Additions	-	75,850	137,274	-	213,124
Disposals	-	(12,573)	(55,424)	-	(67,997)
Reclassification	-	-	2,464	-	2,464
Effects of exchange rate changes	-	(50,232)	(918)	-	(51,150)
Balance at September 30, 2016	$ 8,542,562	$ 1,905,672	$ 906,102	$ 51,994	$ 11,406,330
Accumulated amortization and impairment					
Balance at January 1, 2016	$ (2,340,066)	$ -	$ (369,735)	$ (15,598)	$ (2,725,399)
Amortization	(507,378)	-	(126,691)	-	(634,069)
Disposals	-	-	55,282	-	55,282
Effects of exchange rate changes	-	-	317	-	317
Balance at September 30, 2016	$ (2,847,444)	$ -	$ (440,827)	$ (15,598)	$ (3,303,869)
Balance at September 30, 2016, net	$ 5,695,118	$ 1,905,672	$ 465,275	$ 36,396	$ 8,102,461
Cost					
Balance at January 1, 2017	$ 8,542,562	$ 1,895,744	$ 951,286	$ 51,994	$ 11,441,586
Additions	-	-	125,127	-	125,127
Acquired in a business combination	-	28,984,286	-	-	28,984,286
Disposals	-	-	(17,264)	-	(17,264)
Reclassification	-	-	2,798	-	2,798
Effects of changes on consolidated subsidiaries	-	-	144,174	-	144,174
Effects of exchange rate changes	-	(41,626)	(171)	-	(41,797)
Balance at September 30, 2017	$ 8,542,562	$ 30,838,404	$ 1,205,950	$ 51,994	$ 40,638,910

(Continued)

	Operation Rights	Goodwill	Computer Software	Others	Total
Accumulated amortization and impairment					
Balance at January 1, 2017	$ (3,015,361)	$ -	$ (462,249)	$ (15,598)	$ (3,493,208)
Amortization	(500,734)	-	(138,837)	-	(639,571)
Disposals	-	-	17,123	-	17,123
Effects of exchange rate changes	-	-	44	-	44
Balance at September 30, 2017	$ (3,516,095)	$ -	$ (583,919)	$ (15,598)	$ (4,115,612)
Balance at September 30, 2017, net	$ 5,026,467	$ 30,838,404	$ 622,031	$ 36,396	$ 36,523,298

(Concluded)

The above items of intangible assets were amortized on a straight-line basis at economic lives estimated as follows:

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

23. OTHER ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Prepayment - surface rights	$ 13,432,878	$ -	$ -
Operating guarantee deposits	7,453,073	1,417,056	1,417,228
Guarantee deposits paid	7,387,638	9,401,359	6,557,041
Security borrowing margins	3,171,071	2,810,965	5,113,559
Prepaid expense	1,206,711	987,651	1,510,508
Others	2,502,773	1,691,384	2,434,140
	$ 35,154,144	$ 16,308,415	$ 17,032,476

Prepayment - the surface rights are land of China Life Insurance Co., Ltd. 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 52.

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	September 30, 2017	December 31, 2016	September 30, 2016
Call loans from banks	$ 30,501,725	$ 29,863,422	$ 22,128,294
Deposits from Chunghwa Post Co., Ltd.	1,203,712	1,215,347	1,221,038
	$ 31,705,437	$ 31,078,769	$ 23,349,332

25. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Corporate bonds	$ 46,460,101	$ 23,943,163	$ 32,603,609
Bank debentures	39,761,851	51,255,621	54,943,264
Government bonds	23,065,276	44,361,659	51,675,930
	$ 109,287,228	$ 119,560,443	$ 139,222,803
Repurchased amounts	$ 109,450,551	$ 119,817,493	$ 139,652,694
Last maturity date	January 2018	March 2017	December 2016

26. COMMERCIAL PAPER PAYABLE

	September 30, 2017	December 31, 2016	September 30, 2016
Commercial paper payable	$ 19,855,044	$ 17,558,460	$ 20,835,394
Less: Unamortized discount	(5,122)	(8,663)	(7,007)
	$ 19,849,922	$ 17,549,797	$ 20,828,387
Rate	0.38%-1.88%	0.48%-1.87%	0.31%-2.02%
Last maturity date	July 2018	October 2017	June 2017

As of September 30, 2017, Ta Ching Finance Corporation, China 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, Taiwan Cooperative Bank, Dah Chang Bills Finance Corporation, Far Eastern International Bank, Taichung Commercial Bank, Hua Nan Commercial Bank, Sinopec Bank and Taipei Star Bank guaranteed the above commercial paper. However, some commercial paper which amounted to $14,027,543 thousand, had no guarantee.

As of December 31, 2016, China Bills Finance Corporation, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Dah Chang Bills Finance Corporation, International Bills Finance Corporation, Far Eastern International Bank, Mega Bank, Taipei Star Bank, Ta Chong Bank, Taiwan Finance Corporation, Syndicated Loans issued by China Bills Finance Corporation, Ta Ching Finance Corporation, Union Bank of Taiwan, Taishin International Bank, Hua Nan Commercial Bank, Taiwan Business Bank, Sunny Bank, Taiwan Cooperative Bank, Shanghai Commercial Bank and Union Bills Finance Corporation guaranteed the above commercial paper. However, some commercial paper, which amounted to $8,185,474 thousand, had no guarantee.

As of September 30, 2016, Mega Bills Finance Corporation, International Bills Finance Corporation, Far Eastern International Bank, Mega Bank, Ta Chong Bank, Da Ching Finance Corporation, China Bills Finance Corporation, Taiwan Finance Corporation, Grand Bill Finance Corporation, Da Chang Bills Finance Corporation guaranteed the above commercial paper. However, some commercial paper issued by the Corporation and subsidiaries, which amounted to $12,845,014 thousand, had no guarantee.

27. PAYABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Accounts payable for settlement	$ 54,820,881	$ 35,954,518	$ 43,491,229
Guaranteed price deposits received from securities borrowers	11,025,073	10,869,488	12,936,054
Accrued expenses	5,162,519	3,528,890	2,994,138
Payable on insurance policies	4,636,682	-	-
Securities financing guarantee deposits	2,613,949	2,681,255	2,921,111
Settlement proceeds	2,118,388	2,875,364	5,144,419
Others	9,157,343	4,427,813	4,227,709
	$ 89,534,835	$ 60,337,328	$ 71,714,660

28. DEPOSITS AND REMITTANCES

	September 30, 2017	December 31, 2016	September 30, 2016
Time deposits	$ 205,138,518	$ 182,288,180	$ 182,263,231
Saving deposits	101,233,205	98,220,082	98,186,567
Demand deposits	35,201,888	29,969,608	27,485,996
Negotiable CDs	8,008,700	1,896,300	896,000
Checking deposits	2,062,377	2,853,653	2,473,972
Inward remittance	27,108	224,141	55,274
	$ 351,671,796	$ 315,451,964	$ 311,361,040

29. BONDS PAYABLE

	September 30, 2017	December 31, 2016	September 30, 2016
Corporate bonds payable	$ 29,000,000	$ 25,000,000	$ 25,938,940
Bank debentures payable	3,737,989	2,684,236	2,666,122
	$ 32,737,989	$ 27,684,236	$ 28,605,062

Corporate Bonds Payable

	September 30, 2017	December 31, 2016	September 30, 2016
1st corporate bonds in 2009 - the Corporation	$ -	$ 1,000,000	$ 1,000,000
1st corporate bonds in 2011 - the Corporation	1,000,000	6,000,000	6,000,000
1st corporate bonds in 2013 - the Corporation	3,000,000	3,000,000	3,000,000
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000	6,000,000
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000	2,000,000

(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
1st corporate bonds in 2017 - the Corporation	$ 10,000,000	$ -	$ -
1st corporate bonds in 2014 - KGI Securities	-	-	938,940
1st corporate bonds in 2015 - KGI Securities	7,000,000	7,000,000	7,000,000
	$ 29,000,000	$ 25,000,000	$ 25,938,940
Fair value	$ 29,442,704	$ 25,314,561	$ 26,300,737

(Concluded)

In March 2010, the Corporation issued $6,000,000 thousand of 1st unsecured corporate bonds in 2009 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: 1.80% fixed annual interest rate.
Bond B: 2.00% 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 2015 and Bond B will mature in March 2017.

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

a. Issue period:

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

b. Issue coupon/interest rate:

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

c. Method of paying principal and interest:

Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

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

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

a. Issue period: Five years.

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

c. Method of paying principal and interests:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   The bonds will mature in May 2018.

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

a. Issue period: Five years.

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

c. Method of paying principal and interests:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   The bonds will mature in March 2020.

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

a. Issue period: Five years.

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

c. Method of paying principal and interests:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

   The bonds will mature in September 2020.

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

a. Issue period:

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

b. Issue coupon/interest rate:

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

c. Method of paying principal and interest:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

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

In November 2014, KGI Securities issued RMB200,000 thousand of 1st unsecured corporate bonds in 2014 with par value of RMB1,000 thousand. The bond terms were as follows:

a. Issue period: Two years.

b. Issue coupon/interest rate: 3.50% 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 November 2016.

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

a. Issue period:

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

b. Issue coupon/interest rate:

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

c. Method of paying principal and interest:

   Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

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

Bank Debentures Payable

Name	September 30, 2017	December 31, 2016	September 30, 2016	Issue Year	Repayment Year	Interest Rate
04 KGIB2	$ 2,750,000	$ 2,750,000	$ 2,750,000	2008.01.09-2017.12.13	Principal due on maturity	0.00%
P06 KGIB1	1,000,000	-	-	2017.05.19-2020.05.19	Principal due on maturity interest payable annually	0.90%
	3,750,000	2,750,000	2,750,000			
Unamortized discount	(12,011)	(65,764)	(83,878)			
Net amount	$ 3,737,989	$ 2,684,236	$ 2,666,122			
Fair value	$ 3,736,634	$ 2,672,291	$ 2,652,235			

30. OTHER BORROWINGS

	September 30, 2017	December 31, 2016	September 30, 2016
Short-term credit borrowings	$ 13,178,554	$ 9,575,993	$ 10,091,696
Short-term secured borrowings	7,768,869	5,036,020	6,151,243
Note issuance facility	4,299,377	4,799,568	1,449,645
Long-term credit borrowings	207,466	466,877	212,331
	$ 25,454,266	$ 19,878,458	$ 17,904,915
Rate	0.46%-4.75%	0.65%-9.45%	0.53%-6.90%
Last maturity date	June 2020	December 2019	July 2019

31. PROVISIONS

	September 30, 2017	December 31, 2016	September 30, 2016
Insurance liabilities	$ 1,248,227,230	$ -	$ -
Foreign exchange valuation reserve	2,821,112	-	-
Provisions for employee benefits	980,132	931,377	1,011,710
Others	464,262	442,290	431,149
	$ 1,252,492,736	$ 1,373,667	$ 1,442,859

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

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

	September 30, 2017	December 31, 2016	September 30, 2016
Reserve for life insurance liabilities	$ 1,227,275,475	$ -	$ -
Unearned premium reserve	3,395,731	-	-
Reserve for claims	1,476,876	-	-
Special reserve	6,056,681	-	-
Premium deficiency reserve	10,022,467	-	-
	$ 1,248,227,230	$ -	$ -

a. Reserve for life insurance liabilities:

	September 30, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 905,226,530	$ 60,618,381	$ 965,844,911
Health insurance	102,067,187	-	102,067,187
Annuity insurance	684,759	156,853,177	157,537,936
Investment-linked insurance	1,825,441	-	1,825,441
	$ 1,009,803,917	$ 217,471,558	$ 1,227,275,475

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

Movement in reserve for life insurance liabilities is summarized below:

	For the Nine Months Ended September 30, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ -	$ -	$ -
Effect of changes in consolidated entities	998,810,334	217,889,832	1,216,700,166
Reserve	12,338,198	1,301,360	13,639,558
Recover	(1,977,940)	(1,881,990)	(3,859,930)
Losses (gains) on foreign exchange	633,325	162,356	795,681
Ending balance	$ 1,009,803,917	$ 217,471,558	$ 1,227,275,475

b. Unearned premium reserve

	September 30, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,196	$ -	$ 1,196
Individual injury insurance	1,004,924	-	1,004,924
Individual health insurance	1,678,406	-	1,678,406
Group insurance	654,961	-	654,961
Investment-linked insurance	56,179	-	56,179
Annuity insurance	-	65	65
	3,395,666	65	3,395,731
Less ceded unearned premium reserve			
Individual life insurance	13,208	-	13,208
Individual injury insurance	1,671	-	1,671
Individual health insurance	26,089	-	26,089
Group insurance	1,768	-	1,768
Investment-linked insurance	4,983	-	4,983
	47,719	-	47,719
Net amount	$ 3,347,947	$ 65	$ 3,348,012

Movement in unearned premium reserve is summarized below:

	For the Nine Months Ended September 30, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ -	$ -	$ -
Effect of changes in consolidated entities	3,493,855	65	3,493,920
Reserve	109,154	52	109,206
Recover	(207,343)	(52)	(207,395)
Ending balance	3,395,666	65	3,395,731
Less ceded unearned premium reserve			
Beginning balance	-	-	-
Effect of changes in consolidated entities	49,354	-	49,354
Increase	1,603	-	1,603
Decrease	(3,238)	-	(3,238)
Ending balance	47,719	-	47,719
Net amount	$ 3,347,947	$ 65	$ 3,348,012

c. Reserve for claims

	September 30, 2017		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Individual life insurance			
Reported but not paid claim	$ 242,310	$ 83,891	$ 326,201
Unreported claim	1,380	-	1,380
Individual injury insurance			
Reported but not paid claim	55,695	-	55,695
Unreported claim	142,561	-	142,561
Individual health insurance			
Reported but not paid claim	89,926	-	89,926
Unreported claim	438,519	-	438,519
Group insurance			
Reported but not paid claim	61,973	-	61,973
Unreported claim	275,118	-	275,118
Investment-linked insurance			
Reported but not paid claim	27,208	-	27,208
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	58,201	58,201
Unreported claim	-	94	94
	1,334,690	142,186	1,476,876
Less ceded reserve for claims			
Individual life insurance	4,136	-	4,136
Individual injury insurance	3,607	-	3,607
Individual health insurance	5,996	-	5,996
Group insurance	3,756	-	3,756
Investment-linked insurance	2,000	-	2,000
	19,495	-	19,495
Net amount	$ 1,315,195	$ 142,186	$ 1,457,381

Movement in reserve for claims is summarized below:

	For the Nine Months Ended September 30, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ -	$ -	$ -
Effect of changes in consolidated entities	1,484,694	139,498	1,624,192
Reserve	-	2,629	2,629
Recover	(149,927)	-	(149,927)
Losses (gains) on foreign exchange	(77)	59	(18)
Ending balance	1,334,690	142,186	1,476,876
Less ceded unearned premium reserve			
Beginning balance	-	-	-
Effect of changes in consolidated entities	21,653	-	21,653
Decrease	(2,158)	-	(2,158)
Ending balance	19,495	-	19,495
Net amount	$ 1,315,195	$ 142,186	$ 1,457,381

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

d. Special reserve

	September 30, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	$ 6,056,681	$ -	$ 6,056,681
Dividend risk reserve	-	-	-
	$ 6,056,681	$ -	$ 6,056,681

Movement in special reserve is summarized below:

	For the Nine Months Ended September 30, 2017
	Insurance Contract
Beginning balance	$ -
Effect of changes in consolidated entities	5,792,803
Reserve for participating policy dividend reserve	263,878
Ending balance	$ 6,056,681

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

	September 30, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,353	$ -	$ 1,353
Individual injury insurance	845,090	-	845,090
Individual health insurance	2,148,580	-	2,148,580
Group insurance	2,419,620	-	2,419,620
Annuity insurance	-	419	419
	$ 5,414,643	$ 419	$ 5,415,062

f. Premium deficiency reserve

	September 30, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 9,903,420	$ -	$ 9,903,420
Individual injury insurance	119,047	-	119,047
	$ 10,022,467	$ -	$ 10,022,467

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

Movement in premium deficiency reserve is summarized below:

	For the Nine Months Ended September 30, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ -	$ -	$ -
Effect of changes in consolidated entities	10,161,474	-	10,161,474
Reserve	45,467	-	45,467
Recover	(193,906)	-	(193,906)
Losses (gains) on foreign exchange	9,432	-	9,432
Ending balance	$ 10,022,467	$ -	$ 10,022,467

g. Liability adequacy reserve

	Insurance Contract and Financial Instruments with Discretionary Participation Feature
	September 30, 2017
Reserve for life insurance liabilities	$ 1,227,275,475
Unearned premium reserve	3,395,731
Premium deficiency reserve	10,022,467
Special reserve	6,056,681
Book value of insurance liabilities	$ 1,246,750,354
Estimated present value of cash flows	$ 922,400,713
Balance of liability adequacy reserve	$ -

Liability adequacy testing methodology is listed as follows:

Test method	September 30, 2017 Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best estimated scenario investment return on the most recent actuary report (the actuary report of 2016), and discount rates were evaluated with consideration of current information.

h. Foreign exchange valuation reserve

1) The hedge strategy and risk exposure

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

2) Adjustment in foreign exchange valuation reserve

	For the Nine Months Ended September 30, 2017
	Insurance Contract
Beginning balance	$ -
Effect of changes in consolidated entities	2,800,849
Reserve	
Compulsory reserve	51,825
Extra reserve	-
	51,825
Recover	(31,562)
Ending balance	$ 2,821,112

3) Effects due to foreign exchange valuation reserve

	For the Nine Months Ended September 30, 2017		
Item	**Inapplicable Amount (1)**	**Applicable Amount (2)**	**Effects (2) - (1)**
Net income	$ 4,647,582	$ 7,603,893	$ 2,956,311
Earnings per share (dollar)	1.23	2.01	0.78
Foreign exchange valuation reserve	-	2,821,112	2,821,112
Equity	87,165,471	86,248,124	(917,347)

32. 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, 2016 and 2015, and recognized in their respective periods.

The Group recognized its contributions under defined benefit plans as pension expenses (recognized as employee benefits) amounting to $11,048 thousand, $23,299 thousand, $28,342 thousand and $43,876 thousand, respectively and recognized pension expenses (recognized as employee benefits) under defined contribution plans amounting to $104,598 thousand, $97,540 thousand, $290,053 thousand and $287,076 thousand, respectively for the three and nine months ended September 30, 2017 and 2016.

33. OTHER FINANCIAL LIABILITIES

	September 30, 2017	December 31, 2016	September 30, 2016
Separate account product liabilities	$ 60,923,532	$ -	$ -
Customers' equity accounts - futures	35,491,525	36,066,932	34,272,805
Principal received on structured notes	26,330,919	26,299,389	26,319,810
Others	365,769	387,509	377,503
	$ 123,111,745	$ 62,753,830	$ 60,970,118

34. OTHER LIABILITIES

	September 30, 2017	December 31, 2016	September 30, 2016
Guarantee deposits received	$ 15,932,395	$ 12,654,078	$ 14,227,329
Temporary receipts and suspense accounts	5,820,591	650,861	1,259,700
Collections for others	2,618,936	1,808,971	2,165,605
Others	1,151,945	438,298	741,562
	$ 25,523,867	$ 15,552,208	$ 18,394,196

35. EQUITY

a. Share capital

Common stock

	September 30, 2017	December 31, 2016	September 30, 2016
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 received (in thousands)	14,976,303	14,974,421	14,974,177
Shares issued	$ 149,763,034	$ 149,744,213	$ 149,741,766

b. Capital surplus

	September 30, 2017	December 31, 2016	September 30, 2016
Arising from treasury stock transactions	$ 982,809	$ 821,193	$ 821,193
Share-based payments awards	86,891	81,539	78,653
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	182,755	182,755
Arising from share of changes in capital surplus of associates	13,728	13,728	13,728
Capital surplus-issue of stock in excess	6,267	5,306	5,450
	$ 1,170,689	$ 1,104,521	$ 1,101,779

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, 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.

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", when transitioning to IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Corporation's use of exemptions under IFRS 1. However, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed.

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 final remainder of the earnings as dividends to shareholders and the 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.

Legal reserve should be appropriated from earnings until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the Integrated Income Tax System, resident shareholders are allowed tax credits, based on the balance of the Imputation Credit Account (ICA) on the dividend distribution date, for the income tax paid by the Corporation on earnings generated since 1998.

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 16, 2017 and May 16, 2016, the board of the directors and shareholders' meeting approved the resolution on the appropriations from the earnings of 2016 and 2015, respectively, including bonus to employees and remuneration to directors and supervisors, as follows:

	Earnings Appropriation		Dividends Per Share (NT$)	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 592,308	$ 852,823		
Special reserve (reversed)	(949,694)	2,463,255		
Cash dividends	7,487,871	7,487,006	$ 0.5	$ 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 Nine Months Ended September 30	
	2017	**2016**
Balance at January 1	$ 3,608,921	$ 3,606,912
Attributable to non-controlling interests		
Share of profit for the period	(141,997)	61,667
Exchange difference on translation of foreign financial statements	(885)	(4,462)
Unrealized losses on available-for-sale financial assets	(1,724,104)	(1,438)
Payment of cash dividends by subsidiaries	(35,828)	(59,476)
Effect of changes in consolidated entities	74,293,520	1,776
Other	505	-
Balance at September 30	$ 76,000,132	$ 3,604,979

36. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS

Subsidiaries	The Main Place of Business	Non-controlling Interests Held by the Proportion of Equity September 30, 2017
China Life Insurance Company Limited	Taiwan	65.04%

	Net Income Attributed to Non-controlling Interests For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2017
China Life Insurance Company Limited	$ (175,026)	$ (175,026)

	Non-controlling Interests September 30, 2017
China Life Insurance Company Limited	$ 71,960,955

On the date when the consolidated financial report passed, the company did not disclosure the financial information of China Life Insurance Co., Ltd. since the fair value evaluation of the company was not complete.

37. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Period (In Thousands)	Share Increase During the Period (In Thousands)	Share Decrease During the Period (In Thousands)	Shares at End of the Period (In Thousands)
For the nine months ended September 30, 2017				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	323,232	196,630	-	519,862

(Continued)

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 nine months ended September 30, 2016				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	323,232	-	-	323,232
Held by the Corporation to maintain its credit and shareholders' equity	-	143,010	143,010	-
	323,232	143,010	143,010	323,232

(Concluded)

The Corporation's shares held by subsidiaries are regarded as treasury stock. The Corporation's shares held by KGI Securities, calculated at the Corporation's stockholding percentage of book value on the completion day of acquisition and share swap date respectively, were treated as treasury stock. The market prices of the shares were $2,756,557 thousand, $2,438,842 thousand and $2,420,686 thousand on September 30, 2017, December 31, 2016 and September 30, 2016, respectively. The Corporation's shares held by CDIB Capital Group are also treated as treasury stock and recognized book value on the swap date. The market prices of the shares were $188,086 thousand, $166,408 thousand and $165,169 thousand on September 30, 2017, December 31, 2016 and September 30, 2016, respectively. The Corporation's shares held by China Life Insurance Co., Ltd. are also treated as treasury stock and recognized book value on the completion day of acquisition. The market prices of the shares were $1,791,298 thousand on September 30, 2017, respectively.

On January 25, 2016, the board of directors resolved to buy back 150,000 thousand of the Corporation's shares between January 26, 2016 and March 25, 2016 under the regulations of Article 28-2 of the Securities and Exchange Act. The purpose of this buyback was to maintain the Corporation's reputation and the shareholders' equity; the buyback price was set at NT$7.27 to NT$10.00 per share and the buyback would be continued even when the stock price went down below the lower bound of the price interval set, in compliance with Article 2 of Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies. The Corporation had repurchased 143,010 thousand shares at an average price of NT$8.04 per share and retired all the treasury stocks on June 27, 2016.

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

38. INTEREST PROFIT, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest revenues				
Securities	$ 3,372,882	$ 233,557	$ 4,273,853	$ 767,349
Discounts and loans	2,055,738	1,663,297	5,603,836	4,892,846
Margin loans and refinancing margin	481,804	443,905	1,366,839	1,389,752
Due from and call loans to banks	101,830	155,424	289,721	417,360
Others	392,467	291,223	1,195,880	960,191
	6,404,721	2,787,406	12,730,129	8,427,498
Interest expenses				
Deposits	752,503	544,814	2,014,265	1,800,874
Notes and bonds issued under repurchase agreements	315,019	192,798	870,991	565,715
Borrowing interest expense	86,788	68,008	249,679	254,631
Corporate bonds	78,411	96,186	223,549	286,936
Deposit from the Central Bank and banks	75,066	30,652	192,119	60,999
Others	118,644	96,827	328,444	280,422
	1,426,431	1,029,285	3,879,047	3,249,577
Interest profit, net	$ 4,978,290	$ 1,758,121	$ 8,851,082	$ 5,177,921

39. SERVICE FEE AND COMMISSION, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Service fee revenue and commission income				
Brokerage	$ 2,364,203	$ 1,770,317	$ 6,014,401	$ 5,379,712
Commission income - insurance	291,636	325,244	799,625	845,092
Trust	155,349	106,351	377,289	250,758
Loans	70,594	33,260	241,443	138,422
Credit card	41,637	37,474	129,589	105,690
Others	303,828	198,671	708,568	534,310
	3,227,247	2,471,317	8,270,915	7,253,984
Service fee expense and commission expense				
Commission expense - insurance	545,400	-	545,400	-
Brokerage	347,423	308,685	904,051	954,985
Consignment settlement and delivery	71,861	63,165	184,348	192,502

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Commission expense - other	$ 57,419	$ 41,071	$ 146,472	$ 130,022
Agency	30,764	35,556	93,681	104,101
Dealing handling fee	11,389	30,413	49,853	119,677
Others	88,285	71,357	234,649	218,508
	1,152,541	550,247	2,158,454	1,719,795
Service fee and commission, net	$ 2,074,706	$ 1,921,070	$ 6,112,461	$ 5,534,189

(Concluded)

40. INSURANCE BUSINESS, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Insurance business income				
Premium income	$ 12,837,893	$ -	$ 12,837,893	$ -
Reinsurance premium income	(75,945)	-	(75,945)	-
Changes in unearned premium reserve	96,555	-	96,555	-
Retained earned premium	12,858,503	-	12,858,503	-
Separate account insurance products revenues	381,957	-	381,957	-
	13,240,460	-	13,240,460	-
Insurance business expense				
Insurance claim payments	(4,794,187)	-	(4,794,187)	-
Claims recovered from reinsures	38,043	-	38,043	-
Retained claim payments	(4,756,144)	-	(4,756,144)	-
Brokerage expense	(860)	-	(860)	-
Disbursements toward industry stability fund	(24,397)	-	(24,397)	-
Changes in foreign exchange valuation reserve	(20,263)	-	(20,263)	-
Separate account insurance products expenses	(381,957)	-	(381,957)	-
	(5,183,621)	-	(5,183,621)	-
Insurance business, net	$ 8,056,839	$ -	$ 8,056,839	$ -

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Derivatives	$ (4,013,407)	$ 334,834	$ (1,617,468)	$ 286,601
Operating securities	1,379,523	1,164,092	2,942,168	1,510,401
Call (put) warrants	(173,643)	40,881	(136,639)	358,824
Mutual funds	169,129	(29,407)	223,180	(426,552)
Bonds	146,113	(30,431)	175,509	1,264,191
Others	455,773	575,974	(757,838)	613,013
	$ (2,036,512)	$ 2,055,943	$ 828,912	$ 3,606,478

For the three and nine months ended September 30, 2017 and 2016, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of $335,171 thousand, $535,516 thousand, $1,129,625 thousand and $1,669,940 thousand, respectively, dividend income of $616,980 thousand, $536,931 thousand, $724,076 thousand and $603,978 thousand, respectively, and interest expense of $200,521 thousand, $109,466 thousand, $569,281 thousand and $232,792 thousand, respectively.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Gain on stock disposal	$ 2,095,537	$ 130,131	$ 2,361,361	$ 502,548
Dividend income	785,886	678,269	862,986	768,883
Gain on bond disposal	621,916	112,813	787,303	605,306
Others	(44,944)	11,296	(40,002)	13,991
	$ 3,458,395	$ 932,509	$ 3,971,648	$ 1,890,728

43. IMPAIRMENT LOSS ON ASSETS, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Financial assets measured at cost	$ 67,201	$ 130,242	$ 420,802	$ 520,140
Available-for-sale financial assets	-	195,618	490	369,848
Others	(46,143)	12,288	(46,636)	13,859
	$ 21,058	$ 338,148	$ 374,656	$ 903,847

44. GAIN ON FINANCIAL ASSETS MEASURED AT COST, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Gain on security disposal	$ 312,613	$ 384,050	$ 1,134,606	$ 1,123,018
Dividend income	195,938	239,138	324,708	374,608
Others	2,265	(645)	3,506	310
	$ 510,816	$ 622,543	$ 1,462,820	$ 1,497,936

45. NET OTHER NONINTEREST PROFIT AND GAIN

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Revenue from underwriting	$ 156,756	$ 384,256	$ 477,063	$ 646,118
Rental income	48,861	27,941	118,550	84,530
Revenue from providing agency service for stock affairs	39,955	37,874	110,478	105,101
Gain on debts investment without active market	(34,355)	226,918	(34,355)	408,907
Gain on sale of nonperforming loans	20,739	60,494	77,035	123,757
Others	180,952	93,179	239,110	279,377
	$ 412,908	$ 830,662	$ 987,881	$ 1,647,790

46. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Employee benefit expense				
Salaries and wages	$ 3,123,597	$ 2,756,773	$ 8,170,673	$ 7,394,165
Employee insurance	171,285	141,545	489,273	455,277
Pension	115,646	120,839	318,395	330,952
Others	234,526	144,412	535,087	434,138
	$ 3,645,054	$ 3,163,569	$ 9,513,428	$ 8,614,532
Depreciation and amortization expenses	$ 477,780	$ 374,075	$ 1,225,014	$ 1,103,038

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 nine months ended September 30, 2017 and 2016, the employees' compensation and the remuneration to directors and supervisors both were $54,194 thousand, $24,894 thousand, $88,404 thousand and $44,467 thousand, respectively.

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.

The employees' compensation bonus of employees and remuneration to directors and supervisors for 2016 and 2015 which have been approved in the shareholders' meetings on March 27, 2017 and March 28, 2016, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors for 2016 and 2015 were reported on the shareholders meeting on June 16, 2017 and May 16, 2016, respectively.

	For the Year Ended December 31	
	2016	**2015**
Employees' compensation to employees	$ 59,000	$ 87,000
Remuneration of directors and supervisors	58,000	75,000

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2016 and 2015.

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).

47. OTHER GENERAL ADMINISTRATIVE EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Taxation	$ 370,888	$ 390,735	$ 964,157	$ 1,083,604
Rental	255,906	259,280	770,020	775,487
Professional services	185,611	201,879	437,435	537,225
Computer information	163,259	169,787	511,469	529,300
Postage	98,916	84,399	272,374	253,971
Security lending expense	79,547	88,718	232,196	215,791
Others	462,840	513,757	1,269,280	1,319,212
	$ 1,616,967	$ 1,708,555	$ 4,456,931	$ 4,714,590

48. 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 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Current income tax				
Current year	$ 367,894	$ 108,092	$ 569,868	$ 440,235
Prior years	(36,096)	68,685	(106,772)	(102,424)
	331,798	176,777	463,096	337,811
Deferred income tax	35,811	263,678	454,509	280,970
Income tax expense recognized in profit or loss	$ 367,609	$ 440,455	$ 917,605	$ 618,781

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Deferred income tax				
Unrealized gain (loss) on available-for-sale financial assets	$ (241,389)	$ 685	$ (240,932)	$ 1,550

c. Integrated income tax

	September 30, 2017	December 31, 2016	September 30, 2016
Imputation credits accounts - the Corporation	$ 394,441	$ 391,943	$ 397,353

The Corporation's creditable tax ratio for the distribution of earnings of 2016 and 2015 were 13.85% (estimated) and 12.51%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Corporation was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Corporation was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2016 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

The Corporation had no unappropriated earnings generated before January 1, 1997.

d. Income tax assessments

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

CDIB Management Consulting Corporation and CDC Finance and Leasing Company's income tax returns through 2015 had been examined by the tax authorities. Income tax returns of KGI Bank and former KGI Bank Insurance Brokerage Company for the years 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 2008 to 2013. As a result, KGI filed tax appeals.

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

CDIB Capital Group's income tax returns through 2012 had been examined by the tax authorities.

Income tax returns of CDIB Capital Management Inc., former R.O.C. Strategic Company Ltd., and former China Venture Management Inc., through 2015 had been examined by the tax authorities. Income tax returns of former CDIB Strategic Venture Fund Ltd. through 2014 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 2015 had been examined by the tax authorities.

China Life Insurance Co., Ltd., income tax returns through 2015 had been examined by the tax authorities.

49. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Basic EPS	$ 0.37	$ 0.17	$ 0.61	$ 0.30
Diluted EPS	$ 0.37	$ 0.17	$ 0.61	$ 0.30

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 September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Earnings used in the computation of EPS	$ 5,430,771	$ 2,553,475	$ 8,969,057	$ 4,441,633

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Weighted average number of common shares outstanding in computation of basic EPS	14,593,722	14,640,460	14,628,188	14,669,099
Effect of dilutive potentially common shares:				
Employee share options	2,529	1,079	2,559	1,092
Restricted shares	4,423	6,443	5,008	6,872
Weighted average number of common shares outstanding in computation of diluted EPS	14,600,674	14,647,982	14,635,755	14,677,063

50. 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 Nine Months Ended September 30			
	2017		2016	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	73,211	$ 8.43	74,320	$ 9.01
Options exercised	(560)	7.49	(165)	6.81
Options invalid	(7,334)	8.45	(849)	8.86
Balance at September 30	65,317	7.93	73,306	8.42
Options exercisable, end of period	33,112	7.91	29,916	8.35
Weighted-average remaining contractual life (years)	3.87		4.88	

The weighted-average share prices at the date of exercise of share options from January 1 to September 30, 2017 and 2016 were $9.16 and $7.63.

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%
Multiplier of early exercise	1.63

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

Compensation costs for the three and nine months ended September 30, 2017 and 2016 were $2,570 thousand, $4,077 thousand, $3,897 thousand and $12,556 thousand.

b. Issue restricted share plan

The board of directors of the Corporation has decided to issue restricted shares plan which is $40,597 thousand in total, and $10 per face value totaled 4,060 thousand shares with issue price of $0 (free issuance) at August 19, 2013. Further, the board of directors made August 26, 2013 as the base-date for capital increase. Fair value on the payment day of the stock was $8.15.

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 nine months ended September 30, 2017 and 2016, the Corporation recognized $5,383 thousand, $11,005 thousand, $18,053 thousand, and $34,324 thousand as compensation cost.

51. 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	%
September 30, 2017	$ 134,076	-
December 31, 2016	10,582	-
September 30, 2016	682,844	3

For the three and nine months ended September 30, 2017 and 2016, the interest revenues from cash in bank were $11 thousand, $1,581 thousand, $52 thousand and $3,193 thousand, respectively.

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

	Amount	%
September 30, 2017	$ 127,792	-
December 31, 2016	240,836	1
September 30, 2016	287,710	1

For the three and nine months ended September 30, 2017 and 2016, 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	%
September 30, 2017	$ 20,180	-
December 31, 2016	31,609	-
September 30, 2016	47,756	-

4) Available-for-sale financial assets

	Amount	%
September 30, 2017	$ 440,847	-

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the nine months ended September 30, 2017		
Other related parties	$ 550,895	$ 249,767
For the nine months ended September 30, 2016		
Other related parties	49,950	1,689,580

6) Revenue receivable (recognized as receivables, net)

	Amount	%
September 30, 2017	$ 121,648	-
December 31, 2016	131,210	-
September 30, 2016	64,780	-

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

	Amount	%
September 30, 2017	$ 14,740	-
December 31, 2016	12,245	-
September 30, 2016	11,001	-

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

	Amount	%
September 30, 2017	$ 23,338	-
December 31, 2016	16,619	-
September 30, 2016	14,591	-

9) Other receivables (recognized as receivables, net)

	Amount	%
September 30, 2017	$ 5,957	-
December 31, 2016	14,584	-
September 30, 2016	6,199	-

10) Discounts and loans, net

	Amount	%	Interest Rate (%)
September 30, 2017	$ 1,028,710	-	1.54-15.00
December 31, 2016	912,472	-	1.54-15.00
September 30, 2016	890,774	-	1.54-15.00

For the three and nine months ended September 30, 2017 and 2016, the interest revenues from discounts and loans were $3,861 thousand, $3,419 thousand, $11,078 thousand and $11,717 thousand, respectively.

Balance as of September 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	41	$ 33,312	$ 26,436	$ 26,436	$ -	None	Yes
Residential mortgage loans	74	1,130,144	984,332	984,332	-	Real estate	Yes
Others	14	29,494	17,942	17,942	-	Deposit/real estate	Yes

Balance as of December 31, 2016

(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	42	$ 32,490	$ 16,502	$ 16,502	$ -	None	Yes
Residential mortgage loans	78	1,227,071	883,732	883,732	-	Real estate	Yes
Others	14	30,505	12,238	12,238	-	Deposit/real estate	Yes

Balance as of September 30, 2016

(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	42	$ 32,488	$ 17,536	$ 17,536	$ -	None	Yes
Residential mortgage loans	75	1,191,998	860,215	860,215	-	Real estate	Yes
Others	13	28,940	13,023	13,023	-	Real estate/ deposit	Yes

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Other related parties	$ 2,727,450	9	$ 4,322,790	14	$ 1,254,640	5

For the three and nine months ended September 30, 2017 and 2016, the interest expenses from call loans from banks were $7,588 thousand, $1,331 thousand, $13,970 thousand and $2,246 thousand, respectively.

12) Notes and bonds issued under repurchase agreements

	Amount	%
September 30, 2017	$ 50,092	-
December 31, 2016	715,372	1
September 30, 2016	245,151	-

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

	Amount	%
September 30, 2017	$ 13,796	-
December 31, 2016	47,186	-
September 30, 2016	64,658	-

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

	Amount	%
September 30, 2017	$ 15,728	-
December 31, 2016	52,173	-
September 30, 2016	71,495	-

15) Other payables (recognized as payables)

	Amount	%
September 30, 2017	$ 17,305	-
December 31, 2016	20,113	-
September 30, 2016	19,526	-

16) Deposits and remittances

	Amount	%	Interest Rate (%)
September 30, 2017	$ 1,095,343	-	0-5.58
December 31, 2016	866,299	-	0-5.80
September 30, 2016	817,674	-	0-5.80

For the three and nine months ended September 30, 2017 and 2016, the interest expenses from deposits and remittances were $1,770 thousand, $1,560 thousand, $5,349 thousand and $6,070 thousand, respectively.

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

	Amount	%
September 30, 2017	$ 697,015	3
September 30, 2016	20,000	-

For the three and nine months ended September 30, 2017 and 2016, the interest expenses from short-term borrowings were $2,414 thousand, $607 thousand, $2,869 thousand and $3,228 thousand, respectively.

18) Customers' equity accounts - futures

	Amount	%
September 30, 2017	$ 44,632	-
December 31, 2016	45,184	-
September 30, 2016	35,193	-

19) Brokerage (recognized as service fee and commission, net)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	**%**	**Amount**	**%**
2017	$ 5,391	-	$ 13,966	-
2016	8,194	-	15,332	-

20) Consulting service revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	**%**	**Amount**	**%**
2017				
Other related parties	$ 117,679	40	$ 344,132	40
2016				
Other related parties	114,086	36	369,650	41

21) Net other noninterest profit and gain

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	**%**	**Amount**	**%**
2017	$ 2,162	-	$ 7,957	1
2016	2,143	-	12,908	1

22) Donation (recognized as other operating and administrative expenses)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2017	$ 4,000	-	$ 10,000	1
2016	15,000	-	45,000	1

23) Outstanding derivative financial instruments

KGI Bank

September 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 7, 2047	$ 11,515,900	$ (253,521)	Financial liabilities at FVTPL	$ 253,521

September 30, 2016

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	November 13, 2015 - November 17, 2016	$ 324,440	$ 23,040	Financial assets at FVTPL	$ 11,144

China Life Insurance Co., Ltd.

	September 30, 2017	
	Amount	%
Financial assets at FVTPL	$ 23,597	-
Financial liabilities at FVTPL	60,092	-

24) Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Salary and short-term benefits	$ 111,137	$ 84,256	$ 268,174	$ 226,121
Share-based payment	4,884	9,351	16,207	29,316
Post-employment benefits	606	524	1,851	1,603
	$ 116,627	$ 94,131	$ 286,232	$ 257,040

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 Bank and Subsidiaries
The Corporation	Parent company
CDIB Capital Group	Subsidiary of the parent company
KGI Securities	Subsidiary of the parent company
China Life Insurance Co., Ltd.	Subsidiary of the parent company (Note)
Others	Other related parties

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

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Other related parties	$ 127,792	1	$ 234,544	3	$ 281,418	3

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

	September 30, 2017	
	Amount	**%**
Subsidiary of the parent company	$ 998,871	2

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the nine months ended September 30, 2017		
Subsidiary of the parent company	$ 2,332,059	$ 3,024,654
For the nine months ended September 30, 2016		
Subsidiary of the parent company	5,211,167	1,475,421

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Other related parties	$ 2,727,450	9	$ 4,322,790	14	$ 1,254,640	6

5) Deposits and remittances

	Amount	%	Interest Rate (%)
September 30, 2017			
Parent company	$ 715,848	-	0-0.57
Subsidiary of the parent company	12,164,959	3	0-1.03
December 31, 2016			
Parent company	1,385,671	-	0-0.35
Subsidiary of the parent company	26,602,012	8	0-1.21
September 30, 2016			
Parent company	1,470,880	-	0-0.35
Subsidiary of the parent company	31,185,587	9	0-1.20

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Parent company	$ 352,595	100	$ 379,060	100	$ 304,648	98

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

7) Outstanding derivative financial instrument

September 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 7, 2047	$ 11,515,900	$ (253,521)	Financial liabilities at FVTPL	$ 253,521
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 23, 2016 - March 10, 2019	574,575	8,429	Financial assets at FVTPL	12,771
	Asset swap - option	March 23, 2016 - February 10, 2019	514,575	(52,720)	Financial liabilities at FVTPL	57,801
	Interest rate swap contracts	November 4, 2016 - January 24, 2020	969,760	(94)	Financial liabilities at FVTPL	4,214
	Currency swap contracts	February 15, 2017 - February 22, 2018	8,030,825	(1,942)	Financial assets at FVTPL	14,544
					Financial liabilities at FVTPL	16,486
	Forward exchange contracts	July 6, 2017 - October 13, 2017	343,343	9,784	Financial assets at FVTPL	9,784

December 31, 2016

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	January 5 2016 - June 3, 2019	$ 114,000	$ 3,883	Financial assets at FVTPL	$ 4,342
	Asset swap - option	January 5 2016 - May 20, 2019	114,000	2,020	Financial liabilities at FVTPL	5,081
	Interest rate swap contracts	November 4 2016 - October 27, 2019	710,138	(4,120)	Financial liabilities at FVTPL	4,120

September 30, 2016

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	November 13, 2015 - November 17, 2016	$ 324,440	$ 23,040	Financial assets at FVTPL	$ 11,144
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	January 5 2016 - June 3, 2019	162,500	5,877	Financial assets at FVTPL	6,336
	Asset swap - option	January 5 2016 - May 20, 2019	162,500	(2,044)	Financial liabilities at FVTPL	9,145

KGI Securities and subsidiaries

Related Party	Relationship with the KGI Securities and Subsidiaries
The Corporation	Parent company
CDIB Capital Group	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company
China Life Insurance Co., Ltd.	Subsidiary of the parent company (Note)
Others	Other related parties

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

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 4,241,461	33	$ 2,663,508	16	$ 3,666,725	21
Other related parties	-	-	-	-	681,135	4

2) Available-for-sale financial assets - current

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Stock						
Parent company	$ 2,756,557	89	$ 2,438,842	26	$ 2,420,686	28

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the nine months ended September 30, 2017		
Subsidiary of the parent company	$ 3,024,654	$ 2,332,059
Other related parties	500,304	199,831
For the nine months ended September 30, 2016		
Subsidiary of the parent company	1,475,421	5,211,167
Other related parties	-	1,689,580

4) Guarantee deposits received in futures contracts

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,939,262	5	$ 846,673	2	$ 803,715	2

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

	September 30, 2017	
	Amount	%
Subsidiary of the parent company	$ 113,063	-

6) Restricted assets (recognized as other current assets)

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,179,040	3	$ 1,427,905	5	$ 1,350,432	4

7) Other receivables (recognized as other current assets)

	September 30, 2017	
	Amount	%
Subsidiary of the parent company	$ 267,496	-

8) Short-term borrowings

	September 30, 2017	
	Amount	%
Other related parties	$ 697,015	3

9) Notes and bonds issued under repurchase agreement

	December 31, 2016		September 30, 2016	
	Amount	**%**	**Amount**	**%**
Other related parties	$ 715,372	1	$ 245,151	-

10) Customers' equity accounts - futures

	September 30, 2017	
	Amount	**%**
Subsidiary of the parent company	$ 1,028,074	3

11) Current tax liabilities

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Parent company	$ 405,818	46	$ 275,787	39	$ 378,219	45

12) Outstanding derivative financial instruments

a) Asset swap IRS contracts value

	September 30, 2017	December 31, 2016	September 30, 2016
	Contract Amount (Principal)	**Contract Amount (Principal)**	**Contract Amount (Principal)**
Subsidiary of the parent company	$ 574,575	$ 114,000	$ 162,500

b) Asset swap option contracts - call

	September 30, 2017	December 31, 2016	September 30, 2016
	Contract Amount (Principal)	**Contract Amount (Principal)**	**Contract Amount (Principal)**
Subsidiary of the parent company	$ 574,575	$ 114,000	$ 162,500

c) Interest rate swap contracts

	September 30	
	2017	**2016**
	Contract Amount (Principal)	**Contract Amount (Principal)**
Subsidiary of the parent company	$ 969,760	$ 710,138

13) Dividend income

	September 30, 2017	
	Amount	%
Parent company	$ 151,293	-

CDIB Capital Group and subsidiaries

Related Party	Relationship with CDIB Capital Group and Subsidiaries
The Corporation	Parent company
KGI Securities	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company
China Life Insurance Co., Ltd.	Subsidiary of the parent company (Note)
Others	Other related parties

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

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 4,520,023	42	$ 21,621,323	74	$ 25,351,024	91

2) Revenue receivable (recognized as receivable, net)

	September 30, 2017		December 31, 2016	
	Amount	%	Amount	%
Other related parties	$ 120,917	21	$ 128,793	23

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Parent company	$ 339,279	97	$ 461,986	99	$ 621,947	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)

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Stock						
Parent company	$ 188,086	2	$ 166,408	2	$ 165,169	2

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

	September 30, 2017			December 31, 2016			September 30, 2016		
		Amount	%		Amount	%		Amount	%
Parent company	$	423,357	96	$	386,864	98	$	340,462	93

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

6) Consulting service revenue

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
		Amount	%		Amount	%
2017						
Other related parties	$	60,361	42	$	182,686	44
2016						
Other related parties		63,242	48		194,403	50

China Life Insurance Co., Ltd.

Related Party	Relationship with the China Life Insurance Co., Ltd.
The 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 the corporation, China Life Insurance Co., Ltd. became the related party.

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

	September 30, 2017		
		Amount	%
Subsidiary of the parent company	$	172,111	1
Other related parties		126,192	-

2) Available-for-sale financial assets

	September 30, 2017	
	Amount	%
Parent company	$ 5,124,086	1
Other related parties	440,847	-

3) Cash dividends payable (recognized as payables)

	September 30, 2017	
	Amount	%
Parent company	$ 704,000	5
Subsidiary of the parent company	268,301	2

52. 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.

	September 30, 2017	December 31, 2016	September 30, 2016
Due from the Central Bank and call loans to banks	$ 9,995,000	$ 21,230,000	$ 22,330,000
Other assets - operating guarantee deposits	7,453,073	1,417,056	1,417,228
Available-for-sale financial assets - negotiable CDs	6,600,467	-	-
Property and equipment, net	4,836,305	4,862,154	4,746,919
Receivables - lease receivables	2,589,988	2,983,362	3,076,752
Other assets - guarantee deposit paid	1,972,548	389,585	187,476
Other financial assets - pledged time deposits	1,032,154	744,223	743,610
Other assets - competitive bid transactions guarantee	449,211	419,426	400,000
Financial assets at fair value through profit or loss - bonds and stocks	407,680	251,947	609,793
Investment property	349,592	353,477	374,059
Checking accounts - restricted for agent's stock transfer purposes	326,857	62,566	62,759
Available-for-sale financial assets - bonds and stocks	180,167	3,015,063	2,728,840
Restricted assets - impound account	44,526	48,012	46,030

53. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 57 and 59 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 September 30, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB Capital Group had recognized all gains and losses from the transaction. The balance of US$11,978 thousand (NT$362,993 thousand based on the exchange rate of September 30, 2017) was reclassified to "other financial liabilities". The litigation had not yet been concluded as of September 30, 2017. 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) in August 2010, 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. The plaintiffs sued KGI Securities and Taiwan Kolin Co., Ltd. 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 the property rights of Dun Nan buildings as fraudulently infringing upon the rights of the creditors (credit litigation amounted to $481,157 thousand). On February 14, 2014. The Taiwan District Court has judged that KGI Bank lost the lawsuit and has to return the amount received of $1,786,318 thousand for re-allocation. KGI Bank has appealed on March 10, 2014, and the court has revoked the original adjudication and rejected the third party appeal on July 26, 2017. Third party then filed appeal for third trial.

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 $759,719 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 September 30, 2017.

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, 2016 signed the first contract change protocol, modify the total amount of the contract is $5,623,913 thousand. As of September 30, 2017, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is $154,606 thousand and unpaid amount is $5,469,307 thousand.

54. SUBSEQUENT EVENTS

China Life Insurance Co., Ltd. has reached an agreement to purchase a portion of Allianz Taiwan Life Insurance Co., Ltd.'s life insurance portfolio for NT$1 on October 19, 2017. Which is subject to the policy and the policy reserve of Allianz Life Insurance Co., Ltd. $27.6 billion and the corresponding assets of $49.8 billion (based on the evaluation date of December 31, 2016). The case would be valid once the special shareholders' meeting and the authority approve.

55. BUSINESS COMBINATION

PT KGI Sekuritas Indonesia

To extend the scale of overseas operation and enhance group's regional distribution, KGI Securities' board of directors approved a 99% investment in PT Hasta Dana Sekuritas Indonesia by KGI Capital Asia Ltd. on August 31, 2016. The unlisted company was established in Indonesia and specializing in securities related business.

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

	Fair Value on Acquisition Date
Assets	
Financial assets (include cash and cash equivalent $47,450)	$ 226,818
Other assets	3,094
Assets subtotal	229,912

(Continued)

	Fair Value on Acquisition Date
Liabilities	
Financial liabilities	$ (108,462)
Other liabilities	(21)
Liabilities subtotal	(108,483)
Identifiable net assets	$ 121,429

(Concluded)

b. KGI Indonesia's goodwill, $76,975 thousand, was resulted from the consideration of the acquisition (cash transaction cost of acquisition) of $197,190 thousand plus fair value of non-controlling interests of $1,214 thousand and deduct fair value of identifiable net assets of $121,429 thousand.

c. The impact on business performance result from business combination

From the acquisition date to September 30, 2016, net revenue and net profit from acquiree were $4,870 thousand and $1,133 thousand. Should the acquisition happened on the opening date of fiscal year, the proposed net profit and net income of the subsidiary for the nine months ended September 30, 2016 were $20,194,426 thousand and $4,502,769 thousand. The above amount could not reflect the results of operations and revenues from the Company and subsidiaries if the acquisition were completed on the beginning of the accounting period, and therefore it should not be used to predict future operation outcome.

China Life Insurance Co., Ltd.

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

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

b. Assets acquired and liabilities assumed on the acquisition date

According to IFRS 3 "Business Combinations", the assets acquired and liabilities assumed are required to be measured at their fair value at the acquisition date. The measurement period cannot exceed one year from the acquisition date. As of the authorization of consolidated financial statements, the fair value evaluation of China Life Insurance Co., Ltd. was not completed. Thus, the identifiable net assets of China Life Insurance Co., Ltd was tentative $88,839,760 thousand (including cash and cash equivalents $16,959,162 thousand).

c. The goodwill and identifiable intangible assets acquired from the acquisition by the corporation were 28,984,286 thousand.

d. The impact on business performance result from business combination

Since the acquisition date, net revenue and net profit from the acquiree were $9,686,681 thousand and 269,098 thousand respectively. Should the acquisition happened on the opening date of fiscal year, the proposed net revenue and net profit of the subsidiary for the nine months ended September 30, 2017 were $146,269,856 thousand and $15,582,423 thousand. Should the acquisition completed on the opening date of fiscal year, the amounts could not reflect the actual revenue and operating performance of the corporation and subsidiaries. Neither should it be utilized to forecast the operating performance in the future.

56. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF THE CORPORATION, CDIB CAPITAL GROUP, KGI SECURITIES AND KGI BANK

Consolidated Profitability

(%)

Items		September 30, 2017	September 30, 2016
Return on total assets	Before income tax	0.80	0.77
	After income tax	0.72	0.68
Return on net worth	Before income tax	6.41	4.09
	After income tax	5.81	3.60
Profit margin		24.92	22.33

Profitability of the Corporation

(%)

Items		September 30, 2017	September 30, 2016
Return on total assets	Before income tax	6.12	3.15
	After income tax	6.25	3.23
Return on net worth	Before income tax	7.16	3.51
	After income tax	7.35	3.63
Profit margin		93.88	89.09

Profitability of KGI Bank

(%)

Items		September 30, 2017	September 30, 2016
Return on total assets	Before income tax	0.84	0.84
	After income tax	0.65	0.72
Return on net worth	Before income tax	8.04	7.87
	After income tax	6.26	6.73
Profit margin		34.52	40.09

Profitability of KGI Securities

(%)

Items		**September 30, 2017**	**September 30, 2016**
Return on total assets	Before income tax	5.10	1.37
	After income tax	5.00	1.28
Return on net worth	Before income tax	15.62	4.32
	After income tax	15.31	4.04
Profit margin		59.10	24.89

Profitability of China Life Insurance Co., Ltd

(%)

Items		**September 30, 2017**
Return on total assets	Before income tax	0.69
	After income tax	0.74
Return on net worth	Before income tax	11.36
	After income tax	12.12
Profit margin		4.02

57. 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:

September 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	$ 12,250,804	$ -	$ -	$ 12,250,804
Bond investments	20,573,989	27,802,829	-	48,376,818
Others	297,329	15,574,179	42,427	15,913,935
Financial assets designated as at FVTPL	-	31,513,930	911,317	32,425,247

(Continued)

	Level I	Level II	Level III	Total
Available-for-sale financial assets				
Stock investments	$ 141,036,927	$ 213,229	$ 16,395,267	$ 157,645,423
Bond investments	112,259,578	236,261,385	-	348,520,963
Others	10,101,970	26,299,579	1,088,285	37,489,834
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,178,917	5,684,350	-	8,863,267
Financial liabilities designated as at FVTPL	-	17,440,355	-	17,440,355
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	932,770	17,125,295	122,871	18,180,936
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,285,347	28,453,586	255,310	29,994,243
Financial liabilities designated as at FVTPL	-	1,019,100	-	1,019,100

December 31, 2016

(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	$ 14,729,281	$ -	$ -	$ 14,729,281
Bond investments	45,690,252	17,938,947	-	63,629,199
Others	79,948	11,084,251	-	11,164,199
Financial assets designated as at FVTPL	191,269	41,171,537	174,265	41,537,071
Available-for-sale financial assets				
Stock investments	21,758,314	143,902	366,045	22,268,261
Bond investments	37,878,390	46,212,414	-	84,090,804
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	4,982,114	2,864,269	-	7,846,383
Financial liabilities designated as at FVTPL	-	11,892,012	-	11,892,012
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	640,495	27,338,473	241,384	28,220,352
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	438,904	30,046,248	237,850	30,723,002
Financial liabilities designated as at FVTPL	-	1,103,869	-	1,103,869

September 30, 2016

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	$ 15,482,842	$ -	$ -	$ 15,482,842
Bond investments	50,223,015	46,750,231	-	96,973,246
Others	130,071	13,918,602	-	14,048,673
Financial assets designated as at FVTPL	13,254,916	29,387,098	162,394	42,804,408
Available-for-sale financial assets				
Stock investments	21,696,589	157,615	333,745	22,187,949
Bond investments	33,464,757	38,535,054	311,051	72,310,862
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	5,314,253	3,874,636	-	9,188,889
Financial liabilities designated as at FVTPL	-	10,381,985	-	10,381,985
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	723,869	25,949,603	182,482	26,855,954
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	636,036	29,210,179	289,320	30,135,535
Financial liabilities designated as at FVTPL	-	1,329,872	-	1,329,872

2) Evaluation technology at fair value

For financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, 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 classify into Credit value adjustments and Debit value adjustments, and definitions are on the following:

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

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

The Group calculates their debit valuation adjustment on the basis of their internal assessment 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 percentage 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 Nine Months Ended September 30, 2017		For the Nine Months Ended September 30, 2016	
	Level One Converted Into Level Two	Level Two Converted Into Level One	Level One Converted Into Level Two	Level Two Converted Into Level One
Financial assets at FVTPL - bond investments	$ -	$ -	$ 233,394	$ -
Available-for-sale financial assets - bond investments	8,534,655	6,664,219	4,378,939	-
Available-for-sale financial assets - stock investments	-	-	-	377,621

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 Nine Months Ended September 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	$ (81,917)	$ 97,862	$ -	$ (92,031)	$ -	$ 165,298
Financial assets designated as at FVTPL	174,265	(230,276)	967,328	-	-	-	911,317
Available-for-sale financial assets	366,045	(927,961)	18,048,601	-	(3,133)	-	17,483,552

For the Nine Months Ended September 30, 2016

(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	$ 2,931,302	$ (753,910)	$ 413,155	$ -	$ (432,334)	$ (1,975,731)	$ 182,482
Financial assets designated as at FVTPL	188,401	(41,709)	15,702	-	-	-	162,394
Available-for-sale financial assets	327,725	(244)	317,315	-	-	-	644,796

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

For the Nine Months Ended September 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	$ 21,268	$ 793,117	$ -	$ (796,925)	$ -	$ 255,310

For the Nine Months Ended September 30, 2016

(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	$ 3,071,362	$ (893,091)	$ 539,622	$ -	$ (446,531)	$ (1,982,042)	$ 289,320

Note: For parts of financial assets at FVTPL, the Corporation's subsidiaries change their evaluation source from sell's quote to observable market parameters, causing the applicable level of fair value of the financial assets at FVTPL change level three to level two.

The total gains or losses for the three and nine months ended September 30, 2017 and 2016 included a loss of $29,530 thousand, a gain of $228,165 thousand, a loss of $18,129 thousand and a gain of $50,173 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

Quantitative information about the significant unobservable inputs is set out below:

	Fair Value at September 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 assets					
Financial assets at FVTPL	$ 115,115	HullWhite, Libor Market Model, Discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Derivative financial liabilities					
Financial liabilities at FVTPL	140,277	HullWhite, Libor Market Model, Discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at December 31, 2016	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Derivative financial assets					
Financial assets at FVTPL	$ 177,705	HullWhite, Libor Market Model, Discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Derivative financial liabilities					
Financial liabilities at FVTPL	234,417	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 September 30, 2016	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Available-for-sale financial assets - Bond investment	$ 311,051	Discounted cash flow	Credit Spread	Inapplicable	Yield rate is proportional to Credit Spread; fair value is inversely proportional to Credit Spread.
Derivative financial assets					
Financial assets at FVTPL	159,708	HullWhite, Libor Market Model, Discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Derivative financial liabilities					
Financial liabilities at FVTPL	213,662	HullWhite, Libor Market Model, Discounted cash flow	Quanlity/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

KGI Securities and subsidiaries

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

September 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	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party.
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	11.68%-47.49%	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	3.77%-23.17%	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	14.51%-55.78%	According to condition of contract, fair value of liabilities may be higher or lower.

December 31, 2016

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Available-for-sale financial assets	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party.
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.72%-53.10%	According to condition of contract, fair value of asset 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	13.52%-29.19%	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	16.13%-31.40%	According to condition of contract, fair value of liabilities may be higher or lower.

September 30, 2016

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Available-for-sale financial assets	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	14.88%-68.74%	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	20.82%-20.82%	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	13.40%-39.10%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	19.14%-36.03%	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:

September 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%	$ 2,334	$ 2,283

(Continued)

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/ Negative Change	Positive Impact	Negative Impact
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ -	$ -
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	2,184	2,293
			$ 2,184	$ 2,293

(Concluded)

December 31, 2016

	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%	$ 1,662	$ 1,476
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ -	$ -
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	-	-
			$ -	$ -

September 30, 2016

	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%	$ 256	$ 133
Structured notes - premium - options (call options)	History volatility	-25%/+25%	22	19
			$ 278	$ 152
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ 6	$ -
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	-	-
			$ 6	$ -

CDIB Capital Group and subsidiaries

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

	Fair Value at September 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					
Convertible (exchangeable) corporate bonds	$ 269,675	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%	
		Recent strike price	-	-	-
Associates	395,040	Net asset method	-	-	-
Convertible (exchangeable) preferred stock	252,310	Recent strike price	-	-	-
Available-for-sale financial assets	387,803	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 December 31, 2016	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					
Convertible (exchangeable) corporate bonds	$ 158,126	Recent strike price	-	-	-
Convertible (exchangeable) preferred stock	16,139	Recent strike price	-	-	-
Available-for-sale financial assets	307,895	Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	20% 11.7% 2.5%-7.2%	When the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value
		Recent strike price	-	-	-
Derivative financial assets					
Others	9,824	Recent strike price	-	-	-

	Fair Value at September 30, 2016	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL					
Convertible (exchangeable) corporate bond	$ 146,711	Market approach	Income multiplier lack of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
Others	15,683	Recent strike price	-	-	-
Available-for-sale financial assets	279,316	Market approach Discounted cash-flow method	Income multiplier WACC lack of liquidity discount	4.7 11.7% 20%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value.
		Recent strike price	-	-	-
Derivative financial assets					
Others	9,546	Recent strike price	-	-	-

China Life Insurance Co., Ltd.

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

	September 30, 2017			
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
Financial assets				
Financial assets at fair value through profit or loss				
Private convertible bonds	Option	Volatility in stock price for the three-month period	34.704%	The higher the volatility in stock price for the three-month period, the higher the fair value of convertible bonds
Available-for-sale				
Stock	Market approach	Discount for lack of liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value
Stock	Market approach	Control premium	0%-10%	The higher the control premium, the higher the estimated fair value
Stock	Discounted cash flow approach	Long-term operating profit, long-term average cost of capital	6.58%	The higher the long-term average cost of capital, the lower the estimated fair value
Stock	Net asset value approach	N/A	N/A	N/A
Private equity fund	Net asset value approach	N/A	N/A	N/A

7) Pricing process of Level III fair value

KGI Bank and subsidiaries

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

KGI Securities and subsidiaries

When KGI Securities has those derivatives that their fair value are hard to reach or they are categorized to financial assets no active market, reasonability of fair value of those financial assets are assessed by risk management 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. Investment Property is valued by CDIB Capital Group and subsidiaries based on Financial Supervisory Commission's declaration of valuation method and parameters or committed to appraisers to make valuation.

China Life Insurance Co., Ltd.

China Life Insurance Co., Ltd. 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 Co., Ltd. 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 Co., Ltd.'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, 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 20.

Bank debentures 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.

58. 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 Co., Ltd.'s overall risk appetite and risk tolerance, review and approve China Life Insurance Co., Ltd.'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 Co., Ltd. set up an assets and liabilities management team to strengthen the risk management organization and structure.

In addition, China Life Insurance Co., Ltd. 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 Co., Ltd.'s risk management policy.

2) Risk management policies, procedures and methods:

According to risk management policies, China Life Insurance Co., Ltd. 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 Company Limited Risk Management Policy", approved by the board of directors, China Life Insurance Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. sets appropriate asset-liability management system based on the attributes and complexity of insurance liability risks. The system allows China Life Insurance Co., Ltd. to form, implement, monitor and correct related strategies within the tolerable range and achieves China Life Insurance Co., Ltd.'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 Co., Ltd. as a whole.

For the insurance contracts and financial instruments with discretionary participation features underwritten by China Life Insurance Co., Ltd., 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 Co., Ltd. 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 September 30, 2017, 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 Co., Ltd.'s insurance liability inadequate.

2) Interpretation for concentration of insurance risks

a) China Life Insurance Co., Ltd.'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 Co., Ltd. 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 VI.14 for concentration of risk before and after the reinsurance for China Life Insurance Co., Ltd.

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 (NT$)									Reserve for Claims
	1	2	3	4	5	6	7	8	9	
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	$ 2,940,740	
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	-	
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,589	-	-	
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,069	-	-	-	
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,063	-	-	-	-	
2014	3,448,229	4,203,186	4,284,682	4,297,020	-	-	-	-	-	
2015	3,518,471	4,403,823	4,462,959	-	-	-	-	-	-	
2016	3,696,639	4,575,428	-	-	-	-	-	-	-	
2017	3,023,241	-	-	-	-	-	-	-	-	$ 904,087

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

Add: Long-term insurance claims	450,931
Claim reserve for discount on no claim	121,858
Reserve for claims balance	$ 1,476,876

b) Retained business loss development trend

Accident Year	Development Year (NT$)									Reserve for Claims
	1	2	3	4	5	6	7	8	9	
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	$ 2,874,159	
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	-	
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,706	-	-	
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,981,991	-	-	-	
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,120	-	-	-	-	
2014	3,387,852	4,123,055	4,197,276	4,199,732	-	-	-	-	-	
2015	3,456,864	4,319,866	4,371,917	-	-	-	-	-	-	
2016	3,631,913	4,488,200	-	-	-	-	-	-	-	
2017	2,970,306	-	-	-	-	-	-	-	-	$ 896,713

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

Add: Long-term insurance claims	438,810
Claim reserve for discount on no claim	121,858
Reserve for claims balance	$ 1,457,381

China Life Insurance Co., Ltd. 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 Co., Ltd. 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 Co., Ltd., the credit risk comes from reinsurers who fail to fulfill their obligation of reinsurance contracts, causing China Life Insurance Co., Ltd. to be exposed to the risk of financial loss. If China Life Insurance Co., Ltd. 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 Co., Ltd.'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 Co., Ltd. decides to deal with reinsurance companies that have good credits. China Life Insurance Co., Ltd. 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 September 30, 2017, the maturity analysis of liquidity risk for insurance contract liabilities are as follow:

September 30, 2017	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
Insurance liabilities of investment contracts with discretionary participation features	$ (25,921,734)	$ 1,807,054	$ 101,805,669	$ 448,802,722	$ 2,943,841,268
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 Co., Ltd. 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 Co., Ltd.'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.

59. 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 budget, 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, brokerage and management of new business and commodities.

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 after approving by RMC.

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 in June 2013, 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 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 has set up hedge instruments and risk mitigation measures in all operations based on KGI Securities' capital scale and risk tolerance. Such measures include: Risk acceptance, risk adverse, risk transfer and risk control. Reasonable risk avoidance mechanisms can effectively limit a company's risk within a pre-approved range. The actual execution of hedge, depending on the market dynamics, business strategies, product characteristics and risk management regulations, utilizes previously approved financial instruments to adjust the risk structure and risk level of the total exposure to an acceptable level.

CDIB Capital Group and subsidiaries

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

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

China Life Insurance Co., Ltd.

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

b. Credit risk

KGI Bank and subsidiaries

1) The source and definition of credit risk

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

2) Management policy of credit risk

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

a) Credit investigation

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

b) Credit approval

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

c) Post-lending loan review mechanisms

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

d) Risk report and information disclosures

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

3) Mitigation or hedging of risk

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

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

4) Maximum exposure credit risk

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

	September 30, 2017	December 31, 2016	September 30, 2016
Irrevocable loan commitments, guarantees and letters of credit	$ 97,638,512	$ 102,215,434	$ 103,187,961

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

KGI Bank's 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.

5) Concentrations of credit risk

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

Credit risk concentration can arise in a bank's assets, liabilities, or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to banks, investment, receivables and derivatives. KGI Bank maintains a diversified portfolio, limits its exposure on a continuous basis. KGI Bank's most significant concentrations of credit risk are summarized as follows:

a) By object

Object	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Public and private enterprise	$ 203,679,745	68.46	$ 173,659,505	67.87	$ 176,203,019	69.01
Natural person	93,524,715	31.43	81,877,228	32.00	78,677,509	30.81
Non-profit organization	314,384	0.11	342,811	0.13	453,253	0.18
Total	$ 297,518,844	100.00	$ 255,879,544	100.00	$ 255,333,781	100.00

b) By region

Region	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Domestic	$ 227,733,082	76.54	$ 199,963,503	78.15	$ 203,664,224	79.76
Overseas	69,785,762	23.46	55,916,041	21.85	51,669,557	20.24
Total	$ 297,518,844	100.00	$ 255,879,544	100.00	$ 255,333,781	100.00

c) By collateral

Collateral	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Non-collateral	$ 185,130,864	62.23	$ 159,432,165	62.31	$ 165,012,102	64.63
Collateral						
Financial collateral	7,093,900	2.38	5,533,267	2.16	7,190,845	2.82
Property	81,133,918	27.27	69,541,082	27.18	64,784,231	25.37
Guarantee	18,475,650	6.21	15,837,714	6.19	14,643,374	5.73
Other	5,684,512	1.91	5,535,316	2.16	3,703,229	1.45
Total	$ 297,518,844	100.00	$ 255,879,544	100.00	$ 255,333,781	100.00

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

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

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

a) Discount, loans and receivables

September 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	$ 18,854,934	$ 44,660	$ 64,193	$ 18,963,787	$ 36,665	$ 241,708	$ 18,685,414
- other	9,444,754	67,574	1,834,003	11,346,331	1,147,736	53,376	10,145,219
Discount and loans	294,536,016	1,990,527	992,301	297,518,844	569,543	3,446,075	293,503,226

December 31, 2016	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	$ 20,187,004	$ 48,726	$ 60,944	$ 20,296,674	$ 36,825	$ 274,288	$ 19,985,561
- other	7,908,772	98,184	1,916,337	9,923,293	1,328,120	75,347	8,519,826
Discount and loans	253,320,668	1,415,205	1,143,671	255,879,544	523,710	2,905,962	252,449,872

September 30, 2016	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	$ 16,397,545	$ 42,266	$ 67,292	$ 16,507,103	$ 40,421	$ 217,720	$ 16,248,962
- other	7,810,953	67,655	1,947,126	9,825,734	1,211,204	73,396	8,541,134
Discount and loans	252,189,137	1,998,756	1,145,888	255,333,781	488,199	2,879,522	251,966,060

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

b) Credit quality analysis of discounts, loans and receivables of KGI Bank which is not overdue nor impaired by customer

September 30, 2017	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 23,600,435	$ 12,138,643	$ 106,495	$ -	$ 35,845,573
- cash card	8,341,558	2,512,487	577,581	2,501,328	13,932,954
- micro credit loans	17,684,392	2,365,473	131,291	82,654	20,263,810
- other-secured	17,267,361	1,690,196	78,440	45,283	19,081,280
- other - unsecured	36,282	-	-	1,909	38,191
Corporate banking					
- secured	16,704,102	17,751,881	19,928,614	2,280,904	56,665,501
- unsecured	36,331,802	76,479,967	31,473,215	4,423,723	148,708,707
Total	$ 119,965,932	$ 112,938,647	$ 52,295,636	$ 9,335,801	$ 294,536,016

December 31, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 20,619,402	$ 7,823,627	$ 60,603	$ -	$ 28,503,632
- cash card	8,183,177	2,716,848	639,023	2,772,738	14,311,786
- micro credit loans	16,524,651	2,030,135	155,321	81,658	18,791,765
- other-secured	15,126,807	1,443,817	96,230	59,219	16,726,073
- other - unsecured	43,490	-	-	2,764	46,254
Corporate banking					
- secured	14,348,674	19,565,638	15,836,689	757,145	50,508,146
- unsecured	26,744,197	68,938,717	25,144,016	3,606,082	124,433,012
Total	$ 101,590,398	$ 102,518,782	$ 41,931,882	$ 7,279,606	$ 253,320,668

September 30, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 19,572,768	$ 7,465,216	$ 61,268	$ -	$ 27,099,252
- cash card	8,396,370	2,640,572	583,493	2,862,975	14,483,410
- micro credit loans	15,949,469	1,974,806	138,762	81,423	18,144,460
- other-secured	14,243,689	1,299,475	87,844	44,081	15,675,089
- other - unsecured	50,246	-	-	-	50,246
Corporate banking					
- secured	13,001,027	21,111,298	11,388,893	1,332,439	46,833,657
- unsecured	31,153,495	70,642,055	24,069,822	4,037,651	129,903,023
Total	$ 102,367,064	$ 105,133,422	$ 36,330,082	$ 8,358,569	$ 252,189,137

September 30, 2017	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 872,233	$ 663,517	$ 783,456	$ 287,499	$ 2,606,705
- forfeiting	2,076,839	1,327,689	-	3,126,894	6,531,422
- accounts receivable factoring - no recourse	5,462,582	3,377,330	129,884	358,318	9,328,114
- acceptances	194,655	156,568	36,457	1,013	388,693
Total	$ 8,606,309	$ 5,525,104	$ 949,797	$ 3,773,724	$ 18,854,934

December 31, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 802,014	$ 561,693	$ 730,325	$ 418,963	$ 2,512,995
- forfeiting	1,205,206	3,471,384	-	3,235,994	7,912,584
- accounts receivable factoring - no recourse	6,479,896	2,963,430	-	146,658	9,589,984
- acceptances	-	64,383	107,058	-	171,441
Total	$ 8,487,116	$ 7,060,890	$ 837,383	$ 3,801,615	$ 20,187,004

September 30, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 723,464	$ 564,337	$ 762,592	$ 336,058	$ 2,386,451
- forfeiting	4,056,486	4,868,211	-	2,327,819	11,252,516
- accounts receivable factoring - no recourse	24,173	543,956	-	1,881,476	2,449,605
- acceptances	2,339	217,409	89,225	-	308,973
Total	$ 4,806,462	$ 6,193,913	$ 851,817	$ 4,545,353	$ 16,397,545

c) Securities investment credit quality analysis

September 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	$ 94,919,846	$ -	$ -	$ 94,919,846	$ -	$ -	$ 94,919,846	$ -	$ 94,919,846
- others	26,234,898	-	-	26,234,898	-	-	26,234,898	-	26,234,898
Debt instruments with no active market	3,212,330	-	-	3,212,330	-	-	3,212,330	-	3,212,330

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $6,492,228 thousand, loss on valuation of $660,232 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.

December 31, 2016	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	$ 83,920,699	$ -	$ -	$ 83,920,699	$ -	$ -	$ 83,920,699	$ -	$ 83,920,699
Debt instruments with no active market	581,022	-	-	581,022	-	-	581,022	-	581,022

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $5,556,000 thousand, loss on valuation of $754,653 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.

September 30, 2016	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	$ 72,137,243	$ -	$ -	$ 72,137,243	$ -	$ -	$ 72,137,243	$ -	$ 72,137,243

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $6,243,520 thousand, loss on valuation of $530,743 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.

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

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

The aging analysis of financial assets overdue but not yet impaired is as follows:

	September 30, 2017		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 22,514	$ 22,146	$ 44,660
Discount and loans			
Consumer banking			
- mortgage loans	266,895	22,631	289,526
- cash card	241,577	65,086	306,663
- micro credit loans	301,352	71,314	372,666
- other - secured	173,585	19,366	192,951
- other - unsecured	60	-	60
Corporate banking			
- secured	787,450	11,650	799,100
- unsecured	433	29,128	29,561

	December 31, 2016		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 23,777	$ 24,949	$ 48,726
Discount and loans			
Consumer banking			
- mortgage loans	269,849	32,498	302,347
- cash card	258,200	72,214	330,414
- micro credit loans	306,991	69,996	376,987
- other - secured	132,069	16,131	148,200
- other - unsecured	236	-	236
Corporate banking			
- secured	25,493	229,889	255,382
- unsecured	618	1,021	1,639

	September 30, 2016		
	1 Month	**Over 1 Month - 3 Months**	**Total**
Credit card business	$ 24,119	$ 18,147	$ 42,266
Discount and loans			
Consumer banking			
- mortgage loans	327,164	31,821	358,985
- cash card	326,730	71,263	397,993
- micro credit loans	887,161	72,740	959,901
- other - secured	171,640	13,621	185,261
- other - unsecured	472	-	472
Corporate banking			
- secured	72,948	3,823	76,771
- unsecured	17,364	2,009	19,373

8) Analysis of impairment for financial assets

Analysis of impairment for discounts, loans and receivables and accumulated impairment were as follows:

Items		Discounts and Loans			Allowance for Bad Debts		
		September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	September 30, 2016
With objective evidence of impairment	Assessment of individual impairment	$ 255,835	$ 376,736	$ 352,586	$ 132,866	$ 72,202	$ 45,755
	Assessment of collective impairment	736,466	766,935	793,302	436,677	451,508	442,444
Without objective evidence of impairment	Assessment of collective impairment	296,526,543	254,735,873	254,187,893	3,446,075	2,905,962	2,879,522
Total		297,518,844	255,879,544	255,333,781	4,015,618	3,429,672	3,367,721

Items		Receivables			Allowance for Bad Debts		
		September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	September 30, 2016
With objective evidence of impairment	Assessment of individual impairment	$ 1,813,708	$ 1,900,712	$ 1,934,440	$ 1,132,403	$ 1,315,493	$ 1,200,760
	Assessment of collective impairment	84,488	76,569	79,978	51,998	49,452	50,865
Without objective evidence of impairment	Assessment of collective impairment	28,411,922	28,242,686	24,318,419	295,084	349,635	291,116
Total		30,310,118	30,219,967	26,332,837	1,479,485	1,714,580	1,542,741

9) Management of foreclosed collateral

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

The foreclosed collateral includes securities, land and property. As of September 30, 2017, December 31, 2016 and September 30, 2016, the carrying amounts of the collaterals both were $0 thousand. The foreclosed collateral recognized as other assets in balance sheet. Besides, during the three and nine months ended September 30, 2017 and 2016, recognizing disposal gain of $128,237 thousand, 0 thousand, $128,237 thousand and 0 thousand, respectively. The disposal gain recognized as others in income statement.

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

a) Asset quality of nonperforming loan and overdue credits

Item			September 30, 2017				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 106,706	$ 57,562,631	0.19%	$ 714,452	669.55%
	Unsecured		208,574	148,941,681	0.14%	1,841,206	882.76%
Consumer loan	Mortgage (Note 4)		40,201	36,206,170	0.11%	486,424	1,210.00%
	Cash card		165,854	14,578,867	1.14%	403,104	243.05%
	Micro credit (Note 5)		149,483	20,891,421	0.72%	310,715	207.86%
	Other (Note 6)	Secured	22,175	19,299,434	0.11%	259,198	1,168.90%
		Unsecured	389	38,640	1.01%	519	133.28%
Total			693,382	297,518,844	0.23%	4,015,618	579.13%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			20,139	2,711,081	0.74%	50,439	250.45%
Account receivable - factored without recourse (Note 7)			3,789	9,331,967	0.04%	132,643	3,501.02%

Item			September 30, 2016				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 308,312	$ 47,091,584	0.65%	$ 546,388	177.22%
	Unsecured		184,702	130,223,917	0.14%	1,529,964	828.34%
Consumer loan	Mortgage (Note 4)		32,269	27,504,464	0.12%	366,497	1,135.74%
	Cash card		181,026	15,248,895	1.19%	431,990	238.63%
	Micro credit (Note 5)		139,767	19,344,821	0.72%	280,790	200.90%
	Other (Note 6)	Secured	4,371	15,868,174	0.03%	211,400	4,836.28%
		Unsecured	2,459	51,926	4.74%	692	28.14%
Total			852,906	255,333,781	0.33%	3,367,721	394.85%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			29,134	2,493,444	1.17%	52,849	181.40%
Account receivable - factored without recourse (Note 7)			41	2,451,101	-	31,950	78,164.91%

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

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

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

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

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

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

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

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

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

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable factored without recourse.

b) Exemption of nonperforming loans and overdue receivables

Items	September 30, 2017		September 30, 2016	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 14,336	$ 143	$ 40,416	$ 180
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	47,057	4,357	30,801	4,474
Total	$ 61,393	$ 4,500	$ 71,217	$ 4,654

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

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

c) Concentration of credit extensions

September 30, 2017

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 011850 Manmade fiber manufacturing	$ 5,934,331	9.75
2	B Group - 012711 Computer manufacturing	4,362,183	7.17
3	C Group - 012411 Iron and steel smelting	3,716,361	6.11
4	D Group - 012641 LCD and related components manufacturing	3,472,260	5.71
5	E Group - 016700 Real estate brokerage	3,436,677	5.65
6	F Group - 012740 Data storage media	3,400,000	5.59
7	G Group - 015100 Civil aviation transportation	3,362,685	5.53
8	H Group - 016611 Securities firms	3,362,011	5.53
9	I Group - 012719 Manufacture of other computer peripheral equipment	3,173,769	5.22
10	J Group - 012611 Integrated circuits manufacturing	2,876,890	4.73

September 30, 2016

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 016102 Telecommunication industry	$ 7,315,105	12.35
2	G Group - 015100 Civil aviation transportation	4,165,249	7.03
3	F Group - 012740 Data storage media	3,960,486	6.69
4	B Group - 012711 Computer manufacturing	3,841,353	6.48
5	C Group - 012411 Iron and steel smelting	3,788,041	6.39
6	D Group - 012641 LCD and related components manufacturing	3,778,694	6.38
7	I Group - 012641 LCD and related components manufacturing	3,526,480	5.95
8	E Group - 016700 Real estate brokerage	2,779,993	4.69
9	K Group - 012630 Printed circuit boards manufacturing	2,657,208	4.49
10	L Group - 010850 Manufacture of dairy products	2,644,000	4.46

KGI Securities and subsidiaries

1) Source of credit risk

The credit risks that KGI Securities and subsidiaries/formerly Grand Cathay 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

September 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	$ 13,045,697	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,045,697
Financial assets measured at FVTPL - current	52,584,211	178,345	4,330,001	-	-	-	-	57,092,557
Available-for-sale financial assets - current	11,602	-	-	-	-	-	-	11,602
Bonds purchased under resell agreements	23,364,092	4,077,492	-	-	-	-	-	27,441,584
Receivables	57,137,869	12,683,230	524,332	8,147	-	-	-	70,353,578
Customers' margin accounts - futures	37,159,474	-	-	-	-	-	-	37,159,474
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,978,622	332,175	-	-	-	-	-	3,310,797
Other financial assets - current	3,760,220	-	-	-	-	-	-	3,760,220
Other current assets	35,143,902	-	-	-	-	-	-	35,143,902
Financial assets measured at FVTPL - noncurrent	50,015	-	-	-	-	-	-	50,015
Held to maturity Financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,372,210	-	50,000	-	-	-	-	3,422,210
Total	$ 228,607,914	$ 17,271,242	$ 5,204,333	$ 8,147	$ -	$ -	$ -	$ 251,091,636
Percentage	91.05%	6.88%	2.07%	-	-	-	-	100.00%

December 31, 2016

(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	$ 16,401,449	$ 17,900	$ 30,871	$ -	$ -	$ -	$ -	$ 16,450,220
Financial assets measured at FVTPL - current	43,109,950	447,192	2,886,469	-	-	-	-	46,443,611
Available-for-sale financial assets - current	11,307	-	-	-	-	-	-	11,307
Bonds purchased under resell agreements	26,142,100	2,945,208	-	-	-	-	-	29,087,308
Receivables	49,815,491	10,580,853	446,369	4,129	-	-	-	60,846,842
Customers' margin accounts - futures	37,066,541	-	-	-	-	-	-	37,066,541
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,376,961	623,726	-	-	-	-	-	3,000,687
Other financial assets - current	2,498,770	29,100	-	-	-	-	-	2,527,870
Other current assets	30,477,056	-	-	-	-	-	-	30,477,056
Financial assets measured at FVTPL - noncurrent	50,033	-	-	-	-	-	-	50,033
Held to maturity financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,443,492	-	50,702	-	-	-	-	3,494,194
Total	$ 211,393,150	$ 14,643,979	$ 3,714,411	$ 4,129	$ -	$ -	$ -	$ 229,755,669
Percentage	92.01%	6.37%	1.62%	-	-	-	-	100.00%

September 30, 2016

(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	$ 17,279,185	$ 2,900	$ 254,939	$ -	$ -	$ -	$ -	$ 17,537,024
Financial assets measured at FVTPL - current	82,494,431	152,818	3,356,732	-	-	-	-	86,003,981
Available-for-sale financial assets - current	11,816	-	-	-	-	-	-	11,816
Bonds purchased under resell agreements	23,169,069	-	-	-	-	-	-	23,169,069
Receivables	54,595,962	11,037,532	726,499	11,398	-	-	-	66,371,391
Customers' margin accounts - futures	35,391,096	-	-	-	-	-	-	35,391,096
Stock borrowing collateral price and guarantee deposits - borrowed securities	4,193,126	1,085,021	-	-	-	-	-	5,278,147
Other financial assets - current	2,652,340	44,100	-	-	-	-	-	2,696,440
Other current assets	31,876,189	-	-	-	-	-	-	31,876,189
Financial assets measured at FVTPL - noncurrent	50,131	-	-	-	-	-	-	50,131
Held to maturity financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,242,481	-	50,722	-	-	-	-	3,293,203
Total	$ 254,955,826	$ 12,322,371	$ 4,688,892	$ 11,398	$ -	$ -	$ -	$ 271,978,487
Percentage	93.74%	4.53%	1.73%	-	-	-	-	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 140% to 130%) 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) Noncurrent and held to maturity financial assets - noncurrent

It refers to the principal and discounted value of coupon rate listed in unsecured subordinated debentures issued by Hwatai Bank and Sunny Bank that KGI Securities' subsidiary, GSFC, 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.

<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.

For the objectives to enhance shareholder value and to ensure degree of risk tolerance, CDIB Capital Group's credit risk strategy focuses on superior credit quality assets.

<u>China Life Insurance Co., Ltd.</u>

- Credit risk analysis

1) Credit risk refers to the result of the issuer, the contract transaction counterpart and the debtor fail to fulfill responsibilities (obligations), or because of changes in credit quality, resulting in financial assets held by China Life Insurance Co., Ltd.'s contractual default or the risk of loss of value. Credit risks from financial instruments transactions include issuer credit risk and counterparty risk.

Issuer credit risk represents that bond issuer, debtor and the guarantor does not pay its debts or declares bankruptcy, commit a crime or changes of tax law and accounting standards that lead to make credit deterioration hence unable to fulfill obligations of the repayment or comply with the terms of the issue of default risk of loss.

Counterparty credit risk refers to the risk of the counterparty, custodian banks, brokers, reinsurers and other participants in the transaction, for the present or the future cash flows, are unable or fail to fulfill the contract delivery responsibilities (obligations).

China Life Insurance Co., Ltd. prepares reports periodically to determine the credit conditions of counterparty and issuer. China Life Insurance Co., Ltd. also identifies internal rating indicators to comprehensively assess the credit risk of existing bond positions. The indicators are based on financial position and operational management performance. China Life Insurance Co., Ltd. manages the usage of different level of credit limit by internal rating.

China Life Insurance Co., Ltd.'s credit risk limit includes counterparty credit risk limit and issuer credit risk limit. Counterparty credit risk limit can be divided into pre-settlement risk limit and settlement risk limit. Issuer credit risk limit can be determined according to long or short transaction terms.

With respect to credit risk assessment, China Life Insurance Co., Ltd. has established credit VaR model. The model is to calculate credit VaR, which includes estimated expected and unexpected credit loss, in order to assess the maximum loss of the credit positions due to changes of credit rating or default. Besides, China Life Insurance Co., Ltd. also evaluates credit risk and concentration risk based on issuer's region, industry and credit rating within portfolios.

2) Financial assets credit risk concentration analysis

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

September 30, 2017

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$ 14,845,002	$ 14,178,361	$ 460,189	$ -	$ -	$ 29,483,552
Financial assets at fair value through profit or loss	235,654	-	-	-	-	235,654
Available-for-sale financial assets	131,676,439	48,204,129	23,002,679	48,858,513	1,687,425	253,429,185
Debt instrument investments for which no active market exists	92,289,447	140,938,123	162,895,731	233,065,051	15,610,284	644,798,636
Held-to-maturity financial assets	19,410,488	27,375,918	30,156,717	100,591,649	-	177,534,772
Refundable deposits - bonds	5,981,302	-	-	-	-	5,981,302
Total	$ 264,438,332	$ 230,696,531	$ 216,515,316	$ 382,515,213	$ 17,297,709	$ 1,111,463,101
Proportion	23.79%	20.76%	19.48%	34.41%	1.56%	100.00%

ii. Regional distribution of credit risk exposure for secured loans and overdue receivables is as follows:

September 30, 2017

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	$ 890,480	$ 463,959	$ 420,291	$ 1,774,730
Overdue receivables	-	-	-	-
Total	$ 890,480	$ 463,959	$ 420,291	$ 1,774,730
Proportion	50.18%	26.14%	23.68%	100.00%

3) Financial asset credit quality and overdue impairment analysis

i. Grading of financial instrument credit risk quality

China Life Insurance Co., Ltd.'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 Co., Ltd. or the object fails to perform its obligations. China Life Insurance Co., Ltd. estimates the impairment criteria in accordance with potential losses.

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

September 30, 2017

Financial Assets	Normal Assets Investment Grade	Non-investment Grade	Past Due But Not Impaired	Impaired	Total
Cash and cash equivalents	$ 29,483,552	$ -	$ -	$ -	$ 29,483,552
Financial assets at fair value through profit or loss	235,654	-	-	-	235,654
Available-for-sale financial assets	253,429,185	-	-	-	253,429,185
Debt instrument investments for which no active market exists	644,798,636	-	-	-	644,798,636
Held-to-maturity financial assets	177,534,772	-	-	-	177,534,772
Refundable deposits	5,981,302	-	-	-	5,981,302
	$ 1,111,463,101	$ -	$ -	$ -	$ 1,111,463,101
Proportion	100.00%	-	-	-	100.00%

ii. China Life Insurance Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. 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:

September 30, 2017

Secured Loans and Overdue Receivables	Normal Users	Worsening Solvency	Delayed Users	Past Due But Not Impaired	Past Due and Impaired	Provision for Impairment	Total
Consumer finance	$ 1,788,901	$ 21,330	$ 4,622	$ -	$ -	$ 40,123	$ 1,774,730
Corporate finance	-	-	-	-	-	-	-
	$ 1,788,901	$ 21,330	$ 4,622	$ -	$ -	$ 40,123	$ 1,774,730

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
2017.9.30	$ 1,770,201	$ 4,529	$ -	$ -	$ 1,774,730

c. Liquidity risk

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

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

2) Management policy of liquidity risk

To control liquidity risk, the Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The 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 Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, and available-for-sale financial assets.

b) Non-derivative financial liabilities

The following tables show the cash outflows of the 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)

September 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	$ 11,530,287	$ 468,450	$ 313,009	$ 391,966	$ -	$ 12,703,712
Notes and bonds issued under repurchase agreement	4,123,791	8,030	-	-	-	4,131,821
Deposits and remittances	47,592,788	88,331,002	30,221,490	50,557,313	22,626,753	239,329,346
Bank debentures payable	-	2,750,000	-	-	1,000,000	3,750,000
Other capital outflow on maturity	4,739,827	276,337	867,369	376,620	524,799	6,784,952
Total	$ 67,986,693	$ 91,833,819	$ 31,401,868	$ 51,325,899	$ 24,151,552	$ 266,699,831

(In Thousands of New Taiwan Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 23,484,126	$ 460,583	$ 253,739	$ 416,899	$ -	$ 24,615,347
Notes and bonds issued under repurchase agreement	21,868,872	459,685	-	-	-	22,328,557
Deposits and remittances	73,974,018	40,709,082	45,443,242	59,670,662	22,038,891	241,835,895
Bank debentures payable	-	-	-	2,750,000	-	2,750,000
Other capital outflow on maturity	1,634,569	616,498	282,125	404,150	483,030	3,420,372
Total	$ 120,961,585	$ 42,245,848	$ 45,979,106	$ 63,241,711	$ 22,521,921	$ 294,950,171

(In Thousands of New Taiwan Dollars)

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 15,885,978	$ 468,450	$ 318,009	$ 398,601	$ -	$ 17,071,038
Notes and bonds issued under repurchase agreement	8,645,638	544,894	-	-	-	9,190,532
Deposits and remittances	40,474,820	70,821,818	43,906,622	61,250,935	22,000,318	238,454,513
Bank debentures payable	-	-	-	-	2,750,000	2,750,000
Other capital outflow on maturity	2,346,450	309,481	799,164	334,747	568,414	4,358,256
Total	$ 67,352,886	$ 72,144,643	$ 45,023,795	$ 61,984,283	$ 25,318,732	$ 271,824,339

(In Thousands of U.S. Dollars)

September 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	$ 390,000	$ 100,000	$ 70,000	$ 10,000	$ -	$ 570,000
Notes and bonds issued under repurchase agreement	719,512	480,042	132,614	-	-	1,332,168
Deposits and remittances	1,625,868	572,235	464,841	965,921	10,109	3,638,974
Bank debentures payable	-	-	-	-	574,875	574,875
Other capital outflow on maturity	99,900	18,198	3,182	2,019	55,239	178,538
Total	$ 2,835,280	$ 1,170,475	$ 670,637	$ 977,940	$ 640,223	$ 6,294,555

(In Thousands of U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 133,000	$ 30,000	$ -	$ -	$ -	$ 163,000
Notes and bonds issued under repurchase agreement	554,336	678,966	-	-	-	1,233,302
Deposits and remittances	783,074	543,615	501,747	942,410	26,490	2,797,336
Bank debentures payable	-	-	-	-	368,413	368,413
Other capital outflow on maturity	22,947	15,779	3,121	1,884	42,700	86,431
Total	$ 1,493,357	$ 1,268,360	$ 504,868	$ 944,294	$ 437,603	$ 4,648,482

(In Thousands of U.S. Dollars)

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 65,000	$ 50,000	$ -	$ -	$ -	$ 115,000
Notes and bonds issued under repurchase agreement	1,230,423	322,889	-	-	-	1,553,312
Deposits and remittances	1,001,281	663,290	582,006	748,327	26,489	3,021,393
Bank debentures payable	-	-	-	-	330,995	330,995
Other capital outflow on maturity	20,134	15,332	2,348	1,167	58,474	97,455
Total	$ 2,316,838	$ 1,051,511	$ 584,354	$ 749,494	$ 415,958	$ 5,118,155

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)

September 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	$ (192,874,436)	$ (246,936,360)	$ (173,708,954)	$ (80,271,339)	$ (4,998,300)	$ (698,789,389)
Cash inflow	165,124,338	231,326,450	175,835,785	74,599,655	4,671,300	651,557,528
Interest rate derivatives instruments						
Cash outflow	(535,160)	(1,035,105)	-	(309,627)	(14,703,953)	(16,583,845)
Cash inflow	200,955	437,807	-	-	-	638,762
Cash outflow subtotal	(193,409,596)	(247,971,465)	(173,708,954)	(80,580,966)	(19,702,253)	(715,373,234)
Cash inflow subtotal	165,325,293	231,764,257	175,835,785	74,599,655	4,671,300	652,196,290
Net cash flow	$ (28,084,303)	$ (16,207,208)	$ 2,126,831	$ (5,981,311)	$ (15,030,953)	$ (63,176,944)

(In Thousands of New Taiwan Dollars)

December 31, 2016	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	$ (171,492,690)	$ (231,995,114)	$ (167,321,858)	$ (17,638,218)	$ (327,000)	$ (588,774,880)
Cash inflow	164,681,784	234,004,664	162,867,950	18,831,464	-	580,385,862
Interest rate derivatives instruments						
Cash outflow	(1,750,715)	(441,025)	(1,361)	(912,497)	(15,023,911)	(18,129,509)
Cash inflow	214,301	423,840	-	-	-	638,141
Others						
Cash outflow	-	-	-	-	-	-
Cash inflow	714	-	-	-	-	714
Cash outflow subtotal	(173,243,405)	(232,436,139)	(167,323,219)	(18,550,715)	(15,350,911)	(606,904,389)
Cash inflow subtotal	164,896,799	234,428,504	162,867,950	18,831,464	-	581,024,717
Net cash flow	$ (8,346,606)	$ 1,992,365	$ (4,455,269)	$ 280,749	$ (15,350,911)	$ (25,879,672)

(In Thousands of New Taiwan Dollars)

September 30, 2016	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	$ (167,995,318)	$ (229,960,433)	$ (136,078,730)	$ (30,904,326)	$ (327,000)	$ (565,265,807)
Cash inflow	163,683,768	209,185,549	146,900,559	26,505,178	-	546,275,054
Interest rate derivatives instruments						
Cash outflow	(191,180)	(427,502)	(1,519,829)	(4,669)	(15,433,989)	(17,577,169)
Cash inflow	169,511	402,803	15,846	-	-	588,160
Cash outflow subtotal	(168,186,498)	(230,387,935)	(137,598,559)	(30,908,995)	(15,760,989)	(582,842,976)
Cash inflow subtotal	163,853,279	209,588,352	146,916,405	26,505,178	-	546,863,214
Net cash flow	$ (4,333,219)	$ (20,799,583)	$ 9,317,846	$ (4,403,817)	$ (15,760,989)	$ (35,979,762)

(In Thousands of U.S. Dollars)

September 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	$ (6,884,606)	$ (8,263,159)	$ (6,269,701)	$ (2,800,224)	$ (197,137)	$ (24,414,827)
Cash inflow	7,916,892	8,804,672	6,095,898	2,972,513	203,392	25,993,367
Interest rate derivatives instruments						
Cash outflow	(24,750)	(109,589)	(31,868)	(17,242)	(22,444)	(205,893)
Cash inflow	27,211	54,393	38,480	701	-	120,785
Others						
Cash outflow	(284)	-	-	-	-	(284)
Cash inflow	79	-	-	-	-	79
Cash outflow subtotal	(6,909,640)	(8,372,748)	(6,301,569)	(2,817,466)	(219,581)	(24,621,004)
Cash inflow subtotal	7,944,182	8,859,065	6,134,378	2,973,214	203,392	26,114,231
Net cash flow	$ 1,034,542	$ 486,317	$ (167,191)	$ 155,748	$ (16,189)	$ 1,493,227

(In Thousands of U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (5,801,671)	$ (7,928,173)	$ (5,383,285)	$ (1,081,788)	$ (149,201)	$ (20,344,118)
Cash inflow	6,155,681	7,902,248	5,527,944	928,621	174,935	20,689,429
Interest rate derivatives instruments						
Cash outflow	(19,852)	(33,865)	(30,342)	(1,006)	(20,264)	(105,329)
Cash inflow	13,143	33,962	29,726	689	-	77,520
Others						
Cash outflow	(744)	-	-	-	-	(744)
Cash inflow	275	-	-	-	-	275
Cash outflow subtotal	(5,822,267)	(7,962,038)	(5,413,627)	(1,082,794)	(169,465)	(20,450,191)
Cash inflow subtotal	6,169,099	7,936,210	5,557,670	929,310	174,935	20,767,224
Net cash flow	$ 346,832	$ (25,828)	$ 144,043	$ (153,484)	$ 5,470	$ 317,033

(In Thousands of U.S. Dollars)

September 30, 2016	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	$ (6,282,617)	$ (7,104,619)	$ (4,879,659)	$ (1,231,218)	$ (149,147)	$ (19,647,260)
Cash inflow	6,546,808	7,766,356	4,552,139	1,348,432	174,935	20,388,670
Interest rate derivatives instruments						
Cash outflow	(14,120)	(51,786)	(17,920)	(906)	(15,090)	(99,822)
Cash inflow	13,865	32,721	10,533	996	-	58,115
Others						
Cash outflow	(552)	-	-	-	-	(552)
Cash inflow	483	-	-	-	-	483
Cash outflow subtotal	(6,297,289)	(7,156,405)	(4,897,579)	(1,232,124)	(164,237)	(19,747,634)
Cash inflow subtotal	6,561,156	7,799,077	4,562,672	1,349,428	174,935	20,447,268
Net cash flow	$ 263,867	$ 642,672	$ (334,907)	$ 117,304	$ 10,698	$ 699,634

5) Maturity analysis of off-balance sheet items

The table below shows the 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)

September 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	$ 6,496,500	$ 8,993,698	$ 8,271,996	$ 28,413,510	$ 45,462,808	$ 97,638,512

(In Thousands of New Taiwan Dollars)

December 31, 2016	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	$ 6,402,878	$ 11,356,859	$ 11,247,994	$ 29,457,826	$ 43,749,877	$ 102,215,434

(In Thousands of New Taiwan Dollars)

September 30, 2016	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	$ 6,028,530	$ 11,571,598	$ 10,543,239	$ 28,222,140	$ 46,822,454	$ 103,187,961

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)

September 30, 2017	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 1,865,268	$ 2,651,231	$ -	$ 4,516,499
Financial lease present value income (lessor)	1,723,573	2,553,092	-	4,276,665
Operating lease payment (lessee)	320,487	622,555	46,820	989,862
Operating lease income (lessor)	13,590	13,453	-	27,043
Present value of financial lease payment (lessee)	34	2,719	-	2,753

(In Thousands of New Taiwan Dollars)

December 31, 2016	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 3,268,707	$ 3,156,235	$ -	$ 6,424,942
Financial lease present value income (lessor)	3,076,383	2,970,345	-	6,046,728
Operating lease payment (lessee)	239,465	471,498	-	710,963
Operating lease income (lessor)	16,325	22,947	-	39,272
Present value of financial lease payment (lessee)	869	8	-	877

(In Thousands of New Taiwan Dollars)

September 30, 2016	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 3,455,703	$ 2,450,660	$ -	$ 5,906,363
Financial lease present value income (lessor)	3,240,665	2,303,444	-	5,544,109
Operating lease payment (lessee)	255,099	495,949	1,441	752,489
Operating lease income (lessor)	12,181	31,136	-	43,317
Present value of financial lease payment (lessee)	1,773	33	-	1,806

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

a) Maturity analysis of assets and liabilities in New Taiwan dollars

(In Thousands of New Taiwan Dollars)

September 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	$ 117,856,988	$ 207,442,824	$ 284,557,536	$ 203,510,885	$ 109,735,638	$ 113,626,978	$ 1,036,730,849
Main capital outflow on maturity	86,390,266	186,108,667	361,263,079	232,710,559	198,006,193	200,520,930	1,264,999,694
Gap	31,466,722	21,334,157	(76,705,543)	(29,199,674)	(88,270,555)	(86,893,952)	(228,268,845)

(In Thousands of New Taiwan Dollars)

September 30, 2016	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	$ 105,755,398	$ 215,230,732	$ 253,588,642	$ 174,786,895	$ 61,588,688	$ 97,351,235	$ 908,301,590
Main capital outflow on maturity	94,050,681	166,987,789	352,708,141	221,571,673	119,963,212	137,257,374	1,092,538,870
Gap	11,704,717	48,242,943	(99,119,499)	(46,784,778)	(58,374,524)	(39,906,139)	(184,237,280)

b) Maturity analysis of assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

September 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 9,321,961	$ 9,950,562	$ 6,442,894	$ 3,357,365	$ 2,415,573	$ 31,488,355
Main capital outflow on maturity	10,004,224	10,061,836	7,624,637	4,960,971	2,823,006	35,474,674
Gap	(682,263)	(111,274)	(1,181,743)	(1,603,606)	(407,433)	(3,986,319)

(In Thousands of U.S. Dollars)

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 8,716,801	$ 8,529,545	$ 4,876,740	$ 1,765,509	$ 1,326,402	$ 25,214,997
Main capital outflow on maturity	9,746,090	10,471,844	7,122,872	1,984,376	649,734	29,974,916
Gap	(1,029,289)	(1,942,299)	(2,246,132)	(218,867)	676,668	(4,759,919)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

September 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	$ 6,963,495	$ 6,082,202	$ -	$ -	$ -	$ 13,045,697
Financial assets measured at FVTPL - current	53,904,394	2,615,270	12,163,216	319,589	125,687	69,128,156
Financial assets at cost - current	644,883	-	-	-	-	644,883
Available-for-sale financial assets - current	2,768,158	-	325,965	-	-	3,094,123
Securities purchased under resell agreement	-	27,460,594	-	-	-	27,460,594
Receivables	40,901,864	3,811,595	22,136,137	3,503,982	-	70,353,578
Customers' margin accounts	37,159,474	-	-	-	-	37,159,474
Stock borrowing collateral price and guarantee deposits - borrowed securities	729,062	834,144	1,747,591	-	-	3,310,797
Other financial assets - current	-	-	3,760,220	-	-	3,760,220
Current tax assets	-	-	22,189	2,116	569,624	593,929
Other current assets	33,897,404	797,533	448,965	-	-	35,143,902
Financial assets measured at FVTPL - noncurrent	-	-	-	50,375	-	50,375
Financial assets at cost - noncurrent	-	-	-	-	1,015,457	1,015,457
Available-for-sale financial assets - noncurrent	-	-	-	344,792	403,795	748,587
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	12,585,221	12,585,221
Others noncurrent assets	150,000	100,000	-	469,530	2,742,292	3,461,822
Total	$ 177,118,734	$ 41,701,338	$ 40,604,283	$ 4,690,384	$ 17,742,076	$ 281,856,815
Percentage	62.84%	14.80%	14.41%	1.66%	6.29%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

September 30, 2017	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 20,196,467	$ -	$ -	$ -	$ 20,196,467
Commercial papers payable, net	-	6,496,578	-	-	-	6,496,578
Financial liabilities measured at FVTPL - current	3,489,436	3,420,388	6,728,911	942,143	125,688	14,706,566
Bonds issued under repurchase agreements	-	64,835,519	-	-	-	64,835,519
Payables	55,915,835	306,116	5,268,496	130,329	-	61,620,776
Guarantee deposits - borrowed securities	-	3,331,051	11,366,628	-	-	14,697,679
Futures customers' equity	36,490,401	-	-	-	-	36,490,401
Other current liabilities	1,145,658	1,320,324	2,661,068	29	-	5,127,079
Other financial liabilities - current	-	4,004,821	36,972	-	-	4,041,793
Current tax liabilities	-	-	289,158	-	589,526	878,684
Long-term liability - current portion	-	-	2,200,000	-	-	2,200,000
Bonds payable	-	-	-	4,800,000	-	4,800,000
Provisions - noncurrent	-	-	-	23,078	197,295	220,373
Others noncurrent liabilities	-	-	-	638,876	145,698	784,574
Total	$ 97,041,330	$ 103,911,264	$ 28,551,233	$ 6,534,455	$ 1,058,207	$ 237,096,489
Percentage	40.93%	43.83%	12.04%	2.76%	0.44%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

September 30, 2017	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 177,118,734	$ 41,701,338	$ 40,604,283	$ 4,690,384	$ 17,742,076	$ 281,856,815
Cash outflow	97,041,330	103,911,264	28,551,233	6,534,455	1,058,207	237,096,489
Amount of cash flow gap	$ 80,077,404	$ (62,209,926)	$ 12,053,050	$ (1,844,071)	$ 16,683,869	$ 44,760,326

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,009,351	$ 10,440,869	$ -	$ -	$ -	$ 16,450,220
Financial assets measured at FVTPL - current	50,073,606	3,543,039	7,114,717	424,822	169,399	61,325,583
Financial assets at cost - current	1,090,749	-	-	-	-	1,090,749
Available-for-sale financial assets - current	9,246,926	-	-	-	-	9,246,926
Securities purchased under resell agreement	-	29,114,724	-	-	-	29,114,724
Receivables	35,547,141	4,864,635	15,087,392	5,347,674	-	60,846,842
Customers' margin accounts	37,066,541	-	-	-	-	37,066,541
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,092,300	466,917	441,470	-	-	3,000,687
Other financial assets - current	-	-	2,527,870	-	-	2,527,870
Current tax assets	-	-	17,500	13,394	422,825	453,719
Other current assets	29,675,416	163,028	638,612	-	-	30,477,056
Financial assets measured at FVTPL - noncurrent	-	-	50,313	-	-	50,313
Financial assets at cost - noncurrent	-	-	-	415	917,899	918,314
Available-for-sale financial assets - noncurrent	-	-	-	142,975	282,584	425,559
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,186,633	2,186,633
Others noncurrent assets	220,000	-	100,000	376,804	2,834,601	3,531,405
Total	$ 171,022,030	$ 48,593,212	$ 25,977,874	$ 6,306,084	$ 7,113,941	$ 259,013,141
Percentage	66.03%	18.76%	10.03%	2.43%	2.75%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2016	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 12,777,858	$ -	$ -	$ -	$ 12,777,858
Commercial papers payable, net	-	10,293,033	-	-	-	10,293,033
Financial liabilities measured at FVTPL - current	3,657,874	4,716,941	2,942,584	922,739	169,399	12,409,537
Bonds issued under repurchase agreements	-	57,598,541	-	-	-	57,598,541
Payables	46,896,855	861,531	4,829,585	149,960	-	52,737,931
Guarantee deposits - borrowed securities	-	4,414,965	6,920,988	-	-	11,335,953
Futures customers' equity	36,084,937	-	-	-	-	36,084,937
Other current liabilities	535,836	871,919	2,505,228	110	-	3,913,093
Other financial liability - current	-	4,426,111	-	-	-	4,426,111
Current tax liabilities	-	-	88,753	198,492	411,192	698,437
Bonds payable	-	-	-	7,000,000	-	7,000,000
Provisions - noncurrent	-	-	-	23,248	201,660	224,908
Others noncurrent liabilities	-	-	822	640,197	72,375	713,394
Total	$ 87,175,502	$ 95,960,899	$ 17,287,960	$ 8,934,746	$ 854,626	$ 210,213,733
Percentage	41.47%	45.65%	8.22%	4.25%	0.41%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 171,022,030	$ 48,593,212	$ 25,977,874	$ 6,306,084	$ 7,113,941	$ 259,013,141
Cash outflow	87,175,502	95,960,899	17,287,960	8,934,746	854,626	210,213,733
Amount of cash flow gap	$ 83,846,528	$ (47,367,687)	$ 8,689,914	$ (2,628,662)	$ 6,259,315	$ 48,799,408

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

September 30, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,527,122	$ 11,009,902	$ -	$ -	$ -	17,537,024
Financial assets measured at FVTPL - current	82,423,078	6,231,535	12,211,153	480,167	211,302	101,557,235
Financial assets at cost - current	1,116,229	-	-	-	-	1,116,229
Available-for-sale financial assets - current	8,535,281	-	-	-	-	8,535,281
Securities purchased under resell agreement	-	23,115,567	-	-	-	23,115,567
Receivables	42,078,753	3,531,679	16,495,553	4,265,406	-	66,371,391
Customers' margin accounts	35,391,096	-	-	-	-	35,391,096
Stock borrowing collateral price and guarantee deposits - borrowed securities	3,066,063	663,782	1,548,302	-	-	5,278,147
Other financial assets - current	-	-	2,696,440	-	-	2,696,440
Current tax assets	-	-	1,361	434,274	-	435,635
Other current assets	31,056,239	177,909	642,041	-	-	31,876,189
Financial assets measured at FVTPL - noncurrent	-	-	50,313	-	-	50,313
Financial assets at cost - noncurrent	-	-	-	415	960,625	961,040
Available-for-sale financial assets - noncurrent	-	-	-	-	224,956	224,956
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,064,281	2,064,281
Others noncurrent assets	-	-	-	673,470	2,619,732	3,293,202
Total	$ 210,193,861	$ 44,730,374	$ 33,645,163	$ 5,853,732	$ 6,380,896	$ 300,804,026
Percentage	69.88%	14.87%	11.18%	1.95%	2.12%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

September 30, 2016	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 15,368,574	$ -	$ -	$ -	$ 15,368,574
Commercial papers payable, net	-	10,486,028	-	-	-	10,486,028
Financial liabilities measured at FVTPL - current	4,516,823	4,636,829	6,820,513	821,734	211,302	17,007,201
Bonds issued under repurchase agreements	-	81,679,356	-	-	-	81,679,356
Payables	57,609,473	241,821	5,925,199	173,753	-	63,950,246
Guarantee deposits - borrowed securities	-	2,647,376	9,685,774	-	-	12,333,150
Futures customers' equity	34,290,809	-	-	-	-	34,290,809
Other current liabilities	1,307,241	812,989	2,289,117	29	-	4,409,376
Other financial liability - current	-	5,316,321	17,655	-	-	5,333,976
Current tax liabilities	-	-	125,888	717,616	-	843,504
Long-term liabilities - current portion	-	938,940	-	-	-	938,940
Bonds payable	-	-	-	7,000,000	-	7,000,000
Provisions - noncurrent	-	-	-	23,249	184,235	207,484
Others noncurrent liabilities	-	-	1,097	613,219	69,161	683,477
Total	$ 97,724,346	$ 122,128,234	$ 24,865,243	$ 9,349,600	$ 464,698	$ 254,532,121
Percentage	38.40%	47.98%	9.77%	3.67%	0.18%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

September 30, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 210,193,861	$ 44,730,374	$ 33,645,163	$ 5,853,732	$ 6,380,896	$ 300,804,026
Cash outflow	97,724,346	122,128,234	24,865,243	9,349,600	464,698	254,532,121
Amount of cash flow gap	$ 112,469,515	$ (77,397,860)	$ 8,779,920	$ (3,495,868)	$ 5,916,198	$ 46,271,905

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 September 30, 2017, December 31, 2016 and September 30, 2016, show that the sums from deducting cash outflow from cash inflow are $44,760,326 thousand, $48,799,408 thousand and $46,271,905 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 62.84% 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 September 30, 2017, December 31, 2016 and September 30, 2016, net cash inflow calculated from net spot financial assets are respectively $80,077,404 thousand, $83,846,528 thousand and $112,469,515 thousand, which are sufficient to cover the net cash outflows of $64,053,997 thousand, $49,996,349 thousand and $80,893,728 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.

CDIB Capital Group and subsidiaries

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

The Corporation'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 September 30, 2017, December 31, 2016 and September 30, 2016, other financial liabilities are \$362,988 thousand, \$386,632 thousand and \$375,696 thousand, respectively, and will be paid by financial assets and the rest of nonderivative financial liabilities are \$751,019 thousand, \$1,685,283 thousand and \$1,630,295 thousand, respectively, and are mainly all current liabilities.

China Life Insurance Co., Ltd.

1) Liquidity risks are classified to "funding liquidity risk" and "market liquidity risk." "Funding liquidity risk" represents that China Life Insurance Co., Ltd. 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 Co., Ltd. sells at loss to meet the demand for cash.

   China Life Insurance Co., Ltd. assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, China Life Insurance Co., Ltd. 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 Co., Ltd. in the long term illiquid environment still regularly operate to pay emergency and major funding requirements.

China Life Insurance Co., Ltd. regularly monitors market liquidity and formulates plans to use the funds depending on market conditions and funding demand arrangements for liquidity assets portfolio. To quarterly prepare duration reports of assets and liabilities, the quarterly end of effective contracts estimate future liabilities side of cash expenditures time and the size of the amount. China Life Insurance Co., Ltd. early response to possible liquidity risk in order to assort full term insurance money management of again sales or assets combination adjustment measures, etc. Also, for abnormal and urgent financing needs, China Life Insurance Co., Ltd. makes an emergency management operating procedure to deal with significant liquidity risks.

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 Co., Ltd. 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, 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 Co., Ltd. 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

	September 30, 2017		
	In 1 Year	**Over 1 Year**	**Total**
Payables	$ 14,122,707	$ -	$ 14,122,707

c) Maturity analysis of derivative financial liabilities

China Life Insurance Co., Ltd. operates derivatives including foreign exchange derivative instruments (such as currency forward contracts, foreign exchange forward) and interest rate derivative instruments (such as cross currency swaps, interest rate swaps).

China Life Insurance Co., Ltd. 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 Co., Ltd. enters into forward contracts, cross currency swaps and interest rate 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:

	September 30, 2017				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 3,376,062	$ 48,441	$ 83,290	$ -	$ 3,507,793

3) Maturity analysis of lease commitment

a) Operating lease commitment - China Life Insurance Co., Ltd. as the lessee

The commercial lease contracts for offices, vehicles and equipment signed by China Life Insurance Co., Ltd. are within one to three years on average without renewal option. There is no restriction on China Life Insurance Co., Ltd. in these contracts. Furthermore, China Life Insurance Co., Ltd. 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 September 30, 2017 is as follows:

	September 30, 2017
Less than one year	$ 125,063
More than one year but less than five years	452,914
More than five years	5,272,284
	$ 5,850,261

The minimum lease payments of operating lease for the three and nine months ended September 30, 2017 amounted to $17,086 thousand and $50,660 thousand, respectively.

b) Operating lease commitment - China Life Insurance Co., Ltd. as the lessor

The remaining period of commercial property lease contracts China Life Insurance Co., Ltd. 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 September 30, 2017 is as follows:

	September 30, 2017
Less than one year	$ 406,546
More than one year but less than five years	1,054,616
More than five years	250,290
	$ 1,711,452

c) Finance lease commitment - China Life Insurance Co., Ltd. as the lessee

China Life Insurance Co., Ltd. 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 Co., Ltd. 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 September 30, 2017 is as follows:

	September 30, 2017
Less than one year	$ 52,347
More than one year but less than five years	97,981
	$ 150,328

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 Nine Months Ended September 30, 2017			For the Year Ended December 31, 2016			For the Nine Months Ended September 30, 2016		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 94,581	$ 187,181	$ 29,201	$ 33,310	$ 74,214	$ 17,157	$ 30,269	$ 53,221	$ 17,157
Equity risk	8,220	13,019	4,918	5,951	12,389	2,336	5,785	12,389	2,336
Exchange rate risk	11,354	44,645	2,682	36,105	80,973	6,133	41,558	80,973	18,915

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)

	September 30, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 5,704,558	30.31	$ 172,876,626
RMB	1,923,126	4.56	8,766,572
EUR	136,386	35.80	4,882,626
HKD	962,203	3.88	3,733,349
JPY	2,373,582	0.27	639,443
SGD	21,183	22.32	472,813
AUD	11,825	23.74	280,732
GBP	4,778	40.60	193,973
ZAR	63,241	2.24	141,407
Nonmonetary items			
HKD	544,049	3.88	2,110,910
Financial liabilities			
Monetary items			
USD	7,049,487	30.31	213,634,695
RMB	2,701,787	4.56	12,316,097
ZAR	1,522,599	2.24	3,404,532
EUR	59,007	35.80	2,112,437
AUD	57,599	23.74	1,367,390
HKD	332,594	3.88	1,290,464
JPY	3,525,055	0.27	949,650
NZD	15,450	21.84	337,435
GBP	3,377	40.60	137,123

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 5,345,458	32.28	$ 172,546,025
RMB	1,934,700	4.62	8,941,990
HKD	604,307	4.16	2,515,248
EUR	61,196	33.92	2,075,584
GBP	45,031	39.61	1,783,666
JPY	3,860,310	0.28	1,064,287
AUD	11,789	23.30	274,698

(Continued)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
ZAR	$ 85,730	2.37	$ 203,017
THD	169,664	0.90	152,884
CAD	6,237	23.93	149,229
Nonmonetary items			
HKD	521,348	4.16	2,169,956
Financial liabilities			
Monetary items			
USD	5,475,408	32.28	176,740,694
RMB	1,955,014	4.62	9,035,879
ZAR	1,454,274	2.37	3,443,867
AUD	65,000	23.30	1,514,621
EUR	36,380	33.92	1,233,894
HKD	293,670	4.16	1,222,312
JPY	2,345,749	0.28	646,723
NZD	15,481	22.42	347,017
GBP	3,801	39.61	150,540

(Concluded)

	September 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 5,454,975	31.37	$ 171,100,739
RMB	2,826,919	4.69	13,271,536
HKD	764,886	4.04	3,093,887
JPY	8,928,766	0.31	2,775,061
EUR	68,968	35.08	2,419,477
ZAR	523,659	2.24	1,173,520
SGD	30,458	22.96	699,443
AUD	10,703	23.84	255,200
NZD	8,153	22.76	185,562
THD	201,040	0.90	181,700
GBP	3,824	40.62	155,301
Nonmonetary items			
HKD	512,772	4.04	2,074,110
Financial liabilities			
Monetary items			
USD	5,981,790	31.37	187,624,829
RMB	2,363,700	4.69	11,096,864
ZAR	1,689,675	2.24	3,786,562
HKD	868,277	4.04	3,512,095
EUR	44,853	35.08	1,573,486

(Continued)

	September 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
JPY	$ 3,734,868	0.31	$ 1,160,797
AUD	47,959	23.84	1,143,490
NZD	23,787	22.76	541,364
SGD	15,462	22.96	355,059
GBP	6,324	40.62	256,849

(Concluded)

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

a) Analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

September 30, 2017

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 258,225,317	$ 13,049,377	$ 4,805,654	$ 81,673,006	$ 357,753,354
Interest rate-sensitive liabilities	149,300,340	82,236,624	21,089,013	4,016,163	256,642,140
Interest rate sensitivity gap	108,924,977	(69,187,247)	(16,283,359)	77,656,843	101,111,214
Net worth					59,359,259
Ratio of interest rate-sensitive assets to liabilities (%)					139.40
Ratio of interest rate-sensitive gap to net worth (%)					170.34

September 30, 2016

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 228,129,951	$ 12,056,733	$ 4,268,826	$ 94,840,977	$ 339,296,487
Interest rate-sensitive liabilities	127,882,531	91,480,210	36,796,277	7,460,257	263,619,275
Interest rate sensitivity gap	100,247,420	(79,423,477)	(32,527,451)	87,380,720	75,677,212
Net worth					57,056,857
Ratio of interest rate-sensitive assets to liabilities (%)					128.71
Ratio of interest rate-sensitive gap to net worth (%)					132.63

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 interest rate-sensitive assets and liabilities (U.S. dollars)

September 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	$ 2,984,926	$ 190,959	$ 52,616	$ 1,586,184	$ 4,814,685
Interest rate-sensitive liabilities	4,221,910	583,892	725,231	584,984	6,116,017
Interest rate sensitivity gap	(1,236,984)	(392,933)	(672,615)	1,001,200	(1,301,332)
Net worth					48,859
Ratio of interest rate-sensitive assets to liabilities (%)					78.72
Ratio of interest rate-sensitive gap to net worth (%)					(2,663.44)

September 30, 2016

(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	$ 2,503,733	$ 219,915	$ 417,226	$ 1,291,064	$ 4,431,938
Interest rate-sensitive liabilities	3,640,495	511,018	511,703	357,484	5,020,700
Interest rate sensitivity gap	(1,136,762)	(291,103)	(94,477)	933,580	(588,762)
Net worth					69,538
Ratio of interest rate-sensitive assets to liabilities (%)					88.27
Ratio of interest rate-sensitive gap to net worth (%)					(846.68)

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).

<u>KGI Securities and subsidiaries</u>

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 the variation of gains or losses of investment portfolio due to potential extreme event or circumstances.

1) Risk factor sensitivity

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

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

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

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

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

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

Comparisons of Risk Sensitive Factors

(In Thousands of New Taiwan Dollars)

Risk Sensitivity	September 30, 2017	December 31, 2016	September 30, 2016
Interest rate risk	$ 4,559	$ 2,321	$ 9,214
Equity securities risk	7,985,376	18,656,595	17,851,624
Exchange rate risk	1,012,093	1,416,056	1,193,471
Commodity risk	43,646	(2,051)	4,179

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 Nine Months Ended September 30, 2017			September 30, 2017
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 332,224	$ 130,089	$ 629,630	$ 151,820
Interest rate	80,895	43,442	164,813	120,151
Exchange rate	7,723	3,287	15,448	4,275
Commodity	4,356	59	33,934	16,781

	For the Nine Months Ended September 30, 2016			September 30, 2016
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 389,700	$ 248,840	$ 630,721	$ 429,385
Interest rate	74,620	36,259	154,960	51,046
Exchange rate	21,364	2,145	97,034	1,252
Commodity	3,859	58	18,399	769

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)

	September 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 2,526,125	30.30	$ 76,538,820
JPY	16,694,316	0.27	4,496,383
EUR	51,199	35.80	1,832,816
GBP	33,301	40.60	1,351,986
CAD	43,403	24.31	1,055,123
AUD	38,054	23.74	903,404
HKD	128,217	3.87	496,820
RMB	25,796	4.56	117,586
Nonmonetary items			
USD	928,731	30.30	28,145,187
RMB	330,842	4.56	1,508,144
AUD	12,764	23.74	303,023
Investments accounted for using the equity method			
USD	68,946	30.30	2,089,395

(Continued)

	September 30, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial liabilities			
Monetary items			
USD	$ 4,251,093	30.30	$ 128,814,039
JPY	16,510,034	0.27	4,447,421
EUR	50,659	35.80	1,814,476
GBP	33,071	40.60	1,342,655
AUD	45,885	23.74	1,089,304
CAD	43,367	24.31	1,054,240
HKD	94,455	3.87	365,827
RMB	23,938	4.56	109,115
Nonmonetary items			
USD	291,623	30.30	8,837,646
RMB	33,390	4.56	152,210

(Concluded)

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 2,336,758	32.21	$ 75,259,143
JPY	8,724,871	0.28	2,404,829
EUR	33,751	33.92	1,144,684
RMB	244,837	4.62	1,131,607
HKD	127,231	4.16	529,229
SGD	9,014	22.31	201,095
AUD	4,373	23.30	101,903
Nonmonetary items			
USD	761,214	32.28	24,571,228
RMB	412,573	4.62	1,906,873
AUD	4,529	23.30	105,539
Investments accounted for using the equity method			
USD	67,639	32.28	2,183,329
Financial liabilities			
Monetary items			
USD	3,678,462	32.28	118,729,246
JPY	8,413,574	0.28	2,319,492
RMB	300,806	4.62	1,390,287
EUR	31,848	33.92	1,080,125
HKD	79,633	4.16	331,116
SGD	8,768	22.31	195,616
Nonmonetary items			
USD	196,950	32.28	6,357,340
RMB	39,941	4.62	184,602
AUD	4,529	23.30	105,539

	September 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 2,632,921	31.37	$ 82,582,820
RMB	759,537	4.69	3,565,797
JPY	10,645,111	0.31	3,308,781
HKD	130,409	4.04	527,428
THB	485,830	0.90	439,093
EUR	6,417	35.08	225,105
SGD	5,619	22.96	129,026
Nonmonetary items			
USD	1,068,456	31.37	33,513,188
RMB	460,364	4.69	2,161,272
AUD	20,162	23.84	480,726
HKD	59,382	4.04	240,195
NZD	5,184	22.76	117,973
Investments accounted for using the equity method			
USD	65,717	31.37	2,061,274
Financial liabilities			
Monetary items			
USD	4,109,916	31.37	128,910,258
RMB	919,130	4.69	4,315,036
JPY	10,398,904	0.31	3,232,260
THB	486,567	0.90	439,759
HKD	75,855	4.04	306,764
EUR	4,661	35.08	163,502
AUD	5,810	23.84	138,522
SGD	5,530	22.96	126,988
Nonmonetary items			
USD	328,607	31.37	10,307,073
AUD	11,114	23.84	264,994
RMB	37,092	4.69	174,134
NZD	5,184	22.76	117,973

CDIB Capital Group and subsidiaries

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. Market risk was 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)

	September 30, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 192,166	30.305	$ 5,823,582
HKD	115,275	3.880	447,268
RMB	70,369	4.559	320,776
KRW	6,419,995	0.026	169,873
JPY	429,523	0.269	115,713
Investment accounted for using the equity method			
RMB	667,475	4.559	3,042,685
USD	88,316	30.305	2,676,431
Financial liabilities			
Monetary items			
USD	17,047	30,305	516,617

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 245,665	32.279	$ 7,929,817
HKD	114,029	4.162	474,611
RMB	60,969	4.622	281,794
KRW	7,363,850	0.027	197,506
JPY	429,029	0.276	118,283
Investment accounted for using the equity method			
RMB	459,967	4.622	2,125,923
USD	65,502	32.279	2,114,355
Financial liabilities			
Monetary items			
USD	18,733	32.279	604,671

	September 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 286,383	31.366	$ 8,982,685
HKD	147,211	4.045	595,453
RMB	60,448	4.695	283,786
KRW	7,039,526	0.028	200,352
JPY	427,496	0.311	132,866
Investment accounted for using the equity method			
USD	73,721	31.366	2,312,337
RMB	458,428	4.695	2,152,183
Financial liabilities			
Monetary items			
USD	17,262	31.366	541,445

Sensitivity analysis

The following table details CDIB Capital Group and subsidiaries' sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies.

	Impact to Profit or Loss For the Nine Months Ended September 30	
	2017	2016
Monetary items		
USD	$ 58,236	$ 84,412
HKD	4,473	5,955
RMB	3,208	2,838
KRW	1,699	2,004
JPY	1,157	1,329

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of September 30, 2017, December 31, 2016 and September 30, 2016 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 other comprehensive income for the nine months ended September 30, 2017 and 2016 would increase/decrease by $103,066 thousand and $93,023, thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

China Life Insurance Co., Ltd.

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 Co., Ltd. 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 Co., Ltd. continues to exercise swaps and forward exchange derivative transactions to hedge the value change risk of holding foreign currencies because of changes in exchange rates in accordance with relevant laws and internal control requirements to use the correlation model and control mechanism to effectively control this risk.

China Life Insurance Co., Ltd.'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 Co., Ltd.).

Some of China Life Insurance Co., Ltd.'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 Co., Ltd. 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 Co., Ltd. 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. The equity securities of listed and OTC-traded companies held by China Life Insurance Co., Ltd. fall into held-for-trading and available-for-sale categories, respectively. Equity securities of non-listed and non-OTC traded companies fall into available-for-sale category. China Life Insurance Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. 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 Co., Ltd.'s risk analysis, early warning, and business management are in accordance with the stress testing report.

Summarization of Simple Sensitivity
September 30, 2017

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ -	$ 1,172,309
Interest rate risk (yield curve)	+1BP	(39)	(360,273)
Exchange risk (foreign exchange rate)	+1% (USD for each currency appreciates 1%)	840,492	47,200

7) Foreign currency financial assets and liabilities with significant influence as of September 30, 2017 are as follows:

	September 30, 2017		
	Foreign Currency	**Exchange Rate (Dollar)**	**NTD**
Financial assets			
Monetary items			
USD	$ 26,752,228	30.3050	$ 810,726,273
Non-monetary items			
USD	289,685	30.3050	8,778,917
Financial labilities			
USD	99,390	30.3050	3,012,014

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:

September 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	$ 2,460,761	$ 2,324,018	$ 2,460,761	$ 2,324,018	$ 136,743
Available-for-sale financial assets	45,378,337	41,902,188	45,378,337	41,902,188	3,476,149

December 31, 2016					
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	$ 35,227,572	$ 33,509,311	$ 35,227,572	$ 33,509,311	$ 1,718,261
Available-for-sale financial assets	30,023,890	28,629,003	30,023,890	28,629,003	1,394,887

September 30, 2016					
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	$ 32,032,128	$ 30,243,565	$ 32,032,128	$ 30,243,565	$ 1,788,563
Available-for-sale financial assets	28,817,364	27,359,731	28,817,364	27,359,731	1,457,633

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:

September 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	$ 65,222,958	$ 64,784,070	$ 65,222,958	$ 64,784,070	$ 438,888
Transaction - borrowed securities	298,953	418,534	298,953	418,534	(119,581)

December 31, 2016					
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	$ 56,923,804	$ 57,422,129	$ 56,923,804	$ 57,422,129	$ (498,325)
Transaction - borrowed securities	46,749	65,449	46,749	65,449	(18,700)

September 30, 2016					
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	$ 80,717,280	$ 81,311,101	$ 80,717,280	$ 81,311,101	$ (593,821)
Transaction - borrowed securities	135,103	189,144	135,103	189,144	(54,041)

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, meanwhile acquire 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 derecognized them since counterparties have the ability to sell financial assets to third party and no restrictions will be made when counterparties differs. 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:

September 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	$ 9,509,600	$ 901,880	$ 901,880	$ -	$ 901,880

December 31, 2016					
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	$ 10,229,100	$ 610,676	$ 610,676	$ -	$ 610,676

September 30, 2016					
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	$ 9,977,300	$ 659,917	$ 659,917	$ -	$ 659,917

The following table is repurchased transferred (derecognized) financial assets' undiscounted cash flow maturity analysis. Information of cash flow is disclosed according to the circumstances of every balance sheet day.

September 30, 2017						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ -	$ 547,300	$ 2,281,000	$ 6,681,300	$ -	$ 9,509,600

December 31, 2016						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ 4,568,600	$ 990,100	$ 3,106,700	$ 1,563,700	$ -	$ 10,229,100

September 30, 2016						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ -	$ 1,233,600	$ 4,195,000	$ 4,548,700	$ -	$ 9,977,300

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.

September 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	$ (984)	$ 58,608	$ 57,624

December 31, 2016			
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	$ (41,236)	$ 611,220	$ 569,984

September 30, 2016			
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	$ (280,847)	$ 221,010	$ (59,837)

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:

September 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	$ 14,149,421	$ -	$ 14,149,421	$ 14,149,421	$ -	$ -
Derivative financial instruments	14,710,242	-	14,710,242	5,501,115	692,917	8,516,210
Total	$ 28,859,663	$ -	$ 28,859,663	$ 19,650,536	$ 692,917	$ 8,516,210

September 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	$ 44,503,158	$ -	$ 44,503,158	$ 44,404,516	$ 98,642	$ -
Derivative financial instruments	21,962,010	-	21,962,010	5,501,115	3,949,189	12,511,706
Total	$ 66,465,168	$ -	$ 66,465,168	$ 49,905,631	$ 4,047,831	$ 12,511,706

December 31, 2016						
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	$ 795,850	$ -	$ 795,850	$ 795,850	$ -	$ -
Derivative financial instruments	25,434,608	-	25,434,608	7,171,127	1,018,564	17,244,917
Total	$ 26,230,458	$ -	$ 26,230,458	$ 7,966,977	$ 1,018,564	$ 17,244,917

December 31, 2016						
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	$ 62,138,314	$ -	$ 62,138,314	$ 61,725,136	$ 413,178	$ -
Derivative financial instruments	27,516,130	-	27,516,130	7,171,127	6,655,765	13,689,238
Total	$ 89,654,444	$ -	$ 89,654,444	$ 68,896,263	$ 7,068,943	$ 13,689,238

September 30, 2016						
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	$ 900,130	$ -	$ 900,130	$ 900,130	$ -	$ -
Derivative financial instruments	21,437,748	-	21,437,748	7,810,380	1,635,052	11,992,316
Total	$ 22,337,878	$ -	$ 22,337,878	$ 8,710,510	$ 1,635,052	$ 11,992,316

September 30, 2016						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	$ 57,911,702	$ -	$ 57,911,702	$ 57,740,455	$ 171,247	$ -
Derivative financial instruments	23,809,202	-	23,809,202	7,810,380	4,644,831	11,353,991
Total	$ 81,720,904	$ -	$ 81,720,904	$ 65,550,835	$ 4,816,078	$ 11,353,991

Note: Financial instruments include master netting arrangements and non-cash collateral.

KGI Securities and subsidiaries

KGI Securities and subsidiaries' transactions of derivative assets and liabilities do not correspond to the provisions of IAS, only in the circumstances of default, insolvency or bankruptcy will KGI Securities have the rights to offset derivative assets and liabilities.

KGI Securities has signed securities repurchase contracts with counterparties, and the agreements stating that KGI Securities to provide securities as collateral, meanwhile KGI Securities signed securities resell contracts with counterparties and receive securities as collateral which do not recognized in the balance sheet. Such contracts do not correspond to the provisions of IAS and bear the right to offset only in the circumstances of default, insolvency or bankruptcy, therefore, related securities sell with repurchase agreements and securities purchased with resell agreement are presented in the balance sheet respectively.

Related information of offsetting financial assets and financial liabilities were as follows:

September 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	$ 2,625,723	$ -	$ 2,625,723	$ -	$ 174,935	$ 2,450,788
Securities purchased under resell agreements	27,441,584	-	27,441,584	27,441,584	-	-
Total	$ 30,067,307	$ -	$ 30,067,307	$ 27,441,584	$ 174,935	$ 2,450,788

September 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	$ 3,457,721	$ -	$ 3,457,721	$ -	$ 722,231	$ 2,735,490
Notes and bonds issued under repurchase agreements	64,784,070	-	64,784,070	64,784,070	-	-
Total	$ 68,241,791	$ -	$ 68,241,791	$ 64,784,070	$ 722,231	$ 2,735,490

December 31, 2016						
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	$ 2,163,243	$ -	$ 2,163,243	$ -	$ 132,559	$ 2,030,684
Securities purchased under resell agreements	29,087,308	-	29,087,308	29,087,308	-	-
Total	$ 31,250,551	$ -	$ 31,250,551	$ 29,087,308	$ 132,559	$ 2,030,684

December 31, 2016						
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	$ 2,845,225	$ -	$ 2,845,225	$ -	$ 465,985	$ 2,379,240
Notes and bonds issued under repurchase agreements	57,422,129	-	57,422,129	57,422,129	-	-
Total	$ 60,267,354	$ -	$ 60,267,354	$ 57,422,129	$ 465,985	$ 2,379,240

September 30, 2016						
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	$ 4,762,114	$ -	$ 4,762,114	$ -	$ 66,352	$ 4,695,762
Securities purchased under resell agreements	23,169,069	-	23,169,069	23,169,069	-	-
Total	$ 27,931,183	$ -	$ 27,931,183	$ 23,169,069	$ 66,352	$ 4,695,762

September 30, 2016						
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	$ 5,762,405	$ -	$ 5,762,405	$ -	$ 372,004	$ 5,390,401
Notes and bonds issued under repurchase agreements	81,311,101	-	81,311,101	81,311,101	-	-
Total	$ 87,073,506	$ -	$ 87,073,506	$ 81,311,101	$ 372,004	$ 5,390,401

Note: Financial instruments include master netting arrangements and non-cash collateral.

China Life Insurance Co., Ltd.

China Life Insurance Co., Ltd. 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 Co., Ltd. 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:

September 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	**Cash Collateral Received**	
Derivative financial instruments	$ 575,499	$ -	$ 579,499	$ 496,906	$ -	$ 78,593

September 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	**Cash Collateral Received**	
Derivative financial instruments	$ 3,507,793	$ -	$ 3,507,793	$ 496,906	$ 1,861,939	$ 1,148,948

60. 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".

61. 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	September 30, 2017	December 31, 2016	September 30, 2016	Trust Liabilities	September 30, 2017	December 31, 2016	September 30, 2016
Bank deposits	$ 395,359	$ 310,897	$ 329,837	Payables	$ 152,905	$ 153,951	$ 153,184
Short-term investments	28,868,850	30,860,207	30,433,330	Payables on securities under custody	2,583,464	1,909,451	1,813,829
Financial assets at FVTPL	356,595	2,660,355	2,461,736	Donated assets received	12,172	30,906	37,576
Receivables	6,611	26,191	34,703	Other liabilities	1,811	-	-
Payments for others	-	-	36,042	Trust capital	30,146,478	34,693,769	34,483,489
Financial assets measured at cost	7,650	687,150	1,401,426	Accumulated earnings	723,961	1,067,910	1,106,042
Real estate, net	417,202	417,202	98,151				
Intangible assets - surface rights	984,534	984,534	984,534				
Securities under custody	2,583,464	1,909,451	1,813,829				
Other assets	526	-	532				
Total	$ 33,620,791	$ 37,855,987	$ 37,594,120	Total	$ 33,620,791	$ 37,855,987	$ 37,594,120

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Trust income and gains				
Profit income	$ 22,157	$ 16,275	$ 93,431	$ 82,317
Interest income	312,048	329,844	938,462	991,699
Rental income	7,209	7,645	22,441	22,702
Gain or loss on financial assets at FVTPL, net	(587,210)	208,904	28,580	495,698
Other income	1,587	2,467	9,406	23,574
Total trust income and gains	(244,209)	565,135	1,092,320	1,615,990
Property transaction losses	(1,737,730)	(152,864)	(1,924,809)	(1,284,038)
Trust expenses				
Interest expenses	-	7,110	-	39,752
Administrative expenses	11,772	6,276	28,044	18,002
Service fee	3	469	28	592
Other expenses	1,854	7,622	9,064	17,359
Total trust expenses	13,629	21,477	37,136	75,705
Net income	$ (1,995,568)	$ 390,794	$ (869,625)	$ 256,247

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	September 30, 2017	December 31, 2016	September 30, 2016
Bank deposits	$ 395,359	$ 310,897	$ 329,837
Short-term investments			
Funds	27,251,518	29,104,043	28,717,275
Bonds	1,335,590	1,468,806	1,425,076
Common shares	75,900	78,300	78,300
Structured notes	93,766	93,766	93,766
ETF	112,076	115,292	118,913
Financial assets at FVTPL	356,595	2,660,355	2,461,736
Financial assets measured at cost	-	-	36,042
Real estate, net	7,650	687,150	1,401,426
Intangible assets - surface rights	417,202	417,202	98,151
Payment for others	984,534	984,534	984,534
Securities under custody	2,583,464	1,909,451	1,813,829
Other assets	7,137	26,191	35,235
Total	$ 33,620,791	$ 37,855,987	$ 37,594,120

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	September 30, 2017	December 31, 2016	September 30, 2016	Trust Liabilities	September 30, 2017	December 31, 2016	September 30, 2016
Bank deposits	$ 1,229,020	$ 809,142	$ 942,434	Payables	$ 25,597	$ 16,097	$ 27,485
Financial assets	25,649,780	22,988,241	21,409,094	Trust capital	25,556,000	23,786,620	21,820,187
Receivables	414,986	72,988	80,945	Reserves and retained earnings	1,712,189	67,654	584,801
Total	$ 27,293,786	$ 23,870,371	$ 22,432,473	Total	$ 27,293,786	$ 23,870,371	$ 22,432,473

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Trust income	$ 455,512	$ 488,154	$ 2,628,648	$ 2,006,846
Trust expenses	(29,040)	19,585	2,029,735	2,158,801
Income before income tax	$ 484,552	$ 468,569	$ 598,913	$ (151,955)

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	September 30, 2017	December 31, 2016	September 30, 2016
Bank deposits	$ 1,229,020	$ 809,142	$ 942,434
Stocks	14,914,803	13,755,119	12,685,749
Funds	10,587,917	9,227,067	8,711,914
Structured notes	147,060	6,055	11,431
Receivables	414,986	72,988	80,945
Total	$ 27,293,786	$ 23,870,371	$ 22,432,473

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

Please refer to Table 8 (attached).

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

Please refer to Table 9 (attached).

64. 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 51 to the consolidated financial statements.

65. CONTINGENCIES AND COMMITMENT, DISASTROUS DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 53 to the consolidated financial statements. Information on disaster damages: None.

66. SUBSIDIARIES' ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

Please refer to Notes 56 and 59 to the consolidated financial statements.

67. 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.

68. 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	September 30 2017 Formula	2017 %	2016 Formula	2016 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$1,829,698 / $654,689	=2.80	$1,779,173 / $564,222	=3.15	≧1	Yes
17	Current assets / Current liabilities	$2,439,792 / $317,835	=7.68	$2,299,221 / $381,698	=6.02	≧1	Yes
22	Equities / Capital stock	$1,829,698 / $400,000	=457.43%	$1,779,173 / $400,000	=444.79%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$1,255,339 / $546,121	=299.87%	$1,220,172 / $343,639	=355.07%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	September 30 2017 Formula	2017 %	2016 Formula	2016 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$2,521,563 / $295,371	=8.54	$2,605,994 / $330,886	=7.88	≧1	Yes
17	Current assets / Current liabilities	$24,015,162 / $22,236,843	=1.08	$21,986,134 / $19,976,456	=1.10	≧1	Yes
22	Equities / Capital stock	$2,521,503 / $760,000	=331.79%	$2,605,994 / $760,000	=342.89%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$2,258,068 / $4,319,595	=52.275%	$2,195,681 / $3,301,995	=66.50%	≧20% ≧15%	Yes

69. ACCOUNT RECLASSIFICATION

KGI Securities did not intend to sell the following financial assets held for trading within the short term because of economic instability and deterioration of the world's financial markets in 2008. Thus, KGI Securities reclassified its financial assets held-for-trading financial assets to available-for-sale financial assets. The fair values at the reclassification date were as follows:

	Before Reclassification	After Reclassification
KGI Securities		
Financial assets at FVTPL - held for trading	$ 3,831,236	$ -
Available-for-sale financial assets	-	3,831,236
	$ 3,831,236	$ 3,831,236

The carrying amounts and fair values of the reclassified financial assets as of September 30, 2017 December 31, 2016 and September 30, 2016 were as follows:

	September 30, 2017		December 31, 2016		September 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
KGI Securities and subsidiaries						
Available-for-sale financial assets	$ 1,269,222	$ 1,269,222	$ 5,363,359	$ 5,363,359	$ 4,905,157	$ 4,905,157

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before September 30, 2017 and 2016) for the three and nine months ended September 30, 2017 and 2016 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	For the Nine Months Ended September 30			
	2017		2016	
	Gains (Losses) Recorded	Pro Forma Losses	Gains (Losses) Recorded	Pro Forma Gains
KGI Securities and subsidiaries				
Available-for-sale financial assets	$ -	$ 146,288	$ -	$ 546,288

70. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required for the Group:

1) Financing provided: Not applicable to the Corporation, KGI Bank and China Life Insurance Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. For the Corporation, CDIB Capital Group and other subsidiaries' information: Please refer to Table 4 (attached).

5) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the 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 51 and Table 5 (attached).

9) Sold nonperforming loans: Please refer to Table 6 (attached).

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

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

12) The information of investees: None.

13) Derivative transactions of the Group: Please refer to Notes 8, 57 and 59 to the consolidated financial statements.

c. Subsidiaries investment in Mainland China: Please refer to Table 10 (attached).

d. Business relationships and significant transactions among the Group: Please refer to Table 11 (attached).

71. SEGMENT INFORMATION

The reportable segments of the Corporation are Commercial banking, Securities, Capital group 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. 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 September 30, 2017						
Interest profit (loss), net	$ 1,687,299	$ 469,493	$ 27,008	$ 2,911,723	$ (117,233)	$ 4,978,290
Noninterest profit, net	1,603,947	8,370,328	947,583	8,021,682	(2,473,496)	16,470,044
Net profit (loss)	3,291,246	8,839,821	974,591	10,933,405	(2,590,729)	21,448,334
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(225,969)	42,559	-	(1,128)	391	(184,147)
Net changes in insurance liabilities	-	-	-	(9,749,928)	-	(9,749,928)
Operating expenses	(1,449,817)	(3,190,323)	(334,987)	(235,019)	(529,655)	(5,739,801)
Income (loss) before income tax	1,615,460	5,692,057	639,604	947,330	(3,119,993)	5,774,458
Income tax benefit (expense)	(372,388)	(163,277)	87,539	(85,149)	165,666	(367,609)
Net income (loss)	$ 1,243,072	$ 5,528,780	$ 727,143	$ 862,181	$ (2,954,327)	$ 5,406,849
For the three months ended September 30, 2016						
Interest profit (loss), net	$ 1,463,792	$ 426,266	$ 20,259	$ -	$ (152,196)	$ 1,758,121
Noninterest profit, net	1,378,134	4,195,891	1,095,591	-	60,995	6,730,611
Net profit (loss)	2,841,926	4,622,157	1,115,850	-	(91,201)	8,488,732
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(115,642)	(134,466)	8,049	-	-	(242,059)
Operating expenses	(1,406,493)	(2,850,793)	(554,185)	-	(434,728)	(5,246,199)
Income (loss) before income tax	1,319,791	1,636,898	569,714	-	(525,929)	3,000,474
Income tax benefit (expense)	(342,359)	(88,830)	(42,330)	-	33,064	(440,455)
Net income (loss)	$ 977,432	$ 1,548,068	$ 527,384	$ -	$ (492,865)	$ 2,560,019
For the nine months ended September 30, 2017						
Interest profit (loss), net	$ 4,788,200	$ 1,414,254	$ 75,755	$ 2,911,723	$ (338,850)	$ 8,851,082
Noninterest profit, net	3,800,864	13,983,548	3,207,431	8,021,682	(2,445,346)	26,568,179
Net profit (loss)	8,589,064	15,397,802	3,283,186	10,933,405	(2,784,196)	35,419,261
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(570,613)	(163,062)	-	(1,128)	5,508	(729,295)
Net changes in insurance liabilities	-	-	-	(9,749,928)	-	(9,749,928)
Operating expenses	(4,151,259)	(8,546,450)	(1,004,082)	(235,019)	(1,258,563)	(15,195,373)
Income (loss) before income tax	3,867,192	6,688,290	2,279,104	947,330	(4,037,251)	9,744,665
Income tax benefit (expense)	(829,558)	(283,811)	(68,655)	(85,149)	349,568	(917,605)
Net income (loss)	$ 3,037,634	$ 6,404,479	$ 2,210,449	$ 862,181	$ (3,687,683)	$ 8,827,060
For the nine months ended September 30, 2016						
Interest profit (loss), net	$ 4,297,026	$ 1,285,000	$ 44,947	$ -	$ (449,052)	$ 5,177,921
Noninterest profit (loss), net	3,481,305	9,295,108	2,157,315	-	57,193	14,990,921
Net profit (loss)	7,778,331	10,580,108	2,202,262	-	(391,859)	20,168,842
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(138,585)	(518,762)	42,746	-	-	(614,601)
Operating expenses	(4,029,506)	(8,195,712)	(1,159,177)	-	(1,047,765)	(14,432,160)
Income (loss) before income tax	3,610,240	1,865,634	1,085,831	-	(1,439,624)	5,122,081
Income tax benefit (expense)	(472,943)	(229,057)	(62,346)	-	145,565	(618,781)
Net income (loss)	$ 3,137,297	$ 1,636,577	$ 1,023,485	$ -	$ (1,294,059)	$ 4,503,300

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	$ 3,636,600	$ 3,636,600	$ 1,818,300	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 11,983,839 (Note 1)	$ 11,983,839 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,151,850	5,151,850	1,818,300	Floating	Short-term financing	-	Working capital	-	-	-	11,983,839	
		KGI Investment Advisory (Shanghai) Company Limited	Receivables, net	Yes	24,244	-	-	Floating	Short-term financing	-	Working capital	-	-	-	11,983,839	
2	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	454,575	454,575	-	Floating	Short-term financing	-	Working capital	-	-	-	11,874,772 (Note 2)	11,874,772 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,515,250	1,515,250	-	Floating	Short-term financing	-	Working capital	-	-	-	15,478,430 (Note 3)	15,478,430 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	757,625	606,100	545,490	Floating	Short-term financing	-	Working capital	-	-	-	15,478,430	
4	KGI International Finance Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	60,610	60,610	-	Floating	Short-term financing	-	Working capital	-	-	-	199,074 (Note 4)	199,074 (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 NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	Maximum Collateral/ Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	KGI Securities	KGI Securities (Singapore) Pte. Ltd.	Note 1	$ 5,592,550	$ 1,124,731	$ 1,116,000	$ 1,116,000	$ -	2.00%	$ 22,370,198 (Note 2)	No	No	No
		KGI Futures (Singapore) Pte. Ltd.	Note 1	5,592,550	1,124,731	1,116,000	1,116,000	-	2.00%		No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	15,478,430	1,858,716	1,478,978	503,861	-	9.56%	15,478,430 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	15,478,430	3,151,720	2,545,620	232,799	-	16.45%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	15,478,430	196,983	196,983	-	-	1.27%		No	No	No
		KGI Finance Limited	Note 1	15,478,430	130,312	130,312	-	-	0.84%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	15,478,430	1,878,910	1,878,910	-	-	12.14%		No	No	No
		KGI Futures (Singapore) Pte. Ltd.	Note 1	15,478,430	606,100	606,100	-	-	3.92%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	15,478,430	606,100	606,100	-	-	3.92%		No	No	No
		KGI Asia (Holdings) Pte. Ltd.	Note 1	15,478,430	1,012,266	1,004,364	1,004,364	-	6.49%		No	No	No
3	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Note 1	11,874,772	90,915	-	-	-	-	11,874,772 (Note 4)	No	No	No
4	KGI Futures (Singapore) Pte. Ltd.	PT KGI Sekuritas Indonesia	Note 1	942,273	90,915	90,915	-	-	9.65%	942,273 (Note 5)	No	No	No
5	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,683,395	2,622,530	1,985,870	484,880	-	212.01%	4,683,395 (Note 6)	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: The limit of maximum guarantee provided by KG Investments 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 5: The limit of maximum guarantee provided by KGI Futures (Singapore) Pte. Ltd. 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 6: CDIB Management Consulting Corporation: The total amount of guarantee provided should not exceed 5 times of its' net asset value of the latest financial report.

Note 7: 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
SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Group	Stocks							
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	15,000,000	$ 146,108	40.00	$ 146,108	
	China Metal Products Co., Ltd.	-	Available-for-sale financial assets	12,381,003	365,240	3.21	365,240	
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	1,400,248	175,031	0.85	175,031	
	ATEN International Co., Ltd.	-	Available-for-sale financial assets	1,541,211	120,060	1.29	120,060	
	Qisda Corporation	-	Available-for-sale financial assets	148,867,816	3,237,875	7.57	3,237,875	
	Powertech Industrial Co., Ltd.	-	Available-for-sale financial assets	3,712,596	72,767	3.60	72,767	
	Innolux Corporation	-	Available-for-sale financial assets	7,932,740	112,248	0.08	112,248	
	Darfon Electronics Corp.	-	Available-for-sale financial assets	986,000	25,833	0.35	25,833	
	Chipbond Technology Corporation	-	Available-for-sale financial assets	7,971,229	416,895	1.22	416,895	
	Chime Ball Technology Co., Ltd.	-	Available-for-sale financial assets	522,637	35,173	1.29	35,173	
	Copartner Technology Corporation	-	Available-for-sale financial assets	11,024,340	172,531	12.97	172,531	
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	6,671,695	198,483	0.57	198,483	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	5,449,006	62,664	1.94	62,664	
	Formosa Taffeta Co., Ltd.,	-	Available-for-sale financial assets	2,017,000	69,587	0.46	69,587	
	Green Energy Technology Inc.	-	Available-for-sale financial assets	371,561	6,577	0.09	6,577	
	Aspeed Technology Inc.	-	Available-for-sale financial assets	104,276	74,662	0.31	74,662	
	Solartech Energy Corp.	-	Available-for-sale financial assets	7,857,266	106,073	2.12	106,073	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	14,012,424	208,271	1.38	208,271	
	FocalTech Systems Co., Ltd.	-	Available-for-sale financial assets	3,568,061	128,807	1.20	128,807	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	11,040,065	195,961	2.15	195,961	
	Globalwafers. Co., Ltd.	-	Available-for-sale financial assets	1,918,072	578,299	0.44	578,299	
	Gallant Precision Machining Co., Ltd.	-	Available-for-sale financial assets	8,709,358	197,702	5.27	197,702	
	Kuangli Photoelectric Technology Co., Ltd.	-	Available-for-sale financial assets	5,224,326	53,549	11.45	53,549	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	3,423,956	220,845	0.59	220,845	
	Sunko Ink Co., Ltd.	-	Available-for-sale financial assets	11,381,788	148,532	5.12	148,532	
	Taiwan Hon Chuan Enterprise Co., Ltd.	-	Available-for-sale financial assets	100,000	5,490	0.03	5,490	
	China Development Financial Holding Corp.	Parent	Available-for-sale financial assets	20,646,142	188,086	0.14	188,086	
	EPISTAR Corporation	-	Available-for-sale financial assets	2,442,607	95,017	0.22	95,017	
	Utechzone Co., Ltd.	-	Available-for-sale financial assets	2,778,496	142,259	4.54	142,259	
	Donpon Precision Inc.	-	Available-for-sale financial assets	6,793,493	111,413	6.82	111,413	
	ADDA Corp.	-	Available-for-sale financial assets	877,000	13,944	0.62	13,944	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	1,492,910	31,948	0.94	31,948	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	1,233,000	74,473	2.57	74,473	
	Aces Electronics Co., Ltd.	-	Available-for-sale financial assets	1,134,483	30,347	0.92	30,347	
	Coland Holdings Limited	-	Available-for-sale financial assets	561,402	19,930	0.72	19,930	
	Entery Industrial Co., Ltd.	-	Available-for-sale financial assets	8,364,000	68,669	13.60	68,669	
	Taiwan Stock Exchange	-	Financial assets measured at cost	48,604,914	8,400	7.18	3,587,905	
	Logitech Inc.	-	Financial assets measured at cost	2,965,248	23,862	10.69	33,278	
	Solar Fine Chemical Co., Ltd.	-	Financial assets measured at cost	4,828,064	61,960	10.83	54,125	
	Gold Peak Industries (Taiwan) Ltd.	-	Financial assets measured at cost	30,616,980	173,341	15.04	20,085	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	4,225,979	120,761	6.04	75,222	
	National Glory Development Corp.	-	Financial assets measured at cost	646,884	4,993	6.47	6,713	
	TopGreen Technology Co., Ltd.	-	Financial assets measured at cost	633,377	17,499	1.17	9,026	
	Everest Display Inc.	-	Financial assets measured at cost	408,760	4,297	2.49	2,246	
	Insrea Game Center Corporation	-	Financial assets measured at cost	3,000,000	8,610	17.65	2,565	
	Hair O'right International Corp.	-	Financial assets measured at cost	1,835,837	89,120	9.02	93,189	
	DaBomb Protein Corp.	-	Financial assets measured at cost	3,284,568	83,032	12.86	89,340	
	Initio Corporation	-	Financial assets measured at cost	490,725	360	2.72	(2,102)	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Group	Power Venture Co.	-	Financial assets measured at cost	769,597	$ 7,696	5.68	$ 7,395	
	Ori Vita Bio Application Inc.	-	Financial assets measured at cost	858,690	8,587	0.42	4,511	
	Echem Hightech Co., Ltd.	-	Financial assets measured at cost	1,535,934	22,600	11.69	26,202	
	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	4,000,000	42,000	9.91	29,893	
	E-one Moli Energy Corp.	-	Financial assets measured at cost	6,035,000	105,234	2.40	10,379	
	Jouge Technology Co., Ltd.	-	Financial assets measured at cost	1,568,700	32,625	9.68	16,322	
	HealthStream Taiwan Inc.	-	Financial assets measured at cost	4,774,523	59,980	13.96	56,726	
	Subtron Technology Co., Ltd.	-	Financial assets measured at cost	12,316,000	193,819	4.31	91,508	
	Orgchem Technologies, Inc.	-	Financial assets measured at cost	1,067,220	49,000	1.86	18,341	
	General Life Biotechnology Co., Ltd.	-	Financial assets measured at cost	2,520,000	54,000	8.40	21,234	
	Mec Imex Inc.	-	Financial assets measured at cost	4,802,000	107,853	10.52	90,824	
	Chain Yarn Corporation	-	Financial assets measured at cost	15,828,324	222,642	10.30	144,038	
	Yieh United Steel Corp.	-	Financial assets measured at cost	11,638,622	95,100	0.44	76,815	
	Hua-jie (Taiwan) Corp.	-	Financial assets measured at cost	1,300,403	13,395	6.45	13,205	
	AMIA Co.	-	Financial assets measured at cost	6,000,000	210,000	9.54	121,380	
	Up Scientech Materials Corp.	-	Financial assets measured at cost	4,651,344	252,200	6.85	117,665	
	PlexBio Co., Ltd.	-	Financial assets measured at cost	3,526,000	88,150	6.93	88,150	
	Riselink Restructuring Fund Corporation	-	Financial assets measured at cost	5,771,370	57,714	12.50	79,413	
	5V Technologies, Ltd.	-	Financial assets measured at cost	159,435	10,172	0.99	(272)	
	Top Green Energy Technologies, Inc.	-	Financial assets measured at cost	16,240,740	292,333	12.99	8,910	
	Aptos Technology	-	Financial assets measured at cost	4,248,178	127,973	7.44	55,303	
	Lager Network Technologies Inc.	-	Financial assets measured at cost	1,500,000	30,000	5.00	72	
	Sunshine PV Corp.	-	Financial assets measured at cost	3,187,128	31,871	4.67	12,863	
	Awise Fiber Technology Co., Ltd.	-	Financial assets measured at cost	3,500,000	43,750	18.15	4,644	
	Biodenta Corporation	-	Financial assets measured at cost	150,000	3,750	3.58	309	
	Orient Pharma Co., Ltd.	-	Financial assets measured at cost	2,857,800	55,307	2.19	54,584	
	Wai-Gin Industrial Co., Ltd.	-	Financial assets measured at cost	1,170,000	11,106	3.44	10,472	
	ARCOA Communication Co., Ltd.	-	Financial assets measured at cost	7,567,424	101,207	5.64	97,868	
	Eastern Electronic Co., Ltd.	-	Financial assets measured at cost	4,348,680	46,598	6.47	60,731	
	HCT Logistics Co., Ltd.	-	Financial assets measured at cost	4,920,876	113,705	1.97	244,637	
	Topview Optronics Corp.	-	Financial assets measured at cost	1,569,000	40,346	7.47	79,705	
	Vita Genomics, Inc.	-	Financial assets measured at cost	77,720	777	0.13	1,268	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets measured at cost	3,224,867	139,899	4.03	215,099	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	2,118,764	41,289	6.27	5,975	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	4,746,720	145,462	5.83	71,201	
	Kaohsiung Rapid Transit Corporation.	-	Financial assets measured at cost	3,845,330	39,703	1.38	41,150	
	STL Technology Co., Ltd.	-	Financial assets measured at cost	5,455,881	191,968	7.77	60,560	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets measured at cost	1,293,232	105,000	1.19	204,615	
	DragonJet Corporation	-	Financial assets measured at cost	4,300,000	178,450	4.77	84,064	
	Vactronics Technologies Inc.	-	Financial assets measured at cost	2,494,309	48,060	5.73	30,056	
	Chipsip Technology Co., Ltd.	-	Financial assets measured at cost	1,915,288	7,853	4.56	4,364	
	Terawins, Inc.	-	Financial assets measured at cost	1,913,996	27,173	6.30	27,533	
	Feature Integration Technology Inc.	-	Financial assets measured at cost	1,341,803	52,585	4.03	14,894	
	Mosart Semiconductor Corp.	-	Financial assets measured at cost	2,731,098	60,056	10.57	27,494	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	2,150,536	39,176	10.43	18,962	
	Luxtaltek Corporation	-	Financial assets measured at cost	1,535,188	27,094	2.47	8,914	
	Overseas Investment & Development Corp.	-	Financial assets measured at cost	2,600,000	26,000	2.89	27,467	
	Microprogram Co., Ltd.	-	Financial assets measured at cost	2,550,000	68,000	7.95	32,622	
	Lefram Technology Corporation	-	Financial assets measured at cost	7,484,454	54,757	17.48	40,491	
	Motive Power Industry Co., Ltd.	-	Financial assets measured at cost	10,000,000	141,000	10.00	173,997	
	Core Pacific City Co., Ltd.	-	Financial assets measured at cost	6,250,000	39,063	0.39	32,375	
	TAK Technology Co., Ltd.	-	Financial assets measured at cost	2,467,706	2,665	4.14	13,981	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	4,609,749	43,594	6.90	44,761	
	Engineering & IP Advanced Technologies Ltd.	-	Financial assets measured at cost	4,216	2	-	5	
	Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	147,857	4.81	140,290	
	JHL. Biotech, Inc.	-	Financial assets measured at cost	8,382,844	144,842	3.81	472,876	
	Java Fund	-	Financial assets measured at cost	2,111	6	11.34	1,610	
	Easten Power and Electric Company Limited	-	Financial assets measured at cost	3,201,019	295,572	12.00	12,188,952	
	Beauty Essentials International Ltd.	-	Financial assets measured at cost	86,503,067	179,045	8.79	216,231	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Group	Engineering & IP Advanced Technologies Ltd. - preferred stock	-	Financial assets measured at cost	6,392,765	$ 2,354	0.35	$ 5,165	
	Lightel Technologies, Inc. - preferred stock	-	Financial assets measured at cost	3,000,000	89,700	43.44	258,478	
	Apexigen, Inc. - preferred stock	-	Financial assets measured at cost	4,970,588	75,847	9.59	16,570	
	Leyou, Inc. - preferred stock D	-	Financial assets measured at cost	663,958,732	450,150	75.00	2,097,727	
	CDIB Capital Management Inc.	Subsidiary	Investments accounted for using the equity method	33,093,889	641,199	100.00	641,199	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	4,759,552	28.71	4,759,552	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	58,200,000	534,114	38.80	534,114	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	58,250,000	562,130	33.29	562,130	
	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	10,063,750	100.00	10,063,750	
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	4,816,745	45,870	20.00	45,870	
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	3,817	28.04	3,817	
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,296,928	100.00	1,296,928	
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	6,846,360	100.00	6,846,360	
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	6,555,237	100.00	6,555,237	
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	669,968	100.00	669,968	
	<u>Government bonds</u>							
	A00109	-	Available-for-sale financial assets	7,000,000	7,158	-	7,158	
	A01105	-	Available-for-sale financial assets	100,000,000	102,393	-	102,393	
	A03115	-	Available-for-sale financial assets	50,000,000	50,780	-	50,780	
	<u>Corporate bond</u>							
	Belta (Cayman) Holding Limited	-	Debt instruments with no active markets	11,959,916	358,439	-	88,968	
	<u>Funds</u>							
	CommLaunch	-	Financial assets measured at cost	-	40,092	-	83,746	
	Platinum Venture Capital L.P.	-	Financial assets measured at cost	-	6,492	-	6,774	
	ARCH Venture Fund V, L.P.	-	Financial assets measured at cost	-	25,951	-	6,384	
	Forward Venture IV, L.P.	-	Financial assets measured at cost	-	15,719	-	15,443	
	Forward Venture V	-	Financial assets measured at cost	-	64,388	-	35,923	
	MPM Bioventures III L.P.	-	Financial assets measured at cost	-	61,506	-	22,512	
	Sanderling	-	Financial assets measured at cost	-	31,839	-	13,698	
CDIB Capital Management Inc.	<u>Stocks</u>							
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	660,000	61,492	0.40	61,492	
	ATEN International Co., Ltd.	-	Available-for-sale financial assets	65,660	3,283	0.05	3,283	
	Kwans International Co., Ltd.	-	Available-for-sale financial assets	101,240	708	0.14	708	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	300,000	24,000	0.63	24,000	
	Initio Corporation	-	Financial assets measured at cost	93,285	684	0.52	(400)	
	MCM Stamping Co., Ltd.	-	Financial assets measured at cost	70,000	2,100	0.22	757	
	ARCOA Communication Co., Ltd.		Financial assets measured at cost	783,000	7,493	0.58	10,126	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	235,474	4,485	0.70	664	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	297,623	4,824	0.58	1,050	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	719,883	6,808	1.08	6,989	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	273,946	100.00	273,946	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	1,500,000	13,766	1.00	13,766	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	1,750,000	16,888	1.00	16,888	
	CDIB Innovation Advisors Corporation Limited	Subsidiary	Investments accounted for using the equity method	1,200,000	14,407	60.00	14,407	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	241,362	0.10	241,362	
CDIB Private Equity (Hong Kong) Corporation Limited	<u>Stocks</u>							
	CDIB Private Equity Management Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 52,239	100.00	HK$ 52,239	
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 3,773	27.08	HK$ 3,773	
	CPEC Huachung Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 8,239	56.00	HK$ 8,239	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Private Equity Management Corporation	Stocks							
	CPEC Huachuang Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	RMB 8,463	65.00	RMB 8,463	
	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	RMB 18,316	70.00	RMB 18,316	
CPEC Huakai Private Equity (Fujian) Co., Ltd.	Stocks							
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 2,504	20.00	RMB 2,504	
CPEC Huachuang Private Equity (Kunshan) Co., Ltd.	Stocks							
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	RMB 6,915	58.33	RMB 6,915	
CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Funds							
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 10,007	-	RMB 10,007	
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Funds							
	CPEC Huachung Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 10,396	-	RMB 10,396	
CDIB Venture Capital Corporation	Stocks							
	Viscovery (Cayman) Holding Company Limited - preferred stock	-	Financial assets at fair value through profit or loss	304,878	15,153	8.20	15,153	
	ATEN International Co., Ltd.	-	Available-for-sale financial assets	2,283,567	177,890	1.91	177,890	
	Anpec Electronics Corporation	-	Available-for-sale financial assets	3,709,011	164,309	3.61	164,309	
	HIM International Music Inc.	-	Available-for-sale financial assets	997,656	99,666	2.12	99,666	
	Macroblock, Inc.	-	Available-for-sale financial assets	262,500	15,094	0.75	15,094	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	3,285,131	37,779	1.17	37,779	
	Dyaco Co., Ltd.	-	Available-for-sale financial assets	5,575,500	239,189	6.00	239,189	
	Solartech Energy Corp.	-	Available-for-sale financial assets	5,215,328	67,413	1.41	67,413	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	4,555,307	67,038	0.44	67,038	
	FocalTech Systems Co., Ltd.	-	Available-for-sale financial assets	495,352	17,882	0.17	17,882	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	2,608,065	46,293	0.51	46,293	
	Gallant Precision Machining Co., Ltd.	-	Available-for-sale financial assets	1,247,499	28,318	0.76	28,318	
	Shin Zu Shing Co., Ltd.	-	Available-for-sale financial assets	613,462	50,243	0.34	50,243	
	Enterex International Limited	-	Available-for-sale financial assets	1,751,000	61,285	1.74	61,285	
	Regal Holding Co., Ltd.	-	Available-for-sale financial assets	2,200,000	114,400	5.77	114,400	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	4,094,562	264,099	0.71	264,099	
	Interactive Digital Technologies Inc.	-	Available-for-sale financial assets	1,355,000	69,918	2.93	69,918	
	Sunfun Info Co., Ltd.	-	Available-for-sale financial assets	810,000	38,799	5.67	38,799	
	ASRock Inc.	-	Available-for-sale financial assets	424,462	31,028	0.37	31,028	
	Share Hope Medicine Co., Ltd.	-	Available-for-sale financial assets	234,846	8,548	0.30	8,548	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	2,513,383	53,786	1.58	53,786	
	Aces Electronics Co., Ltd.	-	Available-for-sale financial assets	2,850,421	76,249	2.31	76,249	
	Shane Global Holding Inc.	-	Available-for-sale financial assets	1,715,700	135,705	1.72	135,705	
	Kwans International Co., Ltd.	-	Available-for-sale financial assets	202,480	15,937	0.29	15,937	
	4Gamers Entertainment Inc. - preferred stock	-	Available-for-sale financial assets	24,000	12,122	20.00	12,122	
	Citiesocial Holding Cayman Co., Ltd. - preferred stock	-	Available-for-sale financial assets	479,635	15,153	18.18	15,153	
	Uimbo CV Inc. - preferred stock	-	Available-for-sale financial assets	1,394,145	21,214	10.29	21,214	
	Achieve Made International Limited - preferred stock	-	Available-for-sale financial assets	168,138	13,095	6.67	13,095	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	1,408,659	35,751	2.01	25,074	
	AMPAK Technology Inc.	-	Financial assets measured at cost	1,208,650	24,795	1.44	17,586	
	Azotek Co., Ltd.	-	Financial assets measured at cost	824,500	27,645	-	10,384	
	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	500,000	5,250	1.24	3,737	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets measured at cost	1,500,000	33,000	4.22	6,770	
	Fukuta Co., Ltd.	-	Financial assets measured at cost	1,608,600	139,860	4.80	38,016	
	Chain Yarn Corporation	-	Financial assets measured at cost	843,653	11,504	0.55	7,677	
	Handa Pharmaceuticals Inc.	-	Financial assets measured at cost	2,809,000	89,888	2.69	140,450	
	Top Green Energy Technologies, Inc.	-	Financial assets measured at cost	1,111,111	16,667	0.89	610	
	DL-tek Co., Ltd.	-	Financial assets measured at cost	3,772,331	51,100	1.03	39,612	
	Biodenta Corporation	-	Financial assets measured at cost	129,999	3,250	3.10	267	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Venture Capital Corporation	Sum Max Tech. Limited	-	Financial assets measured at cost	2,875,481	$ 124,115	13.65	$ 178,424	
	Fusheng Precision Co., Ltd.	-	Financial assets measured at cost	800,000	98,000	0.68	11,582	
	M2Communication, Inc.	-	Financial assets measured at cost	6,477,527	96,810	16.73	31,877	
	Cvie Therapeutics Limited	-	Financial assets measured at cost	846,351	40,262	4.15	(2,534)	
	GSD Technologies Co., Ltd.	-	Financial assets measured at cost	5,841,702	108,946	19.47	129,498	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	630,518	8,995	1.87	1,778	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	3,725,007	107,176	4.57	55,875	
	Trea Xtal Technology Corp.	-	Financial assets measured at cost	2,781,000	1,669	1.46	(2,240)	
	STL Technology Co., Ltd.	-	Financial assets measured at cost	7,002,053	255,605	9.97	77,723	
	Chipsip Technology Co., Ltd.	-	Financial assets measured at cost	428,928	1,759	1.02	977	
	Greatland Electronics Taiwan Ltd.	-	Financial assets measured at cost	1,920,000	6,720	5.50	10,013	
	Luxtaltek Corporation	-	Financial assets measured at cost	124,474	2,197	0.20	723	
	Shengzhuang Holding Limited	-	Financial assets measured at cost	610,590	151,150	6.11	17,286	
	Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	146,075	4.81	140,290	
	CBA Sports International Ltd.	-	Financial assets measured at cost	514,821	78,046	-	95,729	
	Cvie Therapeutics Company Limited	-	Financial assets measured at cost	560,000	21,708	4.15	(9,030)	
	Hartec Asia Pte. Ltd.	-	Financial assets measured at cost	2,800,000	99,603	10.23	78,613	
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	870,000,000	3,303,143	100.00	3,303,143	
	iCHEF Co., Ltd. - preferred stock	-	Financial assets measured at cost	11,167,513	73,874	40.74	3	
	Zentera System, Inc.	-	Financial assets measured at cost	1,324,503	61,900	39.35	114,277	
	FUNP Co., Ltd. - preferred stock	-	Financial assets measured at cost	400,000	48,283	20.00	44,149	
	Derbysoft Holdings Limited - preferred stock A	-	Financial assets measured at cost	28,000,000	91,938	45.78	24,093	
	Derbysoft Holdings Limited - preferred stock B	-	Financial assets measured at cost	4,643,469	15,297	9.26	4,443	
	Funds							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	241,362	-	241,362	
	Option							
	CBA Sports International Ltd.	-	Financial assets measured at cost	-	142,819	-	24,376	
	Convertible (exchangeable) Corporate bond							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	2,000	148,455	-	148,455	
CDIB Venture Capital (Hong Kong) Corporation Limited	Funds							
	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 418,973	-	HK$ 418,973	
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 345,099	-	HK$ 345,099	
CDIB Capital Growth Partners L.P.	Stocks							
	Gear Radio Limited	-	Financial assets at fair value through profit or loss	2,800,000	42,427	24.90	42,427	
	Exojet Technology Corporation	-	Financial assets measured at cost	3,000,000	45,135	7.35	45,135	
	Drewloong Precision Inc.	-	Financial assets measured at cost	900,000	108,000	3.46	108,000	
	Gogoro Inc.	-	Financial assets measured at cost	2,858,000	303,991	1.24	303,141	
	Fusheng Precision Co., Ltd.	-	Financial assets measured at cost	2,000,000	245,000	1.69	245,000	
CDIB Capital Investment I Limited	Stocks							
	Mestay Cayman Islands Limited - preferred stock	-	Financial assets at fair value through profit or loss	13,722,047	US$ 7,826	3.40	US$ 7,826	
	DaChan Food (Asia) Ltd.	-	Available-for-sale financial assets	38,586,000	US$ 3,161	3.80	US$ 3,161	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	22,428,000	US$ 649	1.47	US$ 649	
	CCAP Best Logistics Holdings Limited	-	Available-for-sale financial assets	1,000	US$ 6,287	11.11	US$ 6,287	
	BP SCI, LLC	-	Financial assets measured at cost	30,000	US$ 3,000	3.72	US$ 4,265	
	Casper Sleep, Inc.	-	Financial assets measured at cost	266,690	US$ 7,500	20.05	US$ 7,500	
	BP SCI, LLC - preferred stock	-	Financial assets measured at cost	12,000	US$ 12,000	14.89	US$ 14,101	
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets measured at cost	1,636,800	US$ 818	1.91	US$ 2	
	Rock Mobile (Cayman) Co. - preferred stock C	-	Financial assets measured at cost	840,336	US$ 1,000	3.26	US$ 978	
	Subicvest Inc.	Subsidiary	Investments accounted for using the equity method	200,000	US$ 80	100.00	US$ 80	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Investment I Limited	Funds							
	Carlyle Asia Partners II, L.P.	-	Financial assets measured at cost	-	US$ 4,231	-	US$ 1,814	
	Ripley Cable Holdings I, L.P.	-	Financial assets measured at cost	-	US$ 540	-	US$ 10,097	
	MSD Sports Partners, L.P.	-	Financial assets measured at cost	-	US$ 8,103	-	US$ 8,833	
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US$ 88,181	-	US$ 88,181	
	Option							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets measured at cost	-	US$ 1,785	-	US$ 8,652	
	Corporate bond							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	41,875,000	US$ 6,398	-	US$ 6,859	
	Convertible (exchangeable) corporate bond							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	28,094,510	US$ 4,368	-	US$ 4,226	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US$ 4,000	1.74	US$ 4,000	
Subicvest, Inc.	Stocks							
	SPEC Protertices, Inc.	-	Financial assets measured at cost	242,683	PHP2,590	3.44	PHP2,590	
CDIB Capital Investment II Limited	Stocks							
	Neo-neon Holdings Ltd.	-	Available-for-sale financial assets	14,000,000	US$ 1,613	0.66	US$ 1,613	
	Great Rich Technologies Limited	-	Available-for-sale financial assets	1,660,000	US$ 5,493	2.46	US$ 5,493	
	CBA Sports International Ltd.	-	Financial assets measured at cost	508,929	US$ 2,733	0.89	US$ 3,123	
	Indostar Capital	-	Financial assets measured at cost	992,674	US$ 9,927	4.53	US$ 13,294	
	Indostar Everstone - preferred stock	-	Financial assets measured at cost	992,332	US$ 9,923	4.51	US$ 21,501	
	Option							
	CBA Sports International Ltd.	-	Financial assets measured at cost	-	US$ 4,867	-	US$ 966	
	Funds			-				
	Mirae Asset Partners Private Equity Fund VII	-	Financial assets measured at cost	-	US$ 4,096	-	US$ 6,313	
CDIB Global Markets Limited	Stocks							
	GoPro, Inc.	-	Available-for-sale financial assets	51,878	US$ 571	0.04	US$ 571	
	Light Sciences Oncology, Inc.	-	Financial assets measured at cost	250,000	US$ 6	0.28	US$ (1)	
	Optoplex Corporation	-	Financial assets measured at cost	55	US$ 0	-	US$ -	
	Optoplex Corporation - preferred stock A	-	Financial assets measured at cost	7,956	US$ 23	0.42	US$ 2	
	Sonics, Inc. - preferred stock B	-	Financial assets measured at cost	114,359	US$ 333	14.74	US$ 2,000	
	Microfabrica, Inc. - preferred stock B	-	Financial assets measured at cost	13,091	US$ 27	0.12	US$ 28	
	Optoplex Corporation - preferred stock B	-	Financial assets measured at cost	20,602	US$ 31	0.75	US$ 5	
	Microfabrica, Inc. - preferred stock AC	-	Financial assets measured at cost	7,749	US$ 13	0.48	US$ 183	
	Flemingo International (BVI) Ltd. - preferred stock	-	Debt instruments with no active markets	1,048	US$ 19,980	50.19	US$ 44,418	
	Funds							
	Huaxing Capital Partners II LP	-	Financial assets measured at cost	-	US$ 5,610	-	US$ 5,911	
	GS TDN Investors Offshore, L.P.	-	Financial assets measured at cost	-	US$ 21,000	-	US$ 4,200	
	CX Partners Fund Alpha Limited	-	Financial assets measured at cost	-	US$ 7,388	-	US$ 9,133	
	Carlyle Asia Partners III, L.P.	-	Financial assets measured at cost	-	US$ 6,057	-	US$ 6,220	
	Riverwood Capital Partners L.P.	-	Financial assets measured at cost	-	US$ 5,289	-	US$ 5,681	
	ECP II (Cayman) Ltd. A	-	Financial assets measured at cost	-	US$ 6,539	-	US$ 8,962	
	Sino-Century China Private Equity II L. P.	-	Financial assets measured at cost	-	US$ 520	-	US$ 384	
	KKR Asian Fund II L.P.	-	Financial assets measured at cost	-	US$ 6,518	-	US$ 8,442	
	Carlyle Asia Partners IV, L.P.	-	Financial assets measured at cost	-	US$ 11,725	-	US$ 16,398	
	Carlyle Giovanna Partners, L.P.	-	Financial assets measured at cost	-	US$ 14,214	-	US$ 61,941	
	Tenaya Capital V, L.P.	-	Financial assets measured at cost	-	US$ 5,732	-	US$ 4,701	
	THL EQUITY FUND VI INVESTORS (CERIDIAN), L.P.	-	Financial assets measured at cost	-	US$ 3,523	-	US$ 4,520	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 7,472	-	US$ 4,905	
	THL Equity Fund VI Investors (Clear Channel), L.P.	-	Financial assets measured at cost	-	US$ 12,476	-	US$ 1,248	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Global Markets Limited	Industry Ventures Fund VI, L.P.	-	Financial assets measured at cost	-	US$ 3,933	-	US$ 4,565	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 6,049	-	US$ 8,510	
	Tenaya Capital VI, LP	-	Financial assets measured at cost	-	US$ 6,669	-	US$ 6,479	
	Formation8 Partners Fund I, L.P.	-	Financial assets measured at cost	-	US$ 2,383	-	US$ 5,717	
	Blue Point Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 5,879	-	US$ 4,646	
	Riverwood Capital Partners II L.P.	-	Financial assets measured at cost	-	US$ 11,304	-	US$ 10,552	
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	-	Financial assets measured at cost	-	US$ 5,006	-	US$ 8,441	
CDIB Capital International Corporation	Stocks							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US$ 6,569	100.00	US$ 6,569	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US$ 5,650	100.00	US$ 5,650	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 1,663	100.00	US$ 1,663	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US$ (54)	100.00	US$ (54)	
China Development Asset Management Corp.	Stocks							
	Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	2,000,000	111,420	100.00	111,420	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,488,226	100.00	2,488,226	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	195,248	100.00	195,248	
	Pine Street Asset Management Corp.	-	Financial assets measured at cost	3,886,190	46,031	12.25	43,392	
	Waterland Securities Co., Ltd.	-	Financial assets measured at cost	9,748,769	8,672	1.07	106,644	
CDIB Management Consulting Corp.	Stocks							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	632,286	76.04	632,286	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	251,655	100.00	251,655	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	556	19.00	556	
Global Securities Finance Corporation	Stocks							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets	1,654,000	172,843	-	172,843	
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	515,000	55,878	-	55,878	
	Taishin Financial Holding Co., Ltd. - preferred stock	-	Available-for-sale financial assets	200,000	10,460	-	10,460	
	LiteOn Technology Corporation	-	Available-for-sale financial assets	950,000	41,040	-	41,040	
	Advanced Semiconductor Engineering, Inc.	-	Available-for-sale financial assets	650,000	24,147	-	24,147	
	Pegatron Corporation	-	Available-for-sale financial assets	200,000	15,920	-	15,920	
	Mutual funds							
	Yuanta/P-shares Taiwan Dividend Plus ETE	-	Available-for-sale financial assets	2,300,000	59,708		59,708	
	KGI Silver Age TWD	The fund manage by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	2,000,000	20,180	-	20,180	
	PineBridge Preferred Securities Income Fund-B (TWD)	-	Available-for-sale financial assets	26,040,000	260,404	-	260,404	
	Hua Nan Shiller US CAPE ETF Fund of Funds-B (TWD)	-	Available-for-sale financial assets	500,000	5,020	-	5,020	
	NB AR Taiwan Equity Fund T Inc.	-	Available-for-sale financial assets	2,000,000	19,660	-	19,660	
	Bank debentures							
	Bank SinoPac Third Subordinated Bank Debentures issued in 2011	-	Other financial assets	150,000,000	150,637	-	150,654	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other financial assets	50,000,000	50,000	-	50,156	
	Sunny Bank Second Subordinated Bank Debentures issued in 2015	-	Held-to-maturity financial assets	200,000,000	200,000	-	199,994	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issue in 2015	-	Held-to-maturity financial assets	100,000,000	100,000	-	99,994	
	Government bonds							
	A05113	-	Other financial assets	100,000,000	99,515	-	99,906	
	A06102	-	Other financial assets	100,000,000	99,696	-	100,207	

(Continued)

Note 1: The Group recognized the related income or loss of investees as required by regulations. For decline in value that was other than temporary, investment loss was recognized.

Note 2: The amounts were net of allowance for losses.

Note 3: Market prices of listed and OTC stocks were calculated at the closing prices of September 30, 2017. The net assets values of unlisted stocks, on which the Bank recognized its investment incomes in the current year, were calculated on the basis of audited financial statements of the same period of the holding company or the net assets values of the investees, market values of emerging stocks, the cost of acquiring an investee's newly issued shares or book value of the investees. However, the net asset values of investees do not represent the value of unlisted stocks on the balance sheet date.

Note 4: The market value or net worth of preferred stock is equal to the ratio of preferred shares held to the number of preferred shares outstanding multiplied by the total market value or total net worth of all of investee's common and preferred shares.

Note 5: No securities were treated as collaterals or warrants.

Note 6: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
The Corporation	Stocks													
	China Development Asset Management Corp.	Investment accounted for using the equity method	CDIB Capital Group	Subsidiary	-	$ -	200,000,000	$ 2,347,557 (Note 1)	-	$ -	$ -	$ -	200,000,000	$ 2,347,557
	China Life Insurance Co., Ltd.	Investment accounted for using the equity method	Public tender offer	Subsidiary	-	-	959,200,000	28,027,764 (Note 2)	-	-	-	-	959,200,000	28,027,764
	CDIB Capital Group	Investment accounted for using the equity method	-	-	2,060,399,410	69,863,440	-	-	-	-	18,379,101 (Note 3)	-	2,060,399,410	51,484,339
	KGI Securities	Investment accounted for using the equity method	-	-	3,498,812,320	55,568,778	-	-	500,000,000	-	5,431,308 (Note 4)	-	2,998,812,320	50,137,470
CDIB Capital Group	Stocks													
	CDIB Venture Capital Corporation	Investment accounted for using the equity method	-	-	922,790,915	8,864,695	100,000,000	1,199,055 (Note 5)	-	-	-	-	1,022,790,915	10,063,750
	China Development Asset Management Corp.	Investment accounted for using the equity method	China Development Financial Holding Corp.	Parent	200,000,000	2,396,955	-	-	200,000,000	2,321,887	2,396,955 (Note 6)	-	-	-
	Tuntex Gas Corporation	Investment accounted for using the equity method	-	-	104,066,400	50,000	-	-	104,066,400	1,063,662	50,000	1,013,662	-	-
	CDIB Capital Investment II Limited	Investment accounted for using the equity method	-	-	80,000,000	2,582,414	-	-	35,000,000	-	1,285,486 (Note 7)	-	45,000,000	1,296,928
	JHL. Biotech, Inc.	Financial assets measured at cost	-	-	12,894,844	222,803	-	-	4,512,000	301,243	77,961	223,282	8,382,844	144,842
CDIB Venture Capital Corporation	Stocks													
	CDIB Venture Capital (Hong Kong) Corporation Limited	Investment accounted for using the equity method	-	-	650,000,000	2,435,332	220,000,000	867,811 (Note 8)	-	-	-	-	870,000,000	3,303,143
CDIB Capital Investment I Limited	Stocks													
	CDIB Capital Asia Partner Fund	Investment accounted for using the equity method	-	-	-	US$ 65,356	-	US$ 22,825 (Note 9)	-	-	-	-	-	US$ 88,181
	Chewy, Inc.	Financial assets measured at cost	-	-	12,368	US$ 11,699	-	-	12,368	US$ 28,873	US$ 11,699	US$ 17,174	-	-
CDIB Venture Capital (Hong Kong) Corporation Limited	Funds													
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK$ 272,045	-	HK$ 146,928 (Note 10)	-	-	-	-	-	HK$ 418,973
	CPEC Huachuang Private Management Equity (Kunshan) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK$ 226,654	-	HK$ 118,445 (Note 11)	-	-	-	-	-	HK$ 345,099
	Stocks													
CDIB Capital Growth Partners L.P.	Gogoro Inc.	Financial assets measured at cost	-		-	-	2,858,000	303,991	-	-	-	-	2,858,000	303,991

Note 1: Consists of cost of purchase $2,321,887 thousand, investment gain $25,655 thousand and additional paid-in capital increase $15 thousand.

Note 2: Consists of cost of purchase $30,800,000 thousand, cash dividends of $704,000 thousand, investment loss $68,170 thousand, treasury stocks $1,329,422 thousand, unrealized loss on available-for-sale financial assets of $750,641 thousand and other comprehensive income related to income tax $79,997 thousand.

Note 3: Consists of additional paid-in capital cash payment $20,000,000 thousand, cash dividends of $2,343,237 thousand, exchange loss on translating foreign operations of $1,289,091 thousand, investment gain $2,322,787 thousand, unrealized gain on available-for-sale financial assets of $2,918,496 thousand and additional paid-in capital increase $11,944 thousand.

Note 4: Consists of reduction of the Corporation's capital of $5,000,000 thousand, cash dividends of $1,702,179 thousand, exchange loss on translating foreign operations of $731,754 thousand, investment gain $4,866,780 thousand, unrealized loss on available-for-sale financial assets of $2,410,723 thousand, additional paid-in capital increase $51,703 thousand and treasury stocks $505,135 thousand.

Note 5: Consists of cash dividends of $131,150 thousand, $1,000,000 thousand from new issue, exchange loss on translating foreign operations of $21,010 thousand, investment gain $81,069 thousand, unrealized gain on available-for-sale financial assets of $288,960 thousand and reduction of retained earnings $18,814 thousand about adjustment of organizational structure.

Note 6: Consists of cash dividends of $76,488 thousand, investment gain $1,416 thousand, additional paid-in capital increase $4 thousand and cost of selling $2,321,887 thousand.

(Continued)

Note 7: Consists of reduction of the Corporation's capital of $1,058,750 thousand, investment loss $31,667 thousand, exchange loss on translating foreign operations of $159,624 thousand and unrealized loss on available-for-sale financial assets of $35,445 thousand.

Note 8: Consists of $860,420 thousand from new issue, exchange loss on translating foreign operations of $39,824 thousand and investment gain $47,215 thousand.

Note 9: Consists of US$19,014 thousand from new issue, and investment gain US$3,811 thousand.

Note 10: Consists of HK$116,586 thousand from new issue, investment gain HK$9,961 thousand and exchange gain on translating foreign operations of HK$20,381 thousand.

Note 11: Consists of HK$99,827 thousand from new issue, exchange gain on translating foreign operations of HK$16,850 thousand and investment gain HK$1,768 thousand.

Note 12: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
CDIB Capital Group	The Corporation	Parent company	$ 339,279	-	$ -	-	$ -	$ -
The Corporation	CDIB Capital Group	Subsidiary	423,357	-	-	-	-	-
	KGI Bank	Subsidiary	352,595	-	-	-	-	-
	KGI Securities Co., Ltd.	Subsidiary	405,818	-	-	-	-	-
	China Life Insurance Co., Ltd.	Subsidiary	704,000	-	-	-	-	-

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

TABLE 6

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SOLD NONPERFORMING LOANS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(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
2017.06.09	A	Unsecured loans	$ -	$ 3,000	$ 3,000	-	-

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
SEPTEMBER 30, 2017

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			September 30, 2017	December 31, 2016	September 30, 2016	
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	-	-	
	China Life Insurance Co., Ltd.	Financial insurance	25.33	-	-	(Note 1)
	CDIB Capital Growth Partners L.P.	Private equity fund	(Note 2)	-	-	
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	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	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 3)
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	100.00	
CDIB Venture Capital (Hong Kong) Corporation Limited	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting	-	70.00	70.00	
CPEC Huakai Private Equity (Fujian) Co., Ltd.	CPEC Huachuang 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 Innovative Advisors Corporation Limited	Management and consulting	60.00	60.00	60.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership September 30, 2017	December 31, 2016	September 30, 2016	Note
CDIB Private Equity (Hong Kong) Corporation Limited	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	4.33	4.33	4.33	
	CDIB Private Equity Management Corporation	Management and consulting	100.00	100.00	100.00	
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	56.00	56.00	56.00	
	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	-	-	65.00	
CDIB Private Equity Management Corporation	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	65.00	65.00	-	
	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting	70.00	-	-	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	93.34	93.34	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	99.99	99.99	99.99	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	99.61	
	Global Securities Finance Corporation	Stock loans and financing purchase of securities	21.99	21.99	21.99	(Note 4)
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	100.00	
KGI Information Technology Co., Ltd.	KGI Information Technology (Shanghai) Co., Ltd.	Information service	100.00	100.00	100.00	(Note 5)
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	100.00	100.00	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	100.00	
	ANEW Holdings Limited	Investment holdings	-	100.00	100.00	
KGI International Holdings Limited	KG Investments Asset Management (International) Limited	Investment services	-	100.00	100.00	
	KGI Limited	Investment holdings	100.00	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	100.00	
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment	100.00	100.00	100.00	(Note 8)
	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00	
	KGI Hong Kong Limited	Management services	100.00	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership September 30, 2017	December 31, 2016	September 30, 2016	Note
	KGI Asia Limited	Securities investment	100.00	100.00	100.00	(Note 8)
	KGI Capital Asia Limited	Securities investment	100.00	100.00	100.00	
	Grand Cathay Securities (Hong Kong) Limited	Securities investment	100.00	100.00	100.00	(Note 8)
	KGI Asset Management Limited	Asset management	100.00	100.00	100.00	
	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00	100.00	
	KGI Wealth Management Limited	Securities investment	100.00	100.00	100.00	(Note 8)
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	100.00	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00	100.00	
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	100.00	(Note 6)
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	100.00	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	99.00	-	(Note 7)
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	100.00	100.00	
KGI Asia (Holdings) Pte. Ltd.	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Futures investment and foreign - currency services	100.00	100.00	100.00	(Note 9)
	KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Securities investment	100.00	100.00	100.00	(Note 9)
KGI Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	

Note 1: The Corporation and the subsidiary, KGI securities, jointly held 34.96% of shares of China Life Insurance Co., Ltd.

Note 2: CDIB Venture Capital Corporation, CDIB Capital Management Inc. and China Life Insurance Co., Ltd. jointly held CDIB Capital Growth Partners L.P. In consideration of IFRS 10, the Corporation gain the control of CDIB Advantage Venture Capital Limited Partnership since invested in China Life Insurance Co., Ltd.

Note 3: 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 September 30, 2017.

Note 4: KGI Securities jointly held 21.99% of the shares of Global Securities Finance Corporation (GSFC) and obtained more than half of the seats in the board of director, therefore, GSFC should be included in the consolidated financial statements.

Note 5: KGI Information Technology (Shanghai) Co., Ltd. conducted registration of establishment on May 30, 2016, however, KGI Information Technology Co., Ltd. had not invested any capital as of September 30, 2017.

(Continued)

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

Note 7: KGI Capital Asia Limited invested by KGI Securities, Acquired PT KGI Securities Indonesia, which was approved by authorities of Taiwan and Indonesia and completed the acquisition on August 31, 2016. PT KGI Securities Indonesia was renamed PT KGI Sekuritas Indonesia, which was approved by No. Financial-Supervisory-Securities-Firms-1050005075 on February 25, 2016, and has been incorporated into the consolidated financial statements of the Company since 2016.

Note 8: To simplify the structure of overseas investee, the overseas investee enterprises of KGI Limited, which included KGI Securities (Hong Kong) Limited, KGI Asia Limited, Grand Cathay Securities (Hong Kong) Limited and KGI Wealth Management Limited, were merged. KGI Asia Limited was the survivor company after the merger. The effective date of the merger was October 3, 2017.

Note 9: To intergate internal resources, strengthen capital and enhance refinancing ability, the overseas investee enterprises of KGI Asia (Holdings) Ptd. Ltd., which included KGI Futures (Singapore) Pte. Ltd. and KGI Securities (Singapore) Pte. Ltd., were merged. KGI Securities (Singapore) Pte. Ltd. was the survivor company after the merger. The effective date of the merger was October 2, 2017.

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			September 30, 2017	December 31, 2016	September 30, 2016	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	50.00	As of September 30, 2017, 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 September 30, 2017, 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.

(Concluded)

TABLE 8

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE
JUNE 30, 2017
(In Millions of New Taiwan Dollars; %)

The Corporation

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
1. The same customer		
Ministry of Finance, R.O.C.	$ 103,987	64.59
KG Investment Holdings Limited	12,029	7.47
Taipower Corporation	8,177	5.08
Bank of America Corp.	5,849	3.63
CDIB & Partners Investment Holding Corporation	5,455	3.39
CHAILEASE	4,663	2.90
China Life Insurance Company Limited	4,473	2.78
TSMC	3,683	2.29
Netronix, Inc.	3,403	2.11
Farglory Land Development Co., Ltd.	3,297	2.05
Qisda Corporation	3,092	1.92
Total	$ 158,108	98.21
2. The same group		
Foxconn Technology Group	$ 7,525	4.67
BenQ Group	7,421	4.61
Far Eastern Group	6,853	4.26
Chailease Group	6,348	3.94
Formosa Plastic Group	5,352	3.32
Fubon Group	5,231	3.25
YFY Group	4,599	2.86
Qsan Technology Group	4,496	2.79
TSMC Group	3,958	2.46
Evergreen Group	3,714	2.31
Farglory Group	3,591	2.23
Netronix Group	3,408	2.12
PECOS Group	3,223	2.00
WPG Group	3,152	1.96
Walsin Group	3,143	1.95
UMC Group	3,141	1.95
Ju Teng Group	3,044	1.89
USI Group	3,027	1.88
Total	$ 81,226	50.45

TABLE 9

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**
Cash and cash equivalents	$ 753,794	$ 1,357,441	$ 1,427,419
Available-for-sale financial assets	1,262,877	1,199,734	1,010,302
Receivables, net	704,537	115	115
Current tax assets	1,567,594	1,436,182	1,417,796
Investments accounted for using the equity method, net	194,830,775	186,391,735	184,276,497
Other financial assets	300	300	300
Property and equipment, net	17,432	9,906	8,277
Other assets, net	64,396	541,742	526,835
Total	$ 199,201,705	$ 190,937,155	$ 188,667,541
Liabilities and Equity			
Commercial paper payable	$ 10,599,327	$ 3,999,774	$ 7,249,737
Payables	611,743	554,345	518,076
Current tax liabilities	482,597	857,328	933,590
Bonds payable	22,000,000	18,000,000	18,000,000
Other borrowings	3,299,731	3,999,892	599,856
Provisions	39,538	37,290	33,410
Other liabilities	53,529	409	486
Total liabilities	37,086,465	27,449,038	27,335,155
Equity			
Capital			
Common stock	149,757,428	149,744,203	149,740,122
Advance receipts for capital stock	5,606	10	1,644
Capital surplus	1,170,689	1,104,521	1,101,779
Retained earnings			
Legal reserve	5,606,606	5,014,298	5,014,298
Special reserve	2,078,602	3,228,296	3,228,296
Unappropriated earnings	10,588,362	8,556,188	7,214,823
Other			
Exchange differences on translation of foreign financial statements	(1,553,099)	494,377	(450,038)
Unrealized losses on available-for-sale financial assets	(1,313,945)	(2,255,818)	(2,109,850)
Others	(13,704)	(21,211)	(31,941)
Treasury shares	(4,211,305)	(2,376,747)	(2,376,747)
Total equity	162,115,240	163,488,117	161,332,386
Total	$ 199,201,705	$ 190,937,155	$ 188,667,541

(Continued)

2. Statements of comprehensive income

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
REVENUES				
Share of profit of subsidiaries, associates and joint ventures	$ 5,756,679	$ 2,852,648	$ 9,707,410	$ 5,145,984
Others	58,270	60,818	73,574	67,967
Total revenues	5,814,949	2,913,466	9,780,984	5,213,951
EXPENSES AND LOSSES				
Operating expenses	(334,476)	(317,073)	(809,722)	(689,576)
Others	(90,122)	(75,982)	(226,786)	(228,307)
Total expenses and losses	(424,598)	(393,055)	(1,036,508)	(917,883)
NET PROFIT BEFORE INCOME TAX	5,390,351	2,520,411	8,744,476	4,296,068
INCOME TAX BENEFIT	40,420	33,064	224,581	145,565
NET PROFIT FOR THE PERIOD	5,430,771	2,553,475	8,969,057	4,441,633
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss, net of income tax				
Unrealized gain (loss) on available-for-sale financial assets	26,001	(7,429)	63,144	(216,670)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(2,653,307)	634,328	(1,252,973)	372,969
Income tax relating to the items that may be reclassified subsequently to profit or loss	84,681	(681)	84,226	(1,543)
Other comprehensive income (loss) for the period, net of income tax	(2,542,625)	626,218	(1,105,603)	154,756
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,888,146	$ 3,179,693	$ 7,863,454	$ 4,596,389
BASIC EARNINGS PER SHARE	$0.37	$0.17	$0.61	$0.30
DILUTED EARNINGS PER SHARE	$0.37	$0.17	$0.61	$0.30

(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 Translating Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-Sale Financial Assets	Others	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2016	$ 151,124,071	$ 1,370	$ 654,803	$ 4,161,475	$ 765,041	$ 13,580,644	$ 1,741,670	$ (4,456,314)	$ (32,187)	$ (2,376,747)	$ 165,163,826
Appropriation of 2015 earnings											
Legal reserve	-	-	-	852,823	-	(852,823)	-	-	-	-	-
Special reserve	-	-	-	-	2,463,255	(2,463,255)	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,006)	-	-	-	-	(7,487,006)
	-	-	-	852,823	2,463,255	(10,803,084)	-	-	-	-	(7,487,006)
Other change in capital surplus	-	-	161,616	-	-	-	-	-	-	-	161,616
Net profit for the nine months ended September 30, 2016	-	-	-	-	-	4,441,633	-	-	-	-	4,441,633
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	-	(2,191,708)	2,346,464	-	-	154,756
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	-	4,441,633	(2,191,708)	2,346,464	-	-	4,596,389
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	(1,150,440)	(1,150,440)
Cancellation of treasury stock	(1,430,100)	-	279,660	-	-	-	-	-	-	1,150,440	-
Share-based payments	46,151	274	5,700	-	-	(4,370)	-	-	246	-	48,001
BALANCE AT SEPTEMBER 30, 2016	$ 149,740,122	$ 1,644	$ 1,101,779	$ 5,014,298	$ 3,228,296	$ 7,214,823	$ (450,038)	$ (2,109,850)	$ (31,941)	$ (2,376,747)	$ 161,332,386
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 2016 earnings											
Legal reserve	-	-	-	592,308	-	(592,308)	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	(949,694)	949,694	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(7,487,871)	-	-	-	-	(7,487,871)
	-	-	-	592,308	(949,694)	(7,130,485)	-	-	-	-	(7,487,871)
Other change in capital surplus	-	-	59,948	-	-	-	-	-	-	-	59,948
Net profit for the nine months ended September 30, 2017	-	-	-	-	-	8,969,057	-	-	-	-	8,969,057
Other comprehensive income (loss) for the nine months ended September 30, 2017, net of income tax	-	-	-	-	-	-	(2,047,476)	941,873	-	-	(1,105,603)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	8,969,057	(2,047,476)	941,873	-	-	7,863,454
Reorganization	-	-	(93)	-	-	-	-	-	-	-	(93)
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	-	-	-	-	-	-	-	-	-	(1,834,558)	(1,834,558)
Share-based payments	13,225	5,596	6,313	-	-	(6,398)	-	-	7,507	-	26,243
Trading loss reserve of subsidiaries reversed	-	-	-	-	(200,000)	200,000	-	-	-	-	-
BALANCE AT SEPTEMBER 30, 2017	$ 149,757,428	$ 5,606	$ 1,170,689	$ 5,606,606	$ 2,078,602	$ 10,588,362	$ (1,553,099)	$ (1,313,945)	$ (13,704)	$ (4,211,305)	$ 162,115,240

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 8,744,476	$ 4,296,068
Adjustments for:		
Depreciation and amortization expenses	3,671	3,623
Interest expense	202,631	213,347
Interest income	(25,304)	(6,522)
Dividend income	(45,810)	(60,668)
Share-based payment compensation cost	17,198	39,698
Share of profit of subsidiaries, associates and joint ventures	(9,706,341)	(5,145,120)
Others	-	38
Changes in operating assets and liabilities		
Receivable	(15,737)	192,774
Other assets	475,868	13,202
Payables	47,121	(289,751)
Provisions	2,248	-
Other liabilities	53,121	1,961
Dividend received	5,792,394	5,153,844
Interest paid	(304,298)	(278,284)
Interest received	25,304	6,523
Income tax returned (paid)	(154,303)	108,466
Net cash generated from operating activities	5,112,239	4,249,199
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of capital return on investments accounted for using the equity method	5,000,000	3,000,000
Purchase of equity investment under equity method	(33,121,887)	-
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	20,000,000	-
Acquisition of property and equipment	(9,718)	(1,162)
Net cash generated from (used in) investing activities	(8,131,605)	2,998,838
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payable	6,599,553	2,149,992
Proceeds from issue of corporate bonds	10,000,000	-
Repayments of corporate bonds	(6,000,000)	-
Decrease in other borrowings	(700,161)	(1,999,991)
Cash dividend paid	(7,487,871)	(7,487,006)
Exercise of employee share options	4,198	1,120
Buyback of ordinary shares	-	(1,150,440)
Net cash generated from (used in) financing activities	2,415,719	(8,486,325)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(603,647)	(1,238,288)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,357,441	2,665,707
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 753,794	$ 1,427,419

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 39,824,403	$ 78,234,125	$ 81,563,067
Financial assets at fair value through profit or loss	57,150,618	97,833,395	94,436,013
Securities purchased under resell agreements	14,149,421	795,850	900,130
Receivables, net	25,015,388	23,040,675	19,747,319
Current tax assets	36,295	-	-
Assets held for sale, net	-	12,290	12,290
Discount and loans, net	293,420,342	252,376,992	251,897,396
Available-for-sale financial assets	126,986,740	88,722,046	77,836,329
Investments accounted for using the equity method, net	1,745,644	1,823,461	1,906,309
Other financial assets, net	5,678,861	3,882,514	4,349,621
Property and equipment, net	5,403,162	5,536,616	5,625,879
Investment property, net	933,332	712,146	622,076
Deferred tax assets	3,651,893	4,302,232	4,678,839
Other assets, net	5,411,836	8,535,898	5,937,427
Total assets	$ 579,407,935	$ 565,808,240	$ 549,512,695
Deposits from the Central Bank and banks	$ 31,008,422	$ 30,917,374	$ 22,376,986
Financial liabilities at fair value through profit or loss	39,402,365	39,408,142	34,191,171
Notes and bonds issued under repurchase agreements	44,503,158	62,138,314	57,911,702
Payables	7,140,718	4,087,128	4,423,789
Current tax liabilities	352,595	379,060	311,750
Deposits and remittances	364,659,499	343,497,464	344,055,471
Bank debentures payable	3,737,989	2,684,236	2,666,122
Principal received on structured notes	22,290,592	21,875,414	20,987,311
Other financial liabilities	2,753	877	1,806
Provisions	237,489	220,615	347,643
Deferred tax liabilities	120,357	78,585	59,741
Other liabilities	5,106,826	1,795,742	2,943,537
Total liabilities	518,562,763	507,082,951	490,277,029
Common stock	46,061,623	46,061,623	46,061,623
Capital surplus	7,250,317	7,249,280	7,248,890
Retained earnings	7,823,104	6,719,227	5,934,986
Others	(289,872)	(1,304,841)	(9,833)
Total equity	60,845,172	58,725,289	59,235,666
Total liabilities and equity	$ 579,407,935	$ 565,808,240	$ 549,512,695

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Interest revenue	$ 2,708,306	$ 2,128,822	$ 7,485,443	$ 6,423,777
Interest expense	(1,080,884)	(749,802)	(2,903,947)	(2,410,942)
Interest profit, net	1,627,422	1,379,020	4,581,496	4,012,835
Noninterest profits and gains, net	1,538,108	1,309,132	3,543,712	3,349,977
Total net revenues	3,165,530	2,688,152	8,125,208	7,362,812
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(196,849)	(23,891)	(425,951)	48,862
Operating expenses	(1,438,637)	(1,387,494)	(4,092,652)	(3,962,066)
Net profit before income tax	1,530,044	1,276,767	3,606,605	3,449,608
Income tax expense	(363,764)	(349,678)	(801,560)	(498,110)
Net profit for the period	1,166,280	927,089	2,805,045	2,951,498
Other comprehensive income (loss) for the period net of income tax	(7,679)	(90,013)	1,014,969	399,837
Total comprehensive income for the period	$ 1,158,601	$ 837,076	$ 3,820,014	$ 3,351,335
Basic earnings per share	$0.25	$0.20	$0.61	$0.64

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**
Current assets	$ 138,175,636	$ 140,174,696	$ 170,578,088
Noncurrent assets	42,231,163	35,049,534	34,438,764
Total assets	$ 180,406,799	$ 175,224,230	$ 205,016,852
Current liabilities	$ 117,810,181	$ 106,141,192	$ 137,681,912
Noncurrent liabilities	6,671,123	8,838,991	8,796,222
Total liabilities	124,481,304	114,980,183	146,478,134
Common stock	29,988,123	34,988,123	34,988,123
Capital surplus	8,646,199	8,644,122	8,643,323
Retained earnings	19,325,934	14,356,868	13,723,840
Others	(2,034,761)	2,254,934	1,183,432
Total equity	55,925,495	60,244,047	58,538,718
Total liabilities and equity	$ 180,406,799	$ 175,224,230	$ 205,016,852

2. Condensed statements of comprehensive income

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

	For the Three Months Ended September 30		**For the Nine Months Ended September 30**	
	2017	**2016**	**2017**	**2016**
Operating revenues	$ 7,218,552	$ 3,516,904	$ 11,288,393	$ 7,434,650
Operating expenses	(2,376,936)	(2,164,118)	(6,216,419)	(5,976,459)
Profit from operations	4,841,616	1,352,786	5,071,974	1,458,191
Share of profit (loss) of subsidiaries, associates and joint ventures	552,019	138,065	1,132,894	(197,723)
Other income and loss	280,865	133,193	600,381	678,979
Total non-operating income or loss	832,884	271,258	1,733,275	481,256
Net profit before income tax	5,674,500	1,624,044	6,805,249	1,939,447
Income tax expense	(83,982)	(59,542)	(134,004)	(123,296)
Net profit for the period	5,590,518	1,564,502	6,671,245	1,816,151
Other comprehensive income (loss)	(3,544,992)	626,623	(4,289,695)	62,709
Total comprehensive income for the period	$ 2,045,526	$ 2,191,125	$ 2,381,550	$ 1,878,860
Basic earnings per share	$1.65	$0.45	$1.97	$0.49

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**
Current assets	$ 4,183,248	$ 20,277,266	$ 19,190,686
Noncurrent assets	49,279,986	51,341,667	51,244,326
Total assets	$ 53,463,234	$ 71,618,933	$ 70,435,012
Current liabilities	$ 901,180	$ 768,746	$ 758,945
Noncurrent liabilities	787,533	817,045	795,352
Total liabilities	1,688,713	1,585,791	1,554,297
Common stock	20,603,994	20,603,994	20,603,994
Capital surplus	4,704,623	24,703,001	24,702,407
Retained earnings	27,680,727	27,592,053	27,292,136
Others	(1,214,823)	(2,865,906)	(3,717,822)
Total equity	51,774,521	70,033,142	68,880,715
Total liabilities and equity	$ 53,463,234	$ 71,618,933	$ 70,435,012

2. Condensed statements of comprehensive income

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

	For the Three Months Ended September 30		**For the Nine Months Ended September 30**	
	2017	**2016**	**2017**	**2016**
Operating revenues	$ 925,715	$ 1,058,256	$ 3,295,352	$ 2,235,660
Operating costs	(67,323)	(213,243)	(355,526)	(626,163)
Gross profit	858,392	845,013	2,939,826	1,609,497
Operating expenses	(99,368)	(200,132)	(471,576)	(475,681)
Profit from operations	759,024	644,881	2,468,250	1,133,816
Non-operating income and expenses	18,596	(50,031)	6,080	55,741
Net profit before income tax	777,620	594,850	2,474,330	1,189,557
Income tax benefit (expense)	92,742	(27,446)	(42,419)	(32,689)
Net profit for the period	870,362	567,404	2,431,911	1,156,868
Other comprehensive income (loss) for the period, net of income tax	280,260	171,380	1,651,083	(165,464)
Total comprehensive income for the period	$ 1,150,622	$ 738,784	$ 4,082,994	$ 991,404
Basic earnings per share	$0.42	$0.28	$1.18	$0.56

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**
Current assets	$ 23,588	$ 28,170	$ 14,494
Noncurrent assets	3,146,504	3,194,215	3,192,262
Total assets	$ 3,170,092	$ 3,222,385	$ 3,206,756
Current liabilities	$ 820,822	$ 824,758	$ 809,327
Noncurrent liabilities	1,712	672	556
Total liabilities	822,534	825,430	809,883
Common Stock	2,000,000	2,000,000	2,000,000
Capital surplus	8,731	8,711	8,705
Retained earnings	338,827	388,244	388,168
Total equity	2,347,558	2,396,955	2,396,873
Total liabilities and equity	$ 3,170,092	$ 3,222,385	$ 3,206,756

2. Condensed statements of comprehensive income

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

	For the Three Months Ended September 30		**For the Nine Months Ended September 30**	
	2017	**2016**	**2017**	**2016**
Revenues and gains	$ 22,218	$ 51,186	$ 79,010	$146,379
Expenses and losses	(14,116)	(19,945)	(51,939)	(61,609)
Net profit before income tax	8,102	31,241	27,071	84,770
Income tax benefit (expense)	-	-	-	-
Net profit for the period	8,102	31,241	27,071	84,770
Other comprehensive income (loss) for the period, net of income tax	-	-	-	-
Total comprehensive income for the period	$ 8,102	$ 31,241	$ 27,071	$ 84,770
Basic earnings per share	$0.04	$0.16	$0.14	$0.42

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	September 30, 2017
Cash and cash equivalents	$ 29,487,951
Receivables	10,914,397
Financial assets at fair value through profit or loss	811,153
Available-for-sale financial assets	410,292,631
Debt instruments with no active market	644,798,636
Held-to-maturity financial assets	177,534,772
Investment property	23,366,706
Loans	30,835,617
Reinsurance assets	427,116
Property and equipment	8,994,950
Intangible assets	145,034
Deferred tax assets	4,682,246
Other assets	21,629,333
Separate account product assets	60,923,532
Total assets	$ 1,424,844,074
Payables	$ 14,122,707
Current tax liabilities	4,688,720
Financial liabilities at fair value through profit or loss	3,507,793
Insurance liabilities	1,248,227,230
Foreign exchange valuation reserve	2,821,112
Provisions	88,159
Deferred tax liabilities	1,846,232
Other liabilities	2,370,465
Separate account product liabilities	60,923,532
Total liabilities	1,338,595,950
Common stock	37,863,984
Capital surplus	2,289,273
Retained earnings	42,623,581
Others	3,471,286
Total equity	86,248,124
Total liabilities and equity	$ 1,424,844,074

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2017
Operating revenue	$ 70,687,067	$ 189,304,595
Operating costs	(64,285,683)	(179,072,244)
Operating expense	(1,226,414)	(3,104,419)
Profit from operations	5,174,970	7,127,932
Non-operating income and expenses	11,645	(2,556)
Income from continuing operations before income tax	5,186,615	7,125,376
Income tax benefit	73,572	478,517
Net income	5,260,187	7,603,893
Other comprehensive income (loss) for the period net of income tax	(4,406,778)	351,142
Total comprehensive income for the period	$ 853,409	$ 7,955,035
Basic earnings per share	$1.39	$2.01

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
SEPTEMBER 30, 2017
(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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2017	Accumulated Inward Remittance of Earnings as of September 30, 2017
					Outflow	Inflow						
Beauty Essential International Ltd.	Sale and R&D the cosmetic.	US$ 2,000 thousand	Note 1,b,1)	US$ 2,262 thousand	$ -	$ -	US$ 2,262 thousand	(Note 3)	8.86	-	$ 67,521	-
Derby Software (Shanghai) Co., Ltd.	The next-generation electronic distribution channel operator serving China's hotel industry.	US$ 10,000 thousand	Note 1,b,2)	US$ 3,267 thousand	-	-	US$ 3,267 thousand	(Note 3)	6.87	-	107,235	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments.	US$ 35,200 thousand	Note 1,b,3)	US$ 1,400 thousand	-	-	US$ 1,400 thousand	(Note 3)	1.66	-	45,003	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering.	US$ 17,130 thousand	Note 1,b,4)	US$ 3,000 thousand	-	-	US$ 3,000 thousand	(Note 3)	10.23	-	99,603	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging.	US$ 87,070 thousand	Note 1,b,5)	US$ 228 thousand	-	-	US$ 228 thousand	(Note 3)	1.79	-	6,910	-
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)	US$ 182 thousand	-	-	US$ 182 thousand	(Note 3)	5.00	-	6,519	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US$ 21,500 thousand	Note 1,b,5)	US$ 882 thousand	-	-	US$ 882 thousand	(Note 3)	2.16	-	6,603	-
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US$ 1,400 thousand	Note 1,b,5)	US$ 33 thousand	-	-	US$ 33 thousand	(Note 3)	2.16	-	249	-
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.	RMB 104,222 thousand	Note 1,b,5)	RMB 1,016 thousand	-	-	RMB 1,016 thousand	(Note 3)	2.16	-	1,104	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale.	US$ 500 thousand	Note 1,b,5)	US$ 42 thousand	-	-	US$ 42 thousand	(Note 3)	2.16	-	311	-
CDIB Private Equity Management Corporation	Management and consulting.	US$ 7,000 thousand	Note 1,b,8)	US$ 7,000 thousand	-	-	US$ 7,000 thousand	21,256	100.00	21,256	202,667	-
CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting.	RMB 10,000 thousand	Note 1,b,8)	RMB 7,000 thousand	-	RMB 7,000 thousand	-	17,784	70.00	12,449	83,491	-
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting.	RMB 12,000 thousand	Note 1,b,8)	RMB 6,686 thousand	-	-	RMB 6,686 thousand	997	70.00	698	39,956	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2017	Accumulated Inward Remittance of Earnings as of September 30, 2017
					Outflow	Inflow						
CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment.	RMB 1,000,000 thousand	Note 1,b,7),8)	RMB 247,100 thousand	RMB 102,900 thousand	$ -	RMB 350,000 thousand	$ 113,822	-	$ 39,838	$ 1,673,005	$ -
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting.	RMB 7,000 thousand	Note 1,b,8)	RMB 4,550 thousand	-	-	RMB 4,550 thousand	11,541	65.00	7,502	38,576	-
CPEC Huachuang Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting.	RMB 12,000 thousand	Note 1,b,8)	RMB 3,250 thousand	-	-	RMB 3,250 thousand	282	65.00	183	35,127	-
CPEC Huachuang Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment.	RMB 1,000,000 thousand	Note 1,b,7),8)	RMB 212,450 thousand	RMB 87,550 thousand	-	RMB 300,000 thousand	23,616	-	7,085	1,369,681	-
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)	US$ 16,612 thousand	-	-	US$ 16,612 thousand	(Note 3)	0.94	-	503,433	-
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)	US$ 4,371 thousand	-	-	US$ 4,371 thousand	(Note 3)	0.94	-	132,468	-
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)	US$ 875 thousand	-	-	US$ 875 thousand	(Note 3)	0.94	-	26,507	-
Shanghai OOH Advertising Co., Ltd.	Domestic and foreign advertisement design, production, releases and agent.	US$ 400 thousand	Note 1,b,9)	US$ 174 thousand	-	-	US$ 174 thousand	(Note 3)	0.94	-	5,275	-
GSD Industrial Co., Ltd.	Pumps manufacture and sale.	RMB 50,000 thousand	Note 1,b,10)	US$ 2,235 thousand	-	-	US$ 2,235 thousand	(Note 3)	19.86	-	68,353	-
Shengzhuang Co., Ltd.	Cosmetics sales.	RMB 54,300 thousand	Note 1,b,11)	US$ 5,000 thousand	-	-	US$ 5,000 thousand	(Note 3)	5.44	-	151,150	-
Lightel Technologies Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps.	US$ 3,100 thousand	Note 1,b,12)	US$ 337 thousand	-	-	US$ 337 thousand	(Note 3)	13.48	-	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	-	70,341	-
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	-	51,081	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2017	Accumulated Inward Remittance of Earnings as of September 30, 2017
					Outflow	Inflow						
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,5)	US$ 1,837 thousand	US$ 7,411 thousand	$ -	US$ 9,248 thousand	(Note 3)	4.05	$ -	$ 69,206	$ -
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	-	155,209	15,819
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	-	-	-
Power Logic Tech. (DongGuan) Inc.	Production and sale of computer cooling fan, radiator, computer peripheral products, LED electric lamps, LED electric driver, computer multimedia speaker, plastic mold, plastic components.	HK$ 21,000 thousand	Note 1,b,15)	US$ 2,613 thousand	-	-	US$ 2,613 Thousand	(Note 3)	14.52	-	78,489	-
Dongguan TaiYi Electronics Co., Ltd.	Engaged in computer radiator, electronic products wholesale, commission agency (except auction), import and export and related business.	RMB 3,000 thousand	Note 1,b,15)	US$ 431 thousand	US$ 131 thousand	-	US$ 562 thousand	(Note 3)	14.52	-	17,032	-
Dongguan Yi Quan Electronics Co., Ltd.	Business in computer radiators, electronic products, and provide after-sales service, commission agent (except auction), business of import and export.	RMB 3,000 thousand	Note 1,b,15)	-	US$ 63 thousand	-	US$ 63 thousand	(Note 3)	13.65	-	1,915	-
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.	RMB 350,379 thousand	Note 1,b,16)	US$ 7,417 thousand	-	-	US$ 7,417 thousand	(Note 3)	2.67	-	55,501	-
Best Logistics Technology Co., Ltd.	Business in research, development, technical services, computer information, network logistics technology and wholesale and retail of general labor supplies, household appliances and building materials.	US$ 133,000 thousand	Note 1,b,17)	US$ 211 thousand	-	-	US$ 211 thousand	(Note 3)	0.42	-	6,409	-
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	-	1,091	-
CDIB International Leasing Corporation	Financial Leasing and management business consulting.	RMB 187,750 thousand	Note 1,a	US$ 30,000 thousand	-	-	US$ 30,000 thousand	(166,611)	100.00	(166,611)	251,655	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US$ 4,000 thousand	Note 1,b,20)	US$ 4,000 thousand	-	-	US$ 4,000 thousand	(20,842)	100.00	(20,842)	52,458	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2017	Accumulated Inward Remittance of Earnings as of September 30, 2017
					Outflow	Inflow						
CCB Life Insurance Company Limited	Life insurance.	RMB4,495,789 thousand	Note 1,a	$ 7,401,464	$ -	$ -	$ 7,401,464	$ 1,850,300	19.90	$ -	$ 13,520,474	$ -
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US$ 5,000 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$ 1,049 thousand	Note 1,b,21)	-	US$ 107 thousand	-	US$ 107 thousand	(Note 3)	0.88	-	3,212	-

Accumulated Investment in Mainland China as of September 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$14,079,426	US$787,368 thousand	$132,657,120

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.

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.

(Continued)

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 Touch Equipment Leasing (Shanghai) Co., Ltd. and Touch Multimedia Technology (Shanghai) Co., Ltd. through its subsidiary's investment in Touch Media International Holdings, and the amount of investment in Touch Media International Holdings by subsidiary has been totally recognized as impairment loss in 2017.

(Concluded)

TABLE 11

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(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	$ 423,357	Note 4	0.02%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	423,357	Note 4	0.02%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	339,279	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	339,279	Note 4	0.01%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	715,848	Note 4	0.03%
2	KGI Bank	The Corporation	2	Deposits and remittances	715,848	Note 4	0.03%
0	The Corporation	KGI Bank	1	Current tax assets	352,595	Note 4	0.01%
2	KGI Bank	The Corporation	2	Current tax liabilities	352,595	Note 4	0.01%
0	The Corporation	KGI Securities	1	Current tax assets	405,818	Note 4	0.02%
3	KGI Securities	The Corporation	2	Current tax liabilities	405,818	Note 4	0.02%
0	The Corporation	China Life Insurance Company, Ltd.	1	Receivables, net	704,000	Note 4	0.03%
4	China Life Insurance Company, Ltd.	The Corporation	2	Payables	704,000	Note 4	0.03%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	3,654,858	Note 4	0.15%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	3,654,858	Note 4	0.15%
2	KGI Bank	KGI Securities and its securities	3	Other financial assets	483,853	Note 4	0.02%
3	KGI Securities and its securities	KGI Bank	3	Other financial liabilities	483,853	Note 4	0.02%
2	KGI Bank	KGI Securities and its securities	3	Financial assets at fair value through profit or loss	515,018	Note 4	0.02%
3	KGI Securities and its securities	KGI Bank	3	Other financial liabilities	515,018	Note 4	0.02%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
2	KGI Bank	KGI Securities and its securities	3	Deposits and remittances	$ 4,241,461	Note 4	0.18%
3	KGI Securities and its securities	KGI Bank	3	Cash and cash equivalents	4,241,461	Note 4	0.18%
2	KGI Bank	KGI Securities	3	Deposits and remittances	1,939,262	Note 4	0.08%
3	KGI Securities	KGI Bank	3	Other financial assets	1,939,262	Note 4	0.08%
2	KGI Bank	KGI Securities	3	Deposits and remittances	1,179,040	Note 4	0.05%
3	KGI Securities	KGI Bank	3	Restricted assets	1,179,040	Note 4	0.05%
2	KGI Bank	KGI Securities	3	Deposits and remittances	113,063	Note 4	-
3	KGI Securities	KGI Bank	3	Other assets	113,063	Note 4	-
2	KGI Bank	China Life Insurance Company, Ltd.	3	Deposits and remittances	172,111	Note 4	0.01%
4	China Life Insurance Company, Ltd.	KGI Bank	3	Cash and cash equivalents	172,111	Note 4	0.01%
2	KGI Bank	CDIB Global Markets Limited	3	Deposits and remittances	320,837	Note 4	0.01%
5	CDIB Global Markets Limited	KGI Bank	3	Cash and cash equivalents	320,837	Note 4	0.01%
2	KGI Bank	CDIB Venture Capital Corporation	3	Deposits and remittances	192,043	Note 4	0.01%
6	CDIB Venture Capital Corporation	KGI Bank	3	Cash and cash equivalents	192,043	Note 4	0.01%
2	KGI Bank	CDIB Capital Investment I Limited	3	Deposits and remittances	189,056	Note 4	0.01%
7	CDIB Capital Investment I Limited	KGI Bank	3	Cash and cash equivalents	189,056	Note 4	0.01%
2	KGI Bank	CDIB Capital International Corporation	3	Deposits and remittances	163,228	Note 4	0.01%
8	CDIB Capital International Corporation	KGI Bank	3	Cash and cash equivalents	163,228	Note 4	0.01%
3	KGI Securities	China Life Insurance Company, Ltd.	3	Receivables, net	267,496	Note 4	0.01%
4	China Life Insurance Company, Ltd.	KGI Securities	3	Payables	267,496	Note 4	0.01%
3	KGI Securities	KGI Futures Co., Ltd.	3	Service fee and commission, income	184,628	Note 4	0.52%
9	KGI Futures Co., Ltd.	KGI Securities	3	Service fee and commission, expense	184,628	Note 4	0.52%

(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 Insurance Brokers Co., Ltd.	3	Net other noninterest profit	$ 212,903	Note 4	0.60%
10	KGI Insurance Brokers Co., Ltd.	KGI Securities	3	Net other noninterest profit	212,903	Note 4	0.60%
3	KGI Securities	KGI Securities Investment Advisory Co., Ltd.	3	Operating expense	117,229	Note 4	0.33%
11	KGI Securities Investment Advisory Co., Ltd.	KGI Securities	3	Consulting service revenue	117,229	Note 4	0.33%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	364,729	Note 4	0.02%
9	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	364,729	Note 4	0.02%
12	Richpoint Company Limited (BVI Holding Co.)	KG Investments Holdings Limited	3	Receivables, net	1,820,846	Note 4	0.08%
13	KG Investments Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	1,820,846	Note 4	0.08%
12	Richpoint Company Limited (BVI Holding Co.)	KGI International Holdings Limited	3	Receivables, net	1,820,623	Note 4	0.08%
14	KGI International Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	1,820,623	Note 4	0.08%
7	KGI Futures Co., Ltd.	KGI Futures (Singapore) Pte. Ltd.	3	Financial assets at fair value through profit or loss	129,914	Note 4	0.01%
15	KGI Futures (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	129,914	Note 4	0.01%
7	KGI Futures Co., Ltd.	KGI Futures (Singapore) Pte. Ltd.	3	Other financial assets	1,178,799	Note 4	0.05%
15	KGI Futures (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	1,178,799	Note 4	0.05%
7	KGI Futures Co., Ltd.	KGI International (Hong Kong) Limited	3	Other financial liabilities	142,913	Note 4	0.01%
16	KGI International (Hong Kong) Limited	KGI Futures Co., Ltd.	3	Other financial assets	142,913	Note 4	0.01%

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)