China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION

By

March 26, 2018

Deloitte.

勤業眾信

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Development Financial Holding Corporation

Opinion

We have audited the accompanying consolidated financial statements of China Development Financial Holding Corporation (the Corporation) and subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and the consolidated financial performance and the consolidated cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Discounts, Loans and Receivables

As stated in Note 5, to determine the impairment loss of discounts, loans and receivables, the management should 1) judge whether there is any objective evidence of impairment, 2) estimate the expected future cash flow based on historical loss on assets with similar credit risk, and 3) review periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment. The methodology and assumptions adopted for the assessment of objective evidence of impairment and the amount and timing of future cash flows (e.g. impairment occurrence rate and recovery rate) require the exercise of critical judgments and estimates; therefore, the impairment of discounts, loans and receivables is deemed to be a key audit matter for the year ended December 31, 2017.

Refer to Notes 4, 5 and 58 for the relevant accounting policy, critical accounting judgment; and estimation uncertainty, and disclosures of the impairment for discounts, loans and receivables.

We understood and assessed internal controls related to the discounts, loans and receivables. We verified whether methodology used in impairment model and parameters of the assumptions reflected actual outcome appropriately. We assessed the consistency of the impairment occurrence rate and recovery rate, etc. used in estimating expected future cash flows and evaluating values of collateral. Finally, we selected samples of discounts, loans and receivables accounts and we verified whether the allowance thereof complies with the law and related regulations issued by the authorities.

Assessment of Insurance Liabilities and Liability Adequacy Reserve

As stated in Note 31, reserve for life insurance liabilities were $1,263,844,149 thousand as of December 31, 2017. There was no need to make provision for liability adequacy reserve because the recorded insurance liability is sufficient as shown in Note 31.

As stated in Note 5, management uses actuarial models and several material assumptions when assessing the insurance liabilities and liability adequacy reserve. The assumptions were based on the principles embodied in the relevant laws and regulations, which cover the unique risk exposure, product characteristics and experiences from target markets of China Life Insurance Co., Ltd (China Life Insurance). The assessment of liability adequacy reserve is in compliance with the relevant norms promulgated by The Actuarial Institute of the Republic of China. When China Life Insurance assesses the liability adequacy reserve, the estimated present value of future cash flows of insurance contracts is based on reasonable estimate of future insurance payments, premium income and related expenses. Since any change in the actuarial model and material assumptions will have a significant influence on insurance liabilities and liability adequacy reserve, we consider them as key audit matters for the year ended December 31, 2017

Refer to Notes 4, 5 and 57 for the relevant accounting policy, critical accounting judgments, and estimation uncertainty, and disclosures of assessment of insurance liabilities and liability adequacy reserve.

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

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

As stated in Note 56, the Group held financial instruments measured in fair value with no quoted markets prices in active markets that included financial assets of $367,458,330 thousand and financial liabilities of $53,049,572 thousand at December 31, 2017. The amounts are material to the Group's financial statements. The financial instruments belong to Level II Level III classification of financial instruments. Management uses valuation model or refer to the available quotations from other financial institutions in determining the fair value of financial products with no quoted market prices in an active market. Parameters used in valuation model include adjusted observable inputs and unobservable inputs. For the fact that the inputs involve material managerial estimation and judgement, we identified the valuation as a key audit matter for the year ended December 31, 2017.

Refer to Notes 4and 5 and Note 56 for the relevant accounting policy, critical accounting judgments and estimation uncertainty, and disclosures of fair value measurement of financial products with no quoted market prices in an active market.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2018

Notice to Readers

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 51)	$ 63,807,752	3	$ 28,312,347	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS (Notes 7, 51 and 52)	33,829,034	2	71,884,564	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 51 and 52)	125,949,607	5	159,280,102	18
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 10, 17, 51 and 52)	558,889,116	23	106,359,065	12
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	55,150,889	2	29,883,158	3
RECEIVABLES, NET (Notes 4, 12, 51, 52 and 59)	100,219,420	4	92,190,214	10
CURRENT TAX ASSETS (Note 4)	745,603	-	855,145	-
DISCOUNT AND LOANS, NET (Notes 4, 13, 51 and 59)	325,147,363	14	252,376,992	28
REINSURANCE ASSET, NET (Notes 4 and 14)	302,104	-	-	-
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4 and 15)	198,886,022	8	300,000	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 16 and 17)	16,375,012	1	12,675,804	2
RESTRICTED ASSETS (Notes 18, 51 and 52)	40,973,737	2	27,933,924	3
OTHER FINANCIAL ASSETS (Notes 17, 19, 51 and 52)	752,610,493	32	64,285,076	7
INVESTMENT PROPERTY, NET (Notes 4, 20 and 52)	25,450,094	1	2,179,356	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 21 and 52)	30,880,691	1	14,512,916	2
INTANGIBLE ASSETS, NET (Notes 4 and 22)	22,169,720	1	7,948,378	1
DEFERRED TAX ASSETS (Notes 4 and 48)	9,081,862	-	4,912,053	1
OTHER ASSETS, NET (Notes 4, 23 and 52)	32,055,871	1	16,308,415	2
TOTAL	$ 2,392,524,390	100	$ 892,197,509	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and financial institutions (Notes 24 and 51)	$ 28,867,956	1	$ 31,078,769	4
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 51)	55,729,704	2	51,565,266	6
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 25 and 51)	100,177,627	4	119,560,443	13
Commercial paper payable, net (Notes 26, 51 and 52)	20,549,392	1	17,549,797	2
Payables (Notes 4, 27 and 51)	85,630,607	4	60,337,328	7
Current tax liabilities (Note 4)	5,443,513	-	826,620	-
Deposits and remittances (Notes 28 and 51)	362,729,069	15	315,451,964	35
Bonds payable (Note 29)	30,000,000	1	27,684,236	3
Other borrowings (Notes 30, 51 and 52)	25,704,261	1	19,878,458	2
Provisions (Notes 4, 31 and 32)	1,288,449,104	54	1,373,667	-
Other financial liabilities (Notes 4, 33, 51 and 53)	109,126,375	5	62,753,830	7
Deferred tax liabilities (Notes 4 and 48)	9,391,454	1	1,487,885	-
Other liabilities (Notes 4 and 34)	21,501,190	1	15,552,208	2
Total liabilities	2,143,300,252	90	725,100,471	81
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 35, 36 and 37)				
Capital				
Common stock	149,763,034	6	149,744,203	17
Advance receipts for capital stock	5,162	-	10	-
Capital surplus	1,173,719	-	1,104,521	-
Retained earnings				
Legal reserve	5,606,606	-	5,014,298	1
Special reserve	2,078,602	-	3,228,296	-
Unappropriated earnings	13,184,948	1	8,556,188	1
Other				
Exchange differences on translation of foreign financial statements	(2,031,949)	-	494,377	-
Unrealized losses on available-for-sale financial assets	2,113,838	-	(2,255,818)	-
Others	(8,322)	-	(21,211)	-
Treasury shares	(4,205,566)	-	(2,376,747)	(1)
Total equity attributable to owners of the parent	167,680,072	7	163,488,117	18
NON-CONTROLLING INTERESTS (Notes 35 and 36)	81,544,066	3	3,608,921	1
Total equity	249,224,138	10	167,097,038	19
TOTAL	$ 2,392,524,390	100	$ 892,197,509	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
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST REVENUE (Notes 4, 38 and 51)	$ 27,465,994	32	$ 11,391,971	42	141
INTEREST EXPENSE (Notes 4, 38 and 51)	(5,395,582)	(6)	(4,332,469)	(16)	25
INTEREST PROFIT, NET	22,070,412	26	7,059,502	26	213
NONINTEREST PROFITS AND GAINS, NET					
Service fee and commission, net (Notes 4, 19, 39 and 51)	6,775,862	8	7,507,892	28	(10)
Net income from insurance operations (Notes 40 and 51)	39,368,179	46	-	-	-
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Notes 4 and 41)	9,448,553	11	4,915,778	18	92
Realized gain on available-for-sale financial assets, net (Notes 4 and 42)	7,413,380	9	2,114,743	8	251
Foreign exchange gain (loss), net	(6,963,086)	(8)	624,713	2	(1,215)
Impairment loss on assets, net (Notes 4 and 43)	(1,194,707)	(1)	(1,221,155)	(4)	(2)
Share of the profit of associates and joint ventures (Notes 4 and 16)	1,836,537	2	378,606	1	385
Gain on financial assets measured at cost, net (Note 44)	3,025,225	3	2,407,290	9	26
Consulting service revenue (Note 51)	1,150,248	1	1,189,120	4	(3)
Others (Notes 45 and 51)	2,483,048	3	2,151,239	8	15
Total noninterest profits and gains, net	63,343,239	74	20,068,226	74	216
TOTAL NET REVENUES	85,413,651	100	27,127,728	100	215

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
ALLOWANCE FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	$ (613,750)	(1)	$ (751,478)	(3)	(18)
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	(48,277,392)	(56)	-	-	-
OPERATING EXPENSES (Notes 4, 33, 46, 47 and 51)					
Employee benefits	(13,758,724)	(16)	(11,414,576)	(42)	21
Depreciation and amortization	(1,814,357)	(2)	(1,472,993)	(5)	23
Other general and administrative expenses	(6,429,630)	(8)	(6,377,852)	(24)	1
Total operating expenses	(22,002,711)	(26)	(19,265,421)	(71)	14
NET PROFIT BEFORE INCOME TAX	14,519,798	17	7,110,829	26	104
INCOME TAX EXPENSE (Notes 4 and 48)	(2,154,331)	(2)	(1,123,925)	(4)	92
NET PROFIT FOR THE YEAR	12,365,467	15	5,986,904	22	107
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)					
Items that will not be reclassified subsequently to profit or loss, net of income tax					
Remeasurement of defined benefit plans (Notes 4 and 32)	(166,180)	-	(149,661)	-	11
Share of the other comprehensive gain (loss) of associates and joint ventures (Notes 4 and 16)	212	-	222	-	(5)
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Notes 4 and 48)	18,770	-	9,497	-	98

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that will be reclassified subsequently to profit or loss, net of income tax					
Exchange differences on translation of foreign financial statements	$ (2,238,906)	(3)	$ (1,169,101)	(5)	92
Unrealized gain on available-for-sale financial assets	5,717,190	7	1,865,097	7	207
Share of the other comprehensive income of associates and joint ventures (Notes 4 and 16)	959,832	1	249,796	1	284
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 48)	208,848	-	(3,805)	-	5,589
Other comprehensive income for the year, net of income tax	4,499,766	5	802,045	3	461
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 16,865,233	20	$ 6,788,949	25	148
NET PROFIT ATTRIBUTABLE TO:					
Owners of parent	$ 11,695,285	13	$ 5,923,081	22	97
Non-controlling interests	670,182	1	63,823	-	950
	$ 12,365,467	14	$ 5,986,904	22	107
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of parent	$ 13,408,973	16	$ 6,736,201	25	99
Non-controlling interests	3,456,260	4	52,748	-	6,452
	$ 16,865,233	20	$ 6,788,949	25	148
EARNINGS PER SHARE (Note 49)					
Basic	$0.80		$0.40		
Diluted	$0.80		$0.40		

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Equity Attributable to Owners of the Parent												
	Capital			Retained Earnings			Other Equity						
	Common Stock	Advance Receipts for Share Capital - Capital	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 changes in capital surplus	-	-	161,616	-	-	-	-	-	-	-	161,616	-	161,616
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,923,081	-	-	-	-	5,923,081	63,823	5,986,904
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(140,083)	(1,247,293)	2,200,496	-	-	813,120	(11,075)	802,045
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	5,782,998	(1,247,293)	2,200,496	-	-	6,736,201	52,748	6,788,949
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	50,232	(1,360)	8,442	-	-	(4,370)	-	-	10,976	-	63,920	-	63,920
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(50,739)	(50,739)
BALANCE AT DECEMBER 31, 2016	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 changes in capital surplus	-	-	59,948	-	-	-	-	-	-	-	59,948	-	59,948
Net profit for the year ended December 31, 2017	-	-	-	-	-	11,695,285	-	-	-	-	11,695,285	670,182	12,365,467
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(129,642)	(2,526,326)	4,369,656	-	-	1,713,688	2,786,078	4,499,766
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	11,565,643	(2,526,326)	4,369,656	-	-	13,408,973	3,456,260	16,865,233
Reorganization	-	-	(93)	-	-	-	-	-	-	-	(93)	-	(93)
Purchasing of the Corporation shares, as treasury shares	-	-	-	-	-	-	-	-	-	(1,834,558)	(1,834,558)	(3,413,272)	(5,247,830)
Disposal of the Corporation shares, as treasury shares	-	-	2,402	-	-	-	-	-	-	5,739	8,141	-	8,141
Share-based payments	18,831	5,152	6,941	-	-	(6,398)	-	-	12,889	-	37,415	-	37,415
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	77,892,157	77,892,157
Trading loss reserve of subsidiaries reversed	-	-	-	-	(200,000)	200,000	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	$ 149,763,034	$ 5,162	$ 1,173,719	$ 5,606,606	$ 2,078,602	$ 13,184,948	$ (2,031,949)	$ 2,113,838	$ (8,322)	$ (4,205,566)	$ 167,680,072	$ 81,544,066	$ 249,224,138

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 14,519,798	$ 7,110,829
Adjustments to reconcile net profit		
Depreciation expenses	773,724	611,406
Amortization expenses	1,040,633	861,587
Allowance for bad debts and losses on guarantees, net	613,750	751,478
Interest expense	5,395,582	4,332,469
Interest income	(27,465,994)	(11,391,971)
Dividend income	(2,429,076)	(2,065,858)
Net changes in insurance liabilities	46,434,109	-
Share of profit of associates and joint ventures	(813,664)	(331,612)
Gain on disposal of investments	(2,651,539)	(2,236,142)
Loss on financial asset impairment	882,194	1,209,986
Loss on nonfinancial asset impairment	312,513	11,169
Others	(1,976,116)	59,765
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	17,482,176	(16,049,616)
Financial assets at fair value through profit or loss	35,390,946	(1,500,017)
Available-for-sale financial assets	(37,588,106)	(34,665,406)
Securities purchased under resell agreements	(1,147,446)	8,383,369
Receivables	4,458,178	8,440,596
Discount and loans	(41,623,075)	(34,717,956)
Other financial assets	(2,618,512)	(6,718,352)
Other assets	1,393,946	7,739,957
Deposits from the Central Bank and banks	(2,210,813)	21,054,370
Financial liabilities at fair value through profit or loss	3,628,584	11,667,087
Notes and bonds issued under repurchase agreements	(19,382,816)	(51,425)
Payables	3,715,859	(265,630)
Deposits and remittances	47,277,105	(9,860,168)
Other financial liabilities	8,949,375	(612,823)
Other liabilities	(11,315,994)	2,573,815
Cash generated from (used in) operations	41,045,321	(45,659,093)
Interest received	22,505,993	11,913,532
Dividend received	2,665,735	2,467,243
Interest paid	(4,520,383)	(3,962,446)
Income tax refund (paid)	109,947	(401,824)
Net cash generated from (used in) operating activities	61,806,613	(35,642,588)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(80,836,615)	(759,781)
Proceeds from sale of available-for-sale financial assets	75,277,742	1,747,754
Acquisition of debt investment with no active market	(27,500,501)	(358,350)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Proceeds from sale of debt investments with no active market	$ 40,190,233	$ 941,171
Acquisition of held-to-maturity financial assets	(30,249,374)	-
Proceeds from sale of held-to-maturity financial assets	4,169,837	-
Maturity principal from held-to-maturity financial assets	-	102,564
Acquisition of financial assets measured at cost	(1,243,771)	(2,144,792)
Proceeds from sale of financial assets measured at cost	4,661,799	3,599,320
Proceeds from capital return on financial assets measured at cost	106,812	617,303
Acquisition of equity-method investments	(1,449,619)	(1,934,003)
Proceeds from sale of equity-method investments	1,063,663	36,282
Net cash inflow on acquisition of subsidiaries	(7,880,764)	(149,740)
Acquisition of property and equipment	(1,285,782)	(515,995)
Others	(132,341)	(220,137)
Net cash (used in) generated from investing activities	(25,108,681)	961,596
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	5,770,201	(2,963,850)
Increase in commercial paper payable	2,999,595	4,410,595
Proceeds from issue of corporate bonds	10,000,000	-
Repayments of corporate bonds	(6,000,000)	(1,006,520)
Proceeds from issue of bank debentures	1,000,000	-
Repayments of bank debentures	(2,750,000)	-
Proceeds of long-term borrowings	755,543	4,359,250
Repayments of long-term borrowings	(699,942)	(3,326,401)
Cash dividends paid	(7,487,871)	(7,487,006)
Purchase of treasury shares	-	(1,150,440)
Others	(23,911)	(569)
Net cash generated from (used in) financing activities	3,563,615	(7,164,941)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,219,211)	(578,112)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,042,336	(42,424,045)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	93,213,826	135,637,871
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 132,256,162	$ 93,213,826

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2017 and 2016:

	December 31	
	2017	2016
Cash and cash equivalents in consolidated balance sheets	$ 63,807,752	$ 28,312,347
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	14,444,967	35,018,321
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	54,003,443	29,883,158
Cash and cash equivalents in consolidated statements of cash flows	$ 132,256,162	$ 93,213,826

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

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

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

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

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

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

CDIB Capital Group was incorporated under the Company Act and relevant regulations and started operations on May 14, 1959. Effective January 1, 1999, CDIB Capital Group was converted from a trust corporation into an industrial bank under government approval.

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

On January 19, 2017, under the approval of the board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, China Development Industrial Bank was converted and the name became CDIB Capital Group. The date of conversion was March 15, 2017, and CDIB Capital Group will continue to expand its assets management business. The FSC approved the conversion on March 10, 2017 with Official Letter No. 1600025880.

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

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of December 31, 2017, KGI Securities had a head office and 80 branches which included head office.

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

KGI Bank was established on January 14, 1992. As of December 31, 2017, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 52 domestic branches.

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

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

China Life Insurance was incorporated in Taiwan on April 25, 1963. In 2009, China Life Insurance completed the acquisition of major assets and liabilities of Prudential Corporation Asia Life Taiwan. As of December 31, 2017, China Life Insurance had a head office, an offshore insurance unit, and 8 domestic branches.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Corporation's board of directors and authorized for issue on March 26, 2018.

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

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

The related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the International Financial Reporting Standards (IFRS) did 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
Amendment 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
Amendment to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendment 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"

Classification, 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, if any, recognized in profit or loss. 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 of contractual cash flows and selling of 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 is 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 the above measurements, 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.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Equity investments classified as available-for-sale which are classified as at fair value through profit or loss, the change in fair value will be recognized in profit or loss. Equity investments classified as available-for-sale which are designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, equity investment measured at cost will be measured at fair value instead.

b) Debt instruments classified as available-for-sale financial assets/held-to-maturity financial assets and debt instruments with no active market will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows. Investments will be classified as at fair value through other comprehensive income under IFRS 9, because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. Investments will be classified as at fair value through profit or loss, because, on initial recognition, the contractual cash flows are not solely payments of principal and interest on the principal outstanding.

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. The exceptions are only permitted for qualifying financial assets that applied IFRS 9 and measured at fair value through profit and loss, which are different from those of measured by IAS 39 and irrelevant to activities not within the scope of IFRS 4 - Insurance Contracts. The change in fair value of designated financial assets that applied overlap approach shall be divided into two parts: The change in fair value by applying IAS 39 shall be recognized in profit or loss, and the difference between applying IFRS 9 and applying IAS 39 shall be recognized in other comprehensive income. The amounts reclassified to other comprehensive income shall be presented in the statement of comprehensive income and relevant information shall be disclosed in the notes to financial statements.

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.

The Group elect not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

For the Group, application of the requirement for the classification, measurement and impairment of financial assets under IFRS 9 would have the following impact on balance sheet items as of January 1, 2018: Increase assets by $6,785,743 thousand, increase liabilities by $471,421 thousand, increase retained earnings by $2,190,526 thousand, increase other equity by $2,380,636 thousand and increase non-controlling interests by $1,743,160 thousand.

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.

The Group' revenue from contracts with customer is bundled into one component under IFRS 15 and related amendment. Therefore the application of IFRS 15 has no impact on the Group.

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 assesses the impact of the application of other standards and interpretations will not have material impact on the Group's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendment to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB (Note 3)
IFRS 16 "Leases"	January 1, 2019 (Note 4)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 5)
Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

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

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

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

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

1) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

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

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

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

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

3) IFRS 16 "Leases"

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

   Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating 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 follows:

   Level of aggregation

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Subsequent measurement

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

Onerous contracts

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

Premium allocation approach

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

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

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

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

Investment contracts with a discretionary participation feature

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

Modification and derecognition

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

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

Transition

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

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

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

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

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

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

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

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

7) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 “IFRSs” as endorsed and issued by the FSC.

Basis of Preparation

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

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

Principles for Preparing Consolidated Financial Statements

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

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

As of December 31, 2017 and 2016, the consolidated entities included in the consolidated financial statements included 65 and 70 companies, respectively (please refer to the attached Tables 8).

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date (i.e., the day when the Group obtains control) fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

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

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

Foreign Currencies

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

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

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

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

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents include time deposits that can be terminated on demand which would not cause losses to principal and highly liquid investments that can be converted to fixed amount of cash at any time and the risk change in value is minor.

Investments in Associates

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

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

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

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

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

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

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

Financial Instruments

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

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

a. Financial assets and liabilities

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

   1) Measurement category

      a) Financial assets or liabilities at fair value through profit or loss

         Financial assets or liabilities are classified as at fair value through profit or loss when the financial asset or liability is either held for trading or it is designated as at fair value through profit or loss.

         A financial asset or liability other than a financial asset or liability held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

         i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

         ii. The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

         iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

         Financial assets or liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Other financial liabilities are measured at amortized cost using the effective interest method. Fair value is determined in the manner described in Note 56.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

b) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Subsequent to initial measurement, held-to-maturity financial assets are recorded at amortized cost less impairment.

c) Available-for-sale financial assets

Available-for-sale financial assets are nonderivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

d) Loans and receivables

Loans and receivables are initially recognized at its fair value, which is usually the transaction price, plus significant transaction costs, service fees paid or received, premiums or discounts, etc. After initial recognition, loans and receivables shall be measured subsequently using the effective interest method in accordance with related rules. If the effect of discounting is not significant, the loans and receivables can be measured at initial undiscounted value in accordance with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies.

2) Margin loans and stock loans

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

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

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

3) Guarantee deposits received on futures contracts and customers' equity accounts - futures

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

4) Impairment of financial assets

a) Financial assets measured at amortized cost

The Group's discounts and loans, held-to-maturity financial assets, receivables and debt investments with no active market 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 is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

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

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

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

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

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) Available-for-sale financial asset

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

c) 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.

5) Derecognition of financial assets or liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party; and derecognize a financial liability when obligations are discharged, cancelled or they expire.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss; and the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

6) Equity instruments

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

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

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

b. Derivative financial instruments

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

Derivatives embedded in nonderivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the contracts are not measured at fair value through profit or loss.

Securities Purchased and Sold Under Resell and Repurchase Agreements

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

Property and Equipment

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

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

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

Investment Properties

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

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

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

Collaterals Assumed

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Nonfinancial Asset Impairment

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

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

Separate-account Products

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

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

Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

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

Moreover, 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 Order No. Financial Supervisory-Insurance-Corporate-800484251, the downward adjustments of dividend due to the offset between mortality saving (loss) and loss (gain) from difference of interest rates should be recognized and recorded as the increase of reserve for long-term valid contract.

d. Special reserve

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

      a) Special capital reserve - Special reserve for major incidents

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

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

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

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

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

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.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Other long-term benefits

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

Taxation

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

a. Current tax

   According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

Revenue Recognition

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

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

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

Insurance Premium Income and Expenses

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

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

Leasing

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

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

Rental income (expense) from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use (consumption) of the leased asset. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

Share-based Payment Arrangements

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

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

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

Reinsurance

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

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

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

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. Assessment of insurance liabilities and liability adequacy reserve

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

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash in banks	$ 44,944,821	$ 18,662,103
Due from banks	10,532,178	4,386,202
Short-term transactions instruments	3,755,416	2,352,369
Check for clearing	1,686,741	619,580
Future excess margin	1,485,104	1,044,184
Cash on hand	1,403,492	1,247,909
	$ 63,807,752	$ 28,312,347

Cash and cash equivalents as of December 31, 2017 and 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.

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

	December 31	
	2017	2016
Due from the Central Bank	$ 6,520,000	$ 37,130,000
Call loans to financial institutions	13,846,833	13,568,474
Deposit reserve - demand accounts	7,670,687	8,078,055
Deposit reserve - checking accounts	5,053,887	12,358,953
Due from the Central Bank - interbank settlement funds	600,326	600,599
Deposit reserve - foreign currencies	137,301	148,483
	$ 33,829,034	$ 71,884,564

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

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

For the certificates of deposit issued by the Central Bank of the ROC and pledged as collateral for day-term overdraft, please refer to Note 52.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets held for trading		
Derivative instrument		
Currency swap and forward exchange contracts	$ 9,210,098	$ 12,760,005
Interest rate swap contracts	8,352,583	10,239,924
Option and futures contracts	2,328,239	4,184,386
Others	3,253,738	1,036,037
Non-derivative financial assets		
Operating securities (Note 9)	61,847,938	55,752,957
Commercial papers	8,775,184	2,797,870
Bank debentures	3,006,792	20,819,329
Convertible (exchangeable) corporate bonds	1,950,536	3,121,853
Others	2,358,707	7,030,670
	101,083,815	117,743,031
Financial assets designated as at FVTPL		
Government bonds	12,808,586	39,174,578
Others	12,057,206	2,362,493
	24,865,792	41,537,071
Financial assets at FVTPL	$ 125,949,607	$ 159,280,102
Financial liabilities held for trading		
Derivative instrument		
Option and futures contracts	$ 11,722,449	$ 5,769,857
Interest rate swap contracts	9,555,330	10,947,600
Currency swap contracts	7,229,847	12,200,101
Others	4,323,214	1,805,444
Non-derivative financial liabilities		
Borrowed securities payable	4,343,645	5,484,802
Others	151,093	2,361,581
	37,325,578	38,569,385
Financial liabilities designated as at FVTPL		
Bank debentures payable	17,417,983	11,892,012
Structured products	986,143	1,103,869
	18,404,126	12,995,881
Financial liabilities at FVTPL	$ 55,729,704	$ 51,565,266

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

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

Bank Debenture Number	December 31 2017	December 31 2016	Issuance Period	Method of Paying Principles and Interests	Interest Rate
15 KGIB 1	$ 3,163,888	$ 3,421,574	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16KGIB 1	3,283,280	3,550,690	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB 2	3,283,280	3,550,690	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB 3	2,387,840	2,582,320	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17KGIB1	5,969,600	-	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
	18,087,888	13,105,274			
Valuation adjustments	(669,905)	(1,213,262)			
	$ 17,417,983	$ 11,892,012			

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

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

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

	December 31 2017	December 31 2016
Currency swap and forward exchange contracts	$ 1,910,480,656	$ 1,359,878,566
Interest rate swap contracts	1,046,708,289	1,020,801,145
Option and Futures contracts	398,434,896	286,325,519
Non-deliverable forward contracts	173,435,869	852,483
Cross-currency swap contracts	27,978,819	23,941,077
Structured note contracts	15,265,526	11,537,615
Assets swap contracts	10,863,540	12,387,775
Credit default swap contracts	5,203,007	5,679,224
Commodity swap	695,444	104,891
Equity derivative financial contracts	217,776	21,471

As of December 31, 2017 and 2016, financial assets held for trading with aggregate carrying values of $59,315,331 thousand and $90,931,440 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

	December 31	
	2017	2016
Dealing		
Oversea securities	$ 27,853,047	$ 22,465,807
Government bonds	10,415,808	6,718,872
Corporate bonds	8,982,915	12,777,415
Listed, OTC and emerging market stocks	2,770,834	5,232,523
Others	3,488,218	2,418,206
	53,510,822	49,612,823
Underwriting		
Corporate bonds	593,309	292,668
Listed and OTC stocks	293,181	1,226,436
Others	-	149,705
	886,490	1,668,809
Hedge positions		
Listed and OTC stocks	6,032,090	3,663,053
Mutual funds	690,260	-
ETF	454,432	212,484
Oversea securities	258,705	592,084
Listed and OTC warrant	15,139	3,704
	7,450,626	4,471,325
	$ 61,847,938	$ 55,752,957

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Government bonds	$ 180,341,905	$ 65,878,067
Listed, OTC and emerging market stocks	144,164,822	21,758,314
Corporate bonds	112,005,423	5,161,140
Bank debentures	62,451,073	13,051,597
Negotiable certificates of deposit	30,834,526	-
Unlisted stocks	16,251,776	-
Mutual funds	8,545,481	-
Others	4,294,110	509,947
	$ 558,889,116	$ 106,359,065

As of December 31, 2017 and 2016, available-for-sale financial assets, with aggregate carrying values of $40,043,756 thousand and $28,629,003 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

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

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2017	2016
Government bonds	$ 18,465,702	$ 9,135,147
Corporate bonds	12,792,557	4,851,085
Commercial papers	11,184,033	745,844
Negotiable certificates of deposit	6,701,595	-
Bank debentures	6,007,002	15,151,082
	$ 55,150,889	$ 29,883,158
Resold amounts	$ 55,174,815	$ 29,910,667
Last maturity date	April 2018	February 2017

12. RECEIVABLES, NET

	December 31	
	2017	2016
Receivables on margin loans, refinancing margin and refinancing deposits receivable	$ 34,509,657	$ 28,686,768
Receivable accounts for settlement	16,526,561	17,058,010
Interest receivable	13,018,711	2,750,941
Accounts receivable factoring without recourse	8,498,843	9,590,021
Trading securities receivable	7,459,935	6,901,611
Accounts receivable - forfeiting	4,400,120	7,912,584
Lease receivables	4,164,820	6,424,942
Settlement price	3,997,006	6,798,639
Others	10,507,828	9,362,078
	103,083,481	95,485,594
Less: Unrealized interest revenue	(213,786)	(378,214)
Allowance for bad debts	(2,650,275)	(2,917,166)
	$ 100,219,420	$ 92,190,214

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

	For the Year Ended December 31	
	2017	2016
Balance, January 1	$ 2,917,166	$ 3,006,575
Allowance	412,184	125,341
Loans reclassified to nonperforming loans	(255,585)	(1,790)
Write-off	(390,636)	(282,887)
Recovery of written-off credit	40,274	105,974
Effect of exchange rate changes	(73,128)	(36,047)
Balance, December 31	$ 2,650,275	$ 2,917,166

For the information on impairment loss analysis of receivables, please refer to Note 58.

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

13. DISCOUNTS AND LOANS, NET

	December 31	
	2017	2016
Short-term loans	$ 72,264,667	$ 60,824,456
Medium-term loans	171,185,239	152,145,653
Long-term loans	55,425,459	42,061,948
Loans reclassified to nonperforming loans	455,444	708,046
Export negotiations	17,155	139,441
Policy loans	24,244,766	-
Automatic premium loans	5,614,425	-
	329,207,155	255,879,544
Less: Allowance for bad debts	(3,966,481)	(3,429,672)
Less: Discounts on loans	(93,311)	(72,880)
	$ 325,147,363	$ 252,376,992

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

	For the Year Ended December 31	
	2017	2016
Balance, January 1	$ 3,429,672	$ 3,115,696
Allowance	346,034	121,292
Recovery of written-off credits	797,261	802,286
Write-off	(548,559)	(563,785)
Reduction and exemption	(31,253)	(31,610)
Effects of exchange rate changes	(65,666)	(14,207)
Effect of changes in consolidated entities	38,992	-
Balance, December 31	$ 3,966,481	$ 3,429,672

For the information on impairment loss analysis of discounts and loans, please refer to Note 58.

14. REINSURANCE ASSETS

	December 31	
	2017	2016
Claims recoverable from reinsurers	$ 201,338	$ -
Due from reinsurers and ceding companies	38,403	-
Reinsurance reserve assets		
Ceded unearned premium reserve	49,879	-
Ceded reserve for claims	12,484	-
	62,363	-
	$ 302,104	$ -

15. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31	
	2017	2016
Corporate bonds	$ 108,256,527	$ -
Government bonds	51,739,979	-
Bank debentures	38,889,516	300,000
	$ 198,886,022	$ 300,000

China Life Insurance has the intent and ability to hold held-to-maturity financial assets to maturity. Only when the credit of issuers deteriorated, or when the issuers made redemption in advance would China Life Insurance dispose non-material portion of held-to-maturity financial assets before its maturity date. The book value, realized gains or losses, and the percentage of the book value of held-to-maturity financial assets at the beginning of the period book value are as follow:

	December 31, 2017
Book value	$ 4,337,628
Realized gains or losses	184,365
The percentage of book value of held-to-maturity financial assets at the beginning of the year	3.46%

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

	December 31			
	2017		2016	
	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 6,040,521	34	$ 4,988,044	34
CDIB Capital Asia Partners L.P.	3,582,136	-	2,109,639	-
KGI Securities (Thailand) Public Company Limited	2,192,355	35	2,160,555	35
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	1,674,714	-	1,165,320	-
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	1,369,820	-	960,603	-
CDIB Biomedical Venture Capital Corporation	719,342	43	582,599	34
CDIB CME Fund Ltd.	635,089	46	568,380	40
Others	161,035		140,664	
	$ 16,375,012		$ 12,675,804	

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

	For the Year Ended December 31	
	2017	2016
The Group's share of:		
Net profit for the year	$ 813,662	$ 331,612
Other comprehensive income	960,044	250,018
Total comprehensive income for the year	$ 1,773,706	$ 581,630

The investments accounted for by using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the associates' financial statements audited by the auditors.

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

17. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investment in structured entities

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

December 31, 2017

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

December 31, 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

b. Management on structured entities

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

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

	December 31	
	2017	2016
Management on private equity fund		
Total assets	$ 21,713,595	$ 15,250,696
Total liabilities	127,922	17,840
Investments accounted for using the equity method	6,721,477	4,235,562
Financial assets at fair value through profit or loss	312,781	-
Maximum exposure	7,034,258	4,235,562

18. RESTRICTED ASSETS

	December 31	
	2017	2016
Restricted demand deposits	$ 40,757,666	$ 27,519,235
Accounts receivable	101,685	105,831
Others	114,386	308,858
	$ 40,973,737	$ 27,933,924

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 funds in connection with transactions made with Morgan Stanley because of its unauthorized disposition: Accounts receivable, deposits, cash security on CDS contracts, available-for-sale stock investments and the related accrued revenue. Because of the inaccessibility of these funds, these financial assets reclassified as "restricted assets".

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

19. OTHER FINANCIAL ASSETS

	December 31	
	2017	2016
Debt instruments with no active market	$ 647,998,509	$ 2,083,503
Separate-account insurance products	61,824,990	-
Guarantee deposits received on futures contracts	20,656,857	36,201,863
Financial assets measured at cost	16,156,027	19,491,762
Time deposits with original maturities over three months	4,707,175	5,573,703
Pledged time deposit	1,029,134	744,223
Others	237,801	190,022
	$ 752,610,493	$ 64,285,076

a. Debt instruments with no active value

	December 31	
	2017	**2016**
Bank debentures	$ 463,062,285	$ 581,022
Corporate bonds	97,972,448	-
Real estate mortgage bonds	60,589,707	-
Government bonds	29,385,024	-
Others	1,276,165	1,502,481
Less: Refundable deposits	(4,287,120)	-
	$ 647,998,509	$ 2,083,503

b. Separate-account insurance products

1) Separate-account insurance products - assets and liabilities

	Assets
	December 31, 2017
Cash in banks	$ 838,493
Financial assets at fair value through profit or loss	60,904,301
Other receivables	82,196
	$ 61,824,990

	Liabilities
	December 31, 2017
Reserve for separate-account	$ 61,371,597
Other payables	453,393
	$ 61,824,990

2) Separate-account insurance products - revenues and expenses

	Revenues
	For the Year Ended December 31, 2017
Premium income	$ 2,319,555
Losses from financial assets and liabilities at fair value through profit or loss	1,700,622
Interest income	91
Other revenues	58,189
Foreign exchange losses	(159,439)
	$ 3,919,018

	Expenses For the Year Ended December 31, 2017
Insurance claim payments	$ 2,450,703
Net change in separate-account reserve	885,926
Custodian fee	582,389
	$ 3,919,018

3) The rebate from counterparties in the investment-linked insurance business for the years ended December 31, 2017 was $92,531 thousand.

c. Financial assets measured at cost

	December 31	
	2017	2016
Unlisted stocks - common stock	$ 6,016,468	$ 7,818,874
Unlisted overseas partnership fund	5,616,943	6,135,403
Others	4,522,616	5,537,485
	$ 16,156,027	$ 19,491,762
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 15,350,439	$ 18,043,472
Financial assets at FVTPL	805,588	1,448,290
	$ 16,156,027	$ 19,491,762

CDIB Capital Group and subsidiaries disposed of certain financial assets measured at cost with carrying amount of $1,754,216 thousand and $2,107,720 thousand during the year ended December 31, 2017 and 2016, respectively, recognizing disposal gain of $2,699,637 thousand, $1,659,162 thousand, respectively.

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

20. INVESTMENT PROPERTY

	December 31	
	2017	2016
Land	$ 19,983,888	$ 1,879,859
Buildings and facilities	5,466,206	299,497
	$ 25,450,094	$ 2,179,356

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

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Cost		
Beginning balance	$ 2,838,006	$ 2,682,688
Additions	99,397	31,152
Disposal	(119,750)	(3,863)
Effect of increase in consolidated subsidiaries	23,266,469	-
Reclassification	63,345	128,029
Ending balance	26,147,467	2,838,006
Accumulated depreciation		
Beginning balance	(160,115)	(134,095)
Depreciation	(39,257)	(8,166)
Disposal	1,570	415
Reclassification	(522)	(18,269)
Ending balance	(198,324)	(160,115)
Accumulated impairment		
Beginning balance	(498,535)	(500,282)
(Loss) reversal of impairment	(514)	1,747
Ending balance	(499,049)	(498,535)
Carrying amount	$ 25,450,094	$ 2,179,356

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

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

The fair values of the Group's investment property as of December 31, 2017 and 2016 were $25,123,845 thousand and $4,147,015, respectively. Investment property was categorized into Level 3.

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

Except KGI Securities and its subsidiaries arrived at the fair value of their investment properties without independent appraisers, but referred to available external appraisal reports and valuation models commonly used by market participants. All the other subsidiaries of the Group engaged independent appraisers for valuation of their investment properties. The valuation applied sales comparison approach which compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transaction, and income approach which takes the net operating income of the rent collected and divides it by the capitalization rate.

All of the Group's investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged by the Group to secure borrowings were reflected in Note 52.

21. PROPERTY AND EQUIPMENT

	December 31 2017	December 31 2016
Land	$ 20,516,124	$ 8,831,716
Buildings and facilities	6,490,061	4,368,108
Computer equipment	846,248	525,987
Transportation equipment	8,482	3,363
Other equipment	355,604	236,998
Leasehold improvements	337,852	302,598
Leased assets	571,395	240,303
	29,125,766	14,509,073
Prepayments for acquisition of properties	1,754,925	3,843
	$ 30,880,691	$ 14,512,916

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	-	10,412	196,294	4,966	69,877	128,981	80,826	24,639	515,995
Disposals	-	(64,244)	(301,644)	(17,048)	(111,355)	(96,769)	(23,798)	(788)	(615,646)
Reclassification	(81,846)	(45,692)	45,578	(21,656)	(9,024)	30,981	(2,883)	(21,742)	(106,284)
Effects of changes on consolidated subsidiaries	-	-	-	1,416	2,366	-	-	-	3,782
Effect of exchange rate changes	-	-	(12,100)	(103)	(17,776)	(10,801)	-	(113)	(40,893)
Balance at December 31, 2016	8,837,807	6,617,306	1,309,908	20,736	1,770,372	723,167	323,076	3,843	19,606,215
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	(1,834)	(165,167)	(189,473)	(5,525)	(87,517)	(98,362)	(55,362)	-	(603,240)
Disposals	-	63,952	299,669	13,200	109,936	95,678	8,064	-	590,499
Reclassification	-	14,513	(5,621)	6,893	8,451	(1,690)	2,104	-	24,650
Effects of changes on consolidated subsidiaries	-	-	-	(236)	(396)	-	-	-	(632)
Effect of exchange rate changes	-	-	4,883	32	15,501	7,109	-	-	27,525
Balance at December 31, 2016	(6,091)	(2,249,198)	(783,921)	(17,373)	(1,533,374)	(420,569)	(82,773)	-	(5,093,299)
Balance at December 31, 2016, net	$ 8,831,716	$ 4,368,108	$ 525,987	$ 3,363	$ 236,998	$ 302,598	$ 240,303	$ 3,843	$ 14,512,916
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	-	45,860	220,263	1,780	60,657	148,767	441,965	366,490	1,285,782
Disposals	-	(26,569)	(103,048)	(8,844)	(115,508)	(35,490)	(38,849)	(2,207)	(330,515)
Reclassification	(82,106)	9,697	69,085	-	38,279	(8,869)	(10,721)	(18,919)	(3,554)
Effects of changes on consolidated subsidiaries	11,814,677	2,237,668	270,974	5,259	111,586	72	-	1,405,773	15,846,009
Effect of exchange rate changes	-	-	(7,634)	(261)	(48,101)	(19,932)	-	(55)	(75,983)
Balance at December 31, 2017	20,570,378	8,883,962	1,759,548	18,670	1,817,285	807,715	715,471	1,754,925	36,327,954
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	(48,163)	(229,408)	(226,002)	(1,785)	(85,209)	(101,327)	(90,736)	-	(782,630)
Disposals	-	25,817	100,703	8,844	113,710	33,601	21,337	-	304,012
Reclassification	-	58,888	(8,096)	-	-	-	8,096	-	58,888
Effect of exchange rate changes	-	-	4,016	126	43,192	18,432	-	-	65,766
Balance at December 31, 2017	(54,254)	(2,393,901)	(913,300)	(10,188)	(1,461,681)	(469,863)	(144,076)	-	(5,447,263)
Balance at December 31, 2017, net	$ 20,516,124	$ 6,490,061	$ 846,248	$ 8,482	$ 355,604	$ 337,852	$ 571,395	$ 1,754,925	$ 30,880,691

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

Buildings and facilities	
Main building and parking spaces	20-60 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	4-5 years
Computer equipment	1-15 years
Transportation equipment	2-15 years

Other equipment	
Office furniture and equipment	2-10 years
Others	5-10 years
Leasehold improvements	1-10 years
Leased assets	1-20 years

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

22. INTANGIBLE ASSETS

	December 31	
	2017	2016
Purchase policy value	$ 13,155,578	$ -
Operation rights	4,859,555	5,527,201
Goodwill	3,347,646	1,895,744
Computer software	770,545	489,037
Others	36,396	36,396
	$ 22,169,720	$ 7,948,378

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

	Purchase Policy Value	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	-	-	-	199,448	-	199,448
Acquired in a business combination	-	-	76,975	-	-	76,975
Disposals	-	-	(12,502)	(77,736)	-	(90,238)
Reclassification	-	-	-	8,001	-	8,001
Effects of exchange rate changes	-	-	(61,356)	(1,133)	-	(62,489)
Balance at December 31, 2016	$ -	$ 8,542,562	$ 1,895,744	$ 951,286	$ 51,994	$ 11,441,586
Accumulated amortization and impairment						
Balance at January 1, 2016	$ -	$ (2,340,066)	$ -	$ (369,735)	$ (15,598)	$ (2,725,399)
Amortization	-	(675,295)	-	(170,438)	-	(845,733)
Disposals	-	-	-	77,547	-	77,547
Effects of exchange rate changes	-	-	-	377	-	377
Balance at December 31, 2016	$ -	$ (3,015,361)	$ -	$ (462,249)	$ (15,598)	$ (3,493,208)
Balance at December 31, 2016, net	$ -	$ 5,527,201	$ 1,895,744	$ 489,037	$ 36,396	$ 7,948,378
Cost						
Balance at January 1, 2017	$ -	$ 8,542,562	$ 1,895,744	$ 951,286	$ 51,994	$ 11,441,586
Additions	-	-	-	340,531	-	340,531
Acquired in a business combination	13,320,077	-	1,698,925	144,174	-	15,163,176
Disposals	-	-	(194,850)	(17,570)	-	(212,420)

(Continued)

	Purchase Policy Value	Operation Rights	Goodwill	Computer Software	Others	Total
Reclassification	$ -	$ -	$ -	$ 4,760	$ -	$ 4,760
Effects of exchange rate changes	-	-	(52,173)	(114)	-	(52,287)
Balance at December 31, 2017	$ 13,320,077	$ 8,542,562	$ 3,347,646	$ 1,423,067	$ 51,994	$ 26,685,346
Accumulated amortization and impairment						
Balance at January 1, 2017	$ -	$ (3,015,361)	$ -	$ (462,249)	$ (15,598)	$ (3,493,208)
Amortization	(164,499)	(667,646)	-	(207,668)	-	(1,039,813)
Disposals	-	-	-	17,378	-	17,378
Effects of exchange rate changes	-	-	-	17	-	17
Balance at December 31, 2017	$ (164,499)	$ (3,683,007)	$ -	$ (652,522)	$ (15,598)	$ (4,515,626)
Balance at December 31, 2017, net	$ 13,155,578	$ 4,859,555	$ 3,347,646	$ 770,545	$ 36,396	$ 22,169,720

(Concluded)

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

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

23. OTHER ASSETS

	December 31	
	2017	2016
Prepayment - surface rights	$ 13,382,227	$ -
Operating guarantee deposits	7,454,004	1,417,056
Guarantee deposits paid	5,979,918	9,401,359
Security borrowing margins	2,330,427	2,810,965
Prepaid expense	1,022,925	987,651
Others	1,886,370	1,691,384
	$ 32,055,871	$ 16,308,415

Prepayment - the surface rights are land of China Life Insurance use rights for 13 government properties, including Taipei Academy and Zhong-Lun Housing that were acquired on November 28, 2013. The execution date of the contract was January 20, 2014 for a term of 70 years. The expiration date is January 19, 2084.

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

24. DEPOSITS FROM THE CENTRAL BANK AND FINANCIAL INSTITUTIONS

	December 31	
	2017	2016
Call loans from financial institutions	$ 27,975,434	$ 29,863,422
Deposits from Chunghwa Post Co., Ltd.	892,522	1,215,347
	$ 28,867,956	$ 31,078,769

25. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2017	2016
Bank debentures	$ 37,306,248	$ 51,255,621
Corporate bonds	36,527,243	23,943,163
Government bonds	26,344,136	44,361,659
	$ 100,177,627	$ 119,560,443
Repurchased amounts	$ 100,376,007	$ 119,817,493
Last maturity date	April 2018	March 2017

26. COMMERCIAL PAPER PAYABLE

	December 31	
	2017	2016
Commercial paper payable	$ 20,553,799	$ 17,558,460
Less: Unamortized discount	(4,407)	(8,663)
	$ 20,549,392	$ 17,549,797
Rate	0.41%-1.57%	0.48%-1.87%
Last maturity date	January 2019	October 2017

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

As of 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 issued by the Group, which amounted to $8,185,474 thousand, had no guarantee.

27. PAYABLES

	December 31	
	2017	2016
Accounts payable for settlement	$ 45,054,894	$ 35,954,518
Guaranteed price deposits received from securities borrowers	12,510,125	10,869,488
Accrued expenses	6,039,704	3,528,890
Payable on insurance policies	4,579,736	-
Settlement proceeds	4,577,576	2,875,364
Securities financing guarantee deposits	3,129,677	2,681,255
Others	9,738,895	4,427,813
	$ 85,630,607	$ 60,337,328

28. DEPOSITS AND REMITTANCES

	December 31	
	2017	2016
Time deposits	$ 198,081,691	$ 182,288,180
Saving deposits	99,318,877	98,220,082
Demand deposits	40,173,703	29,969,608
Negotiable CDs	22,502,900	1,896,300
Checking deposits	2,505,161	2,853,653
Inward remittance	146,737	224,141
	$ 362,729,069	$ 315,451,964

29. BONDS PAYABLE

	December 31	
	2017	2016
Corporate bonds payable	$ 29,000,000	$ 25,000,000
Bank debentures payable	1,000,000	2,684,236
	$ 30,000,000	$ 27,684,236

Corporate Bonds Payable

	December 31	
	2017	2016
1st corporate bonds in 2009 - the Corporation	$ -	$ 1,000,000
1st corporate bonds in 2011 - the Corporation	1,000,000	6,000,000
1st corporate bonds in 2013 - the Corporation	3,000,000	3,000,000
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000
1st corporate bonds in 2017 - the Corporation	10,000,000	-
1st corporate bonds in 2015 - KGI Securities	7,000,000	7,000,000
	$ 29,000,000	$ 25,000,000
Fair value	$ 29,457,956	$ 25,314,561

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 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	December 31 2017	December 31 2016	Issue Year	Repayment Year	Interest Rate
P06 KGIB1	$ 1,000,000	$ -	2017.05.19-2020.05.19	Principal due on maturity interest payable annually	0.9%
04 KGIB2	-	2,750,000	2008.01.09-2017.12.13	Principal due on maturity interest payable annually	0%
	1,000,000	2,750,000			
Unamortized discount	-	(65,764)			
Net amount	$ 1,000,000	$ 2,684,236			
Fair value	$ 1,002,863	$ 2,672,291			

30. OTHER BORROWINGS

	December 31 2017	December 31 2016
Short-term credit borrowings	$ 15,566,162	$ 9,575,993
Note issuance facility	4,899,515	4,799,568
Short-term secured borrowings	4,816,052	5,036,020
Long-term credit borrowings	422,532	466,877
	$ 25,704,261	$ 19,878,458
Rate	0.5%-4.75%	0.65%-9.45%
Last maturity date	October 2020	December 2019

31. PROVISIONS

	December 31	
	2017	2016
Insurance liabilities	$ 1,284,198,018	$ -
Foreign exchange valuation reserve	2,703,763	-
Provisions for employee benefits	1,106,252	931,377
Others	441,071	442,290
	$ 1,288,449,104	$ 1,373,667

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

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

	December 31	
	2017	2016
Reserve for life insurance liabilities	$ 1,263,844,149	$ -
Unearned premium reserve	3,384,890	-
Reserve for claims	1,544,777	-
Special reserve	6,259,742	-
Premium deficiency reserve	9,164,460	-
	$ 1,284,198,018	$ -

a. Reserve for life insurance liabilities:

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

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

Movement in reserve for life insurance liabilities is summarized below:

	For Year Ended December 31, 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	61,463,190	6,965,533	68,428,723
Recover	(10,667,349)	(8,912,713)	(19,580,062)
Gains on foreign exchange	(1,492,446)	(212,232)	(1,704,678)
Ending balance	$ 1,048,113,729	$ 215,730,420	$ 1,263,844,149

b. Unearned premium reserve

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

Movement in unearned premium reserve is summarized below:

	For the Year Ended December 31, 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	862,768	57	862,825
Recover	(971,790)	(65)	(971,855)
Ending balance	3,384,833	57	3,384,890
Less ceded unearned premium reserve			
Beginning balance	-	-	-
Effect of changes in consolidated entities	49,354	-	49,354
Increase	15,374	-	15,374
Decrease	(14,849)	-	(14,849)
Ending balance	49,879	-	49,879
Net amount	$ 3,334,954	$ 57	$ 3,335,011

c. Reserve for claims

	December 31, 2017		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Individual life insurance			
Reported but not paid claim	$ 244,206	$ 80,286	$ 324,492
Unreported claim	-	-	-
Individual injury insurance			
Reported but not paid claim	42,643	-	42,643
Unreported claim	174,687	-	174,687
Individual health insurance			
Reported but not paid claim	113,776	-	113,776
Unreported claim	460,408	-	460,408
Group insurance			
Reported but not paid claim	72,290	-	72,290
Unreported claim	301,794	-	301,794
Investment-linked insurance			
Reported but not paid claim	28,147	-	28,147
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	26,484	26,484
Unreported claim	-	56	56
	1,437,951	106,826	1,544,777

(Continued)

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Less ceded reserve for claims			
Individual life insurance	$ 2,084	$ -	$ 2,084
Individual injury insurance	107	-	107
Individual health insurance	9,493	-	9,493
Group insurance	800	-	800
	12,484	-	12,484
Net amount	$ 1,425,467	$ 106,826	$ 1,532,293

(Concluded)

Movement in reserve for claims is summarized below:

	For the Year Ended December 31, 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	(46,365)	(32,458)	(78,823)
Losses (gains) on foreign exchange	(378)	(214)	(592)
Ending balance	1,437,951	106,826	1,544,777
Less ceded unearned premium reserve			
Beginning balance	-	-	-
Effect of changes in consolidated entities	21,653	-	21,653
Decrease	(9,169)	-	(9,169)
Ending balance	12,484	-	12,484
Net amount	$ 1,425,467	$ 106,826	$ 1,532,293

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

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

Movement in special reserve is summarized below:

	For the Year Ended December 31, 2017
	Insurance Contract
Beginning balance	$ -
Effect of changes in consolidated entities	5,792,803
Reserve for participating policy dividend reserve	466,939
Ending balance	$ 6,259,742

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

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

f. Premium deficiency reserve

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

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

Movement in premium deficiency reserve is summarized below:

	For the Year Ended December 31, 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	238,749	-	238,749
Recover	(1,207,303)	-	(1,207,303)
Losses (gains) on foreign exchange	(28,460)	-	(28,460)
Ending balance	$ 9,164,460	$ -	$ 9,164,460

g. Liability adequacy reserve

	Insurance Contract and Financial Instruments with Discretionary Participation Feature
	December 31, 2017
Reserve for life insurance liabilities	$ 1,263,844,149
Unearned premium reserve	3,384,890
Premium deficiency reserve	9,164,460
Special reserve	6,259,742
Book value of insurance liabilities	$ 1,282,653,241
Estimated present value of cash flows	$ 974,892,299
Balance of liability adequacy reserve	$ -

Liability adequacy testing methodology is listed as follows:

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

h. Foreign exchange valuation reserve

1) The hedge strategy and risk exposure

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

2) Adjustment in foreign exchange valuation reserve

	For the Year Ended December 31, 2017 Insurance Contract
Beginning balance	$ -
Effect of changes in consolidated entities	2,800,849
Reserve	
Compulsory reserve	252,467
Extra reserve	55,714
	308,181
Recover	(405,267)
Ending balance	$ 2,703,763

3) Effects due to foreign exchange valuation reserve

Item	For the Year Ended December 31, 2017 Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income	$ 6,030,262	$ 9,083,972	$ 3,053,710
Earnings per share (dollar)	1.59	2.40	0.81
Foreign exchange valuation reserve	-	2,703,763	2,703,763
Equity	96,157,695	95,337,747	(819,948)

32. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and domestic subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The total expenses recognized in profit or loss were $444,209 thousand in 2017 and $375,308 thousand in 2016, respectively.

The Corporation's foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulation and amounting to $5,963 thousand and $14,687 thousand for the years ended December 31, 2017 and 2016, respectively.

b. Defined benefit plans

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

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

KGI Securities and domestic subsidiaries contributes monthly an amount equal to 2% of the monthly salaries to a defined benefit pension fund and to the employees' individual defined contribution pension funds. The funds are managed by the Employees' Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee's name. Before the end of each year, KGI assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, KGI is required to fund the difference in one appropriation that should be made before the end of March of the next year. The employees of the KGI Securities' foreign subsidiary, PT KGI Sekuritas Indonesia, are members of a state-managed retirement benefit plan operated by the government of Indonesia. The remeasurement of defined benefit plans recognized in other comprehensive income were $103 thousand in 2017 and $0 thousand in 2016, respectively.

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

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

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

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 3,054,510	$ 2,749,772
Fair value of plan assets	(2,066,808)	(1,952,036)
Net defined benefit liability	$ 987,702	$ 797,736

Movements in net defined benefit liability (asset) were as follows:

The Group

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2016	$ 2,618,343	$ (1,737,265)	$ 881,078
Service cost			
Current service cost	28,646	-	28,646
Net interest expense (income)	38,374	(26,142)	12,232
Recognized in profit or loss	67,020	(26,142)	40,878
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	9,398	9,398
Actuarial gain - changes in demographic assumptions	24,376	-	24,376
Actuarial gain - changes in financial assumptions	23,612	-	23,612
Actuarial gain - experience adjustments	87,758	4,517	92,275
Recognized in other comprehensive income	135,746	13,915	149,661
Contributions from the employer	-	(273,881)	(273,881)
Benefits paid	(71,337)	71,337	-
Balance at December 31, 2016	$ 2,749,772	$ (1,952,036)	$ 797,736

The Group (excluding China Life Insurance)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	$ 2,749,772	$ (1,952,036)	$ 797,736
Service cost			
Current service cost	25,963	-	25,963
Net interest expense (income)	38,663	(27,277)	11,386
Recognized in profit or loss	64,626	(27,277)	37,349
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	9,142	9,142
Actuarial gain - changes in demographic assumptions	55,685	-	55,685
Actuarial gain - changes in financial assumptions	34,555	-	34,555
Actuarial gain - experience adjustments	32,040	3,029	35,069
Recognized in other comprehensive income	122,280	12,171	134,451
Contributions from the employer	-	(85,417)	(85,417)
Benefits paid	(205,212)	205,212	-
Balance at December 31, 2017	$ 2,731,466	$ (1,847,347)	$ 884,119

China Life Insurance

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	$ 303,737	$ (216,349)	$ 87,388
Service cost			
Current service cost	644	-	644
Net interest expense (income)	5,194	(3,981)	1,213
Recognized in profit or loss	5,838	(3,981)	1,857
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2,655	2,655
Actuarial gain - changes in demographic assumptions	8,076	-	8,076
Actuarial gain - changes in financial assumptions	9,290	-	9,290
Actuarial gain - experience adjustments	11,811	-	11,811
Recognized in other comprehensive income	29,177	2,655	31,832
Contributions from the employer	-	(17,494)	(17,494)
Benefits paid	(15,708)	15,708	-
Balance at December 31, 2017	$ 323,044	$ (219,461)	$ 103,583

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

The Corporation

	Valuation at December 31	
	2017	**2016**
Discount rates	0.95%	1.35%
Expected rates of salary increase	2.50%	2.50%

CDIB Capital Group and subsidiaries

	Valuation at December 31	
	2017	**2016**
Discount rates	0.95%	1.35%
Expected rates of salary increase	2.50%	2.50%

KGI and subsidiaries

	Valuation at December 31	
	2017	**2016**
Discount rates	1.39%-1.44%	1.50%-1.60%
Expected rates of salary increase	2.00%	2.00%

KGI Bank and subsidiaries

	Valuation at December 31	
	2017	**2016**
Discount rates	0.95%-1.38%	1.35%-1.38%
Expected rates of salary increase	2.50%-3.00%	2.50%-3.00%

China Life Insurance

	Valuation at December 31, 2017
Discount rates	1.31%
Expected rates of salary increase	0.00%-1.79%

China Development Asset Management Corporation

	Valuation at December 31	
	2017	2016
Discount rates	0.95%	1.35%
Expected rates of salary increase	2.50%	2.50%

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

The Group (excluding China Life Insurance)

	December 31	
	2017	2016
Discount rate(s)		
0.25-0.50% increase	$ (113,482)	$ (120,685)
0.25-0.50% decrease	$ 137,209	$ 138,108
Expected rate(s) of salary increase		
0.25-0.50% increase	$ 133,712	$ 134,632
0.25-0.50% decrease	$ (111,307)	$ (118,725)

China Life Insurance

	December 31, 2017
Discount rate(s)	
0.50% increase	$ (21,655)
0.50% decrease	$ 23,505
Expected rate(s) of salary increase	
1.00% increase	$ 44,701
1.00% decrease	$ (39,063)

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

	December 31	
	2017	2016
The expected contributions to the plan for the next year	$ 68,852	$ 94,466
The average duration of the defined benefit obligation	3.94-19.88 years	4.2-20.7 years

33. OTHER FINANCIAL LIABILITIES

	December 31	
	2017	2016
Separate-account product liabilities	$ 61,824,990	$ -
Principal received on structured notes	24,247,363	26,299,389
Customers' equity accounts - futures	22,679,896	36,066,932
Others	374,126	387,509
	$ 109,126,375	$ 62,753,830

34. OTHER LIABILITIES

	December 31	
	2017	2016
Guarantee deposits received	$ 16,557,996	$ 12,654,078
Temporary receipts and suspense accounts	1,892,848	453,673
Collections for others	1,715,340	1,808,971
Advance receipts	1,080,765	197,079
Others	254,241	438,407
	$ 21,501,190	$ 15,552,208

35. EQUITY

a. Share capital

Common stock

	December 31	
	2017	2016
Number of shares authorized (in thousands)	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands)	14,976,820	14,974,421
Shares issued	$ 149,768,196	$ 149,744,213

b. Capital surplus

	December 31	
	2017	2016
Arising from treasury stock transactions	$ 985,211	$ 821,193
Share-based payments awards	87,867	81,539
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	182,755
Arising from share of changes in capital surplus of associates	13,728	13,728
Capital surplus-issue of stock in excess	5,919	5,306
	$ 1,173,719	$ 1,104,521

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

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

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

c. Special revenue

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

This special reserve should be used only to offset a deficit or when the legal reserve has reached 50% of the Corporation's paid-in capital, up to 50% thereof may be transferred to paid-in capital.

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

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

d. Appropriation of earnings

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

The board of directors 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 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

The appropriation of earnings of 2017 has not yet been approved by the board of directors as of the date of auditors' report.

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

e. Non-controlling interests

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 3,608,921	$ 3,606,912
Attributable to non-controlling interests		
Share of profit for the year	670,182	63,823
Exchange difference on translation of foreign financial statements	(7,910)	(5,156)
Unrealized losses on available-for-sale financial assets	2,811,543	(6,061)
Actual gains (losses) arising from defined benefit plans	(17,555)	142
Payment of cash dividends by subsidiaries	(35,828)	(59,476)
Effect of changes in consolidated entities	77,926,364	8,737
Treasury stock acquired by subsidiaries	(3,413,272)	-
Others	1,621	-
Balance at December 31	$ 81,544,066	$ 3,608,921

36. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS

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

	Net Income Attributed to Non-controlling Interests For the Year Ended December 31, 2017
China Life Insurance Company Limited	$ 623,968

	Non-controlling Interests December 31, 2017
China Life Insurance Company Limited	$ 77,939,388

China Life Insurance Company Limited

	December 31, 2017
Total assets	$ 1,494,361,519
Total liabilities	1,375,535,670
Equity	$ 118,825,849
Equity attributable to:	
Owners of parent	$ 40,886,461
Non-controlling interest	77,939,388
	$ 118,825,849

	For the Year Ended December 31, 2017
Revenue	$ 81,398,841
Net profit for the year	$ 959,337
Other comprehensive income	4,308,549
Total comprehensive income	$ 5,267,886
Net profit attributable to:	
Owners of parent	$ 335,369
Non-controlling interest	623,968
	$ 959,337
Comprehensive income attributable to:	
Owners of parent	$ 1,841,569
Non-controlling interest	3,426,317
	$ 5,267,886
Cash flows	
From operating activities	$ 45,748,996
From investing activities	(21,171,611)
From financing activities	20,140,228
Net increase in cash	$ 44,717,613

37. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Year (In Thousands)	Share Increase During the Year (In Thousands)	Share Decrease During the Year (In Thousands)	Shares at End of the Year (In Thousands)
For the year ended December 31, 2017				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	323,232	196,630	800	519,062

(Continued)

Reason for Repurchase	Shares at Beginning of the Year (In Thousands)	Share Increase During the Year (In Thousands)	Share Decrease During the Year (In Thousands)	Shares at End of the Year (In Thousands)
For the year ended December 31, 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 $3,063,126 thousand and $2,438,842 thousand on December 31, 2017 and 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. On September 25, 2017, under the approval of the CDIB Capital Group's board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, CDIB Capital Group reduced its capital by reducing its Corporation's shares held. The effective date of the reduction was December 29, 2017. The market prices of the shares were $166,408 thousand on December 31, 2016. The Corporation's shares held by China Life Insurance are also treated as treasury stock and recognized book value on the completion day of acquisition. The market prices of the shares were $1,995,793 thousand on December 31, 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 Year Ended December 31	
	2017	2016
Interest revenues		
Securities	$ 15,427,235	$ 1,021,522
Discounts and loans	8,088,661	6,703,391
Margin loans and refinancing margin	1,920,396	1,829,691
Due from and call loans to financial institutions	376,153	630,631
Others	1,653,549	1,206,736
	27,465,994	11,391,971
Interest expenses		
Deposits	2,812,184	2,353,664
Notes and bonds issued under repurchase agreements	1,169,779	802,220
Borrowing interest expense	362,575	326,311
Corporate bonds	338,727	378,335
Others	712,317	471,939
	5,395,582	4,332,469
Interest profit, net	$ 22,070,412	$ 7,059,502

39. SERVICE FEE AND COMMISSION, NET

	For the Year Ended December 31	
	2017	2016
Service fee revenue and commission income		
Brokerage	$ 8,433,577	$ 7,067,626
Commission income - insurance	1,120,452	1,250,448
Security lending	559,872	404,304
Trust	539,951	334,793
Others	1,142,914	707,025
	11,796,766	9,764,196
Service fee expense and commission expense		
Commission expense - insurance	2,753,999	-
Brokerage	1,198,565	1,249,320
Consignment settlement and delivery	251,017	250,569
Commission expense - other	191,901	270,041
Agency	125,186	137,270
Dealing handling fee	69,390	147,866
Others	430,846	201,238
	5,020,904	2,256,304
Service fee and commission, net	$ 6,775,862	$ 7,507,892

40. INSURANCE BUSINESS, NET

	For the Year Ended December 31	
	2017	2016
Insurance business income		
Premium income	$ 63,087,658	$ -
Reinsurance premium expense	(381,640)	-
Changes in unearned premium reserve	109,555	-
Retained earned premium	62,815,573	-
Separate-account insurance products revenues	3,919,018	-
	66,734,591	-
Insurance business expense		
Insurance claim payments	(23,614,637)	-
Claims recovered from reinsures	194,792	-
Retained claim payments	(23,419,845)	-
Brokerage expense	(4,747)	-
Disbursements toward industry stability fund	(119,888)	-
Changes in foreign exchange valuation reserve	97,086	-
Separate-account insurance products expenses	(3,919,018)	-
	(27,366,412)	-
Insurance business, net	$ 39,368,179	$ -

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

	For the Year Ended December 31	
	2017	2016
Derivatives	$ 7,062,643	$ 832,292
Operating securities	3,589,174	2,180,515
Stocks	734,891	602,185
Mutual funds	277,118	(438,902)
Call (put) warrants	167,705	486,426
Bonds	(109,193)	1,455,007
Others	(2,273,785)	(201,745)
	$ 9,448,553	$ 4,915,778

For the years ended December 31, 2017 and 2016, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of $1,397,229 thousand and $2,217,615 thousand, respectively, dividend income of $736,236 thousand and $616,151 thousand, respectively and interest expense of $768,241 thousand and $371,070 thousand, respectively.

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

	For the Year Ended December 31	
	2017	2016
Gain on stock disposal	$ 4,892,115	$ 709,595
Gain on bond disposal	1,289,347	607,504
Dividend income	1,260,836	782,942
Others	(28,918)	14,702
	$ 7,413,380	$ 2,114,743

43. IMPAIRMENT LOSS ON ASSETS, NET

	For the Year Ended December 31	
	2017	2016
Financial assets measured at cost	$ 779,353	$ 559,205
Impairment loss of intangible assets	194,850	12,502
Available-for-sale financial assets	102,841	646,561
Others	117,663	2,887
	$ 1,194,707	$ 1,221,155

44. GAIN ON FINANCIAL ASSETS MEASURED AT COST

	For the Year Ended December 31	
	2017	2016
Gain on security disposal	2,588,991	$ 1,600,017
Dividend income	381,412	358,727
Distributions of fund capital gain	50,592	308,038
Others	4,230	140,508
	$ 3,025,225	$ 2,407,290

45. NET OTHER NONINTEREST PROFIT AND GAIN

	For the Year Ended December 31	
	2017	2016
Gain on debts investment without active market	$ 1,082,529	$ 406,634
Revenue from underwriting	743,027	877,749
Gain on sale of nonperforming loans	182,917	150,105
Rental income	167,244	114,509
Revenue from providing agency service for stock affairs	143,739	138,599
Others	163,592	463,643
	$ 2,483,048	$ 2,151,239

46. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2017	**2016**
Employee benefit expense		
Salaries and wages	$ 11,683,204	$ 9,780,543
Employee insurance	735,078	594,286
Pension	488,140	443,951
Others	852,302	595,796
	$ 13,758,724	$ 11,414,576
Depreciation and amortization expenses	$ 1,814,357	$ 1,472,993

The Company's Articles of Incorporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. The employees' compensation bonus of employees and remuneration to directors and supervisors for 2017 and 2016 which have been approved in the shareholders' meetings on March 26, 2018 and March 27, 2017, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors for 2016 were reported on the shareholders meeting on June 16, 2017.

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

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.
There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

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

47. OTHER GENERAL ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2017	**2016**
Taxation	$ 1,437,079	$ 1,478,633
Rental	1,039,805	1,037,631
Computer information	685,618	705,947
Professional services	649,813	725,678
Postage	402,721	338,696
Others	2,214,594	2,091,267
	$ 6,429,630	$ 6,377,852

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 Year Ended December 31	
	2017	2016
Current income tax		
Current year	$ 1,173,526	$ 513,397
Prior years	(147,351)	(110,347)
	1,026,175	403,050
Deferred income tax	1,128,156	720,875
Income tax expense recognized in profit or loss	$ 2,154,331	$ 1,123,925

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

	For the Year Ended December 31	
	2017	2016
Income tax expenses at the statutory rate	$ 3,162,089	$ 2,599,751
Permanent differences	(2,511,704)	(2,100,655)
Unrecognized temporary differences	33,661	(120,810)
Loss carryforwards	1,221,185	300,000
Prior year's adjustments	(140,262)	(110,347)
Additional income tax under the Alternative Minimum Tax Act	385,643	426,362
Others	3,719	129,624
Income tax expenses	$ 2,154,331	$ 1,123,925

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 10% of 2017 unappropriated earnings are not reliably determinable.

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

	For the Year Ended December 31	
	2017	2016
Deferred income tax		
Unrealized gain (loss) on available-for-sale financial assets	$ (208,848)	$ 3,805
Actuarial gain (loss) on defined benefit plans	(18,770)	(9,497)
	$ (227,618)	$ (5,692)

d. Deferred tax assets and liabilities

	December 31	
	2017	2016
Deferred tax assets		
Unrealized loss on foreign exchange	$ 5,582,056	$ 30,727
Loss carryforwards	2,539,109	4,078,274
Allowance for bad debts	587,393	554,725
Others	373,304	248,327
	$ 9,081,862	$ 4,912,053
Deferred tax liabilities		
Purchase policy value	$ 2,631,116	$ -
Debt investment without active market	1,340,808	-
Unrealized gain on available-for-sale financial assets	1,047,151	11,301
Goodwill	909,342	909,342
Investment property	870,197	-
Gain on financial asset at fair value through profit or loss	844,660	38,280
Land value increment tax	763,324	406,642
Held-to-maturity financial assets	635,894	-
Others	348,962	122,320
	$ 9,391,454	$ 1,487,885

e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

The Corporation

	December 31	
	2017	2016
Loss carryforwards		
Expiry in 2019	$ 117,069	$ 792,798
Expiry in 2021	378,146	411,369
	$ 495,215	$ 1,204,167

CDIB Capital Group

	December 31 2017	December 31 2016
Loss carryforwards		
Expiry in 2019	$ -	$ 46,525
Expiry in 2021	380,488	422,212
	$ 380,488	$ 468,737

KGI Bank

	December 31 2017	December 31 2016
Loss carryforwards		
Expiry in 2017	$ 4,156,938	$ 2,186,453
Expiry in 2018	9,738,114	7,424,143
Expiry in 2019	3,910,829	1,136,463
	$ 17,805,881	$ 10,747,059

f. Information about unused investment credits, unused carryforward and tax-exemption as of December 31, 2017, investment tax credits comprised:

KGI Bank

Remaining Creditable Amount	Expiry Year
$ 4,156,938	2017
13,762,127	2018
10,187,530	2019
2,624,589	2020
1,240,412	2021
$ 31,971,596	

g. Integrated income tax

	December 31, 2016
Imputation credits accounts - the Corporation	$ 406,208

The Corporation’s creditable tax ratio for the distribution of earnings of 2016 was 13.85%.

Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable for the distribution of earnings of the Corporation.

Under the Income Tax Law, for distribution of earnings generated from January 1, 1998 to December 31, 2016, the imputation credits allocated to ROC resident shareholders of the Corporation was calculated based on the creditable ratio as of the date of dividend distribution.

The Corporation had no unappropriated earnings generated before January 1, 1998.

h. 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.

Income tax returns of CDIB Management Consulting Corporation, and CDC Finance & Leasing Corp. for the years through 2015 had been examined by the tax authorities. Income tax returns of KGI Bank, and formerly Wanyin Insurance Broker 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' rejection of the tax withheld from interest income earned by predecessors, respective operating costs and other tax-exempt income of 2009 through 2013. As a result, KGI filed tax appeals.

Income tax returns of KGI Insurance Brokers Co. and KGI Securities Investment Advisory Co., Ltd., and KGI Information Technology Co., Ltd. through 2016 had been examined by the tax authoress. Income tax returns of 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., formerly R.O.C. Strategic Company Ltd., formerly CDIB Strategic Venture Fund Ltd. and formerly China Venture Management Inc., through 2015 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 return of China Development Asset Management Corp., CHG 3, CHG4 and Development Industrial Bank Asset Management Corp., through 2015 had been examined by the tax authorities.

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

45. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Year Ended December 31	
	2017	**2016**
Basic EPS	$ 0.80	$ 0.40
Diluted EPS	$ 0.80	$ 0.40

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	**2016**
Earnings used in the computation of EPS	$ 11,695,285	$ 5,923,081

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

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of common shares outstanding in computation of basic EPS	14,583,551	14,662,151
Effect of potentially dilutive common shares:		
Restricted shares	5,424	7,913
Employee share options	3,260	1,137
Weighted average number of common shares outstanding in computation of diluted EPS	14,592,235	14,671,201

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 Year Ended December 31			
	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	(1,077)	7.65	(410)	6.81
Options invalid	(8,016)	8.41	(699)	8.86
Balance at December 31	64,118	7.93	73,211	8.43
Options exercisable, end of year	41,556	7.92	34,594	8.38
Weighted-average remaining contractual life (years)	3.62		4.63	

The weighted-average share prices at the date of exercise of share options from January 1 to December 31, 2017 and 2016 were $9.23 and $7.83.

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

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

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

Compensation costs for the years ended December 31, 2017 and 2016 were $5,645 thousand and $16,077 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 years ended December 31, 2017 and 2016, the Corporation recognized $23,435 thousand and $45,054 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	%
December 31, 2017	$ 67,571	-
December 31, 2016	10,582	-

For the years ended December 31, 2017 and 2016, the interest revenues from cash in bank were $223 thousand and $3,363 thousand, respectively.

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

	Amount	%
December 31, 2017	$ 262,228	-
December 31, 2016	240,836	1

For the years ended December 31, 2017 and 2016, the interest revenues from due from banks were both 0 thousand.

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

	Amount	%
December 31, 2016	$ 31,609	-

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the year ended December 31, 2017		
Other related parties	$ 701,044	$ 299,896
For the year ended December 31, 2016		
Other related parties	97,143	1,689,580

5) Purchase and sale of securities

	Purchase of Securities
For the year ended December 31, 2016	
Other related parties	$ 50,700

6) Revenue receivable (recognized as receivables, net)

	Amount	%
December 31, 2017	$ 244,416	-
December 31, 2016	131,210	-

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

	Amount	%
December 31, 2017	$ 23,919	-
December 31, 2016	12,245	-

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

	Amount	%
December 31, 2017	$ 16,772	-
December 31, 2016	16,619	-

9) Other receivables (recognized as receivables, net)

	Amount	%
December 31, 2017	$ 6,102	-
December 31, 2016	14,584	-

10) Discounts and loans, net

	Amount	%	Interest Rate (%)
December 31, 2017	$ 962,341	-	1.54-15.00
December 31, 2016	912,472	-	1.54-15.00

For the years ended December 31, 2017 and 2016, the interest revenues from discounts and loans were $15,117 thousand and $15,293 thousand, respectively.

For the Year Ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	44	$ 36,768	$ 19,006	$ 19,006	$ -	None	Yes
Residential mortgage loans	78	1,183,655	933,659	933,659	-	Real estate	Yes
Others	16	30,209	9,676	9,676	-	Deposit/real estate	Yes

For the Year Ended 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

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Other related parties	$ 4,096,960	14	$ 4,322,790	14

For the years ended December 31, 2017 and 2016, the interest expenses from call loans from banks were $22,345 thousand and $5,891 thousand, respectively.

12) Notes and bonds issued under repurchase agreements

	Amount	%
December 31, 2017	$ 61,219	-
December 31, 2016	715,372	1

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

	Amount	%
December 31, 2017	$ 6,286	-
December 31, 2016	47,186	-

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

	Amount	%
December 31, 2017	$ 6,902	-
December 31, 2016	52,173	-

15) Other payables (recognized as payables)

	Amount	%
December 31, 2017	$ 69,938	-
December 31, 2016	20,113	-

16) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2017	$ 1,278,464	-	0-5.58
December 31, 2016	866,299	-	0-5.80

For the years ended December 31, 2017 and 2016, the interest expenses from deposits and remittances were $7,126 thousand and $7,967 thousand, respectively.

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

	Amount	%
December 31, 2017	$ 298,480	-

For the years ended December 31, 2017 and 2016, the interest expenses from short-term borrowings were $5,159 thousand and $3,432 thousand, respectively.

18) Customers' equity accounts - futures

	Amount	%
December 31, 2017	$ 42,647	-
December 31, 2016	45,184	-

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

	For the Year Ended December 31	
	Amount	%
2017	$ 19,710	-
2016	19,833	-

20) Consulting service revenue

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Other related parties	$ 483,405	42	$ 487,166	41

21) Net other noninterest profit and gain

	For the Year Ended December 31	
	Amount	%
2017	$ 12,180	1
2016	13,799	1

22) Insurance revenue (recognized as net income from insurance operation)

	For the Year Ended December 31	
	Amount	%
2017	$ 39,097	-

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

	For the Year Ended December 31	
	Amount	%
2017	$ 40,000	1
2016	77,000	1

24) Outstanding derivative financial instruments

KGI Bank

December 31, 2017

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate contracts	March 17, 2017 - April 7, 2047	$ 11,431,784	$ (493,670)	Financial liabilities at FVTPL	$ 493,670

China Life Insurance

	For the Year Ended December 31	
	Amount	%
Financial assets at FVTPL	$ 65,887	-

25) Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Salary and short-term benefits	$ 341,631	$ 270,041
Share-based payment	20,976	34,369
Post-employment benefits	2,527	15,193
	$ 365,134	$ 319,603

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

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

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

	December 31			
	2017		2016	
	Amount	**%**	**Amount**	**%**
Other related parties	$ 262,228	2	$ 234,544	3

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

	December 31, 2017	
	Amount	**%**
Subsidiary of the parent company	$ 391,201	-

3) Receivables from securities sale (recognized as receivables)

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

4) Purchase and sale of bonds

	Purchase of Bonds	**Sale of Bonds**
<u>For the year ended December 31, 2017</u>		
Subsidiary of the parent company	$ 2,847,280	$ 6,632,791
<u>For the year ended December 31, 2016</u>		
Subsidiary of the parent company	6,817,930	1,523,921

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

	December 31			
	2017		2016	
	Amount	**%**	**Amount**	**%**
Other related parties	$ 4,096,960	14	$ 4,322,790	14

6) Deposits and remittances

	Amount	**%**	**Interest Rate (%)**
<u>December 31, 2017</u>			
Parent company	$ 974,422	-	0-0.57
Subsidiary of the parent company	12,720,348	3	0-1.03
<u>December 31, 2016</u>			
Parent company	1,385,671	-	0-0.35
Subsidiary of the parent company	26,602,012	8	0-1.21

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Parent company	$ 412,845	100	$ 379,060	100

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

8) Outstanding derivative financial instrument

December 31, 2017

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 7, 2047	$ 11,431,784	$ (493,670)	Financial liabilities at FVTPL	$ 493,670
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 23, 2016 - March 1, 2020	508,220	6,070	Financial assets at FVTPL	10,412
	Asset swap - option	March 23, 2016 - February 13, 2020	508,220	(72,664)	Financial liabilities at FVTPL	77,745
	Interest rate swap contracts	November 4, 2016 - January 24, 2020	955,136	(763)	Financial liabilities at FVTPL	4,883
	Currency swap contracts	February 15, 2017 - September 21, 2018	7,014,280	11,733	Financial liabilities at FVTPL	60,367

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

KGI Securities and subsidiaries

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

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

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 4,360,264	28	$ 2,663,508	16

2) Available-for-sale financial assets - current

	December 31			
	2017		2016	
	Amount	%	Amount	%
Stock				
Parent company	$ 3,063,126	91	$ 2,438,842	26

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the year ended December 31, 2017		
Subsidiary of the parent company	$ 6,632,791	$ 6,807,872
Other related parties	650,453	249,960
For the year ended December 31, 2016		
Subsidiary of the parent company	1,523,921	6,817,931
Other related parties	-	1,689,580

4) Purchase and sale of securities

	Purchase of Securities
For the year ended December 31, 2017	
Subsidiary of the parent company	$ 112,345

5) Guarantee deposits received in futures contracts

	December 31			
	2017		2016	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 2,042,540	9	$ 846,673	2

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

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

7) Restricted assets (recognized as other assets)

	December 31			
	2017		2016	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,036,153	2	$ 1,427,905	5

8) Short-term borrowings

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

9) Notes and bonds issued under repurchase agreement

	December 31, 2016	
	Amount	%
Other related parties	$ 715,372	1

10) Customers' equity accounts - futures

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	$ 362,052	2

11) Payables

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	$ 158,640	-

12) Current tax liabilities

	December 31			
	2017		2016	
	Amount	%	Amount	%
Parent company	$ 340,456	46	$ 275,787	39

13) Outstanding derivative financial instruments

a) Asset swap IRS contracts value

	December 31	
	2017	2016
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 508,220	$ 114,000

b) Asset swap option contracts - call

	December 31	
	2017	2016
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 508,220	$ 114,000

c) Interest rate swap contracts

	December 31	
	2017	2016
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 955,136	$ 710,138

CDIB Capital Group and subsidiaries

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

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

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 5,089,039	40	$ 21,621,323	74

2) Revenue receivable (recognized as receivable, net)

	December 31			
	2017		2016	
	Amount	%	Amount	%
Other related parties	$ 118,497	22	$ 128,793	23

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Parent company	$ 339,279	98	$ 461,986	99

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

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

	December 31, 2016	
	Amount	%
Parent company	$ 166,408	2

5) Purchase and sale of securities

	Sale of Securities
<u>For the year ended December 31, 2017</u>	
Subsidiary of the parent company	$ 112,345

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Parent company	$ 323,549	97	$ 386,864	98

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

7) Consulting service revenue

	December 31			
	2017		2016	
	Amount	%	Amount	%
Other related parties	$ 242,153	43	$ 257,763	50

<u>China Life Insurance</u>

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

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

1) Available-for-sale financial assets

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

2) Receivable from securities sale (recognized as receivables)

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	$ 104,227	1

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.

	December 31	
	2017	2016
Available-for-sale financial assets - negotiable CDs	$ 10,804,495	$ -
Other assets - operating guarantee deposits	7,454,004	1,417,056
Due from the Central Bank and call loans to banks	6,520,000	21,230,000
Property and equipment, net	4,827,689	4,862,154
Receivables - lease receivables	2,541,307	2,983,362
Other financial assets - pledged time deposits	1,029,134	744,223
Financial assets at fair value through profit or loss - bonds and stocks	356,457	251,947
Investment property, net	348,297	353,477
Other assets - competitive bid transactions guarantee	299,258	419,426
Available-for-sale financial assets - bonds and stocks	180,596	3,015,063
Other assets - guarantee deposit paid	130,584	389,585
Restricted assets - impound account	62,258	48,012
Restricted assets - Checking accounts - restricted for agent's stock transfer purposes	52,128	62,566

Note: 88,500 thousand of China Life Insurance' shares held by KGI Securities have been pledged.

53. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 56 and 58 were summarized as follows:

a. In April 2007, CDIB Capital Group and Morgan Stanley entered into a CDS contract that was tied to a synthetic collateralized debt obligation on residential mortgage-backed securities. The representations made to CDIB Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB Capital Group. On July 15, 2010, CDIB Capital Group initiated action against Morgan Stanley & Co. International PLC ("Morgan Stanley") et al. to recover losses CDIB Capital Group suffered as a result of its investment in a Morgan Stanley's credit default swap (CDS) product that had been tied to a synthetic collateralized debt obligation on residential mortgage-backed securities; the representations made to CDIB Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB Capital Group. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB Capital Group had recognized all gains and losses from the transaction. The balance of US$11,978 thousand (NT$370,737 thousand based on the exchange rate of December 31, 2017) was reclassified to "other financial liabilities". The litigation had not yet been concluded as of December 31, 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), CDIB Capital Group reserves the right of legal proceedings.

b. Securities and Futures Investors Protection Center sued Grand Cathay (KGI Securities as the survivor company after merging on June 22, 2013) and claimed that due to the fact that KGI Securities was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds which issued on November 7, 2007, KGI Securities must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, which against the Article 20 and 32 of Securities and Exchange Act and the Article 184 and 185 of Civil Code. On June 14, 2010, the plaintiffs sued KGI Securities, Taiwan Kolin Co., Ltd., the principal of formerly management team, Moore Stephens and the auditor with jointly liability amounted to $133,308 thousand plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court. However, Taiwan Kolin Co., Ltd. is under the procedure of reorganization, this lawsuit is withdrawn now.

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

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

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

f. In response to the rapid business development and IT demands for innovative products, KGI Bank plans to outsource its IT operations to improve IT service levels and to rapidly respond to the business development and changes in external regulations. The board of directors' meeting held on October 30, 2012 approved the plan for outsourcing the IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. According to the IT outsource contract, besides extra services being charged according to professional rates, KGI Bank has to pay a total of $721,778 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 December 31, 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 December 31, 2017, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is $308,187 thousand and unpaid amount is $5,315,726 thousand.

h. On October 19, 2017, China Life Insurance's board of directors approved the acquisition of the following from Allianz Taiwan Life Insurance Co., Ltd.: A portion of the traditional insurance policies and additional attachments valued at NT$1 dollar (based on the evaluation as of December 31, 2016). China Life Insurance has undertaken from Allianz Taiwan Life Insurance's reserve of insurance policies of NT$27.6 billion and the corresponding assets of NT$49.8 billion. The acquisition of the assets will be adjusted on the actual settlement date. This acquisition has been approved by the authority.

54. BUSINESS COMBINATION

a. 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.

1) 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
Liabilities	
Financial liabilities	(108,462)
Other liabilities	(21)
Liabilities subtotal	(108,483)
Identifiable net assets	$ 121,429

2) 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.

b. China Life Insurance

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

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

2) Assets acquired and liabilities assumed on the acquisition date were as follows:

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

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

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

5) The impact of business combination on business performance

From the acquisition date to December 31, 2017, net revenue and net profit attributable to the acquiree were $51,090,406 thousand and $959,337 thousand, respectively. Had the acquisition happened on January 1, 2017, the proforma net revenue and net profit of the subsidiary for the year ended December 31, 2017 would be $193,769,305 thousand and $16,586,212 thousand, respectively. The proforma amounts are for the illustration purpose only and could not reflect the actual revenue and operating performance of the entity. Neither should it be used to forecast the operating performance in the future.

55. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF CDFH, CDIB CAPITAL GROUP, KGI SECURITIES AND KGI BANK

Consolidated Profitability

(%)

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	0.88	0.81
	After income tax	0.75	0.68
Return on net worth	Before income tax	6.98	4.23
	After income tax	5.94	3.57
Profit margin		14.48	22.07

Profitability of CDFH

(%)

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	5.92	3.15
	After income tax	6.05	3.21
Return on net worth	Before income tax	6.87	3.50
	After income tax	7.06	3.60
Profit margin		94.31	90.41

Profitability of KGI Bank

(%)

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	0.87	0.87
	After income tax	0.55	0.69
Return on net worth	Before income tax	8.38	8.24
	After income tax	5.30	6.58
Profit margin		28.98	37.35

Profitability of KGI Securities

(%)

Items		**December 31, 2017**	**December 31, 2016**
Return on total assets	Before income tax	4.75	1.50
	After income tax	4.61	1.43
Return on net worth	Before income tax	14.05	4.30
	After income tax	13.64	4.09
Profit margin		55.64	25.69

Profitability of China Life Insurance

(%)

Items		**December 31, 2017**
Return on total assets	Before income tax	0.63
	After income tax	0.65
Return on net worth	Before income tax	9.91
	After income tax	10.30
Profit margin		3.56

56. 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 prices 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:

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Level I	**Level II**	**Level III**	**Total**
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	$ 12,996,195	$ -	$ -	$ 12,996,195
Bond investments	24,982,960	19,930,069	-	44,913,029
Others	785,808	19,244,125	-	20,029,933
Financial assets designated as at FVTPL	-	23,650,076	1,215,716	24,865,792

(Continued)

	Level I	Level II	Level III	Total
Available-for-sale financial assets				
Stock investments	$ 146,337,350	$ 555,487	$ 17,091,036	$ 163,983,873
Bond investments	123,530,695	231,267,706	-	354,798,401
Others	8,092,318	30,834,526	1,179,998	40,106,842
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,330,993	3,163,745	-	4,494,738
Financial liabilities designated as at FVTPL	-	17,417,983	-	17,417,983
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	655,067	22,340,390	149,201	23,144,658
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,349,139	31,032,660	449,041	32,830,840
Financial liabilities designated as at FVTPL	-	986,143	-	986,143

(Concluded)

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

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 is commonly recognized by the industry. The type of relevant methodology can be roughly divided into analytical solution model (for example: Black-school model) and numerical method model (for example Monet Carlo simulation).

3) Reconciliation of fair value

a) The limitation of valuation techniques and uncertain inputs

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

b) Credit risk valuation adjustments

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

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

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

The Group calculates their debit valuation adjustment on the basis of their 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 percent of EAD based on Taiwan Stock Exchange (TWSE) guidance.

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

4) Transfer between the first level and the second level

	For the Year Ended December 31, 2017		For the Year Ended December 31, 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	$ -	$ -	$ 226,823	$ -
Available-for-sale financial assets - bond investments	50,663	37,686,358	5,366,966	351,565
Available-for-sale financial assets - stock investments	-	-	-	394,954

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, and stock investment has open-market quotes, it makes the applicable level of bond's fair value change from 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 Year Ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial assets at FVTPL							
Financial assets held for trading	$ 241,384	$ (45,769)	$ 77,220	$ -	$ (123,634)	$ -	$ 149,201
Financial assets designated as at FVTPL	174,265	69,608	971,843	-	-	-	1,215,716
Available-for-sale financial assets	366,045	(223,363)	18,139,175	-	(10,823)	-	18,271,034

For the Year Ended December 31, 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	$ (878,412)	$ 629,937	$ -	$ (600,098)	$ (1,841,345)	$ 241,384
Financial assets designated as at FVTPL	188,401	(29,838)	15,702	-	-	-	174,265
Available-for-sale financial assets	327,725	28,359	329,890	-	(319,929)	-	366,045

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

For the Year Ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 237,850	$ 37,889	$ 1,049,780	$ -	$ (876,478)	$ -	$ 449,041

For the Year Ended December 31, 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	$ (968,451)	$ 658,308	$ -	$ (675,764)	$ (1,847,605)	$ 237,850

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 years ended December 31, 2017 and 2016 included a gain of $112,287 thousand and a loss of $23,630 thousand relating to assets and liabilities measured at fair value on Level III fair value measurement and held at the end of reporting date.

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

KGI Bank and subsidiaries

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

	Fair Value at December 31, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Derivative financial assets					
Financial assets at FVTPL	$ 143,196	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Derivative financial liabilities					
Financial liabilities at FVTPL	140,494	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at December 31, 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	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Derivative financial liabilities					
Financial liabilities at FVTPL	234,417	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

KGI Securities and subsidiaries

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

December 31, 2017

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

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.

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

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

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

December 31, 2017

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

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%	-	-
			$ -	$ -

CDIB Capital Group and subsidiaries

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

	Fair Value at December 31, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Range (Weighted average)	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	$ 265,609	Market approach	P/B Lack of liquidity discount	2.34 26%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value
		Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	26% 11.44% 3.0%	
		Recent strike price	-	-	-
Associates	457,036	Net asset method	-	-	-
Convertible (exchangeable) preferred stock	248,505	Recent strike price	-	-	-
Available-for-sale financial assets	435,236	Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	20% 12.1%-15.4% 2.5%-7.0%	When the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value
		Recent strike price	-	-	-

	Fair Value at December 31, 2016	Valuation Technique(s)	Significant Unobservable Inputs	Range (Weighted average)	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL					
Convertible bond	$ 158,126	Recent strike price	-	-	-
Convertible 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	-	-	-

China Life Insurance

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

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

7) Pricing process of Level III fair value

KGI Bank and subsidiaries

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

KGI Securities and subsidiaries

When KGI Securities has derivatives that do not have available fair value or categorized as financial assets with no active market, reasonableness 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

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

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

1) Fair value information

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 adopt valuation methods or counter-parties' quote as their fair value.

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

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Level I	**Level II**	**Level III**	**Total**
Financial assets				
Held to maturity financial assets	$ 120,725,199	$ 81,225,149	$ -	$ 201,950,348
Investments accounted for using the equity method	2,830,066	-	-	2,830,066
Debt instrument with no active market	74,365,024	575,027,180	-	649,392,204
Non-financial assets				
Investment property, net	-	-	25,123,845	25,123,845
Financial liabilities				
Bank debentures payable	-	1,002,863	-	1,002,863

December 31, 2016

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Financial assets				
Investments accounted for using the equity method	$ 2,448,105	$ -	$ -	$ 2,448,105
Debt instrument with no active market	-	-	581,022	581,022
Non-financial assets				
Investment property, net	-	-	4,147,015	4,147,015
Financial liabilities				
Bank debentures payable	-	2,672,291	-	2,672,291

3) Measurement technique

a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, held-to-maturity financial assets, restricted assets, other financial assets, guarantee deposits paid, due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, securities sold under repurchase agreements, commercial paper payable, payables, deposits and remittances, other financial liabilities and guarantee deposits received and remittances approximate their fair values because of the short maturities of these instruments.

b) 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 their fair value cannot be reliably measured owing to that the variation interval of the estimate of the fair value is not quite small and the estimates adopted in the interval thereof cannot be assessed reasonably; thus, the Group does not disclose their fair value.

c) The base rate (floating rate) is usually adopted as the loan rate because it can reflect the market rate. Thus, using its carrying amount for considering the probability of repossession and estimating its fair value is reasonable.

d) Held-to-maturity financial assets with quoted price in an active market adopt market prices as fair value; held-to-maturity financial assets with no quoted price in an active market adopt valuation methods or counter-parties' quote as their fair value.

e) The value of the debt instrument with no active market is referred to the estimated fair value from the counter-party.

f) The fair values of bonds payable are determined by the present values of future cash flows, with the values discounted at the interest rates of similar bonds payable available for the Corporation.

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

57. INFORMATION OF INSURANCE CONTRACTS

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

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

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

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

2) Risk management policies, procedures and methods:

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

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

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

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

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

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

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

b. Information of insurance risks

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

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

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

As at December 31, 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's insurance liability inadequate.

2) Interpretation for concentration of insurance risks

a) China Life Insurance's insurance business is mainly in Taiwan, Republic of China and there is no significant difference in insurance risk between each region. China Life Insurance had set tolerable cumulative risk limits for each risk unit and incident. Insurance risks that exceed the limits will be transferred through reinsurance. Please refer to Note 31 for concentration of risk before and after the reinsurance for China Life Insurance.

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

3) Claim development trend

a) Direct business loss development trend

Accident Year	Development Year (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	$ 2,940,748	
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	3,351,824			
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256				
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355					
2014	3,448,229	4,203,186	4,284,682	4,298,217						
2015	3,518,471	4,403,823	4,479,887							
2016	3,696,639	4,617,098								
2017	4,300,693									$ 982,988

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

Add: Long-term insurance claims	434,166
Claim reserve for discount on no claim	127,623
Reserve for claims balance	$ 1,544,777

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	$ 2,874,167	
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	3,275,936			
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173				
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405					
2014	3,387,852	4,123,055	4,197,276	4,200,902						
2015	3,456,864	4,319,866	4,388,499							
2016	3,631,913	4,529,075								
2017	4,225,389									$ 982,081

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

Add: Long-term insurance claims	422,589
Claim reserve for discount on no claim	127,623
Reserve for claims balance	$ 1,532,293

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

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

4) Credit risk:

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

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

5) Liquidity risk:

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

December 31, 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	$ (20,408,694)	$ 9,987,603	$ 111,026,996	$ 457,700,212	$ 2,985,206,011
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

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

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

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

6) Market risk:

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

58. 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 quantitative and qualitative 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.

KGI Securities and subsidiaries

1) Financial risk management objectives

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

2) Risk management organization

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

   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 merchandising, consignment trading, management new business and financial instruments.

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

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

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

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

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

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

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

3) Risk management system

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

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

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

<u>China Life Insurance</u>

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

b. Credit risk

<u>KGI Bank and subsidiaries</u>

1) 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:

	December 31	
	2017	**2016**
Irrevocable loan commitments, guarantees and letters of credit	$ 93,355,823	$ 102,215,434

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	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Public and private enterprise	$ 197,705,315	66.42	$ 173,659,505	67.87
Natural person	99,643,651	33.47	81,877,228	32.00
Non-profit organization	325,866	0.11	342,811	0.13
Total	$ 297,674,832	100.00	$ 255,879,544	100.00

b) By region

Region	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Domestic	$ 225,941,825	75.90	$ 199,963,503	78.15
Overseas	71,733,007	24.10	55,916,041	21.85
Total	$ 297,674,832	100.00	$ 255,879,544	100.00

c) By collateral

Collateral	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Non-collateral	$ 178,769,206	60.06	$ 159,432,165	62.31
Collateral				
Financial collateral	6,857,650	2.30	5,533,267	2.16
Property	89,144,353	29.95	69,541,082	27.18
Guarantee	16,997,483	5.71	15,837,714	6.19
Other	5,906,140	1.98	5,535,316	2.16
Total	$ 297,674,832	100.00	$ 255,879,544	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

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

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

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

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

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

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

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

c) Securities investment credit quality analysis

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

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

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

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 instrument 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.

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:

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

	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
- small-scale 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

8) Analysis of impairment for financial assets

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

Items		Discounts and Loans		Allowance for Bad Debts	
		December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
With objective evidence of impairment	Assessment of individual impairment	$ 184,525	$ 376,736	$ 42,374	$ 72,202
	Assessment of collective impairment	750,991	766,935	443,884	451,508
Without objective evidence of impairment	Assessment of collective impairment	296,739,316	254,735,873	3,438,273	2,905,962
Total		297,674,832	255,879,544	3,924,531	3,429,672

Items		Receivables		Allowance for Bad Debts	
		December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
With objective evidence of impairment	Assessment of individual impairment	$ 1,707,936	$ 1,900,712	$ 1,173,526	$ 1,315,493
	Assessment of collective impairment	83,504	76,569	51,553	49,452
Without objective evidence of impairment	Assessment of collective impairment	21,743,478	28,242,686	243,149	349,635
Total		23,534,918	30,219,967	1,468,228	1,714,580

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 December 31, 2017 and 2016, the carrying amounts of the collaterals both were $0 thousand. The foreclosed collateral recognized as other assets in balance sheet. Besides, KGI Bank had gained on disposal of collaterals with amounts of $128,237 thousand and $0 thousand during 2017 and 2016, respectively, and recognized as other non-interest net income.

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

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

Item			December 31, 2017				
			Nonperforming Loan (NPL) (Note 1)	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 118,803	$ 59,013,613	0.20%	$ 706,728	594.87%
	Unsecured		133,484	141,820,168	0.09%	1,691,518	1,267.20%
Consumer loan	Mortgage (Note 4)		40,044	40,290,946	0.10%	544,139	1,358.85%
	Cash card		159,427	14,516,318	1.10%	387,169	242.85%
	Micro credit (Note 5)		151,855	21,492,486	0.71%	317,929	209.36%
	Other (Note 6)	Secured	21,368	20,503,800	0.10%	276,542	1,294.20%
		Unsecured	345	37,501	0.92%	506	146.88%
Total			625,326	297,674,832	0.21%	3,924,531	627.60%
			Overdue Receivable	**Account Receivable**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			$ 20,390	$ 2,648,363	0.77%	$ 48,842	239.54%
Account receivable - factored without recourse (Note 7)			3,732	8,498,884	0.04%	116,949	3,134.11%

Item			December 31, 2016				
			Nonperforming Loan (NPL) (Note 1)	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 153,513	$ 50,916,170	0.30%	$ 605,608	394.50%
	Unsecured		324,861	124,754,280	0.26%	1,505,056	463.29%
Consumer loan	Mortgage (Note 4)		39,967	28,859,486	0.14%	384,928	963.12%
	Cash card		175,281	14,985,877	1.17%	417,765	238.34%
	Micro credit (Note 5)		160,697	19,434,610	0.83%	290,606	180.84%
	Other (Note 6)	Secured	6,479	16,881,472	0.04%	225,073	3,473.86%
		Unsecured	2,389	47,649	5.02%	636	26.59%
Total			863,187	255,879,544	0.34%	3,429,672	397.33%
			Overdue Receivable	**Account Receivable**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			$ 25,200	$ 2,621,513	0.96%	$ 50,580	200.72%
Account receivable - factored without recourse (Note 7)			46	9,590,067	0.00%	138,798	303,013.14%

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

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

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

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

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

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

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

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

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

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

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

Items	December 31, 2017		December 31, 2016	
	Discounts and Loans	**Accounts Receivable**	**Discounts and Loans**	**Accounts Receivable**
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 12,862	$ 137	$ 36,467	$ 182
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	46,561	4,276	29,330	3,928
Total	$ 59,423	$ 4,413	$ 65,797	$ 4,110

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 pre-negotiation, pre-mediation, rehabilitation, liquidation events and 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).

c) Concentration of KGI Bank's credit extensions

December 31, 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	$ 5,899,179	9.64
2	B Group - 012711 Computer manufacturing	4,340,394	7.09
3	C Group -012711 Computer manufacturing	4,199,518	6.86
4	D Group - 012641 LCD and related components manufacturing	4,035,229	6.59
5	E Group - 016700 Real estate brokerage	3,825,000	6.25
6	F Group - 012411 Iron and steel smelting	3,625,759	5.92
7	G Group - 016700 Real estate brokerage	3,468,927	5.67
8	H Group - 012740 Data storage media	3,200,000	5.23
9	I Group - 011512 Manufacture of Paper	3,019,197	4.93
10	J Group - 014510 Merchandise Brokers	2,984,800	4.88

December 31, 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	$ 6,208,240	10.57
2	B Group - 012711 computer manufacturing	4,165,657	7.09
3	K Group - 015100 civil aviation transportation	4,025,770	6.86
4	J Group - 014510 merchandise brokers	3,227,900	5.50
5	D Group - 012641 LCD and related components manufacturing	3,064,630	5.22
6	I Group - 011599 other paper produces not elsewhere classified manufacturing	3,055,979	5.20
7	H Group - 012740 data storage media	2,950,000	5.02
8	G Group - 016700 real estate brokerage	2,779,993	4.73
9	L Group - 012611 integrated circuits manufacturing	2,628,808	4.48
10	M Group - 016811 real estate activities for sale and rental	2,628,185	4.48

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

December 31, 2017

(In Thousands of New Taiwan Dollars)

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

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	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%	0.00%	-	-	-	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 ratings of futures companies are middle risk degree. Because the percentage of middle risk rating is low, the credit risk is believed on the Company's controllable range. Besides, subsidiaries routinely examine credit risk exposure of their bonds issued under repurchase agreements, so the credit risk is believed under KGI Securities' controllable range.

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

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

c) Receivables

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

d) Held-to-maturity financial assets - noncurrent

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

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

China Life Insurance

- 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's contractual default or the risk of loss of value. Credit risks from financial instruments transactions include issuer credit risk, counterparty risk and concentration 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 prepares reports periodically to determine the credit conditions of counterparty and issuer. China Life Insurance 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 manages the usage of different level of credit limit by internal rating.

   China Life Insurance'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 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 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 or deposit in the bank is listed in accordance with the regional distribution as follows:

   December 31, 2017

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

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

December 31, 2017

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

3) Financial asset credit quality and overdue impairment analysis

i. Grading of financial instrument credit risk quality

China Life Insurance's internal credit risk is classified into investment grade and non-investment grade mainly based on rating of the credit rating agencies:

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

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

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

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

December 31, 2017

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

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

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

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

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

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

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

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

December 31, 2017

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

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

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

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 on 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)

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

(In Thousands of New Taiwan Dollars)

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 U.S. Dollars)

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

(In Thousands of U.S. Dollars)

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

4) Maturity analysis of derivative financial instruments

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

(In Thousands of New Taiwan Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (199,409,025)	$ (277,117,930)	$ (135,180,509)	$ (91,264,010)	$ (4,671,300)	$ (707,642,774)
Cash inflow	189,405,927	255,970,080	133,687,744	88,661,268	4,671,300	672,396,319
Interest rate derivatives instruments						
Cash outflow	(192,636)	(414,702)	(318,008)	(2,424)	(14,701,217)	(15,628,987)
Cash inflow	176,526	430,372	14,089	-	-	620,987
Cash outflow subtotal	(199,601,661)	(277,532,632)	(135,498,517)	(91,266,434)	(19,372,517)	(723,271,761)
Cash inflow subtotal	189,582,453	256,400,452	133,701,833	88,661,268	4,671,300	673,017,306
Net cash flow	$ (10,019,208)	$ (21,132,180)	$ (1,796,684)	$ (2,605,166)	$ (14,701,217)	$ (50,254,455)

(In Thousands of New Taiwan Dollars)

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 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 U.S. Dollars)

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

(In Thousands of U.S. Dollars)

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

5) Maturity analysis of off-balance sheet items

The table below shows KGI Bank's maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period. The disclosures in the table below are prepared based on the contractual cash flows. Therefore, the partial accounts illustrated below may not match with the corresponding accounts on the balance sheets.

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

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

6) The maturity analysis of lease agreement

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

The maturity analysis of lease commitments was as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2017	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 2,111,269	$ 2,053,551	$ -	$ 4,164,820
Financial lease present value income (lessor)	1,994,828	1,956,206	-	3,951,034
Operating lease payment (lessee)	324,587	577,781	73,273	975,641
Operating lease income (lessor)	11,481	11,466	-	22,947
Present value of financial lease payment (lessee)	8	3,154	-	3,162

(In Thousands of New Taiwan Dollars)

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

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

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

(In Thousands of New Taiwan Dollars)

December 31, 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	$ 127,058,823	$ 219,715,996	$ 295,579,614	$ 163,632,779	$ 128,864,381	$ 117,527,786	$ 1,052,379,379
Main capital outflow on maturity	95,731,910	183,638,358	383,761,033	208,991,914	213,997,515	205,014,186	1,291,134,916
Gap	31,326,913	36,077,638	(88,181,419)	(45,359,135)	(85,133,134)	(87,486,400)	(238,755,537)

(In Thousands of New Taiwan Dollars)

December 31, 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	$ 149,978,483	$ 187,766,579	$ 273,928,025	$ 188,006,146	$ 58,519,345	$ 96,361,544	$ 954,560,122
Main capital outflow on maturity	138,288,017	186,969,792	335,677,721	259,116,285	111,646,052	132,880,819	1,164,578,686
Gap	11,690,466	796,787	(61,749,696)	(71,110,139)	(53,126,707)	(36,519,275)	(210,018,564)

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

(In Thousands of U.S. Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 9,056,306	$ 10,980,822	$ 5,171,771	$ 3,691,720	$ 2,485,901	$ 31,386,520
Main capital outflow on maturity	9,399,859	11,470,249	5,792,896	5,043,384	2,215,725	33,922,113
Gap	(343,553)	(489,427)	(621,125)	(1,351,664)	270,176	(2,535,593)

(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
Main capital inflow on maturity	$ 7,791,191	$ 8,779,663	$ 5,933,975	$ 1,350,339	$ 1,585,732	$ 25,440,900
Main capital outflow on maturity	8,209,945	11,019,043	7,209,512	2,031,887	659,533	29,129,920
Gap	(418,754)	(2,239,380)	(1,275,537)	(681,548)	926,199	(3,689,020)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2017	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,197,630	$ 9,503,594	$ -	$ -	$ -	$ 15,701,224
Financial assets measured at FVTPL - current	52,603,579	1,680,289	11,839,587	298,687	105,692	66,527,834
Financial assets at cost - current	464,219	-	-	-	-	464,219
Available-for-sale financial assets - current	3,074,580	-	294,439	-	-	3,369,019
Securities purchased under resell agreement	-	21,145,230	-	-	-	21,145,230
Receivable	32,683,905	5,802,279	21,436,030	3,174,856	-	63,097,070
Customers' margin accounts	23,061,445	-	-	-	-	23,061,445
Stock borrowing collateral price and stock borrowing margin	642,043	781,381	1,105,584	-	-	2,529,008
Other financial assets - current	-	-	2,620,785	-	-	2,620,785
Current tax assets	-	-	5,428	2,188	569,624	577,240
Other current assets	42,812,176	516,276	461,922	-	-	43,790,374
Financial assets measured at FVTPL - noncurrent	-	-	50,188	-	-	50,188
Financial assets at cost - noncurrent	-	-	-	-	987,613	987,613
Available-for-sale financial assets - noncurrent	-	-	-	336,654	456,900	793,554
Held-to-maturity financial assets - noncurrent	-	-	-	-	500,000	500,000
Investments accounted for using the equity method	-	-	-	-	13,535,865	13,535,865
Others noncurrent assets	-	100,000	-	469,402	2,683,642	3,253,044
Total	$ 161,539,577	$ 39,529,049	$ 37,813,963	$ 4,281,787	$ 18,839,336	$ 262,003,712
Percentage	61.66%	15.09%	14.43%	1.63%	7.19%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2017	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 20,036,492	$ -	$ -	$ -	$ 20,036,492
Commercial papers payable, net	-	8,625,804	-	-	-	8,625,804
Financial liabilities measured at FVTPL - current	2,763,476	1,687,810	6,535,931	1,149,735	105,692	12,242,644
Bonds issued under repurchase agreements	-	54,764,877	-	-	-	54,764,877
Payables	59,132,885	1,190,292	5,390,025	156,221	-	65,869,423
Securities lending refundable deposits	-	4,781,100	7,648,001	-	-	12,429,101
Futures customers' equity	23,041,948	-	-	-	-	23,041,948
Other current liabilities	831,705	1,182,278	2,656,192	298	-	4,670,473
Other financial liabilities - current	-	4,101,044	-	231,030	-	4,332,074
Current tax liabilities	-	-	123,071	-	574,191	697,262
Noncurrent liabilities due in one year or an operating cycle	-	-	2,200,000	-	-	2,200,000
Bonds payable	-	-	-	4,800,000	-	4,800,000
Provisions - noncurrent	-	-	-	22,878	197,705	220,583
Others noncurrent liabilities	-	-	-	729,102	133,782	862,884
Total	$ 85,770,014	$ 96,369,697	$ 24,553,220	$ 7,089,264	$ 1,011,370	$ 214,793,565
Percentage	39.93%	44.87%	11.43%	3.30%	0.47%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2017	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 161,539,577	$ 39,529,049	$ 37,813,963	$ 4,281,787	$ 18,839,336	$ 262,003,712
Cash outflow	85,770,014	96,369,697	24,553,220	7,089,264	1,011,370	214,793,565
Amount of cash flow gap	$ 75,769,563	$ (56,840,648)	$ 13,260,743	$ (2,807,477)	$ 17,827,966	$ 47,210,147

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

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
Receivable	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 stock borrowing margin	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
Securities lending refundable deposits	-	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 liabilities - 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

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from December 31, 2017 and 2016, show that the sums from deducting cash outflow from cash inflow are $47,210,147 thousand and $48,799,408 thousand, respectively, all indicating sufficient fund liquidity.

An observation of fund inflow and outflow in different periods of time shows that current and receivable items contribute to the most of the financial assets of KGI Securities and subsidiaries, taking up to nearly 61.66% 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 December 31, 2017 and 2016, net cash inflow calculated from net spot financial assets are respectively $75,769,563 thousand and $83,846,528 thousand, which are sufficient to cover the net cash outflows of $59,648,125 thousand and $49,996,349 thousand from the 3 months and 1-5 years, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

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

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

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

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

CDIB Capital Group and subsidiaries

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

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

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

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

As of December 31, 2017 and 2016, CDIB Capital Group and subsidiaries' other financial liabilities are $370,737 thousand and $386,632 thousand, respectively, and will be paid by financial assets and the rest of nonderivative financial liabilities are $909,527 thousand and $1,685,283 thousand, respectively, and are mainly all current liabilities.

China Life Insurance

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

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

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

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

   a) Financial assets held for managing liquidity risk

      China Life Insurance holds cash, highly liquid and superior assets to deal with payment obligation and the potential urgent funds needs to dispatch in the market environment. Financial assets for managing liquidity risk are cash and cash equivalents, financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity financial assets and debt instrument investments for which no active market exists, etc.

   b) Maturity analysis of non-derivative financial liabilities

      The analysis of cash outflows to China Life Insurance is listed below and based on the residual term from the date of balance sheet to the maturity. The disclosed amount is in accordance with cash flows on contracts, so the partial disclosed items are not the same as related items in the balance sheet.

      Non-derivative financial instruments

	December 31, 2017		
	In 1 Year	**Over 1 Year**	**Total**
Payables	$ 8,547,929	$ -	$ 8,547,929

c) Maturity analysis of derivative financial liabilities

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

China Life Insurance has enough operating capital, including cash and cash equivalents, and highly liquid securities, such as government bonds to pay the investment and liabilities at maturity. Therefore, the risk of liquidity is extremely low. China Life Insurance enters into forward contracts, 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:

	December 31, 2017				
	In 90 Days	**91-180 Days**	**181 Days - 1 Year**	**Over 1 Year**	**Total**
Financial liabilities at fair value through profit or loss	$ 406,856	$ 117,292	$ 11,706	$ -	$ 535,854

3) Maturity analysis of lease commitment

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

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2017 is as follows:

	December 31, 2017
Less than one year	$ 121,955
More than one year but less than five years	451,549
More than five years	5,250,407
	$ 5,823,911

The minimum lease payments of operating lease for the year ended December 31, 2017 amounted to $68,207 thousand.

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

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2017 is as follows:

	December 31, 2017
Less than one year	$ 401,125
More than one year but less than five years	1,000,913
More than five years	232,402
	$ 1,634,440

c) Finance lease commitment - China Life Insurance as the lessee

China Life Insurance has entered into a finance lease contract on certain equipment. The execution date of the contract was November 1, 2015 for a term of 5 years. As of October 31, 2020 of the expiration date, China Life Insurance can acquire the equipment with no payment.

In accordance with the non-cancellable finance lease, the total amount of the minimum lease payment as at December 31, 2017 is as follows:

	December 31, 2017
Less than one year	$ 51,874
More than one year but less than five years	85,012
	$ 136,886

d. Market risk

KGI Bank and subsidiaries

1) Source and definition of market risk

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

2) Risk management policies

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

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

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

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

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

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

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

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

4) Mitigation of risks or hedging of market risk

The KGI Bank's market risk positions or hedging positions are marked to market on a daily base through techniques such as model evaluation. All market parameters are updated at least daily in accordance with changes in market conditions. Market Risk Limits are regularly reviewed and controlled based on the revaluation results.

5) Valuation techniques of market risk

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

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

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2017			**For the Year Ended December 31, 2016**		
	Average	**Highest**	**Lowest**	**Average**	**Highest**	**Lowest**
Interest rate risk	$ 98,810	$ 187,181	$ 29,201	$ 33,310	$ 74,214	$ 17,157
Equity risk	8,254	13,354	4,918	5,951	12,389	2,336
Exchange rate risk	10,860	44,645	2,060	36,105	80,973	6,133

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)

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 5,914,373	29.85	$ 176,532,206
RMB	2,382,398	4.58	10,908,763
EUR	191,275	35.67	6,822,783
HKD	1,338,076	3.82	5,110,111
JPY	6,663,892	0.26	1,765,265
GBP	41,090	40.21	1,652,217
SGD	20,243	22.32	451,818
ZAR	180,741	2.42	437,031
Nonmonetary items			
HKD	568,390	3.82	2,170,682
Financial liabilities			
Monetary items			
USD	7,027,583	29.85	209,759,297
RMB	3,032,704	4.58	13,886,450
ZAR	1,594,860	2.42	3,856,371
EUR	88,468	35.67	3,155,661
AUD	63,370	23.26	1,473,986
JPY	4,329,719	0.26	1,146,943
HKD	178,360	3.82	681,156
NZD	16,677	21.20	353,544
GBP	2,665	40.21	107,141

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
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
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
<u>Financial liabilities</u>			
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

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

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

December 31, 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	$ 259,156,710	$ 15,038,530	$ 4,733,678	$ 74,345,633	$ 353,274,551
Interest rate-sensitive liabilities	143,550,855	96,800,437	22,051,229	3,812,474	266,214,995
Interest rate sensitivity gap	115,605,855	(81,761,907)	(17,317,551)	70,533,159	87,059,556
Net worth					59,218,356
Ratio of interest rate-sensitive assets to liabilities (%)					132.70
Ratio of interest rate-sensitive gap to net worth (%)					147.01

December 31, 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	$ 212,961,639	$ 14,406,478	$ 4,879,123	$ 108,803,232	$ 341,050,472
Interest rate-sensitive liabilities	151,925,098	94,329,388	36,692,575	4,274,816	287,221,877
Interest rate sensitivity gap	61,036,541	(79,922,910)	(31,813,452)	104,528,416	53,828,595
Net worth					57,022,065
Ratio of interest rate-sensitive assets to liabilities (%)					118.74
Ratio of interest rate-sensitive gap to net worth (%)					94.40

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)

December 31, 2017

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

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 3,113,094	$ 155,835	$ 42,177	$ 1,554,905	$ 4,866,011
Interest rate-sensitive liabilities	4,276,669	469,709	694,146	583,645	6,024,169
Interest rate sensitivity gap	(1,163,575)	(313,874)	(651,969)	971,260	(1,158,158)
Net worth					66,874
Ratio of interest rate-sensitive assets to liabilities (%)					80.77
Ratio of interest rate-sensitive gap to net worth (%)					(1,731.85)

December 31, 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	$ 2,375,210	$ 225,241	$ 449,089	$ 1,219,782	$ 4,269,322
Interest rate-sensitive liabilities	2,988,749	440,418	737,981	394,903	4,562,051
Interest rate sensitivity gap	(613,539)	(215,177)	(288,892)	824,879	(292,729)
Net worth					52,465
Ratio of interest rate-sensitive assets to liabilities (%)					93.58
Ratio of interest rate-sensitive gap to net worth (%)					(557.95)

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

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

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

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

KGI Securities and subsidiaries

Market risk is the risk of potential loss or change in valuation for securities or financial products that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and commodity risk.

KGI Securities utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities also holds regular stress test to help the management understand the extent to which KGI Securities can handle stress in this dire economic environment.

1) Risk factor sensitivity

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

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

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

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

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

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

Comparisons of Risk Sensitive Factors

(In Thousands of New Taiwan Dollars)

Risk Sensitivity	December 31, 2017	December 31, 2016
Interest rate risk	$ 4,820	$ 2,321
Equity securities risk	9,081,111	18,656,595
Exchange rate risk	199,480	1,416,056
Commodity risk	95,944	(2,051)

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 portfolio held by KGI Securities and subsidiaries are as follows:

	For the Year Ended December 31, 2017			December 31, 2017
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 286,226	$ 101,239	$ 629,367	$ 185,196
Interest rate	84,874	43,376	164,328	98,072
Exchange rate	7,031	3,002	16,488	5,553
Commodity	6,517	59	33,934	4,240

	For the Year Ended December 31, 2016			December 31, 2016
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 406,843	$ 248,091	$ 733,544	$ 529,293
Interest rate	75,275	31,612	155,833	69,226
Exchange rate	19,930	2,031	97,630	9,294
Commodity	6,619	58	49,537	29,399

3) Stress test

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

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

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	$ 1,533,281	29.83	$ 45,733,639
JPY	10,660,054	0.26	2,822,099
RMB	181,517	4.58	831,136
HKD	130,431	3.81	497,062
Nonmonetary items			
USD	948,179	29.85	28,301,257
RMB	332,660	4.58	1,523,219
AUD	30,770	23.26	715,714
Investments accounted for using the equity method			
USD	73,746	29.85	2,201,177

(Continued)

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial liabilities</u>			
Monetary items			
USD	$ 3,737,065	29.84	$ 111,512,461
JPY	10,364,108	0.26	2,744,556
AUD	24,696	23.26	574,426
HKD	99,931	3.81	380,589
Nonmonetary items			
USD	212,777	29.85	6,350,974
RMB	31,864	4.58	145,903

(Concluded)

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
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

CDIB Capital Group and subsidiaries

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

1) Foreign currency rate risk information

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 268,954	29.848	$ 8,027,743
HKD	125,165	3.819	478,007
RMB	70,069	4.579	320,838
KRW	6,938,074	0.028	194,162
JPY	429,684	0.265	113,823
Investment accounted for using the equity method			
RMB	664,905	4.579	3,044,534
USD	92,247	29.848	2,753,391
Financial liabilities			
Monetary items			
USD	40,011	29.848	1,194,258

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	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

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 Year Ended December 31	
	2017	**2016**
Monetary items		
USD	$ 68,335	$ 73,251
HKD	4,780	4,746
RMB	3,208	2,818
KRW	1,942	1,975
JPY	1,138	1,183

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of December 31, 2017 and 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 years ended December 31, 2017 and 2016 would increase/decrease by $107,667 thousand and $92,113 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

China Life Insurance

1) Market risk analysis

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

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

2) Exchange rate risk

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

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

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

3) Interest rate risk

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

4) Equity price risk

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

5) Value at risk

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

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

6) Stress testing

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

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

a) Simple sensitivity

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

b) Scenario analysis

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

i. Historical scenario:

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

ii. Hypothetical scenario:

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

Summarization of Simple Sensitivity
December 31, 2017

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ -	$ 1,193,279
Interest rate risk (yield curve)	+1BP	(35)	(381,892)
Exchange risk (foreign exchange rate)	+1% (USD for each currency appreciates 1%)	1,017,499	56,501

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

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	NTD
Financial assets			
Monetary items			
USD	$ 27,567,151	29.8480	$ 822,824,310
Non-monetary items			
USD	211,293	29.8480	6,306,678
Financial labilities			
USD	76,240	29.8480	2,275,612

The above information is disclosed based on the carrying amount of the foreign currencies, which has been translated to functional currency.

e. Transfers of financial assets

KGI Bank and subsidiaries

Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As KGI Bank's right to receive cash flows of the financial assets transferred to the counterparties, and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Bank does not derecognize it entirely because KGI Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition are listed below:

December 31, 2017					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Financial assets at FVTPL	$ 4,824,192	$ 4,582,517	$ 4,824,192	$ 4,582,517	$ 241,675
Available-for-sale financial assets	43,558,559	40,043,756	43,558,559	40,043,756	3,514,803

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

KGI Securities and subsidiaries

1) Transferred financial assets not qualifying for full derecognition

   Among daily operations of KGI Securities and subsidiaries, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities held by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements. As the substance of these transactions is secured borrowing, securities that has transferred to counterparties during the transaction causes KGI Securities' right to receive cash flows of the financial assets transferred to the counterparties; KGI Securities only recognized related liabilities reflecting the obligation to repurchase the transferred financial assets at a fixed price in the future, and the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Securities does not derecognize it entirely because KGI Securities remains exposed to interest rate risk, credit risk and market risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition are listed below:

December 31, 2017					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	$ 55,612,999	$ 54,732,813	$ 55,612,999	$ 54,732,813	$ 880,186
Securities borrowing transactions	153,986	215,580	153,986	215,580	(61,594)

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)
Securities borrowing transactions	46,749	65,449	46,749	65,449	(18,700)

2) Transferred financial assets qualifying for full derecognition

KGI Securities uses convertible bonds acquired by an underwriter or dealer as the trading object of the asset swap transaction, then KGI Securities receives consideration by selling it, and exchange interests arise from convertible bonds for compensation interests according to the contracts, and has the right to redeem the bonds at any time before the maturity date. KGI Securities does not retain the control over the transferred assets and derecognizes them since counterparties have the ability to sell financial assets to third party and no restrictions will be made to counterparties. KGI Securities still retain the call option of the object, and the maximum exposure of the loss is the book value of the pledged instruments. Related information of transferred financial assets and liabilities qualifying for full derecognition are as follows:

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

December 31, 2016					
Types of Continuing Involvement	Outflows of Repurchased Transferred Financial Assets (Derecognized)	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	$ 10,229,100	$ 610,676	$ 610,676	$ -	$ 610,676

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

December 31, 2017						
Types of Continuing Involvement	**Spot**	**3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
Call option	$ -	$ 437,400	$ 2,807,800	$ 7,185,700	$ -	$ 10,430,900

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

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.

December 31, 2017			
Types of Continuing Involvement	**Gains Or Losses Recognized at Balance Sheet Day**	**Revenues or Expenses Recognized from Continuing Involvement of Derecognized Financial Assets Until Balance Sheet Day**	**Revenues or Expenses Recognized During the Period**
Call option	$ (2,167)	$ 210,551	$ 208,384

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

f. Offsetting financial assets and financial liabilities

<u>KGI Bank and subsidiaries</u>

KGI Bank have and subsidiaries has no transactions of financial instruments that correspond to the provisions of IAS 32-42, but there are enforceable master netting arrangements or similar agreements signed with counterparty, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

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

December 31, 2017						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 18,829,142	$ -	$ 18,829,142	$ 18,829,142	$ -	$ -
Derivative financial instruments	16,405,402	-	16,405,402	5,634,398	1,327,598	9,443,406
Total	$ 35,234,544	$ -	$ 35,234,544	$ 24,463,540	$ 1,327,598	$ 9,443,406

December 31, 2017						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Notes and bonds issued under repurchase agreements	$ 45,444,814	$ -	$ 45,444,814	$ 45,251,592	$ 193,222	$ -
Derivative financial instruments	25,866,698	-	25,866,698	5,634,398	3,709,337	16,522,963
Total	$ 71,311,512	$ -	$ 71,311,512	$ 50,885,990	$ 3,902,559	$ 16,522,963

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

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 are as follows:

December 31, 2017						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 2,258,637	$ -	$ 2,258,637	$ -	$ 70,133	$ 2,188,504
Securities purchased under resell agreements	21,129,128	-	21,129,128	21,129,128	-	-
Total	$ 23,387,765	$ -	$ 23,387,765	$ 21,129,128	$ 70,133	$ 2,188,504

December 31, 2017						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	$ 5,259,084	$ -	$ 5,259,084	$ -	$ 453,886	$ 4,805,198
Notes and bonds issued under repurchase agreements	54,732,813	-	54,732,813	54,732,813	-	-
Total	$ 59,991,897	$ -	$ 59,991,897	$ 54,732,813	$ 453,886	$ 4,805,198

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

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

China Life Insurance

China Life Insurance holds financial instruments in accordance with paragraph 42 of IAS 32 recognized by the FSC and the related assets and liabilities are offset on the balance sheet.

China Life Insurance may perform transactions not meeting the requirements of offsetting, but has enforceable master netting arrangement or other similar agreements with the counterparties. When both parties agree to settle in net amount, financial assets and financial liabilities could be offset and settled in net amount, and if not, in total amount. However, if any party in the transaction defaults, the other party can choose net settlement.

Related information about above offsetting financial assets and financial liabilities are as follows:

December 31, 2017						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments	**Cash Collateral Received**	
Derivative financial instruments	$ 4,287,344	$ -	$ 4,287,344	$ 493,857	$ -	$ 3,793,487

December 31, 2017						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments	**Cash Collateral Received**	
Derivative financial instruments	$ 535,854	$ -	$ 535,854	$ 493,857	$ 2,275,612	$ (2,233,615)

59. CAPITAL MANAGEMENT

a. Objectives

The basic management objective includes eligible capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite. In order to undertake all kinds of risk, the Group conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

The Group had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital and legal capital were calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

c. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

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

(In Thousands of New Taiwan Dollars; %)

Items / Company	December 31, 2016		
	% of Ownership	**Group's Eligible Capital**	**Group's Legal Capital Demand**
The Corporation		$ 163,482,476	$ 188,137,891
CDIB Capital Group	100.00	20,910,410	1,215,027
KGI	100.00	17,895,797	8,151,174
KGI Bank	100.00	53,986,254	35,206,376
Deduct items		186,391,735	186,391,735
Subtotal		69,883,202 (A)	46,318,733 (B)
Group's CAR (C)=(A)÷(B)			150.87 (C)

Note: Group's capital adequacy ratio = Group's eligible capital, net/Group's legal capital demand.

d. Financial holding companies' net eligible capital

(In Thousands of New Taiwan Dollars)

	December 31	
	2017	**2016**
Common stock	$ 149,763,034	$ 149,744,203
Capital instruments of comply with Tier 1 capital requirement	-	-
Other preferred stock and subordinated bonds	10,000,000	-
Reserve for raising capital	5,162	10
Capital surplus	1,173,719	1,104,521
Legal reserve	5,606,606	5,014,298
Special reserve	2,078,602	3,228,296
Retained earnings	13,184,948	8,556,188
Equity adjustment	73,567	(1,782,652)
Deduction: Capital items	(4,209,823)	(2,382,388)
	$ 177,675,815	$ 163,482,476

The Group's CARs were 118.21% and 150.87% as of December 31, 2017 and 2016, respectively. Since the Financial Holding Company Act and related regulations require, the Group's CAR should be at least 100%, the Group's CARs met its requirement.

60. 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	2017	2016	Trust Liabilities	2017	2016
Bank deposits	$ 371,243	$ 310,897	Payables	$ 152,685	$ 153,951
Short-term investment	29,283,250	30,860,207	Payables on securities under custody	2,571,397	1,909,451
Financial assets at FVTPL	241,655	2,660,355	Other liabilities	5,730	30,906
Receivables	193	26,191	Donated asses received	1,811	-
Financial assets measured at cost	7,650	687,150	Trust capital	30,555,629	34,693,769
Real estate, net	534,259	417,202	Accumulated earnings	707,034	1,067,910
Intangible assets - surface rights	984,534	984,534			
Securities under custody	2,571,397	1,909,451			
Other assets	105	-			
Total	$ 33,994,286	$ 37,855,987	Total	$ 33,994,286	$ 37,855,987

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	**2016**
Trust income and gains		
Dividend income	$ 96,752	$ 86,041
Interest income	1,347,506	1,385,573
Rental income	29,583	30,624
Gain or loss on financial assets at FVTPL, net	30,536	480,409
Other income	9,653	23,470
Total trust income and gains	1,514,030	2,006,117
Trust expenses		
Property transaction losses	(717,270)	(1,461,127)
Administrative expenses	(40,561)	(24,329)
Interest expenses	-	(39,754)
Service fee	(79)	(712)
Other expenses	(11,854)	(29,591)
Total trust expenses	(769,764)	(1,555,513)
Net income	$ 744,266	$ 450,604

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31 2017	December 31 2016
Bank deposits	$ 371,243	$ 310,897
Short-term investments		
Funds	27,956,024	29,104,043
Bonds	1,013,666	1,468,806
Common shares	75,900	78,300
Structured notes	93,766	93,766
ETF	143,894	115,292
Financial assets at FVTPL	241,655	2,660,355
Financial assets measured at cost	7,650	687,150
Real estate, net	534,259	417,202
Intangible assets - surface right	984,534	984,534
Securities under custody	2,571,397	1,909,451
Other assets	298	26,191
Total	$ 33,994,286	$ 37,855,987

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
December 31, 2017 and 2016

(In Thousands of New Taiwan Dollars)

Trust Assets	2017	2016	Trust Liabilities	2017	2016
Bank deposits	$ 1,136,142	$ 809,142	Payables	$ 59,962	$ 16,097
Financial assets	26,411,297	22,988,241	Trust capital	25,510,294	23,786,620
Receivables	127,032	72,988	Reserves and retained earnings	2,104,215	67,654
Total	$ 27,674,471	$ 23,870,371	Total	$ 27,674,471	$ 23,870,371

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Trust income	$ 3,230,873	$ 2,077,401
Trust expenses	(2,184,859)	(2,712,400)
Income (loss) before income tax	$ 1,046,014	$ (634,999)

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31 2017	December 31 2016
Bank deposits	$ 1,136,142	$ 809,142
Stocks	14,493,874	13,755,119
Funds	11,532,078	9,227,067
Structured notes	385,345	6,055
Receivables	127,032	72,988
Total	$ 27,674,471	$ 23,870,371

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

Please refer to Table 9 (attached).

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

Please refer to Table 10 (attached).

63. 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.

64. 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.

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

Please refer to Notes 55 and 58 to the consolidated financial statements.

66. 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.

67. 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	December 31 2017 Formula	2017 %	2016 Formula	2016 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$1,855,943 / $633,222	=2.93	$1,784,471 / $394,084	=4.53	≧1	Yes
17	Current assets / Current liabilities	$2,443,795 / $322,389	=7.58	$2,133,932 / $166,579	=12.81	≧1	Yes
22	Equities / Capital stock	$1,855,943 / $400,000	=463.99%	$1,784,471 / $400,000	=446.12%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$1,327,438 / $340,935	=389.35%	$1,322,873 / $281,618	=469.74%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	December 31 2017 Formula	2017 %	2016 Formula	2016 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$2,609,695 / $315,167	=8.28	$2,735,161 / $298,763	=9.15	≧1	Yes
17	Current assets / Current liabilities	$23,777,258 / $21,871,639	=1.09	$22,820,898 / $20,694,894	=1.10	≧1	Yes
22	Equities / Capital stock	$2,609,695 / $760,000	=343.38%	$2,735,161 / $760,000	=359.89%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$2,387,412 / $4,433,304	=53.85%	$2,338,562 / $3,376,756	=69.25%	≧20% ≧15%	Yes

68. 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, under the newly amended Statement of Financial Accounting Standards No. 34 - "Financial Instruments: Recognition and Measurement," 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 December 31, 2017 were as follows:

	December 31, 2017	
	Carrying Amount	Fair Value
KGI Securities and subsidiaries		
Available-for-sale financial assets	$ 1,405,997	$ 1,405,997

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2017) for the year ended December 31, 2017 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	For the Year Ended December 31, 2017	
	Gains (Losses) Recorded	Pro Forma Losses
KGI Securities and subsidiaries		
Available-for-sale financial assets	$ -	$ 291,203

69. DISCLOSURES REQUIRED BY THE FINANCIAL SUPERVISORY COMMISSION

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

a. Securities held:

(In US Dollars)

	Number of Shares	Carrying Amount
Financial assets measured at cost		
Dragon Investment Fund I Co.	4,375,142	$ 326,351
He Ding Venture Capital Investment Corporation	775,000	218,759
Lien Ding Venture Capital Investment Corporation	600,000	166,266
		$ 711,376

b. Derivative instruments and related capital resources:

KGI Asia (Holdings) Pte. Ltd.

(In US Dollars)

Type of derivative	Capital resources	Nominal amount	Carrying Value
Foreign Exchange	Borrowing	$ 56,880	$ (461,081)

c. Asset management revenues, service and litigation matters: Note 53(c).

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

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

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

70. ADDITIONAL DISCLOSURES

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

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

2) Collaterals/guarantees provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 2 (attached).

3) Marketable securities held: Not applicable to the Corporation, KGI Bank, KGI Securities and subsidiaries and China Life Insurance. For other subsidiaries' information: Please refer to Table 3 (attached).

4) Subsidiaries were acquired and disposed of, at cost or price of at least NT$300 million or 10% of the issued capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT$300 million or 10% of the issued capital): For the KGI Bank and subsidiaries' information: None. Not applicable to KGI Securities and subsidiaries and China Life Insurance. 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 7 (attached).

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

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

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

13) Derivative transactions of the Group: Please refer to Notes 8, 56 and 58 to the consolidated financial statements.

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

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

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.

a. Segment revenues and results

Following is an analysis of the Group's operating revenue and results by reportable segment:

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the year ended December 31, 2017						
Interest profit (loss), net	$ 6,505,438	$ 1,973,291	$ 106,530	$ 13,980,452	$ (495,299)	$ 22,070,412
Noninterest profit, net	5,040,665	17,850,819	4,538,077	38,348,097	(2,434,419)	63,343,239
Net profit (loss)	11,546,103	19,824,110	4,644,607	52,328,549	(2,929,718)	85,413,651
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(463,439)	(153,712)	-	(2,948)	6,349	(613,750)
Net changes in insurance liabilities	-	-	-	(48,277,392)	-	(48,277,392)
Operating expenses	(5,728,408)	(11,667,404)	(1,411,019)	(1,423,865)	(1,772,015)	(22,002,711)
Income (loss) before income tax	5,354,256	8,002,994	3,233,588	2,624,344	(4,695,384)	14,519,798
Income tax benefit (expense)	(1,874,675)	(400,902)	(131,689)	(218,978)	471,913	(2,154,331)
Net income (loss)	$ 3,479,581	$ 7,602,092	$ 3,101,899	$ 2,405,366	$ (4,223,471)	$ 12,365,467
For the year ended December 31, 2016						
Interest profit (loss), net	$ 5,881,614	$ 1,720,087	$ 61,228	$ -	$ (603,427)	$ 7,059,502
Noninterest profit, net	4,949,024	12,223,572	2,840,575	-	55,055	20,068,226
Net profit (loss)	10,830,638	13,943,659	2,901,803	-	(548,372)	27,127,728
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(258,744)	(535,491)	42,757	-	-	(751,478)
Operating expenses	(5,569,586)	(10,881,734)	(1,529,421)	-	(1,284,680)	(19,265,421)
Income (loss) before income tax	5,002,308	2,526,434	1,415,139	-	(1,833,052)	7,110,829
Income tax benefit (expense)	(927,070)	(250,695)	(125,488)	-	179,328	(1,123,925)
Net income (loss)	$ 4,075,238	$ 2,275,739	$ 1,289,651	$ -	$ (1,653,724)	$ 5,986,904

b. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers For the Year Ended December 31 2017	2016
Taiwan	$ 76,959,194	$ 21,239,678
Hong Kong	5,251,343	4,152,461
British Virgin Islands	1,850,313	567,842
Malaysia	794,774	548,229
China	293,918	265,304
Grand Cayman	166,068	249,392
Others	98,041	104,822
	$ 85,413,651	$ 27,127,728

c. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2017 and 2016.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 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	$ 3,581,760	$ 3,581,760	$ 1,790,880	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 12,005,690 (Note 1)	$ 12,005,690 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,074,160	5,074,160	1,790,880	Floating	Short-term financing	-	Working capital	-	-	-	12,005,690	-
		KGI Investment Advisory (Shanghai) Company Limited	Receivables, net	Yes	23,878	-	-	Floating	Short-term financing	-	Working capital	-	-	-	12,005,690	-
2	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	447,720	447,720	-	Floating	Short-term financing	-	Working capital	-	-	-	11,917,172 (Note 2)	11,917,172 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,492,400	1,492,400	-	Floating	Short-term financing	-	Working capital	-	-	-	15,476,248 (Note 3)	15,476,248 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	746,200	596,960	537,264	Floating	Short-term financing	-	Working capital	-	-	-	15,476,248	-
4	KGI International Finance Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	59,696	59,696	-	Floating	Short-term financing	-	Working capital	-	-	-	190,221 (Note 4)	190,221 (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 YEAR ENDED DECEMBER 31, 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	$ 5,816,078	$ 1,107,770	$ 736,560	$ 736,560	$ -	1.27%	$ 23,264,310 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	15,476,248	1,934,322	740,074	46,153	-	4.78%	15,476,248 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	15,476,248	3,223,584	3,223,584	1,145,694	-	20.83%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	15,476,248	194,012	194,012	-	-	1.25%		No	No	No
		KGI Finance Limited	Note 1	15,476,248	128,346	128,346	-	-	0.83%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	15,476,248	1,850,576	1,850,576	-	-	11.96%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	15,476,248	596,960	596,960	-	-	3.86%		No	No	No
		KGI Asia (Holdings) Pte. Ltd.	Note 1	15,476,248	1,302,862	1,302,862	1,004,382	-	8.42%		No	No	No
3	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Note 1	11,917,172	89,544	-	-	-	-	11,917,172 (Note 4)	No	No	No
4	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,621,075	2,591,005	1,480,527	477,568	-	160.19%	4,621,075 (Note 5)	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: CDIB Management Consulting Corporation: The total amount of guarantee provided should not exceed 5 times of the Company's net asset value of the latest financial report.

Note 6: 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
DECEMBER 31, 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	December 31, 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	$ 144,255	35.71	$ 144,255	
	China Metal Products Co., Ltd.	-	Available-for-sale financial assets	12,381,003	351,620	3.21	351,620	
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	1,400,248	189,003	0.85	189,003	
	ATEN International Co., Ltd.	-	Available-for-sale financial assets	1,541,211	129,462	1.29	129,462	
	Qisda Corporation	-	Available-for-sale financial assets	148,867,816	3,148,554	7.57	3,148,554	
	Powertech Industrial Co., Ltd.	-	Available-for-sale financial assets	3,712,596	58,102	3.78	58,102	
	Innolux Corporation	-	Available-for-sale financial assets	7,932,740	98,366	0.08	98,366	
	Darfon Electronics Corp.	-	Available-for-sale financial assets	986,000	29,235	0.35	29,235	
	Chipbond Technology Corporation	-	Available-for-sale financial assets	7,971,229	449,577	1.22	449,577	
	Chime Ball Technology Co., Ltd.	-	Available-for-sale financial assets	584,393	36,408	1.25	36,408	
	Copartner Technology Corporation	-	Available-for-sale financial assets	11,024,340	254,662	12.97	254,662	
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	6,671,695	201,819	0.55	201,819	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	5,449,006	64,298	1.94	64,298	
	Formosa Taffeta Co., Ltd.	-	Available-for-sale financial assets	2,017,000	63,435	0.46	63,435	
	Green Energy Technology Inc.	-	Available-for-sale financial assets	371,561	6,539	0.09	6,539	
	Aspeed Technology Inc.	-	Available-for-sale financial assets	104,276	74,870	0.31	74,870	
	Solartech Energy Corp.	-	Available-for-sale financial assets	7,857,266	117,073	2.09	117,073	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	14,012,424	186,151	1.37	186,151	
	FocalTech Systems Co., Ltd.	-	Available-for-sale financial assets	3,568,061	110,967	1.20	110,967	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	11,040,065	294,770	2.16	294,770	
	Globalwafers. Co., Ltd.	-	Available-for-sale financial assets	1,758,072	698,834	0.40	698,834	
	Gallant Precision Machining Co., Ltd.	-	Available-for-sale financial assets	8,709,358	185,074	5.27	185,074	
	Kuangli Photoelectric Technology Co., Ltd.	-	Available-for-sale financial assets	5,224,326	78,626	11.45	78,626	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	3,423,956	261,248	0.58	261,248	
	Topview Optromics Corporation	-	Available-for-sale financial assets	1,569,000	57,190	6.82	57,190	
	Sunko Ink Co., Ltd.	-	Available-for-sale financial assets	11,381,788	161,052	5.12	161,052	
	EPISTAR Corporation	-	Available-for-sale financial assets	2,442,607	110,284	0.22	110,284	
	Utechzone Co., Ltd.	-	Available-for-sale financial assets	2,778,496	140,314	4.52	140,314	
	Donpon Precision Inc.	-	Available-for-sale financial assets	6,793,493	103,601	6.82	103,601	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	1,492,910	32,098	0.94	32,098	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	1,233,000	74,966	2.57	74,966	
	Aces Electronics Co., Ltd.	-	Available-for-sale financial assets	1,134,483	28,589	0.93	28,589	
	Coland Holdings Limited	-	Available-for-sale financial assets	561,402	19,425	0.72	19,425	
	Entery Industrial Co., Ltd.	-	Available-for-sale financial assets	8,364,000	59,804	11.22	59,804	
	Taiwan Stock Exchange	-	Financial assets measured at cost	48,604,914	8,400	7.00	3,505,195	
	Logitech Inc.	-	Financial assets measured at cost	2,965,248	23,862	10.69	36,413	
	Solar Fine Chemical Co., Ltd.	-	Financial assets measured at cost	4,828,064	61,960	10.83	50,679	
	Gold Peak Industries (Taiwan) Ltd.	-	Financial assets measured at cost	30,616,980	24,494	15.04	17,842	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	4,225,979	120,761	6.04	75,730	
	National Glory Development Corp.	-	Financial assets measured at cost	646,884	4,993	6.47	7,523	
	TopGreen Technology Co., Ltd.	-	Financial assets measured at cost	633,377	17,499	1.17	7,271	
	Everest Display Inc.	-	Financial assets measured at cost	408,760	4,297	2.49	1,975	
	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	92,953	
	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	4,465	
	Echem Hightech Co., Ltd.	-	Financial assets measured at cost	1,535,934	22,600	11.69	19,743	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Group	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	4,000,000	$ 42,000	9.91	$ 29,502	
	E-one Moli Energy Corp.	-	Financial assets measured at cost	6,035,000	63,360	2.40	9,292	
	Jouge Technology Co., Ltd.	-	Financial assets measured at cost	1,568,700	32,625	9.68	1,221	
	HealthStream Taiwan Inc.	-	Financial assets measured at cost	4,774,523	59,980	13.96	56,213	
	Subtron Technology Co., Ltd.	-	Financial assets measured at cost	12,316,000	193,819	4.31	87,320	
	Orgchem Technologies, Inc.	-	Financial assets measured at cost	1,067,220	49,000	1.86	17,653	
	General Life Biotechnology Co., Ltd.	-	Financial assets measured at cost	2,520,000	54,000	8.40	21,623	
	Mec Imex Inc.	-	Financial assets measured at cost	4,802,000	107,853	10.52	84,835	
	Chain Yarn Corporation	-	Financial assets measured at cost	15,828,324	222,642	10.30	146,729	
	Yieh United Steel Corp.	-	Financial assets measured at cost	11,506,622	94,021	0.44	77,900	
	Hua-jie (Taiwan) Corp.	-	Financial assets measured at cost	1,300,403	13,395	6.45	13,997	
	AMIA Co.	-	Financial assets measured at cost	6,000,000	210,000	9.54	130,140	
	Up Scientech Materials Corp.	-	Financial assets measured at cost	4,651,344	252,200	6.85	114,136	
	PlexBio Co., Ltd.	-	Financial assets measured at cost	3,526,000	88,150	6.93	72,142	
	Riselink Restructuring Fund Corporation	-	Financial assets measured at cost	5,771,370	57,714	12.50	63,746	
	5V Technologies, Ltd.	-	Financial assets measured at cost	159,435	10,172	0.99	1,594	
	Top Green Energy Technologies, Inc.	-	Financial assets measured at cost	16,240,740	292,333	12.99	16,676	
	Lager Network Technologies Inc.	-	Financial assets measured at cost	1,500,000	30,000	5.00	(1,439)	
	Awise Fiber Technology Co., Ltd.	-	Financial assets measured at cost	3,500,000	43,750	18.15	2,621	
	Biodenta Corporation	-	Financial assets measured at cost	150,000	3,750	3.58	1,500	
	Orient Pharma Co., Ltd.	-	Financial assets measured at cost	2,857,800	55,307	2.19	52,183	
	Wai-Gin Industrial Co., Ltd.	-	Financial assets measured at cost	1,170,000	11,106	3.44	9,734	
	ARCOA Communication Co., Ltd.	-	Financial assets measured at cost	7,567,424	101,207	5.64	96,443	
	Eastern Electronic Co., Ltd.	-	Financial assets measured at cost	4,348,680	46,598	6.47	61,091	
	HCT Logistics Co., Ltd.	-	Financial assets measured at cost	4,920,876	113,705	1.97	240,307	
	Vita Genomics, Inc.	-	Financial assets measured at cost	77,720	777	0.13	630	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets measured at cost	3,224,867	139,899	4.03	209,616	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	2,118,764	41,289	6.27	5,176	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	4,746,720	145,462	5.83	84,634	
	Kaohsiung Rapid Transit Corporation.	-	Financial assets measured at cost	3,845,330	39,703	1.38	41,975	
	STL Technology Co., Ltd.	-	Financial assets measured at cost	5,455,881	191,968	7.83	65,743	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets measured at cost	1,293,232	105,000	1.19	179,837	
	DragonJet Corporation	-	Financial assets measured at cost	4,300,000	178,450	4.77	77,015	
	Vactronics Technologies Inc.	-	Financial assets measured at cost	2,494,309	48,060	5.28	38,652	
	Chipsip Technology Co., Ltd.	-	Financial assets measured at cost	1,915,288	7,853	4.56	4,018	
	Terawins, Inc.	-	Financial assets measured at cost	1,913,996	27,173	6.30	26,483	
	Feature Integration Technology Inc.	-	Financial assets measured at cost	1,341,803	52,585	4.03	13,163	
	Mosart Semiconductor Corp.	-	Financial assets measured at cost	2,731,098	60,056	10.57	25,997	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	2,150,536	39,176	10.43	13,376	
	Luxaltek Corporation	-	Financial assets measured at cost	1,535,188	27,094	2.47	6,690	
	Overseas Investment & Development Corp.	-	Financial assets measured at cost	2,600,000	26,000	2.89	25,976	
	Microprogram Co., Ltd.	-	Financial assets measured at cost	2,550,000	68,000	7.95	32,390	
	Lefram Technology Corporation	-	Financial assets measured at cost	7,484,454	54,757	17.48	47,152	
	Core Pacific City Co., Ltd.	-	Financial assets measured at cost	2,500,000	15,625	0.16	21,750	
	TAK Technology Co., Ltd.	-	Financial assets measured at cost	2,467,706	2,665	4.14	12,894	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	4,609,749	43,594	6.90	42,066	
	Engineering & IP Advanced Technologies Ltd.	-	Financial assets measured at cost	4,216	2	-	3	
	Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	147,857	4.81	120,769	
	JHL. Biotech, Inc.	-	Financial assets measured at cost	8,382,844	144,842	3.81	503,054	
	Easten Power and Electric Company Limited	-	Financial assets measured at cost	3,201,019	295,572	12.00	324,770	
	Beauty Essentials International Ltd.	-	Financial assets measured at cost	86,503,067	179,045	8.79	48,746	
	Engineering & IP Advanced Technologies Ltd. - preferred stock	-	Financial assets measured at cost	6,392,765	2,354	0.35	4,864	
	Lightel Technologies, Inc. - preferred stock	-	Financial assets measured at cost	3,000,000	89,700	43.44	63,342	
	Apexigen, Inc. - preferred stock	-	Financial assets measured at cost	4,970,588	75,847	9.59	8,181	
	Leyou, Inc. - preferred stock D	-	Financial assets measured at cost	663,958,732	450,150	75.00	120,775	
	CDIB Capital Management Inc.	Subsidiary	Investments accounted for using the equity method	33,093,889	649,945	100.00	649,945	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	5,152,133	28.71	5,152,133	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	58,200,000	530,836	38.80	530,836	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	58,250,000	558,505	33.29	558,505	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Group	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	$ 10,245,258	100.00	$ 10,245,258	
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	5,351,939	46,363	20.00	46,363	
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	3,913	30.00	3,913	
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,282,133	100.00	1,282,133	
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	6,513,181	100.00	6,513,181	
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	7,377,674	100.00	7,377,674	
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	601,196	100.00	601,196	
	Government bonds							
	A00109	-	Available-for-sale financial assets	7,000,000	7,161	-	7,161	
	A01105	-	Available-for-sale financial assets	100,000,000	102,724	-	102,724	
	A03115	-	Available-for-sale financial assets	50,000,000	50,663	-	50,663	
	Corporate bond							
	Belta (Cayman) Holding Limited	-	Debt instruments with no active markets	11,959,916	358,439	-	36,403	
	Fund							
	CommLaunch	-	Financial assets measured at cost	-	40,092	-	41,214	
	ARCH Venture Fund V, L.P.	-	Financial assets measured at cost	-	25,951	-	6,278	
	Forward Venture IV, L.P.	-	Financial assets measured at cost	-	15,719	-	11,767	
	Forward Venture V	-	Financial assets measured at cost	-	64,388	-	34,491	
	MPM Bioventures III L.P.	-	Financial assets measured at cost	-	61,506	-	15,949	
	Sanderling	-	Financial assets measured at cost	-	31,839	-	13,549	
	Samara Capital Partners Fund I Limited	-	Financial assets measured at cost	-	193,164	-	138,370	
	THL Equity Fund VI Investors (Ceridan) L.P.	-	Financial assets measured at cost	-	228,510	-	269,829	
CDIB Capital Management Inc.	Stocks							
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	260,000	35,100	0.16	35,100	
	ATEN International Co., Ltd.	-	Available-for-sale financial assets	65,660	5,515	0.05	5,515	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	300,000	18,240	0.63	18,240	
	Kwan's International Co., Ltd.	-	Available-for-sale financial assets	101,240	4,075	0.13	4,075	
	MCM Stamping Co., Ltd.	-	Financial assets measured at cost	70,000	2,100	0.22	660	
	ARCOA Communication Co., Ltd.	-	Financial assets measured at cost	783,000	7,493	0.58	9,979	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	235,474	4,485	0.70	575	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	297,623	4,824	1.44	1,851	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	719,883	6,808	1.08	6,569	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	276,238	100.00	276,238	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	1,500,000	13,681	1.00	13,681	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	1,750,000	16,779	1.00	16,779	
	CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	13,129	60.00	13,129	
	Funds							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	9,777	0.10	9,777	
CDIB Private Equity (Hong Kong) Corporation Limited	Stocks							
	CDIB Private Equity (China) Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 53,960	100.00	HK$ 53,960	
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 3,830	27.08	HK$ 3,830	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 8,362	56.00	HK$ 8,362	
CDIB Private Equity (China) Corporation	Stocks							
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 8,575	65.00	CNY 8,575	
	CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 18,864	70.00	CNY 18,864	
CDIB Private Equity (Fujian) Co., Ltd.	Stocks							
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 2,491	20.00	CNY 2,491	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	Note
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Stocks							
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 6,880	58.33	CNY 6,880	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Funds							
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 9,964	1.00	CNY 9,964	
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Funds							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,361	1.00	CNY 10,361	
CDIB Venture Capital Corporation	Stocks							
	Viscovery (Cayman) Holding Company Limited - preferred stock	-	Financial assets at fair value through profit or loss	304,878	14,924	8.20	14,924	
	ATEN International Co., Ltd.	-	Available-for-sale financial assets	2,283,567	191,820	1.91	191,820	
	Anpec Electronics Corporation	-	Available-for-sale financial assets	3,709,011	167,091	3.61	167,091	
	HIM International Music Inc.	-	Available-for-sale financial assets	997,656	101,262	2.12	101,262	
	Macroblock, Inc.	-	Available-for-sale financial assets	262,500	17,036	0.75	17,036	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	3,285,131	38,765	1.17	38,765	
	Dyaco Co., Ltd.	-	Available-for-sale financial assets	5,575,500	249,782	6.00	249,782	
	Solartech Energy Corp.	-	Available-for-sale financial assets	5,215,328	65,072	1.39	65,072	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	4,555,307	60,028	0.45	60,028	
	FocalTech Systems Co., Ltd.	-	Available-for-sale financial assets	495,352	15,405	0.17	15,405	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	2,608,065	69,635	0.51	69,635	
	Gallant Precision Machining Co., Ltd.	-	Available-for-sale financial assets	1,247,499	26,509	0.76	26,509	
	Shin Zu Shing Co., Ltd.	-	Available-for-sale financial assets	613,462	46,010	0.34	46,010	
	Enterex International Limited	-	Available-for-sale financial assets	1,751,000	58,659	1.74	58,659	
	Sum Max Tech. Limited	-	Available-for-sale financial assets	2,875,481	258,793	12.13	258,793	
	Regal Holding Co., Ltd.	-	Available-for-sale financial assets	2,200,000	112,200	5.77	112,200	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	5,708,562	435,563	0.96	435,563	
	Sunfun Info Co., Ltd.	-	Available-for-sale financial assets	810,000	35,033	5.68	35,033	
	ASRock Inc.	-	Available-for-sale financial assets	424,462	29,118	0.35	29,118	
	Share Hope Medicine Co., Ltd.	-	Available-for-sale financial assets	234,846	8,701	0.30	8,701	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	2,513,383	54,038	1.58	54,038	
	Aces Electronics Co., Ltd.	-	Available-for-sale financial assets	2,850,421	71,831	2.33	71,831	
	Shane Global Holding Inc.	-	Available-for-sale financial assets	1,715,700	174,115	1.72	174,115	
	Kwan’s International Co., Ltd.	-	Available-for-sale financial assets	202,480	17,575	0.25	17,575	
	4Gamers Entertainment Inc. - preferred stock	-	Available-for-sale financial assets	24,000	11,939	20.00	11,939	
	Citiesocial Holding Cayman Co., Ltd. - preferred stock	-	Available-for-sale financial assets	479,635	14,925	18.18	14,925	
	Uimbo CV Inc. - preferred stock	-	Available-for-sale financial assets	1,394,145	20,894	10.29	20,894	
	CCMODA Corp. - preferred stock	-	Available-for-sale financial assets	666,666	14,924	20.00	14,924	
	Kneron, Inc.	-	Available-for-sale financial assets	1,546,391	44,772	10.00	44,772	
	Achieve Made International Limited - preferred stock	-	Available-for-sale financial assets	168,138	12,898	6.67	12,898	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	1,408,659	35,751	2.01	25,243	
	AMPAK Technology Inc.	-	Financial assets measured at cost	1,208,650	24,795	1.44	21,429	
	Azotek Co., Ltd.	-	Financial assets measured at cost	824,500	27,645	1.65	9,990	
	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	500,000	5,250	1.24	3,688	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets measured at cost	1,500,000	33,000	4.22	5,583	
	Fukuta Co., Ltd.	-	Financial assets measured at cost	1,608,600	139,860	4.80	39,354	
	Chain Yarn Corporation	-	Financial assets measured at cost	843,653	11,504	0.55	7,821	
	Handa Pharmaceuticals Inc.	-	Financial assets measured at cost	2,809,000	89,888	2.69	101,714	
	Top Green Energy Technologies, Inc.	-	Financial assets measured at cost	1,111,111	16,667	0.89	51	
	DL-tek Co., Ltd.	-	Financial assets measured at cost	3,772,331	51,100	1.03	28,485	
	Biodenta Corporation	-	Financial assets measured at cost	129,999	3,250	3.10	(1,386)	
	Fusheng Precision Co., Ltd.	-	Financial assets measured at cost	800,000	98,000	0.68	98,000	
	M2Communication, Inc.	-	Financial assets measured at cost	6,477,527	96,810	16.73	26,695	
	Cvie Therapeutics Limited	-	Financial assets measured at cost	846,351	40,262	4.15	4,407	
	GSD Technologies Co., Ltd.	-	Financial assets measured at cost	5,841,702	108,946	19.47	128,940	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	630,518	8,995	1.87	1,540	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	3,725,007	107,176	4.57	66,417	
	Trea Xtal Technology Corp.	-	Financial assets measured at cost	2,781,000	1,669	1.46	(11,513)	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	Note
CDIB Venture Capital Corporation	STL Technology Co., Ltd.	-	Financial assets measured at cost	7,002,053	$ 255,605	9.97	$ 84,375	
	Chipsip Technology Co., Ltd.	-	Financial assets measured at cost	428,928	1,759	1.02	900	
	Greatland Electronics Taiwan Ltd.	-	Financial assets measured at cost	1,920,000	6,720	5.50	11,925	
	Luxaltek Corporation	-	Financial assets measured at cost	124,474	2,197	0.20	542	
	Shengzhuang Holding Limited	-	Financial assets measured at cost	610,590	151,150	6.11	14,386	
	Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	146,075	4.81	130,865	
	CBA Sports International Ltd.	-	Financial assets measured at cost	514,821	78,046	-	94,286	
	Cvie Therapeutics Company Limited	-	Financial assets measured at cost	560,000	21,708	4.15	(564)	
	Hartec Asia Pte. Ltd.	-	Financial assets measured at cost	2,800,000	99,603	10.23	74,566	
	iCHEF Co., Ltd. - preferred stock	-	Financial assets measured at cost	11,167,513	73,874	40.74	(1,848)	
	Zentera System, Inc.	-	Financial assets measured at cost	1,324,503	61,900	39.35	115,685	
	FUNP Co., Ltd. - preferred stock	-	Financial assets measured at cost	400,000	48,283	20.00	7,615	
	Derbysoft Holdings Limited - preferred stock A	-	Financial assets measured at cost	28,000,000	91,938	5.90	47,705	
	Derbysoft Holdings Limited - preferred stock B	-	Financial assets measured at cost	4,643,469	15,297	0.98	7,911	
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	870,000,000	3,298,634	100.00	3,298,634	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	303,004	-	303,004	
	<u>Option</u>							
	CBA Sports International Ltd.	-	Financial assets measured at cost	-	142,819	-	24,281	
	<u>Convertible (exchangeable) Corporate bond</u>							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	2,000	146,217	-	146,217	
CDIB Venture Capital (Hong Kong) Corporation Limited	<u>Funds</u>							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 426,099	-	HK$ 426,099	
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 350,645	-	HK$ 350,645	
CDIB Capital Investment I Limited	<u>Stocks</u>							
	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	37,142,000	US$ 2,661	3.66	US$ 2,661	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	22,428,000	US$ 597	1.47	US$ 597	
	CCAP Best Logistics Holdings Limited	-	Available-for-sale financial assets	1,000	US$ 4,716	11.11	US$ 4,716	
	Casper Sleep, Inc.	-	Financial assets measured at cost	266,690	US$ 7,500	20.05	US$ 7,500	
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets measured at cost	1,636,800	US$ 818	1.91	US$ 796	
	Rock Mobile (Cayman) Co. - preferred stock C	-	Financial assets measured at cost	840,336	US$ 1,000	3.26	US$ 180	
	Subicvest Inc.	Subsidiary	Investments accounted for using the equity method	200,000	US$ 80	100.00	US$ 80	
	<u>Funds</u>							
	Carlyle Asia Partners II, L.P.	-	Financial assets measured at cost	-	US$ 2,819	-	US$ 444	
	MSD Sports Partners, L.P.	-	Financial assets measured at cost	-	US$ 8,144	-	US$ 9,148	
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method		US$ 92,116	-	US$ 92,116	
	<u>Option</u>							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets measured at cost	-	US$ 1,785	-	US$ 7,904	
	<u>Corporate bonds</u>							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	41,875,000	US$ 6,398	-	US$ 6,519	
	<u>Convertible (exchange) corporate bond</u>							
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US$ 4,000	-	US$ 4,000	
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	28,094,510	US$ 4,368	-	US$ 4,310	
Subicvest, Inc.	<u>Stocks</u>							
	SPEC Protertices, Inc.	-	Financial assets measured at cost	242,683	PHP 2,590	3.44	PHP 2,590	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Investment II Limited	Stocks							
	Neo-neon Holdings Ltd.	-	Available-for-sale financial assets	14,000,000	US$ 1,487	0.66	US$ 1,487	
	Great Rich Technologies Limited	-	Available-for-sale financial assets	1,660,000	US$ 5,191	2.46	US$ 5,191	
	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	9.37	US$ 12,656	
	Option							
	CBA Sports International Ltd.	-	Financial assets measured at cost	-	US$ 4,867	-	US$ 804	
CDIB Global Markets Limited	Stocks							
	Facebook Inc.	-	Available-for-sale financial assets	575	US$ 101	-	US$ 101	
	GoPro, Inc.	-	Available-for-sale financial assets	51,878	US$ 392	0.04	US$ 392	
	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$ -	-	US$ -	
	Optoplex Corporation - preferred stock A	-	Financial assets measured at cost	7,956	US$ 23	0.42	US$ 2	
	Optoplex Corporation - preferred stock B	-	Financial assets measured at cost	20,602	US$ 31	0.75	US$ 6	
	Sonics, Inc. - preferred stock B	-	Financial assets measured at cost	114,359	US$ 333	14.74	US$ 10	
	Microfabrica, Inc. - preferred stock B	-	Financial assets measured at cost	13,091	US$ 27	0.12	US$ 10	
	Microfabrica, Inc. - preferred stock AC	-	Financial assets measured at cost	7,749	US$ 13	0.48	US$ 6	
	Flemingo International (BVI) Ltd. - preferred stock	-	Debt instruments with no active markets	1,048	US$ 19,980	50.19	US$ 38,060	
	Fund							
	Huaxing Capital Partners II LP	-	Financial assets measured at cost	-	US$ 6,444	-	US$ 6,601	
	GS TDN Investors Offshore, L.P.	-	Financial assets measured at cost	-	US$ 21,000	-	US$ 1,050	
	CX Partners Fund Alpha Limited	-	Financial assets measured at cost	-	US$ 7,252	-	US$ 9,346	
	Carlyle Asia Partners III, L.P.	-	Financial assets measured at cost	-	US$ 5,970	-	US$ 5,660	
	Riverwood Capital Partners L.P.	-	Financial assets measured at cost	-	US$ 5,462	-	US$ 5,508	
	ECP II (Cayman) Ltd. A	-	Financial assets measured at cost	-	US$ 6,178	-	US$ 8,533	
	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$ 6,492	-	US$ 8,264	
	Carlyle Asia Partners IV, L.P.	-	Financial assets measured at cost	-	US$ 11,559	-	US$ 15,540	
	Carlyle Giovanna Partners, L.P.	-	Financial assets measured at cost	-	US$ 12,858	-	US$ 52,369	
	Tenaya Capital V, L.P.	-	Financial assets measured at cost	-	US$ 5,597	-	US$ 4,722	
	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$ 7,294	-	US$ 3,835	
	THL Equity Fund VI Investors (Clear Channel), L.P.	-	Financial assets measured at cost	-	US$ 12,477	-	US$ 625	
	Industry Ventures Fund VI, L.P.	-	Financial assets measured at cost	-	US$ 3,811	-	US$ 4,369	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 5,753	-	US$ 8,291	
	Tenaya Capital VI, LP	-	Financial assets measured at cost	-	US$ 6,807	-	US$ 6,753	
	Formation8 Partners Fund I, L.P.	-	Financial assets measured at cost	-	US$ 2,365	-	US$ 7,915	
	Blue Point Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 6,898	-	US$ 5,581	
	Riverwood Capital Partners II L.P.	-	Financial assets measured at cost	-	US$ 11,806	-	US$ 10,973	
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	-	Financial assets measured at cost	-	US$ 5,006	-	US$ 8,951	
CDIB Capital International Corporation	Stocks							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US$ 6,799	100.00	US$ 6,799	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US$ 6,039	100.00	US$ 6,039	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 1,719	100.00	US$ 1,719	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US$ (61)	100.00	US$ (61)	
China Development Asset Management Corp.	Stocks							
	Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	2,000,000	110,562	100.00	110,562	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,560,004	100.00	2,560,004	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	194,051	100.00	194,051	
	Pine Street Asset Management Corp.	-	Financial assets measured at cost	3,886,190	43,438	12.25	43,438	
	Waterland Securities Co., Ltd.	-	Financial assets measured at cost	8,034,740	7,147	1.07	108,718	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Management Consulting Corp.	Stocks							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,238,460	$ 621,085	76.04	$ 621,085	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	189,033	100.00	189,033	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	476	19.00	476	
Global Securities Finance Corporation	Stocks							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets	1,454,000	154,124	-	154,124	
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	515,000	55,363	-	55,363	
	Taishin Financial Holding Co., Ltd. - preferred stock	-	Available-for-sale financial assets	200,000	10,580	-	10,580	
	LiteOn Technology Corporation	-	Available-for-sale financial assets	950,000	38,570	-	38,570	
	Advanced Semiconductor Engineering, Inc.	-	Available-for-sale financial assets	561,000	21,402	-	21,402	
	Pegatron Corporation	-	Available-for-sale financial assets	200,000	14,400	-	14,400	
	Mutual funds							
	Yuanta/P-shares Taiwan Dividend Plus ETE	-	Available-for-sale financial assets	2,540,000	63,500	-	63,500	
	PineBridge Preferred Securities Income Fund-B (TWD)	-	Available-for-sale financial assets	26,040,000	253,633	-	253,633	
	NB AR Taiwan Equity Fund T Inc.	-	Available-for-sale financial assets	2,000,000	19,520	-	19,520	
	Bank debentures							
	Sunny Bank Second Subordinated Bank Debentures issued in 2015	-	Held-to-maturity financial assets	200,000,000	200,000	-	199,993	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issued in 2015	-	Held-to-maturity financial assets	100,000,000	100,000	-	100,000	
	Bank of Panhsin 3th Unsecured Subordinate Financial Debentures issued in 2017	-	Held-to-maturity financial assets	200,000,000	200,000	-	199,993	
	Bank SinoPac Third Subordinated Bank Debentures issued in 2011	-	Other financial assets	150,000,000	150,463	-	150,507	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other financial assets	50,000,000	50,000	-	50,145	
	Government bonds							
	A05113	-	Other financial assets	100,000,000	99,544	-	100,037	
	A06102	-	Other financial assets	100,000,000	99,714	-	100,481	

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 December 31, 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)

TABLE 4

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
FOR THE YEAR ENDED DECEMBER 31, 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	$ 2,421,554 (Note 1)	-	$ -	$ -	$ -	200,000,000	$ 2,421,554
	China Life Insurance Co., Ltd.	Investment accounted for using the equity method	Public tender offer	Subsidiary	-	-	959,200,000	30,101,081 (Note 2)	-	-	-	-	959,200,000	30,101,081
	CDIB Capital Group	Investment accounted for using the equity method	-	-	2,060,399,410	69,863,440	-	-	-	19,283,497	16,990,309 (Note 3)	-	2,041,115,913	52,873,131
	KGI Securities	Investment accounted for using the equity method	-	-	3,498,812,320	55,568,778	-	-	-	500,000,000	3,653,706 (Note 4)	-	2,998,812,320	51,915,072
CDIB Capital Group	Stocks													
	CDIB Venture Capital Corporation	Investment accounted for using the equity method	-	-	922,790,915	8,864,695	100,000,000	1,380,563 (Note 5)	-	-	-	-	1,022,790,915	10,245,258
	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	-	1,300,281 (Note 7)	-	45,000,000	1,282,133
	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	Stock													
	CDIB Venture Capital (Hong Kong) Corporation Limited	Investment accounted for using the equity method	-	-	650,000,000	2,435,332	220,000,000	863,302 (Note 8)	-	-	-	-	870,000,000	3,298,634
CDIB Capital Investment I Limited	Stock													
	CDIB Capital Asia Partner Fund	Investment accounted for using the equity method	-	-	-	US$ 65,356	-	US$ 26,760 (Note 9)	-	-	-	-	-	US$ 92,116
	BP SCI LLC	Financial assets measured at cost	-	-	42,000	US$ 15,000	-	-	42,000	US$ 41,946	US$ 15,000	US$ 26,946	-	-
	Chewy, Inc.	Financial assets measured at cost	-	-	12,368	US$ 11,699	-	-	12,368	US$ 28,873	US$ 11,699	US$ 17,174	-	-
CDIB Global Markets Limited	Fund													
	Carlyle Giovanna Partners, L.P.	Financial assets measured at cost	-	-	-	US$ 14,773	-	-	-	US$ 14,737	US$ 1,915	US$ 12,802	-	US$ 12,858
CDIB Venture Capital (Hong Kong) Corporation Limited	Fund													
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK$ 272,045	-	HK$ 154,054 (Note 10)	-	-	-	-	-	HK$ 426,099
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK$ 226,654	-	HK$ 123,991 (Note 11)	-	-	-	-	-	HK$ 350,645

Note 1: Consists of cost of purchase $2,321,887 thousand, investment gain $99,708 thousand, additional paid-in capital increase $19 thousand and actuarial loss on defined benefit plans of $60 thousand.

Note 2: Consists of cost of purchase $30,800,000 thousand, cash dividends of $704,000 thousand, investment gain $243,027 thousand, treasury stocks $1,329,422 thousand, unrealized gain on available-for-sale financial assets of $1,048,324 thousand, exchange loss on translating foreign operations of $2,647 thousand, actuarial loss on defined benefit plans of $8,064 thousand and other comprehensive income related to income tax $53,863 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 $1,571,337 thousand, investment gain $3,240,314 thousand, unrealized gain on available-for-sale financial assets of $3,687,356 thousand, actuarial loss on defined benefit plans of $15,712 thousand and additional paid-in capital increase $12,307 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 $890,804 thousand, investment gain $6,180,838 thousand, unrealized loss on available-for-sale financial assets of $1,743,813 thousand, additional paid-in capital increase $54,596 thousand, actuarial loss on defined benefit plans of $82,185 thousand, treasury stocks $499,397 thousand and other comprehensive income related to income tax $29,238 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 $13,826 thousand, investment gain $63,438 thousand, unrealized gain on available-for-sale financial assets of $480,915 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 $13,658 thousand, exchange loss on translating foreign operations of $180,160 thousand and unrealized loss on available-for-sale financial assets of $47,713 thousand.

Note 8: Consists of $860,420 thousand from new issue, exchange loss on translating foreign operations of $13,825 thousand and investment gain $35,521 thousand and reduction of retained earnings $18,814 thousand about adjustment of organization structure.

Note 9: Consists of US$19,014 thousand from new issue, and investment gain US$7,746 thousand.

Note 10: Consists of HK$116,586 thousand from new issue, exchange gain on translating foreign operations of HK$28,813 thousand and investment gain HK$8,655 thousand.

Note 11: Consists of HK$99,827 thousand from new issue, exchange gain on translating foreign operations of HK$23,829 thousand and investment gain HK$335 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
DECEMBER 31, 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	323,549	-	-	-	-	-
	KGI Bank	Subsidiary	412,845	-	-	-	-	-
	KGI Securities	Subsidiary	340,456	-	-	-	-	-
CDIB Capital Group	CDIB Global Markets Limited	Subsidiary	598,900	-	-	-	-	-

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTED ENTERPRISES
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Business	Percentage of Ownership, End of Period	Carrying Value, End of Period (Note 3)	Investment Gain (Loss)	Consolidated Investment (Note 1)				Note
							Present Shares	Virtual Shares (Note 2)	Total		
									Shares	Percentage of Ownership	
The Corporation	CDIB Capital Group	Taiwan	Venture fund	100.00	$ 52,873,131	$ 3,240,314	2,041,115,913	-	2,041,115,913	100.00	
	KGI Securities	Taiwan	Financial service	100.00	51,915,072	6,180,838	2,998,812,320	-	2,998,812,320	100.00	
	KGI Bank	Taiwan	Commercial bank	100.00	63,134,280	2,921,686	4,606,162,291	-	4,606,162,291	100.00	
	China Development Asset Management Corp.	Taiwan	Trading and management of nonperforming loans of financial institutions	100.00	2,421,554	99,708	200,000,000	-	200,000,000	100.00	
	China Life Insurance Co., Ltd.	Taiwan	Financial insurance	25.33	30,101,081	243,027	1,323,663,887	-	1,323,663,887	34.96	

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

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

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

c. The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IAS 39, for example, stock option.

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SOLD NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 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	-	-
2017.11.28	B	Unsecured loans	-	1,000	1,000	-	-
2017.12.20	C	Secured loans	9,344	85,000	75,656	-	-

Note 1: Carrying value = Original amount - Allowance for bad debts

Note 2: Disposal gain (loss) is including the gain on reversal of allowance for bad debts.

2. Sale of nonperforming loans exceeding NT$1 billion (excluding related-party transactions): For the Group: None.

TABLE 8

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

Consolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2017	December 31, 2016	
The Corporation	CDIB Capital Group	Venture fund	100.00	100.00	
	KGI Securities	Financial service	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	-	
	China Life Insurance Co., Ltd.	Financial insurance	25.33	-	(Note 1)
CDIB Capital Group	CDIB Capital Management Corporation	Management and consulting	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	100.00	
	CDIB Global Markets Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment I Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment II Limited	Venture fund	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Management company of venture fund	100.00	100.00	
	CDIB Capital International (USA) Corporation	Management company of venture fund	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Management company of venture fund	100.00	100.00	
	CDIB Capital Asia Partners Limited	Management of private equity fund	100.00	100.00	(Note 2)
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	
CDIB Venture Capital (Hong Kong) Corporation Limited	CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting	-	70.00	
CDIB Private Equity (Fujian) Co., Ltd.	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	20.00	20.00	
CDIB Capital Management Corporation	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	
	CDIB Capital Innovative Advisors Corporation	Management and consulting	60.00	60.00	
CDIB Private Equity (Hong Kong) Corporation Limited	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	27.08	27.08	
	CDIB Private Equity (China) Corporation	Management and consulting	100.00	100.00	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	56.00	56.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016	Note
CDIB Private Equity (China) Corporation	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting	65.00	65.00	
	CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting	70.00	-	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	58.34	58.34	
KGI Securities	Richpoint Company Limited	Investment holdings	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture capital	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	99.99	99.99	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	
	Global Securities Finance Corporation	Stock loans and financing purchase of securities	21.99	21.99	(Note 3)
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	
KGI Information Technology Co., Ltd.	KGI Information Technology (Shanghai) Co., Ltd.	Information service	100.00	100.00	(Note 4)
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	100.00	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	
	ANEW Holdings Limited	Investment holdings	-	100.00	
KGI International Holdings Limited	KG Investments Asset Management (International) Limited	Investment services	-	100.00	
	KGI Limited	Investment holdings	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment	-	100.00	(Note 7)
	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	
	KGI Hong Kong Limited	Management services	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	(Note 7)
	KGI Capital Asia Limited	Securities investment	100.00	100.00	
	Grand Cathay Securities (Hong Kong) Limited	Securities investment	-	100.00	(Note 7)
	KGI Asset Management Limited	Asset management	100.00	100.00	
	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00	
	KGI Wealth Management Limited	Securities investment	-	100.00	(Note 7)
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016	Note
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	(Note 5)
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	99.00	(Note 6)
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	-	100.00	(Note 7)
KGI Asia Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	-	(Note 7)
KGI Asia (Holdings) Pte. Ltd.	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Futures investment and foreign - currency services	-	100.00	(Note 8)
	KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Securities investment	100.00	100.00	(Note 8)
KGI Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	

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

Note 2: CDIB Capital Asia Partners Limited conducted registration of establishment on March 21, 2014. However, CDIB Capital International Corporation had not invested any capital as of December 31, 2017.

Note 3: KGI Securities held 21.99% of the shares of Global Securities Finance Corporation (GSFC) and obtained more than half of the seats in the board of director. Therefore, GSFC should be included in the consolidated financial statements.

Note 4: KGI Information Technology (Shanghai) Co., Ltd. conducted registration of establishment on May 30, 2016. However, KGI Information Technology Co., Ltd. had not invested any capital as of December 31, 2017.

Note 5: KGI Capital (Singapore) Pte. Ltd. has suspended its operations.

Note 6: 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 7: To integrate internal resources and improve the effectiveness of funding operation, the overseas investee enterprises of KGI Limited, which included KGI Securities (Hong Kong) Limited, KGI Asia Limited, Grand Cathay Securities (Hong Kong) Limited and KGI Wealth Management Limited, were merged. KGI Asia Limited was the survivor company after the merger. The effective date of the merger was October 3, 2017.

Note 8: To integrate internal resources, strengthen capital and enhance refinancing ability, the overseas investee enterprises of KGI Asia (Holdings) Ptd. Ltd., which included KGI Futures (Singapore) Pte. Ltd. and KGI Securities (Singapore) Pte. Ltd., were merged. KGI Securities (Singapore) Pte. Ltd. was the survivor company after the merger. The effective date of the merger was October 2, 2017.

(Continued)

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2017	December 31, 2016	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	As of December 31, 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	As of December 31, 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 9

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE
DECEMBER 31, 2017
(In Millions of New Taiwan Dollars; %)

The Corporation

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
1. The same customer		
Ministry of Finance, R.O.C.	$ 141,497	84.39
Taipower Corporation	14,994	8.94
KG Investment Holdings Limited	12,332	7.35
AT&T Inc.	11,074	6.60
FANNIE MAE	10,593	6.32
VERIZON COMMUNICATIONS	8,370	4.99
JPMORGAN CHASE & CO	8,280	4.94
WELLS FARGO & COMPANY	8,136	4.85
DEUTSCHE BANK AG	7,534	4.49
GOLDMAN SACHS GROUP INC.	7,473	4.46
Hon Hai Precision Industry Co., Ltd.	7,414	4.42
CITIGROUP INC.	7,354	4.39
FREDDLE MAC	6,956	4.15
MORGAN STANLEY	6,787	4.05
BANK OF AMERICA CORP	6,682	3.98
Chunghwa Telecom Co., Ltd.	6,158	3.67
CDIB & Partners Investment Holding Corporation	5,998	3.58
COMCAST CORP.	5,852	3.49
SOCIETE GENERALE, PARIS, FRANCE	5,739	3.42
HSBC	5,472	3.26
China Development Bank	5,253	3.13
BARCLAYS BANK PLC	5,222	3.11
RABOBANK NEDERLAND	5,144	3.07
CREDIT SUISSE	5,042	3.01
NATIONAL BANK OF CANADA	4,906	2.93
ANHEUSER-BUSCH INBEV	4,882	2.91
LLOYDS BANK PLC	4,864	2.90
TSMC	4,804	2.86
Chailease International Financial Services	4,363	2.60
ROYAL BANK OF CANADA	4,339	2.59

(Continued)

Counter-party		Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
	GOVERNMENT NATL MORTGAGE ASSOCIATION	$ 4,203	2.51
	KOMMUNALBANKEN AS	4,174	2.49
	NATIONAL BK OF ABU DHABI	3,965	2.36
	NOMURA	3,902	2.33
	NAN YA PLASTICS CORPORATION	3,880	2.31
	Yuanta Securities Co., Ltd.	3,877	2.31
	Natixis S.A.	3,849	2.30
	ADCB FINANCE CAYMAN LTD	3,793	2.26
	BNP-PARIBAS SA	3,749	2.24
	MALAYAN BANKING BHD	3,684	2.20
	Microsoft Corporation	3,659	2.18
	STANDARD CHARTERED PLC	3,558	2.12
	CTBC Financial Holding Co., Ltd.	3,340	1.99
	Farglory Land Development Co., Ltd.	3,297	1.97
	Alibaba Group Holding Limited	3,282	1.96
	Qisda Corporation	3,214	1.92
	Netronix, INc.	3,200	1.91
	WESTPAC BANKING CORP	3,194	1.90
	DBS BANK LTD.	3,183	1.90
	Intel Corp.	3,177	1.89
	Cathay United Commercial Bank	3,089	1.84
	Total	$ 418,783	249.75
2.	The same group		
	Foxconn Technology Group	$ 11,340	6.76
	Far Tastern Group	8,580	5.12
	Fubon Group	8,035	4.79
	BenQ Group	7,699	4.59
	CTBC Group	7,084	4.22
	YFY Group	6,307	3.76
	Formosa Plastic Group	6,199	3.70
	Chunghwa Telecom Group	6,158	3.67
	LinYuan Group	6,001	3.58
	Chailease Group	5,625	3.35
	TSMC Group	4,949	2.95
	Yuanta Group	4,497	2.68
	Qsan Technology Group	4,313	2.57
	Ruentex Group	4,062	2.42
	Nanya Plastics Group	4,045	2.41
	Tashin Group	3,749	2.24
	Evergreen Group	3,622	2.16
	Formosa Chemicals and Fiber Group	3,619	2.16
	Mega Group	3,615	2.16
	Farglory Group	3,469	2.07
	PECOS Group	3,340	1.99
	Netronix Group	3,200	1.91
	Total	$ 119,508	71.27

(Concluded)

TABLE 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
Assets	**2017**	**2016**
Cash and cash equivalents	$ 1,014,547	$ 1,357,441
Available-for-sale financial assets	1,344,910	1,199,734
Receivables, net	4,689	115
Current tax assets	1,234,121	1,436,182
Investments accounted for using the equity method, net	200,445,118	186,391,735
Other financial assets	300	300
Property and equipment, net	21,488	9,906
Other assets, net	29,946	541,742
Total	$ 204,095,119	$ 190,937,155
Liabilities and Equity		
Commercial paper payable	$ 9,899,365	$ 3,999,774
Payables	699,065	554,345
Current tax liabilities	472,630	857,328
Bonds payable	22,000,000	18,000,000
Other borrowings	3,299,950	3,999,892
Provisions	41,362	37,290
Other liabilities	2,675	409
Total liabilities	36,415,047	27,449,038
Equity		
Capital		
Common stock	149,763,034	149,744,203
Advance receipts for capital stock	5,162	10
Capital surplus	1,173,719	1,104,521
Retained earnings		
Legal reserve	5,606,606	5,014,298
Special reserve	2,078,602	3,228,296
Unappropriated earnings	13,184,948	8,556,188
Other		
Exchange differences on translation of foreign financial statements	(2,031,949)	494,377
Unrealized losses on available-for-sale financial assets	2,113,838	(2,255,818)
Others	(8,322)	(21,211)
Treasury shares	(4,205,566)	(2,376,747)
Total equity	167,680,072	163,488,117
Total	$ 204,095,119	$ 190,937,155

(Continued)

2. Statements of comprehensive income

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

	For the Year Ended December 31	
	2017	**2016**
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	$ 12,687,096	$ 6,787,470
Others	51,725	68,441
Total revenues	12,738,821	6,855,911
EXPENSES AND LOSSES		
Operating expenses	(1,026,932)	(807,444)
Others	(338,275)	(304,713)
Total expenses and losses	(1,365,207)	(1,112,157)
NET PROFIT BEFORE INCOME TAX	11,373,614	5,743,754
INCOME TAX BENEFIT	321,671	179,327
NET PROFIT FOR THE YEAR	11,695,285	5,923,081
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss, net of income tax		
Remeasurement of defined benefit plan	(1,063)	(3,323)
Share of the other comprehensive loss of subsidiaries, associates and joint ventures	(143,832)	(146,266)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	15,253	9,506
Items that will be reclassified subsequently to profit or loss, net of income tax		
Unrealized gain (loss) on available-for-sale financial assets	257,619	(27,239)
Share of other comprehensive income of subsidiaries, associates and joint ventures	1,511,643	984,232
Income tax relating to the items that may be reclassified subsequently to profit or loss	74,068	(3,790)
Other comprehensive income for the year, net of income tax	1,713,688	813,120
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 13,408,973	$ 6,736,201
BASIC EARNINGS PER SHARE	$ 0.80	$ 0.40
DILUTED EARNINGS PER SHARE	$ 0.80	$ 0.40

(Continued)

3. Statements of changes in equity

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

	Equity Attributable to Owners of the Parent										
	Capital			Retained Earnings			Other Equity				
	Common Stock	Advance Receipts for Share Capital - Capital	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
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 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)
	-	-	-	852,823	2,463,255	(10,803,084)	-	-	-	-	(7,487,006)
Other changes in capital surplus	-	-	161,616	-	-	-	-	-	-	-	161,616
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,923,081	-	-	-	-	5,923,081
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(140,083)	(1,247,293)	2,200,496	-	-	813,120
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	5,782,998	(1,247,293)	2,200,496	-	-	6,736,201
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	(1,150,440)	(1,150,440)
Cancellation of treasury shares	(1,430,100)	-	279,660	-	-	-	-	-	-	1,150,440	-
Share-based payments	50,232	(1,360)	8,442	-	-	(4,370)	-	-	10,976	-	63,920
BALANCE AT DECEMBER 31, 2016	149,744,203	10	1,104,521	5,014,298	3,228,296	8,556,188	494,377	(2,255,818)	(21,211)	(2,376,747)	163,488,117
Appropriation of the 2016 earnings											
Legal reserve	-	-	-	592,308	-	(592,308)	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,871)	-	-	-	-	(7,487,871)
Special reserve reversed	-	-	-	-	(949,694)	949,694	-	-	-	-	-
	-	-	-	592,308	(949,694)	(7,130,485)	-	-	-	-	(7,487,871)
Other changes in capital surplus	-	-	59,948	-	-	-	-	-	-	-	59,948
Net profit for the year ended December 31, 2017	-	-	-	-	-	11,695,285	-	-	-	-	11,695,285
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(129,642)	(2,526,326)	4,369,656	-	-	1,713,688
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	11,565,643	(2,526,326)	4,369,656	-	-	13,408,973
Reorganization	-	-	(93)	-	-	-	-	-	-	-	(93)
Purchasing parent shares, as treasury shares	-	-	-	-	-	-	-	-	-	(1,834,558)	(1,834,558)
Disposal of the Corporation shares, as treasury shares	-	-	2,402	-	-	-	-	-	-	5,739	8,141
Share-based payments	18,831	5,152	6,941	-	-	(6,398)	-	-	12,889	-	37,415
Trading loss reserve of subsidiaries reversed	-	-	-	-	(200,000)	200,000	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	$ 149,763,034	$ 5,162	$ 1,173,719	$ 5,606,606	$ 2,078,602	$ 13,184,948	$ (2,031,949)	$ 2,113,838	$ (8,322)	$ (4,205,566)	$ 167,680,072

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 11,373,614	$ 5,743,754
Adjustments for:		
Depreciation and amortization expenses	4,854	4,840
Interest expense	310,432	287,220
Interest income	(26,577)	(6,968)
Dividend income	(45,810)	(60,668)
Share-based payment compensation cost	23,237	52,166
Share of profit of subsidiaries, associates and joint ventures	(12,685,573)	(6,786,318)
Others	23,159	46
Changes in operating assets and liabilities		
Receivable	(19,888)	291,795
Other assets	777,992	(2,204)
Payables	44,111	(475,375)
Provision	3,008	2,341
Other liabilities	2,266	100
Dividend received	6,496,394	5,153,844
Interest paid	(321,768)	(290,128)
Interest received	26,577	6,968
Income tax returned (paid)	(1,838)	108,423
Net cash generated from operating activities	5,979,190	4,029,836
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment under equity method	(33,121,887)	-
Proceeds of capital return on investments accounted for using the equity method	5,000,000	3,000,000
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	20,000,000	-
Disposal of available-for-sale financial assets	89,246	-
Acquisition of property and equipment	(14,462)	(3,519)
Net cash generated from (used in) investing activities	(8,047,103)	2,996,481
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	5,899,591	(1,099,971)
Proceeds from issue of corporate bonds	10,000,000	-
Repayments of corporate bonds	(6,000,000)	-
Repayments of other borrowings	(699,942)	-
Increase in other borrowings	-	1,400,045
Cash dividend paid	(7,487,871)	(7,487,006)
Exercise of employee share options	8,241	2,789
Buyback of ordinary shares	-	(1,150,440)
Net cash generated from (used in) financing activities	1,720,019	(8,334,583)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(342,894)	(1,308,266)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,357,441	2,665,707
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,014,547	$ 1,357,441

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**December 31 2017**	**December 31 2016**
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 47,564,313	$ 78,234,125
Financial assets at fair value through profit or loss	54,441,219	97,833,395
Securities purchased under resell agreements	18,829,142	795,850
Receivables, net	18,552,904	23,040,675
Assets held for sale, net	-	12,290
Discount and loans, net	293,656,990	252,376,992
Available-for-sale financial assets	127,662,495	88,722,046
Investments accounted for using the equity method, net	1,738,613	1,823,461
Other financial assets, net	7,862,447	3,882,514
Property and equipment, net	5,518,787	5,536,616
Investment property, net	932,134	712,146
Deferred tax assets	2,855,924	4,302,232
Other assets, net	5,884,365	8,535,898
Total assets	$ 585,499,333	$ 565,808,240
Deposits from the Central Bank and banks	$ 28,330,692	$ 30,917,374
Financial liabilities at fair value through profit or loss	43,284,681	39,408,142
Notes and bonds issued under repurchase agreements	45,444,814	62,138,314
Payables	6,787,707	4,087,128
Current tax liabilities	412,845	379,060
Deposits and remittances	376,649,751	343,497,464
Bank debentures payable	1,000,000	2,684,236
Principal received on structured notes	20,147,989	21,875,414
Other financial liabilities	3,162	877
Provisions	213,712	220,615
Deferred tax liabilities	243,838	78,585
Other liabilities	1,758,392	1,795,742
Total liabilities	524,277,583	507,082,951
Common stock	46,061,623	46,061,623
Capital surplus	7,250,553	7,249,280
Retained earnings	8,166,473	6,719,227
Others	(256,899)	(1,304,841)
Total equity	61,221,750	58,725,289
Total liabilities and equity	$ 585,499,333	$ 565,808,240

(Continued)

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2017	**2016**
Interest revenue	$ 10,273,997	$ 8,721,110
Interest expense	(4,029,867)	(3,197,731)
Interest profit, net	6,244,130	5,523,379
Noninterest profits and gains, net	4,729,434	4,721,647
Total net revenues	10,973,564	10,245,026
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(288,239)	37,498
Operating expenses	(5,661,258)	(5,485,672)
Net profit before income tax	5,024,067	4,796,852
Income tax expense	(1,844,062)	(969,829)
Net profit for the year	3,180,005	3,827,023
Other comprehensive income (loss) for the year net of income tax	1,016,351	(986,455)
Total comprehensive income for the year	$ 4,196,356	$ 2,840,568
Basic earnings per share	$ 0.69	$ 0.83

(Continued)

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31 2017	2016
Current assets	$ 132,216,805	$ 140,174,696
Noncurrent assets	43,216,936	35,049,534
Total assets	$ 175,433,741	$ 175,224,230
Current liabilities	$ 110,425,142	$ 106,141,192
Noncurrent liabilities	6,847,824	8,838,991
Total liabilities	117,272,966	114,980,183
Common stock	29,988,123	34,988,123
Capital surplus	8,646,690	8,644,122
Retained earnings	20,657,851	14,356,868
Others	(1,131,889)	2,254,934
Total equity	58,160,775	60,244,047
Total liabilities and equity	$ 175,433,741	$ 175,224,230

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31 2017	2016
Operating revenues	$ 14,519,046	$ 9,665,802
Operating expenses	(8,507,084)	(7,822,997)
Profit from operations	6,011,962	1,842,805
Share of profit (loss) of subsidiaries, associates and joint ventures	1,575,345	(53,362)
Other income and loss	733,497	822,541
Total non-operating income or loss	2,308,842	769,179
Net profit before income tax	8,320,804	2,611,984
Income tax expense	(243,119)	(128,438)
Net profit for the year	8,077,685	2,483,546
Other comprehensive income (loss)	(3,461,346)	1,099,844
Total comprehensive income for the year	$ 4,616,339	$ 3,583,390
Basic earnings per share	$ 2.45	$ 0.68

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**December 31 2017**	**December 31 2016**
Current assets	$ 5,089,560	$ 20,277,266
Noncurrent assets	49,413,520	51,341,667
Total assets	$ 54,503,080	$ 71,618,933
Current liabilities	$ 723,199	$ 768,747
Noncurrent liabilities	804,655	817,044
Total liabilities	1,527,854	1,585,791
Common stock	20,411,159	20,603,994
Capital surplus	4,688,261	24,703,001
Retained earnings	28,585,639	27,592,053
Others	(709,833)	(2,865,906)
Total equity	52,975,226	70,033,142
Total liabilities and equity	$ 54,503,080	$ 71,618,933

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31 2017	**For the Year Ended December 31 2016**
Operating revenues	$ 4,896,413	$ 2,882,794
Operating costs	(871,724)	(943,371)
Gross profit	4,024,689	1,939,423
Operating expenses	(528,601)	(549,324)
Profit from operations	3,496,088	1,390,099
Non-operating income and expenses	(43,636)	160,501
Net profit before income tax	3,452,452	1,550,600
Income tax expense	(99,917)	(82,705)
Net profit for the period	3,352,535	1,467,895
Other comprehensive income for the period, net of income tax	2,140,361	675,342
Total comprehensive income for the period	$ 5,492,896	$ 2,143,237
Basic earnings per share	$ 1.63	$ 0.71

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**December 31 2017**	**December 31 2016**
Current assets	$ 44,161	$ 28,170
Noncurrent assets	3,211,800	3,194,215
Total assets	$ 3,255,961	$ 3,222,385
Current liabilities	$ 832,695	$ 824,758
Noncurrent liabilities	1,712	672
Total liabilities	834,407	825,430
Common stock	2,000,000	2,000,000
Capital surplus	8,735	8,711
Retained earnings	412,819	388,244
Total equity	2,421,554	2,396,955
Total liabilities and equity	$ 3,255,961	$ 3,222,385

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31 2017	**For the Year Ended December 31 2016**
Revenues and gains	$ 183,792	$ 165,809
Expenses and losses	(82,668)	(82,239)
Net profit before income tax	101,124	83,570
Income tax expense	-	-
Net profit for the period	101,124	83,570
Other comprehensive income for the period, net of income tax	(60)	1,276
Total comprehensive income for the period	$ 101,064	$ 84,846
Basic earnings per share	$ 0.05	$ 0.04

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**December 31, 2017**
Cash and cash equivalents	$ 44,717,613
Receivables	12,998,829
Financial assets at fair value through profit or loss	4,531,910
Available-for-sale financial assets	424,694,976
Debt instruments with no active market	632,451,850
Held-to-maturity financial assets	194,762,878
Investment property	23,149,852
Loans	31,490,373
Reinsurance assets	302,104
Property and equipment	9,387,145
Intangible assets	186,275
Deferred tax assets	5,689,044
Other assets	19,546,345
Separate account product assets	61,824,990
Total assets	$ 1,465,734,184
Payables	$ 8,547,929
Current tax liabilities	4,934,199
Financial liabilities at fair value through profit or loss	535,854
Insurance liabilities	1,284,198,018
Foreign exchange valuation reserve	2,703,763
Provisions	120,084
Deferred tax liabilities	2,553,444
Other liabilities	4,978,156
Separate account product liabilities	61,824,990
Total liabilities	1,370,396,437
Common stock	37,863,984
Capital surplus	2,289,273
Retained earnings	44,077,239
Others	11,107,251
Total equity	95,337,747
Total liabilities and equity	$ 1,465,734,184

(Continued)

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31, 2017
Operating revenue	$ 255,328,334
Operating costs	(242,182,893)
Operating expense	(4,405,260)
Profit from operations	8,740,181
Non-operating income and expenses	(897)
Income from continuing operations before income tax	8,739,284
Income tax benefit	344,688
Net income	9,083,972
Other comprehensive income for the period net of income tax	7,960,686
Total comprehensive income for the period	$ 17,044,658
Basic earnings per share	$ 2.40

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 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 December 31, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 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	-	6,805	-
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	-	6,495	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US$ 27,700 thousand	Note 1,b,5)	US$ 882 thousand	US$ 59 thousand	-	US$ 941 thousand	Note 3	2.16	-	6,936	-
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US$ 3,000 thousand	Note 1,b,5)	US$ 33 thousand	-	-	US$ 33 thousand	Note 3	2.16	-	245	-
Tianjin Mei Wei Information Technology Co., Ltd.	Computer IT consulting and technical services; computer hardware and software development; furniture, building materials, daily commodities, hardware wholesale.	CNY 165,249 thousand	Note 1,b,5)	CNY 1,016 thousand	CNY 716 thousand	-	CNY 1,732 thousand	Note 3	2.16	-	1,888	-
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	-	307	-
Jiangyin Suda Huicheng Composite Material Co., Ltd.	Lithium battery with extruded composite film	CNY 19,812 thousand	Note 1,b,23)	-	US$ 4,938 thousand	-	US$ 4,938 thousand	Note 3	3.89	-	36,392	-
CDIB Private Equity (China) Corporation	Management and consulting.	US$ 7,000 thousand	Note 1,b,8)	US$ 7,000 thousand	-	-	US$ 7,000 thousand	23,787	100.00	23,787	206,073	-
CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting.	CNY 10,000 thousand	Note 11	CNY 7,000 thousand	-	CNY 7,000 thousand	-	21,377	70.00	14,964	86,378	-

(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 December 31, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 6,686 thousand	$ -	$ -	CNY 6,686 thousand	$ 695	70.00	$ 487	$ 39,918	$ -
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 247,100 thousand	CNY 102,900 thousand	-	CNY 350,000 thousand	98,512	-	34,479	1,674,714	-
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting.	CNY 7,000 thousand	Note 12	CNY 4,550 thousand	-	CNY 4,550 thousand	-	12,357	65.00	8,032	39,263	-
CDIB Yida Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 3,250 thousand	-	-	CNY 3,250 thousand	13	65.00	8	35,106	-
CDIB Yida Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 212,450 thousand	CNY 87,550 thousand	-	CNY 300,000 thousand	4,457	-	1,337	1,369,820	-
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	-	495,841	-
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	-	130,471	-
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	-	26,107	-
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	-	5,195	-
GSD Industrial Co., Ltd.	Pumps manufacture and sale.	CNY 50,000 thousand	Note 1,b,10)	US$ 2,235 thousand	-	-	US$ 2,235 thousand	Note 3	19.86	-	68,353	-
Shengzhuang Co., Ltd.	Cosmetics sales.	CNY 54,300 thousand	Note 1,b,11)	US$ 5,000 thousand	-	-	US$ 5,000 thousand	Note 3	5.44	-	151,150	-
Lightel Technologies Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps.	US$ 4,100 thousand	Note 1,b,12)	US$ 337 thousand	-	-	US$ 337 thousand	Note 3	11.58	-	10,076	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK$ 313,432 thousand	Note 1,b,6),13)	US$ 2,311 thousand	$ -	$ -	US$ 2,311 thousand	Note 3	7.73	$ -	$ 68,982	$ -
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	-	50,095	-
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	-	68,162	-
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	-	153,746	13,594
Hangzhou Rilong Leather Co., Ltd.	Business in toys sale and doing wholesale and import business in furniture	US$ 1,000 thousand	Note 1,b,5)14)	US$ 20	-	-	US$ 20	Note 3	2.46	-	-	-
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	12.13	-	77,993	-
Dongguan TaiYi Electronics Co., Ltd.	Engaged in computer radiator, electronic products wholesale, commission agency (except auction), import and export and related business.	CNY 9,500 thousand	Note 1,b,15)	US$ 431 thousand	US$ 131 thousand	-	US$ 562 thousand	Note 3	12.13	-	16,775	-
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.	CNY 3,000 thousand	Note 1,b,15)	-	US$ 63 thousand	-	US$ 63 thousand	Note 3	12.13	-	1,886	-
Tutwo (Xiamen) Outdoor Co., Ltd.	Business in wholesale and retail of outdoor sports products, sporting goods, clothing, shoes and hats, wholesale, retail and manufacture of textile and hosiery, leather garments, leather manufacturing, retail of kitchenware and daily groceries.	CNY 350,379 thousand	Note 1,b,16)	US$ 7,417 thousand	-	-	US$ 7,417 thousand	Note 3	2.67	-	54,664	-
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	-	6,313	-
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	-	1,075	-

(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 December 31, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
CDIB International Leasing Corporation	Financial Leasing and management business consulting.	CNY 187,750 thousand	Note 1,a	US$ 30,000 thousand	$ -	$ -	US$ 30,000 thousand	$ (229,924)	100.00	$ (229,924)	$ 189,033	$ -
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US$ 4,000 thousand	Note 1,b,20)	US$ 4,000 thousand	-	-	US$ 4,000 thousand	(24,933)	100.00	(24,933)	48,707	-
CCB Life Insurance Company Limited	Life insurance.	CNY 4,495,789 thousand	Note 1,a	7,401,464	-	-	7,401,464	1,699,221	19.90	-	14,049,353	-
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US$ 6,000 thousand	Note 1,b,21)	-	US$ 360 thousand	-	US$ 360 thousand	Note 3	0.88	-	10,868	-
Cheng Zong Environmental Protection Technology (Shanghai) Co., Ltd.	Business in Packaging materials, plastic products, machinery and equipment, providing molds and related products wholesale, commission agents.	US$ 5,000 thousand	Note 1,b,21)	-	US$ 107 thousand	-	US$ 107 thousand	Note 3	0.88	-	3,212	-
Sauneng Bakeware (Wuxi) Co., Ltd.	Development, manufacture and sale of food and baking appliances	US$ 32,000 thousand	Note 1,b,22)	US$ 1,540 thousand	-	-	US$ 1,540 thousand	Note 3	0.01	-	-	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$14,195,666	US$789,550 thousand	$140,566,767

Note 1: The investment types are as follows:

a. Direct investments.

b. Reinvested through a third place by:

1) Beauty Essentials International Ltd.
2) Derbysoft Holdings Limited.
3) Capital Excel Investments Limited.
4) Hartec Asia Pet Ltd.
5) CDIB Capital Investment I Limited.
6) CDIB Capital Investment II Limited
7) CDIB Venture Capital (Hong Kong) Corporation Limited.
8) CDIB Private Equity (Hong Kong) Corporation Limited.
9) CDIB Global Markets Limited.
10) GSD Technologies Co., Ltd.
11) Shengzhuang Holdings Limited.
12) Lightel Technologies, Inc.
13) CBA Sport International Limited.
14) Shane Global Holding Inc.
15) Sun Max Tech Limited.
16) CCAP Tutwo Holdings (Hong Kong) Limited.
17) Best Logistics.
18) Leyou, Inc.
19) Viscovery (Cayman) Holding Company Limited.
20) Richpoint Company Limited.
21) Deluxe Technology Group Co., Ltd.
22) San Neng Group Holdings Co., Ltd.
23) CDIB Capital Asia Partners L.P.

(Continued)

c. Other.

Note 2: The financial statements were audited by international CPA firms having a corporative relation with CPA firms in the Republic of China.

Note 3: Investee Company was not significantly influenced by the Company; therefore the Group cannot acquire the related financial information.

Note 4: Investment amount authorized or soon authorized by Investment Commission, MOEA.

Note 5: Subsidiary of the Corporation formerly indirectly invested in Focal Tech System Co., Ltd. through its subsidiary's investment in Focal Tech Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.

Note 6: Subsidiary of the Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary's investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.

Note 7: Subsidiary of the Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yanghou Enteres Industrial Co., Ltd., Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.

Note 8: Subsidiary of the Corporation formerly indirectly invested in Jinjiang Chandra Shoes Industry Co., Ltd. through its subsidiary's investment in Victory New Materials limited company has been listed on the Taiwan Stock Exchange on January 14, 2014, refer to its financial report for the information.

Note 9: Subsidiary of the Corporation formerly indirectly invested in China Peptides (Wuhan) Co., Ltd. through its subsidiary's investment in JHL Biotech, Inc. has been listed on the Taipei Exchange on September 17, 2015, refer to its financial report for the information.

Note 10: Subsidiary of the Corporation formerly indirectly invested in Touch Equipment Leasing (Shanghai) Co., Ltd. and Touch Multimedia Technology (Shanghai) Co., Ltd. through its subsidiary's investment in Touch Media International Holdings, and the amount of investment in Touch Media International Holdings by subsidiary has been totally recognized as impairment loss in 2017.

Note 11: Invested by CDIB Private Equity (China) Corporation, which was formerly reinvested by CDIB Venture Capital (Hong Kong) Corporation Limited.

Note 12: Invested by CDIB Private Equity (China) Corporation, which was formerly reinvested by CDIB Private Equity (Hong Kong) Corporation Limited.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 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	$ 323,549	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	323,549	Note 4	0.01%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	339,279	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	339,279	Note 4	0.01%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	974,422	Note 4	0.04%
2	KGI Bank	The Corporation	2	Deposits and remittances	974,422	Note 4	0.04%
0	The Corporation	KGI Bank	1	Current tax assets	412,845	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	412,845	Note 4	0.02%
0	The Corporation	KGI Securities	1	Current tax assets	340,456	Note 4	0.01%
3	KGI Securities	The Corporation	2	Current tax liabilities	340,456	Note 4	0.01%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	3,992,127	Note 4	0.17%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	3,992,127	Note 4	0.17%
1	CDIB Capital Group	CDIB Global Markets Limited	3	Receivables, net	598,900	Note 4	0.03%
4	CDIB Global Markets Limited	CDIB Capital Group	3	Payables	598,900	Note 4	0.03%
5	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Consulting service revenues	147,558	Note 4	0.17%
4	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Operating Expenses	147,558	Note 4	0.17%
5	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Operating Expenses	256,877	Note 4	0.30%

(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)
6	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Consulting service revenues	$ 256,877	Note 4	0.30%
7	CDIB Venture Capital Corporation	CDIB Capital Management Inc.	3	Operating Expenses	100,672	Note 4	0.12%
8	CDIB Capital Management Inc.	CDIB Venture Capital Corporation	3	Consulting service revenues	100,672	Note 4	0.12%
2	KGI Bank	KGI Securities and its subsidiaries	3	Financial assets at fair value through profit or loss	303,160	Note 4	0.01%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other financial liabilities	303,160	Note 4	0.01%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposits and remittances	4,360,264	Note 4	0.18%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	4,360,264	Note 4	0.18%
2	KGI Bank	KGI Securities	3	Deposits and remittances	2,042,540	Note 4	0.09%
3	KGI Securities	KGI Bank	3	Other financial assets	2,042,540	Note 4	0.09%
2	KGI Bank	KGI Securities	3	Deposits and remittances	1,036,153	Note 4	0.04%
3	KGI Securities	KGI Bank	3	Restricted assets	1,036,153	Note 4	0.04%
2	KGI Bank	KGI Securities	3	Deposits and remittances	192,353	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Other assets	192,353	Note 4	0.01%
2	KGI Bank	KGI Securities	3	Receivables, net	157,201	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Payables	157,201	Note 4	0.01%
2	KGI Bank	CDIB Global Markets Limited	3	Deposits and remittances	492,634	Note 4	0.02%
4	CDIB Global Markets Limited	KGI Bank	3	Cash and cash equivalents	492,634	Note 4	0.02%
2	KGI Bank	CDIB Venture Capital Corporation	3	Deposits and remittances	284,838	Note 4	0.01%
7	CDIB Venture Capital Corporation	KGI Bank	3	Cash and cash equivalents	284,838	Note 4	0.01%
2	KGI Bank	CDIB Capital Investment I Limited	3	Deposits and remittances	209,590	Note 4	0.01%
9	CDIB Capital Investment I Limited	KGI Bank	3	Cash and cash equivalents	209,590	Note 4	0.01%
2	KGI Bank	CDIB Capital International Corporation	3	Deposits and remittances	109,849	Note 4	0.00%

(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)
5	CDIB Capital International Corporation	KGI Bank	3	Cash and cash equivalents	$ 109,849	Note 4	0.00%
3	KGI Securities	KGI Futures Co., Ltd.	3	Service fee and commission, income	251,755	Note 4	0.29%
10	KGI Futures Co., Ltd.	KGI Securities	3	Service fee and commission, expense	251,755	Note 4	0.29%
3	KGI Securities	KGI Insurance Brokers Co., Ltd.	3	Net other noninterest profit	290,183	Note 4	0.34%
11	KGI Insurance Brokers Co., Ltd.	KGI Securities	3	Net other noninterest profit	290,183	Note 4	0.34%
3	KGI Securities	KGI Securities Investment Advisory Co., Ltd.	3	Operating expense	152,000	Note 4	0.18%
12	KGI Securities Investment Advisory Co., Ltd.	KGI Securities	3	Consulting service revenue	152,000	Note 4	0.18%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	493,870	Note 4	0.02%
10	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	493,870	Note 4	0.02%
13	Richpoint Company Limited (BVI Holding Co.)	KG Investments Holdings Limited	3	Receivables, net	1,793,872	Note 4	0.07%
14	KG Investments Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	1,793,872	Note 4	0.07%
13	Richpoint Company Limited (BVI Holding Co.)	KGI International Holdings Limited	3	Receivables, net	1,793,872	Note 4	0.07%
15	KGI International Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	1,793,872	Note 4	0.07%
10	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Financial assets at fair value through profit or loss	125,393	Note 4	0.01%
16	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	125,393	Note 4	0.01%
10	KGI Futures Co., Ltd.	KGI Futures (Singapore) Pte. Ltd.	3	Other financial assets	114,574	Note 4	0.00%
17	KGI Futures (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	114,574	Note 4	0.00%
10	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	1,546,454	Note 4	0.06%
16	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	1,546,454	Note 4	0.06%

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.

(Continued)

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)

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 2017
(Expressed in U.S. Dollars/CYN)

ASSETS	Richpoint Company Limited	KG Investments Holdings Limited	KGI International Holdings Limited	ANEW Holdings Limited	KGI Investment Advisory (Shanghai) Co., Ltd.
CURRENT ASSETS					
Cash and cash equivalents	$ 178,365	$ 15,724	$ 50,896	$ -	$ 10,425,402
Receivables, net	-	-	18,000,000	-	-
Other receivable - related parties	120,000,000	-	26,132,123	-	-
Other current assets	201,120	-	-	-	146,114
Total current assets	120,379,485	15,724	44,183,019	-	10,571,516
NONCURRENT ASSETS					
Financial assets measured at cost - noncurrent	711,376	-	-	-	-
Investments accounted for using the equity method	415,977,185	519,465,282	537,245,573	-	-
Property and equipment	-	-	-	-	11,490
Other noncurrent assets	-	-	-	-	218,163
Total noncurrent assets	416,688,561	519,465,282	537,245,573	-	229,653
TOTAL	$ 537,068,046	$ 519,481,006	$ 581,428,592	$ -	$ 10,801,169
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term borrowings	$ 134,750,000	$ -	$ -	$ -	$ -
Commercial paper payable	-	-	2,634,615	-	-
Other payable	90,413	100,235	292,279	-	22,869
Other payable - related parties	-	120,119,212	60,000,000	-	-
Total current liabilities	134,840,413	120,219,447	62,926,894	-	22,869
NONCURRENT LIABILITIES					
Other noncurrent liabilities	-	-	-	-	152,000
Total liabilities	134,840,413	120,219,447	62,926,894	-	174,869
EQUITY					
Common stock	147,043,557	156,864,163	209,248,261	-	25,278,600
Capital reserve	870,885	76,198	54,660,905	-	10,818
Special reserve	-	9,759,135	387,913	-	-
Retained earnings (accumulated deficit)	248,248,440	226,416,656	248,059,212	-	(14,663,118)
Other equity	6,064,751	6,145,407	6,145,407	-	-
Total equity	402,227,633	399,261,559	518,501,698	-	10,626,300
TOTAL	$ 537,068,046	$ 519,481,006	$ 581,428,592	$ -	$ 10,801,169

TABLE 13-2

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 2017
(Expressed in U.S. Dollars)

ASSETS	**KGI Limited**	**Supersonic Service Inc.**	**KGI International Limited**
CURRENT ASSETS			
Cash and cash equivalents	$ -	$ -	$ 500
Total current assets	-	-	500
NONCURRENT ASSETS			
Investments accounted for using the equity method	362,734,794	-	72,743,596
Total noncurrent assets	362,734,794	-	72,743,596
TOTAL	$ 362,734,794	$ -	$ 72,744,096
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Other payable - related parties	$ 81,586,534	$ -	$ 3,337,011
Total liabilities	81,586,534	-	3,337,011
EQUITY			
Common stock	308,341,129	100	81,511,717
Accumulated deficit	(27,192,869)	(100)	(12,104,632)
Total equity	281,148,260	-	69,407,085
TOTAL	$ 362,734,794	$ -	$ 72,744,096

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 2017
(Expressed in U.S. Dollars)

ASSETS	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited.
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ -	$ 902,753	$ -
Prepayments	-	-	1,426,752	-
Other receivable - related parties	-	-	-	1
Other current assets	-	-	1,996,876	-
Total current assets	-	-	4,326,381	1
NONCURRENT ASSETS				
Property and equipment	-	-	3,609,939	-
TOTAL	$ -	$ -	$ 7,936,320	$ 1
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	$ -	$ -	$ 19,501,536	$ -
Other payable - related parties	-	-	4,315,425	-
Total current liabilities	-	-	23,816,961	-
NONCURRENT LIABILITIES				
Other noncurrent liabilities	-	-	1,516,584	-
Total liabilities	-	-	25,333,545	-
EQUITY				
Common stock	2	-	15,000	1
Special reserve	-	-	57,222	-
Accumulated deficit	(2)	-	(17,469,447)	-
Total equity	-	-	(17,397,225)	1
TOTAL	$ -	$ -	$ 7,936,320	$ 1

TABLE 13-4

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 2017
(Expressed in U.S. Dollars)

ASSETS	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
CURRENT ASSETS			
Cash and cash equivalents	$ -	$ 27,972	$ 5,080
Other receivable - related parties	72,750	-	3,737,693
Prepayments	-	165	-
Total current assets	72,750	28,137	3,742,773
NONCURRENT ASSETS			
Investments accounted for using the equity method	-	174,625,081	-
TOTAL	$ 72,750	$ 174,653,218	$ 3,742,773
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	$ -	$ 33,680,114	$ -
Financial liabilities at fair value through profit or loss - current	-	461,081	-
Other payable	-	26,648	10,539
Other payable - related parties	-	84,291,779	-
Total current liabilities	-	118,459,622	10,539
Total liabilities	-	118,459,622	10,539
EQUITY			
Common stock	10,000	75,749,306	5,738,175
Retained earnings (accumulated deficit)	62,750	(2,115,015)	(1,787,548)
Other equity	-	(17,440,695)	(218,393)
Total equity	72,750	56,193,596	3,732,234
TOTAL	$ 72,750	$ 174,653,218	$ 3,742,773

TABLE 14-1

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(In U.S. Dollars/CYN)

	Richpoint Company Limited	KG Investments Holdings Limited	KGI International Holdings Limited	ANEW Holdings Limited	KGI Investment Advisory (Shanghai) Co., Ltd.
REVENUES					
Other profit from operations	$ (304)	$ (159,690)	$ (6,451)	$ (18,450)	$ (614,330)
Total revenues	(304)	(159,690)	(6,451)	(18,450)	(614,330)
COSTS AND EXPENSES					
Financial cost	1,308,010	674,165	1,871,608	-	-
Other operating expenditure	-	-	-	-	373,095
Other operating expenses	29,381	32,170	157,933	-	4,557,708
Total costs and expenses	1,337,391	706,335	2,029,541	-	4,930,803
LOSS FROM OPERATIONS	(1,337,695)	(866,025)	(2,035,992)	(18,450)	(5,545,133)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	27,207,878	28,882,500	30,705,164	-	-
OTHER PROFITS	2,058,845	10,407	231,778	-	10,819
NON-OPERATING REVENUE AND EXPENSE	29,266,723	28,892,907	30,936,942	-	10,819
NET PROFIT (LOSS) FOR THE YEAR	27,929,028	28,026,882	28,900,950	(18,450)	(5,534,314)
OTHER COMPREHENSIVE INCOME	6,657,951	6,532,559	6,532,559	-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 34,586,979	$ 34,559,441	$ 35,433,509	$ (18,450)	$ (5,534,314)

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(In U.S. Dollars)

	KGI Limited	Supersonic Services Inc.	KGI International Limited
REVENUES			
Other profit from operations	$ 12,017	$ -	$ (2,275,951)
Total revenues	12,017	-	(2,275,951)
COST AND EXPENSES			
Other operating expenses	-	-	-
Total cost and expenses	-	-	-
PROFIT (LOSS) FROM OPERATIONS	12,017	-	(2,275,951)
OTHER PROFITS	-	-	-
NET PROFIT (LOSS) FOR THE YEAR	12,017	-	(2,275,951)
OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 12,017	$ -	$ (2,275,951)

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(In U.S. Dollars)

	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
REVENUES				
Other profit from operations	$ -	$ -	$ 3,332,160	$ -
Total revenues	-	-	3,332,160	-
COSTS AND EXPENSES				
Employee benefits	-	-	70,077,876	-
Depreciation and amortization	-	-	1,654,938	-
Other operating expenses	-	-	19,640,749	-
Total costs and expenses	-	-	91,373,563	-
LOSS FROM OPERATIONS	-	-	(88,041,403)	-
OTHER REVENUE AND EXPENSE	-	-	93,101,258	-
NET PROFIT FOR THE YEAR	-	-	5,059,855	-
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ -	$ -	$ 5,059,855	$ -

TABLE 14-4

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(In U.S. Dollars)

	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
REVENUES			
Derivative gains - OTC	$ -	$ 72,423	$ -
Other profit from operations	-	4,433,951	93
Total revenues	-	4,506,374	93
COSTS AND EXPENSES			
Financial cost	-	636,778	-
Other operating expenses	-	815,286	9,945
Total costs and expenses	-	1,452,064	9,945
PROFIT (LOSS) FROM OPERATIONS	-	3,054,310	(9,852)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	-	7,832,477	-
OTHER REVENUE AND EXPENSE	-	(13,746,008)	-
NON-OPERATING REVENUE AND EXPENSE	-	(5,913,531)	-
NET PROFIT (LOSS) FOR THE YEAR	-	(2,859,221)	(9,852)
OTHER COMPREHENSIVE INCOME (LOSS)	-	(12,923,775)	285,100
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ -	$ (15,782,996)	$ 275,248