China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2016 and 2015 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
China Development Financial Holding Corporation

We have audited the accompanying consolidated balance sheets of China Development Financial Holding Corporation (the "Corporation") and subsidiaries as of June 30, 2016, December 31, 2015 and June 30, 2015 and the related consolidated statements of comprehensive income for the three and six months ended June 30, 2016 and 2015, changes in equity and cash flow for the six months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Regulation Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation as of June 30, 2016, December 31, 2015 and June 30, 2015, and their consolidated financial performance and their consolidated cash flows for the six months ended June 30, 2016 and 2015, in conformity with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

August 29, 2016

Notice to Readers

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2016		December 31, 2015		June 30, 2015	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 47)	$ 18,598,200	2	$ 25,090,329	3	$ 29,154,651	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7, 47 and 48)	75,352,677	9	87,125,284	10	75,433,971	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 9, 47 and 48)	193,217,805	22	157,780,085	18	128,137,287	14
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 10 and 48)	74,766,450	8	70,643,015	8	122,366,363	14
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	28,466,075	3	52,622,253	6	49,112,441	5
RECEIVABLES, NET (Notes 12, 47, 48 and 53)	107,906,015	12	100,754,149	12	134,725,187	15
CURRENT TAX ASSETS (Note 4)	847,015	-	990,101	-	853,690	-
DISCOUNT AND LOANS, NET (Notes 13, 47 and 53)	233,103,615	26	217,780,328	25	221,182,539	24
HELD-TO-MATURITY FINANCIAL ASSETS, NET	300,000	-	402,564	-	142,564	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 14, 15 and 48)	11,829,981	1	10,775,665	1	10,330,090	1
RESTRICTED ASSETS (Notes 16, 48 and 49)	30,310,600	3	29,776,730	3	33,933,981	4
FINANCIAL ASSETS MEASURED AT COST (Notes 15 and 17)	20,488,884	2	21,095,274	2	23,043,629	3
OTHER FINANCIAL ASSETS (Notes 18, 47 and 48)	48,717,187	6	38,773,821	5	37,649,594	4
INVESTMENT PROPERTY, NET (Notes 19 and 48)	2,040,602	-	2,048,311	-	2,064,638	-
PROPERTY AND EQUIPMENT, NET (Notes 20 and 48)	14,675,663	2	14,717,160	2	14,357,752	2
INTANGIBLE ASSETS, NET (Note 21)	8,280,660	1	8,584,490	1	8,865,512	1
DEFERRED TAX ASSETS (Notes 4 and 44)	5,547,069	1	5,561,925	1	5,579,665	1
OTHER ASSETS, NET (Notes 22 and 48)	18,743,425	2	22,197,691	3	13,077,976	1
TOTAL	$ 893,191,923	100	$ 866,719,175	100	$ 910,011,530	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Notes 23 and 47)	$ 19,606,788	2	$ 10,024,399	1	$ 3,141,056	-
Financial liabilities at fair value through profit or loss (Notes 8 and 47)	51,168,387	6	39,898,179	5	29,468,553	3
Notes and bonds issued under repurchase agreements (Notes 8, 10, 24 and 47)	133,927,908	15	119,611,868	14	116,949,579	13
Commercial paper payable, net (Notes 25 and 48)	19,600,478	2	13,139,202	1	22,035,374	3
Payables (Notes 26 and 47)	77,959,588	9	57,152,044	7	74,675,211	8
Current tax liabilities (Note 4)	846,507	-	911,029	-	930,048	-
Deposits and remittances (Notes 27 and 47)	294,809,658	33	325,312,132	38	329,569,141	36
Bonds payable (Notes 28 and 47)	28,617,667	3	28,618,692	3	26,577,343	3
Other borrowings (Notes 29, 47 and 48)	23,872,369	3	21,809,459	3	41,363,779	5
Provisions (Notes 4, 30 and 31)	1,394,990	-	1,419,454	-	987,898	-
Principal received on structured notes	25,749,387	3	34,375,733	4	53,018,670	6
Customers' equity accounts - futures (Note 47)	37,432,320	4	30,698,500	4	30,243,317	3
Other financial liabilities (Note 49)	389,492	-	400,851	-	380,349	-
Deferred tax liabilities (Notes 4 and 44)	1,462,289	-	1,460,166	-	1,477,654	-
Other liabilities (Note 32)	14,618,087	2	13,116,729	1	12,266,259	2
Total liabilities	731,455,915	82	697,948,437	81	743,084,231	82
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 33 and 34)						
Capital						
Common stock	149,740,122	17	151,124,071	17	151,644,303	16
Advance receipts for capital stock	-	-	1,370	-	250	-
Capital surplus	1,095,973	-	654,803	-	599,341	-
Retained earnings						
Legal reserve	5,014,298	1	4,161,475	-	4,161,475	1
Special reserve	3,228,296	-	765,041	-	765,041	-
Unappropriated earnings	4,663,601	-	13,580,644	2	10,540,754	1
Other						
Exchange differences on translation of foreign financial statements	694,195	-	1,741,670	-	(708,235)	-
Unrealized losses on available-for-sale financial assets	(3,880,301)	-	(4,456,314)	-	(1,216,531)	-
Others	(42,946)	-	(32,187)	-	(60,983)	-
Treasury shares	(2,376,747)	-	(2,376,747)	-	(2,376,747)	-
Total equity attributable to owners of the parent	158,136,491	18	165,163,826	19	163,348,668	18
NON-CONTROLLING INTERESTS	3,599,517	-	3,606,912	-	3,578,631	-
Total equity (Note 33)	161,736,008	18	168,770,738	19	166,927,299	18
TOTAL	$ 893,191,923	100	$ 866,719,175	100	$ 910,011,530	100

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 35 and 47)	$ 2,767,530	52	$ 3,836,591	49	$ 5,640,092	48	$ 7,750,014	50
INTEREST EXPENSE (Notes 35 and 47)	(1,054,556)	(20)	(1,343,698)	(17)	(2,220,292)	(19)	(2,771,123)	(18)
INTEREST PROFIT, NET	1,712,974	32	2,492,893	32	3,419,800	29	4,978,891	32
NONINTEREST PROFITS AND GAINS, NET								
Service fee and commission, net (Note 36)	1,811,550	34	2,718,567	35	3,613,119	31	4,681,924	30
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Note 37)	293,155	5	1,526,092	20	1,550,535	13	2,914,326	18
Realized gain on available-for-sale financial assets, net (Note 38)	596,988	11	621,758	8	958,219	8	1,256,403	8
Foreign exchange gain, net	216,268	4	113,470	1	135,464	1	245,018	1
Impairment loss on assets, net (Note 39)	(518,541)	(10)	(131,826)	(2)	(565,699)	(5)	(155,173)	(1)
Share of the profit of associates and joint ventures	257,064	5	106,548	1	297,786	3	305,220	2
Gain (loss) on financial assets measured at cost, net (Note 40)	409,789	8	(328,722)	(4)	875,393	8	321,730	2
Consulting service revenue (Note 47)	298,740	6	364,231	5	578,365	5	571,160	4
Others (Notes 41 and 47)	292,078	5	302,644	4	817,128	7	579,307	4
Total noninterest profits and gains, net	3,657,091	68	5,292,762	68	8,260,310	71	10,719,915	68
TOTAL NET REVENUES	5,370,065	100	7,785,655	100	11,680,110	100	15,698,806	100
REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	(42,356)	(1)	425,156	6	(372,542)	(3)	590,403	4
OPERATING EXPENSES (Notes 4, 31, 42, 43 and 47)								
Employee benefits	(2,677,640)	(50)	(3,417,452)	(44)	(5,482,083)	(47)	(6,537,972)	(42)
Depreciation and amortization	(365,911)	(7)	(355,882)	(5)	(728,963)	(6)	(703,505)	(4)
Other general and administrative expenses	(1,430,832)	(26)	(1,669,020)	(21)	(2,974,915)	(26)	(3,116,395)	(20)
Total operating expenses	(4,474,383)	(83)	(5,442,354)	(70)	(9,185,961)	(79)	(10,357,872)	(66)
NET PROFIT BEFORE INCOME TAX	853,326	16	2,768,457	36	2,121,607	18	5,931,337	38
INCOME TAX EXPENSE (Notes 4 and 44)	(65,343)	(1)	(394,622)	(5)	(178,326)	(1)	(775,017)	(5)
NET PROFIT FOR THE PERIOD	787,983	15	2,373,835	31	1,943,281	17	5,156,320	33

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss, net of income tax								
Remeasurement of defined benefit plans	$ -	-	$ (1,087)	-	$ -	-	$ (1,087)	-
Items that will be reclassified subsequently to profit or loss, net of income tax								
Exchange differences on translation of foreign financial statements	(121,237)	(2)	(407,990)	(5)	(964,687)	(8)	(812,050)	(5)
Unrealized gain (loss) on available-for-sale financial assets	171,791	3	(1,152,728)	(15)	476,477	4	(1,092,277)	(7)
Unrealized gain on cash flow hedges	-	-	9,691	-	-	-	20,659	-
Share of the other comprehensive income (loss) of associates and joint ventures	57,402	1	(73,240)	(1)	14,008	-	(45,062)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 44)	(267)	-	472	-	(865)	-	(337)	-
Other comprehensive income for the period, net of income tax	107,689	2	(1,624,882)	(21)	(475,067)	(4)	(1,930,154)	(12)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 895,672	17	$ 748,953	10	$ 1,468,214	13	$ 3,226,166	21
NET PROFIT ATTRIBUTABLE TO:								
Owners of parent	$ 761,743	14	$ 2,347,082	30	$ 1,888,158	16	$ 5,092,257	33
Non-controlling interests	26,240	1	26,753	-	55,123	1	64,063	-
	$ 787,983	15	$ 2,373,835	30	$ 1,943,281	17	$ 5,156,320	33
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of parent	$ 871,850	16	$ 723,190	9	$ 1,416,696	12	$ 3,163,614	20
Non-controlling interests	23,822	1	25,763	1	51,518	1	62,552	1
	$ 895,672	17	$ 748,953	10	$ 1,468,214	13	$ 3,226,166	21
EARNINGS PER SHARE (Note 45)								
Basic	$ 0.05		$ 0.16		$ 0.13		$ 0.34	
Diluted	$ 0.05		$ 0.16		$ 0.13		$ 0.34	

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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Equity Attributable to Owners of the Parent													
							Other Equity							
	Capital			Retained Earnings										
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedges	Others	Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	$ 153,438,493	$ 5,969	$ 590,923	$ 3,077,853	$ 1,123,858	$ 15,378,140	$ 205,176	$ (177,929)	$ (20,659)	$ (26,956)	$ (3,298,709)	$ 170,296,159	$ 3,617,754	$ 173,913,913
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(102,256)	(3,797)	-	-	-	-	(106,053)	2,215,847	2,109,794
BALANCE AT JANUARY 1, 2015 AS RESTATED	153,438,493	5,969	590,923	3,077,853	1,123,858	15,275,884	201,379	(177,929)	(20,659)	(26,956)	(3,298,709)	170,190,106	5,833,601	176,023,707
Appropriation of the 2014 earnings														
Legal reserve	-	-	-	1,083,622	-	(1,083,622)	-	-	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(9,098,673)	-	-	-	-	-	(9,098,673)	-	(9,098,673)
Special reserve reversed	-	-	-	-	(358,817)	358,817	-	-	-	-	-	-	-	-
	-	-	-	1,083,622	(358,817)	(9,823,478)	-	-	-	-	-	(9,098,673)	-	(9,098,673)
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	-	391	-	-	-	-	-	-	-	-	391	-	391
Net profit for the six months ended June 30, 2015	-	-	-	-	-	5,092,257	-	-	-	-	-	5,092,257	64,063	5,156,320
Other comprehensive income (loss) for the six months ended June 30, 2015, net of income tax	-	-	-	-	-	(1,086)	(909,614)	(1,038,602)	20,659	-	-	(1,928,643)	(1,511)	(1,930,154)
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	5,091,171	(909,614)	(1,038,602)	20,659	-	-	3,163,614	62,552	3,226,166
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(972,909)	(972,909)	-	(972,909)
Cancellation of treasury shares	(1,888,880)	-	(5,991)	-	-	-	-	-	-	-	1,894,871	-	-	-
Share-based payments	94,690	(5,719)	14,018	-	-	(2,823)	-	-	-	(34,027)	-	66,139	-	66,139
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(2,317,522)	(2,317,522)
BALANCE AT JUNE 30, 2015	$ 151,644,303	$ 250	$ 599,341	$ 4,161,475	$ 765,041	$ 10,540,754	$ (708,235)	$ (1,216,531)	$ -	$ (60,983)	$ (2,376,747)	$ 163,348,668	$ 3,578,631	$ 166,927,299
BALANCE AT JANUARY 1, 2016	$ 151,124,071	$ 1,370	$ 654,803	$ 4,161,475	$ 765,041	$ 13,580,644	$ 1,741,670	$ (4,456,314)	$ -	$ (32,187)	$ (2,376,747)	$ 165,163,826	$ 3,606,912	$ 168,770,738
Appropriation of the 2015 earnings														
Legal reserve	-	-	-	852,823	-	(852,823)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	2,463,255	(2,463,255)	-	-	-	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,006)	-	-	-	-	-	(7,487,006)	-	(7,487,006)
	-	-	-	852,823	2,463,255	(10,803,084)	-	-	-	-	-	(7,487,006)	-	(7,487,006)
Other change in capital surplus	-	-	161,616	-	-	-	-	-	-	-	-	161,616	-	161,616
Net profit for the six months ended June 30, 2016	-	-	-	-	-	1,888,158	-	-	-	-	-	1,888,158	55,123	1,943,281
Other comprehensive income (loss) for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	-	(1,047,475)	576,013	-	-	-	(471,462)	(3,605)	(475,067)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	-	1,888,158	(1,047,475)	576,013	-	-	-	1,416,696	51,518	1,468,214
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(1,150,440)	(1,150,440)	-	(1,150,440)
Cancellation of treasury shares	(1,430,100)	-	279,660	-	-	-	-	-	-	-	1,150,440	-	-	-
Share-based payments	46,151	(1,370)	(106)	-	-	(2,117)	-	-	-	(10,759)	-	31,799	-	31,799
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(58,913)	(58,913)
BALANCE AT JUNE 30, 2016	$ 149,740,122	$ -	$ 1,095,973	$ 5,014,298	$ 3,228,296	$ 4,663,601	$ 694,195	$ (3,880,301)	$ -	$ (42,946)	$ (2,376,747)	$ 158,136,491	$ 3,599,517	$ 161,736,008

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 2,121,607	$ 5,931,337
Adjustments to reconcile net profit (loss)		
Depreciation expenses	299,069	273,498
Amortization expenses	429,894	430,007
Allowance (reversal of allowance) for bad debts and losses on guarantees, net	372,542	(590,403)
Interest expense	2,220,292	2,771,123
Interest income	(5,640,092)	(7,750,014)
Dividend income	(293,131)	(395,949)
Share of profit of associates and joint ventures	(302,990)	(280,626)
Gain on disposal of investments	(1,025,173)	(1,081,582)
Loss on financial asset impairment	564,128	145,932
Loss on nonfinancial asset impairment	1,571	9,241
Others	29,924	170,215
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(16,007,046)	(6,272,729)
Financial assets at fair value through profit or loss	(35,437,720)	23,040,526
Available-for-sale financial assets	(3,880,595)	(94,659,557)
Securities purchased under resell agreements	(351,193)	(13,417,819)
Receivables	(7,552,287)	(1,506,317)
Discount and loans	(15,392,490)	5,150,406
Held to maturity financial assets	-	18,600,000
Other financial assets	(10,255,937)	4,203,832
Other assets	3,137,899	(6,592,441)
Deposits from the Central Bank and banks	9,582,389	(9,539,722)
Financial liabilities at fair value through profit or loss	11,270,208	(5,613,754)
Notes and bonds issued under repurchase agreements	14,316,040	(15,877,027)
Payables	1,109,539	7,092,309
Deposits and remittances	(30,502,474)	25,011,171
Other financial liabilities	14,081,974	(16,790,182)
Other liabilities	5,357,726	5,949,523
Interest received	5,872,949	9,162,005
Dividend received	587,935	356,178
Interest paid	(2,247,600)	(3,266,024)
Income tax paid	(202,096)	(1,701,907)
Net cash used in operating activities	(57,735,138)	(77,038,750)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2016	**2015**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ (361,513)	$ (21,871,442)
Proceeds on sale of available-for-sale financial assets	819,323	133,110,022
Acquisition of financial assets measured at cost	(836,038)	(1,311,858)
Proceeds on financial assets measured at cost	1,444,514	5,326,875
Acquisition of investments accounted for using the equity method	(1,253,718)	(920,193)
Proceeds from capital return on investments accounted for using the equity method	-	506,219
Acquisition of property	(209,456)	(160,066)
Proceeds on sale of property and equipment	14,744	250,032
Others	(60,148)	317,871
Net cash generated from (used in) investing activities	(442,292)	115,247,460
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,657,520	6,766,591
Increase in commercial paper payable	6,461,276	8,329,347
Proceeds from issue of corporate bonds	-	13,000,000
Repayments of corporate bonds	-	(11,100,000)
Repayments of bank debentures	-	(10,000,000)
Proceeds of long-term borrowings	998,933	379
Repayments of long-term borrowings	(593,543)	(490,824)
Cash dividends paid	(7,487,006)	(9,098,673)
Purchase of treasury shares	(1,150,440)	(972,909)
Changes in non-controlling interests	(59,476)	(150,954)
Others	355	(119,156)
Net cash used in financing activities	(172,381)	(3,836,199)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(429,341)	(78,700)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(58,779,152)	34,293,811
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	135,637,871	84,850,996
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 76,858,719	$ 119,144,807

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(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 June 30, 2016 and 2015:

	June 30	
	2016	**2015**
Cash and cash equivalents in consolidated balance sheets	$ 18,598,200	$ 29,154,651
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	38,529,006	55,121,724
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	19,731,513	34,868,432
Cash and cash equivalents in consolidated statements of cash flows	$ 76,858,719	$ 119,144,807

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

China Development Financial Holding Corporation (the "Corporation") was established by China Development Industrial Bank (CDIB) through a share swap on December 28, 2001 made under the Financial Holding Company Act and related regulations. CDIB 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 Co., Ltd. (KGI Securities) through a tender offer. The Corporation acquired 81.73% of KGI Securities' shares (totaling 2,672,420 thousand shares) during the public tender offer period. On September 28, 2012, the Corporation's stockholders resolved to acquire KGI Securities' remaining 18.27% shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a 100% subsidiary of the Corporation. The effective date of the merger between KGI Securities and Grand Cathay was June 22, 2013. KGI Securities was the survivor company after the merger.

On April 8, 2014, the Corporation's shareholders resolved to acquire KGI Bank Co., Ltd. ("KGI Bank") through a share swap. Each KGI Bank share was exchanged for 0.2 share of the newly issued common stock of the Corporation plus NT$13.4 cash of KGI Bank's stock price on September 15, 2014. Thus, KGI Bank became the Corporation's wholly owned subsidiary.

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

On March 2 and April 13, 2015, CDIB's board of the directors of CDIB approved the transfer to KGI Bank of (a) all assets and liabilities associated with the commercial banking business of CDIB and (b) CDIB's holdings of shares in CDIB's leasing subsidiaries and in the Taiwan Financial Asset Service Corporation in accordance with Article 185 of Company Act and Article 27 of Business Mergers and Acquisitions Act. On April 16, 2015, the transaction was approved by the Financial Supervisory Commission in accordance with Rule No. 10400053521, and the chairman was authorized by the board of directors to approve May 1, 2015 as the date of business transfer.

Before the transfer of business, CDIB's industrial banking operations included certain deposit-taking, lending, investment, bank debenture issuing, securities underwriting, domestic exchange, guarantee provision, letter of credit issuing, receivable acquisition, government bond purchasing, trust operations, offshore banking, transacting derivative financial instruments and other activities under the authority approval. After the transfer of business, CDIB's industrial banking operations included securities investment, investment, financial related business, venture capital and other activities approved by the authorities.

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of June 30, 2016, KGI Securities had a head office and 83 branches which included head office.

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

KGI Bank was established on January 14, 1992. As of June 30, 2016, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 51 domestic branches.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and issue on August 29, 2016.

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

a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by FSC for application starting from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the above New or amended IFRSs in 2017 would not have any material impact on the Corporation and its subsidiaries' accounting policies:

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 Corporation and its subsidiaries are 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. The amendment will be applied retrospectively.

2) IFRIC 21 "Levies"

   IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Corporation and subsidiaries accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 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. When the amended IFRS 13 becomes effective in 2017, the Group will elect to measure the fair value of those contracts on a net basis retrospectively.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 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.

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

b. New IFRSs in issue but not yet endorsed by the FSC

The Corporation and its subsidiaries have not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Corporation and its subsidiaries should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	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
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB (Note 2)
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarification to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

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 postponement in June 2015 applies to changes introduced by the IASB in September 2014 through narrow-scope amendments to IFRS 10 and IAS 28. Earlier application is permitted.

1) IFRS 9 "Financial Instruments"

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

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

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the 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 shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Corporation and subsidiaries 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 impairment of financial assets

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 Corporation and subsidiaries 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.

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 Corporation and subsidiaries 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 Corporation and subsidiaries 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 Corporation and subsidiaries 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 Corporation and subsidiaries’ share of the gain or loss is eliminated. Also, when the Corporation and subsidiaries loses control of a subsidiary that does not contain a business but retains significant influence or joint 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 Corporation and subsidiaries’ share of the gain or loss is eliminated.

3) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

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

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

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

4) 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 Corporation and subsidiaries 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 Corporation and subsidiaries 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 Corporation and subsidiaries 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 Corporation and subsidiaries as lessor.

When IFRS 16 becomes effective, the Corporation and subsidiaries 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.

5) 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 Corporation and subsidiaries expects 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 Corporation and subsidiaries 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 Corporation and subsidiaries’ assets for more than their carrying amount if there is sufficient evidence that it is probable that the Corporation and subsidiaries will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies of these consolidated financial statements have been followed as were applied in the preparation of the Corporation and subsidiaries consolidated financial statements for the year ended December 31, 2015, except for those described below.

Statement of Compliance

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

Basis of Preparation

As of June 30, 2016, December 31, 2015 and June 30, 2015, the consolidated entities included in the consolidated financial statements included 70, 73 and 80 companies, respectively (please refer to the attached Table 8 for details).

Retirement Benefit Costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Cash in banks	$ 9,832,255	$ 8,219,176	$ 14,940,213
Due from banks	3,193,441	6,600,587	6,533,725
Short-term transactions instruments with maturities of up to three months	2,753,579	7,295,388	3,955,394
Cash on hand	1,529,654	1,281,441	1,205,205
Future excess margin	1,110,120	1,352,806	1,381,812
Others	179,151	340,931	1,138,302
	$ 18,598,200	$ 25,090,329	$ 29,154,651

Cash and cash equivalents as of December 31, 2015 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of June 30, 2016 and 2015:

	December 31, 2015
Cash and cash equivalents in consolidated balance sheet	$ 25,090,329
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	66,308,658
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	44,238,884
Cash and cash equivalents in consolidated statement of cash flow	$ 135,637,871

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

	June 30, 2016	December 31, 2015	June 30, 2015
Due from the Central Bank	$ 42,540,000	$ 44,020,000	$ 38,135,000
Call loans to banks	19,369,696	32,785,506	13,169,809
Deposit reserve - demand accounts	7,173,647	6,675,432	7,671,781
Deposit reserve - checking accounts	5,939,157	2,791,414	16,126,800
Due from the Central Bank - interbank settlement funds	181,661	700,828	187,659
Deposit reserve - foreign currencies	148,516	152,104	142,922
	$ 75,352,677	$ 87,125,284	$ 75,433,971

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

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

For the certificates of deposit issued by the Central Bank of the ROC and pledged as collateral for day-term overdraft, please refer to Note 48.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets held for trading			
Derivative instrument			
Interest rate swap contracts	$ 8,864,843	$ 5,450,351	$ 3,997,756
Currency swap contracts	6,834,286	11,267,269	4,348,201
Premiums paid on option contracts	2,964,344	3,866,365	1,903,956
Forward exchange contracts	2,550,536	407,531	224,092
Others	1,530,370	1,283,157	1,916,595
Non-derivative financial assets			
Operating securities (Note 9)	98,137,096	69,315,807	73,711,441
Bank debentures	21,347,064	33,176,658	23,789,895
Mutual funds	5,800,876	6,673,779	6,891,065
Convertible (exchangeable) corporate bonds	2,585,340	2,184,662	2,598,003
Corporate bonds	1,998,739	2,370,073	4,913,953
Others	477,819	1,439,556	2,937,340
	153,091,313	137,435,208	127,232,297
Financial assets designated as at FVTPL			
Government bonds	38,272,002	19,299,321	-
Others	1,854,490	1,045,556	904,990
	40,126,492	20,344,877	904,990
Financial assets at FVTPL	$ 193,217,805	$ 157,780,085	$ 128,137,287

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Financial liabilities held for trading			
Derivative instrument			
Interest rate swap contracts	$ 9,295,168	$ 5,856,509	$ 4,483,825
Currency swap contracts	6,981,196	11,379,184	3,716,813
Premiums received on option contracts	5,782,597	5,478,033	3,249,817
Forward exchange contracts	2,525,008	286,559	167,158
Structure products	439,916	2,192,369	120,668
Others	1,431,003	1,366,553	2,707,092
Non-derivative financial liabilities			
Borrowed securities payable	11,667,410	6,167,626	7,986,119
Securities financing	871,974	652,471	1,113,831
	38,994,272	33,379,304	23,545,323
Financial liabilities designated as at FVTPL			
Bank debentures payable	10,493,907	4,352,498	4,096,656
Structured products	1,680,208	2,166,377	1,826,574
	12,174,115	6,518,875	5,923,230
Financial liabilities at FVTPL	$ 51,168,387	$ 39,898,179	$ 29,468,553

(Concluded)

The Corporation and subsidiaries' trust contract of stock of Capital Securities Corporation. Please refer to Note 10.

As of June 30, 2016, December 31, 2015 and June 30, 2015, bank debentures issued by the Corporation and subsidiaries and designated as at FVTPL were as follows:

Bank Debenture Number	June 30, 2016	December 31, 2015	June 30, 2015	Issuance Period	Method of Paying Principles and Interests	Interest Rate
04 KGIB 1	$ -	$ 1,050,000	$ 1,050,000	May 18, 2006 - May 18, 2016	Principal due on maturity; interest payable annually	2.15%
15KGIB1	3,422,316	3,504,996	3,293,420	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0.00%
P16KGIB 1	3,551,460	-	-	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0.00%
P16KGIB 2	3,551,460	-	-	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0.00%
	10,525,236	4,554,996	4,343,420			
Valuation adjustments	(31,329)	(202,498)	(246,764)			
	$ 10,493,907	$ 4,352,498	$ 4,096,656			

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

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

The contract (nominal) amounts of the Corporation and subsidiaries' outstanding derivative financial instruments as of June 30, 2016, December 31, 2015 and June 30, 2015 are summarized as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Currency swap contracts	$ 1,133,471,016	$ 1,167,714,201	$ 801,641,217
Interest rate swap contracts	704,079,221	711,778,113	692,796,389
Option and Futures contracts	305,316,591	359,829,956	360,056,646
Forward exchange contracts	172,373,857	121,868,073	34,871,120
Cross-currency swap contracts	30,616,277	8,830,876	13,586,699
Assets swap contracts	12,860,344	13,520,064	13,039,830
Structured note contracts	11,317,732	16,194,507	10,289,188
Credit default swap contracts	5,163,417	4,014,286	460,315
Non-deliverable forward contracts	1,343,347	1,609,868	1,932,530
Commodity swap	163,167	1,143,416	1,185,305
Equity derivative financial contracts	197,739	292,546	3,180,269
Others	25,867	-	-

As of June 30, 2016, December 31, 2015 and June 30, 2015, financial assets held for trading with aggregate carrying values of $107,751,469 thousand, $94,464,703 thousand and $83,658,733 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 Corporation and subsidiaries, please refer to Note 48.

9. OPERATING SECURITIES

	June 30, 2016	December 31, 2015	June 30, 2015
Dealing			
Government bonds	$ 36,602,460	$ 23,270,235	$ 13,271,717
Oversea securities	30,353,524	16,811,666	21,283,776
Corporate bonds	15,177,678	15,273,953	18,182,725
Listed, OTC and emerging market stocks	8,241,490	7,601,755	8,988,335
Others	627,778	988,365	984,731
	91,002,930	63,945,974	62,711,284
Underwriting			
Listed and OTC stocks	825,718	863,517	1,051,974
Corporate bonds	496,925	677,226	1,276,087
	1,322,643	1,540,743	2,328,061
Hedge positions			
Listed and OTC stocks	4,963,250	2,715,104	7,874,503
Oversea securities	797,664	1,085,737	674,317
Listed and OTC warrant	50,609	28,249	123,276
	5,811,523	3,829,090	8,672,096
	$ 98,137,096	$ 69,315,807	$ 73,711,441

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Government bonds	$ 30,197,092	$ 20,017,935	$ 74,438,629
Listed, OTC and emerging market stocks	19,732,269	20,055,988	22,600,649
Bank debentures	16,086,121	20,955,028	14,098,850
Corporate bonds	7,853,065	9,091,039	10,675,762
Others	897,903	523,025	552,473
	$ 74,766,450	$ 70,643,015	$ 122,366,363

As of June 30, 2016, December 31, 2015 and June 30, 2015, available-for-sale financial assets, with aggregate carrying values of $20,829,209 thousand, $25,014,339 thousand and $29,923,291 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Corporation and subsidiaries signed a trust contract with China Trust Commercial Bank (CTBC) in August 2015. The Capital Securities Corporation shares held by the Corporation and subsidiaries trust to the CTBC. The trustee in accordance with the contract agreed disposition within the contract period.

For the information on available-for-sale financial assets pledged as collateral for the Corporation and subsidiaries, please refer to Note 48.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Government bonds	$ 11,880,473	$ 10,512,947	$ 7,969,791
Corporate bonds	7,645,108	2,813,252	5,213,164
Bank debentures	6,155,993	3,882,273	8,950,644
Commercial paper	2,784,501	35,413,781	26,978,842
	$ 28,466,075	$ 52,622,253	$ 49,112,441
Resold amounts	$ 28,471,311	$ 52,622,018	$ 49,075,884
Last maturity date	August 2016	March 2016	September 2015

12. RECEIVABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Receivable accounts for settlement	$ 37,132,426	$ 13,879,169	$ 24,502,201
Receivables on margin loans, refinancing margin and refinancing deposits receivable	29,413,526	36,440,846	50,161,924
Accounts receivable - forfeiting	15,000,285	26,685,120	34,519,324
Lease receivables	6,600,210	7,462,931	7,406,583
Trading securities receivable	4,825,742	2,728,739	1,164,912

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Settlement price	$ 4,325,882	$ 3,026,676	$ 3,530,406
Credit card receivables	2,928,754	2,707,234	3,271,694
Interest receivable	2,687,172	2,553,165	2,851,407
Accounts receivable factoring without recourse	2,002,681	1,234,873	1,201,081
Acquired loans	1,988,676	2,116,953	2,595,430
Others	4,213,077	5,446,634	7,079,998
	111,118,431	104,282,340	138,284,960
Less: Unrealized interest revenue	(423,889)	(521,616)	(585,842)
Allowance for bad debts	(2,788,527)	(3,006,575)	(2,973,931)
	$ 107,906,015	$ 100,754,149	$ 134,725,187

(Concluded)

The Corporation and subsidiaries' changes in allowance for bad debts of receivables were as follows:

	For the Six Months Ended June 30	
	2016	2015
Balance, January 1	$ 3,006,575	$ 3,085,451
Reversal	(73,660)	(30,768)
Loans reclassified to nonperforming loans	(1,200)	(356)
Write-off	(118,967)	(56,459)
Effect of exchange rate changes	(24,221)	(23,937)
Balance, June 30	$ 2,788,527	$ 2,973,931

For the information on impairment loss analysis of receivables, please refer to Note 53.

The amount of receivables pledged as collateral for the Corporation and subsidiaries please refer to Note 48.

13. DISCOUNTS AND LOANS

	June 30, 2016	December 31, 2015	June 30, 2015
Short-term loans	$ 51,194,844	$ 45,337,996	$ 41,040,849
Medium-term loans	144,056,024	132,596,923	134,567,081
Long-term loans	40,580,500	41,698,553	47,091,651
Loans reclassified to nonperforming loans	558,998	541,860	554,147
Export negotiations	63,309	750,976	924,679
Discounts	-	-	1,328
	236,453,675	220,926,308	224,179,735
Less: Allowance for bad debts	(3,266,846)	(3,115,696)	(2,944,725)
Less: Discounts on loans	(83,214)	(30,284)	(52,471)
	$ 233,103,615	$ 217,780,328	$ 221,182,539

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

	For the Six Months Ended June 30	
	2016	**2015**
Balance, January 1	$ 3,115,696	$ 3,447,239
Allowance (reversal)	69,203	(555,470)
Recovery of written-off credits	374,420	642,872
Write-off	(264,008)	(579,186)
Reduction and exemption	(14,249)	(9,859)
Effects of exchange rate changes	(14,216)	(871)
Balance, June 30	$ 3,266,846	$ 2,944,725

For the information on impairment loss analysis of discounts and loans, please refer to Note 53.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Associates that are not individually material:

	June 30, 2016		December 31, 2015		June 30, 2015	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 4,679,979	34	$ 4,765,852	34	$ 4,777,044	34
CDIB Capital Asia Partners L.P.	2,060,547	-	1,314,206	-	1,176,490	-
KGI Securities (Thailand) Public Company Limited	1,997,250	35	2,059,804	35	1,943,657	35
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	1,211,645	-	667,550	-	683,563	-
CDIB Biomedical Venture Capital Corporation	581,525	34	584,514	34	290,026	34
CDIB CME Fund Ltd.	577,013	40	576,143	40	580,752	40
CPEC Huachuang Private Management Equity (Kunshan) Enterprise (Limited Partnership)	557,662	-	585,700	-	602,430	-
Others	164,360		221,896		276,128	
	$ 11,829,981		$ 10,775,665		$ 10,330,090	

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

Please refer to Note 48 for investments under equity method pledged as collateral.

15. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investment in private equity fund

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

	June 30, 2016	December 31, 2015	June 30, 2015
Investment in private equity fund			
Financial assets measured at cost	$ 6,556,495	$ 6,891,768	$ 7,451,200
Maximum exposure	$ 6,556,495	$ 6,891,768	$ 7,451,200

b. Management on private equity fund

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 and its subsidiaries and external third parties.

	June 30, 2016	December 31, 2015	June 30, 2015
Management on private equity fund			
Total assets	$ 14,010,151	$ 9,351,364	$ 8,950,168
Total liabilities	239,930	101,340	309,849
Investments accounted for using equity method	3,829,854	2,567,456	2,462,483
Maximum exposure	3,829,854	2,567,456	2,462,483

16. RESTRICTED ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Restricted demand deposits	$ 29,884,917	$ 29,345,180	$ 32,621,143
Stocks	149,392	149,392	149,392
Accounts receivables	120,609	105,447	97,539
Checking accounts - restricted for agent's stock transfer purposes	65,407	83,390	953,055
Impound account	40,123	49,178	68,048
Accrued revenue	35,880	30,287	30,288
Due from banks	14,272	13,856	14,516
	$ 30,310,600	$ 29,776,730	$ 33,933,981

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 oversea.

After the filing of a certain complaint against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 49), CDIB 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 Corporation and subsidiaries, please refer to Note 48.

17. FINANCIAL ASSETS MEASURED AT COST

	June 30, 2016	December 31, 2015	June 30, 2015
Unlisted stocks - common stock	$ 7,509,186	$ 8,022,763	$ 9,363,001
Unlisted overseas partnership fund	6,556,495	6,891,768	7,451,200
Others	6,423,203	6,180,743	6,229,428
	$ 20,488,884	$ 21,095,274	$ 23,043,629
Classified according to financial asset measurement categories			
Available-for-sale financial assets	$ 18,921,384	$ 19,749,728	$ 22,201,705
Financial assets at FVTPL	1,567,500	1,345,546	841,924
	$ 20,488,884	$ 21,095,274	$ 23,043,629

CDIB and subsidiaries disposed of certain financial assets measured at cost with carrying amount of $212,757 thousand, $4,752,213 thousand, $862,718 thousand and $5,184,688 thousand during the three and six months ended June 30, 2016 and 2015, respectively, recognizing disposal gain of $286,180 thousand, loss of $431,438 thousand, gain of $683,698 thousand and $142,187 thousand, respectively.

18. OTHER FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Guarantee deposits received on futures contracts	$ 37,570,047	$ 31,506,459	$ 31,118,551
Time deposits with original maturities over three months	8,502,908	4,567,104	2,977,059
Debt instruments with no active market	1,875,479	1,619,702	2,568,559
Pledged time deposit	612,244	629,344	772,949
Others	156,509	451,212	212,476
	$ 48,717,187	$ 38,773,821	$ 37,649,594

For the information on other financial assets pledged as collateral for loans, please refer to Note 48.

19. INVESTMENT PROPERTY

	June 30, 2016	December 31, 2015	June 30, 2015
Land	$ 1,777,359	$ 1,779,276	$ 1,788,409
Buildings and facilities	263,243	269,035	276,229
	$ 2,040,602	$ 2,048,311	$ 2,064,638

Except for depreciation recognized, the Corporation and subsidiaries' had no significant addition, disposal and impairment of investment property during the three and six months ended June 30, 2016 and 2015.

The above items of investment property were depreciated on a straight-line basis at the following rates per annum:

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 Corporation and subsidiaries' investment property as of June 30, 2016, December 31, 2015 and June 30, 2015 were $3,583,448 thousand, $3,622,323 thousand and $3,314,972 thousand, respectively. Investment property categorized into Level 3.

KGI Bank and subsidiaries, as well as CDIB and subsidiaries, arrived at the fair value of their investment property by using reports of external appraisers that are not identified as related parties, and instead of evaluating by independent professional, the management apply valuation models which often used in markets as common practice in evaluating the remaining investment property; however, management of the Corporation and subsidiaries used the models that market participants would use in determining the fair value. Sales comparison approach compares a subject property's characteristics with those of comparable properties which have recently sold in the similar transaction; Income approach takes the net operating income of the rent collected and divides it by the capitalization rate.

All of the Corporation and subsidiaries' investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged by the Corporation and subsidiaries to secure borrowings were reflected in Note 48.

20. PROPERTY AND EQUIPMENT

	June 30, 2016	December 31, 2015	June 30, 2015
Land	$ 8,915,882	$ 8,915,396	$ 8,915,396
Buildings and facilities	4,476,553	4,554,334	4,582,798
Computer equipment	541,840	488,401	361,487
Transportation equipment	21,342	21,424	13,338
Other equipment	224,693	256,935	248,465
Leasehold improvements	260,747	247,471	121,154
Leased assets	227,843	231,352	96,994
	14,668,900	14,715,313	14,339,632
Prepayments for acquisition of properties	6,763	1,847	18,120
	$ 14,675,663	$ 14,717,160	$ 14,357,752

Except for depreciation recognized, the Corporation and subsidiaries' had no significant addition, disposal and impairment of property and equipment during the three and six months ended June 30, 2016 and 2015.

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

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

(Continued)

Computer equipment	1-8 years
Transportation equipment	2-15 years
Other equipment	
Office furniture and equipment	2-10 years
Others	10 years
Leasehold improvements	1-10 years
Leased assets	1-10 years
	(Concluded)

For the information on property and equipment pledged as collateral, please refer to Note 48.

21. INTANGIBLE ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Operation rights	$ 5,864,244	$ 6,202,496	$ 6,543,566
Goodwill	1,898,709	1,892,627	1,838,043
Computer software	481,311	452,971	447,507
Others	36,396	36,396	36,396
	$ 8,280,660	$ 8,584,490	$ 8,865,512

Except for amortization recognized, the Corporation and subsidiaries' had no significant addition, disposal and impairment of intangible assets during the three and six months ended June 30, 2016 and 2015.

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

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

22. OTHER ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Guarantee deposits paid	$ 8,561,612	$ 9,798,152	$ 5,332,303
Security borrowing margins	5,961,083	6,563,279	3,904,318
Operating guarantee deposits	1,417,399	1,447,740	1,458,079
Prepaid expense	1,068,374	698,528	971,167
Settlement funds	520,474	560,724	562,406
Competitive bid transactions guarantee	410,543	323,027	335,111
Collaterals assumed	152,015	153,005	163,760
Collected for underwriting payment of shares	348	2,115,341	316
Others	651,577	537,895	350,516
	$ 18,743,425	$ 22,197,691	$ 13,077,976

As of June 30, 2016, December 31, 2015 and June 30, 2015, the above collaterals were net of accumulated impairment losses of $58,580 thousand, $58,674 thousand and $57,373 thousand, respectively.

For the information on other assets pledged as collateral, please refer to Note 48.

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2016	December 31, 2015	June 30, 2015
Call loans from banks	$ 18,385,750	$ 8,797,670	$ 1,849,876
Deposits from Chunghwa Post Co., Ltd.	1,221,038	1,226,729	1,291,180
	$ 19,606,788	$ 10,024,399	$ 3,141,056

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Bank debentures	$ 51,514,407	$ 58,098,148	$ 49,521,271
Government bonds	47,964,795	32,897,800	25,671,195
Corporate bonds	34,448,706	28,615,920	41,757,113
	$ 133,927,908	$ 119,611,868	$ 116,949,579
Repurchased amounts	$ 134,196,531	$ 119,734,729	$ 117,380,311
Last maturity date	August 2016	March 2016	October 2015

25. COMMERCIAL PAPER PAYABLE

	June 30, 2016	December 31, 2015	June 30, 2015
Commercial paper payable	$ 19,609,353	$ 13,149,834	$ 22,044,856
Less: Unamortized discount	(8,875)	(10,632)	(9,482)
	$ 19,600,478	$ 13,139,202	$ 22,035,374
Rate	0.32%-2.02%	0.43%-2.02%	0.40%-1.64%
Last maturity date	June 2017	November 2016	August 2015

As of June 30, 2016, Mega Bills Finance Corporation, International Bills Finance Corporation, Far Eastern International Bank, Mega Bank, Taishin International Bank, Bank of Taipei, Da Chong Bank, Da Ching Finance Corporation, China Bills Finance Corporation and Taiwan Finance Corporation. However, some commercial paper issued by the Corporation and subsidiaries, which amounted to $14,016,450 thousand, had no guarantee.

As of December 31, 2015, Bank of Taipei, Dah Chang Bills Finance Corporation, Ta Ching Finance Corporation, Mega Bank, Sunny Bank, Shanghai Commercial Bank, Taiwan Business Bank, Ta Chong Bank, Syndicated Loans issued by China Bills Finance Corporation, Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Taiwan Finance Corporation, Grand Bills Finance Corporation and Union Bills Finance Corporation guaranteed the above commercial paper. However, some commercial paper issued by the Corporation and subsidiaries, which amounted to $9,595,100 thousand, had no guarantee.

As of June 30, 2015, Bank of Taipei, Dah Chang Bills Finance Corporation, Taishin International Bank, Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Taiwan Finance Corporation, Taichung Bank, Grand Bills Finance Corporation and Ta Chong Bank guaranteed the above commercial paper. However, some commercial paper issued by the Corporation and subsidiaries, which amounted to $12,766,043 thousand, had no guarantee.

26. PAYABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts payable for settlement	$ 53,031,457	$ 29,449,576	$ 37,931,215
Guaranteed price deposits received from securities borrowers	13,111,086	13,780,419	12,629,253
Settlement proceeds	3,171,217	1,863,332	2,791,503
Securities financing guarantee deposits	2,233,020	3,377,214	2,467,077
Accrued expenses	2,211,322	3,742,613	3,108,808
Dividends payable	58,136	-	9,165,278
Others	4,143,350	4,938,890	6,582,077
	$ 77,959,588	$ 57,152,044	$ 74,675,211

27. DEPOSITS AND REMITTANCES

	June 30, 2016	December 31, 2015	June 30, 2015
Time deposits	$ 170,846,687	$ 211,950,211	$ 216,967,159
Saving deposits	95,593,964	88,713,219	86,414,470
Demand deposits	25,908,045	23,496,448	24,438,741
Checking deposits	2,346,141	1,040,422	1,616,202
Negotiable CDs	67,200	100,700	96,300
Inward remittance	47,621	11,132	36,269
	$ 294,809,658	$ 325,312,132	$ 329,569,141

28. BONDS PAYABLE

	June 30, 2016	December 31, 2015	June 30, 2015
Corporate bonds payable	$ 25,969,660	$ 26,006,520	$ 24,001,400
Bank debentures payable	2,648,007	2,612,172	2,575,943
	$ 28,617,667	$ 28,618,692	$ 26,577,343

Corporate Bonds Payable

	June 30, 2016	December 31, 2015	June 30, 2015
1st corporate bonds in 2009 - the Corporation	$ 1,000,000	$ 1,000,000	$ 1,000,000
1st corporate bonds in 2011 - the Corporation	6,000,000	6,000,000	6,000,000
1st corporate bonds in 2013 - the Corporation	3,000,000	3,000,000	3,000,000
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000	6,000,000
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000	-
1st corporate bonds in 2014 - KGI Securities	969,660	1,006,520	1,001,400
1st corporate bonds in 2015 - KGI Securities	7,000,000	7,000,000	7,000,000
	$ 25,969,660	$ 26,006,520	$ 24,001,400
Fair value	$ 26,366,997	$ 26,469,816	$ 24,195,917

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

a. Issue period: Two years.

b. Issue coupon/interest rate: 3.50% fixed annual interest rate.

c. Method of paying principal and interests:

Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

The bonds will mature in November 2016.

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

a. Issue period:

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

b. Issue coupon/interest rate:
Bond A: 1.20% fixed annual interest rate.
Bond B: 1.42% fixed annual interest rate.

c. Method of paying principal and interest:

Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

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

Bank Debentures Payable

Name	June 30, 2016	December 31, 2015	June 30, 2015	Issue Year	Repayment Year	Interest Rate
04 KGIB2	$ 2,750,000	$ 2,750,000	$ 2,750,000	2008.01.09-2017.12.13	Principal due on maturity	0.00%
Unamortized discount	(101,993)	(137,828)	(174,057)			
Net amount	$ 2,648,007	$ 2,612,172	$ 2,575,943			
Fair value	$ 2,632,119	$ 2,592,759	$ 2,553,661			

29. OTHER BORROWINGS

	June 30, 2016	December 31, 2015	June 30, 2015
Short-term credit borrowings	$ 14,068,815	$ 11,848,307	$ 23,000,161
Short-term secured borrowings	5,164,568	5,727,556	12,769,829
Note issuance facility	4,398,995	3,899,189	5,418,301
Long-term credit borrowings	239,991	334,407	170,238
Long-term secured borrowings	-	-	5,250
	$ 23,872,369	$ 21,809,459	$ 41,363,779
Rate	0.36%-4.75%	0.45%-6.64%	0.50%-5.75%
Last maturity date	July 2018	July 2018	October 2017

30. PROVISIONS

	June 30, 2016	December 31, 2015	June 30, 2015
Provisions for employee benefits	$ 1,012,522	$ 1,037,014	$ 689,884
Provisions for guarantee liabilities	107,735	104,564	112,308
Others	274,733	277,876	185,706
	$ 1,394,990	$ 1,419,454	$ 987,898

31. RETIREMENT BENEFIT PLANS

The Corporation and subsidiaries' retirement benefit plans include defined contribution and defined benefit plans. For defined benefit plans, employee benefit expenses were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014, and recognized in their respective periods.

The Corporation recognized its contributions under defined benefit plans as pension expenses (recognized as employee benefits) amounting to $10,239 thousand, $12,848 thousand, $20,577 thousand and $21,370 thousand, respectively and recognized pension expenses (recognized as employee benefits) under defined contribution plans amounting to $96,143 thousand, $87,283 thousand, $189,536 thousand and $166,921 thousand, respectively for the three and six months ended June 30, 2016 and 2015.

32. OTHER LIABILITIES

	June 30, 2016	December 31, 2015	June 30, 2015
Guarantee deposits received	$ 10,437,994	$ 7,435,318	$ 9,002,648
Temporary receipts and suspense accounts	2,019,962	562,163	651,628
Collections for others	1,684,565	1,007,866	1,916,710
Advance receipts	284,682	322,221	540,455
Collections for underwriting stock value	-	3,641,600	-
Others	190,884	147,561	154,818
	$ 14,618,087	$ 13,116,729	$ 12,266,259

33. EQUITY

a. Share capital

Common stock

	June 30, 2016	December 31, 2015	June 30, 2015
Numbers of shares authorized (in thousands)	20,000,000	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands)	14,974,012	15,112,544	15,164,455
Shares issued	$ 149,740,122	$ 151,125,441	$151,644,553

b. Capital surplus

	June 30, 2016	December 31, 2015	June 30, 2015
Arising from treasury stock transactions	$ 821,193	$ 379,850	$ 331,218
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	182,755	182,755	183,071
Share-based payments awards	72,751	74,681	67,897
Arising from share of changes in capital surplus of associates	13,728	13,728	13,728
Capital surplus-issue of stock in excess	5,546	3,789	3,427
	$ 1,095,973	$ 654,803	$ 599,341

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 Rule No. 10200017220 issued by the Financial Supervisory Commission (FSC), if the capital surplus obtained by a financial holding company through a stock conversion came from its subsidiaries' unappropriated earnings net of legal reserve and special reserve, they 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. 10010000440 issued by the FSC, Rule No. 09900738571 issued by FSC and Rule No. 10000002891 issued under Regulations Governing Securities Firms, CDIB**,** 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 Corporation also recognized $461,314 thousand as special reserve.

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

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", when transitioning to IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Corporation's use of exemptions under IFRS 1. However, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed.

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated for special reserve an amount of $287,933 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

d. Appropriation of earnings

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

The board of director revised the proposal of the remaining net income and unappropriated accumulated earnings can cover previous years' accumulated losses and related taxes, if any, are sequenced as follows legal reserve on the current year's net income, followed by a special reserve or reversal defined by laws and plus the 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.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Corporation's shareholders meeting on May 16, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 42.

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 stockholders 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 stockholders in the following year and given effect to in the financial statements of that year.

On May 16, 2016 and June 12, 2015, the board of the stockholders approved the resolution on the appropriations from the earnings of 2015 and 2014, respectively, including bonus to employees and remuneration to directors and supervisors, as follows:

	Earnings Appropriation		**Dividends Per Share (NT$)**	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 852,823	$ 1,083,622		
Special reserve (reversed)	2,463,255	(358,817)		
Cash dividends	7,487,006	9,098,673	$ 0.5	$ 0.6

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

e. Non-controlling interests

	For the Six Months Ended June 30	
	2016	2015
Balance at January 1	$ 3,606,912	$ 5,833,601
Attributable to non-controlling interests		
Share of profit for the period	55,123	64,063
Exchange difference on translation of foreign financial statements	(2,484)	(1,274)
Unrealized losses on available-for-sale financial assets	(1,121)	(237)
Payment of cash dividends	(59,476)	(101,675)
Effect of change in consolidated subsidiaries	563	(2,215,847)
Balance at June 30	$ 3,599,517	$ 3,578,631

34. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Period (In Thousands)	Share Increase During the Period (In Thousands)	Share Decrease During the Period (In Thousands)	Shares at End of the Period (In Thousands)
For the six months ended June 30, 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 stockholders' equity	-	143,010	143,010	-
	323,232	143,010	143,010	323,232
For the six months ended June 30, 2015				
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 stockholders' equity	93,405	95,483	188,888	-
	416,637	95,483	188,888	323,232

The Corporation's shares held by subsidiaries are regarded as treasury stock. The Corporation's shares held by KGI Securities, calculated at the Corporation's stockholding percentage of book value on the completion day of acquisition and share swap date respectively, were treated as treasury stock. The market prices of the shares were $2,351,092 thousand and $3,540,254 thousand on June 30, 2016 and 2015, respectively. The Corporation's shares held by CDIB are also treated as treasury stock and recognized book value on the swap date. The market prices of the shares were $160,421 thousand and $241,560 thousand on June 30, 2016 and 2015.

On November 24, 2014, the board of directors resolved to buy back 200,000 thousand of the Corporation's shares between November 25, 2014 and January 23, 2015 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 stockholders' equity; the buyback price was set at NT$9.81 to NT$11.08 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 188,888 thousand shares at an average price of NT$10.03 per share and retired all the treasury stocks on May 18, 2015.

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 stockholders' 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 stockholders' rights on those shares.

35. NET INTEREST PROFIT

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest revenues				
Discounts and loans	$ 1,597,679	$ 1,889,357	$ 3,229,549	$ 3,803,831
Margin loans and refinancing margin	459,004	799,766	945,847	1,503,961
Securities	263,393	416,252	533,792	898,092
Due from and call loans to banks	136,546	170,327	261,936	366,303
Account receivable - forfeiting	71,653	273,794	192,036	582,929
Others	239,255	287,095	476,932	594,898
	2,767,530	3,836,591	5,640,092	7,750,014
Interest expenses				
Deposits	583,831	782,917	1,256,060	1,609,201
Notes and bonds issued under repurchase agreements	188,827	147,394	372,917	320,266
Corporate bonds	95,178	83,629	190,750	164,017
Borrowing interest expense	80,040	124,205	186,623	240,471

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Structured products	$ 32,938	$ 50,583	$ 70,427	$ 98,812
Others	73,724	154,970	143,515	338,356
	1,054,556	1,343,698	2,220,292	2,771,123
Interest revenues, net	$ 1,712,974	$ 2,492,893	$ 3,419,800	$ 4,978,891

(Concluded)

36. NET SERVICE FEE REVENUE AND COMMISSION INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Service fee revenue and commission income				
Brokerage	$ 1,669,768	$ 2,865,211	$ 3,609,395	$ 4,816,632
Commission income - insurance	170,139	161,983	339,119	293,786
Commission income - future	139,188	69,176	192,749	111,939
Trust	80,006	203,367	144,407	395,704
Others	284,396	172,279	496,997	381,542
	2,343,497	3,472,016	4,782,667	5,999,603
Service fee expense and commission expense				
Brokerage	266,184	416,634	646,300	755,362
Consignment settlement and delivery	65,956	61,122	129,337	106,302
Dealing handling fee	36,538	50,917	89,264	82,962
Agency	35,335	39,523	68,545	82,590
Commission expense - other	59,254	43,250	88,951	83,217
Others	68,680	142,003	147,151	207,246
	531,947	753,449	1,169,548	1,317,679
Service fee, net	$ 1,811,550	$ 2,718,567	$ 3,613,119	$ 4,681,924

37. GAIN ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Bonds	$ 512,095	$ 271,732	$ 1,294,622	$ 910,598
Mutual funds	(61,849)	105,360	(397,145)	324,669
Operating securities	(401,048)	941,397	346,309	2,463,186
Call (put) warrants	180,739	159,407	317,943	242,640
Derivatives	62,474	(60,573)	(48,233)	(1,152,583)
Others	744	108,769	37,039	125,816
	$ 293,155	$ 1,526,092	$ 1,550,535	$ 2,914,326

For the three and six months ended June 30, 2016 and 2015, the Corporation and subsidiaries' financial assets and liabilities at fair value through profit or loss included interest revenue of $559,057 thousand, $378,694 thousand, $1,134,424 thousand and $815,923 thousand, respectively, dividend income of $62,763 thousand, $77,442 thousand, $67,047 thousand and $80,448 thousand, respectively and interest expense of $78,770 thousand, $41,928 thousand, $123,326 thousand and $50,364 thousand, respectively.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Gain on bond disposal	$ 296,446	$ 187,605	$ 492,493	$ 305,613
Gain on stock disposal	223,343	312,629	372,417	814,194
Dividend income	75,819	119,423	90,614	133,634
Others	1,380	2,101	2,695	2,962
	$ 596,988	$ 621,758	$ 958,219	$ 1,256,403

39. IMPAIRMENT LOSS ON ASSETS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Financial assets measured at cost	$ 344,823	$ 55,914	$ 389,898	$ 73,593
Available-for-sale financial assets	174,230	476	174,230	476
Debts investment without active market	-	71,863	-	71,863
Others	(512)	3,573	1,571	9,241
	$ 518,541	$ 131,826	$ 565,699	$ 155,173

40. GAIN (LOSS) ON FINANCIAL ASSETS MEASURED AT COST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Gain (loss) on security disposal	$ 282,052	$ (440,142)	$ 738,968	$ 139,282
Dividend income	126,461	86,040	132,362	133,443
Others	1,276	25,380	4,063	49,005
	$ 409,789	$ (328,722)	$ 875,393	$ 321,730

41. NET OTHER NONINTEREST PROFIT AND GAIN

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Revenue from underwriting	$ 132,170	$ 123,767	$ 261,862	$ 259,047
Gain (loss) on debts investment without active market	(2,443)	-	181,989	-
Revenue from providing agency service for stock affairs	37,107	36,630	67,227	68,248
Gain on sale of nonperforming	16,444	44,310	63,263	94,674
Rental income	28,163	24,432	56,589	52,025
Others	80,637	73,505	186,198	105,313
	$ 292,078	$ 302,644	$ 817,128	$ 579,307

42. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Employee benefit expense				
Salaries and wages	$ 2,273,157	$ 3,040,921	$ 4,637,591	$ 5,725,847
Employee insurance	144,317	150,134	313,732	309,214
Pension	106,382	100,131	210,113	188,291
Others	153,784	126,266	320,647	314,620
	$ 2,677,640	$ 3,417,452	$ 5,482,083	$ 6,537,972
Depreciation and amortization expenses	$ 365,911	$ 355,882	$ 728,963	$ 703,505

The Company's Articles of Incorporation provide that annual net income should be appropriated after deducting any accumulated losses and taxes and providing legal and special reserves and reversing special reserve. The remaining earnings will be used to pay the employee bonus and the remuneration to directors should not be less than 1% and more than 1%, respectively. For the six months ended June 30, 2015, the bonus to employees and the remuneration to directors and supervisors were $27,429 thousand and $27,429 thousand, respectively. The bonus to employees and remuneration to directors and supervisors, which were estimated on the basis of the Company's Articles of Incorporation and past experience.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Corporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the six months ended June 30, 2016, the employees' compensation and the remuneration to directors and supervisors were $19,573 thousand and $19,573 thousand, respectively. The employees' compensation and remuneration to directors and supervisors for the six months ended June 30, 2016 have been approved by the shareholders' meeting on May 16, 2016.

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

The Corporation's board of directors have approved the employees' compensation in stock which were the closing price after considering the effect of cash and stock dividends of the shares on the day immediately preceding the board's meeting.

The employees' compensation bonus of employees and remuneration to directors and supervisors for 2016 and 2015 which have been approved in the shareholders' meetings on March 28, 2016 and June 12, 2015, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors were reported on the shareholders meeting on May 16, 2016.

	For the Six Months Ended June 30	
	2015	**2014**
Employees' compensation bonus to employees	$ 87,000	$ 102,000
Remuneration of directors and supervisors	75,000	75,000

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2015 and 2014.

The information on the proposed and approved bonuses to employees and the compensations to 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).

43. OTHER GENERAL ADMINISTRATIVE EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Taxation	$ 272,540	$ 449,374	$ 692,869	$ 797,404
Rental	256,531	241,803	516,207	479,468
Computer information	181,817	108,978	359,513	184,330
Professional services	148,588	185,222	304,226	350,995
Postage	86,497	105,823	169,572	236,313
Repair	55,208	111,395	107,657	201,875
Others	429,651	466,425	824,871	866,010
	$ 1,430,832	$ 1,669,020	$ 2,974,915	$ 3,116,395

44. INCOME TAX

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

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

a. Income tax expense recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Current income tax				
Current year	$ 244,758	$ 210,683	$ 332,143	$ 437,235
Prior years	(169,024)	53,330	(171,109)	53,726
	75,734	264,013	161,034	490,961
Deferred income tax	(10,391)	130,609	17,292	284,056
Income tax expense recognized in profit or loss	$ 65,343	$ 394,622	$ 178,326	$ 775,017

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Deferred income tax				
Unrealized gain (loss) on available-for-sale financial assets	$ 267	$ (472)	$ 865	$ 337

c. Integrated income tax

	June 30, 2016	December 31, 2015	June 30, 2015
Imputation credits accounts - the Corporation	$ 382,914	$ 1,101,373	$ 2,820,592

The Corporation's creditable tax ratio for the distribution of earnings of 2015 and 2014 were 12.51% (estimated) and 17.32%, respectively.

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

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

d. Income tax assessments

The Corporation's income tax returns through 2010 had been examined by the tax authorities. The Corporation disagreed with the tax authorities' assessments of its 2007 to 2010 tax returns and thus filed tax appeals.

CDIB's income tax returns through 2010 had been examined by the tax authorities. However, CDIB disagreed with the tax authorities' assessments of its 2010 tax returns and thus filed tax appeals.

Income tax returns of CDIB Capital Management Inc., China Development Asset Management Corp., CHG3, CHG4, Development Industrial Bank Asset Management Corp., formerly R.O.C. Strategic Company Ltd. and China Venture Management Inc., through 2014 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2012 had been examined by the tax authorities. Income tax of formerly CDIB Strategic Venture Fund Ltd. through 2013 had been examined by the tax authorities. However, formerly CDIB Strategic Venture Fund Ltd., disagreed with the tax authorities' assessments of its 2013 tax return and thus filed tax appeals.

The income tax returns of formerly Grand Cathay through 2010 had been examined by the tax authorities. Formerly Grand Cathay disagreed with the tax authorities' assessments of its 2008 tax returns and thus filed tax appeals.

The income tax returns of KGI Securities for the years through 2011 and 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 2006 through 2011 and 2013. As a result, KGI filed tax appeals.

Income tax returns of KGI Insurance Brokers Co., KGI Securities Investment Advisory Co., Ltd., GSFC, KGI Securities Investment Trust Co., Ltd., KGI Venture Capital Co., Ltd. through 2014 had been examined by the tax authorities. Income tax returns of KGI Futures Co., Ltd. through 2013 had been examined by the ax authorities.

Income tax returns of KGI Bank, KGI Bank Insurance Brokerage Company, CDIB Management Consulting Corporation, and CDC Finance & Leasing Corp. for the years through 2014 had been examined by the tax authorities.

45. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Basic EPS	$ 0.05	$ 0.16	$ 0.13	$ 0.34
Diluted EPS	$ 0.05	$ 0.16	$ 0.13	$ 0.34

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

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Earnings used in the computation of EPS	$ 761,743	$ 2,347,082	$ 1,888,158	$ 5,092,257

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Weighted average number of common shares outstanding in computation of basic EPS	14,639,839	14,829,438	14,683,575	14,835,821
Effect of dilutive potentially common shares:				
Employee share options	1,102	14,830	1,102	14,927
Restricted shares	5,536	6,521	5,734	6,337
Weighted average number of common shares outstanding in computation of diluted EPS	14,646,477	14,850,789	14,690,411	14,857,085

46. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Corporation

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

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

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

Information on employee share options was as follows:

	For the Six Months Ended June 30			
	2016		2015	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	74,320	$ 9.01	83,231	$ 9.48
Options exercised	-	-	(3,197)	9.32
Options invalid	(260)	9.06	(1,285)	9.82
Balance at June 30	74,060	8.42	78,749	9.48
Options exercisable, end of period	30,530	8.35	34,509	9.40
Weighted-average remaining contractual life (years)	5.13		6.13	

The weighted-average share prices at the date of exercise of share options from January 1 to June 30, 2015 was $10.61.

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 six months ended June 30, 2016 and 2015 were $8,479 thousand and $8,806 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 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 six months ended June 30, 2016 and 2015, the Corporation recognized $23,319 thousand and $27,530 thousand as compensation cost.

47. 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 Corporation and Subsidiaries
Others	Other related parties

b. Significant transactions with related-parties

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

	Amount	%
June 30, 2016	$ 733,577	4
December 31, 2015	166,736	1
June 30, 2015	8,260	-

For the three and six months ended June 30, 2016 and 2015, the interest revenues from cash in bank were $1,596 thousand, $104 thousand, $1,612 thousand and $122 thousand, respectively.

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

	Amount	%
June 30, 2016	$ 121,750	1
December 31, 2015	71,436	-
June 30, 2015	214,163	1

For the three and six months ended June 30, 2016 and 2015, the interest revenues from due from banks were $0 thousand.

3) Call loans to banks (recognized as due from the central bank and call loans to banks)

	Amount	%
December 31, 2015	$ 4,629,240	5

For the three and six months ended June 30, 2016 and 2015, the interest revenues from call loans to banks were $0 thousand, $1,950 thousand, $861 thousand and $2,023 thousand, respectively.

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

	Amount	%
June 30, 2016	$ 18,334	-
December 31, 2015	26,574	-
June 30, 2015	36,279	-

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the six months ended June 30, 2016		
Other related parties	$ 49,950	$ 739,201
For the six months ended June 30, 2015		
Other related parties	952,934	3,368,313

6) Revenue receivable (recognized as receivables, net)

	Amount	%
June 30, 2016	$ 195,212	-
December 31, 2015	67,745	-
June 30, 2015	476,779	-

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

	Amount	%
June 30, 2016	$ 10,185	-
December 31, 2015	15,503	-
June 30, 2015	11,970	-

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

	Amount	%
June 30, 2016	$ 36,096	-
December 31, 2015	27,612	-
June 30, 2015	42,952	-

9) Other receivables (recognized as receivables, net)

	Amount	%
June 30, 2016	$ 21,229	-
December 31, 2015	16,454	-
June 30, 2015	540,714	-

10) Discounts and loans, net

	Amount	%	Interest Rate (%)
June 30, 2016	$ 832,956	-	1.62-15.00
December 31, 2015	999,266	-	1.43-18.25
June 30, 2015	952,231	-	1.48-18.25

For the three and six months ended June 30, 2016 and 2015, the interest revenues from discounts and loans were $4,009 thousand, $4,233 thousand, $8,298 thousand and $7,342 thousand, respectively.

Balance as of June 30, 2016

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	37	$ 27,267	$ 16,368	$ 16,368	$ -	-	Yes
Residential mortgage loans	68	1,110,643	807,281	807,281	-	Real estate	Yes
Others	10	22,056	9,307	9,307	-	Real estate/ deposit	Yes

Balance as of December 31, 2015

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	34	$ 24,394	$ 16,314	$ 16,314	$ -	-	Yes
Residential mortgage loans	60	1,145,950	974,484	974,484	-	Real estate	Yes
Others	7	113,608	8,468	8,468	-	Real estate/ deposit	Yes

Balance as of June 30, 2015

(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	24	$ 16,077	$ 12,931	$ 12,931	$ -	-	Yes
Residential mortgage loans	47	881,475	834,485	834,485	-	Real estate	Yes
Others	6	112,658	104,815	104,815	-	Real estate/ deposit	Yes

11) Guarantee deposits received in futures contracts (recognized as other financial assets)

	Amount	%
June 30, 2015	$ 61,477	-

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

	Amount	%
June 30, 2016	$ 322,860	2

For the three and six months ended June 30, 2016 and 2015, the interest expenses from call loans from banks were $772 thousand, $934 thousand, $915 thousand and $1,563 thousand, respectively.

13) Notes and bonds issued under repurchase agreements

	Amount	%
June 30, 2016	$ 255,093	-
December 31, 2015	50,000	-

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

	Amount	%
June 30, 2016	$ 20,840	-
December 31, 2015	45,987	-
June 30, 2015	21,511	-

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

	Amount	%
June 30, 2016	$ 21,984	-
December 31, 2015	45,825	-
June 30, 2015	23,306	-

16) Other payables (recognized as payables)

	Amount	%
June 30, 2016	$ 19,425	-
December 31, 2015	1,842	-
June 30, 2015	205	-

17) Deposits and remittances

	Amount	%	Interest Rate (%)
June 30, 2016	$ 781,510	-	0-5.8
December 31, 2015	801,873	-	0-6.5
June 30, 2015	672,453	-	0-6.5

For the three and six months ended June 30, 2016 and 2015, the interest expenses from deposits and remittances were $2,206 thousand, $2,223 thousand, $4,510 thousand and $4,285 thousand, respectively.

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

	Amount	%
June 30, 2016	$ 258,288	1
December 31, 2015	223,396	1
June 30, 2015	380,698	1

For the three and six months ended June 30, 2016 and 2015, the interest expenses from short-term borrowings were $821 thousand, $4,811 thousand, $2,621 thousand and $6,047 thousand, respectively.

19) Customers' equity accounts - futures

	Amount	%
June 30, 2016	$ 47,020	-
December 31, 2015	57,965	-
June 30, 2015	61,477	-

20) Consulting service revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2016				
Other related parties	$ 129,792	43	$ 255,564	44
2015				
Other related parties	244,982	67	318,764	56

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2016	$ -	-	$ 30,000	1
2015	-	-	30,000	1

22) Outstanding derivative financial instruments

KGIB

June 30, 2016

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	July 9, 2015 - November 17, 2016	$ 1,285,320	$ 7,817	Financial assets held for trading	$ 9,978
					Financial liabilities held for trading	14,057

December 31, 2015

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	April 10, 2015 - November 17, 2016	$ 1,913,574	$ 415,513	Financial assets held for trading	$ 18,890
					Financial liabilities held for trading	30,786

June 30, 2015

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
Other related parties	Currency swap contracts	November 26, 2014 - April 14, 2016	$ 5,761,263	$ 486,027	Financial assets held for trading	$ 61,913
					Financial liabilities held for trading	3,295

23) Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Salary and short-term benefits	$ 57,475	$ 59,138	$ 141,865	$ 180,115
Share-based payment	9,911	12,692	19,965	28,499
Post-employment benefits	537	1,046	1,079	2,167
	$ 67,923	$ 72,876	$ 162,909	$ 210,781

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 CDIB and KGI Bank.

Based on the Banking Act 32 and 33, except for consumer loans and government loans, credits extended by CDIB and 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:

CDIB and subsidiaries

Related Party	Relationship with the Bank and Subsidiaries
China Development Financial Holding Corporation	Parent company
KGI Securities Co., Ltd.	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company
Others	Other related parties (Note)

Note: CDC Financial & Leasing Corporation was no longer the subsidiary of the CDIB after the transfer date of May 1, 2015.

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 6,266,082	24	$ 10,607,534	38	$ 5,678,955	34

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 17,969,384	68	$ 12,613,249	45	$ 5,114,211	31

3) Purchase and sale of bonds

	Purchase of Bonds	**Sale of Bonds**
For the six months ended June 30, 2015		
Subsidiary of the parent company	$ 1,583,244	$ 2,211,662

4) Revenue receivable (recognized as receivable, net)

	June 30			
	2016		**2015**	
	Amount	**%**	**Amount**	**%**
Other related parties	$ 193,232	11	$ 440,387	7

5) Other receivable (recognized as receivable, net)

	June 30, 2015	
	Amount	**%**
Other related parties	$ 501,063	8

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Parent company	$ 722,419	99	$ 690,918	99	$ 713,685	99

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

7) Discounts and loans, net

Balance as of December 31, 2015

(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
Others	Other related parties	$ 100,000	$ -	$ -	$ -	-	Yes

Balance as of June 30, 2015

(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
Others	Other related parties	$ 100,000	$ -	$ -	$ -	-	Yes

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Stock						
Parent company	$ 160,421	2	$ 169,918	2	$ 241,560	-

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Stock						
Parent company	$ 382,277	97	$ 248,526	62	$ 181,439	56

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

10) Consulting service revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2016				
Other related parties	$ 64,700	49	$ 131,161	51
2015				
Other related parties	165,351	71	205,833	67

KGI Securities and subsidiaries

Related Party	Relationship with the KGI Securities and Subsidiaries
China Development Financial Holding Corporation	Parent company
China Development Industrial Bank Inc.	Subsidiary of the parent company
KGI Commercial Bank Co., Ltd.	Subsidiary of the parent company
Others	Other related parties

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 478,524	4	$ 393,854	3	$ 1,276,053	13
Other related parties	732,864	6	165,644	1	-	-

2) Available-for-sale financial assets - current

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Stock						
Parent company	$ 2,351,092	33	$ 2,490,281	34	$ 3,540,254	39

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the six months ended June 30, 2016		
Subsidiary of the parent company	$ 1,257,954	$ 3,423,022
Other related parties	49,950	739,201
For the six months ended June 30, 2015		
Subsidiary of the parent company	3,644,997	2,189,116
Other related parties	952,934	3,368,313

4) Guarantee deposits received in futures contracts

	June 30, 2016		December 31, 2015	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 818,787	2	$ 177,650	1

5) Current tax assets

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Parent company	$ 126,307	22	$ 122,581	21	$ 122,581	27

6) Restricted assets (recognized as other assets)

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,315,998	4	$ 829,941	2	$ 799,902	2

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

	December 31, 2015	
	Amount	%
Subsidiary of the parent company	$ 1,531,123	4

8) Short-term loans

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Other related parties	$ 258,288	1	$ 198,396	1	$ 248,560	1

9) Notes and bonds issued under repurchase agreement

	June 30, 2016	
	Amount	%
Other related parties	$ 255,093	-

10) Current tax liabilities

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Parent company	$ 477,706	46	$ 506,024	48	$ 503,353	41

11) Outstanding derivative financial instruments

a) Interest rate swap contracts

	June 30, 2015
	Contract Amount (Principal)
Subsidiary of the parent company	$ 300,000

b) Asset swap IRS contracts

	June 30, 2016
	Contract Amount (Principal)
Subsidiary of the parent company	$ 152,500

c) Asset swap option contracts - call

	June 30, 2016
	Contract Amount (Principal)
Subsidiary of the parent company	$ 152,500

d) Equity option contracts

	June 30, 2015
	Contract Amount (Principal)
Subsidiary of the parent company	$ 3,100,000

KGI Bank and subsidiaries

Related Party	Relationship with the Bank and Subsidiaries
China Development Financial Holding Corporation (CDFH)	Parent company
China Development Industrial Bank Inc. (CDIB)	Subsidiary of the parent company
KGI Securities Co., Ltd. (KGIB)	Subsidiary of the parent company
Others	Other related parties

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

	June, 30			
	2016		2015	
	Amount	%	Amount	%
Other related parties	$ 115,458	2	$ 207,871	2

2) Call loans to banks (recognized as due from the central bank and call loans to banks)

	December 31, 2015	
	Amount	%
Other related parties	$ 4,629,240	5

3) Receivables from securities sale (recognized as receivables)

	Amount	%
December 31, 2015	$ 117,459	-

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the six months ended June 30, 2016		
Subsidiary of the parent company	$ 3,423,022	$ 1,257,954
For the six months ended June 30, 2015		
Subsidiary of the parent company	605,872	1,433,335

5) Discounts and loans, net

	Amount	%	Interest Rate (%)
June 30, 2015			
Other related parties	$ 100,000	-	1.48-18.25

Balance as of June 30, 2015

(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
Others	Other related parties	$ 100,000	$ 100,000	$ 100,000	$ -	-	Yes

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

	June 30, 2016	
	Amount	**%**
Other related parties	$ 322,860	2

7) Deposits and remittances

	Amount	**%**	**Interest Rate (%)**
June 30, 2016			
Parent company	$ 4,509,005	1	0-0.35
Subsidiary of the parent company	26,851,260	8	0-1.21
December 31, 2015			
Parent company	2,646,445	1	0-0.17
Subsidiary of the parent company	26,153,352	7	0-1.35
June 30, 2015			
Parent company	12,225,382	34	0-0.17
Subsidiary of the parent company	12,869,121	36	0-1.35

8) Short-term borrowings

	June 30, 2015	
	Amount	**%**
Other related parties	$ 107,138	3

9) Payable on securities purchased (recognized as payables)

	Amount	**%**
December 31, 2015	$ 193,325	5

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

	June, 30			
	2016		2015	
	Amount	%	Amount	%
Parent company	$ 283,330	98	$ 181,150	97

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

11) Outstanding derivative financial instrument

June 30, 2016

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	July 9, 2015 - November 17, 2016	$ 1,285,320	$ 7,817	Financial assets held for trading	$ 9,978
					Financial liabilities held for trading	14,057
Subsidiaries of the parent company	Asset swap - Interest rate swap contracts	January 5 2016 - June 3, 2019	152,500	6,425	Financial assets held for trading	6,884
	Asset swap - option	January 5 2016 - May 20, 2019	152,500	(2,633)	Financial liabilities held for trading	9,735

December 31, 2015

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	April 10, 2015 - November 17, 2016	$ 1,913,574	$ 415,513	Financial assets held for trading	$ 18,890
					Financial liabilities held for trading	30,786

June 30, 2015

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	November 26, 2014 - April 14, 2016	$ 5,761,263	$ 486,027	Financial liabilities held for trading	$ 61,913
					Financial liabilities held for trading	3,295
Subsidiaries of the parent company	Interest rate swap contracts	September 20, 2010 - September 23, 2015	300,000	(1,820)	Financial liabilities held for trading	320
	Equity option contracts	July 9, 2014 - October 27, 2015	3,100,000	(578,737)	Financial liabilities held for trading	440,289

48. PLEDGED ASSETS

The following assets had 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 GreTai Securities Market for the government bond bidding; (c) required by the Central Bank for posting a bid bond and as a guarantee deposit for the bills business; (d) pledged as part of the requirements for filing a petition for tax reassessment; (e) pledged as compensation reserve; (f) pledged as guarantee deposit for oversees bonds sold with repurchase agreement; (g) pledged as foreign exchange margin trading; and (h) derivative transactions security deposit.

	June 30, 2016	December 31, 2015	June 30, 2015
Due from the Central Bank and call loans to banks	$ 20,895,000	$ 10,075,000	$ 10,200,000
Property and equipment, net	4,755,627	4,773,042	4,790,484
Lease receivables	3,391,789	3,424,754	3,196,750
Available-for-sale financial assets - bonds and stocks	2,386,825	2,427,634	3,081,715
Operating guarantee deposits	1,417,399	1,447,740	1,458,079
Other financial assets - pledged time deposits	612,244	629,344	772,949
Financial assets at fair value through profit or loss - bonds and stocks	558,848	50,443	50,760
Competitive bid transactions guarantee	410,543	323,027	335,111
Investment property, net	169,142	170,336	378,940
Guarantee deposit paid	128,908	532,456	608,372
Checking accounts - restricted for agent's stock transfer purposes	65,407	83,390	953,055
Restricted assets - impound account	40,123	49,178	68,048
Investments accounted for using the equity method	-	-	1,672,800

49. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Corporation and subsidiaries, except for those disclosed in Notes 52 and 53 were summarized as follows:

a. In April 2007, CDIB 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 by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB. On July 15, 2010, CDIB initiated action against Morgan Stanley & Co. International PLC ("Morgan Stanley") et al. to recover losses CDIB 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 by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB had recognized all gains and losses from the transaction. The balance of US$11,977,825 (NT$386,716 thousand based on the exchange rate of June 30, 2016) was reclassified to "other financial liabilities". The litigation had not yet been concluded as of June 30, 2016. In addition, Morgan Stanley overlooked CDIB'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 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, KGI Securities must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, which against the Article 20 and 32 of Securities and Exchange Act and the Article 184 and 185 of Civil Code. The plaintiffs sued KGI Securities and Taiwan Kolin Co., Ltd. with jointly liability amounted to $133,308 thousand plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court. However, Taiwan Kolin Co., Ltd. is under the procedure of reorganization, this lawsuit is withdrawn now.

c. Plaintiffs, Digital Imaging Solution Global Ltd. ("Digital") and Minda Consulting Ltd. ("Minda"), advocated that GT based on stock pledge generated from loans of HK$10,000 thousand with Minda and Minda transferred its pledge right on Digital to GT, GT transferred a pledge right of 35,000 thousand shares of eCyberChina to Minda in exchange. However, GT and its fund managers, including KGI Limited, disposed the 2,000 thousand shares of eCyberChina without Minda's approval and thus violated the pledge agreement. Therefore, Digital and Minda filed a lawsuit to the GT in November 2007 and requested for compensation of HK$119,130 thousand and related expenses and interest. In February 2008, Digital and Minda added KGI Limited as a defendant. On July 21, 2008, the appeal was dismissed by courts of Hong Kong and the plaintiffs appealed to a higher court. In December 2008, the courts of appeals dismissed the appeal by Digital while the appeal by Minda is still pending in the courts of appeals. According to the loan contract signed on May 9, 2000, Global Treasure Investments Limited (GT) loaned HK$10,000 thousand to Minda. Because Minda broke the contract by not making loan repayments, GT filed a lawsuit against Minda on October 31, 2002, and requested the return of HK$9,192 thousand plus interest. The case is still pending in the courts of Hong Kong.

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. In February 2008, during a financial crisis involving Far Eastern Air Transport Limited (FEAT), nine people, including Hu, Tsui and Chen, were sued by a state prosecutor after they were investigated. Hu, CDIB's former designated representative to FEAT's board of directors, was charged by the state prosecutor of dereliction of duty as an FEAT board member, resulting in financial loss to FEAT. FEAT also initiated a civil action against Hu and CDIB, claiming that they were jointly liable for damages of $677,199 thousand plus interest. The criminal case brought by FEAT against Hu and CDIB was adjudicated on September 28, 2012, and both defendants were acquitted of the charge brought against them; thus, the civil lawsuit was also dismissed by the criminal court. FEAT disagreed with this judgment and filed for appeal of the court's decision on CDIB and Hu's criminal and civil cases, claiming that these two defendants were jointly liable for damages of $660,000 thousand plus interest. The lawsuit was adjudicated on January 28, 2016, and both defendants, Hu and CDIB, were acquitted of the charge brought against them again; the civil lawsuit was also dismissed by the criminal court of the Taiwan High Court. However, since the manner of execution of the two judgements was uncertain, CDIB could not ascertain the final outcome of the lawsuit. In July 2013, FEAT sued Yageo Corporation Limited, Feng Dan Bai Lu Corporation Limited, Yong Chun Corporation Limited and CDIB for failing to discharge its obligations as a good administrator, resulting in embezzlement FEAT, for which FEAT demanded the payment of $100,000 thousand and interests. FEAT lost the lawsuit on December 30, 2014 claimed by the Taipei District Court and decided to appeal to Taiwan High Court. CDIB won the lawsuit on April 14, 2016 claimed by the Taiwan High Court. CDIB could not estimate the related possible loss because the final outcome of the lawsuit is uncertain.

f. The case KGI Bank acted vigorously in regards to Prince Motors' overdue debt. In December 2012, a third party regards the property rights of Dun Nan buildings as fraudulently infringing upon the rights of the creditors (credit litigation amounted to $481,157 thousand). On February 14, 2014. The Taiwan District Court has judged that KGI Bank lost the lawsuit and has to return the amount received of $1,786,318 thousand for re-allocation. KGI Bank has entrusted a lawyer. KGI Bank has appealed for second trial on March 10, 2014. On August 2, 2016, the lawyer judged that the case has ethical conflicts and insufficient evidence to support the judgment of the court. KGI Bank has a high possibility of winning the case, and the case is currently under the trial of the high court.

g. 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 $947,453 thousand for the basic framework, support service, IT application service and integration and transformation of server and so on as annual services fees in the future contract periods, starting from June 30, 2016.

50. BUSINESS COMBINATION

a. KGI Fraser Securities Pte. Ltd.

KGI Asia (Holdings) Pte. Ltd., which is a subsidiary of KGI Securities, for the purpose of expanding foreign business, had acquired 100% of the voting rights of KGI Fraser Securities Pte. Ltd.'s (KGI Fraser) on January 30, 2015. KGI Fraser is a non-listed company located in Singapore specialized in the futures related business.

1) The fair value of KGI Fraser's identifiable assets and liabilities on the acquisition date were as follows:

	Fair Value on Acquisition Date
Assets	
Financial assets (include cash and cash equivalent $1,040,544)	$ 3,227,104
Other assets	38,986
Assets subtotal	3,266,090
Liabilities	
Financial liabilities	(2,647,608)
Identifiable net assets	$ 618,482

2) KGI Fraser's goodwill, $372,878 thousand, was resulted from the difference between consideration of the acquisition (cash transaction cost of acquisition) of $991,360 thousand and the fair value of identifiable net assets of $618,482 thousand.

3) Effects of results of operations caused by business combination

From the acquisition date to June 30, 2016, net revenue and net loss from acquiree were $104,488 thousand and $97,552 thousand. Should the acquisition occur on the beginning of the accounting period, the pro-forma revenue and net income of the Company and subsidiaries for the six months ended would be $16,037,137 thousand and $5,137,608 thousand, respectively. The above amount could not reflect the results of operations and revenues from the Company and subsidiaries if the acquisition were completed on the beginning of the accounting period, and therefore it should not be used to predict future operation outcome.

b. PT Hasta Dana Sekuritas Indonesia

To extend the scale of overseas operation and enhance Group’s regional distribution, KGI Securities’ board of directors approved a 99% cash investment in PT Hasta Dana Sekuritas Indonesia by KGI Capital Asia Ltd. on December 28, 2015. The purchased price was estimated at IDR81,974,000. This investment was approved by the government of Taiwan and Indonesia, complete the procedure on February 25, 2016 and April 29, 2016.

51. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF CDFH, CDIB, KGI SECURITIES AND KGI BANK

Consolidated Profitability

(%)

Items		June 30, 2016	June 30, 2015
Return on total assets	Before income tax	0.48	1.30
	After income tax	0.44	1.13
Return on net worth	Before income tax	2.57	6.95
	After income tax	2.35	6.01
Profit margin		16.64	32.85

Profitability of CDFH

(%)

Items		June 30, 2016	June 30, 2015
Return on total assets	Before income tax	2.01	5.50
	After income tax	2.11	5.30
Return on net worth	Before income tax	2.20	6.31
	After income tax	2.34	6.11
Profit margin		87.90	89.61

Profitability of CDIB

(%)

Items		June 30, 2016	June 30, 2015
Return on total assets	Before income tax	1.69	2.06
	After income tax	1.67	2.21
Return on net worth	Before income tax	1.73	6.14
	After income tax	1.71	6.58
Profit margin		67.24	85.06

Profitability of KGI Securities

(%)

Items		**June 30, 2016**	**June 30, 2015**
Return on total assets	Before income tax	0.33	2.92
	After income tax	0.26	2.67
Return on net worth	Before income tax	1.07	8.56
	After income tax	0.86	7.84
Profit margin		6.47	46.61

Profitability of KGI Bank

(%)

Items		**June 30, 2016**	**June 30, 2015 (Note)**
Return on total assets	Before income tax	0.83	1.25
	After income tax	0.77	1.09
Return on net worth	Before income tax	7.49	12.34
	After income tax	6.98	10.79
Profit margin		43.31	56.25

Note: The above information includes prior interests under joint control.

52. 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 or price estimates arrived at through pricing models that use inputs such as in interest 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:

<u>June 30, 2016</u>

(In Thousands of New Taiwan Dollars)

	Level I	**Level II**	**Level III**	**Total**
<u>Nonderivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	$ 18,172,078	$ -	$ -	$ 18,172,078
Bond investments	51,346,722	51,653,536	-	103,000,258
Others	130,275	9,044,323	-	9,174,598
Financial assets designated as at FVTPL	14,342,370	25,623,182	160,940	40,126,492

(Continued)

	Level I	Level II	Level III	Total
Available-for-sale financial assets				
Stock investments	$ 19,732,270	$ 580,587	$ 317,315	$ 20,630,172
Bond investments	27,154,695	26,657,825	323,758	54,136,278
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	6,326,573	6,212,811	-	12,539,384
Financial liabilities designated as at FVTPL	-	10,493,907	-	10,493,907
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL	976,916	21,591,791	175,672	22,744,379
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	620,729	25,497,194	336,965	26,454,888
Financial liabilities designated as at FVTPL	-	1,680,208	-	1,680,208

(Concluded)

December 31, 2015

(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	$ 14,037,985	$ -	$ -	$ 14,037,985
Bond investments	55,316,866	37,364,773	-	92,681,639
Others	290,178	8,150,733	-	8,440,911
Financial assets designated as at FVTPL	234,787	19,921,689	188,401	20,344,877
Available-for-sale financial assets				
Stock investments	20,055,988	523,025	-	20,579,013
Bond investments	38,963,312	10,772,965	327,725	50,064,002
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,493,208	3,326,889	-	6,820,097
Financial liabilities designated as at FVTPL	-	4,352,498	-	4,352,498
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL	450,041	18,893,330	2,931,302	22,274,673
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	456,154	23,031,691	3,071,362	26,559,207
Financial liabilities designated as at FVTPL	-	2,166,377	-	2,166,377

June 30, 2015

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	$ 21,754,505	$ -	$ -	$ 21,754,505
Bond investments	50,486,619	34,296,062	-	84,782,681
Others	542,541	7,761,970	-	8,304,511
Financial assets designated as at FVTPL	-	682,220	222,770	904,990

(Continued)

	Level I	Level II	Level III	Total
Available-for-sale financial assets				
Stock investments	$ 22,600,649	$ 537,209	$ -	$ 23,137,858
Bond investments	27,626,441	71,280,760	306,040	99,213,241
Others	15,264	-	-	15,264
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	5,961,411	3,138,539	-	9,099,950
Financial liabilities designated as at FVTPL	-	4,096,656	-	4,096,656
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	981,777	10,509,207	899,616	12,390,600
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	894,586	12,012,590	1,538,197	14,445,373
Financial liabilities designated as at FVTPL	-	-	1,826,574	1,826,574

(Concluded)

2) Evaluation technology at fair value

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

3) Reconciliation of fair value

a) The limitation of valuation techniques and uncertain inputs

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

b) Credit risk valuation adjustments

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

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

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

The Corporation and subsidiaries calculate 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 Corporation and subsidiaries calculate the counterparty's EAD with OTC derivative's market to market value and the counterparty's LGD, which is 60 percentage of EAD based on Taiwan Stock Exchange ("TWSE") guidance.

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

4) Transfer between the first level and the second level

	For the Six Months Ended June 30			
	2016		2015	
	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	$ 285,551	$ 1,289,860	$ 405,030	$ -
Available-for-sale financial assets - bond investments	7,310,415	938,080	50,628	-

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

5) Reconciliation of Level III items of financial instruments

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

For the Six Months Ended June 30, 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	$ (656,825)	$ 29,945	$ -	$ (71,721)	$ (2,057,029)	$ 175,672
Financial assets designated as at FVTPL	188,401	(27,461)	-	-	-	-	160,940
Available-for-sale financial assets	327,725	(3,967)	317,315	-	-	-	641,073

For the Six Months Ended
June 30, 2015

(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	$ 974,985	$ 2,588,513	$ 207,857	$ -	$ (2,871,739)	$ -	$ 899,616
Financial assets designated as at FVTPL	233,686	(10,916)	-	-	-	-	222,770
Available-for-sale financial assets	311,154	(5,114)	-	-	-	-	306,040

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

For the Six Months Ended
June 30, 2016

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 3,071,362	$ (478,129)	$ 434,562	$ -	$ (624,884)	$ (2,063,433)	$ 336,965

For the Six Months Ended
June 30, 2015

(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	$ 2,114,151	$ 3,231,167	$ 659,303	$ -	$ (4,466,424)	$ -	$ 1,538,197
Financial liabilities designated as at FVTPL	1,966,485	27,502	630,100	-	(797,513)	-	1,826,574
Derivative financial liabilities for hedging	20,659	(20,659)	-	-	-	-	-

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

The total gains or losses for the three and six months ended June 30, 2016 and 2015 included a loss of $156,788 thousand, a gain of $534,681 thousand, a loss of $177,992 thousand and loss a loss of $186,229 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)

CDIB and subsidiaries

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

	Fair Value at June 30, 2016	Valuation Technique (s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 160,940	Market approach	Income multiplier lack of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
Available-for-sale financial assets	267,811	Recent strike price	-	-	-

	Fair Value at December 31, 2015	Valuation Technique (s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 188,401	Market approach	Income multiplier lack of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.

	Fair Value at June 30, 2015	Valuation Technique (s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 222,770	Market approach	Income multiplier lack of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.

KGI Securities and subsidiaries

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

June 30, 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	Recent strike price	-	-	-

(Continued)

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	16.73%-74.60%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	11.28%-42.21%	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	15.30%-32.14%	According to condition of contract, fair value of liabilities may be higher or lower.

(Concluded)

December 31, 2015

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	16.11%-62.20%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	10.53%-66.72%	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	28.09%-71.56%	According to condition of contract, fair value of liabilities may be higher or lower.

June 30, 2015

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Derivative instruments				
Structured products - option	Martingale Pricing Technique	History Volatility	10.11%-39.13%	According to condition of contract, fair value of asset may be higher or lower.
Equity derivatives instruments - premium - equity option (call option)	Martingale Pricing Technique	History Volatility	39.6%-39.6%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale Pricing Technique	History Volatility	7.27%-26.6%	According to condition of contract, fair value of asset may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale Pricing Technique	History Volatility	14.79%-28.07%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities designated as FVTPL - structured	Reduced From Pricing Technique	Credit spread	37bps-402bps	The range of credit spread is inversely proportional to fair value of liability. (Protecting rights of buyers by credit.)

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.

In addition to modify the evaluation technology of the credit linked structured commodity in the third quarter of 2015, pricing techniques and significant unobservable inputs used in KGI Securities and subsidiaries on June 30, 2016 are the same compare with it used on June 30, 2015. The relationship of quantification information as well as inputs and fair value is in conformity with IFRS 13 transitional provisions. KGI Securities and subsidiaries have deferred to adopt transitional provisions of IFRS 13 since January 1, 2015, therefore KGI Securities and subsidiaries is not applicable to the comparative information disclosed before January 1, 2015.

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:

For the six months ended June 30, 2016

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	**Positive/ Negative Change**	**Positive Impact**	**Negative Impact**
Financial assets				
Derivative instruments				
Structured notes - options	History volatility	+25%/-25%	$ 1,160	$ 1,268
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	$ 8	$ 32
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	-	-
			$ 8	$ 32

For the six months ended June 30, 2015

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/ Negative Change	Positive Impact	Negative Impact
Financial assets				
Derivative instruments				
Structured notes - options	History volatility	+ 25%/-25%	$ 354	$ 320
Equity derivative instruments - premium - options (call options)	History volatility	+ 25%/-25%	44	13
			$ 398	$ 333
Financial liabilities				
Derivative instruments				
Structured notes - options	History volatility	- 25%/+25%	$ -	$ -
Equity derivative instruments - premium - options (put options)	History volatility	- 25%/+25%	1,110	1,116
Financial liabilities designated as FVTPL - structured	Credit spread	50bps/-50bps	12,299	11,695
			$ 13,409	$ 12,811

KGI Bank and subsidiaries

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

	Fair Value at June 30, 2016	Valuation Technique (s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Available-for-sale financial assets - bond investment	$ 323,758	Discounted cash flow	Credit Spread	Inapplicable	Yield rate is proportional to Credit Spread; fair value is inversely proportional to Credit Spread.
Derivative financial assets					
Financial assets at FVTPL	173,271	HullWhite, Libor Market Model, discounted cash flow	Vol Factors	Inapplicable	When Vega is positive Volatility is proportional to fair value; when Delta is positive, yield curve is upward.
Derivative financial liabilities					
Financial liabilities at FVTPL	277,563	HullWhite, Libor Market Model, discounted cash flow	Vol Factors	Inapplicable	When Vega is positive Volatility is proportional to fair value; when Delta is positive, yield curve is upward.

	Fair Value at December 31, 2015	Valuation Technique (s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Available-for-sale financial assets - bond investment	$ 327,725	Discounted cash flow	Credit Spread	Inapplicable	Yield rate is proportional to Credit Spread; fair value is inversely proportional to Credit Spread.
Derivative financial assets					
Financial assets at FVTPL	2,919,020	HullWhite, Libor Market Model, discounted cash flow	Vol Factors	Inapplicable	When Vega is positive Volatility is proportional to fair value; when Delta is positive, yield curve is upward.
Derivative financial liabilities					
Financial liabilities at FVTPL	3,043,322	HullWhite, Libor Market Model, discounted cash flow	Vol Factors	Inapplicable	When Vega is positive Volatility is proportional to fair value; when Delta is positive, yield curve is upward.

	Fair Value at June 30, 2015	Valuation Technique (s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Available-for-sale financial assets - Bond investment	$ 306,040	Discounted cash flow	3 months USD Libor	Inapplicable	Changes of 3 months USD Libor do not affect fair value apparently.
Derivative financial assets					
Financial assets at FVTPL	1,342,486	HullWhite, Libor Market Model, Discounted cash flow	Vol Factors	Inapplicable	When Vega is positive Volatility is proportional to fair value; when Delta is positive, yield curve is upward.
Derivative financial liabilities					
Financial liabilities at FVTPL	1,528,625	HullWhite, Libor Market Model, Discounted cash flow	Vol Factors	Inapplicable	When Vega is positive Volatility is proportional to fair value; when Delta is positive, yield curve is upward.

7) Pricing process of Level III fair value

CDIB and subsidiaries

The valuation method and parameters adopted by CDIB 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 and subsidiaries based on Financial Supervisory Commission’s declaration of valuation method and parameters or committed to appraisers to make valuation.

KGI Securities and subsidiaries

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

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.

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

Assets and liabilities measured at cost, excluding investment accounted for using equity method – unlisted stocks, financial assets measured at cost, investment properties, 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 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. The fair value cannot be reliably measured, thus the Corporation and subsidiaries do not disclose their fair value.

For fair value measurement of investment property, please refer to Note 19.

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

53. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Corporation

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

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

CDIB and subsidiaries

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

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 general long-term investments; and Merchandise Review Committee (MRC) sets up the reviewing system of evaluating commodities and assessing the government examinations of commodities being traded on the market.

   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.

<u>KGI Bank and subsidiaries</u>

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.

b. Credit risk

CDIB and subsidiaries

CDIB 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 of financial assets by the financial position date.

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

1) Credit analysis of financial assets were as follows:

Some financial assets such as cash and cash equivalents, financial assets at fair value through profit or loss, receivables and refundable deposits are regarded as having very low credit risk because of the good credit rating of counter-parties.

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

a) Credit quality analysis for receivables

Date	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
June 30, 2016	$ -	$ -	$ -	$ -	$ -	$ 2,272,781	$ 2,272,781	$ 131,113	$ 988,523	$ 1,153,145
December 31, 2015	-	-	-	-	-	2,404,132	2,404,132	194,780	968,605	1,240,747
June 30, 2015	-	-	-	-	-	2,892,662	2,892,662	306,571	982,924	1,603,167

b) Credit quality analysis for marketable securities

June 30, 2016	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets									
Investment in bonds	$ 161,951	$ -	$ -	$ 161,951	$ -	$ -	$ 161,951	$ -	$ 161,951

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $13,859,183 thousand, loss on valuation of $4,635,933 thousand and accumulated impairment of $183,656 thousand.

Note 2: Financial assets measured at cost have an initial cost of $20,309,290 thousand and accumulated impairments of $2,296,628 thousand.

Note 3: Debt instruments with no active markets have initial costs of $2,093,514 thousand and accumulated impairments of $218,035 thousand.

December 31, 2015	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets									
Investment in bonds	$ 161,308	$ -	$ -	$ 161,308	$ -	$ -	$ 161,308	$ -	$ 161,308

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $13,923,194 thousand, loss on valuation of $4,867,019 thousand and accumulated impairment of $35,154 thousand.

Note 2: Financial assets measured at cost have an initial cost of $20,996,006 thousand and accumulated impairments of $2,125,405 thousand.

Note 3: Debt instruments with no active markets have initial costs of $1,837,737 thousand and accumulated impairments of $218,035 thousand.

Note 4: Held-to-maturity financial assets measured at cost have an initial cost of $102,564 thousand.

June 30, 2015	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets									
Investment in bonds	$ 157,889	$ -	$ -	$ 157,889	$ -	$ -	$ 157,889	$ -	$ 157,889

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $14,576,222 thousand, loss on valuation of $3,428,370 thousand and accumulated impairment of $68,648 thousand.

Note 2: Financial assets measured at cost have an initial cost of $22,838,345 thousand and accumulated impairments of $1,675,922 thousand.

Note 3: Debt instruments with no active markets have initial costs of $2,761,594 thousand and accumulated impairments of $218,035 thousand.

2) CDIB and Subsidiaries' impairment of receivables

Items		Receivables			Allowance for Bad Debts		
		June 30, 2016	December 31, 2015	June 30, 2015	June 30, 2016	December 31, 2015	June 30, 2015
With objective evidence of impairment	Assessment of individual impairment	$ 1,126,068	$ 1,263,179	$ 1,725,011	$ 131,113	$ 194,780	$ 306,571
With no objective evidence of impairment	Assessment of collective impairment	1,146,713	1,140,953	1,167,651	988,523	968,605	982,924

Note: The amounts of receivables do not include the amounts of allowance and adjustments for discounts (premiums).

3) CDIB and subsidiaries had no overdue but not yet impaired financial assets.

4) Management policies of collaterals assumed

CDIB and subsidiaries' collaterals assumed were mainly land and buildings. As of June 30, 2016, December 31, 2015 and June 30, 2015, the carrying amounts of the collaterals were $117,814 thousand, $118,804 thousand and $129,559 thousand, respectively. Collaterals assumed are classified as other assets in the consolidated balance sheets.

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

a) Asset quality of overdue loans and receivables: None

b) Excluded overdue loans and receivables: None

c) Concentration of credit risk: None

<u>KGI Securities and subsidiaries</u>

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

June 30, 2016

(In Thousands of New Taiwan Dollars)

Financial Assets	Positions That are Neither Past Due Nor Impaired				Past Due But Unimpaired	Impaired	Impaired Reserve	Total
	Low	Medium-low	Medium	High				
Cash and cash equivalents	$ 12,057,589	$ 23,200	$ 176,129	$ -	$ -	$ -	$ -	$ 12,256,918
Financial assets measured at FVTPL - current	84,121,340	136,295	3,194,689	-	-	-	-	87,452,324
Available-for-sale financial assets - current	12,281	-	-	-	-	-	-	12,281
Bonds purchased under resell agreements	19,898,413	551,268	-	-	-	-	-	20,449,681
Receivables	64,229,947	10,078,590	593,742	5,714	-	-	-	74,907,993
Customers' margin accounts - futures	38,406,838	-	-	-	-	-	-	38,406,838
Stock borrowing collateral price and guarantee deposits - borrowed securities	4,837,619	1,279,973	-	-	-	-	-	6,117,592
Other financial assets - current	5,647,701	23,800	-	-	-	-	-	5,671,501
Other current assets	32,325,091	-	-	-	-	-	-	32,325,091
Financial assets measured at FVTPL - noncurrent	50,046	-	-	-	-	-	-	50,046
Held to maturity Financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,154,936	-	90,841	-	-	-	-	3,245,777
Total	$ 264,741,801	$ 12,093,126	$ 4,355,401	$ 5,714	$ -	$ -	$ -	$ 281,196,042
Percentage	94.15%	4.30%	1.55%	0.00%	-	-	-	100.00%

December 31, 2015

(In Thousands of New Taiwan Dollars)

Financial Assets	Positions That are Neither Past Due Nor Impaired				Past Due But Unimpaired	Impaired	Impaired Reserve	Total
	Low	Medium-low	Medium	High				
Cash and cash equivalents	$ 12,352,511	$ 92,000	$ 7,066	$ -	$ -	$ -	$ -	$ 12,451,577
Financial assets measured at FVTPL - current	58,964,090	335,963	4,344,217	-	-	-	-	63,644,270
Available-for-sale financial assets - current	58,849	-	-	-	-	-	-	58,849
Bonds purchased under resell agreements	15,144,686	1,300,743	-	-	-	-	-	16,445,429
Receivables	45,570,769	10,540,052	720,553	5,584	-	-	-	56,836,958
Customers' margin accounts - futures	31,684,109	-	-	-	-	-	-	31,684,109
Stock borrowing collateral price and guarantee deposits - borrowed securities	4,706,715	2,302,991	-	-	-	-	-	7,009,706
Other financial assets - current	4,503,104	63,700	-	-	-	-	-	4,566,804
Other current assets	34,706,980	-	-	-	-	-	-	34,706,980
Financial assets measured at FVTPL - noncurrent	50,443	-	-	-	-	-	-	50,443
Available-for-sale financial assets - noncurrent	-	-	30,403	-	-	-	-	30,403
Held to maturity financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,549,546	-	200,169	-	-	-	-	3,749,715
Total	$ 211,291,802	$ 14,635,449	$ 5,602,408	$ 5,584	$ -	$ -	$ -	$ 231,535,243
Percentage	91.26%	6.32%	2.42%	0.00%	-	-	-	100.00%

June 30, 2015

(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	$ 15,380,777	$ 35,400	$ 125,058	$ -	$ -	$ -	$ -	$ 15,541,235
Financial assets measured at FVTPL - current	55,450,284	477,111	5,503,765	-	-	-	-	61,431,160
Available-for-sale financial assets - current	58,186	-	-	-	-	-	-	58,186
Bonds purchased under resell agreements	18,465,821	300,222	-	-	-	-	-	18,766,043
Receivables	58,610,583	14,596,875	3,707,925	864,686	-	-	-	77,780,069
Customers' margin accounts - futures	31,146,935	-	-	-	-	-	-	31,146,935
Stock borrowing collateral price and guarantee deposits - borrowed securities	3,288,981	827,812	-	-	-	-	-	4,116,793
Other financial assets - current	2,839,529	44,900	-	-	-	-	-	2,884,429
Other current assets	35,322,533	26,100	-	-	-	-	-	35,348,633
Financial assets measured at FVTPL - noncurrent	50,760	-	-	-	-	-	-	50,760
Available-for-sale financial assets - noncurrent	-	-	31,692	-	-	-	-	31,692
Held to maturity financial assets - noncurrent	40,000	-	-	-	-	-	-	40,000
Others noncurrent assets	3,786,782	-	50,000	-	-	-	-	3,836,782
Total	$ 224,441,171	$ 16,308,420	$ 9,418,440	$ 864,686	$ -	$ -	$ -	$ 251,032,717
Percentage	89.41%	6.50%	3.75%	0.34%	-	-	-	100.00%

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

a) Cash and cash equivalents

Cash and cash equivalents of KGI Securities mainly are the securities deposit for futures transactions which is stored in a specific account. KGI Securities related department will evaluate financial, operating and credit risk situations periodically and take it as reference to management of credit risks. However, assessment results show that just few credit rating of futures companies are middle risk degree. Because the percentage of middle risk rating is low, the credit risk is believed on the Company's controllable range.

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

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

c) Receivables

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

d) Available-for-sale financial assets - noncurrent and Held to maturity financial assets - noncurrent

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

e) Other assets - noncurrent

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

<u>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 collectibility 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:

	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Irrevocable loan commitments guarantees and letters of credit	$ 103,257,060	$ 95,728,457	$ 92,343,278

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 (eg: Machinery), rights certificates and securities (eg: 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 (eg: 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	**June 30, 2016**		**December 31, 2015**		**June 30, 2015**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Public and private enterprise	$ 158,911,694	67.21	$ 144,211,746	65.28	$ 148,907,947	66.42
Natural person	77,090,918	32.60	76,343,186	34.56	74,690,155	33.32
Non-profit organization	451,063	0.19	371,376	0.16	581,633	0.26
Total	$ 236,453,675	100.00	$ 220,926,308	100.00	$ 224,179,735	100.00

b) By region

Region	**June 30, 2016**		**December 31, 2015**		**June 30, 2015**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Domestic	$ 190,535,253	80.58	$ 178,752,940	80.91	$ 174,143,913	77.68
Overseas	45,918,422	19.42	42,173,368	19.09	50,035,822	22.32
Total	$ 236,453,675	100.00	$ 220,926,308	100.00	$ 224,179,735	100.00

c) By collateral

Collateral	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Non-collateral	$ 149,359,982	63.17	$ 137,464,454	62.22	$ 131,742,174	58.77
Collateral						
Financial collateral	6,219,918	2.63	6,047,359	2.74	5,795,428	2.59
Receivables	-	-	-	-	1,328	-
Property	64,597,744	27.32	58,966,463	26.69	58,490,249	26.09
Guarantee	12,337,730	5.22	13,689,559	6.20	23,332,510	10.41
Other	3,938,301	1.66	4,758,473	2.15	4,818,046	2.14
Total	$ 236,453,675	100.00	$ 220,926,308	100.00	$ 224,179,735	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, 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

June 30, 2016	Neither Overdue Nor Impaired Amount (A)	Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Amount (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	Without Objective Evidence of Impairment	
Receivables							
- credit card and credit business	$ 20,155,718	$ 38,545	$ 80,970	$ 20,275,233	$ 46,761	$ 276,537	$ 19,951,935
- other	9,590,190	5,526	1,921,168	11,516,884	1,181,252	74,615	10,261,016
Discount and loans	234,064,790	1,381,577	1,007,308	236,453,675	516,718	2,750,128	233,186,829

December 31, 2015	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	$ 31,474,699	$ 54,359	$ 82,095	$ 31,611,153	$ 44,059	$ 441,654	$ 31,125,440
- other	9,003,149	5,637	1,890,064	10,898,850	1,178,715	84,500	9,635,635
Discount and loans	218,352,917	1,578,720	994,671	220,926,308	517,140	2,598,556	217,810,612

June 30, 2015	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	$ 39,492,389	$ 63,090	$ 74,734	$ 39,630,213	$ 42,846	$ 394,093	$ 39,193,274
- other	8,936,067	3,080	2,105,871	11,045,018	1,094,472	58,893	9,891,653
Discount and loans	221,487,171	1,682,355	1,010,209	224,179,735	503,391	2,441,334	221,235,010

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

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

June 30, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 18,937,205	$ 7,348,389	$ 9,135	$ -	$ 26,294,729
- cash card	8,549,572	2,679,562	590,225	2,995,951	14,815,310
- micro credit loans	16,365,693	2,036,265	131,098	82,190	18,615,246
- other-secured	13,324,657	1,300,237	90,890	42,778	14,758,562
- other - unsecured	50,413	-	-	3,667	54,080
Corporate banking					
- secured	10,980,623	21,673,170	10,567,278	2,461,199	45,682,270
- unsecured	26,218,619	63,593,022	18,915,305	5,117,647	113,844,593
Total	$ 94,426,782	$ 98,630,645	$ 30,303,931	$ 10,703,432	$ 234,064,790

December 31, 2015	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 17,864,395	$ 8,315,062	$ 9,373	$ -	$ 26,188,830
- cash card	8,616,261	2,757,230	721,108	3,317,166	15,411,765
- micro credit loans	15,765,075	2,048,055	94,379	86,296	17,993,805
- other-secured	12,592,495	1,076,063	116,301	83,256	13,868,115
- other - unsecured	54,469	-	-	4,794	59,263
Corporate banking					
- secured	16,074,747	21,936,111	9,384,955	3,016,334	50,412,147
- unsecured	20,983,684	52,954,031	16,647,518	3,833,759	94,418,992
Total	$ 91,951,126	$ 89,086,552	$ 26,973,634	$ 10,341,605	$ 218,352,917

June 30, 2015	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	$ 17,309,849	$ 8,245,315	$ 16,781	$ -	$ 25,571,945
- cash card	8,222,620	2,737,452	616,606	3,562,903	15,139,581
- small-scale credit loans	15,198,228	1,999,300	101,661	93,784	17,392,973
- other-secured	11,956,500	1,238,801	121,794	27,278	13,344,373
- other-unsecured	61,246	-	-	5,136	66,382
Corporate banking					
- secured	22,773,940	19,829,144	12,241,008	3,153,322	57,997,414
- unsecured	20,882,632	50,218,497	16,459,943	4,413,431	91,974,503
Total	$ 96,405,015	$ 84,268,509	$ 29,557,793	$ 11,255,854	$ 221,487,171

June 30, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 1,002,741	$ 631,067	$ 785,966	$ 377,282	$ 2,797,056
- credit card and acceptances - forfaiting	7,484,499	5,846,617	-	1,669,169	15,000,285
- accounts receivable factoring - no recourse	27,920	600,619	-	1,371,800	2,000,339
- acceptances	56,064	276,553	25,421	-	358,038
Total	$ 8,571,224	$ 7,354,856	$ 811,387	$ 3,418,251	$ 20,155,718

December 31, 2015	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 772,327	$ 565,877	$ 801,291	$ 422,276	$ 2,561,771
- credit card and acceptances - forfaiting	14,699,335	9,825,446	-	2,160,340	26,685,121
- accounts receivable factoring - no recourse	43,968	499,491	6,454	684,919	1,234,832
- acceptances	54,073	917,910	20,992	-	992,975
Total	$ 15,569,703	$ 11,808,724	$ 828,737	$ 3,267,535	$ 31,474,699

June 30, 2015	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	$ 1,017,740	$ 685,316	$ 891,429	$ 519,265	$ 3,113,750
- credit card and acceptances - forfaiting	17,350,872	16,021,774	-	1,146,678	34,519,324
- accounts receivable factoring - no recourse	27,110	520,796	-	651,899	1,199,805
- acceptances	-	623,095	36,415	-	659,510
Total	$ 18,395,722	$ 17,850,981	$ 927,844	$ 2,317,842	$ 39,492,389

c) Securities investment credit quality analysis

June 30, 2016	Neither Overdue Nor Impaired				Overdue but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Normal	Total (A)					
Available-for-sale financial assets - investment in bonds	$ 53,962,046	$ -	$ -	$ 53,962,046	$ -	$ -	$ 53,962,046	$ -	$ 53,962,046

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $6,550,421 thousand, loss on valuation of $734,094 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, 2015	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	$ 49,813,442	$ -	$ -	$ 49,813,442	$ -	$ -	$ 49,813,442	$ -	$ 49,813,442

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $6,574,790 thousand, loss on valuation of $1,137,565 thousand and accumulated impairment of $0 thousand.

Note 2: Financial assets measured at cost have an initial cost of $303,683 thousand and accumulated impairments of $40,764 thousand.

June 30, 2015	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	$ 98,965,474	$ -	$ -	$ 98,965,474	$ -	$ -	$ 98,965,474	$ -	$ 98,965,474

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of $5,790,278 thousand, loss on valuation of $288,731 thousand and accumulated impairment of $0 thousand.

Note 2: Financial assets measured at cost have an initial cost of $306,308 thousand and accumulated impairments of $43,389 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:

	June 30, 2016		
	1 Month	Over 1 Month - 3 Months	Total
Credit card business	$ 20,565	$ 17,970	$ 38,535
Accounts Receivable factoring-no recourse	10	-	10
Discount and loans			
Consumer banking			
- mortgage loans	216,459	31,795	248,254
- cash card	262,573	70,512	333,085
- small-scale credit loans	359,953	57,487	417,440
- other - secured	130,719	9,815	140,534
- other - unsecured	307	-	307
Corporate banking			
- secured	20,953	8,205	29,158
- unsecured	182,666	30,133	212,799

	December 31, 2015		
	1 Month	Over 1 Month - 3 Months	Total
Credit card business	$ 29,346	$ 25,013	$ 54,359
Discount and loans			
Consumer banking			
- mortgage loans	265,087	58,556	323,643
- cash card	287,792	71,877	359,669
- small-scale credit loans	481,712	68,717	550,429
- other - secured	240,793	25,445	266,238
- other - unsecured	1,361	-	1,361
Corporate banking			
- secured	50,367	22,141	72,508
- unsecured	2,258	2,614	4,872

	June 30, 2015		
	1 Month	Over 1 Month - 3 Months	Total
Credit card business	$ 42,831	$ 20,259	$ 63,090
Discount and loans			
Consumer banking			
- mortgage loans	412,134	46,407	458,541
- cash card	364,856	86,047	450,903
- small-scale credit loans	444,449	74,291	518,740
- other - secured	164,501	13,642	178,143
- other - unsecured	779	-	779
Corporate banking			
- secured	60,515	6,193	66,708
- unsecured	5,528	3,013	8,541

8) Analysis of impairment for financial assets

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

Items		Discounts and Loans			Allowance for Bad Debts		
		June 30, 2016	December 31, 2015	June 30, 2015	June 30, 2016	December 31, 2015	June 30, 2015
With objective evidence of impairment	Assessment of individual impairment	$ 216,565	$ 209,879	$ 212,094	$ 83,335	$ 84,667	$ 52,618
	Assessment of collective impairment	790,743	784,792	798,115	433,383	432,473	450,773
Without objective evidence of impairment	Assessment of collective impairment	235,446,367	219,931,637	223,169,526	2,750,128	2,598,556	2,441,334
Total		236,453,675	220,926,308	224,179,735	3,266,846	3,115,696	2,944,725

Items		Receivables			Allowance for Bad Debts		
		June 30, 2016	December 31, 2015	June 30, 2015	June 30, 2016	December 31, 2015	June 30, 2015
With objective evidence of impairment	Assessment of individual impairment	$ 1,908,972	$ 1,884,175	$ 2,091,556	$ 1,171,325	$ 1,169,447	$ 1,079,299
	Assessment of collective impairment	93,166	87,984	89,049	56,689	53,327	58,019
Without objective evidence of impairment	Assessment of collective impairment	29,789,979	40,537,844	48,494,626	351,152	526,154	452,986
Total		31,792,117	42,510,003	50,675,231	1,579,166	1,748,928	1,590,304

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 June 30, 2016, December 31, 2015 and June 30, 2015, the carrying amounts of the collaterals both were $0 thousand. The foreclosed collateral recognized as other assets in balance sheet.

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

a) Asset quality of nonperforming loan and overdue credits

Item			June 30, 2016				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 201,553	$ 45,887,397	0.44%	$ 557,390	276.55%
	Unsecured		164,881	114,215,531	0.14%	1,445,253	876.54%
Consumer loan	Mortgage (Note 4)		34,920	26,592,540	0.13%	355,196	1,017.18%
	Cash card		192,297	15,519,598	1.24%	432,643	224.99%
	Micro credit (Note 5)		139,940	19,272,975	0.73%	276,500	197.59%
	Other (Note 6)	Secured	7,530	14,909,779	0.05%	199,118	2,644.26%
		Unsecured	2,551	55,855	4.57%	746	29.25%
Total			743,672	236,453,675	0.31%	3,266,846	439.29%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			40,233	2,912,560	1.38%	66,903	166.29%
Account receivable - factored without recourse (Note 7)			59	2,002,740	0.00%	26,181	44,131.45%

Item			June 30, 2015				
			Nonperforming Loan (NPL) (Note 1)	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 167,819	$ 58,215,839	0.29%	$ 726,376	432.83%
	Unsecured		156,817	92,141,135	0.17%	1,057,762	674.52%
Consumer loan	Mortgage (Note 4)		70,203	26,112,309	0.27%	308,542	439.50%
	Cash card		209,130	15,984,180	1.31%	465,925	222.79%
	Micro credit (Note 5)		110,639	18,119,902	0.61%	242,754	219.41%
	Other (Note 6)	Secured	14,309	13,537,606	0.11%	142,671	997.07%
		Unsecured	2,821	68,764	4.10%	695	24.65%
Total			731,739	224,179,735	0.33%	2,944,725	402.43%
			Overdue Receivable	**Account Receivable**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			34,850	3,250,256	1.07%	73,085	209.71%
Account receivable - factored without recourse (Note 7)			42	1,201,123	0.00%	12,066	28,909.90%

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

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

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

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

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

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

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

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

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

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

b) Exemption of nonperforming loans and overdue receivables

Items	June 30, 2016		June 30, 2015	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 43,242	$ 239	$ 65,789	$ 293
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	33,718	4,519	42,529	4,222
Total	$ 76,960	$ 4,758	$ 108,318	$ 4,515

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

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

c) Concentration of credit extensions

June 30, 2016

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 016100 telecommunication industry	$ 6,387,123	10.94
2	B Group - 016700 real estate brokerage	4,756,522	8.15
3	C Group - 015100 civil aviation transportation	4,610,451	7.89
4	D Group - 012641 LCD and related components manufacturing	3,885,141	6.65
5	E Group - 012740 data storage media	3,750,000	6.42
6	F Group - 012711 computer manufacturing	3,665,713	6.28
7	G Group - 017112 Engineering activities and related technical consultancy	2,965,540	5.08
8	H Group - 012411 iron and steel smelting	2,961,018	5.07
9	I Group - 012611 integrated circuits manufacturing	2,898,336	4.96
10	J Group - 012630 printed circuit boards manufacturing	2,879,723	4.93

June 30, 2015

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	H Group-011700 petroleum and coal products manufacturing	$ 7,893,722	13.95
2	A Group-016100 telecommunication industry	5,510,700	9.74
3	K Group-016022 cable and other pay programs broadcasting	4,330,836	7.65
4	B Group-016700 real estate brokerage	4,183,522	7.39
5	F Group-012711 computer manufacturing	4,048,060	7.15
6	G Group-017112 engineering activities and related technical consultancy	3,992,321	7.05
7	I Group-012611 IC manufacturing	3,285,800	5.81
8	E Group-012740 data storage media	2,900,000	5.12
9	D Group-012641 LCD and related components manufacturing	2,595,553	4.59
10	J Group-012611 IC manufacturing	2,427,420	4.29

c. Liquidity risk

CDIB

1) Source and definition of liquidity risk

Liquidity risk is defined as CDIB is unable to meet its obligation for the asset funding within a reasonable time, which causes the risk of earnings or economic capital loss.

2) Management policies

Pursuant to liquidity risk control, CDIB calculates the maximum cumulative cash outflow (maximum cumulative outflows, or MCO) to monitor daily funding gap by each major currency. There were various measures such as valuating possible future capital requirements and deconcentration of capital sources, to assure the Bank could acquire capital at any time and have the ability to pay liabilities when due, and to maintain adequate liquidity at best cost to volume.

3) Maturity gap analysis of financial assets and nonderivative financial liabilities held for liquidity purpose

a) Financial assets held for liquidity management

CDIB holds cash and highly liquid and high grade carry assets to pay off obligations and meet the potential emergency funding events. That is the assets held for liquidity management include cash and cash equivalents, financial assets at fair value through profit or loss, and available-for-sale financial assets.

b) Nonderivative financial liabilities

The following tables show the cash outflows of CDIB's nonderivative financial liabilities based on the duration of contract maturities. The amounts disclosed were based on contractual cash flows; therefore, some of them will not relatively match with those shown on the consolidated balance sheets.

(In Thousands of New Taiwan Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Bank debentures payable	-	-	-	-	-	-
Other capital outflow on maturity	14,075	70,952	2,618	246,722	768,472	1,102,839
Subtotal	$ 14,075	$ 70,952	$ 2,618	$ 246,722	$ 768,472	$ 1,102,839

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Bank debentures payable	-	-	-	-	-	-
Other capital outflow on maturity	58,158	166,209	4,956	6,660	922,179	1,158,162
Subtotal	$ 58,158	$ 166,209	$ 4,956	$ 6,660	$ 922,179	$ 1,158,162

(In Thousands of New Taiwan Dollars)

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Bank debentures payable	-	-	-	-	-	-
Other capital outflow on maturity	29,107	3,711	2,825	124,879	842,214	1,002,736
Subtotal	$ 29,107	$ 3,711	$ 2,825	$ 124,879	$ 842,214	$ 1,002,736

(In Thousands of U.S. Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Other capital outflow on maturity	-	-	-	-	13,855	13,855
Subtotal	$ -	$ -	$ -	$ -	$ 13,855	$ 13,855

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Other capital outflow on maturity	-	-	-	-	13,855	13,855
Subtotal	$ -	$ -	$ -	$ -	$ 13,855	$ 13,855

(In Thousands of U.S. Dollars)

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ -	$ -	$ -	$ -	$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Other capital outflow on maturity	-	-	-	11,695	13,855	25,550
Subtotal	$ -	$ -	$ -	$ 11,695	$ 13,855	$ 25,550

4) Regulations Governing the Preparation of Financial Reports by Public Banks, and the required disclosures are summarized as follows:

a) Maturity analysis of New Taiwan dollars of CDIB

(In Thousands of New Taiwan Dollars)

June 30, 2016	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 1,162,931	$ 12,615,261	$ 1,483,251	$ 516,430	$ 396	$ 50,195,493	$ 65,973,762
Cash outflow	831	13,244	70,952	2,618	246,722	68,912,512	69,246,879
Gap	1,162,100	12,602,017	1,412,299	513,812	(246,326)	(18,717,019)	(3,273,117)

(In Thousands of New Taiwan Dollars)

June 30, 2015	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 5,085,555	$ 388,752	$ 2,651,643	$ 1,987,202	$ 396	$ 58,913,379	$ 69,026,927
Cash outflow	13,719	15,388	3,711	2,825	124,879	67,609,494	67,770,016
Gap	5,071,836	373,364	2,647,932	1,984,377	(124,483)	(8,696,115)	1,256,911

b) Maturity analysis of U.S. dollars of CDIB

(In Thousands of U.S. Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 34	$ 110,085	$ -	$ -	$ 1,208	$ 111,327
Cash outflow	-	-	-	-	13,855	13,855
Gap	34	110,085	-	-	(12,647)	97,472

(In Thousands of U.S. Dollars)

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	$ 11,756	$ -	$ -	$ -	$ 1,208	$ 12,964
Cash outflow	-	-	-	11,695	45,538	57,233
Gap	11,756	-	-	(11,695)	(44,330)	(44,269)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

June 30, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 8,565,556	$ 3,691,362	$ -	$ -	$ -	$ 12,256,918
Financial assets measured at FVTPL - current	88,420,745	7,020,398	13,179,582	514,159	230,083	109,364,967
Financial assets at cost - current	1,140,897	-	-	-	-	1,140,897
Available-for-sale financial assets - current	7,108,979	-	-	-	-	7,108,979
Securities purchased under resell agreement	-	20,453,034	-	-	-	20,453,034
Receivable	51,597,346	4,226,165	14,922,287	4,162,195	-	74,907,993
Customers' margin accounts	38,406,838	-	-	-	-	38,406,838
Stock borrowing collateral price and guarantee deposits - borrowed securities	3,292,457	928,920	1,896,215	-	-	6,117,592
Other financial assets - current	-	-	5,671,501	-	-	5,671,501
Current tax assets	-	-	11,117	159	562,161	573,437
Other current assets	31,579,012	436,216	309,863	-	-	32,325,091
Financial assets measured at FVTPL - noncurrent	-	51,000	-	-	-	51,000
Financial assets at cost - noncurrent	-	-	-	415	920,172	920,587
Available-for-sale financial assets - noncurrent	-	-	-	-	171,335	171,335
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,028,877	2,028,877
Others noncurrent assets	-	-	-	112,261	3,133,626	3,245,887
Total	$ 230,111,830	$ 36,807,095	$ 35,990,565	$ 4,789,189	$ 7,346,254	$ 315,044,933
Percentage	73.04%	11.68%	11.43%	1.52%	2.33%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

June 30, 2016	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 17,915,870	$ -	$ -	$ -	$ 17,915,870
Commercial papers payable, net	-	8,976,833	-	-	-	8,976,833
Financial liabilities measured at FVTPL - current	6,345,721	4,303,030	7,708,446	1,395,072	230,083	19,982,352
Bonds issued under repurchase agreements	-	85,006,187	-	-	-	85,006,187
Payables	65,154,548	115,322	4,526,009	165,869	-	69,961,748
Guarantee deposits - borrowed securities	-	1,699,991	8,144,099	-	-	9,844,090
Futures customers' equity	37,450,325	-	-	-	-	37,450,325
Other current liabilities	722,242	805,610	1,985,707	86	-	3,513,645
Other financial liabilities - current	-	8,087,947	43,323	-	-	8,131,270
Current tax liabilities	-	7,848	99,497	922,136	-	1,029,481
Long-term liabilities - current portion	-	-	969,660	-	-	969,660
Bonds payable	-	-	-	7,000,000	-	7,000,000
Provisions - noncurrent	-	-	-	23,248	132,409	155,657
Others noncurrent liabilities	-	-	1,100	613,159	69,232	683,491
Total	$ 109,672,836	$ 126,918,638	$ 23,477,841	$ 10,119,570	$ 431,724	$ 270,620,609
Percentage	40.53%	46.90%	8.67%	3.74%	0.16%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

June 30, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 230,111,830	$ 36,807,095	$ 35,990,565	$ 4,789,189	$ 7,346,254	$ 315,044,933
Cash outflow	109,672,836	126,918,638	23,477,841	10,119,570	431,724	270,620,609
Amount of cash flow gap	$ 120,438,994	$ (90,111,543)	$ 12,512,724	$ (5,330,381)	$ 6,914,530	$ 44,424,324

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2015	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 5,839,696	$ 6,611,881	$ -	$ -	$ -	$ 12,451,577
Financial assets measured at FVTPL - current	62,155,405	9,365,078	6,510,869	416,553	212,593	78,660,498
Financial assets at cost - current	891,740	-	-	-	-	891,740
Available-for-sale financial assets - current	7,361,442	-	-	-	-	7,361,442
Securities purchased under resell agreement	-	16,432,569	-	-	-	16,432,569
Receivable	33,383,882	3,647,879	16,383,520	3,421,677	-	56,836,958
Customers' margin accounts	31,684,109	-	-	-	-	31,684,109
Stock borrowing collateral price and guarantee deposits - borrowed securities	5,349,578	608,916	1,051,212	-	-	7,009,706
Other financial assets - current	-	-	4,566,804	-	-	4,566,804
Current tax assets	-	-	11,114	6	562,305	573,425
Other current assets	33,972,455	375,795	358,730	-	-	34,706,980
Financial assets measured at FVTPL - noncurrent	-	-	51,000	-	-	51,000
Financial assets at cost - noncurrent	-	-	-	415	917,684	918,099
Available-for-sale financial assets - noncurrent	-	30,403	-	-	251,401	281,804
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,102,991	2,102,991
Others noncurrent assets	-	-	-	231,589	3,555,338	3,786,927
Total	$ 180,638,307	$ 37,072,521	$ 28,933,249	$ 4,070,240	$ 7,902,312	$ 258,616,629
Percentage	69.85%	14.33%	11.19%	1.57%	3.06%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2015	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 15,800,326	$ -	$ -	$ -	$ 15,800,326
Commercial papers payable, net	-	5,102,353	-	-	-	5,102,353
Financial liabilities measured at FVTPL - current	3,613,207	3,456,835	5,013,474	1,744,111	211,648	14,039,275
Bonds issued under repurchase agreements	-	58,659,345	-	-	-	58,659,345
Payables	41,587,463	1,560,608	5,265,050	340,386	-	48,753,507
Guarantee deposits - borrowed securities	-	1,757,169	4,906,343	-	-	6,663,512
Futures customers' equity	30,716,503	-	-	-	-	30,716,503
Other current liabilities	4,014,203	1,317,802	2,172,534	106	-	7,504,645
Other financial liability - current	-	12,079,347	2,609	-	-	12,081,956
Current tax liabilities	-	-	197,482	852,172	-	1,049,654
Long-term liabilities - current portion	-	-	1,006,520	-	-	1,006,520
Bonds payable	-	-	-	7,000,000	-	7,000,000
Provisions - noncurrent	-	-	-	23,248	132,326	155,574
Others noncurrent liabilities	-	-	-	616,578	78,746	695,324
Total	$ 79,931,376	$ 99,733,785	$ 18,564,012	$ 10,576,601	$ 422,720	$ 209,228,494
Percentage	38.20%	47.67%	8.87%	5.06%	0.20%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2015	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 180,638,307	$ 37,072,521	$ 28,933,249	$ 4,070,240	$ 7,902,312	$ 258,616,629
Cash outflow	79,931,376	99,733,785	18,564,012	10,576,601	422,720	209,228,494
Amount of cash flow gap	$ 100,706,931	$ (62,661,264)	$ 10,369,237	$ (6,506,361)	$ 7,479,592	$ 49,388,135

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

June 30, 2015	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 9,627,431	$ 5,913,804	$ -	$ -	$ -	$ 15,541,235
Financial assets measured at FVTPL - current	63,722,936	9,319,058	10,438,829	312,110	253,401	84,046,334
Financial assets at cost - current	406,890	-	-	-	-	406,890
Available-for-sale financial assets - current	9,073,473	-	-	-	-	9,073,473
Securities purchased under resell agreement	-	18,713,405	-	-	-	18,713,405
Receivable	47,816,974	6,210,361	20,372,421	3,380,313	-	77,780,069
Customers' margin accounts	31,146,935	-	-	-	-	31,146,935
Stock borrowing collateral price and guarantee deposits - borrowed securities	3,366,206	64,207	686,380	-	-	4,116,793
Other financial assets - current	-	100,000	2,784,429	-	-	2,884,429
Current tax assets	-	-	11,078	4	446,163	457,245
Other current assets	34,213,055	596,024	539,554	-	-	35,348,633
Financial assets measured at FVTPL - noncurrent	-	1,000	-	51,000	-	52,000
Financial assets at cost - noncurrent	-	-	-	415	1,077,891	1,078,306
Available-for-sale financial assets - noncurrent	-	-	31,692	-	102,021	133,713
Held-to-maturity financial assets - noncurrent	-	40,000	-	-	-	40,000
Investments accounted for using the equity method	-	-	-	-	2,008,364	2,008,364
Others noncurrent assets	80,000	-	100,332	438,490	3,255,172	3,873,994
Total	$ 199,453,900	$ 40,957,859	$ 34,964,715	$ 4,182,332	$ 7,143,012	$ 286,701,818
Percentage	69.57%	14.29%	12.19%	1.46%	2.49%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

June 30, 2015	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ 23,264,418	$ 9,568,093	$ -	$ -	$ -	$ 32,832,511
Commercial papers payable, net	-	14,340,274	-	-	-	14,340,274
Financial liabilities measured at FVTPL - current	5,519,902	2,481,902	5,452,453	1,448,918	259,258	15,162,433
Bonds issued under repurchase agreements	-	56,497,229	-	-	-	56,497,229
Payables	50,881,742	130,895	4,977,958	297,039	-	56,287,634
Guarantee deposits - borrowed securities	-	1,439,103	6,860,617	-	-	8,299,720
Futures customers' equity	30,261,318	-	-	-	-	30,261,318
Other current liabilities	429,395	3,318,871	1,011,309	108	-	4,759,683
Other financial liability - current	-	8,413,857	2,596	-	-	8,416,453
Current tax liabilities	-	10,157	262,405	920,239	20,164	1,212,965
Bonds payable	-	-	-	8,001,400	-	8,001,400
Provisions - noncurrent	-	-	-	-	160,181	160,181
Others noncurrent liabilities	-	-	-	361,028	50,434	411,462
Total	$ 110,356,775	$ 96,200,381	$ 18,567,338	$ 11,028,732	$ 490,037	$ 236,643,263
Percentage	46.63%	40.65%	7.85%	4.66%	0.21%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

June 30, 2015	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 199,453,900	$ 40,957,859	$ 34,964,715	$ 4,182,332	$ 7,143,012	$ 286,701,818
Cash outflow	110,356,775	96,200,381	18,567,338	11,028,732	490,037	236,643,263
Amount of cash flow gap	$ 89,097,125	$ (55,242,522)	$ 16,397,377	$ (6,846,400)	$ 6,652,975	$ 50,058,555

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from June 30, 2016, December 31, 2015 and June 30, 2015, show that the sums from deducting cash outflow from cash inflow are $44,424,325 thousand, $49,388,135 thousand and $50,058,555 thousand, respectively, all indicating sufficient fund liquidity.

Due to operational characteristics of securities firms, 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 73.04% of the entire financial assets. This shows that most of these financial assets can be liquidated immediately and therefore have high liquidity. As for financial liabilities, there is no particular period with a high number of due payments which will put stress on fund dispatching.

Although an analysis of funds gap shows that the cash outflow exceeded cash inflow within 3 months period and 1 to 5 years period, the main differentiating factor is that the financial assets of KGI Securities and subsidiaries have high liquidity, which causes financial assets and liabilities to have different impacts during different cash flow periods. On June 30, 2016, December 31, 2015 and June 30, 2015, net cash inflow calculated from net spot financial assets are respectively $120,438,994 thousand, $100,706,931 thousand and $89,097,125 thousand, which are sufficient to cover the net cash outflows of $95,441,924 thousand, $69,167,625 thousand and $62,088,922 thousand from the 3 months and 1-5 years period, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

The independent fund-dispatching department established by KGI Securities takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures. KGI Securities also offers suggestions over a secure amount of reserve fund and reports it to the RMC. The department reviews the standard amount of reserve capital and will take the following action if available capitals are below 120% of the safe reserve amount:

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

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

<u>KGI Bank and subsidiaries</u>

1) The source and definition of liquidity risk

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

2) Management policy of liquidity risk

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)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 14,374,885	$ 119,978	$ 504,427	$ 571,748	$ -	$ 15,571,038
Notes and bonds issued under repurchase agreement	3,023,648	837,923	-	-	-	3,861,571
Deposits and remittances	47,670,978	53,716,008	51,981,286	58,989,022	21,777,527	234,134,821
Bank debentures payable	-	-	-	-	2,750,000	2,750,000
Other capital outflow on maturity	4,264,742	211,450	296,881	637,769	618,068	6,028,910
Total	$ 69,334,253	$ 54,885,359	$ 52,782,594	$ 60,198,539	$ 25,145,595	$ 262,346,340

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 1,184,126	$ 233,883	$ 259,430	$ 649,290	$ -	$ 2,326,729
Notes and bonds issued under repurchase agreement	3,555,537	439,228	-	-	-	3,994,765
Deposits and remittances	38,936,723	74,633,425	38,705,271	62,391,930	19,763,994	234,431,343
Bank debentures payable	-	-	1,056,148	-	2,750,000	3,806,148
Other capital outflow on maturity	1,149,059	626,503	329,557	210,316	993,105	3,308,540
Total	$ 44,825,445	$ 75,933,039	$ 40,350,406	$ 63,251,536	$ 23,507,099	$ 247,867,525

(In Thousands of New Taiwan Dollars)

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 84,824	$ 121,416	$ 507,501	$ 577,439	$ -	$ 1,291,180
Notes and bonds issued under repurchase agreement	6,574,557	300,000	-	-	-	6,874,557
Deposits and remittances	39,127,665	57,547,388	65,305,684	47,187,911	22,518,907	231,687,555
Bank debentures payable	-	-	-	1,063,698	2,750,000	3,813,698
Other capital outflow on maturity	1,645,218	201,196	278,896	366,698	1,164,553	3,656,561
Total	$ 47,432,264	$ 58,170,000	$ 66,092,081	$ 49,195,746	$ 26,433,460	$ 247,323,551

(In Thousands of U.S. Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 30,000	$ 80,000	$ -	$ -	$ -	$ 110,000
Notes and bonds issued under repurchase agreement	823,809	578,260	-	-	-	1,402,069
Deposits and remittances	890,176	616,884	391,784	557,397	26,458	2,482,699
Bank debentures payable	-	-	-	-	325,030	325,030
Other capital outflow on maturity	16,217	13,455	1,947	736	11,825	44,180
Total	$ 1,760,202	$ 1,288,599	$ 393,731	$ 558,133	$ 363,313	$ 4,363,978

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 72,000	$ 129,000	$ -	$ -	$ -	$ 201,000
Notes and bonds issued under repurchase agreement	1,326,354	397,933	-	-	-	1,724,287
Deposits and remittances	1,615,814	562,184	532,550	367,017	14,143	3,091,708
Bank debentures payable	-	-	-	-	99,690	99,690
Other capital outflow on maturity	4,570	7,355	2,647	446	9,713	24,731
Total	$ 3,018,738	$ 1,096,472	$ 535,197	$ 367,463	$ 123,546	$ 5,141,416

(In Thousands of U.S. Dollars)

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 27,000	$ -	$ -	$ -	$ -	$ 27,000
Notes and bonds issued under repurchase agreement	501,286	984,198	235,433	-	-	1,720,917
Deposits and remittances	2,175,351	472,991	545,279	370,001	267	3,563,889
Bank debentures payable	-	-	-	-	97,617	97,617
Other capital outflow on maturity	17,730	9,498	1,992	6,235	8,080	43,535
Total	$ 2,721,367	$ 1,466,687	$ 782,704	$ 376,236	$ 105,964	$ 5,452,958

4) Maturity analysis of derivative financial instruments

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

(In Thousands of New Taiwan Dollars)

June 30, 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	$ (177,529,259)	$ (177,990,288)	$ (148,384,569)	$ (45,146,489)	$ (327,000)	$ (549,377,605)
Cash inflow	182,863,409	153,732,850	159,809,847	38,056,177	1,127,525	535,589,808
Interest rate derivatives instruments						
Cash outflow	(175,400)	(355,848)	(16,209)	(1,508,524)	(8,437,261)	(10,493,242)
Cash inflow	159,147	337,857	18,604	-	-	515,608
Others						
Cash outflow	-	-	-	-	-	-
Cash inflow	2,790	-	-	-	-	2,790
Cash outflow subtotal	(177,704,659)	(178,346,136)	(148,400,778)	(46,655,013)	(8,764,261)	(559,870,847)
Cash inflow subtotal	183,025,346	154,070,707	159,828,451	38,056,177	1,127,525	536,108,206
Net cash flow	$ 5,320,687	$ (24,275,429)	$ 11,427,673	$ (8,598,836)	$ (7,636,736)	$ (23,762,641)

(In Thousands of New Taiwan Dollars)

December 31, 2015	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	$ (210,247,189)	$ (193,308,282)	$ (154,000,151)	$ (16,434,098)	$ (327,000)	$ (574,316,720)
Cash inflow	208,228,429	193,153,076	112,725,144	36,762,530	-	550,869,179
Interest rate derivatives instruments						
Cash outflow	(1,311,706)	(642,549)	(24,974)	(1,001,557)	(11,936,792)	(14,917,578)
Cash inflow	186,298	430,290	33,537	-	52,369	702,494
Others						
Cash outflow	(770)	-	-	-	-	(770)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(211,559,665)	(193,950,831)	(154,025,125)	(17,435,655)	(12,263,792)	(589,235,068)
Cash inflow subtotal	208,414,727	193,583,366	112,758,681	36,762,530	52,369	551,571,673
Net cash flow	$ (3,144,938)	$ (367,465)	$ (41,266,444)	$ 19,326,875	$ (12,211,423)	$ (37,663,395)

(In Thousands of New Taiwan Dollars)

June 30, 2015	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	$ (146,014,961)	$ (133,153,739)	$ (68,215,162)	$ (23,712,766)	$ (460,500)	$ (371,557,128)
Cash inflow	133,270,107	121,987,535	68,188,832	21,867,922	1,381,230	346,695,626
Interest rate derivatives instruments						
Cash outflow	(485,183)	(683,702)	(2,394,587)	(827,785)	(36,931,481)	(41,322,738)
Cash inflow	174,334	435,524	36,381	22,637	47,332	716,208
Others						
Cash outflow	(363,781)	-	-	-	-	(363,781)
Cash inflow	363,786	-	-	-	-	363,786
Cash outflow subtotal	(146,863,925)	(133,837,441)	(70,609,749)	(24,540,551)	(37,391,981)	(413,243,647)
Cash inflow subtotal	133,808,227	122,423,059	68,225,213	21,890,559	1,428,562	347,775,620
Net cash flow	$ (13,055,698)	$ (11,414,382)	$ (2,384,536)	$ (2,649,992)	$ (35,963,419)	$ (65,468,027)

(In Thousands of U.S. Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (6,768,797)	$ (5,095,573)	$ (5,033,490)	$ (1,551,025)	$ (147,894)	$ (18,596,779)
Cash inflow	6,630,423	5,913,754	4,663,854	1,678,454	133,671	19,020,156
Interest rate derivatives instruments						
Cash outflow	(69,909)	(22,978)	(16,787)	(1,188)	(94,195)	(205,057)
Cash inflow	8,741	19,037	20,033	871	-	48,682
Others						
Cash outflow	(399)	-	-	-	-	(399)
Cash inflow	314	-	-	-	-	314
Cash outflow subtotal	(6,839,105)	(5,118,551)	(5,050,277)	(1,552,213)	(242,089)	(18,802,235)
Cash inflow subtotal	6,639,478	5,932,791	4,683,887	1,679,325	133,671	19,069,152
Net cash flow	$ (199,627)	$ 814,240	$ (366,390)	$ 127,112	$ (108,418)	$ 266,917

(In Thousands of U.S. Dollars)

December 31, 2015	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	$ (7,415,898)	$ (6,183,680)	$ (3,596,863)	$ (1,520,370)	$ (62,396)	$ (18,779,207)
Cash inflow	7,281,650	6,166,764	4,903,978	831,482	72,396	19,256,270
Interest rate derivatives instruments						
Cash outflow	(9,019)	(19,479)	(6,388)	(3,985)	(193,715)	(232,586)
Cash inflow	7,759	17,486	4,269	3,615	-	33,129
Others						
Cash outflow	(460)	-	-	-	-	(460)
Cash inflow	259	-	-	-	-	259
Cash outflow subtotal	(7,425,377)	(6,203,159)	(3,603,251)	(1,524,355)	(256,111)	(19,012,253)
Cash inflow subtotal	7,289,668	6,184,250	4,908,247	835,097	72,396	19,289,658
Net cash flow	$ (135,709)	$ (18,909)	$ 1,304,996	$ (689,258)	$ (183,715)	$ 277,405

(In Thousands of U.S. Dollars)

June 30, 2015	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	$ (5,906,945)	$ (4,327,124)	$ (2,478,043)	$ (876,737)	$ (50,875)	$ (13,639,724)
Cash inflow	6,417,159	4,621,559	2,520,927	928,147	20,031	14,507,823
Interest rate derivatives instruments						
Cash outflow	(8,990)	(20,943)	(7,722)	(497)	(100,320)	(138,472)
Cash inflow	8,244	18,152	6,679	-	-	33,075
Others						
Cash outflow	(768)	-	-	-	-	(768)
Cash inflow	655	-	-	-	-	655
Cash outflow subtotal	(5,916,703)	(4,348,067)	(2,485,765)	(877,234)	(151,195)	(13,778,964)
Cash inflow subtotal	6,426,058	4,639,711	2,527,606	928,147	20,031	14,541,553
Net cash flow	$ 509,355	$ 291,644	$ 41,841	$ 50,913	$ (131,164)	$ 762,589

5) Maturity analysis of off-balance sheet items

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

(In Thousands of New Taiwan Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees and letters of credit	$ 5,780,270	$ 12,406,943	$ 10,970,037	$ 28,049,804	$ 46,050,006	$ 103,257,060

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees and letters of credit	$ 3,955,556	$ 7,293,085	$ 8,414,438	$ 29,975,155	$ 46,090,223	$ 95,728,457

(In Thousands of New Taiwan Dollars)

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees, and letters of credit	$ 3,768,910	$ 7,614,948	$ 7,664,034	$ 26,883,691	$ 46,411,695	$ 92,343,278

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 is as follows:

(In Thousands of New Taiwan Dollars)

June 30, 2016	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 3,780,335	$ 2,819,875	$ -	$ 6,600,210
Financial lease present value income (lessor)	3,527,460	2,648,861	-	6,176,321
Operating lease payment (lessee)	259,468	491,569	1,650	752,687
Operating lease income (lessor)	16,047	30,986	-	47,033
Present value of financial lease payment (lessee)	2,635	141	-	2,776

(In Thousands of New Taiwan Dollars)

December 31, 2015	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 3,719,977	$ 3,742,954	$ -	$ 7,462,931
Financial lease present value income (lessor)	3,408,517	3,532,798	-	6,941,315
Operating lease payment (lessee)	250,983	475,217	3,630	729,830
Operating lease income (lessor)	36,748	63,091	-	99,839
Present value of financial lease payment (lessee)	3,916	876	-	4,792

(In Thousands of New Taiwan Dollars)

June 30, 2015	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 4,296,447	$ 3,110,136	$ -	$ 7,406,583
Financial lease present value income (lessor)	3,954,933	2,865,808	-	6,820,741
Operating lease payment (lessee)	251,351	527,905	7,988	787,244
Operating lease income (lessor)	16,152	45,255	264	61,671
Present value of financial lease payment (lessee)	4,642	2,777	-	7,419

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

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

(In Thousands of New Taiwan Dollars)

June 30, 2016	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 100,603,417	$ 225,215,420	$ 185,360,863	$ 187,870,853	$ 79,151,622	$ 95,568,786	$ 873,770,961
Main capital outflow on maturity	86,519,511	186,231,274	283,967,156	240,635,057	134,599,184	129,798,183	1,061,750,365
Gap	14,083,906	38,984,146	(98,606,293)	(52,764,204)	(55,447,562)	(34,229,397)	(187,979,404)

(In Thousands of New Taiwan Dollars)

June 30, 2015	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	$ 134,990,229	$ 176,273,877	$ 155,735,573	$ 92,398,684	$ 59,467,604	$ 89,465,372	$ 708,331,339
Main capital outflow on maturity	93,374,849	126,638,681	242,860,180	175,934,696	100,250,655	157,229,043	896,288,104
Gap	41,615,380	49,635,196	(87,124,607)	(83,536,012)	(40,783,051)	(67,763,671)	(187,956,765)

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

(In Thousands of U.S. Dollars)

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 8,702,375	$ 6,755,329	$ 5,214,109	$ 1,984,132	$ 858,815	$ 23,514,760
Main capital outflow on maturity	9,787,551	8,783,637	7,179,008	2,113,576	659,418	28,523,190
Gap	(1,085,176)	(2,028,308)	(1,964,899)	(129,444)	199,397	(5,008,430)

(In Thousands of U.S. Dollars)

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 8,366,454	$ 5,603,943	$ 3,057,620	$ 1,645,359	$ 857,942	$ 19,531,318
Main capital outflow on maturity	9,108,011	6,754,579	3,968,482	1,255,239	270,204	21,356,515
Gap	(741,557)	(1,150,636)	(910,862)	390,120	587,738	(1,825,197)

d. Market risk

<u>CDIB and subsidiaries</u>

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

To have a common-language of market risk management, definition, communication and measurement, CDIB 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.

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

Risk factors analyzed through CDIB'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.

CDIB's market risk report includes limits usage, and trading portfolio risk assessment.

The risk management unit of CDIB independently performs daily market risk limit controls, disclosures of positions held, information of price, information of net income (loss), and monthly reports to the authority.

4) Foreign currency rate risk information

The financial assets and liabilities denominated in foreign currency and with material influence on the Bank and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary items			
USD	$ 257,415	32.286	$ 8,310,887
HKD	136,572	4.161	568,305
RMB	66,441	4.848	322,127
KRW	6,950,819	0.028	194,498
JPY	427,496	0.314	134,319
Investment accounted for using the equity method			
USD	63,962	32.286	2,065,066
RMB	368,097	4.848	1,784,645
<u>Financial liabilities</u>			
Monetary items			
USD	16,314	32.286	526,725

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 277,091	33.066	$ 9,162,288
HKD	128,796	4.266	549,495
RMB	46,867	5.033	238,862
KRW	6,146,111	0.028	172,816
Investment accounted for using the equity method			
USD	39,808	33.066	1,316,305
RMB	252,073	5.033	1,266,917
Financial liabilities			
Monetary items			
USD	20,256	33.066	669,786

	June 30, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 194,356	31.070	$ 6,038,647
HKD	137,129	4.008	549,598
EUR	6,955	34.697	241,317
RMB	47,886	5.007	239,765
KRW	5,828,858	0.028	162,316
JPY	427,028	0.254	108,508
Nonmonetary items			
HKD	29,977	4.008	112,131
Investment accounted for using the equity method			
RMB	256,701	5.007	1,285,300
USD	38,050	31.070	1,182,229
Financial liabilities			
Monetary items			
USD	223,684	31.070	6,949,858

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

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

June 30, 2016

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 14,428,352	$ -	$ -	$ 161,951	$ 14,590,303
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	14,428,352	-	-	161,951	14,590,303
Net worth					68,144,039
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					21.41

June 30, 2015

(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	$ 4,657,375	$ -	$ -	$ 516,328	$ 5,173,703
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	4,657,375	-	-	516,328	5,173,703
Net worth					66,767,280
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					7.75

Note 1: The above amounts included only New Taiwan dollar amounts held in the domestic and overseas branches (excluding foreign currencies).

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities are in New Taiwan dollars).

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

June 30, 2016

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 110,034	$ -	$ -	$ -	$ 110,034
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	110,034	-	-	-	110,034
Net worth					-
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					-

June 30, 2015

(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	$ 11,756	$ -	$ -	$ -	$ 11,756
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	11,756	-	-	-	11,756
Net worth					31,683
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					37.11

Note 1: The above amounts included only U.S. dollar amounts held in the domestic and overseas branches and OBU (excluding contingency assets and liabilities).

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities are in U.S. dollars).

6) Other price risk

CDIB and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB 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 six months ended June 30, 2016 and 2015 would increase/decrease by $90,396 thousand and $110,792 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

KGI Securities and subsidiaries

Market risk is the risk of potential economic value reduction for securities or financial contracts that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and commodity risk.

KGI Securities utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities also holds regular stress test to help the management understand the extent to which KGI Securities can handle stress in this dire economic environment.

1) Risk factor sensitivity

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

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

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

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

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

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

Comparisons of Risk Sensitive Factors

(In Thousands of New Taiwan Dollars)

Risk Sensitivity	June 30, 2016	December 31, 2015	June 30, 2015
Interest rate risk	$ 16,924	$ 12,186	$ 9,709
Equity securities risk	14,845,001	15,566,569	18,004,428
Exchange rate risk	2,305,982	589,868	1,842,044
Commodity risk	(16,923)	4,465	-

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 reliability of the estimations made by the risk value model.

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

	For the Six Months Ended June 30, 2016			June 30, 2016
	Average VAR	**Minimum VAR**	**Maximum VAR**	**Ending VAR**
Equity securities	$ 383,786	$ 249,427	$ 569,996	$ 397,536
Interest rate	84,210	39,998	155,840	48,267
Exchange rate	24,423	3,932	92,958	16,605
Commodity	5,246	58	18,399	3,341

	For the Six Months Ended June 30, 2015			June 30, 2015
	Average VAR	**Minimum VAR**	**Maximum VAR**	**Ending VAR**
Equity securities	$ 366,916	$ 173,167	$ 693,508	$ 614,583
Interest rate	80,907	45,744	131,062	94,557
Exchange rate	7,582	1,264	16,892	8,889

3) Stress test

Stress test mainly examines the effects of extreme changes in market risk factors in an investment portfolio. It can serve as an assistive tool in monitoring and controlling of VAR. Since VAR is only an estimated value under certain statistical assumptions, it only reflects possible losses under normal market situations especially since it does not take into considerations the liquidity of an investment portfolio. Stress test can help a company's 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 sensitivity test and scenario analysis. Scenario analysis includes historic and hypothetical scenario analysis.

a) Sensitivity test

For certain risk factors in an investment portfolio, this test analyzes possible changes of profit/loss in exposure under given changes.

b) Scenario analysis

i. Historic scenario analysis: Using incidents that strongly impacted the market before such as Lehman Brothers in 2008 and subprime mortgage crisis in 2007, and this analysis applies the continuous changes of the risk factors of these incidents to the current market and portfolios and analyze how the profit/loss changes accordingly.

ii. Hypothetical scenarios analysis

i) This analysis utilizes pressure scenarios defined by Derivative Policy Group. Test items include yield curve horizontal shift, yield curve twist, yield curve horizontal shift and twist, changes in stock index and changes in exchange rates in major countries.

ii) Expected incidents: considering the economic and political developments inside and outside Taiwan and referring to similar experience from the past, this analysis predicts all kinds of possible impacts to the market when a certain incident takes place in the future and examines the possible changes to the profit/loss of KGI Securities' holding position. For example, the increasing possibility of war due to the rising intensity in Middle East may lead to the booming price of energy such as crude oil. Meanwhile, the global financial market would have greater fluctuation, resulting in expected inflation. Therefore, anticipate the potential policy adopted by Central Bank to determine the effect of series events on the risk factor of holding position, and further analyze the possible exposure.

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary items			
USD	$ 2,777,946	32.28	$ 89,685,545
RMB	899,820	4.85	4,362,598
JPY	11,527,306	0.31	3,622,353
EUR	25,278	35.88	906,990
HKD	146,492	4.16	609,521
AUD	25,319	23.98	607,071
SGD	23,150	23.93	553,953
GBP	5,104	43.46	221,808
THB	211,402	0.92	194,067
Nonmonetary items			
USD	1,114,194	32.29	35,972,870
RMB	662,890	4.85	3,213,891
HKD	138,759	4.16	577,403
AUD	12,948	23.98	310,462
Investments accounted for using the equity method			
USD	62,732	32.29	2,025,355
<u>Financial liabilities</u>			
Monetary items			
USD	4,247,789	32.29	137,140,910
RMB	1,255,315	4.85	6,086,140
JPY	11,198,177	0.31	3,518,941
EUR	22,802	36.00	820,813
AUD	27,383	23.98	656,553
SGD	23,074	23.93	552,139
HKD	49,859	4.16	207,412
THB	211,910	0.92	194,533
GBP	3,957	43.46	171,959
Nonmonetary items			
USD	317,394	32.29	10,247,391
AUD	10,450	23.98	250,562
RMB	38,991	4.85	189,039

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	$ 1,986,796	33.07	$ 65,631,077
JPY	3,174,913	0.27	867,667
RMB	142,098	5.03	715,099
HKD	42,428	4.26	180,852
EUR	4,387	35.89	157,479
Nonmonetary items			
USD	678,354	33.07	22,430,463
RMB	569,182	5.03	2,864,465
Investments accounted for using the equity method			
USD	63,490	33.07	2,099,349
<u>Financial liabilities</u>			
Monetary items			
USD	3,019,284	33.07	99,771,345
RMB	239,563	5.03	1,205,603
JPY	3,084,976	0.27	842,970
EUR	4,159	35.88	149,214
Nonmonetary items			
USD	208,276	33.07	6,886,852
RMB	468,906	5.03	2,359,815

	June 30, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	$ 2,454,996	31.07	$ 76,240,835
RMB	577,912	5.01	2,893,607
HKD	173,292	4.01	694,183
JPY	1,071,018	0.25	270,369
Nonmonetary items			
USD	811,794	31.07	25,222,431
RMB	855,018	5.01	4,281,075
HKD	35,619	4.01	142,757
Investments accounted for using the equity method			
USD	64,447	31.07	2,002,354

(Continued)

	June 30, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial liabilities			
Monetary items			
USD	$ 3,935,675	31.06	$ 122,245,549
RMB	1,125,112	5.01	5,633,436
JPY	1,044,174	0.25	263,550
HKD	57,332	4.00	229,427
Nonmonetary items			
USD	182,733	31.07	5,677,507
RMB	338,318	5.01	1,693,958

(Concluded)

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/or stress testing to evaluate the potential and/or extreme risk of trading portfolios. Through variations of the assumptions on market conditions, these techniques can be used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30, 2016			For the Year Ended December 31, 2015			For the Six Months Ended June 30, 2015		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 31,334	$ 53,221	$ 17,493	$ 47,779	$ 118,218	$ 11,394	$ 44,634	$ 147,893	$ -
Equity risk	5,317	12,389	2,336	15,831	28,568	7,542	11,284	18,642	4,977
Exchange rate risk	41,120	68,827	18,915	8,539	27,412	1,514	8,337	24,882	197

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 KGI Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures every day. The interest rate risk management processes involving the banking book include risk identification, risk measurement, risk control, risk monitor and others. The unit monitoring the banking book interest rate risk reports interest rate risk exposures regularly to ALMCO, and adjust the structure of assets and liabilities according to the report, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs an analysis report, which is provided to the interest rate risk execution unit and top management. If risk missing or excess of limit occurred from monitor, written notices will be passed to interest rate risk implementation units to adjust and improve the program reported to ALMCO.

8) Concentration of currency risk information

The financial assets and liabilities denominated in foreign currency and with material influence on KGI Bank and subsidiaries were as follows:

(In Thousands of New Taiwan Dollars/Foreign Currencies)

	June 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 5,371,925	32.29	$ 173,437,980
RMB	2,021,217	4.85	9,799,469
HKD	964,011	4.16	4,011,441
EUR	64,091	35.88	2,299,441
JPY	4,572,971	0.31	1,436,827
ZAR	566,549	2.18	1,235,076
SGD	30,534	23.93	730,710
GBP	9,380	43.46	407,634
AUD	9,616	23.98	230,559
NZD	6,332	22.90	145,008
Nonmonetary items			
HKD	553,575	4.16	2,303,536
Financial liabilities			
Monetary items			
USD	5,627,013	32.29	181,673,730
RMB	2,083,554	4.85	10,101,693
ZAR	1,495,868	2.18	3,260,991
AUD	86,656	23.98	2,077,754
HKD	482,880	4.16	2,009,359
EUR	53,311	35.88	1,912,681
JPY	4,608,717	0.31	1,448,059
GBP	8,243	43.46	358,225
KRW	3,993,213	0.03	111,738

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 7,048,458	33.07	$ 233,064,309
EUR	107,545	36.14	3,886,770
RMB	589,247	5.03	2,965,446
JPY	6,099,692	0.27	1,675,585
HKD	287,940	4.27	1,228,467
GBP	4,641	49.04	227,599
AUD	7,311	24.16	176,650
Nonmonetary items			
HKD	377,926	4.27	1,612,385
Financial liabilities			
Monetary items			
USD	7,400,004	33.07	244,688,523
EUR	73,888	36.14	2,670,401
JPY	9,047,194	0.27	2,485,264
AUD	53,950	24.16	1,303,487
GBP	16,720	49.04	819,945
HKD	152,150	4.27	649,133
NZD	20,986	22.69	476,137
RMB	72,551	5.03	365,121

	June 30, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 5,085,563	31.07	$ 158,008,434
RMB	3,095,988	5.01	15,501,613
EUR	50,576	34.70	1,754,837
JPY	4,351,573	0.25	1,105,735
HKD	130,129	4.01	521,545
AUD	7,686	23.86	183,403
Nonmonetary items			
HKD	438,799	4.01	1,758,662
Financial liabilities			
Monetary items			
USD	5,995,748	31.07	185,045,076
RMB	2,240,981	5.01	11,220,590
ZAR	424,217	2.54	1,076,791
JPY	3,824,618	0.25	971,835
EUR	22,250	34.70	772,014

(Continued)

	June 30, 2015			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
AUD	$ 31,350	23.86	$ 748,100
HKD	186,530	4.01	747,592
NZD	19,277	21.15	407,667
KRW	7,257,290	0.03	202,094

(Concluded)

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

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

June 30, 2016

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 214,382,200	$ 15,059,897	$ 3,919,158	$ 77,710,660	$ 311,071,915
Interest rate-sensitive liabilities	111,592,591	97,770,500	35,533,671	7,740,597	252,637,359
Interest rate sensitivity gap	102,789,609	(82,710,603)	(31,614,513)	69,970,063	58,434,556
Net worth					56,637,576
Ratio of interest rate-sensitive assets to liabilities (%)					123.13
Ratio of interest rate-sensitive gap to net worth (%)					103.17

June 30, 2015

(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	$ 227,107,127	$ 10,601,637	$ 2,321,526	$ 83,965,721	$ 323,996,011
Interest rate-sensitive liabilities	159,086,549	51,941,839	22,790,914	7,344,807	241,164,109
Interest rate sensitivity gap	68,020,578	(41,340,202)	(20,469,388)	76,620,914	82,831,902
Net worth					56,204,070
Ratio of interest rate-sensitive assets to liabilities (%)					134.35
Ratio of interest rate-sensitive gap to net worth (%)					147.38

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)

June 30, 2016

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 2,075,850	$ 394,668	$ 279,553	$ 1,297,099	$ 4,047,170
Interest rate-sensitive liabilities	3,245,018	339,656	383,637	351,488	4,319,799
Interest rate sensitivity gap	(1,169,168)	55,012	(104,084)	945,611	(272,629)
Net worth					54,016
Ratio of interest rate-sensitive assets to liabilities (%)					93.69
Ratio of interest rate-sensitive gap to net worth (%)					(504.72)

June 30, 2015

(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	$ 2,425,131	$ 453,802	$ 216,226	$ 1,699,653	$ 4,794,812
Interest rate-sensitive liabilities	4,405,430	724,265	181,844	97,884	5,409,423
Interest rate sensitivity gap	(1,980,299)	(270,463)	34,382	1,601,769	(614,611)
Net worth					13,045
Ratio of interest rate-sensitive assets to liabilities (%)					88.64
Ratio of interest rate-sensitive gap to net worth (%)					(4,711.47)

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).

e. Transfers of financial assets

<u>KGI Securities and subsidiaries</u>

1) Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Securities and subsidiaries (KGI Securities), 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:

June 30, 2016					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	$ 84,793,162	$ 84,799,124	$ 84,793,162	$ 84,799,124	$ (5,962)
Transaction - borrowed securities	27,810	38,934	27,810	38,934	(11,124)

December 31, 2015					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	$ 58,663,263	$ 58,601,838	$ 58,663,263	$ 58,601,838	$ 61,425
Transaction - borrowed securities	54,860	76,804	54,860	76,804	(21,944)

June 30, 2015					
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	$ 56,274,495	$ 56,142,691	$ 56,274,495	$ 56,142,691	$ 131,804
Transaction - borrowed securities	18,045	25,263	18,045	25,263	(7,218)

2) Transferred financial assets qualifying for full derecognition

KGI Securities uses convertible bonds acquired by an underwriter or dealer as the trading object of the asset swap transaction, then KGI Securities receives consideration by selling it, and exchange interests arise from convertible bonds for compensation interests according to the contracts, meanwhile acquire the right to redeem the bonds at any time before the maturity date. KGI Securities does not retain the control over the transferred assets and derecognized them since counterparties have the ability to sell financial assets to third party and no restrictions will be made when counterparties differs. KGI Securities still retain the call option of the object, and the maximum exposure of the loss is the book value of the pledged instruments. Related information of transferred financial assets and liabilities qualifying for full derecognition are as follows:

June 30, 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	$ 10,534,800	$ 523,507	$ 523,507	$ -	$ 523,507

December 31, 2015					
Types of Continuing Involvement	Outflows of Repurchased Transferred Financial Assets (Derecognized)	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	$ 11,345,800	$ 447,128	$ 447,128	$ -	$ 447,128

June 30, 2015					
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	$ 10,477,400	$ 546,105	$ 546,105	$ -	$ 546,105

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

June 30, 2016						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ -	$ 331,600	$ 3,309,000	$ 6,894,200	$ -	$ 10,534,800

December 31, 2015						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ -	$ 835,600	$ 3,293,700	$ 7,216,500	$ -	$ 11,345,800

June 30, 2015						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	$ -	$ 389,700	$ 3,043,300	$ 7,044,400	$ -	$ 10,477,400

The following table shows gains or losses recognized from continuing involvement - call option at the assets transferred day, continuing involvement of derecognized financial assets until balance sheet day and revenues and expenses recognized during the period.

June 30, 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	$ (256,315)	$ (2,260)	$ (258,575)

December 31, 2015			
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	$ (176,259)	$ (257,532)	$ (433,791)

June 30, 2015			
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	$ (127,184)	$ (144,026)	$ (271,210)

<u>KGI Bank and subsidiaries</u>

<u>Transferred financial assets not qualifying for full derecognition</u>

Among daily operations of KGI Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As KGI Bank's right to receive cash flows of the financial assets transferred to the counterparties, and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Bank does not derecognize it entirely because KGI Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition are listed below:

June 30, 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	$ 24,132,258	$ 22,952,345	$ 24,132,258	$ 22,952,345	$ 1,179,913
Available-for-sale financial assets	22,197,148	20,829,209	22,197,148	20,829,209	1,367,939

December 31, 2015					
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	$ 37,960,373	$ 35,862,865	$ 37,960,373	$ 35,862,865	$ 2,097,508
Available-for-sale financial assets	26,418,401	25,014,339	26,418,401	25,014,339	1,404,062

June 30, 2015					
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	$ 29,082,295	$ 27,516,042	$ 29,082,295	$ 27,516,042	$ 1,566,253
Available-for-sale financial assets	31,309,683	29,923,291	31,309,683	29,923,291	1,386,392

f. Offsetting financial assets and financial liabilities

<u>KGI Securities and subsidiaries</u>

KGI Securities and subsidiaries' (KGI Securities) 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:

June 30, 2016						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 4,061,653	$ -	$ 4,061,653	$ -	$ 87,198	$ 3,974,455
Securities purchased under resell agreements	20,449,681	-	20,449,681	20,449,681	-	-
Total	$ 24,511,334	$ -	$ 24,511,334	$ 20,449,681	$ 87,198	$ 3,974,455

June 30, 2016						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 5,022,327	$ -	$ 5,022,327	$ -	$ 722,231	$ 4,300,096
Notes and bonds issued under repurchase agreements	84,799,124	-	84,799,124	84,799,124	-	-
Total	$ 89,821,451	$ -	$ 89,821,451	$ 84,799,124	$ 722,231	$ 4,300,096

December 31, 2015						
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	$ 1,857,035	$ -	$ 1,857,035	$ -	$ 76,126	$ 1,780,909
Securities purchased under resell agreements	16,445,429	-	16,445,429	16,445,429	-	-
Total	$ 18,302,464	$ -	$ 18,302,464	$ 16,445,429	$ 76,126	$ 1,780,909

December 31, 2015						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 4,284,302	$ -	$ 4,284,302	$ -	$ 656,140	$ 3,628,162
Notes and bonds issued under repurchase agreements	58,601,838	-	58,601,838	58,601,838	-	-
Total	$ 62,886,140	$ -	$ 62,886,140	$ 58,601,838	$ 656,140	$ 3,628,162

June 30, 2015						
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	$ 1,891,209	$ -	$ 1,891,209	$ -	$ 96,123	$ 1,795,086
Securities purchased under resell agreements	18,766,043	-	18,766,043	18,766,043	-	-
Total	$ 20,657,252	$ -	$ 20,657,252	$ 18,766,043	$ 96,123	$ 1,795,086

June 30, 2015						
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	$ 2,938,427	$ -	$ 2,938,427	$ -	$ 1,532,888	$ 1,405,539
Notes and bonds issued under repurchase agreements	56,142,691	-	56,142,691	56,142,691	-	-
Total	$ 59,081,118	$ -	$ 59,081,118	$ 56,142,691	$ 1,532,888	$ 1,405,539

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

KGI Bank and subsidiaries

KGI Bank 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:

June 30, 2016						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	$ 8,016,394	$ -	$ 8,016,394	$ 8,016,394	$ -	$ -
Derivative financial instruments	17,737,913	-	17,737,913	7,837,268	331,734	9,568,911
Total	$ 25,754,307	$ -	$ 25,754,307	$ 15,853,662	$ 331,734	$ 9,568,911

June 30, 2016						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	$ 49,128,784	$ -	$ 49,128,784	$ 48,740,508	$ 388,276	$ -
Derivative financial instruments	20,871,901	-	20,871,901	7,837,268	6,553,893	6,480,740
Total	$ 70,000,685	$ -	$ 70,000,685	$ 56,577,776	$ 6,942,169	$ 6,480,740

December 31, 2015						
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	$ 36,176,824	$ -	$ 36,176,824	$ 36,176,824	$ -	$ -
Derivative financial instruments	19,974,577	-	19,974,577	7,673,054	510,105	11,791,418
Total	$ 56,151,401	$ -	$ 56,151,401	$ 43,849,878	$ 510,105	$ 11,791,418

December 31, 2015						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Notes and bonds issued under repurchase agreements	$ 61,010,030	$ -	$ 61,010,030	$ 60,540,403	$ 469,627	$ -
Derivative financial instruments	21,832,157	-	21,832,157	7,673,054	7,390,082	6,769,021
Total	$ 82,842,187	$ -	$ 82,842,187	$ 68,213,457	$ 7,859,709	$ 6,769,021

June 30, 2015						
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	$ 30,346,398	$ -	$ 30,346,398	$ 30,346,398	$ -	$ -
Derivative financial instruments	10,089,696	-	10,089,696	2,783,027	433,011	6,873,658
Total	$ 40,436,094	$ -	$ 40,436,094	$ 33,129,425	$ 433,011	$ 6,873,658

June 30, 2015						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Notes and bonds issued under repurchase agreements	$ 60,806,888	$ -	$ 60,806,888	$ 60,806,888	$ -	$ -
Derivative financial instruments	11,071,140	-	11,071,140	2,783,027	3,158,044	5,130,069
Total	$ 71,878,028	$ -	$ 71,878,028	$ 63,589,915	$ 3,158,044	$ 5,130,069

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

54. CAPITAL MANAGEMENT

a. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

Company \ Items	June 30, 2016		
	% of Ownership	**Group's Eligible Capital**	**Group's Legal Capital Demand**
The Corporation		$ 158,129,853	$ 182,371,395
CDIB	100.00	19,547,979	1,369,345
KGI	100.00	17,551,768	10,637,142
KGIB	100.00	52,659,987	30,566,686
Deduct items		180,788,181	180,788,181
Subtotal		67,101,406 (A)	44,156,387 (B)
Group's CAR (C)=(A)÷(B)			151.96 (C)

(In Thousands of New Taiwan Dollars; %)

Company \ Items	December 31, 2015		
	% of Ownership	**Group's Eligible Capital**	**Group's Legal Capital Demand**
The Corporation		$ 165,157,125	$ 188,455,852
CDIB	100.00	14,497,173	1,067,612
KGI	100.00	20,503,870	9,042,459
KGIB	100.00	53,303,814	28,497,462
Deduct items		186,684,329	186,684,329
Subtotal		66,777,653 (A)	40,379,056 (B)
Group's CAR (C)=(A)÷(B)			165.38 (C)

(In Thousands of New Taiwan Dollars; %)

Company \ Items	June 30, 2015		
	% of Ownership	**Group's Eligible Capital**	**Group's Legal Capital Demand**
The Corporation		$ 163,341,658	$ 185,916,374
CDIB	100.00	8,054,633	1,520,128
KGI	100.00	21,880,644	10,066,493
KGIB	100.00	51,349,289	27,183,067
Deduct items		184,131,029	184,131,029
Subtotal		60,495,195 (A)	40,555,033 (B)
Group's CAR (C)=(A)÷(B)			149.17 (C)

Note: Group's capital adequacy ratio = Group's eligible capital, net/Group's legal capital demand

b. Financial holding companies' net eligible capital

(In Thousands of New Taiwan Dollars)

	June 30, 2016	December 31, 2015	June 30, 2015
Common stock	$ 149,740,122	$ 151,124,071	$ 151,644,303
Capital instruments of comply with Tier 1 capital requirement	-	-	-
Other preferred stock and subordinated bonds	-	-	-
Reserve for raising capital	-	1,370	250
Capital surplus	1,095,973	654,803	599,341
Legal reserve	5,014,298	4,161,475	4,161,475
Special reserve	3,228,296	765,041	765,041
Retained earnings	4,663,601	13,580,644	10,540,754
Equity adjustment	(3,229,052)	(2,746,831)	(1,985,749)
Deduction: Capital items	(2,383,385)	(2,383,448)	(2,383,757)
	$ 158,129,853	$ 165,157,125	$ 163,341,658

The Group's CARs were 151.96%, 165.38% and 149.17% as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively. Since the Financial Holding Company Act and related regulations' requirements, the Group's CAR should be at least 100%, the Group's CARs met its requirement.

CDIB and subsidiaries

a. Objectives

CDIB's eligible capital should be higher than statutorily required capital and should meet the authorities' minimum requirements for capital adequacy ratio. This is the fundamental principle of capital management.

Capital is needed to cover any future losses. Capital management is the main tool of financial institutions to developing business and risk strategies. To effectively manage CDIB's capital as well as meet the regulatory authorities' minimum requirements, CDIB follows the principle "Capital bears risk as well as requires compensation", thus, under an effective capital management framework, CDIB balances risk control and business development and achieves the business objective of maximizing stockholder value.

b. Capital management procedures

CDIB had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital is calculated according with the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

c. Capital adequacy ratio

(In Thousands of New Taiwan Dollars, %)

Items			June 30, 2016	December 31, 2015	June 30, 2015
Eligible capital	Common stockholders' equity		$ 19,547,979	$ 14,497,173	$ 8,054,633
	Other Tier 1 capita		-	-	-
	Tier 2 capital		-	-	-
	Eligible capital		19,547,979	14,497,173	8,054,633
Risk-weighted assets	Credit risk	Standardized approach	5,640,710	4,880,609	4,749,799
		Internal rating-based approach	NA	NA	NA
		Securitization	-	-	-
	Operational risk	Basic indicator approach (Note 4)	6,668,563	6,668,563	12,540,050
		Standardized approach/ alternative standardized approach	NA	NA	NA
		Advanced measurement approach	NA	NA	NA
	Market risk	Standardized approach	3,567,188	1,795,975	1,711,754
		Internal model approach	NA	NA	NA
	Total risk-weighted assets		15,876,461	13,345,147	19,001,603
Capital adequacy ratio			123.13%	108.63%	42.39%
Ratio of common stockholders' equity to risk-weighted assets			123.13%	108.63%	42.39%
Ratio of Tier 1 capital to risk-weighted assets			123.13%	108.63%	42.39%
Leverage ratio			92.77%	89.92%	80.41%

Note 1: The above table was filled in accordance with the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: The Bank should disclose the capital adequacy ratios of the current and previous periods in annual financial reports. For semiannual financial reports, the Bank should disclose the capital adequacy ratios of the current and previous periods, and of the previous year-end.

Note 3: The formulas used in calculating the above table entries were as follows:

1) Eligible capital = Common stockholder's equity + Other Tier 1 capital + Tier 2 capital.

2) Total risk-weighted asset = Risk-weighted assets for credit risk + (Capital requirement for operational risk + Capital requirements for market risk) × 12.5.

3) Capital adequacy ratio = Eligible capital/Total risk-weighted assets.

4) Ratio of common stockholders' equity to risk-weighted assets = Common stock/Total risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Stockholders' equity + Other Tier 1 capital)/Total risk-weighted assets.

6) Leverage ratio = Tier 1 capital/Total exposure.

Note 4: Included the amount of change from transfer of business.

KGI and subsidiaries

The main objective of KGI and subsidiaries in capital management is to maintain a healthy credit rating and capital ratio to support the Corporation's operation and maximize shareholders' interests. KGI and subsidiaries will manage and adjust the capital structure based on the economic situation, possibly by adjusting dividends, returning capital or issuing new shares.

KGI Bank and subsidiaries

a. Objectives

The calculation of self-owned capital should be conducted according to the regulations of the authorities. The basic management objective includes sufficient 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, KGI Bank conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

KGI Bank had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital is calculated according with the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

c. Capital adequacy ratio

(In Thousands of New Taiwan Dollars, %)

Items / Year			June 30, 2016	December 31, 2015	June 30, 2015
Eligible capital	Common stockholders' equity		$ 52,659,987	$ 53,124,545	$ 51,349,289
	Additional Tier 1 capita		-	-	-
	Tier 2 capital		-	179,269	-
	Eligible capital		52,659,987	53,303,814	51,349,289
Risk-weighted assets	Credit risk	Standardized approach	306,244,891	296,938,821	294,991,082
		Internal rating-based approach	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach	18,539,893	18,407,174	11,389,552
		Standardized approach/ alternative standardized approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	29,611,575	40,872,275	33,407,700
		Internal model approach	-	-	-
	Total risk-weighted assets		354,396,359	356,218,270	339,788,334
Capital adequacy ratio			14.86%	14.96%	15.11%
Ratio of common equity to risk-weighted assets			14.86%	14.91%	15.11%
Ratio of Tier 1 capital to risk-weighted assets			14.86%	14.91%	15.11%
Leverage ratio			9.47%	9.28%	8.87%

Note 1: The above table was filled in accordance with the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: The Bank should disclose the capital adequacy ratios of the current and previous periods in annual financial reports. For semiannual financial reports, the Bank should disclose the capital adequacy ratios of the current and previous periods, and of the previous year-end.

Note 3: The formulas used in calculating the above table entries were as follows:

1) Eligible capital = Common stockholder's equity + Other Tier 1 capital + Tier 2 capital.

2) Total risk-weighted asset = Risk-weighted assets for credit risk + (Capital requirement for operational risk + Capital requirements for market risk) × 12.5.

3) Capital adequacy ratio = Eligible capital/Total risk-weighted assets.

4) Ratio of common stockholders' equity to risk-weighted assets = Common stock/Total risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Stockholders' equity + Other Tier 1 capital)/Total risk-weighted assets.

6) Leverage ratio = Tier 1 capital/Total exposure.

55. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

a. The balance sheets and income statements of the trust accounts and trust property accounts of CDIB were as follows:

CDIB will not engage in trust operations from the date of transfer of business on May 1, 2015.

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30, 2015
Trust income and gains	
Gain on financial assets at FVTPL, net	$ 225,466
Interest income	15,721
Rental income	1,025
Total trust income and gains	242,212
Trust expenses	
Interest expense	19,635
Trust administrative expense	188
Other expenses	34
Total trust expenses	19,857
Net income before income tax	$ 222,355

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

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	June 30, 2016	December 31, 2015	June 30, 2015	Trust Liabilities	June 30, 2016	December 31, 2015	June 30, 2015
Bank deposits	$ 1,412,517	$ 876,118	$ 963,387	Payables	$ 56,583	$ 30,124	$ 47,745
Financial assets	20,161,027	22,837,422	17,540,643	Trust capital	21,581,717	23,578,392	17,477,863
Receivables	294,754	99,904	104,333	Reserves and retained earnings	229,998	204,928	1,082,755
Total	$ 21,868,298	$ 23,813,444	$ 18,608,363	Total	$ 21,868,298	$ 23,813,444	$ 18,608,363

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Trust income	$ 177,375	$ 6,200	$ 1,518,692	$ 1,797,200
Trust expenses	172,581	(308,125)	(2,139,216)	(1,236,967)
Income before income tax	$ 349,956	$ (301,925)	$ (620,524)	$ 560,233

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	June 30, 2016	December 31, 2015	June 30, 2015
Bank deposits	$ 1,412,517	$ 876,118	$ 963,387
Stocks	8,815,509	10,046,448	7,809,127
Funds	6,729,065	7,320,525	6,940,828
Lending securities	4,566,300	5,423,949	2,672,955
Structured notes	50,153	46,500	117,733
Receivables	294,754	99,904	104,333
Total	$ 21,868,298	$ 23,813,444	$ 18,608,363

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

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	June 30, 2016	December 31, 2015	June 30, 2015	Trust Liabilities	June 30, 2016	December 31, 2015	June 30, 2015
Bank deposits	$ 408,224	$ 654,161	$ 960,009	Payables	$ 152,563	$ 154,615	$ 152,598
Short-term investment	30,164,221	31,338,483	34,709,275	Other liabilities	1,324,930	1,336,311	1,349,080
Receivables	104,475	51,927	125,983	Trust capital	35,316,337	37,805,193	41,737,334
Payments for others	1,166,795	1,166,813	1,159,802	Accumulated earnings	735,395	795,758	1,132,135
Financial assets at FVTPL	2,467,147	3,697,006	4,229,165				
Financial assets measured at cost	1,401,426	1,401,010	1,400,000				
Real estate, net	831,400	797,943	797,943				
Intangible assets - surface rights	984,534	984,534	984,534				
Other assets	1,003	-	4,436				
Total	$ 37,529,225	$ 40,091,877	$ 44,371,147	Total	$ 37,529,225	$ 40,091,877	$ 44,371,147

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Trust income and gains				
Profit income	$ 56,913	$ 51,396	$ 66,042	$ 51,585
Interest income	355,612	429,819	661,855	836,219
Rental income	7,956	7,763	15,057	15,639
Gain or loss on financial assets at FVTPL, net	(175,812)	682,311	286,794	806,021
Other income	721	132	21,107	692
Total trust income and gains	245,390	1,171,421	1,050,855	1,710,156
Property transaction losses	(596,358)	(254,074)	(1,131,174)	(411,996)
Trust expenses				
Administrative expenses	6,066	9,269	11,726	16,373
Interest expenses	16,322	16,320	32,642	32,640
Service fee	106	42	123	42
Other expenses	4,817	1,282	9,737	2,444
Total trust expenses	27,311	26,913	54,228	51,499
Net income	$ (378,279)	$ 890,434	$ (134,547)	$ 1,246,661

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	**June 30, 2016**	**December 31, 2015**	**June 30, 2015**
Bank deposits	$ 408,224	$ 654,161	$ 960,009
Short-term investments			
Funds	28,356,693	29,808,756	33,483,556
Bonds	1,391,260	1,113,036	890,983
Common shares	79,600	81,400	82,900
Structured notes	212,692	215,507	208,302
ETF	123,976	119,784	43,534
Financial assets at FVTPL	2,467,147	3,697,006	4,229,165
Payment for others	1,166,795	1,166,813	1,159,802
Financial assets measured at cost	1,401,426	1,401,010	1,400,000
Real estate, net	831,400	797,943	797,943
Intangible assets – surface right	984,534	984,534	984,534
Other assets	105,478	51,927	130,419
Total	$ 37,529,225	$ 40,091,877	$ 44,371,147

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

Please refer to Table 9 (attached).

57. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF THE CORPORATION AND ITS SUBSIDIARIES

Please refer to Table 10 (attached).

58. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCE SHARING BETWEEN THE CORPORATION AND SUBSIDIARIES

For the resource sharing between the Corporation and subsidiaries, please refer to Note 47 to the consolidated financial statements.

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

Please refer to Note 49 to the consolidated financial statements. Information on disaster damages: None.

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

Please refer to Notes 51 and 53 to the consolidated financial statements.

61. 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.

62. FINANCIAL RATIOS OF FUTURES-DEALING SUBSIDIARY

The following financial ratios of KGI Securities' futures department and KGI Futures Corp. in compliance with the requirements of the Rules Governing Futures Commission Merchants.

a. KGI Securities' futures department

Rule No.	Formula	June 30, 2016 Formula	%	December 31, 2015 Formula	%	June 30, 2015 Formula	%	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$1,854,405 / $627,480	=2.96	$1,965,939 / $407,338	=4.83	$1,808,942 / $777,798	=2.33	≧1	Yes
17	Current assets / Current liabilities	$2,437,056 / $490,408	=4.97	$2,320,730 / $238,942	=9.71	$2,536,285 / $353,327	=7.18	≧1	Yes
22	Equities / Capital stock	$1,854,405 / $400,000	=463.60%	$1,965,939 / $400,000	=491.48%	$1,808,942 / $400,000	=452.24%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$1,176,717 / $339,581	=346.52%	$1,417,650 / $215,941	=656.50%	$1,235,281 / $464,277	=266.07%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	June 30, 2016 Formula	%	December 31, 2015 Formula	%	June 30, 2015 Formula	%	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	$2,525,962 / $350,778	=7.20	$2,624,668 / $372,168	=7.05	$2,348,768 / $471,768	=4.98	≧1	Yes
17	Current assets / Current liabilities	$23,699,305 / $21,765,989	=1.09	$20,589,705 / $18,589,073	=1.11	$17,466,793 / $15,707,592	=1.11	≧1	Yes
22	Equities / Capital stock	$2,525,962 / $760,000	=332.36%	$2,624,668 / $760,000	=345.35%	$2,348,768 / $760,000	=309.05%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$1,999,956 / $4,585,071	=43.62%	$2,221,296 / $3,662,040	=60.66%	$1,966,151 / $3,022,610	=65.05%	≧20% ≧15%	Yes

63. 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 June 30, 2016, December 31, 2015 and June 30, 2015 were as follows:

	June 30, 2016		December 31, 2015		June 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
KGI Securities and subsidiaries						
Available-for-sale financial assets	$ 4,250,255	$ 4,250,255	$ 4,358,869	$ 4,358,869	$ 5,284,687	$ 5,284,687

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before June 30, 2016 and 2015) for the three and six months ended June 30, 2016 and 2015 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Gains (Losses) Recorded	Pro Forma Losses	Gains (Losses) Recorded	Pro Forma Gains	Gains (Losses) Recorded	Pro Forma Losses	Gains (Losses) Recorded	Pro Forma Gains
KGI Securities and subsidiaries								
Available-for-sale financial assets	$ -	$ (96,555)	$ -	$ 621,513	$ -	$ (108,615)	$ -	$ 835,874

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

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

c. Securities held: None.

d. Derivative instruments and related capital resources: None.

e. Asset management revenues, service and litigation matters: Note 49 (c).

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

65. ADDITIONAL DISCLOSURES

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

1) Financing provided: Not applicable to the Corporation, CDIB and KGI Bank. For other subsidiaries' information: Please refer to Table 1 (attached).

2) Collaterals/guarantees provided: Not applicable to the Corporation, CDIB and KGI Bank. For other subsidiaries' information: Please refer to Table 2 (attached).

3) Marketable securities held: Not applicable to the Corporation, CDIB, KGI Bank, and KGI Securities and subsidiaries. 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. For the Corporation, CDIB 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 Corporation and other subsidiaries' information: None.

6) Disposal of individual real estate at price of at least NT$300 million or 10% of the issued capital: For the Corporation and other subsidiaries' information: None.

7) Discount on service fees received from related parties amounting to NT$5 million: For the Corporation and other subsidiaries' information: None.

8) Receivables from related parties amounting to NT$300 million or 10% of the issued capital: Please refer to Note 47 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 Corporation and subsidiaries: Please refer to Notes 8, 52 and 53 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 Corporation and its subsidiaries: Please refer to Table 12 (attached).

66. SEGMENT INFORMATION

The reportable segments of the Corporation are Industrial banking, Securities and Commercial banking. Under the Regulations Governing the Establishment Criteria and Administration of Industrial Banks and relevant regulations, Industrial Banking engaged in principal investment business, global financial market business and corporate banking business. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. 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.

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, income before income tax, assets and liabilities are composed of revenues and expenses directly attributable to an operating segment.

a. Segment revenues and results

Following is an analysis of the Corporation and subsidiaries' operating revenue and results by reportable segment:

	Industrial Banking	Securities	Commercial Banking	Other	Total
For the three months ended June 30, 2016					
Interest profit (loss), net	$ 11,997	$ 421,338	$ 1,425,026	$ (145,387)	$ 1,712,974
Noninterest profit, net	271,958	2,306,818	1,078,049	266	3,657,091
Net profit (loss)	283,955	2,728,156	2,503,075	(145,121)	5,370,065
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	27,918	(15,804)	(54,470)	-	(42,356)
Operating expenses	(314,584)	(2,651,046)	(1,241,174)	(267,579)	(4,474,383)
Income (loss) before income tax	(2,711)	61,306	1,207,431	(412,700)	853,326
Income tax benefit (expense)	(15,658)	(36,466)	(102,129)	88,910	(65,343)
Net income (loss)	$ (18,369)	$ 24,840	$ 1,105,302	$ (323,790)	$ 787,983
For the three months ended June 30, 2015					
Interest profit (loss), net	$ 341,276	$ 675,220	$ 1,669,204	$ (192,807)	$ 2,492,893
Noninterest profit (loss), net	293,454	4,395,380	615,428	(11,500)	5,292,762
Net profit (loss)	634,730	5,070,600	2,284,632	(204,307)	7,785,655

(Continued)

	Industrial Banking	Securities	Commercial Banking	Other	Total
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	$ 39,708	$ (23,104)	$ 408,552	$ -	$ 425,156
Operating expenses	(541,570)	(3,407,480)	(1,175,224)	(318,080)	(5,442,354)
Income (loss) before income tax	132,868	1,640,016	1,517,960	(522,387)	2,768,457
Income tax benefit (expense)	222,249	(237,314)	(242,148)	(137,409)	(394,622)
Net income (loss)	$ 355,117	$ 1,402,702	$ 1,275,812	$ (659,796)	$ 2,373,835
For the six months ended June 30, 2016					
Interest profit (loss), net	$ 24,688	$ 858,734	$ 2,833,234	$ (296,856)	$ 3,419,800
Noninterest profit (loss), net	1,061,724	5,099,217	2,103,171	(3,802)	8,260,310
Net profit (loss)	1,086,412	5,957,951	4,936,405	(300,658)	11,680,110
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	34,697	(384,296)	(22,943)	-	(372,542)
Operating expenses	(604,992)	(5,344,919)	(2,623,013)	(613,037)	(9,185,961)
Income (loss) before income tax	516,117	228,736	2,290,449	(913,695)	2,121,607
Income tax benefit (expense)	(20,016)	(140,227)	(130,584)	112,501	(178,326)
Net income (loss)	$ 496,101	$ 88,509	$ 2,159,865	$ (801,194)	$ 1,943,281
For the six months ended June 30, 2015					
Interest profit (loss), net	$ 1,315,030	$ 1,261,530	$ 2,789,769	$ (387,438)	$ 4,978,891
Noninterest profit (loss), net	1,792,842	7,916,395	1,027,269	(16,591)	10,719,915
Net profit (loss)	3,107,872	9,177,925	3,817,038	(404,029)	15,698,806
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	88,102	(20,736)	523,037	-	590,403
Operating expenses	(1,270,693)	(6,294,309)	(2,117,953)	(674,917)	(10,357,872)
Income (loss) before income tax	1,925,281	2,862,880	2,222,122	(1,078,946)	5,931,337
Income tax expense	155,527	(407,041)	(351,550)	(171,953)	(775,017)
Net income (loss)	$ 2,080,808	$ 2,455,839	$ 1,870,572	$ (1,250,899)	$ 5,156,320

(Concluded)

b. Segment assets and liabilities

	Industrial Banking	Securities	Commercial Banking	Other	Total
June 30, 2016					
Assets	$ 45,809,676	$ 323,892,863	$ 521,478,717	$ 2,010,667	$ 893,191,923
Liabilities	$ 2,405,447	$ 270,725,471	$ 428,729,073	$ 29,595,924	$ 731,455,915
December 31, 2015					
Assets	$ 48,569,509	$ 267,093,626	$ 548,775,549	$ 2,280,491	$ 866,719,175
Liabilities	$ 2,885,387	$ 209,307,827	$ 459,034,084	$ 26,721,139	$ 697,948,437
June 30, 2015					
Assets	$ 58,757,701	$ 295,174,361	$ 553,942,740	$ 2,136,728	$ 910,011,530
Liabilities	$ 2,691,839	$ 235,876,613	$ 469,340,957	$ 35,174,822	$ 743,084,231

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(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	$ 7,102,920	$ 3,874,320	$ 3,616,032	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 14,591,621 (Note 1)	$ 14,591,621 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,488,620	5,488,620	-	Floating	Short-term financing	-	Working capital	-	-	-	14,591,621	
		KGI Investment Advisory (Shanghai) Company Limited	Receivables, net	Yes	25,829	25,829	-	Floating	Short-term financing	-	Working capital	-	-	-	14,591,621	
2	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,614,300	1,614,300	-	Floating	Short-term financing	-	Capital increase	-	-	-	15,644,342 (Note 2)	15,644,342 (Note 2)
		KGI International Finance Limited	Receivables, net	Yes	4,842,900	4,842,900	908,044	Floating	Short-term financing	-	Working capital	-	-	-	15,644,342	
		KGI Ong Capital Pte. Ltd	Receivables, net	Yes	115,398	-	-	Floating	Short-term financing	-	Capital increase	-	-	-	15,644,342	

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

TABLE 2

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(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 Co., Ltd.	KGI Fraser Securities Pte. Ltd.	Note 1	$ 5,634,647	$ 1,201,136	$ 1,196,450	$ 1,196,450	$ -	2.12%	$ 22,538,588 (Note 2)	No	No	No
		KGI Ong Capital Pte. Ltd.	Note 1	5,634,647	1,201,136	1,196,450	1,196,450	-	2.12%		No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	15,644,342	1,463,980	1,463,618	127,934	-	9.36%	15,644,342 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	15,644,342	3,034,884	3,034,884	817,269	-	19.40%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	15,644,342	209,859	209,859	-	-	1.34%		No	No	No
		KGI Finance Limited	Note 1	15,644,342	138,830	138,830	-	-	0.89%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	15,644,342	2,001,732	2,001,732	-	-	12.80%		No	No	No
		KGI Ong Capital Pte. Ltd.	Note 1	15,644,342	645,720	645,720	-	-	4.13%		No	No	No
		KGI Asia (Holdings) Pte. Limited	Note 1	15,644,342	1,081,004	1,076,838	1,076,838	-	6.88%		No	No	No
3	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	6,783,050	3,471,015	3,148,155	1,420,584	-	232.06%	6,783,050 (Note 4)	No	No	Yes

Note 1: The Corporation and subsidiary owns directly or indirectly over 50% ownership of the investee company.

Note 2: The limit of maximum guarantee provided by KGI Securities Co., Ltd.'s is based on "Corporate Endorsement, Guarantee Making Guideline". For each company, the amount of guarantee should not exceed 10% of the guarantee provider's net asset value. The total amount available for collaterals or guarantee should not exceed 40% of the guarantee provider's net asset value.

Note 3: The limit of maximum guarantee provided by KGI International Holdings Limited is based on the "Corporate Endorsement, Guarantee Making Guideline". For each and all company, the amount of guarantee provided should not exceed the guarantee provider's net asset value.

Note 4: CDIB Management Consulting Corporation: The total amount of guarantee provided should not exceed 5 times of the Company's net asset value of the latest financial report.

Note 5: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Management Inc.	Stocks							
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	660,000	$ 74,910	0.41	$ 74,910	
	Aten International Co., Ltd.	-	Available-for-sale financial assets	65,660	5,712	0.05	5,712	
	Powertech Industrial Co., Ltd.	-	Available-for-sale financial assets	199,229	2,600	0.18	2,600	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	101,240	1,182	0.14	1,182	
	Giga Solution Tech. Co., Ltd.	-	Available-for-sale financial assets	440,916	8,245	0.37	8,245	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	300,000	32,850	0.68	32,850	
	Initio Corporation	-	Financial assets measured at cost	93,285	684	0.52	725	
	Arcoa Communication Co., Ltd.	-	Financial assets measured at cost	783,000	7,493	0.58	19,182	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	235,474	4,485	0.70	1,695	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	744,058	12,060	1.44	7,361	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	1,442,883	13,645	2.16	14,759	
	MCM Stamping Co., Ltd.	-	Financial assets measured at cost	70,000	2,100	0.22	361	
	Progate Group Corporation	-	Financial assets measured at cost	27,274	325	0.08	299	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	240,563	100.00	240,563	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	1,500,000	14,498	1.00	14,498	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	1,750,000	16,961	1.00	16,961	
	CDIB Innovation Advisors Corporation Limited	Subsidiary	Investments accounted for using the equity method	1,200,000	11,694	60.00	11,694	
CDIB Private Equity (Hong Kong) Corporation Limited	Stocks							
	CDIB Private Equity Management Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 15,095	100.00	HK$ 15,095	
	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK$ 6,792	65.00	HK$ 6,792	
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 366	4.33	HK$ 366	
	CPEC Huachung Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 7,990	56.00	HK$ 7,990	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Stocks							
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	RMB 6,764	93.34	RMB 6,764	
CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Fund							
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 3,894	-	RMB 3,894	
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund							
	CPEC Huachung Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 7,080	-	RMB 7,080	
CDIB Venture Capital Corporation	Stocks							
	Aten International Co., Ltd.	-	Available-for-sale financial assets	2,283,567	198,670	1.91	198,670	
	Anpec Electronics Corporation	-	Available-for-sale financial assets	3,709,011	89,573	3.69	89,573	
	Macroblock, Inc.	-	Available-for-sale financial assets	250,000	18,350	0.77	18,350	
	Taihan Precision Technology Co., Ltd.	-	Available-for-sale financial assets	4,117,158	42,818	6.56	42,818	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	3,285,131	29,500	1.17	29,500	
	Formosa Advanced Technologies Co., Ltd.	-	Available-for-sale financial assets	100,000	2,270	0.02	2,270	
	Chicony Power Technology Co., Ltd.	-	Available-for-sale financial assets	4,008,322	143,899	1.08	143,899	
	Solartech Energy Corp.	-	Available-for-sale financial assets	5,215,328	91,272	1.41	91,272	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	4,555,307	76,154	0.44	76,154	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	2,608,065	42,120	0.45	42,120	
	Gallant Precision Machine Co., Ltd.	-	Available-for-sale financial assets	1,247,499	20,896	0.76	20,896	
	Shin Zu Shing Co., Ltd.	-	Available-for-sale financial assets	613,462	64,720	0.34	64,720	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Venture Capital Corporation	Stocks							
	Chipsip Technology Co., Ltd.	-	Available-for-sale financial assets	428,928	$ 1,759	1.02	$ 1,759	
	Sunfun Info Co., Ltd.	-	Available-for-sale financial assets	810,000	25,920	5.73	25,920	
	ASRock Inc.	-	Available-for-sale financial assets	424,462	16,957	0.37	16,957	
	Share Hope Medicine Co., Ltd.	-	Available-for-sale financial assets	223,663	8,969	0.30	8,969	
	Hotron Precision Electronic Industrial Co., Ltd.	-	Available-for-sale financial assets	1,273,387	37,692	2.01	37,692	
	ADDA Corp.	-	Available-for-sale financial assets	4,015,430	25,699	2.75	25,699	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	2,513,383	53,158	1.58	53,158	
	Aces Connectors Co., Ltd.	-	Available-for-sale financial assets	2,850,421	72,543	2.30	72,543	
	China Communications Media Group Co., Ltd.	-	Available-for-sale financial assets	1,110,000	24,254	2.93	24,254	
	FocalTech Corporation, Ltd.	-	Available-for-sale financial assets	495,352	13,325	0.17	13,325	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	2,594,562	93,534	0.45	93,534	
	Enterex International Limited	-	Available-for-sale financial assets	2,500,000	119,750	2.49	119,750	
	Trea Xtal Technology Corp.	-	Available-for-sale financial assets	4,250,961	3,953	2.23	3,953	
	HIM International Music Inc.	-	Available-for-sale financial assets	1,136,960	139,278	2.66	139,278	
	Capital Securities Corporation	-	Available-for-sale financial assets	884,887	7,274	0.04	7,274	
	Andes Technologies Co., Ltd.	-	Available-for-sale financial assets	930,385	49,692	2.58	49,692	
	Newmax Technology Co., Ltd.	-	Available-for-sale financial assets	743,847	17,108	0.73	17,108	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	6,400,000	10,919	0.42	10,919	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	202,480	11,790	0.29	11,790	
	Strong LED Lighting Systems (Cayman) Co., Ltd.	-	Available-for-sale financial assets	2,990,000	85,215	8.08	85,215	
	Shane Global Holding Inc.	-	Available-for-sale financial assets	1,715,700	104,570	1.72	104,570	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	1,408,659	35,751	2.01	20,003	
	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	500,000	5,250	1.24	4,692	
	Chain Yarn Co., Ltd.	-	Financial assets measured at cost	843,653	11,504	0.55	4,564	
	Compliance Certification Services Inc.	-	Financial assets measured at cost	749,271	15,000	2.12	18,957	
	Kentec Inc.	-	Financial assets measured at cost	1,512,000	45,720	1.64	31,811	
	Top Green Technologies Inc.	-	Financial assets measured at cost	2,000,000	16,667	0.89	11,011	
	Biodenta Corporation	-	Financial assets measured at cost	1,299,999	32,500	3.10	13,000	
	M2Communication, Inc.	-	Financial assets measured at cost	5,090,000	74,610	17.13	103,416	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	3,725,007	107,176	4.48	40,230	
	STL Technology Co., Ltd.	-	Financial assets measured at cost	7,002,053	255,605	9.96	85,882	
	Interactive Digital Technologies Inc.	-	Financial assets measured at cost	2,881,000	59,195	6.86	123,019	
	Luxtaltek Corporation	-	Financial assets measured at cost	124,474	2,197	0.20	522	
	Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	146,075	4.81	190,183	
	Hartec Asia Pte. Ltd.	-	Financial assets measured at cost	2,800,000	99,603	10.23	93,603	
	GSD Technologies Co., Ltd.	-	Financial assets measured at cost	5,841,702	108,946	19.47	250,087	
	Shengzhuang Holding Limited	-	Financial assets measured at cost	610,590	151,150	6.11	224,654	
	Dyaco Co., Ltd.	-	Financial assets measured at cost	5,575,500	175,230	6.80	280,169	
	Fukuta Co., Ltd.	-	Financial assets measured at cost	1,400,000	119,000	4.91	166,123	
	DL-tek Co., Ltd.	-	Financial assets measured at cost	3,697,639	51,100	1.04	59,578	
	Cvie Therapeutics Limited	-	Financial assets measured at cost	846,351	40,262	4.15	40,353	
	Zentera Systems, Inc. - preferred stock	-	Financial assets measured at cost	1,324,503	61,900	39.35	91,697	(Note 4)
	Greenvines Biotech Co., Ltd.	-	Financial assets measured at cost	136,363	12,000	13.11	12,880	
	AMPAK Technology Inc.	-	Financial assets measured at cost	1,208,650	24,795	1.44	21,115	
	Azotek Co., Ltd.	-	Financial assets measured at cost	824,500	27,645	-	18,467	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets measured at cost	1,500,000	33,000	4.22	29,884	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	630,518	8,995	1.87	4,539	
	Greatland Electronics Taiwan Ltd.	-	Financial assets measured at cost	1,920,000	6,720	5.50	35,285	
	CBA Sports International Ltd.	-	Financial assets measured at cost	514,821	78,046	-	34,952	
	Derbysoft Holdings Limited-preferred stock A	-	Financial assets measured at cost	28,000,000	91,938	45.78	194,226	(Note 4)
	Derbysoft Holdings Limited-preferred stock B	-	Financial assets measured at cost	4,643,469	15,297	9.26	32,210	(Note 4)
	Crown Bioscience, International	-	Financial assets measured at cost	1,651,886	47,793	1.26	90,854	
	Cvie Therapeutics Company Limited	-	Financial assets measured at cost	560,000	21,708	4.15	35,198	
	iCHEF Co., Ltd. - preferred stock	-	Financial assets measured at cost	11,167,513	73,874	40.74	72,893	(Note 4)
	FUNP Co., Ltd. - preferred stock	-	Financial assets measured at cost	400,000	48,283	20.00	54,890	(Note 4)
	Handa Pharmaceuticals Inc. - preferred stock	-	Financial assets measured at cost	3,000,000	96,000	30.00	96,000	(Note 4)
	Fiiser Inc. - preferred stock	-	Financial assets measured at cost	878,029	48,585	100.00	48,429	(Note 4)
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	545,000,000	2,078,222	100.00	2,078,222	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2016 Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	Note
CDIB Venture Capital Corporation	Option							
	CBA Sports International Limited	-	Financial assets measured at cost	-	$ 142,819	-	$ 163,112	
	Convertible (exchangeable) corporate bond							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	-	160,940	-	160,940	
CDIB Venture Capital (Hong Kong) Corporation Limited	Stocks							
	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK$ 16,843	70.00	HK$ 16,843	
	Fund							
	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 282,928	-	HK$ 282,928	
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 133,163	-	HK$ 133,163	
				-				
CPEC Huakai Private Equity (Fujian) Co., Ltd.	Stocks			-				
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	RMB 2,447	20.00	RMB 2,447	
CDIB Capital Investment I Limited	Stocks							
	Subicvest Inc.	Subsidiary	Investments accounted for using the equity method	200,000	US$ 80	100.00	US$ 80	
	Samson Holding Ltd.	-	Available-for-sale financial assets	2,635,000	US$ 285	0.09	US$ 285	
	Da Chan Food (Asia) Ltd.	-	Available-for-sale financial assets	48,210,000	US$ 5,157	4.74	US$ 5,157	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	28,000,000	US$ 1,480	1.83	US$ 1,480	
	CCAP Best Logistics Holdings Limited			1,000	US$ 5,056	11.11	US$ 5,056	
	B&M Holdings, Inc.	-	Financial assets measured at cost	199,999	US$ 8,828	10.00	US$ 10,471	
	BP SCI, LLC	-	Financial assets measured at cost	30,000	US$ 3,000	18.61	US$ 4,848	
	BP SCI, LLC - preferred stock	-	Financial assets measured at cost	12,000	US$ 12,000	18.61	US$ 19,393	(Note 4)
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets measured at cost	1,636,800	US$ 818	1.91	US$ 949	(Note 4)
	Touch Media International Holdings - preferred stock - B	-	Financial assets measured at cost	8,097,973	US$ 4,426	60.44	US$ 4,710	(Note 4)
	Rock Mobile (Cayman) Co. - preferred stock - C	-	Financial assets measured at cost	840,336	US$ 1,000	3.26	US$ 961	(Note 4)
	Fund							
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US$ 63,822	-	US$ 63,822	
	Carlyle Asia Partners II, L.P.	-	Financial assets measured at cost	-	US$ 5,966	-	US$ 3,323	
	Ripley Cable Holdings I, L.P.	-	Financial assets measured at cost	-	US$ 540	-	US$ 9,611	
	Calera XV, LLC	-	Financial assets measured at cost	-	US$ 2,293	-	US$ 3,411	
	Option							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets measured at cost	-	US$ 1,785	-	US$ 10,783	
	Mestay Cayman Islands Limited	-	Financial assets measured at cost	-	US$ 304	-	US$ 304	
	Convertible (exchangeable) corporate bond							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	-	US$ 4,368	-	US$ 4,219	
	Mestay Cayman Islands Limited	-	Debt instruments with no active markets	-	US$ 4,696	-	US$ 4,696	
	Corporate bond							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	-	US$ 6,398	-	US$ 6,828	
Subicvest, Inc.	Stocks							
	SPEC Protertices, Inc.	-	Financial assets measured at cost	242,683	PHP 2,590	3.44	PHP 2,590	
CDIB Capital Investment II Limited	Stocks							
	Neo-neon Holdings Ltd.	-	Available-for-sale financial assets	14,000,000	US$ 1,895	0.72	US$ 1,895	
	Indostar Capital	-	Financial assets measured at cost	992,674	US$ 9,927	4.53	US$ 19,372	
	Indostar Everstone - preferred stock	-	Financial assets measured at cost	992,332	US$ 9,923	9.37	US$ 19,274	(Note 4)
	Sungjoo Design Tech & Distribution Inc. - preferred stock A	-	Debt instruments with no active markets	3,334	US$ 11,545	50.01	US$ 11,219	(Note 4)
	CBA Sports International Ltd.	-	Financial assets measured at cost	508,929	US$ 2,733	0.89	US$ 1,070	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2016				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	Option							
	Sungjoo Design Tech & Distribution Inc.	-	Financial assets measured at cost	-	US$ 1,833	-	US$ 13,226	
	CBA Sports International Ltd.	-	Financial assets measured at cost	-	US$ 4,867	-	US$ 4,994	
	Fund							
	Miare Asset Partners Private Equity Fund VII	-	Financial assets measured at cost		US$ 19,868	-	US$ 40,441	
CDIB Global Markets Limited	Stocks							
	Light Sciences Oncology, Inc.	-	Financial assets measured at cost	250,000	US$ 6	0.28	US$ -	
	Sonics, Inc. - preferred stock-B	-	Financial assets measured at cost	114,359	US$ 333	14.74	US$ 333	(Note 4)
	Microfabrica, Inc. - Preferred Series B	-	Financial assets measured at cost	13,091	US$ 27	0.12	US$ 22	(Note 4)
	Microfabrica, Inc. - Preferred Series AC	-	Financial assets measured at cost	7,749	US$ 13	0.48	US$ 13	(Note 4)
	Optoplex Corporation - preferred stock-A	-	Financial assets measured at cost	7,956	US$ 23	0.42	US$ 5	(Note 4)
	Optoplex Corporation - preferred stock-B	-	Financial assets measured at cost	20,602	US$ 31	0.75	US$ 13	(Note 4)
	Optoplex Corporation - common stock		Financial assets measured at cost	55	US$ -	-	US$ -	
	Gopro Inc.	-	Available-for-sale financial assets	51,878	US$ 561	0.04	US$ 561	
	Flemingo International (BVI) Ltd. - preferred stock	-	Debt instruments with no active markets	834	US$ 19,980	39.94	US$ 34,139	(Note 4)
	Fund							
	Tenaya Capital V, L.P.	-	Financial assets measured at cost	-	US$ 5,460	-	US$ 4,518	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets measured at cost	-	US$ 3,679	-	US$ 4,005	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 7,865	-	US$ 5,935	
	THL Equity Fund VI Investors (Clear Channel), L.P.	-	Financial assets measured at cost	-	US$ 12,476	-	US$ 3,119	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 4,979	-	US$ 7,090	
	Tenaya Capital VI, L.P.	-	Financial assets measured at cost	-	US$ 6,044	-	US$ 6,044	
	GS TDN Investors Offshore, L.P.	-	Financial assets measured at cost	-	US$ 21,000	-	US$ 12,216	
	CX Partners Fund Alpha Limited	-	Financial assets measured at cost	-	US$ 10,065	-	US$ 11,950	
	Carlyle Asia Partners III, L.P.	-	Financial assets measured at cost	-	US$ 6,891	-	US$ 8,604	
	Riverwood Capital Partners, L.P.	-	Financial assets measured at cost	-	US$ 8,908	-	US$ 10,614	
	ECP II (Cayman) Ltd. A	-	Financial assets measured at cost	-	US$ 6,825	-	US$ 7,513	
	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$ 3,761	-	US$ 4,862	
	Carlyle Giovanna Partners, L.P.	-	Financial assets measured at cost	-	US$ 14,750	-	US$ 67,137	
	Industry Ventures Fund VI, L.P.	-	Financial assets measured at cost	-	US$ 4,299	-	US$ 4,941	
	Formation8 Partners Fund I, L.P.	-	Financial assets measured at cost	-	US$ 2,258	-	US$ 5,792	
	Carlyle Asia Partners IV, L.P.	-	Financial assets measured at cost	-	US$ 10,065	-	US$ 9,122	
	Blue Point Capital Partners III, L.P.	-	Financial assets measured at cost	-	US$ 4,299	-	US$ 4,845	
	Riverwood Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 5,404	-	US$ 4,561	
	Huaxing Capital Partners II, L.P.	-	Financial assets measured at cost	-	US$ 3,688	-	US$ 3,648	
	THL Equity Fund VI Investors (Ceridian) L.P.	-	Financial assets measured at cost	-	US$ 5,000	-	US$ 5.000	
CDIB Capital International Corporation	Stocks							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US$ 5,711	100.00	US$ 5,711	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US$ 5,354	100.00	US$ 5,354	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 1,525	100.00	US$ 1,525	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	(US$ 36)	100.00	(US$ 36)	
CDIB Biotech USA Investment Co., Ltd.	Stocks							
	Confor MIS-common stock	-	Available-for-sale financial assets	32,639	US$ 12	0.08	US$ 221	
China Development Asset Management Corp.	Stocks							
	Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	2,000,000	$ 111,581	100.00	$ 111,581	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,493,201	100.00	2,493,201	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	200,730	100.00	200,730	
	Pine Street Asset Management Corp.	-	Financial assets measured at cost	3,886,190	46,031	12.25	46,031	
	Waterland Securities Co., Ltd.	-	Financial assets measured at cost	9,748,769	8,672	1.07	104,764	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2016				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	58,328,460	660,053	76.04	660,053	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	585,824	100.00	585,824	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	877	19.00	877	
	First Financial Holding Co., Ltd.	-	Available-for-sale financial assets	786,860	13,298	0.01	13,298	
Global Securities Finance Corporation	Stocks							
	FB SSE 180	-	Financial assets at fair value through profit or loss	200,000	5,320	-	5,320	
	Capital SZSE SME Price Index Exchange Traded Fund	-	Financial assets at fair value through profit or loss	99,000	1,571	-	1,571	
	Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	200,000	7,530	-	7,530	
	E.Sun Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	300,000	5,700	-	5,700	
	W.I.S.E. Yuanta/P-shares CSI 300 ETF	-	Financial assets at fair value through profit or loss	500,000	8,005	-	8,005	
	Advanced Semiconductor Engineering Inc.	-	Financial assets at fair value through profit or loss	218,000	7,990	-	7,990	
	Chunghwa Telecom co., Ltd.	-	Financial assets at fair value through profit or loss	150,000	17,475	-	17,475	
	Catcher Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	40,000	9,500	-	9,500	
	Aerospace Industrial Development Corporation	-	Financial assets at fair value through profit or loss	500,000	22,000	-	22,000	
	Largan Oecision Co., Ltd.	-	Financial assets at fair value through profit or loss	2,000	5,890	-	5,890	
	Ultra Chips, Inc.	-	Financial assets at fair value through profit or loss	50,000	2,720	-	2,720	
	Advanced Ceramic X Corporation	-	Financial assets at fair value through profit or loss	7,000	1,253	-	1,253	
	Tai-Saw Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	100,000	3,020	-	3,020	
	Innolux Corporation	-	Financial assets at fair value through profit or loss	450,000	4,860	-	4,860	
	Pacific Hospital Supply Co., Ltd.	-	Financial assets at fair value through profit or loss	15,000	1,733	-	1,733	
	United Qxthopedic Corporation	-	Financial assets at fair value through profit or loss	35,000	3,129	-	3,129	
	VHQ Media Holding Ltd.	-	Financial assets at fair value through profit or loss	10,000	1,585	-	1,585	
	Eurocharm Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	45,000	5,198	-	5,198	
	Topco Scientific Co., Ltd.	-	Financial assets at fair value through profit or loss	20,000	1,330	-	1,330	
	Hu Lane Associate Inc.	-	Financial assets at fair value through profit or loss	35,000	4,847	-	4,847	
	Wistron Neweb Corporation	-	Financial assets at fair value through profit or loss	80,000	6,568	-	6,568	
	Sitronix Technology Corp.	-	Financial assets at fair value through profit or loss	40,000	4,200	-	4,200	
	Actron Techonolgy Corporation	-	Financial assets at fair value through profit or loss	35,000	4,305	-	4,305	
	Dadi Early-Childhood Education Group Ltd.	-	Financial assets at fair value through profit or loss	40,000	7,500	-	7,500	
	Taiwan Paiho Limited	-	Financial assets at fair value through profit or loss	105,000	9,030	-	9,030	
	Nak Sealing Technologies Corporation	-	Financial assets at fair value through profit or loss	20,000	1,612	-	1,612	
	Macauto Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	15,000	2,452	-	2,452	
	Honpang Venture Capital Corp.	-	Financial assets measured at cost	751,000	415	6.25	1,489	
	Operating securities							
	KGI Economic Moat TWD	The fund of KGI's manager	Financial assets at fair value through profit or loss	180,000	2,014	-	2,014	
	Prduential Financial Global Bio-Health Fund TWD	-	Financial assets at fair value through profit or loss	152,000	4,848	-	4,848	
	PineBridge Global Multi-Strategy High Yield Bond Fund A TWD	-	Financial assets at fair value through profit or loss	403,000	5,019	-	5,019	
	Bank debentures							
	Bank SinoPac Third Subordinated Bank Debentures issued in 2011	-	Other assets	150,000,000	151,500	-	151,388	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other assets	50,000,000	50,000	-	50,211	
	Sunny Bank Third Subordinated Bank Debentures issued in 2015	-	Held-to-maturity financial assets	200,000,000	200,000	-	199,986	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issue in 2015	-	Held-to-maturity financial assets	100,000,000	100,000	-	99,992	
	Bonds							
	A90106	-	Other assets	150,000,000	$ 150,543	-	$ 150,543	

Note 1: The Corporation and subsidiaries 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.

(Continued)

Note 3: Market prices of listed and OTC stocks were calculated at the closing prices of June 30, 2016. The net assets values of unlisted stocks, on which the Bank recognized its investment incomes in the current year, were calculated on the basis of audited financial statements of the same period of the holding company or the net assets values of the investees, market values of emerging stocks, the cost of acquiring an investee's newly issued shares or book value of the investees. However, the net asset values of investees do not represent the value of unlisted stocks on the balance sheet date.

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

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

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

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT$300 MILLION OR 10% OF THE ISSUED CAPITAL)
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(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 Company	Stock													
	KGI Securities Co., Ltd.	Investment accounted for using the equity method	-	-	3,798,812,320	$ 56,955,321	-	$ -	300,000,000	$ -	$ 4,996,904 (Note 1)	$ -	3,498,812,320	$ 51,958,417
China Development Industrial Bank	Stock													
	CDIB Venture Capital Corporation	Investment accounted for using the equity method	-	-	822,790,915	7,754,037	54,000,000	486,982 (Note 2)	-	-	-	-	876,790,915	8,241,019
	China Development Asset Management Corp.	Investment accounted for using the equity method	-	-	400,000,000	4,509,009	-	-	200,000,000	-	2,143,387 (Note 3)	-	200,000,000	2,365,622
	CDIB Capital Management Corporation	Investment accounted for using the equity method	-	-	73,093,889	989,009	-	-	40,000,000	-	402,240 (Note 4)	-	33,093,889	586,769
China Development Asset Management Corp.	Stock													
	Development Industrial Bank Asset Management Corp.	Investment accounted for using the equity method	-	-	120,000,000	1,389,860	-	-	118,000,000	-	1,278,279 (Note 5)	-	2,000,000	111,581
	Chung Hwa Growth 3 Asset Management Corp.	Investment accounted for using the equity method	-	-	300,000,000	3,347,955	-	-	74,000,000	-	854,754 (Note 6)	-	226,000,000	2,493,201
CDIB Venture Capital Corporation	Stock													
	CDIB Venture Capital (Hong Kong) Corporation Limited	Investment accounted for using the equity method	-	-	420,000,000	1,582,533	125,000,000	495,689 (Note 7)	-	-	-	-	545,000,000	2,078,222
CDIB Venture Capital (Hong Kong) Corporation Limited	Fund													
	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK$ 152,034	-	HK$ 130,894 (Note 8)	-	-	-	-	-	HK$ 282,928
CDIB Capital Investment I Limited	Fund													
	Calera XV, LLC	Financial assets measured at cost	-	-	-	US$ 15,173	-	US$ 61	-	US$ 18,105	US$ 12,941	US$ 5,164	-	US$ 2,293
	CDIB Capital Asia Partner Fund	Investment accounted for using the equity method	-	-	-	US$ 39,745	-	US$ 24,077 (Note 9)	-	-	-	-	-	US$ 63,822

Note 1: Consists of reduction of the Corporation capital of $3,000,000 thousand, cash dividends of $1,626,499 thousand, exchange loss on translating foreign operations of $282,694 thousand, investment loss $99,500 thousand, unrealized loss on available-for-sale financial assets of $141,169 thousand, additional paid-in capital increase $2,477 thousand and other adjustment.

Note 2: Consists of $540,000 thousand from new issue, cash dividends of $40,696 thousand, exchange loss on translating foreign operations of $79,195 thousand, investment gain $17,221 thousand, unrealized gain on available-for-sale financial assets of $49,572 thousand and additional paid-in capital increase $60 thousand.

Note 3: Consists of reduction of the Corporation's capital of $2,000,000 thousand, cash dividends of $196,937 thousand, investment gain $53,529 thousand and additional paid-in capital increase $21 thousand.

Note 4: Consists of reduction of the Corporation's capital of $400,000 thousand, cash dividends of $74,689 thousand, investment gain $26,528 thousand, exchange loss on translating foreign operations of $11,665 thousand, unrealized gain on available-for-sale financial assets of $33,548 thousand and additional paid-in capital increase $24,038 thousand.

Note 5: Consists of reduction of the Corporation's capital of $1,180,000 thousand, cash dividends of $11,409 thousand, cash dividends granted by legal reserve of $90,000 thousand and investment gain $3,130 thousand.

Note 6: Consists of reduction of the Corporation's capital of $740,000 thousand, cash dividends of $167,713 thousand and investment gain $52,959 thousand.

Note 7: Consists of $536,250 thousand from new issue, exchange loss on translating foreign operations of $79,195 thousand and investment gain $38,634 thousand.

Note 8: Consists of HK$122,451 thousand from new issue, exchange loss on translating foreign operations of HK$4,649 thousand and investment gain HK$13,092 thousand.

Note 9: Consists of US$20,812 thousand from new issue, and investment gain US$3,265 thousand.

Note 10: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

TABLE 5

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
JUNE 30, 2016
(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		
China Development Industrial Bank	China Development Financial Holding Corporation (the "Corporation")	Parent company	$ 722,419	-	$ -	-	$ -	$ -
The Corporation	China Development Industrial Bank	Subsidiary	382,277	-	-	-	-	-
	KGI Securities Co., Ltd.	Subsidiary	477,706	-	-	-	-	-

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

TABLE 6

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTED ENTERPRISES
JUNE 30, 2016
(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	
China Development Financial Holding Corporation (the "Corporation")	China Development Industrial Bank	Taiwan	Industrial bank	100.00	$ 67,980,861	$ 584,474	2,060,399,410	-	2,060,399,410	100.00	
	KGI Securities Co., Ltd.	Taiwan	Financial service	100.00	51,958,417	(99,500)	3,498,812,320	-	3,498,812,320	100.00	
	KGI Bank	Taiwan	Commercial bank	100.00	60,848,903	1,807,786	4,606,162,291	-	4,606,162,291	100.00	

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

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

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

c. The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the 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 SIX MONTHS ENDED JUNE 30, 2016
(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
2016.02.19	A	Unsecured loans	$ 1,601	$ 10,500	$ 8,899	-	-
2016.02.19	B	Unsecured loans	864	1,500	636	-	-
2016.02.19	C	Real estate mortgages	3,071	3,684	613	-	-
2016.03.14	D	Real estate mortgages	1,479	2,100	621	-	-
2016.03.14	E	Real estate mortgages	-	300	300	-	-
2016.04.27	F	Real estate mortgages	9,080	13,500	4,420	-	-

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 Corporation and subsidiaries: None.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2016	December 31, 2015	June 30, 2015	
China Development Financial Holding Corporation (the "Corporation")	China Development Industrial Bank	Industrial bank	100.00	100.00	100.00	
	KGI Securities Co., Ltd.	Financial service	100.00	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	100.00	
China Development Industrial Bank	China Venture Management Inc.	Management company of venture fund	-	-	100.00	
	R.O.C. Strategic Company Ltd.	Venture fund	-	-	100.00	
	CDIB Capital Management Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	100.00	
	CDIB Strategic Venture Fund Ltd.	Venture fund	-	-	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	CDIB Global Markets I Limited	Venture fund	-	100.00	100.00	
	CDIB Global Markets Limited (formerly named CDIB Global Markets II Limited)	Venture fund	100.00	100.00	100.00	
	CDIB Global Markets III Limited	Venture fund	-	100.00	100.00	
	CDIB Capital Investment I Limited	Venture fund	100.00	100.00	100.00	
	CDIB Capital Investment II Limited	Venture fund	100.00	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	100.00	100.00	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital International (USA) Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Management company of venture fund	100.00	100.00	100.00	
	CDIB Capital Asia Partners Limited	Management of private equity fund	100.00	100.00	100.00	(Note 1)
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2016	December 31, 2015	June 30, 2015	
CDIB Venture Capital (Hong Kong) Corporation Limited	CDIB Private Equity Management Corporation	Management and consulting	-	100.00	100.00	
	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting	70.00	70.00	70.00	
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	-	56.00	56.00	
CPEC Huakai Private Equity (Fujian) Co., Ltd.	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	20.00	20.00	20.00	
CDIB Capital Management Corporation (formerly named CDIB Equity Inc.)	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	100.00	
	CDIB Innovative Advisors Corporation Limited	Management and consulting	60.00	60.00	-	
CDIB Private Equity (Hong Kong) Corporation Limited	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	65.00	65.00	65.00	
	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	4.33	4.53	4.53	
	CDIB Private Equity Management Corporation	Management and consulting	100.00	-	-	
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	56.00	-	-	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	93.34	93.02	93.02	
KGI Securities Co., Ltd.	Richpoint Company Limited	Investment holdings	100.00	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting; discretionary investment services	100.00	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	99.99	99.99	99.99	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	99.61	
	Global Securities Finance Corporation	Stock loans and financing purchase of securities	21.99	21.99	21.99	(Note 2)
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	-	-	(Note 3)
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	100.00	-	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	100.00	
	ANEW Holdings Limited	Investment holdings	100.00	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2016	December 31, 2015	June 30, 2015	
KG International Holdings Limited	KG Investments Pacific Limited	Investment services	-	-	100.00	
	KG Investments Asset Management (International) Limited	Investment services	100.00	100.00	100.00	
	Pacific Glory Finance One Limited	Investment services	-	-	100.00	
	KGI Limited	Investment holdings	100.00	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	100.00	
ANEW Holdings Limited	KGI Capital (Hong Kong) Limited	Securities investment	100.00	100.00	100.00	
	KGI Wealth Management Limited	Securities investment	-	-	100.00	
	KGI Nominees (Hong Kong) Limited	Trust agent	-	-	100.00	
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment	100.00	100.00	100.00	
	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00	
	KGI Nominees Limited	Trust agent	-	-	100.00	
	KGI Hong Kong Limited	Management services	100.00	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	100.00	
	KGI Capital Asia Limited	Securities investment	100.00	100.00	100.00	
	Bauhinia 8 Fund	Fund company	-	-	100.00	
	KGI Global Asset Management Limited	Asset management	-	-	100.00	
	Grand Cathay Securities (Hong Kong) Limited	Securities investment	100.00	100.00	100.00	
	KGI Asset Management Limited	Asset Management	100.00	100.00	100.00	
	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00	100.00	
	KGI Wealth Management Limited	Securities investment	100.00	100.00	-	
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	-	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00	100.00	
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	100.00	(Note 4)
	Jubilant Dynasty Limited	Investment services	-	-	100.00	
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	100.00	
	KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy	-	-	100.00	
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	100.00	100.00	
KGI Asia (Holdings) Pte. Ltd.	KGI Ong Capital Pte. Ltd.	Futures investment and foreign - currency services	100.00	100.00	100.00	
	KGI Fraser Securities Pte. Ltd.	Securities investment	100.00	100.00	100.00	
KGI Bank	Cosmos Insurance Brokers Co., Ltd.	Life and property insurance Brokers	-	100.00	100.00	
	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2016	December 31, 2015	June 30, 2015	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	100.00	

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			June 30, 2016	December 31, 2015	June 30, 2015	
China Development Industrial Bank	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	50.00	As of June 30, 2016, CDIB's investment in CDIB Biotech USA Investment Co., Ltd. of CDIB had amounted to $14,818 thousand; CDIB Biotech USA Investment Co., Ltd. was approbated to liquidate by the Board of Director on April 20, 2008, therefore, CDIB Biotech USA Investment Co., Ltd. was not included in the consolidated financial statement.
CDIB Capital Investment I Limited	Subicvest Inc.	Leasing	100.00	100.00	100.00	As of June 30, 2016, 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 Co., Ltd.	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.

Note 1: CDIB Capital Asia Partners Limited conducted registration of establishment on March 21, 2014, however, CDIB had not invested any capital as of June 30, 2016.

Note 2: KGI Securities Co., Ltd. jointly held 21.99% of the shares of Global Securities Finance Corporation (GSFC) and obtained more than half of the seats in the board of director, therefore, GSFC should be included in the consolidated financial statements.

Note 3: KGI Information Technology (Shanghai) Co., Ltd. conducted registration of establishment on May 30, 2016, however, KGI had not invested any capital as of June 30, 2016.

Note 4: KGI Capital (Singapore) Pte. Ltd. has been suspended operations.

(Concluded)

TABLE 9

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE
JUNE 30, 2016
(In Millions of New Taiwan Dollars; %)

China Development Financial Holding Corporation (CDFH)

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.	$ 105,198	66.52
KG Investment Holdings Limited	12,339	7.80
Taipower Corporation	10,309	6.52
Bank of America Corp.	6,557	4.15
China Development Bank	6,412	4.05
The Shanghai Commercial & Saving Bank, Ltd.	5,943	3.76
Mizuho Bank, LTD., Tokyo Japan	5,086	3.22
Farglory Land Development Co., Ltd	4,757	3.01
CDIB & Partners Investment Holding Corporation	4,573	2.89
China Life Insurance Company Limited	4,246	2.69
Netronix, INC.	3,750	2.37
Citi Group Inc.	3,424	2.17
CTCI Corporation	3,319	2.10
Ping An Bank Co., Ltd.	3,128	1.98
JP Morgan Chase & Co	3,068	1.94
Qisda Corporation	3,047	1.93
Total	$ 185,156	117.09
2. The same group		
Far Eastern Group	$ 6,606	4.18
Foxconn Technology Group	5,604	3.54
BenQ Group	5,424	3.43
Farglory Group	4,759	3.01
Evergreen Group	4,625	2.92
Formosa Plastic Group	3,992	2.52
YFY Group	3,791	2.40
Qsan Technology Group	3,752	2.37
Netronix Group	3,750	2.37
CTCI Group	3,674	2.32
UMC Group	3,128	1.98
PECOS Group	3,085	1.95
Total	$ 52,190	33.00

TABLE 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

China Development Financial Holding Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**June 30, 2016**	**December 31, 2015**	**June 30, 2015**
Cash and cash equivalents	$ 4,534,922	$ 2,665,707	$ 12,166,198
Available-for-sale financial assets	1,017,731	1,226,972	1,236,877
Receivables, net	137	139	139
Current tax assets	1,537,780	1,438,314	1,152,001
Investments accounted for using the equity method, net	180,788,181	186,684,329	184,131,029
Other financial assets	300	300	300
Property and equipment, net	7,854	10,094	10,196
Other assets, net	563,830	540,719	544,843
Total	$ 188,450,735	$ 192,566,574	$ 199,241,583
Liabilities and Equity			
Commercial paper payable	$ 7,099,671	$ 5,099,745	$ 5,799,981
Payables	437,146	649,830	9,556,140
Current tax liabilities	1,125,915	1,021,390	901,518
Bonds payable	18,000,000	18,000,000	16,000,000
Other borrowings	3,599,159	2,599,847	3,599,952
Provisions	32,815	31,627	25,322
Other liabilities	19,538	309	10,002
Total liabilities	30,314,244	27,402,748	35,892,915
Equity			
Capital			
Common stock	149,740,122	151,124,071	151,644,303
Advance receipts for capital stock	-	1,370	250
Capital surplus	1,095,973	654,803	599,341
Retained earnings			
Legal reserve	5,014,298	4,161,475	4,161,475
Special reserve	3,228,296	765,041	765,041
Unappropriated earnings	4,663,601	13,580,644	10,540,754
Other			
Exchange differences on translation of foreign financial statements	694,195	1,741,670	(708,235)
Unrealized losses on available-for-sale financial assets	(3,880,301)	(4,456,314)	(1,216,531)
Others	(42,946)	(32,187)	(60,983)
Treasury shares	(2,376,747)	(2,376,747)	(2,376,747)
Total equity	158,136,491	165,163,826	163,348,668
Total	$ 188,450,735	$ 192,566,574	$ 199,241,583

(Continued)

2. Statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
REVENUES				
Share of profit of subsidiaries, associates and joint ventures	$ 890,161	$ 2,767,855	$ 2,293,336	$ 5,872,556
Others	6,901	3,098	7,149	3,282
Total revenues	897,062	2,770,953	2,300,485	5,875,838
EXPENSES AND LOSSES				
Operating expenses	(148,343)	(190,984)	(372,503)	(418,575)
Others	(75,886)	(95,478)	(152,325)	(193,053)
Total expenses and losses	(224,229)	(286,462)	(524,828)	(611,628)
NET PROFIT BEFORE INCOME TAX	672,833	2,484,491	1,775,657	5,264,210
INCOME TAX BENEFIT (EXPENSE)	88,910	(137,409)	112,501	(171,953)
NET PROFIT FOR THE PERIOD	761,743	2,347,082	1,888,158	5,092,257
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss, net of income tax				
Unrealized loss on available-for-sale financial assets	(69,334)	(32,191)	(209,241)	(56,953)
Unrealized gain on cash flow hedges	-	9,691	-	20,659
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	179,707	(1,601,862)	(261,359)	(1,892,013)
Income tax relating to the items that may be reclassified subsequently to profit or loss	(266)	470	(862)	(336)
Other comprehensive income (loss) for the period, net of income tax	110,107	(1,623,892)	(471,462)	(1,928,643)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 871,850	$ 723,190	$ 1,416,696	$ 3,163,614
BASIC EARNINGS PER SHARE	$0.05	$0.16	$0.13	$0.34
DILUTED EARNINGS PER SHARE	$0.05	$0.16	$0.13	$0.34

(Continued)

3. Statements of changes in equity

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

	Capital			Retained Earnings			Other Equity					
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedges	Others	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2015	$ 153,438,493	$ 5,969	$ 590,923	$ 3,077,853	$ 1,123,858	$ 15,378,140	$ 205,176	$ (177,929)	$ (20,659)	$ (26,956)	$ (3,298,709)	$ 170,296,159
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(102,256)	(3,797)	-	-	-	-	(106,053)
BALANCE AT JANUARY 1, 2015 AS RESTATED	153,438,493	5,969	590,923	3,077,853	1,123,858	15,275,884	201,379	(177,929)	(20,659)	(26,956)	(3,298,709)	170,190,106
Appropriation of 2014 earnings												
Legal reserve	-	-	-	1,083,622	-	(1,083,622)	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(9,098,673)	-	-	-	-	-	(9,098,673)
Reversal of special reserve	-	-	-	-	(358,817)	358,817	-	-	-	-	-	-
	-	-	-	1,083,622	(358,817)	(9,823,478)	-	-	-	-	-	(9,098,673)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	391	-	-	-	-	-	-	-	-	391
Net profit for the six months ended June 30, 2015	-	-	-	-	-	5,092,257	-	-	-	-	-	5,092,257
Other comprehensive income (loss) for the six months ended June 30, 2015, net of income tax	-	-	-	-	-	(1,086)	(909,614)	(1,038,602)	20,659	-	-	(1,928,643)
Total comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	-	-	5,091,171	(909,614)	(1,038,602)	20,659	-	-	3,163,614
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(972,909)	(972,909)
Cancellation of treasury stock	(1,888,880)	-	(5,991)	-	-	-	-	-	-	-	1,894,871	-
Share-based payments	94,690	(5,719)	14,018	-	-	(2,823)	-	-	-	(34,027)	-	66,139
BALANCE AT JUNE 30, 2015	$ 151,644,303	$ 250	$ 599,341	$ 4,161,475	$ 765,041	$ 10,540,754	$ (708,235)	$ (1,216,531)	$ -	$ (60,983)	$ (2,376,747)	$ 163,348,668
BALANCE AT JANUARY 1, 2016	$ 151,124,071	$ 1,370	$ 654,803	$ 4,161,475	$ 765,041	$ 13,580,644	$ 1,741,670	$ (4,456,314)	$ -	$ (32,187)	$ (2,376,747)	$ 165,163,826
Appropriation of 2015 earnings												
Legal reserve	-	-	-	852,823	-	(852,823)	-	-	-	-	-	-
Special reserve	-	-	-	-	2,463,255	(2,463,255)	-	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,006)	-	-	-	-	-	(7,487,006)
	-	-	-	852,823	2,463,255	(10,803,084)	-	-	-	-	-	(7,487,006)
Other change in change in capital surplus	-	-	161,616	-	-	-	-	-	-	-	-	161,616
Net profit for the six months ended June 30, 2016	-	-	-	-	-	1,888,158	-	-	-	-	-	1,888,158
Other comprehensive income (loss) for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	-	(1,047,475)	576,013	-	-	-	(471,462)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	-	1,888,158	(1,047,475)	576,013	-	-	-	1,416,696
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	46,151	(1,370)	(106)	-	-	(2,117)	-	-	-	(10,759)	-	31,799
BALANCE AT JUNE 30, 2016	$ 149,740,122	$ -	$ 1,095,973	$ 5,014,298	$ 3,228,296	$ 4,663,601	$ 694,195	$ (3,880,301)	$ -	$ (42,946)	$ (2,376,747)	$ 158,136,491

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 1,775,657	$ 5,264,210
Adjustments for:		
Depreciation and amortization expenses	2,437	2,435
Interest expense	141,659	179,858
Interest income	(6,517)	(749)
Share-based payment compensation cost	26,926	31,157
Share of profit of subsidiaries, associates and joint ventures	(2,292,760)	(5,871,980)
Others	12	24
Changes in operating assets and liabilities		
Receivables	2	15
Other assets	(23,295)	(872)
Payables	(110,221)	8,735,316
Other liabilities	20,418	10,955
Interest paid	(244,002)	(359,939)
Interest received	6,517	749
Dividend received	5,093,176	10,057,521
Income tax returned (paid)	117,440	(99,422)
Net cash generated from operating activities	4,507,449	17,949,278
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(26)	(604)
Purchase of equity investment under equity method	-	(38,000,000)
Proceeds of capital return on investments accounted for using the equity method	3,000,000	36,000,000
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	-	4,000,000
Net cash generated from investing activities	2,999,974	1,999,396
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payable	1,999,926	2,800,112
Proceeds from issue of corporate bonds	-	6,000,000
Repayments of corporate bonds	-	(8,000,000)
Exercise of employee share options	-	29,803
Buyback of ordinary shares	(1,150,440)	(972,909)
Increase in other borrowings	999,312	379
Cash dividend paid	(7,487,006)	(9,098,673)
Net cash used in financing activities	(5,638,208)	(9,241,288)
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,869,215	10,707,386
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,665,707	1,458,812
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 4,534,922	$ 12,166,198

(Continued)

China Development Industrial Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**June 30, 2016**	**December 31, 2015**	**June 30, 2015**
Cash and cash equivalents	$ 18,039,897	$ 12,674,958	$ 5,224,036
Financial assets at fair value through profit or loss	92,243	111,208	112,106
Receivables, net	57,477	483,174	1,820,865
Current tax assets	722,419	690,918	713,685
Available-for-sale financial assets	6,875,863	7,163,974	8,450,225
Investments accounted for using the equity method, net	33,503,226	39,227,506	40,248,509
Restricted assets	320,153	298,982	291,735
Financial assets measured at cost	7,815,919	8,256,971	9,536,779
Other financial assets	358,439	358,439	1,358,430
Property and equipment, net	1,204,700	1,193,686	1,227,955
Investment property, net	612,102	649,142	602,165
Other assets, net	62,600	69,236	78,664
Total assets	$ 69,665,038	$ 71,178,194	$ 69,665,154
Payables	$ 309,491	$ 444,989	$ 926,082
Current tax liabilities	382,277	348,635	281,092
Other financial liabilities	386,716	396,059	372,151
Provisions	153,147	156,440	98,546
Deferred tax liabilities	241,555	241,555	241,555
Other liabilities	50,571	38,271	42,288
Total liabilities	1,523,757	1,625,949	1,961,714
Common Stock	20,603,994	20,603,994	20,603,994
Capital surplus	24,701,757	24,700,436	24,699,396
Retained earnings	26,724,732	27,800,173	25,978,729
Exchange differences on translation of foreign financial statements	14,947	657,557	(994,576)
Unrealized losses on available-for-sale financial assets	(3,904,149)	(4,209,915)	(2,584,103)
Total equity	68,141,281	69,552,245	67,703,440
Total liabilities and equity	$ 69,665,038	$ 71,178,194	$ 69,665,154

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Interest revenue	$ 16,717	$ 470,005	$ 32,443	$ 1,963,518
Interest expense	(101)	(213,326)	(153)	(871,410)
Interest profit, net	16,616	256,679	32,290	1,092,108
Noninterest profits and gains, net	151,447	1,032,018	844,322	2,414,562
Total net revenues	168,063	1,288,697	876,612	3,506,670
Reversal of allowance for bad debts and losses on guarantees, net	-	52,578	-	108,223
Operating expenses	(127,551)	(315,705)	(281,905)	(832,425)
Net profit before income tax	40,512	1,025,570	594,707	2,782,468
Income tax benefit (expense)	(5,243)	243,187	(5,243)	200,472
Net profit for the period	35,269	1,268,757	589,464	2,982,940
Other comprehensive income (loss) for the period, net of income tax	271,362	(2,731,863)	(336,844)	(3,059,747)
Total comprehensive income for the period	$ 306,631	$ (1,463,106)	$ 252,620	$ (76,807)
Basic earnings per share	$0.02	$0.38	$0.29	$0.66

(Continued)

KGI Securities Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	June 30, 2016	December 31, 2015	June 30, 2015
Current assets	$ 175,232,398	$ 135,469,806	$ 144,490,887
Noncurrent assets	34,649,857	36,468,292	33,550,207
Total assets	$ 209,882,255	$ 171,938,098	$ 178,041,094
Current liabilities	$ 144,731,770	$ 101,850,410	$ 106,218,304
Noncurrent liabilities	8,804,015	8,804,980	9,517,810
Total liabilities	153,535,785	110,655,390	115,736,114
Common Stock	34,988,123	37,988,123	37,988,123
Capital surplus	8,642,200	8,639,723	8,637,480
Retained earnings	12,159,338	13,534,139	13,629,240
Others	556,809	1,120,723	2,050,137
Total equity	56,346,470	61,282,708	62,304,980
Total liabilities and equity	$ 209,882,255	$ 171,938,098	$ 178,041,094

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Operating revenues	$ 1,494,252	$ 2,662,467	$ 3,886,692	$ 5,191,734
Operating expenses	(1,886,030)	(2,056,480)	(3,812,341)	(4,073,130)
Profit from operations	(391,778)	605,987	74,351	1,118,604
Share of profit of subsidiaries, associates and joint ventures	189,332	717,287	(335,788)	1,167,916
Other income and costs	384,823	211,327	576,840	356,328
Total non-operating income or loss	574,155	928,614	241,052	1,524,244
Net profit before income tax	182,377	1,534,601	315,403	2,642,848
Income tax benefit (expense)	10,332	(148,423)	(63,754)	(223,161)
Net profit for the period	192,709	1,386,178	251,649	2,419,687
Other comprehensive income (loss)	(322,196)	839,595	(563,914)	1,100,591
Total comprehensive income for the period	$ (129,487)	$ 2,225,773	$ (312,265)	$ 3,520,278
Basic earnings per share	$0.05	$0.37	$0.07	$0.64

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**June 30, 2016**	**December 31, 2015**	**June 30, 2015**
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 79,539,953	$ 94,801,809	$ 83,432,516
Financial assets at fair value through profit or loss	83,704,394	79,062,398	44,513,563
Securities purchased under resell agreements	8,016,394	36,176,824	30,346,398
Receivables, net	24,457,126	34,359,108	42,769,258
Current tax assets	-	31,273	66,499
Discount and loans, net	233,103,615	217,780,328	221,182,539
Available-for-sale financial assets	59,765,075	55,238,628	104,453,057
Investments accounted for using the equity method, net	1,979,267	2,081,685	2,324,035
Other financial assets, net	3,087,066	267,404	355,549
Property and equipment, net	5,652,763	5,641,055	5,546,757
Investment property, net	599,269	600,574	601,879
Deferred tax assets	4,959,199	4,922,153	4,983,578
Other assets, net	7,992,242	8,574,700	3,955,648
	$ 512,856,363	$ 539,537,939	$ 544,531,276
Deposits from the Central Bank and banks	$ 19,122,498	$ 9,561,475	$ 2,861,426
Financial liabilities at fair value through profit or loss	31,365,808	26,184,655	15,167,796
Notes and bonds issued under repurchase agreements	49,128,784	61,010,030	60,806,888
Payables	5,176,541	4,199,248	5,318,463
Current tax liabilities	290,433	187,682	23,633
Deposits and remittances	326,285,971	354,189,588	354,820,645
Bank debentures payable	2,648,007	2,612,172	2,575,943
Principal received on structured notes	17,621,073	22,300,825	44,603,142
Other financial liabilities	2,776	4,792	7,418
Provisions	352,287	358,360	268,686
Deferred tax liabilities	59,369	58,580	109,911
Other liabilities	2,404,763	1,185,992	1,367,714
Total liabilities	454,458,310	481,853,399	487,931,665
Common stock	46,061,623	46,061,623	46,061,623
Capital surplus	7,248,353	7,247,278	7,246,155
Retained earnings	5,007,897	4,785,309	2,703,008
Others	80,180	(409,670)	588,825
Total equity	58,398,053	57,684,540	56,599,611
Total liabilities and equity	$ 512,856,363	$ 539,537,939	$ 544,531,276

(Continued)

2. Condensed statements of comprehensive income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Interest revenue	$ 2,102,811	$ 2,804,259	$ 4,294,955	$ 5,785,820
Interest expense	(774,035)	(950,850)	(1,661,140)	(1,976,513)
Interest profit, net	1,328,776	1,853,409	2,633,815	3,809,307
Noninterest profits and gains, net	1,054,274	891,051	2,040,845	1,539,436
Total net revenues	2,383,050	2,744,460	4,674,660	5,348,743
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(18,929)	482,283	72,753	652,413
Operating expenses	(1,224,866)	(1,298,351)	(2,574,572)	(2,559,411)
Net profit before income tax	1,139,255	1,928,392	2,172,841	3,441,745
Income tax expense	(108,422)	(241,104)	(148,432)	(433,315)
Net profit for the period	1,030,833	1,687,288	2,024,409	3,008,430
Other comprehensive income for the period net of income tax	(38,007)	(312,706)	489,850	496,997
Total comprehensive income for the period	$ 992,826	$ 1,374,582	$ 2,514,259	$ 3,505,427
Net profit attributable to				
Owners of the parent company	$ 1,030,833	$ 1,249,000	$ 2,024,409	$ 1,842,520
Prior interest under common control	-	438,288	-	1,165,910
	$ 1,030,833	$ 1,687,288	$ 2,024,409	$ 3,008,430
Total comprehensive income attributed to				
Owners of the parent company	$ 992,826	$ 911,801	$ 2,514,259	$ 1,523,678
Prior interest under common control	-	462,781	-	1,981,749
	$ 992,826	$ 1,374,582	$ 2,514,259	$ 3,505,427
Basic earnings per share	$0.22	$0.37	$0.44	$0.65

Note: The information of KGI Bank included equity to former owner of business combination under common control.

(Concluded)

TABLE 11

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
JUNE 30, 2016
(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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016
					Outflow	Inflow						
China Healthcare Multi-services, Inc.	Third party medical services under emergency	RMB 41,192 thousand	Note 1,b,1)	US$ 1,871 thousand	$ -	US$ 1,871 thousand	$ -	(Note 3)	-	$ -	$ -	$ -
China Peptides (Wuhan) Co., Ltd.	Sale and R&D protein drugs	US$ 15,000 thousand	Note 1,b,2)	US$ 2,988 thousand	-	US$ 2,988 thousand	-	(Note 3)	-	-	-	-
JHL Biotech, Inc. (Wuhan)	R&D protein drugs	RMB 50,000 thousand	Note 1,b,2)	US$ 734 thousand	-	US$ 734 thousand	-	(Note 3)	-	-	-	-
Beauty Essential International Ltd.	Sale and R&D the cosmetic	US$ 2,000 thousand	Note 1,b,3)	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,4)	US$ 2,800 thousand	-	-	US$ 2,800 thousand	(Note 3)	41.69 (Note 6)	-	91,938	-
	The next-generation electronic distribution channel operator serving China's hotel industry	US$ 10,000 thousand	Note 1,b,4)	US$ 464 thousand	-	-	US$ 464 thousand	(Note 3)	9.26 (Note 6)	-	15,297	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments	US$ 35,200 thousand	Note 1,b,5)	US$ 1,400 thousand	-	-	US$ 1,400 thousand	(Note 3)	1.66	-	45,003	-
Solar PV Corp.	Solar cell manufacture and sell	US$ 79,940 thousand	Note 1,b,6)	US$ 11,400 thousand	-	-	US$ 11,400 thousand	(Note 3)	9.14	-	339,711	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering	US$ 17,130 thousand	Note 1,b,7)	US$ 3,000 thousand	-	-	US$ 3,000 thousand	(Note 3)	10.23	-	99,603	-
Unifun Computer (Shanghai) Co., Ltd.	Internet service provider	US$ 8,000 thousand	Note 1,b,8)	US$ 1	-	-	US$ 1	(Note 3)	6.75	-	-	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging	US$ 87,070 thousand	Note 1,b,9)	US$ 228 thousand	-	-	US$ 228 thousand	(Note 3)	1.79	-	7,361	-
Touch Equipment Leasing (Shanghai) Co., Ltd.	Mobile interactive LCD equipment leasing	US$ 8,000 thousand	Note 1,b,9)	US$ 669 thousand	-	-	US$ 669 thousand	(Note 3)	9.61	-	21,599	-
Touch Multimedia Technology (Shanghai) Co., Ltd.	Multimedia technology, network technology, computer software development, design production and sales	RMB 114,660 thousand	Note 1,b,9)	US$ 1,080 thousand	-	-	US$ 1,080 thousand	(Note 3)	9.61	-	34,869	-
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,10)	EUR 140 thousand	-	-	EUR 140 thousand	(Note 3)	5.00	-	5,023	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service	US$ 25,000 thousand	Note 1,b,9)	US$ 882 thousand	-	-	US$ 882 thousand	(Note 3)	2.16	-	7,031	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016
					Outflow	Inflow						
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service	US$ 1,400 thousand	Note 1,b,9)	US$ 33 thousand	$ -	$ -	US$ 33 thousand	(Note 3)	2.16	$ -	$ 263	$ -
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; enterprise management consulting; enterprise planning and international transport agent	RMB 104,222 thousand	Note 1,b,9)	RMB 1,016 thousand	-	-	RMB 1,016 thousand	(Note 3)	2.16	-	1,216	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale; enterprise management consulting; enterprise planning and international transport agent	US$ 500 thousand	Note 1,b,9)	US$ 42 thousand	-	-	US$ 42 thousand	(Note 3)	2.16	-	332	-
CDIB Private Equity Management Corporation	Management and consulting	US$ 4,000 thousand	Note 1,b,12)	US$ 4,000 thousand	-	-	US$ 4,000 thousand	$ 7,467	100.00	7,467	62,814	-
CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting	RMB 10,000 thousand	Note 1,b,11)	RMB 7,000 thousand	-	-	RMB 7,000 thousand	12,159	70.00	8,511	70,089	-
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	RMB 12,000 thousand	Note 1,b,11),12)	RMB 6,720 thousand	-	-	RMB 6,720 thousand	1,680	70.00	1,176	41,529	-
CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment	RMB 700,000 thousand	Note 1,b,11),12)	RMB 141,200 thousand	RMB 105,900 thousand	-	RMB 247,100 thousand	161,551	-	56,543	1,211,645	-
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	RMB 7,000 thousand	Note 1,b,12)	RMB 4,550 thousand	-	-	RMB 4,550 Thousand	7,797	65.00	5,068	28,264	-
CPEC Huachuang Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting	RMB 7,500 thousand	Note 1,b,12)	RMB 195 thousand	RMB 130 thousand	-	RMB 325 thousand	(330)	65.00	(214)	22,839	-
CPEC Huachuang Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment	RMB 389,160 thousand	Note 1,b,11),12)	RMB 121,400 thousand	-	-	RMB 121,400 thousand	(19,957)	-	(6,155)	557,662	-
Focus Multimedia Technology (Shanghai) Co., Ltd.	LCD advertising and multimedia network information systems software R&D; multimedia network engineering design consultancy; market research and intermediary service; LCD displays and related electronic product manufacture, assembling, integrating, packing and sale	US$ 38,000 thousand	Note 1,b,13)	US$ 16,612 thousand	-	-	US$ 16,612 thousand	(Note 3)	0.94	-	536,342	-
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,13)	US$ 4,371 thousand	-	-	US$ 4,371 thousand	(Note 3)	0.94	-	141,128	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016
					Outflow	Inflow						
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,13)	US$ 875 thousand	$ -	$ -	US$ 875 thousand	(Note 3)	0.94	$ -	$ 28,240	$ -
Shanghai OOH Advertising Co., Ltd.	Domestic and foreign advertisement design, production, releases and agent	US$ 400 thousand	Note 1,b,13)	US$ 174 thousand	-	-	US$ 174 thousand	(Note 3)	0.94	-	5,620	-
GSD Industrial Co., Ltd.	Pumps manufacture and sale	US$ 50,000 thousand	Note 1,b,14)	US$ 2,235 thousand	-	-	US$ 2,235 thousand	(Note 3)	19.86	-	68,353	-
Shengzhuang Co., Ltd.	Cosmetics sales	RMB 54,300 thousand	Note 1,b,15)	US$ 5,000 thousand	-	-	US$ 5,000 thousand	(Note 3)	5.44	-	151,150	-
Lightel Technologies Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps	US$ 3,100 thousand	Note 1,b,16)	US$ 337 thousand	-	-	US$ 337 thousand	(Note 3)	13.48	-	10,076	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK$ 313,432 thousand	Note 1,b,10),17)	US$ 1,750 thousand	-	-	US$ 1,750 thousand	(Note 3)	7.73	-	56,502	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK$ 195,686 thousand	Note 1,b,10),17)	US$ 1,357 thousand	-	-	US$ 1,357 thousand	(Note 3)	7.73	-	43,811	-
Stonehenge Indutrial 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$ 452,805 thousand	Note 1,b,9)	-	US$ 1,485 thousand	-	US$ 1,485 thousand	(Note 3)	4.05	-	47,945	-
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,9),18)	-	US$ 9,718 thousand	US$ 343 thousand	US$ 9,375 thousand	(Note 3)	6.98	-	304,963	11,074
Hangzhou Rilong Leather Co., Ltd.	Business in toys sale and doing wholesale and import business in furniture	US$ 1,000 thousand	Note 1,b,9),18)	-	US$ 20	-	US$ 20	(Note 3)	7.20	-	-	-
CDIB International Leasing Corporation	Financial Leasing and management business consulting	RMB 187,750 thousand	Note 1,a	US$ 30,000 thousand	-	-	US$ 30,000 thousand	$ (98,615)	100.00	(98,615)	585,824	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy	US$ 4,000 thousand	Note 1,b,19)	US$ 2,000 thousand	US$ 2,000 thousand	-	US$ 4,000 thousand	(6,865)	100.00	(6,865)	74,474	-

Accumulated Investment in Mainland China as of June 30, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$6,076,685	US$292,305 thousand	$90,664,936

Note 1: The investment types are as follows:

a. Direct investments.

(Continued)

b. Reinvested through a third place by:

1) China Healthcare Multi-Service, Inc.
2) JHL Biotech, Inc.
3) Beauty Essentials International Ltd.
4) Derbysoft Holdings Limited.
5) Capital Excel Investments Limited.
6) Solar PV Corporation
7) Hartec Asia Pte Ltd.
8) Sunfun Info Co., Ltd.
9) CDIB Capital Investment I Limited.
10) CDIB Capital Investment II Limited.
11) CDIB Venture Capital (Hong Kong) Corporation Limited.
12) CDIB Private Equity (Hong Kong) Corporation Limited.
13) CDIB Global Markets Limited.
14) GSD Technologies Co., Ltd.
15) Shengzhuang Holdings Limited.
16) Lightel Technologies, Inc.
17) CBA Sport International Limited.
18) Shane Global Holding Inc.
19) Richpoint Company Limited.

c. Other.

Note 2: The column "Investment Gain" should state clearly:

a. If there were no gains or losses during preparation.

b. Income recognition was based on the:

1) Financial statements reviewed by an international CPA firm having a cooperative relation with CPA firms in the Republic of China;
2) Financial statements reviewed by the CPA firm of the parent company in Taiwan;
3) Other.

c. If information of net income (loss) of the investee is not available.

Note 3: Investee Company was not significantly influenced by the Company, therefore the Corporation cannot acquire the related financial information.

Note 4: Investment amount authorized or soon authorized by Investment Commission, MOEA.

Note 5: The Corporation indirectly invested in Changshu Everbright Material Technology Co., Ltd. through its subsidiary's investment in Ferro China on which the Corporation fully impaired and recognized an impairment loss in 2008.

Note 6: The ratios of investees' preferred stock A or B held by subsidiaries was calculated by dividing the number of held preferred shares by the number of preferred shares outstanding.

Note 7: The Corporation formerly indirectly invested in Wuxi Paiho Testiles Co., Ltd. and Dongguan Paihong Corporation Ltd. through its subsidiary's investment in Paiho Shih Holdings Corporation. Because Paiho Shih Holdings Corporation has been listed on the Taiwan Stock Exchange on August 17, 2011, refer to its financial report for the information.

Note 8: 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 9: 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 10: 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 11: 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 12: The Corporation formerly indirectly invested in Strong LED Lighting Systems (Suzhou) Corporation through its subsidiary's investment in Strong LED Lighting Systems (Cayman) Co., Ltd. has been listed on the Taipei Exchange on June 30, 2016, refer to its financial report for the information.

Note 13: The Corporation's subsidiary, CDIB Private Equity (Hong Kong) Corporation Limited, spent US$1,313 thousand of equity fund acquiring 100% stock right of CDIB Private Equity Management Corporation formerly invested by its subsidiary, CDIB Venture Capital (Hong Kong) Corporation Limited, and the acquiring price become the newly authorized amount.

The Corporation's subsidiary, CDIB Private Equity (Hong Kong) Corporation Limited, spent US$1,059 thousand of equity fund acquiring 56% stock right of CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership) formerly invested by its subsidiary, CDIB Venture Capital (Hong Kong) Corporation Limited, and the acquiring price become the newly authorized amount.

(Concluded)

TABLE 12

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(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	China Development Industrial Bank	1	Current tax assets	$ 382,277	Note 4	0.04%
1	China Development Industrial Bank	The Corporation	2	Current tax liabilities	382,277	Note 4	0.04%
0	The Corporation	China Development Industrial Bank	1	Current tax liabilities	722,419	Note 4	0.08%
1	China Development Industrial Bank	The Corporation	2	Current tax assets	722,419	Note 4	0.08%
0	The Corporation	KGI Bank Co., Ltd.	1	Cash and cash equivalents	4,509,005	Note 4	0.50%
2	KGI Bank Co., Ltd.	The Corporation	2	Deposit and remittances	4,509,005	Note 4	0.50%
0	The Corporation	KGI Bank Co., Ltd.	1	Current tax assets	283,330	Note 4	0.03%
2	KGI Bank Co., Ltd.	The Corporation	2	Current tax liabilities	283,330	Note 4	0.03%
0	The Corporation	KGI Securities Co., Ltd.	1	Current tax assets	477,706	Note 4	0.05%
3	KGI Securities Co., Ltd.	The Corporation	2	Current tax liabilities	477,706	Note 4	0.05%
0	The Corporation	KGI Securities Co., Ltd.	1	Current tax liabilities	126,307	Note 4	0.01%
3	KGI Securities Co., Ltd.	The Corporation	2	Current tax assets	126,307	Note 4	0.01%
1	China Development Industrial Bank	KGI Bank Co., Ltd.	3	Cash and cash equivalents	17,969,384	Note 4	2.01%
2	KGI Bank Co., Ltd.	China Development Industrial Bank	3	Deposit and remittances	17,969,384	Note 4	2.01%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd. and its subsidiaries	3	Deposit and remittances	478,524	Note 4	0.05%
3	KGI Securities Co., Ltd. and its subsidiaries	KGI Bank Co., Ltd.	3	Cash and cash equivalents	478,524	Note 4	0.05%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Deposit and remittances	$ 1,315,998	Note 4	0.15%
3	KGI Securities Co., Ltd.	KGI Bank Co., Ltd.	3	Restricted assets	1,315,998	Note 4	0.15%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Deposit and remittances	818,787	Note 4	0.09%
3	KGI Securities Co., Ltd.	KGI Bank Co., Ltd.	3	Other financial assets	818,787	Note 4	0.09%
2	KGI Bank Co., Ltd.	CDIB Capital Investment II Limited	3	Deposit and remittances	232,681	Note 4	0.03%
4	CDIB Capital Investment II Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	232,681	Note 4	0.03%
2	KGI Bank Co., Ltd.	CDIB Global Markets Limited	3	Deposit and remittances	1,812,141	Note 4	0.20%
5	CDIB Global Markets Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,812,141	Note 4	0.20%
2	KGI Bank Co., Ltd.	CDIB Venture Capital Corp.	3	Deposit and remittances	1,852,957	Note 4	0.21%
6	CDIB Venture Capital Corp.	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,852,957	Note 4	0.21%
2	KGI Bank Co., Ltd.	CDIB Capital Investment I Limited and its subsidiaries	3	Deposit and remittances	2,131,275	Note 4	0.24%
7	CDIB Capital Investment I Limited and its subsidiaries	KGI Bank Co., Ltd.	3	Cash and cash equivalents	2,131,275	Note 4	0.24%
2	KGI Bank Co., Ltd.	CDIB Capital International Corporation	3	Deposit and remittances	237,028	Note 4	0.03%
8	CDIB Capital International Corporation	KGI Bank Co., Ltd.	3	Cash and cash equivalents	237,028	Note 4	0.03%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Service fee and commission, net	131,108	Note 4	1.12%
9	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Service fee and commission, net	131,108	Note 4	1.12%
3	KGI Securities Co., Ltd.	KGI Insurance Brokers Co., Ltd.	3	Net other noninterest profit	124,841	Note 4	1.07%
10	KGI Insurance Brokers Co., Ltd.	KGI Securities Co., Ltd.	3	Net other noninterest profit	124,841	Note 4	1.07%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	697,610	Note 4	0.08%
9	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Customers’ equity accounts - futures	697,610	Note 4	0.08%
3	KGI Securities Co., Ltd.	KGI Ong Capital Pte. Ltd.	3	Financial assets at fair value through profit or loss	138,874	Note 4	0.02%
11	KGI Ong Capital Pte. Ltd.	KGI Securities Co., Ltd.	3	Customers’ equity accounts - futures	138,874	Note 4	0.02%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities Co., Ltd.	KGI Asia Limited	3	Receivables, net	$ 341,444	Note 4	0.04%
12	KGI Asia Limited	KGI Securities Co., Ltd.	3	Payables	341,444	Note 4	0.04%
5	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Other operating and administrative expense	101,161	Note 4	0.87%
8	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Consulting service revenue	101,161	Note 4	0.87%
8	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Consulting service revenue	110,763	Note 4	0.95%
13	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Other operating and administrative expense	110,763	Note 4	0.95%
9	KGI Futures Co., Ltd.	KGI Ong Capital Pte. Ltd.	3	Other financial assets	2,102,580	Note 4	0.24%
11	KGI Ong Capital Pte. Ltd.	KGI Futures Co., Ltd.	3	Customers' equity accounts - futures	2,102,580	Note 4	0.24%
14	Richpoint Company Limited (富昱 (維京群島) 控股公司)	KG Investments Holdings Limited	3	Receivables, net	3,619,664	Note 4	0.41%
15	KG Investments Holdings Limited	Richpoint Company Limited (富昱 (維京群島) 控股公司)	3	Other borrowings	3,619,664	Note 4	0.41%

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

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

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

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT$100 million.

(Concluded)

TABLE 13-1

BALANCE SHEETS
JUNE 30, 2016
(Expressed in U.S. Dollars/RMB)

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	$ 1,097,982	$ 31,696	$ 12,383	$ 159	$ 13,624,867
Receivables, net	-	-	28,125,000	-	1,500,000
Other receivable - related parties	112,000,000	-	138,304,101	62,317,645	352,300
Other current assets	113,164	-	988,446	-	-
Total current assets	113,211,146	31,696	167,429,930	62,317,804	15,477,167
NONCURRENT ASSETS					
Financial assets measured at cost - noncurrent	1,222,100	-	-	-	-
Investments accounted for using the equity method	384,255,111	547,836,366	501,172,552	-	-
Property and equipment	-	-	-	-	19,710
Other noncurrent assets	-	-	-	-	10,133
Total noncurrent assets	385,477,211	547,836,366	501,172,552	-	29,843
TOTAL	$ 498,688,357	$ 547,868,062	$ 668,602,482	$ 62,317,804	$ 15,507,010
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term borrowings	$ 46,700,000	$ 112,000,000	$ 28,125,000	$ -	$ -
Commercial paper payable	-	-	154,498,020	-	-
Other payable	39,491	108,000	1,424,484	-	31,002
Other payable - related parties	-	68,895,439	-	-	-
Total current liabilities	46,739,491	181,003,439	184,047,504	-	31,002
NONCURRENT LIABILITIES					
Other noncurrent liabilities	-	-	-	-	152,000
Total liabilities	46,739,491	181,003,439	184,047,504	-	183,002
EQUITY					
Common stock	229,751,070	156,864,163	209,248,261	55,924,236	25,278,600
Capital reserve	851,579	57,305	54,601,695	-	8,012
Special reserve	-	9,759,135	387,913	-	-
Retained earnings	220,225,648	198,967,903	219,100,992	6,393,568	(9,962,604)
Other equity	1,120,569	1,216,117	1,216,117	-	-
Total equity	451,948,866	366,864,623	484,554,978	62,317,804	15,324,008
TOTAL	$ 498,688,357	$ 547,868,062	$ 668,602,482	$ 62,317,804	$ 15,507,010

TABLE 13-2

BALANCE SHEETS
JUNE 30, 2016
(Expressed in U.S. Dollars)

ASSETS	**KG Investments Asset Management (International) Limited**	**KGI Limited**	**Supersonic Service Inc.**	**KGI International Limited**
CURRENT ASSETS				
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ 500
NONCURRENT ASSETS				
Investments accounted for using the equity method	-	362,734,794	-	72,743,596
TOTAL	$ -	$ 362,734,794	$ -	$ 72,744,096
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable - related parties	$ -	$ 81,597,629	$ -	$ 3,623,448
Total liabilities	-	81,597,629	-	3,623,448
EQUITY				
Common stock	10,000	308,341,129	100	81,511,717
Accumulated deficit	(10,000)	(27,203,964)	(100)	(12,391,069)
Total equity	-	281,137,165	-	69,120,648
TOTAL	$ -	$ 362,734,794	$ -	$ 72,744,096

TABLE 13-3

BALANCE SHEETS
JUNE 30, 2016
(Expressed in U.S. Dollars)

ASSETS	**Bauhinia 88 Ltd.**	**KGI Capital (Hong Kong) Limited**	**Global Treasure Investments Limited**	**KGI Hong Kong Limited**
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ -	$ -	$ 1,229,403
Prepayments	-	-	-	3,493,894
Other current assets	-	-	-	48,649
Total current assets	-	-	-	4,771,946
NONCURRENT ASSETS				
Property and equipment	-	-	-	4,533,703
TOTAL	$ -	$ -	$ -	$ 9,305,649
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	$ -	$ -	$ -	$ 10,091,597
Other payable - related parties	-	-	-	21,434,584
Total current liabilities	-	-	-	31,526,181
Total liabilities	-	-	-	31,526,181
EQUITY				
Common stock	2	2,579,048	-	15,000
Capital reserve	-	15,990	-	-
Special reserve	-	-	-	39,057
Accumulated deficit	(2)	(2,595,038)	-	(22,274,589)
Total equity	-	-	-	(22,220,532)
TOTAL	$ -	$ -	$ -	$ 9,305,649

BALANCE SHEETS
JUNE 30, 2016
(Expressed in U.S. Dollars)

ASSETS	**KGI Nominees (Hong Kong) Limited.**	**KGI Korea Limited**	**KGI Asia (Holdings) Pte. Ltd.**	**KGI Capital (Singapore) Pte. Ltd.**
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ -	$ 17,473	$ 3,331
Other receivable - related parties	1	72,750	-	3,718,501
Prepayments	-	-	-	1,724
Total current assets	1	72,750	17,473	3,723,556
NONCURRENT ASSETS				
Investments accounted for using the equity method	-	-	205,366,241	-
TOTAL	$ 1	$ 72,750	$ 205,383,714	$ 3,723,556
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	$ -	$ -	$ 33,323,460	$ -
Other payable	-	-	33,508	1,705
Other payable - related parties	-	-	90,560,448	-
Total current liabilities	-	-	123,917,416	1,705
Total liabilities	-	-	123,917,416	1,705
EQUITY				
Common stock	1	10,000	75,749,306	5,738,175
Retained earnings (accumulated deficit)	-	62,750	5,041,985	(1,759,958)
Other equity	-	-	675,007	(256,366)
Total equity	1	72,750	81,466,298	3,721,851
TOTAL	$ 1	$ 72,750	$ 205,383,714	$ 3,723,556

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In U.S. Dollars/RMB)

	Richpoint Company Limited	KG Investments Holdings Limited	KGI International Holdings Limited	ANEW Holdings Limited	KGI Investment Advisory (Shanghai) Co., Ltd.
REVENUES					
Operating revenue	$ -	$ -	$ -	$ -	$ 1,459,643
Interest revenue	-	7	471,234	-	-
Dividend revenue	-	-	-	-	-
Other income revenue	-	-	-	-	-
Total revenues	-	7	471,234	-	1,459,643
COSTS AND EXPENSES					
Financial cost	221,983	632,638	908,482	-	-
Other operating expenses	12,864	44,900	887,089	-	3,034,783
Total costs and expenses	234,847	677,538	1,795,571	-	3,034,783
LOSS FROM OPERATIONS	(234,847)	(677,531)	(1,324,337)	-	(1,575,140)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	(22,693,383)	(21,825,339)	(20,453,244)	(45,399)	-
OTHER PROFITS (LOSSES)	646,020	18,161	(2,359)	-	210,827
NON-OPERATING REVENUE AND EXPENSE	(22,047,363)	(21,807,178)	(20,455,603)	(45,399)	210,827
NET LOSS FOR THE PERIOD	(22,282,210)	(22,484,709)	(21,779,940)	(45,399)	(1,364,313)
OTHER COMPREHENSIVE INCOME	2,135,315	2,177,381	2,177,381	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	$(20,146,895)	$(20,307,328)	$(19,602,559)	$ (45,399)	$ (1,364,313)

TABLE 14-2

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In U.S. Dollars)

	KG Investments Asset Management (International) Limited	KGI Limited	Supersonic Services Inc.	KGI International Limited
REVENUES				
Losses on disposal of trading securities - dealing, net	$ -	$ -	$ -	$ -
Dividend revenue	17,391	-	-	-
Other operating revenue	-	-	-	-
Total revenues	17,391	-	-	-
COSTS AND EXPENSES				
Other operating expense	-	-	-	-
PROFIT FROM OPERATIONS	17,391	-	-	-
OTHER PROFITS (LOSSES)	-	1,696	-	(989,912)
NON-OPERATING REVENUE AND EXPENSE	-	1,696	-	(989,912)
NET PROFIT (LOSSES) FOR THE PERIOD	17,391	1,696	-	(989,912)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	$ 17,391	$ 1,696	$ -	$ (989,912)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In U.S. Dollars)

	Bauhinia 88 Ltd.	KGI Capital (Hong Kong) Limited	Global Treasure Investments Limited	KGI Hong Kong Limited
REVENUES				
Interest revenue	$ -	$ -	$ -	$ 76
Other income revenue	-	-	-	37,243,600
Total revenues	-	-	-	37,243,676
COSTS AND EXPENSES				
Employee benefits	-	-	-	25,735,953
Depreciation and amortization	-	-	-	993,529
Other operating expenses	-	-	-	9,788,484
Total costs and expenses	-	-	-	36,517,966
PROFIT FROM OPERATIONS	-	-	-	725,710
OTHER REVENUE AND EXPENSE	-	-	-	21,380
NON-OPERATING REVENUE AND EXPENSE	-	-	-	21,380
NET PROFIT FOR THE PERIOD	-	-	-	747,090
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ -	$ -	$ -	$ 747,090

TABLE 14-4

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In U.S. Dollars)

	KGI Nominees (Hong Kong) Limited	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
REVENUES				
Interest revenue	$ -	$ -	$ -	$ -
Dividend revenue	-	-	5,004,848	-
Other income revenue	-	-	-	-
Total revenues	-	-	5,004,848	-
COSTS AND EXPENSES				
Financial cost	-	-	351,775	-
Other operating expenses	-	-	7,741	42,011
Total costs and expenses	-	-	359,516	42,011
PROFIT (LOSS) FROM OPERATIONS	-	-	4,645,332	(42,011)
OTHER REVENUE AND EXPENSE	-	128	1,998,963	(70,843)
NON-OPERATING REVENUE AND EXPENSE	-	128	1,998,963	(70,843)
NET PROFIT (LOSS) FOR THE PERIOD	-	128	6,644,295	(112,854)
OTHER COMPREHENSIVE INCOME	-	-	3,281,680	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ -	$ 128	$ 9,925,975	$ (112,854)