China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION

By

March 25, 2019

Deloitte.

勤業眾信

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and shareholders
China Development Financial Holding Corporation

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are as follows:

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

As stated in Note 5, to determine the impairment loss of discounts, loans, receivables, loan commitments and provisions, the management should (1) judge whether credit risk has increased significantly or credit impairment has already occurred, (2) estimate the expected future cash flows based on past events, present status and future economic circumstances of the assets with similar credit risk, and (3) review periodically the methodology and assumptions adopted for both expected future cash flows and its timing to decrease the difference between the estimated and actual amount of impairment. The methodology and assumptions adopted for the assessment of objective evidence of impairment and the amount and timing of future cash flows (e.g. impairment occurrence rate, and recovery rate) require the use of critical judgments and estimates; therefore, the impairment of discounts, loans, receivables, loan commitments and provisions is deemed to be a key audit matter for the year ended December 31, 2018.

Refer to Notes 4, 5 and 57 for the critical accounting policies, judgment, estimation uncertainty and related disclosure of the impairment for discounts, loans, receivables, loan commitments and provisions.

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

Assessment of Insurance Liabilities and Liability Adequacy Reserve

As stated in Note 33, reserve for life insurance liabilities were $1,513,115,547 thousand as of December 31, 2018. There was no need to make provision for liability adequacy reserve because the recorded insurance liability is sufficient as shown in Note 33.

As stated in Note 5, management uses actuarial models and several material assumptions when assessing the insurance liabilities and liability adequacy reserve. The assumptions were based on the principles embodied in the relevant laws and regulations, which cover the unique risk exposure, product characteristics and experiences from target markets of China Life Insurance Co., Ltd. (China Life Insurance). The assessment of liability adequacy reserve is in compliance with the relevant norms promulgated by The Actuarial Institute of the Republic of China. When China Life Insurance assesses the liability adequacy reserve, the estimated present value of future cash flows of insurance contracts is based on reasonable estimate of future insurance payments, premium income and related expenses. Since any change in the actuarial model and material assumptions will have a significant influence on insurance liabilities and liability adequacy reserve, we consider them as key audit matters for the year ended December 31, 2018.

Refer to Notes 4, 5 and 56 for the relevant accounting policy, critical accounting judgments, and estimation uncertainty, and disclosures of assessment of insurance liabilities and liability adequacy reserve.

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

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

As stated in Note 55, the Group held financial instruments measured at fair value with no quoted markets prices in an active market that included financial assets belonging to the Level 2 or 3 category of fair value measurement which amounted to $399,858,460 thousand and financial liabilities of $83,948,344 thousand as of December 31, 2018. The amounts are material to the Group's financial statements. Management uses valuation model or refer to the available quotations from other financial institutions in determining the fair value of financial products with no quoted market prices in an active market. Parameters used in valuation model include adjusted observable inputs and unobservable inputs. For the fact that the inputs involve material managerial estimation and judgement, we identified the valuation as the key audit matter for the year ended December 31, 2018.

Refer to Notes 4, 5 and 55 for the relevant accounting policies, critical accounting judgments and estimation uncertainty, and disclosures of fair value measurement of financial products with no quoted market prices in an active market.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Mei Hui Wu   Cheng Hung Kuo

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

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

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 50)	$ 59,607,423	2	$ 63,807,752	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS (Notes 7, 50 and 51)	26,431,383	1	33,829,034	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 50 and 51)	374,931,034	14	125,949,607	5
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 10, 19, 50 and 51)	-	-	558,889,116	23
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 11, 50, 51 and 57)	485,335,934	18	-	-
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 12, 50 and 57)	970,536,279	36	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 13)	39,770,534	1	55,150,889	2
RECEIVABLES, NET (Notes 4, 14, 50, 51 and 57)	99,099,379	4	100,219,420	4
CURRENT TAX ASSETS	1,168,303	-	745,603	-
DISCOUNTS AND LOANS, NET (Notes 4, 15, 50 and 57)	369,131,396	13	325,147,363	14
REINSURANCE ASSET, NET (Note 16)	534,353	-	302,104	-
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Note 17)	-	-	198,886,022	8
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 18 and 19)	16,102,926	1	16,375,012	1
RESTRICTED ASSETS (Notes 20, 50 and 51)	43,927,569	2	40,973,737	2
OTHER FINANCIAL ASSETS (Notes 19, 21, 50 and 51)	91,362,530	3	752,610,493	32
INVESTMENT PROPERTIES, NET (Notes 22 and 51)	25,432,420	1	25,450,094	1
PROPERTY AND EQUIPMENT, NET (Notes 23 and 51)	31,717,297	1	30,880,691	1
INTANGIBLE ASSETS, NET (Note 24)	21,171,147	1	22,169,720	1
DEFERRED TAX ASSETS (Note 47)	12,652,560	-	9,081,862	-
OTHER ASSETS, NET (Notes 25, 50 and 51)	48,902,361	2	32,055,871	1
TOTAL	$ 2,717,814,828	100	$ 2,392,524,390	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and financial institutions (Notes 26 and 50)	$ 22,434,914	1	$ 28,867,956	1
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 50)	87,786,725	3	55,729,704	2
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 11, 27 and 50)	125,478,900	5	100,177,627	4
Commercial paper payable, net (Notes 28, 50 and 51)	14,985,902	1	20,549,392	1
Payables (Notes 29 and 50)	89,641,244	3	85,630,607	4
Current tax liabilities	967,872	-	5,443,513	-
Deposits and remittances (Notes 30 and 50)	398,286,010	15	362,729,069	15
Bonds payable (Note 31)	31,150,000	1	30,000,000	1
Other borrowings (Notes 32, 50 and 51)	18,818,061	1	25,704,261	1
Provisions (Note 33)	1,557,304,939	57	1,288,449,104	54
Other financial liabilities (Notes 35, 50 and 51)	111,539,399	4	109,126,375	5
Deferred tax liabilities (Note 47)	7,275,275	-	9,391,454	1
Other liabilities	28,582,681	1	21,501,190	1
Total liabilities	2,494,251,922	92	2,143,300,252	90
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 36, 37 and 38)				
Capital				
Common stock	149,622,812	5	149,763,034	6
Advance receipts for capital stock	10,748	-	5,162	-
Capital surplus	1,630,992	-	1,173,719	-
Retained earnings				
Legal reserve	6,776,135	-	5,606,606	-
Special reserve	565,041	-	2,078,602	-
Unappropriated earnings	14,754,530	1	13,184,948	1
Other				
Exchange differences on translation of financial statements of foreign operations	(930,286)	-	(2,031,949)	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	2,113,838	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	(66,615)	-	-	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	(5,071,947)	-	-	-
Other comprehensive income (loss) reclassified using the overlay approach	(4,451,944)	-	-	-
Others	(1,339)	-	(8,322)	-
Treasury shares	(3,605,444)	-	(4,205,566)	-
Total equity attributable to owners of the parent	159,232,683	6	167,680,072	7
NON-CONTROLLING INTERESTS (Notes 36 and 37)	64,330,223	2	81,544,066	3
Total equity	223,562,906	8	249,224,138	10
TOTAL	$ 2,717,814,828	100	$ 2,392,524,390	100

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 39 and 50)	$ 64,564,921	25	$ 27,465,994	32	135
INTEREST EXPENSE (Notes 39 and 50)	(7,982,593)	(3)	(5,395,582)	(6)	48
INTEREST PROFIT, NET	56,582,328	22	22,070,412	26	156
NONINTEREST PROFITS AND GAINS, NET					
Service fee and commission, net (Notes 21, 40 and 50)	(1,375,497)	(1)	6,775,862	8	(120)
Net income from insurance operations (Notes 41 and 50)	184,725,121	73	39,368,179	46	369
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net (Note 42)	(26,109,031)	(10)	9,448,553	11	(376)
Realized gain (loss) on available-for-sale financial assets, net (Note 43)	-	-	7,413,380	9	(100)
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Notes 4 and 44)	2,543,975	1	-	-	-
Gain (loss) on disposal of financial assets measured at amortized cost (Note 4)	(850,917)	-	-	-	-
Foreign exchange gain (loss), net	17,302,371	7	(6,963,086)	(8)	348
Impairment loss on assets, net	(31,478)	-	(1,194,707)	(1)	(97)
Share of the profit (loss) of associates and joint ventures	(305,739)	-	1,836,537	2	(117)
Gain (loss) on reclassification using the overlay approach (Note 8)	15,784,002	6	-	-	-
Gain on financial assets measured at cost, net (Note 45)	-	-	3,025,225	3	(100)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Consulting service revenue (Note 50)	$ 1,289,448	1	$ 1,150,248	1	12
Others (Note 50)	2,795,294	1	2,483,048	3	13
Total noninterest profits and gains, net	195,767,549	78	63,343,239	74	209
TOTAL NET REVENUE	252,349,877	100	85,413,651	100	195
ALLOWANCE FOR BAD DEBTS AND LOSSES ON COMMITMENT AND GUARANTEES, NET	(45,761)	-	(613,750)	(1)	(93)
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	(213,695,965)	(85)	(48,277,392)	(56)	343
OPERATING EXPENSES (Notes 34, 46 and 50)					
Employee benefits	(15,293,934)	(6)	(13,758,724)	(16)	11
Depreciation and amortization	(2,417,238)	(1)	(1,814,357)	(2)	33
Other general and administrative expenses	(7,455,100)	(3)	(6,429,630)	(8)	16
Total operating expenses	(25,166,272)	(10)	(22,002,711)	(26)	14
NET PROFIT BEFORE INCOME TAX	13,441,879	5	14,519,798	17	(7)
INCOME TAX EXPENSE (Note 47)	(627,239)	-	(2,154,331)	(2)	(71)
NET PROFIT FOR THE YEAR	12,814,640	5	12,365,467	15	4
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss, net of income tax					
Remeasurement of defined benefit plans	(133,082)	-	(166,180)	-	(20)
Share of the other comprehensive income (loss) of associates and joint ventures	(244,410)	-	212	-	(115,388)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Gain (loss) on equity instruments measured at fair value through other comprehensive income	$ (5,053,240)	(2)	$ -	-	-
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Note 47)	1,055,355	-	18,770	-	5,523
Items that will be reclassified subsequently to profit or loss, net of income tax					
Exchange differences on translation of financial statements of foreign operations	965,962	-	(2,238,906)	(3)	143
Unrealized gain on available-for-sale financial assets	-	-	5,717,190	7	(100)
Share of the other comprehensive income (loss) of associates and joint ventures-Items that will be reclassified profit or loss	149,173	-	959,832	1	(84)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 47)	4,881,814	2	208,848	-	2,237
Gain (loss) on debt instruments measured at fair value through other comprehensive income	(20,899,840)	(8)	-	-	-
Other comprehensive income (loss) reclassified using the overlay approach (Note 8)	(15,784,002)	(6)	-	-	-
Other comprehensive income (loss) for the year, net of income tax	(35,062,270)	(14)	4,499,766	5	(879)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (22,247,630)	(9)	$ 16,865,233	20	(232)

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET PROFIT ATTRIBUTABLE TO:					
Owners of parent	$ 7,852,688	3	$ 11,695,285	13	(33)
Non-controlling interests	4,961,952	2	670,182	1	640
	$ 12,814,640	5	$ 12,365,467	14	4
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Owners of parent	$ (4,995,817)	(2)	$ 13,408,973	16	(137)
Non-controlling interests	(17,251,813)	(7)	3,456,260	4	(599)
	$ (22,247,630)	(9)	$ 16,865,233	20	(232)
EARNINGS PER SHARE (Note 48)					
Basic	$0.54		$0.80		
Diluted	$0.54		$0.80		

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Shares)

	Equity Attributable to Owners of the Parent														
	Capital			Retained Earnings			Other Equity								
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	$ 149,744,203	$ 10	$ 1,104,521	$ 5,014,298	$ 3,228,296	$ 8,556,188	$ 494,377	$ -	$ (2,255,818)	$ -	$ (21,211)	$ (2,376,747)	$ 163,488,117	$ 3,608,921	$ 167,097,038
Appropriation of the 2016 earnings															
Legal reserve	-	-	-	592,308	-	(592,308)	-	-	-	-	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,871)	-	-	-	-	-	-	(7,487,871)	-	(7,487,871)
Special reserve reversed	-	-	-	-	(949,694)	949,694	-	-	-	-	-	-	-	-	-
	-	-	-	592,308	(949,694)	(7,130,485)	-	-	-	-	-	-	(7,487,871)	-	(7,487,871)
Other change in capital surplus	-	-	59,948	-	-	-	-	-	-	-	-	-	59,948	-	59,948
Net profit for the year ended December 31, 2017	-	-	-	-	-	11,695,285	-	-	-	-	-	-	11,695,285	670,182	12,365,467
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(129,642)	(2,526,326)	-	4,369,656	-	-	-	1,713,688	2,786,078	4,499,766
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	11,565,643	(2,526,326)	-	4,369,656	-	-	-	13,408,973	3,456,260	16,865,233
Reorganization	-	-	(93)	-	-	-	-	-	-	-	-	-	(93)	-	(93)
Purchase of the Corporation's shares, as treasury shares	-	-	-	-	-	-	-	-	-	-	-	(1,834,558)	(1,834,558)	(3,413,272)	(5,247,830)
Disposal of the Corporation's shares, as treasury shares	-	-	2,402	-	-	-	-	-	-	-	-	5,739	8,141	-	8,141
Share-based payments	18,831	5,152	6,941	-	-	(6,398)	-	-	-	-	12,889	-	37,415	-	37,415
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	77,892,157	77,892,157
Trading loss reserve of subsidiaries reversed	-	-	-	-	(200,000)	200,000	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	149,763,034	5,162	1,173,719	5,606,606	2,078,602	13,184,948	(2,031,949)	-	2,113,838	-	(8,322)	(4,205,566)	167,680,072	81,544,066	249,224,138
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562	1,743,732	6,304,294
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634	83,287,798	255,528,432
Appropriation of the 2017 earnings															
Legal reserve	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)
Special reserve	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-	-	-
	-	-	-	1,169,529	(1,513,561)	(8,630,345)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)
Net profit for the year ended December 31, 2018	-	-	-	-	-	7,852,688	-	-	-	-	-	-	7,852,688	4,961,952	12,814,640
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(80,056)	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(12,848,505)	(22,213,765)	(35,062,270)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	7,772,632	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(4,995,817)	(17,251,813)	(22,247,630)
Cancellation of treasury shares	(206,461)	-	-	-	-	-	-	-	-	-	-	206,461	-	-	-
Disposal of the Corporation's shares, as treasury shares	-	-	176,732	-	-	-	-	-	-	-	-	393,661	570,393	-	570,393
Parent’s appropriation of cash dividends to subsidiaries	-	-	287,529	-	-	-	-	-	-	-	-	-	287,529	-	287,529
Share-based payments	66,239	5,586	(6,988)	-	-	(4,159)	-	-	-	-	6,983	-	67,661	-	67,661
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,773,969)	(1,773,969)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	215,673	-	(215,673)	-	-	-	-	-	-	-
Net change in special reserve of subsidiaries	-	-	-	-	-	36,660	-	-	-	-	-	-	36,660	68,207	104,867
BALANCE AT DECEMBER 31, 2018	$ 149,622,812	$ 10,748	$ 1,630,992	$ 6,776,135	$ 565,041	$ 14,754,530	$ (930,286)	$ (5,138,562)	$ -	$ (4,451,944)	$ (1,339)	$ (3,605,444)	$ 159,232,683	$ 64,330,223	$ 223,562,906

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 13,441,879	$ 14,519,798
Adjustments for reconciliation with net profit		
Depreciation expenses	1,060,720	773,724
Amortization expenses	1,356,518	1,040,633
Allowance for bad debts and losses on commitments and guarantees, net	45,761	613,750
Loss (gain) on financial assets and liabilities measured at fair value through profit or loss, net	33,567,261	(8,712,317)
Interest expense	7,982,593	5,395,582
Interest revenue	(64,564,921)	(27,465,994)
Dividend income	(8,047,472)	(2,429,076)
Net changes in insurance liabilities	219,261,788	46,434,109
Share of loss (profit) of associates and joint ventures	315,648	(813,664)
Gain on reclassification using the overlay approach	(15,784,002)	-
Gain on disposal of investments	(4,036,172)	(2,651,539)
Loss on impairment of financial asset	31,671	882,194
Unrealized gain on foreign currency exchange	(20,285,967)	-
Others	(1,386,425)	217,208
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to financial institutions	8,069,859	17,482,176
Financial assets at fair value through profit or loss	(39,738,891)	141,732,568
Financial assets at fair value through other comprehensive income	(45,611,801)	-
Debt investments measured at amortized cost	(6,446,000)	-
Available-for-sale financial assets	-	(37,588,106)
Securities purchased under resell agreements	1,147,446	(1,147,446)
Receivables	4,419,206	4,458,178
Discount and loans	(43,303,363)	(42,344,819)
Other financial assets	(10,557,441)	(2,618,512)
Other assets	(9,135,656)	1,393,946
Deposits from the Central Bank and financial institutions	(6,433,042)	(2,210,813)
Financial liabilities at fair value through profit or loss	(10,425,324)	(95,881,532)
Notes and bonds issued under repurchase agreements	25,301,273	(19,382,816)
Payables	5,521,255	3,716,164
Deposits and remittances	35,556,941	47,277,105
Other financial liabilities	2,011,472	8,949,375
Other liabilities	(296,740)	(11,315,994)
Cash generated from operations	73,038,074	40,323,882
Interest received	49,201,826	22,505,993
Dividends received	8,408,148	2,504,119
Interest paid	(6,251,961)	(4,520,688)
Income tax refunded (paid)	(5,776,433)	109,947
Net cash generated from operating activities	118,619,654	60,923,253

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	$(137,595,284)	$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	90,952,094	-
Acquisition of financial assets measured at amortized cost	(153,040,348)	-
Proceeds from maturity of sale of financial assets measured at amortized cost	12,947,132	-
Principal from financial assets measured at amortized cost	22,650,548	-
Acquisition of available-for-sale financial assets	-	(80,836,615)
Proceeds from sale of available-for-sale financial assets	-	75,277,742
Acquisition of debt investments with no active market	-	(27,500,501)
Proceeds from sale of debt investments with no active market	-	40,190,233
Acquisition of held-to-maturity financial assets	-	(30,249,374)
Proceeds from sale of held-to-maturity financial assets	-	4,169,837
Acquisition of financial assets measured at cost	-	(1,243,771)
Proceeds from sale of financial assets measured at cost	-	4,661,799
Acquisition of equity-method investments	(223,159)	(1,449,619)
Proceeds from sale of investments accounted for using the equity method	-	1,063,663
Net cash inflow on acquisition of subsidiaries	-	(7,880,764)
Acquisition of property and equipment	(1,938,950)	(1,285,782)
Cash received through mergers	49,856,478	-
Others	1,025,994	696,215
Net cash used in investing activities	(115,365,495)	(24,386,937)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(6,030,609)	5,770,201
Increase (decrease) in commercial paper payable	(5,563,490)	2,999,595
Proceeds from corporate bonds	-	10,000,000
Repayments of corporate bonds	(5,200,000)	(6,000,000)
Proceeds from bank debentures	6,350,000	1,000,000
Repayments of bank debentures	-	(2,750,000)
Proceeds of long-term borrowings	-	755,543
Repayments of long-term borrowings	(855,590)	(699,942)
Cash dividends paid	(8,686,848)	(7,326,255)
Sale of treasury shares	570,393	-
Net Changes in non-controlling interests	(1,993,427)	(35,828)
Others	56,111	11,917
Net cash (used in) generated from financing activities	(21,353,460)	3,725,231

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	$ 338,272	$ (1,219,211)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,761,029)	39,042,336
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	132,256,162	93,213,826
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 114,495,133	$ 132,256,162

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

	December 31	
	2018	2017
Cash and cash equivalents in consolidated balance sheets	$ 59,607,423	$ 63,807,752
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined in IAS 7	15,117,176	14,444,967
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined in IAS 7	39,770,534	54,003,443
Cash and cash equivalents in consolidated statements of cash flows	$ 114,495,133	$ 132,256,162

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 YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

China Development Financial Holding Corporation (the Corporation) was established by CDIB Capital Group (formerly China Development Industrial Bank) through a share swap on December 28, 2001 made under the Financial Holding Company Act and related regulations. CDIB Capital Group became a wholly-owned subsidiary of the Corporation after the share swap.

The Corporation acquired First Taiwan Securities Corporation (First Taiwan) and Grand Cathay Securities Corporation (Grand Cathay) through a share swap on November 8, 2002. The effective date of the merger between Grand Cathay and First Taiwan was December 31, 2003. Grand Cathay was the surviving company after the merger.

On April 30, 2012, the Corporation's board of the directors approved the acquisition of 100% shares of KGI Securities through a tender offer. The Corporation acquired 81.73% of KGI Securities' shares during the public tender offer period. The Corporation acquired KGI Securities' remaining shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a 100% subsidiary of the Corporation. The effective date of the merger between KGI Securities and Grand Cathay was June 22, 2013. KGI Securities was the survivor company after the merger.

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

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

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

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

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

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

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

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

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

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of December 31, 2018, KGI Securities had a head office and 78 branches which included head office.

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

KGI Bank was established on January 14, 1992. As of December 31, 2018, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 53 domestic branches.

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

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 25, 2019.

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

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

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

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

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

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

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

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

(Continued)

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

(Concluded)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The reconciliation of loss allowance from IAS 39 to IFRS 9

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

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

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group applies IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payment. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

With the application of IFRS 16, right-of-use assets and lease liabilities will increase by \$19,048,852 thousand and \$5,868,951 thousand, and prepayments will decrease by \$13,179,901 thousand on January 1, 2019.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have material impact on the Group's financial position and financial performance.

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

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

2) IFRS 17 “Insurance Contracts”

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

Level of aggregation

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

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

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

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

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

Recognition

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

a) The beginning of the coverage period;

b) The date when the first payment from a policyholder becomes due; and

c) When the Group becomes onerous.

Measurement

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

a) The initial recognition of an amount for the FCF;

b) The derecognition at that date of any asset or liability recognized for acquisition cash flows; and

c) The cash inflows and outflows arising from the contracts in the Group at that date.

Subsequent measurement

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

Onerous contracts

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

Premium allocation approach

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

a) The entity reasonably expects the that this will be an approximation of General Model; or

b) Contracts with a coverage period of one year or less are eligible for PAA.

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

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

Investment contracts with a discretionary participation feature

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

Modification and derecognition

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

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

Transition

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reporting by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs as endorsed and issued by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Principles for Preparing Consolidated Financial Statements

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

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

As of December 31, 2018 and 2017, the consolidated entities included in the consolidated financial statements included 63 and 65 companies, respectively (please refer to the attached Table 8).

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

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

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

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

Foreign Currencies

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

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

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

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

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

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

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

Cash Equivalents

Cash equivalents include time deposits that can be terminated on demand without reducing principal, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments in Associates

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

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. Investment in associates measured by fair value through profit or loss are recognized as financial assets at fair value through profit or loss and the change in fair value is recognized in profit or loss.

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

a. Financial assets and liabilities

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

   1) Measurement category

      2018

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

      a) Financial assets or liabilities at FVTPL

         Financial assets or liabilities are classified as at FVTPL when such financial assets or liabilities are mandatorily classified or designated as at FVTPL. Financial assets or liabilities mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

         A financial asset or liability may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

         Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 55.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits that can be terminated on demand without reducing principal and short term investments which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

c) Investments in debt instruments at FVTOCI

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

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

ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

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

2017

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

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

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

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

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

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

Financial assets or liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Other financial liabilities are measured at amortized cost using the effective interest method. Fair value is determined in the manner described in Note 55.

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

b) Held-to-maturity financial assets

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

c) Available-for-sale financial assets

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

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

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

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

d) Loans and receivables

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

2) Margin loans and stock loans

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

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

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

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

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

4) Impairment of financial assets

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI.

For financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

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

These assets have allowances at 1%, 2%, 10%, 50% and 100%, respectively, of outstanding credit. The doubtful accounts of credit cards receivables are evaluated on the basis of Regulations Governing Institutions Engaging In Credit Card Business. The minimum allowance for credit assets on or off balance sheet is equal to the book value of the above listed.

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

Credit deemed uncollectable may be written off under the approval of the board of directors.

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

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

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

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

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

To strengthen the ability to bear the loss of specific loan assets, the authority may, if necessary, require the Company to raise loan loss provision for specific loan assets in specified criteria and deadlines.

<u>2017</u>

a) Financial assets measured at amortized cost

   The Group’s discounts and loans, held-to-maturity financial assets, receivables and debt investments with no active market are assessed for impairment at each balance sheet date and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the above credit losses, the estimated future cash flows of the asset have been affected. Loans and receivables that are assessed as not impaired individually are further assessed for impairment on a collective basis.

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

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

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

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

Credit deemed uncollectable may be written off under the approval of the board of directors.

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

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

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

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

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

To strengthen the ability to bear the loss of specific loan assets, the authority may, if necessary, require the Company to raise loan loss provision for specific loan assets in specified criteria and deadlines.

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

b) Available-for-sale financial assets

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

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

c) Financial assets measured at cost

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

5) Derecognition of financial assets

2018

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

2017

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

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

6) Derivative financial instruments

2018

Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that are within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

2017

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

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

7) Adoption of overlay approach on financial assets

The Company chose to express profit or loss of the designated financial assets in overlay approach in

accordance with IFRS 4 “Insurance Contract” since the application of IFRS 9. To those designated financial assets, the Company classifies the amount from profit or loss to other comprehensive income, thus making the profit or loss of the designated financial assets as at the reporting date equal to as if they would have been accounted for under IAS 39. Accordingly, the reclassification amount is the difference of the following items:

a) The amount of profit or loss of the designated financial assets in accordance with IFRS 9; and

b) The amount of profit or loss of the designated financial assets as if applied to IAS 39.

A financial asset is eligible for designation under overlay approach if qualifying for the following conditions:

a) In accordance with IFRS 9, the financial asset is measured at fair value through profit or loss. However, if the Company applies to IAS 39, the financial asset is not measured at fair value through profit or loss collectively; and

b) The financial asset is not held in respect of activities that is unconnected with contracts within the scope of IFRS 4 “Insurance Contract”.

A Financial asset is eligible for the overlay approach if either of the following conditions is met:

a) The asset is accounted for on initial recognition; or

b) The asset now meets the criteria of which is held in respect of activities other than contracts within the scope of IFRS 4 “Insurance Contract” but previously did not.

The Company shall continuously adopt overlay approach to those designated financial assets until derecognition. However, the Company shall remove the designated status when the financial assets held in respect of activities other than contracts within the scope of IFRS 4 “Insurance Contract”. In addition, at the beginning date of any annual reporting year, the Company is permitted to stop applying overlay approach to all designated financial assets; If it does, the change in the accounting policy is accounted for under IFRS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

Securities Purchased and Sold Under Resell and Repurchase Agreements

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

Property and Equipment

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

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

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

Investment Properties

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

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

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

Collaterals Assumed

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of non-financial assets

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

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

Separate-account Products

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

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

Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

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

Moreover, China Life Insurance's insurance contract with discretionary participation feature is classified as liability.

a. Unearned premium reserve

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

b. Reserve for claims

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

c. Reserve for life insurance liabilities

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

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

d. Special reserve

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

a) Special capital reserve - Special reserve for major incidents

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

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

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

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

2) China Life Insurance sells participating life insurance policy. According to the "Rule Governing application of revenue and expenses related to participating/non-participating policy", the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from this account. The excess dividend should be accounted as special reserve for dividend risks. Additionally, the effects of the gain or loss from disposal of participating life insurance policy approved as equity instrument investments at fair value through other comprehensive income shall transfer directly into special reserve based on income before tax and dividend. If the special reserve is a negative amount, the Company shall set aside the same amount of special reserve.

e. Premium deficiency reserve

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

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

f. Other reserve

Pursuant to IFRS 3 "Business Combination", the Company shall set aside other reserve for identifiable assets required and liabilities assumed recorded at fair value in order to reflect the fair value of the insurance contract assumed.

g. Liability adequacy reserve

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

h. Reserves for insurance contracts with feature of financial instruments

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

Foreign Exchange Valuation Reserve

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Other long-term benefits

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

Taxation

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

a. Current tax

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

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

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

Revenue Recognition

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

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

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

Insurance Premium Income and Expenses

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

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

Leasing

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

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

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

Share-based Payment Arrangements

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

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

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

Reinsurance

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment loss on loans and receivables

<u>Impairment loss on loans and receivables - 2017</u>

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

<u>Impairment loss on loans, receivables, loan commitments and provisions - 2018</u>

The management regularly reviews portfolios of loans and receivables, loan commitments and provisions to assess impairment. To determine whether an impairment loss should be recognized, the management assesses whether there has been a significant increase in credit risk or credit impairment has already occurred. When analyzing expected future cash flows, the management takes into account past events, present condition and future economic circumstances of the assets with similar credit risks. The management also regularly reviews the methodology and assumptions adopted for both expected future cash flows and their timing to decrease the difference between estimated and actual amount of impairment loss.

b. Assessment of insurance liabilities and liability adequacy reserve

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

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash in banks	$ 48,315,132	$ 44,944,821
Due from banks	3,922,906	10,532,178
Short-term notes	3,366,859	3,755,416
Cash on hand	1,734,504	1,403,492
Future excess margin	1,516,523	1,485,104
Check for clearing	751,499	1,686,741
	$ 59,607,423	$ 63,807,752

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

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

	December 31	
	2018	2017
Due from the Central Bank	$ -	$ 6,520,000
Call loans to financial institutions	6,643,433	13,846,833
Deposit reserve - demand accounts	8,854,579	7,670,687
Deposit reserve - checking accounts	9,467,197	5,053,887
Due from the Central Bank - interbank settlement funds	1,300,216	600,326
Deposit reserve - foreign currencies	165,958	137,301
	$ 26,431,383	$ 33,829,034

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

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

For the certificates of deposit issued by the Central Bank of the ROC and pledged as collateral for day-term overdraft, please refer to Note 51.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Financial assets mandatorily classified as at FVTPL		
Derivative financial instrument		
Interest rate swap contracts	$ 14,276,585	$ -
Currency swap and forward exchange contracts	9,911,136	-
Option and futures contracts	4,143,945	-
Others	1,423,617	-
Non-derivative financial assets		
Shares	108,988,496	-
Bank debentures	53,166,795	-
Operating securities (Note 9)	51,128,316	-
Mutual funds	44,986,204	-
Corporate bonds	13,439,633	-
Commercial papers	7,020,871	-
Others	17,188,833	-
	325,674,431	-
Financial assets held for trading		
Derivative financial instrument		
Currency swap and forward exchange contracts	-	9,210,098
Interest rate swap contracts	-	8,352,583
Option and futures contracts	-	2,328,239
Others	-	3,253,738
Non-derivative financial assets		
Operating securities (Note 9)	-	61,897,936
Commercial papers	-	8,775,184
Bank debentures	-	3,006,792
Convertible (exchangeable) corporate bonds	-	1,950,536
Others	-	2,308,709
	-	101,083,815
Financial assets designated as at FVTPL		
Government bonds	20,515,907	12,808,586
Others	28,740,696	12,057,206
	49,256,603	24,865,792
Financial assets at FVTPL	$ 374,931,034	$ 125,949,607
Financial liabilities held for trading		
Derivative financial instrument		
Option and futures contracts	$ 22,123,276	$ 11,722,449
Interest rate swap contracts	16,967,047	9,555,330
Currency swap and forward exchange contracts	8,882,350	7,229,847
Others	2,870,703	4,323,214
Non-derivative financial liabilities		
Borrowed securities payable	4,339,043	4,343,645
Others	402,286	151,093
	55,584,705	37,325,578

(Continued)

	December 31	
	2018	2017
Financial liabilities designated as at FVTPL		
Bank debentures payable	$ 27,131,475	$ 17,417,983
Structured products	3,155,241	986,143
Others	1,915,304	-
	32,202,020	18,404,126
Financial liabilities at FVTPL	$ 87,786,725	$ 55,729,704

(Concluded)

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

Bank Debenture Number	December 31 2018	December 31 2017	Issuance Period	Method of Paying Principles and Interests	Interest Rate
15KGIB1	$ 3,257,698	$ 3,163,888	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16KGIB1	3,380,630	3,283,280	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB2	3,380,630	3,283,280	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB3	2,458,640	2,387,840	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17KGIB1	6,146,600	5,969,600	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
P18KGIB1	6,146,600	-	January 30, 2018 - January 30, 2048 (Note 3)	Principal due on maturity	0%
P18KGIB2	4,917,280	-	February 27, 2018 - February 27, 2048 (Note 3)	Principal due on maturity	0%
	29,688,078	18,087,888			
Valuation adjustments	(2,556,603)	(669,905)			
	$ 27,131,475	$ 17,417,983			

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

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

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

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

Financial assets mandatorily classified as at FVTPL

	December 31, 2018
Share	$ 101,694,025
Bank debentures	52,914,479
Mutual funds	43,632,536
Corporate bonds	12,961,579
	$ 211,202,619

For the year ended December 31, 2018, the reclassification amounts under profit or loss and other comprehensive income of financial assets that adopted the overlay approach are described as follows:

	For the Year Ended December 31, 2018
Gain on application of IFRS 9	$ 1,545,759
Loss if IAS 39 was applied	(17,329,761)
Loss on reclassification using the overlay approach	$ (15,784,002)

Due to the adjustment using the overlay approach, loss on financial assets measured at FVTPL decreased from $26,109,031 thousand to $10,325,029 thousand for the year ended December 31, 2018.

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

	December 31	
	2018	2017
Currency swap and forward exchange contracts	$ 2,083,698,557	$ 1,910,480,656
Interest rate swap contracts	1,302,045,596	1,046,708,289
Options and futures contracts	744,617,319	398,434,896
Non-deliverable forward contracts	240,344,692	173,435,869
Cross-currency swap contracts	32,681,055	27,978,819
Assets swap contracts	27,162,701	10,863,540
Structured note contracts	7,205,434	15,265,526
Credit default swap contracts	2,959,775	5,203,007
Commodity swap contracts	964,180	695,444
Equity derivative financial contracts	123,291	217,776

As of December 31, 2018 and 2017, financial assets at fair value through profit or loss with aggregate carrying values of $47,273,587 thousand and $59,315,331 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Group, please refer to Note 51.

9. OPERATING SECURITIES

	December 31	
	2018	**2017**
Dealing		
Overseas securities	$ 25,976,409	$ 27,853,047
Corporate bonds	8,433,846	8,982,915
Government bonds	8,038,635	10,465,806
Listed, OTC and emerging market stock	2,376,519	2,770,834
Others	1,337,879	3,488,218
	46,163,288	53,560,820
Underwriting		
Corporate bonds	486,298	593,309
Listed and OTC stock	46,981	293,181
	533,279	886,490
Hedge positions		
Listed and OTC stock	2,129,947	6,032,090
Mutual funds	2,085,719	690,260
Others	216,083	728,276
	4,431,749	7,450,626
	$ 51,128,316	$ 61,897,936

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017
Government bonds	$ 180,341,905
Listed, OTC and emerging market stock	144,164,822
Corporate bonds	112,005,423
Bank debentures	62,451,073
Negotiable certificates of deposit	30,834,526
Unlisted stocks	16,251,776
Mutual funds	8,545,481
Others	4,294,110
	$ 558,889,116

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

For the information on available-for-sale financial assets pledged as collateral for the Group, please refer to Note 51.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2018
Investments in debt instruments at FVTOCI	
Government bonds	$ 185,779,230
Corporate bonds	118,547,705
Bank debentures	103,734,454
Negotiable certificates of deposit	48,698,585
Less: Security deposit	(9,861)
	456,750,113
Investments in equity instruments at FVTOCI	
Common stocks	17,050,968
Preferred stocks	11,534,853
	28,585,821
	$ 485,335,934

a. Investments in debt instruments at FVTOCI

As of December 31, 2018, investments in debt instruments at FVTOCI, with aggregate carrying values of $62,699,207 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on investments in debt instruments at FVTOCI pledged as collateral for the Group, please refer to Note 51.

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at FVTOCI, please refer to Note 57.

b. Investments in equity instruments at FVTOCI

For the year ended December 31, 2018, the Group sold its shares in order to manage its investment portfolio. The sold shares had a fair value of $5,113,201 thousand and the Group transferred a gain of $215,673 thousand from the related other equity - unrealized gain on financial assets at fair value through other comprehensive income to retained earnings.

For the year ended December 31, 2018, out of the total dividend income of $603,544 thousand, $538,225 was related to investments held and $65,319 was related to investments derecognized at the end of the reporting period.

For the information on investments in equity instruments at FVTOCI pledged as collateral for the Group, please refer to Note 51.

12. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2018
Bank debentures	$ 554,605,427
Corporate bonds	265,513,453
Government bonds	91,516,528
Others	58,900,871
	$ 970,536,279

As of December 31, 2018, financial assets at amortized cost, with aggregate carrying values of $291,964 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

For the information regarding credit risk analysis and assessment of impairment on financial assets at amortized cost, please refer to Note 57.

13. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2018	2017
Corporate bonds	$ 15,196,326	$ 12,792,557
Commercial papers	10,244,264	11,184,033
Bank debentures	6,689,953	6,007,002
Government bonds	6,589,991	18,465,702
Negotiable certificates of deposit	1,050,000	6,701,595
	$ 39,770,534	$ 55,150,889
Resold amounts	$ 39,819,654	$ 55,174,815
Last maturity date	January 2019	April 2018

14. RECEIVABLES, NET

	December 31	
	2018	2017
Receivables on margin loans, refinancing margin and refinancing deposits receivable	$ 21,181,502	$ 34,509,657
Receivable accounts for settlement	18,167,610	16,526,561
Interest receivable	16,287,188	13,018,711
Accounts receivable factoring without recourse	8,180,472	8,498,843
Accounts receivable - forfeiting	8,122,872	4,400,120
Trading securities receivable	8,031,155	7,459,935
Settlement price	6,308,741	3,997,006

(Continued)

	December 31	
	2018	2017
Installment accounts and lease receivables	$ 3,703,463	$ 4,164,820
Others	11,021,392	10,507,828
	101,004,395	103,083,481
Less: Allowance for bad debts	(1,706,909)	(2,650,275)
Unrealized interest revenue	(198,107)	(213,786)
	$ 99,099,379	$ 100,219,420

(Concluded)

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

	For the Year Ended December 31, 2017
Balance, January 1	$ 2,917,166
Allowance	412,184
Loans reclassified to nonperforming loans	(255,585)
Write-off	(390,636)
Recovery of written-off credit	40,274
Effect of exchange rate changes	(73,128)
Balance, December 31	$ 2,650,275

For the information on credit risk management and impairment loss analysis of receivables for 2018, please refer to Note 57.

For the amount of receivables pledged as collateral for the Group, please refer to Note 51.

15. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Short-term loans	$ 82,152,934	$ 72,264,667
Medium-term loans	191,493,381	171,185,239
Long-term loans	67,260,197	55,425,459
Loans reclassified to nonperforming loans	423,086	455,444
Export negotiations	56,079	17,155
Policy loans	26,403,907	24,244,766
Automatic premium loans	5,822,457	5,614,425
	373,612,041	329,207,155
Less: Allowance for bad debts	(4,352,345)	(3,966,481)
Discounts on loans	(128,300)	(93,311)
	$ 369,131,396	$ 325,147,363

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

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

For the information on credit risk management and impairment loss analysis of discounts and loans for 2018, please refer to Note 57.

16. REINSURANCE CONTRACT ASSETS

	December 31	
	2018	2017
Claims recoverable from reinsurers	$ 456,849	$ 201,338
Due from reinsurers and ceding companies	175	38,403
Reinsurance reserve assets		
Ceded unearned premium reserve	50,125	49,879
Ceded reserve for claims	27,204	12,484
	77,329	62,363
	$ 534,353	$ 302,104

No impairment loss was recognized for reinsurance assets.

17. HELD-TO-MATURITY FINANCIAL ASSETS, NET

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

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

	December 31			
	2018		2017	
	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 5,364,742	34	$ 6,040,521	34
CDIB Capital Asia Partners L.P.	3,587,002	-	3,582,136	-
KGI Securities (Thailand) Public Company Limited	2,416,178	35	2,192,355	35
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	1,648,309	-	1,674,714	-
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	1,421,496	-	1,369,820	-
CDIB Capital Healthcare Ventures Limited	749,682	43	719,342	43
CDIB Capital Creative Industries Limited	696,239	46	635,089	46
Others	219,278		161,035	
	$ 16,102,926		$ 16,375,012	

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

	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Net profit (loss) for the year	$ (315,648)	$ 813,662
Other comprehensive income (loss)	(95,237)	960,044
Total comprehensive income (loss) for the year	$ (410,885)	$ 1,773,706

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the associates' financial statements audited by the auditors.

There are no any investments accounted for using the equity method that are pledged as collateral.

19. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investments in structured entities

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

December 31, 2018

	Private Equity Fund	Asset Securitization	Total
Financial assets at fair value through profit or loss	$ 6,871,063	$ 1,751,160	$ 8,622,223
Debt instruments measured at amortized cost	-	60,397,100	60,397,100
Maximum exposure	6,871,063	62,148,260	69,019,323

December 31, 2017

	Private Equity Fund	Asset Securitization	Total
Available-for-sale financial assets	$ 378,545	$ 1,356,184	$ 1,734,729
Financial assets measured at cost	5,616,943	-	5,616,943
Debt instruments with no active value	-	62,258,577	62,258,577
Maximum exposure	5,995,488	63,614,761	69,610,249

b. Management on structured entities

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

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

	December 31	
	2018	2017
Management on private equity fund		
Total assets	$ 22,431,078	$ 21,713,595
Total liabilities	102,172	127,922
Investments accounted for using the equity method	6,831,114	6,721,477
Financial assets at fair value through profit or loss	429,846	312,781
Maximum exposure	7,260,960	7,034,258

20. RESTRICTED ASSETS

	December 31	
	2018	2017
Restricted demand deposits	$ 43,724,691	$ 40,757,666
Accounts receivables	106,867	101,685
Others	96,011	114,386
	$ 43,927,569	$ 40,973,737

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

After the filing of a certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 52), CDIB Capital Group could not access the following funds in connection with transactions made with Morgan Stanley because of its unauthorized disposition: Accounts receivable, deposits, cash security on CDS contracts. Because of the inaccessibility of these funds, these financial assets reclassified as "restricted assets".

For the information on restricted assets pledged as collateral for the Group, please refer to Note 51.

21. OTHER FINANCIAL ASSETS

	December 31	
	2018	2017
Separate - account insurance products	$ 63,501,665	$ 61,824,990
Guarantee deposits received on futures contracts	20,496,181	20,656,857
Time deposits not qualifying as cash equivalents	4,864,875	4,707,175
Debt instruments with no active market	-	647,998,509
Financial assets measured at cost	-	16,156,027
Others	2,499,809	1,266,935
	$ 91,362,530	$ 752,610,493

a. Separate-account insurance products

1) Separate-account insurance products - assets and liabilities

	Assets	
	December 31	
	2018	2017
Cash in banks	$ 387,402	$ 838,493
Financial assets at fair value through profit or loss	63,050,586	60,904,301
Other receivables	63,677	82,196
	$ 63,501,665	$ 61,824,990

	Liabilities	
	December 31	
	2018	2017
Reserve for separate-account	$ 63,353,697	$ 61,371,597
Other payables	147,968	453,393
	$ 63,501,665	$ 61,824,990

2) Separate-account insurance products - revenues and expenses

	Revenues	
	For the Year Ended December 31	
	2018	2017
Premium income	$ 6,268,728	$ 2,319,555
Gains (losses) from financial assets and liabilities at fair value through profit or loss	(2,890,490)	1,700,622
Interest income	776	91
Other revenues	184,274	58,189
Gains (losses) on foreign exchange	376,083	(159,439)
	$ 3,939,371	$ 3,919,018

	Expenses	
	For the Year Ended December 31	
	2018	2017
Insurance claim payments	$ 5,814,370	$ 2,450,703
Net change in separate-account reserve	(3,898,334)	885,926
Custodian fee	2,023,335	582,389
	$ 3,939,371	$ 3,919,018

3) The rebate from counterparties in the investment-linked insurance business for the years ended December 31, 2018 and 2017 was $403,688 thousand and $92,531 thousand, respectively.

b. Debt instruments with no active value

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

c. Financial assets measured at cost

	December 31, 2017
Unlisted stocks - common stock	$ 6,016,468
Unlisted overseas partnership fund	5,616,943
Others	4,522,616
	$ 16,156,027
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 15,350,439
Financial assets at FVTPL	805,588
	$ 16,156,027

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

For the information on other financial assets pledged as collateral for the Group, please refer to Note 51.

22. INVESTMENT PROPERTIES, NET

	December 31	
	2018	2017
Land	$ 20,024,687	$ 19,983,888
Buildings and facilities	5,407,733	5,466,206
	$ 25,432,420	$ 25,450,094

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

	For the Year Ended December 31	
	2018	2017
Cost		
Beginning balance	$ 26,147,467	$ 2,838,006
Additions	-	99,397
Disposals	(136,462)	(119,750)
Effect of increase in consolidated subsidiaries	-	23,266,469
Reclassification	357,643	63,345
Ending balance	26,368,648	26,147,467
Accumulated depreciation		
Beginning balance	(198,324)	(160,115)
Depreciation	(212,660)	(39,257)
Disposals	5,400	1,570
Reclassification	(33,266)	(522)
Ending balance	(438,850)	(198,324)
Accumulated impairment		
Beginning balance	(499,049)	(498,535)
Disposals	1,663	-
Impairment gain or loss	8	(514)
Ending balance	(497,378)	(499,049)
Carrying amount	$ 25,432,420	$ 25,450,094

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

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

The fair values of the Group's investment property as of December 31, 2018 and 2017 were $25,033,305 thousand and $25,123,845 thousand, respectively. Investment property was categorized into Level 3.

The Group had development of the vacant land and prepayments for buildings without construction license, and the carrying amount was $2,520,610 thousand and $2,520,574 thousand, respectively on December 31, 2018 and 2017. Because its fair value cannot be reliably determined, it was excluded from the amount of fair value above mentioned.

The fair values of investment properties held by KGI Securities and CDIB Capital Group for the year ended December 31, 2018, and the fair values of investment properties held by KGI Securities and its subsidiaries for the years ended December 31, 2018 and 2017 were arrived at without appraisal from independent appraisers, but instead were arrived at by reference to available external appraisal reports for the previous period and valuation models commonly used by market participants. All the other subsidiaries of the Group engaged independent appraisers for the valuation of their investment properties. The sales comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transaction, and income approach takes the net operating income of the rent collected and divides it by the capitalization rate.

All of the Group's investment properties were held under freehold interests. The carrying amount of the investment properties that had been pledged by the Group to secure borrowings were reflected in Note 51.

23. PROPERTY AND EQUIPMENT

	December 31	
	2018	**2017**
Land	$ 20,222,381	$ 20,516,124
Buildings and facilities	6,144,281	6,490,061
Computer equipment	826,709	846,248
Leased assets	658,309	571,396
Leasehold improvements	315,272	337,851
Other equipment	304,436	355,604
Transportation equipment	6,079	8,482
	28,477,467	29,125,766
Prepayments for acquisition of properties	3,239,830	1,754,925
	$ 31,717,297	$ 30,880,691

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

	Land	**Buildings and Facilities**	**Computer Equipment**	**Leased Assets**	**Leasehold Improvements**	**Other Equipment**	**Transportation Equipment**	**Prepayments for Acquisition of Properties**	**Total**
Cost									
Balance at January 1, 2017	$ 8,837,807	$ 6,617,306	$ 1,309,908	$ 323,075	$ 723,167	$ 1,770,372	$ 20,736	$ 3,843	$ 19,606,214
Additions	-	45,860	220,263	139,696	148,767	60,657	1,780	366,490	983,513
Disposals	-	(26,569)	(103,048)	(38,847)	(35,490)	(115,508)	(8,844)	(2,207)	(330,513)
Reclassification	(82,106)	9,697	69,085	291,547	(8,869)	38,279	-	(18,919)	298,714
Effects of changes on consolidated subsidiaries	11,814,677	2,237,668	270,974	-	72	111,586	5,259	1,405,773	15,846,009
Effect of exchange rate changes	-	-	(7,634)	-	(19,933)	(48,101)	(261)	(55)	(75,984)
Balance at December 31, 2017	20,570,378	8,883,962	1,759,548	715,471	807,714	1,817,285	18,670	1,754,925	36,327,953
Accumulated depreciation and impairment									
Balance at January 1, 2017	(6,091)	(2,249,198)	(783,921)	(82,772)	(420,569)	(1,533,374)	(17,373)	-	(5,093,298)
Additions	(48,163)	(229,408)	(226,002)	(90,736)	(101,327)	(85,209)	(1,785)	-	(782,630)
Disposals	-	25,817	100,703	21,337	33,601	113,710	8,844	-	304,012
Reclassification	-	58,888	(8,096)	8,096	-	-	-	-	58,888
Effect of exchange rate changes	-	-	4,016	-	18,432	43,192	126	-	65,766
Balance at December 31, 2017	(54,254)	(2,393,901)	(913,300)	(144,075)	(469,863)	(1,461,681)	(10,188)	-	(5,447,262)
Balance at December 31, 2017, net	$ 20,516,124	$ 6,490,061	$ 846,248	$ 571,396	$ 337,851	$ 355,604	$ 8,482	$ 1,754,925	$ 30,880,691

(Continued)

	Land	Buildings and Facilities	Computer Equipment	Leased Assets	Leasehold Improvements	Other Equipment	Transportation Equipment	Prepayments for Acquisition of Properties	Total
Cost									
Balance at January 1, 2018	$ 20,570,378	$ 8,883,962	$ 1,759,548	$ 715,471	$ 807,714	$ 1,817,285	$ 18,670	$ 1,754,925	$ 36,327,953
Additions	-	62,714	203,909	144,864	84,457	53,352	464	1,389,190	1,938,950
Disposals	(70,148)	(94,955)	(361,687)	(83,062)	(31,383)	(97,019)	(10,692)	-	(748,946)
Reclassification	(223,748)	(173,046)	61,545	77,538	2,386	6,585	-	95,715	(153,025)
Effect of exchange rate changes	-	-	6,661	-	6,609	15,291	(43)	-	28,518
Balance at December 31, 2018	20,276,482	8,678,675	1,669,976	854,811	869,783	1,795,494	8,399	3,239,830	37,393,450
Accumulated depreciation and impairment									
Balance at January 1, 2018	(54,254)	(2,393,901)	(913,300)	(144,075)	(469,863)	(1,461,681)	(10,188)	-	(5,447,262)
Additions	153	(227,777)	(286,985)	(108,015)	(111,348)	(111,139)	(2,796)	-	(847,907)
Disposals	-	51,918	360,471	55,498	30,022	96,793	10,692	-	605,394
Reclassification	-	35,366	550	112	(162)	(661)	-	-	35,205
Effect of exchange rate changes	-	-	(4,003)	(22)	(3,160)	(14,370)	(28)	-	(21,583)
Balance at December 31, 2018	(54,101)	(2,534,394)	(843,267)	(196,502)	(554,511)	(1,491,058)	(2,320)	-	(5,676,153)
Balance at December 31, 2018, net	$ 20,222,381	$ 6,144,281	$ 826,709	$ 658,309	$ 315,272	$ 304,436	$ 6,079	$ 3,239,830	$ 31,717,297

(Concluded)

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

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

For the information on property and equipment pledged as collateral for the Group, please refer to Note 51.

24. INTANGIBLE ASSETS

	December 31	
	2018	2017
Purchase policy value	$ 12,767,519	$ 13,155,578
Operation rights	4,191,909	4,859,555
Goodwill	3,369,090	3,347,646
Computer software	806,233	770,545
Others	36,396	36,396
	$ 21,171,147	$ 22,169,720

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

	Purchase Policy Value	Operation Rights	Goodwill	Computer Software	Others	Total
Cost						
Balance at January 1, 2017	$ -	$ 8,542,562	$ 1,895,744	$ 951,286	$ 51,994	$ 11,441,586
Additions	-	-	-	340,531	-	340,531
Acquired in a business combination	13,320,077	-	1,698,925	144,174	-	15,163,176
Decreases	-	-	(194,850)	(17,570)	-	(212,420)
Reclassification	-	-	-	4,760	-	4,760
Effects of exchange rate changes	-	-	(52,173)	(114)	-	(52,287)
Balance at December 31, 2017	13,320,077	8,542,562	3,347,646	1,423,067	51,994	26,685,346
Accumulated amortization and impairment						
Balance at January 1, 2017	-	(3,015,361)	-	(462,249)	(15,598)	(3,493,208)
Amortization	(164,499)	(667,646)	-	(207,668)	-	(1,039,813)
Decreases	-	-	-	17,378	-	17,378
Effects of exchange rate changes	-	-	-	17	-	17
Balance at December 31, 2017	(164,499)	(3,683,007)	-	(652,522)	(15,598)	(4,515,626)
Balance at December 31, 2017, net	$ 13,155,578	$ 4,859,555	$ 3,347,646	$ 770,545	$ 36,396	$ 22,169,720
Cost						
Balance at January 1, 2018	$ 13,320,077	$ 8,542,562	$ 3,347,646	$ 1,423,067	$ 51,994	$ 26,685,346
Additions	-	-	-	279,334	-	279,334
Decreases	-	-	-	(39,801)	-	(39,801)
Reclassification	-	-	-	50,895	-	50,895
Effects of exchange rate changes	-	-	21,444	(278)	-	21,166
Balance at December 31, 2018	13,320,077	8,542,562	3,369,090	1,713,217	51,994	26,996,940
Accumulated amortization and impairment						
Balance at January 1, 2018	(164,499)	(3,683,007)	-	(652,522)	(15,598)	(4,515,626)
Amortization	(388,059)	(667,646)	-	(294,214)	-	(1,349,919)
Decreases	-	-	-	39,589	-	39,589
Effects of exchange rate changes	-	-	-	163	-	163
Balance at December 31, 2018	(552,558)	(4,350,653)	-	(906,984)	(15,598)	(5,825,793)
Balance at December 31, 2018, net	$ 12,767,519	$ 4,191,909	$ 3,369,090	$ 806,233	$ 36,396	$ 21,171,147

Apart from the purchase policy value is amortized on present value of annuity of expected remaining policies over effective period of policies, the other items of intangible assets above are amortized on a straight-line basis over the estimated economic lives as follows:

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

25. OTHER ASSETS

	December 31	
	2018	2017
Guarantee deposits paid	$ 13,733,989	$ 5,979,918
Prepayment - surface rights	13,179,623	13,382,227
Security borrowing margins	10,778,769	2,330,427
Operating guarantee deposits	7,438,483	7,454,004
Prepaid expense	1,265,709	1,022,925
Others	2,505,788	1,886,370
	$ 48,902,361	$ 32,055,871

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

For the information on other assets pledged as collateral for the Group, please refer to Note 51.

26. DEPOSITS FROM THE CENTRAL BANK AND FINANCIAL INSTITUTIONS

	December 31	
	2018	2017
Call loans from financial institutions	$ 22,242,268	$ 27,975,434
Deposits from Chunghwa Post Co., Ltd.	192,646	892,522
	$ 22,434,914	$ 28,867,956

27. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2018	2017
Corporate bonds	$ 58,385,910	$ 36,527,243
Bank debentures	36,276,317	37,306,248
Government bonds	30,237,248	26,344,136
Commercial paper	579,425	-
	$ 125,478,900	$ 100,177,627
Repurchased amounts	$ 125,952,224	$ 100,376,007
Last maturity date	May 2019	April 2018

28. COMMERCIAL PAPER PAYABLE, NET

	December 31	
	2018	2017
Commercial paper payable	$ 14,989,859	$ 20,553,799
Less: Unamortized discount	(3,957)	(4,407)
	$ 14,985,902	$ 20,549,392
Rate	0.60%-2.59%	0.41%-1.57%

As of December 31, 2018, Ta Ching Finance Corporation, China Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Finance Corporation, International Bills Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Taishin International Bank, Shanghai Commercial Bank, Sunny Bank, Far Eastern International Bank and Taiwan Business Bank guaranteed the above commercial paper. However, some commercial paper which amounted to $11,668,008 thousand, had no guarantee.

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

29. PAYABLES

	December 31	
	2018	2017
Accounts payable for settlement	$ 45,453,733	$ 45,054,894
Guaranteed price deposits received from securities borrowers	14,465,995	12,510,125
Accrued expenses and payable on insurance policies	11,126,598	10,619,440
Settlement proceeds	4,838,810	4,577,576
Others	13,756,108	12,868,572
	$ 89,641,244	$ 85,630,607

30. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Time deposits	$ 229,617,422	$ 198,081,691
Saving deposits	93,330,058	99,318,877
Demand deposits	55,634,932	40,173,703
Negotiable CDs	17,211,000	22,502,900
Checking deposits	2,440,582	2,505,161
Inward remittance	52,016	146,737
	$ 398,286,010	$ 362,729,069

31. BONDS PAYABLE

	December 31	
	2018	2017
Corporate bonds payable	$ 23,800,000	$ 29,000,000
Bank debentures payable	7,350,000	1,000,000
	$ 31,150,000	$ 30,000,000

Corporate Bonds Payable

Name	December 31 2018	December 31 2017	Issuance Period	Method of Paying Principle and Interests	Interest Rate
1st corporate bonds in 2011 - the Corporation	$ 1,000,000	$ 1,000,000	Bond B 2012.03.07-2019.03.07	Interest payable annually; principal due on maturity	Bond B 1.42%
1st corporate bonds in 2013 - the Corporation	-	3,000,000	2013.05.23-2018.05.23	Interest payable annually; principal due on maturity	1.37%
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000	2015.03.30-2020.03.30	Interest payable annually; principal due on maturity	1.42%
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000	2015.09.15-2020.09.15	Interest payable annually; principal due on maturity	1.37%
1st corporate bonds in 2017 - the Corporation	10,000,000	10,000,000	Bond A 2017.09.08-2024.09.08 Bond B 2017.09.08-2027.09.08 Bond C 2017.09.08-2032.09.08	Interest payable annually; principal due on maturity	Bond A 1.75% Bond B 1.90% Bond C 2.10%
1st corporate bonds in 2015 - KGI Securities	4,800,000	7,000,000	Bond A 2015.06.08-2018.06.08 Bond B 2015.06.08-2020.06.08	Interest payable annually; principal due on maturity	Bond A 1.20% Bond B 1.42%
	$ 23,800,000	$ 29,000,000			
Fair value	$ 24,225,699	$ 29,457,956			

Bank Debentures Payable

Name	December 31 2018	December 31 2017	Issuance Period	Method of Paying Principle and Interests	Interest Rate
P06 KGIB 1	$ 1,000,000	$ 1,000,000	2017.05.19-2020.05.19	Interest payable annually; principal due on maturity	0.9%
P07 KGIB 1	3,000,000	-	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	-	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
	7,350,000	1,000,000			
Unamortized discount	-	-			
Net amount	$ 7,350,000	$ 1,000,000			
Fair Value	$ 7,353,175	$ 1,002,863			

KGI Bank has the right to redeem the bonds after 5 years and 1 month from the issue date if its self-owned capital adequacy ratio is still in accordance with the requirements set by the competent authority. KGI Bank is allowed to redeem the bonds based on the carrying value of each bond plus interest after approved by the competent authority.

32. OTHER BORROWINGS

	December 31	
	2018	2017
Short-term credit borrowings	$ 10,021,939	$ 15,566,162
Note issuance facility	4,339,771	4,899,515
Short-term secured borrowings	4,329,666	4,816,052
Long-term credit borrowings	126,685	422,532
	$ 18,818,061	$ 25,704,261

(Continued)

	December 31	
	2018	2017
Rate	0.72%-8.55%	0.5%-4.75%
Last maturity date	July 2021	October 2020

(Concluded)

33. PROVISIONS

	December 31	
	2018	2017
Insurance liabilities	$ 1,552,528,196	$ 1,284,198,018
Foreign exchange valuation reserve	3,169,331	2,703,763
Provisions for employee benefits	1,040,517	1,106,252
Others	566,895	441,071
	$ 1,557,304,939	$ 1,288,449,104

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

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

	December 31	
	2018	2017
Reserve for life insurance liabilities	$ 1,513,115,547	$ 1,263,844,149
Premium deficiency reserve	7,504,145	9,164,460
Special reserve	6,364,597	6,259,742
Unearned premium reserve	3,854,791	3,384,890
Reserve for claims	1,686,742	1,544,777
Other reserve	20,002,374	-
	$ 1,552,528,196	$ 1,284,198,018

a. Reserve for life insurance liabilities:

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 1,173,394,667	$ 56,735,343	$ 1,230,130,010
Health insurance	122,642,721	-	122,642,721
Annuity insurance	647,909	157,700,581	158,348,490
Investment-linked insurance	1,834,656	-	1,834,656
	$ 1,298,519,953	$ 214,435,924	$ 1,512,955,877

Note: The total amount of liability reserve is $1,513,115,547 thousand on December 31, 2018 after reserve for life insurance-accrued paid is added.

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

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

Movement in reserve for life insurance liabilities is summarized below:

	For the Year Ended December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,048,113,729	$ 215,730,420	$ 1,263,844,149
Reserve	276,895,391	19,649,096	296,544,487
Recover	(59,348,314)	(21,707,044)	(81,055,358)
Gains (losses) on foreign exchange	4,341,192	763,453	5,104,645
Others (Note 1)	28,517,954	-	28,517,954
Ending balance (Note 2)	$ 1,298,519,952	$ 214,435,925	$ 1,512,955,877

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

Note 2: The total amount of liability reserve is $1,513,115,547 thousand on December 31, 2018 after reserve for life insurance-accrued paid is added.

	For the Year Ended December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ -	$ -	$ -
Effect of changes in consolidated entities	998,810,334	217,889,832	1,216,700,166
Reserve	61,463,190	6,965,533	68,428,723
Recover	(10,667,349)	(8,912,713)	(19,580,062)
Gains (losses) on foreign exchange	(1,492,446)	(212,232)	(1,704,678)
Ending balance	$ 1,048,113,729	$ 215,730,420	$ 1,263,844,149

b. Unearned premium reserve

	December 31, 2018		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Individual life insurance	$ 1,160	$ -	$ 1,160
Individual injury insurance	1,237,170	-	1,237,170
Individual health insurance	2,011,560	-	2,011,560
Group insurance	555,939	-	555,939
Investment-linked insurance	48,909	-	48,909
Annuity insurance	-	53	53
	3,854,738	53	3,854,791
Less ceded unearned premium reserve			
Individual life insurance	10,712	-	10,712
Individual injury insurance	1,513	-	1,513
Individual health insurance	27,559	-	27,559
Group insurance	5,267	-	5,267
Investment-linked insurance	5,074	-	5,074
	50,125	-	50,125
Net amount	$ 3,804,613	$ 53	$ 3,804,666

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

Movement in unearned premium reserve is summarized below:

	For the Year Ended December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 3,384,833	$ 57	$ 3,384,890
Reserve	3,854,737	53	3,854,790
Recover	(3,421,034)	(57)	(3,421,091)
Gains (losses) on foreign exchanges	1	-	1
Others (Note)	36,201	-	36,201
Ending balance	3,854,738	53	3,854,791
Less ceded unearned premium reserve			
Beginning balance	49,879	-	49,879
Increase	50,125	-	50,125
Decrease	(49,879)	-	(49,879)
Ending balance	50,125	-	50,125
Net amount	$ 3,804,613	$ 53	$ 3,804,666

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

	For the Year Ended December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ -	$ -	$ -
Effect of changes in consolidated entities	3,493,855	65	3,493,920
Reserve	862,768	57	862,825
Recover	(971,790)	(65)	(971,855)
Ending balance	3,384,833	57	3,384,890
Less ceded unearned premium reserve			
Beginning balance	-	-	-
Effect of changes in consolidated entities	49,354	-	49,354
Increase	15,374	-	15,374
Decrease	(14,849)	-	(14,849)
Ending balance	49,879	-	49,879
Net amount	$ 3,334,954	$ 57	$ 3,335,011

c. Reserve for claims

	December 31, 2018		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Individual life insurance			
Reported but not paid claim	$ 260,846	$ 81,393	$ 342,239
Unreported claim	1,497	-	1,497
Individual injury insurance			
Reported but not paid claim	52,370	-	52,370
Unreported claim	207,078	-	207,078
Individual health insurance			
Reported but not paid claim	93,733	-	93,733
Unreported claim	508,774	-	508,774
Group insurance			
Reported but not paid claim	56,073	-	56,073
Unreported claim	397,937	-	397,937
Investment-linked insurance			
Reported but not paid claim	11,657	-	11,657
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	15,299	15,299
Unreported claim	-	85	85
	1,589,965	96,777	1,686,742
Less ceded reserve for claims			
Individual life insurance	5,654	-	5,654
Individual injury insurance	4,687	-	4,687
Individual health insurance	13,863	-	13,863
Group insurance	3,000	-	3,000
	27,204	-	27,204
Net amount	$ 1,562,761	$ 96,777	$ 1,659,538

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

(Continued)

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

(Concluded)

Movement in reserve for claims is summarized below:

	For the Year Ended December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,437,951	$ 106,826	$ 1,544,777
Reserve	1,590,478	96,834	1,687,312
Recover	(1,446,997)	(106,826)	(1,553,823)
Gains (losses) on foreign exchange	(513)	(57)	(570)
Others (Note)	9,046	-	9,046
Ending balance	1,589,965	96,777	1,686,742
Less ceded unearned premium reserve			
Beginning balance	12,484	-	12,484
Increase	27,204	-	27,204
Decrease	(12,484)	-	(12,484)
Ending balance	27,204	-	27,204
Net amount	$ 1,562,761	$ 96,777	$ 1,659,538

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

	For the Year Ended December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ -	$ -	$ -
Effect of changes in consolidated entities	1,484,694	139,498	1,624,192
Reserve	-	-	-
Recover	(46,365)	(32,458)	(78,823)
Gains (losses) on foreign exchange	(378)	(214)	(592)
Ending balance	1,437,951	106,826	1,544,777
Less ceded unearned premium reserve			
Beginning balance	-	-	-
Effect of changes in consolidated entities	21,653	-	21,653
Decrease	(9,169)	-	(9,169)
Ending balance	12,484	-	12,484
Net amount	$ 1,425,467	$ 106,826	$ 1,532,293

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

d. Special reserve

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	$ 6,364,597	$ -	$ 6,364,597
Dividend risk reserve	-	-	-
	$ 6,364,597	$ -	$ 6,364,597

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

Movement in special reserve is summarized below:

	For the Year Ended December 31	
	2018	2017
	Insurance Contract	Insurance Contract
Beginning balance	$ 6,259,742	$ -
Adjustment to IFRS 9	(6,676)	-
Adjusted beginning balance	6,253,066	-
Effect of changes in consolidated entities	-	5,792,803
Reserve for participating policy dividend revenue	1,963,273	466,939
Recover for participating policy dividend revenue	(1,720,408)	-
Reserve for dividend risk reserve	-	-
Gain on equity instruments dividend policy measured at FVTOCI	(131,334)	-
Ending balance	$ 6,364,597	$ 6,259,742

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

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,578	$ -	$ 1,578
Individual injury insurance	871,147	-	871,147
Individual health insurance	2,435,161	-	2,435,161
Group insurance	3,090,678	-	3,090,678
Annuity insurance	-	539	539
	$ 6,398,564	$ 539	$ 6,399,103

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

f. Premium deficiency reserve

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 7,376,763	$ -	$ 7,376,763
Individual health insurance	127,382	-	127,382
	$ 7,504,145	$ -	$ 7,504,145

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

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

Movement in premium deficiency reserve is summarized as below:

	For the Year Ended December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 9,164,460	$ -	$ 9,164,460
Reserve	1,385,231	-	1,385,231
Recover	(3,073,841)	-	(3,073,841)
Gains (losses) on foreign exchange	28,294	-	28,294
Others (Note)	1	-	1
Ending balance	$ 7,504,145	$ -	$ 7,504,145

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

	For the Year Ended December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ -	$ -	$ -
Effect of changes in consolidated entities	10,161,474	-	10,161,474
Reserve	238,749	-	238,749
Recover	(1,207,303)	-	(1,207,303)
Gains (losses) on foreign exchange	(28,460)	-	(28,460)
Ending balance	$ 9,164,460	$ -	$ 9,164,460

g. Other reserve

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Others	$ 20,002,374	$ -	$ 20,002,374

	For the Year Ended December 31, 2018		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Beginning balance	$ -	$ -	$ -
Recover	(466,188)	-	(466,188)
Others (Note)	20,468,562	-	20,468,562
Ending balance	$ 20,002,374	$ -	$ 20,002,374

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

h. Liability adequacy reserve

	Insurance Contract and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2018	**2017**
Reserve for life insurance liabilities	$ 1,512,955,877	$ 1,263,844,149
Unearned premium reserve	3,854,791	3,384,890
Premium deficiency reserve	7,504,145	9,164,460
Special reserve	6,364,597	6,259,742
Other reserve	20,002,374	-
Book value of insurance liabilities	$ 1,550,681,784	$ 1,282,653,241
Estimated present value of cash flows	$ 1,256,360,366	$ 974,892,299
Balance of liability adequacy reserve	$ -	$ -

China Life Insurance's liability adequacy testing methodology is listed as follows:

	December 31	
	2018	**2017**
Test method	Gross Premium Valuation Method (GPV)	Gross Premium Valuation Method (GPV)
Groups	Integrated testing	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2017), and discount rates were evaluated with consideration of current information.	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2016), and discount rates were evaluated with consideration of current information.

i. Foreign exchange valuation reserve

1) The hedge strategy and risk exposure

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

2) Adjustment in foreign exchange valuation reserve

	For the Year Ended December 31	
	2018	**2017**
Beginning balance	$ 2,703,763	$ -
Effect of changes in consolidated entities	-	2,800,849
Reserve		
Compulsory reserve	1,065,269	252,467
Extra reserve	2,533,566	55,714
	3,598,835	308,181
Recover	(3,133,267)	(405,267)
Ending balance	$ 3,169,331	$ 2,703,763

3) Effects due to foreign exchange valuation reserve

	For the Year Ended December 31, 2018		
Item	**Inapplicable Amount**	**Applicable Amount**	**Effects**
Net income	$ 10,550,442	$ 10,177,987	$ (372,455)
Earnings per share (dollar)	2.63	2.54	(0.09)
Foreign exchange valuation reserve	-	3,169,331	3,169,331
Equity	74,286,787	73,094,384	(1,192,403)

	For the Year Ended December 31, 2017		
Item	**Inapplicable Amount**	**Applicable Amount**	**Effects**
Net income	$ 6,030,262	$ 9,083,972	$ 3,053,710
Earnings per share (dollar)	1.50	2.26	0.76
Foreign exchange valuation reserve	-	2,703,763	2,703,763
Equity	96,157,695	95,337,747	(819,948)

34. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and domestic subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The total expenses recognized in profit or loss were $614,054 thousand in 2018 and $444,209 thousand in 2017, respectively.

The Corporation's foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulation and amounting to $7,528 thousand and $5,963 thousand for the years ended December 31, 2018 and 2017, respectively.

b. Defined benefit plans

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

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

KGI Securities and domestic subsidiaries contributes monthly an amount equal to 2% of the monthly salaries to a defined benefit pension fund and to the employees' individual defined contribution pension funds. The funds are managed by the Employees' Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee's name. Before the end of each year, KGI assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, KGI is required to fund the difference in one appropriation that should be made before the end of March of the next year. The employees of the KGI Securities' foreign subsidiary, PT KGI Sekuritas Indonesia, are members of a state-managed retirement benefit plan operated by the government of Indonesia. The remeasurement of defined benefit plans recognized in other comprehensive income were $257 thousand in 2018 and $103 thousand in 2017, respectively.

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

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

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

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 3,001,474	$ 3,054,510
Fair value of plan assets	(2,013,124)	(2,066,806)
Net defined benefit liabilities	$ 988,350	$ 987,704

Movements in net defined benefit liabilities (assets) were as follows:

The Group

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2018	$ 3,054,510	$ (2,066,806)	$ 987,704
Service cost			
Current service cost	24,161	-	24,161
Past service cost and loss (gain) on settlements	9,573	-	9,573
Net interest expense (income)	39,261	(26,745)	12,516
Recognized in profit or loss	72,995	(26,745)	46,250
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(19,394)	(19,394)
Actuarial gain - changes in demographic assumptions	53,237	-	53,237
Actuarial gain - changes in financial assumptions	43,677	-	43,677
Actuarial gain - experience adjustments	70,761	(15,093)	55,668
Change in exchange rate	(106)	-	(106)
Recognized in other comprehensive income	167,569	(34,487)	133,082
Contributions from the employer	-	(179,471)	(179,471)
Benefits paid	(294,385)	294,385	-
Change in exchange rate	110	-	110
Others	675	-	675
Balance at December 31, 2018	$ 3,001,474	$ (2,013,124)	$ 988,350

The Group (excluding China Life Insurance)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	$ 2,749,772	$ (1,952,034)	$ 797,738
Service cost			
Current service cost	25,963	-	25,963
Net interest expense (income)	38,663	(27,277)	11,386
Recognized in profit or loss	64,626	(27,277)	37,349
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	9,140	9,140
Actuarial gain - changes in demographic assumptions	55,685	-	55,685
Actuarial gain - changes in financial assumptions	34,555	-	34,555
Actuarial gain - experience adjustments	32,040	3,029	35,069
Recognized in other comprehensive income	122,280	12,169	134,449
Contributions from the employer	-	(85,415)	(85,415)
Benefits paid	(205,212)	205,212	-
Balance at December 31, 2017	$ 2,731,466	$ (1,847,345)	$ 884,121

China Life Insurance

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

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

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

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

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

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

The Corporation

	Valuation at December 31	
	2018	**2017**
Discount rates	0.90%	0.95%
Expected rates of salary increase	2.50%	2.50%

CDIB Capital Group and subsidiaries

	Valuation at December 31	
	2018	**2017**
Discount rates	0.90%	0.95%
Expected rates of salary increase	2.50%	2.50%

KGI and subsidiaries

	Valuation at December 31	
	2018	**2017**
Discount rates	1.18%-8.25%	1.39%-7.00%
Expected rates of salary increase	2.00%-4.00%	2.00%-4.00%

KGI Bank and subsidiaries

	Valuation at December 31	
	2018	**2017**
Discount rates	0.95%-1.25%	0.95%-1.38%
Expected rates of salary increase	2.50%-3.00%	2.50%-3.00%

China Life Insurance

	Valuation at December 31	
	2018	2017
Discount rates	1.13%	1.31%
Expected rates of salary increase	0.00%-1.41%	0.00%-1.79%

China Development Asset Management Corporation

	Valuation at December 31	
	2018	2017
Discount rates	0.90%	0.95%
Expected rates of salary increase	2.50%	2.50%

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

The Group (excluding China Life Insurance in 2017)

	December 31	
	2018	2017
Discount rate(s)		
0.25-0.50% increase	$ (132,837)	$ (113,482)
0.25-0.50% decrease	$ 156,211	$ 137,209
Expected rate(s) of salary increase		
0.25-1.00% increase	$ 172,731	$ 133,712
0.25-1.00% decrease	$ (147,174)	$ (111,307)

China Life Insurance

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

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

	December 31	
	2018	2017
The expected contributions to the plan for the next year	$ 159,564	$ 68,852
The average duration of the defined benefit obligation	6.66-18.93 years	3.94-19.88 years

35. OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Separate - account product liabilities	$ 63,501,665	$ 61,824,990
Principal received on structured notes	26,253,350	24,247,363
Customers' equity accounts - futures	21,398,531	22,679,896
Others	385,853	374,126
	$ 111,539,399	$ 109,126,375

36. EQUITY

a. Share capital

Common stock

	December 31	
	2018	2017
Numbers of shares authorized (in thousands)	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands)	14,963,356	14,976,820
Shares issued	$ 149,633,560	$ 149,768,196

b. Capital surplus

	December 31	
	2018	2017
Arising from treasury stock transactions	$ 1,449,472	$ 985,211
Share-based payments awards	86,798	87,867
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	80,994
Others	13,728	19,647
	$ 1,630,992	$ 1,173,719

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

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

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

c. Special revenue

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

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

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

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

d. Appropriation of earnings

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

The board of director revised the proposal of the remaining net income and unappropriated accumulated earnings can cover previous years' accumulated losses and related taxes, if any, are sequenced as follows legal reserve on the current year's net income, followed by a special reserve or reversal defined by laws and plus the earnings as dividends to shareholders. After the distribution of priority preferred share dividends in accordance with the regulations, the final remainder of distribution for bonus with 30% to 100% of distribution given the unappropriated earnings at the beginning of the period, as proposed by the board of directors and approved in the shareholders' meeting.

The appropriation of earnings should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

On June 22, 2018 and June 16, 2017, the board of the directors and shareholders' meeting approved the resolution on the appropriations from the earnings of 2017 and 2016, respectively, as follows:

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

The appropriation of earnings of 2018 has not yet been approved by the board of directors as of the date of auditors' report.

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

e. Non-controlling interests

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ 81,544,066	$ 3,608,921
Effect of retrospective application and retrospective restatement	1,743,732	-
Attributable to non-controlling interests		
Share of profit for the year	4,961,952	670,182
Exchange difference on translation of financial statements of foreign operations	13,473	(7,910)
Unrealized gains on available-for-sale financial assets	-	2,811,543
Actual losses arising from defined benefit plans	(11,162)	(17,555)
Losses on equity instrument measured at FVTOCI	(2,531,844)	-
Losses on debt instrument measured at FVTOCI	(10,386,628)	-
Reclassification of other comprehensive income by overlay approach	(9,297,604)	-
Payment of cash dividends by subsidiaries	(1,993,427)	(35,828)
Payment of cash dividend to non-controlling interest	219,503	-
Treasury stock acquired by subsidiaries	-	(3,413,272)
Effect of changes in consolidated entities	-	77,926,364
Others	68,162	1,621
Balance at December 31	$ 64,330,223	$ 81,544,066

37. INFORMATION OF SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

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

	Net Income Attributed to Non-controlling Interests	
	For the Year Ended December 31	
	2018	2017
China Life Insurance Company Limited	$ 4,864,607	$ 623,968

	Non-controlling Interests	
	December 31	
	2018	2017
China Life Insurance Company Limited	$ 60,661,102	$ 77,939,388

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

China Life Insurance Company Limited

	December 31	
	2018	2017
Total assets	$ 1,734,540,477	$ 1,494,361,519
Total liabilities	1,642,279,604	1,375,535,670
Equity	$ 92,260,873	$ 118,825,849
Equity attributable to:		
Owners of parent	$ 31,599,771	$ 40,886,461
Non-controlling interest	60,661,102	77,939,388
	$ 92,260,873	$ 118,825,849

	For the Year Ended December 31	
	2018	2017
Revenue	$ 336,039,489	$ 81,398,841
Net profit for the year	$ 7,479,224	$ 959,337
Other comprehensive income	(34,149,476)	4,308,549
Total comprehensive income	$ (26,670,252)	$ 5,267,886
Net profit attributable to:		
Owners of parent	$ 2,614,617	$ 335,369
Non-controlling interest	4,864,607	623,968
	$ 7,479,224	$ 959,337
Comprehensive income attributable to:		
Owners of parent	$ (9,323,493)	$ 1,841,569
Non-controlling interest	(17,346,759)	3,426,317
	$ (26,670,252)	$ 5,267,886

	For the Year Ended December 31	
	2018	2017
Cash flows		
From operating activities	$ 117,989,262	$ 45,748,996
From investing activities	(116,730,330)	(21,171,611)
From financing activities	(3,029,119)	20,140,228
Net increase(decrease) in cash	$ (1,770,187)	$ 44,717,613
Dividend payment to non-controlling interests	$ 1,970,187	$ -

38. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Year (In Thousands)	Share Increase During the Year (In Thousands)	Share Decrease During the Year (In Thousands)	Shares at End of the Year (In Thousands)
For the year ended December 31, 2018				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	519,062	-	75,531	443,531
For the year ended December 31, 2017				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	323,232	196,630	800	519,062

The Corporation's shares held by subsidiaries are regarded as treasury stock. The Corporation's shares held by KGI Securities, calculated at the Corporation's stockholding percentage of book value on the completion day of acquisition were treated as treasury stock. The market prices of the shares were $2,399,876 thousand and $3,063,126 thousand on December 31, 2018 and 2017, respectively. KGI Securities entered into a trust contract with China Trust Commercial Bank (CTBC) in September 2018, and entrusted shares of Capital Securities Corporation to them. During the contract period, the trustee, CTBC, would deal with the shares in accordance with the contract. The Corporation's shares held by CDIB Capital Group are also treated as treasury stock and recognized book value on the swap date. On September 25, 2017, under the approval of the CDIB Capital Group's board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, CDIB Capital Group reduced its capital by reducing 20,646 thousand shares of Corporation's shares held. The effective date of the reduction was December 29, 2017. On March 26, 2018, the board of directors approved the cancelation of treasury stock through capital reduction, and obtained the approval of the FSC on May 16, 2018. The date of treasury stock retired was June 4, 2018. The Corporation's shares held by China Life Insurance are also treated as treasury stock and recognized book value on the completion day of acquisition. The market prices of the shares were $1,911,243 thousand and $1,995,793 thousand on December 31, 2018 and 2017, respectively.

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

39. INTEREST PROFIT, NET

	For the Year Ended December 31	
	2018	2017
Interest revenue		
Securities	$ 48,498,726	$ 15,427,235
Discounts and loans	11,006,918	8,088,661
Margin loans and refinancing margin	1,903,225	1,920,396
Due from and call loans to banks	448,502	376,153
Others	2,707,550	1,653,549
	64,564,921	27,465,994
Interest expenses		
Deposits	4,389,190	2,812,184
Notes and bonds issued under repurchase agreements	1,773,728	1,169,779
Deposit from banks	447,386	269,703
Borrowing interest expense	427,123	362,575
Corporate bonds	416,878	338,727
Others	528,288	442,614
	7,982,593	5,395,582
Interest profit, net	$ 56,582,328	$ 22,070,412

40. SERVICE FEE AND COMMISSION, NET

	For the Year Ended December 31	
	2018	2017
Service fee revenue and commission income		
Brokerage	$ 9,025,024	$ 8,433,577
Commission income - insurance	986,543	1,120,452
Security lending	708,736	559,872
Trust	533,313	539,951
Others	2,021,438	1,142,914
	13,275,054	11,796,766
Service fee expense and commission expense		
Commission expense - insurance	11,680,517	2,753,999
Brokerage	1,290,490	1,198,565
Others	1,679,544	1,068,340
	14,650,551	5,020,904
Service fee and commission, net	$ (1,375,497)	$ 6,775,862

41. INSURANCE BUSINESS, NET

	For the Year Ended December 31	
	2018	2017
Insurance business income		
Premium income	$ 282,450,044	$ 63,087,658
Reinsurance premium expense	(1,230,840)	(381,640)
Changes in unearned premium reserve	(433,453)	109,555
Retained earned premium	280,785,751	62,815,573
Separate-account insurance products revenues	3,939,371	3,919,018
	284,725,122	66,734,591
Insurance business expense		
Insurance claim payments	(95,841,742)	(23,614,637)
Claims recovered from reinsures	731,146	194,792
Retained claim payments	(95,110,596)	(23,419,845)
Brokerage expense	(9,741)	(4,747)
Disbursements toward industry stability fund	(474,725)	(119,888)
Changes in foreign exchange valuation reserve	(465,568)	97,086
Separate-account insurance products expenses	(3,939,371)	(3,919,018)
	(100,000,001)	(27,366,412)
Insurance business, net	$ 184,725,121	$ 39,368,179

42. GAIN(LOSS) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Year Ended December 31	
	2018	2017
Stocks	$ 1,906,500	$ 734,891
Derivatives	(29,059,013)	7,062,643
Bonds	3,458,909	(109,193)
Operating securities	(2,095,404)	3,589,174
Others	(320,023)	(1,828,962)
	$ (26,109,031)	$ 9,448,553

For the years ended December 31, 2018 and 2017, the Group’s financial assets and liabilities at fair value through profit or loss included interest revenue of $4,016,390 thousand and $1,397,229 thousand, respectively, dividend income of $7,443,928 thousand and $736,236 thousand, respectively and interest expense of $1,270,786 thousand and $768,241 thousand, respectively.

43. REALIZED GAIN(LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	For the Year Ended December 31, 2017
Gain on stock disposal	$ 4,892,115
Dividend income	1,289,347
Gain on bond disposal	1,260,836
Others	(28,918)
	$ 7,413,380

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

	For the Year Ended December 31, 2018
Gain on bond disposal	$ 1,940,431
Dividend income	603,544
	$ 2,543,975

45. GAIN ON FINANCIAL ASSETS MEASURED AT COST, NET

	For the Year Ended December 31, 2017
Gain on security disposal	$ 2,588,991
Dividend income	381,412
Distributions of fund capital gain	50,592
Others	4,230
	$ 3,025,225

46. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2018	2017
Employee benefit expense		
Salaries and wages	$ 12,727,048	$ 11,683,204
Employee insurance	1,018,292	735,078
Pension	667,832	488,140
Others	880,762	852,302
	$ 15,293,934	$ 13,758,724
Depreciation and amortization expenses	$ 2,417,238	$ 1,814,357

The Company's Articles of Incorporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors.

The employees' compensation bonus of employees and remuneration to directors and supervisors for 2018 and 2017 which have been approved in the shareholders' meetings on March 25, 2019 and March 26, 2018, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors for 2017 were reported on the shareholders meeting on June 22, 2018.

	For the Year Ended December 31	
	2018	2017
Employees' compensation to employees	$ 80,000	$ 116,000
Remuneration of directors and supervisors	79,000	110,000

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

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

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

47. INCOME TAX

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

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

a. Income tax expense recognized in profit or loss

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

	For the Year Ended December 31	
	2018	**2017**
Current income tax		
Current year	$ 1,082,289	$ 1,173,526
Adjustments for prior years	(357,936)	(147,351)
	724,353	1,026,175
Deferred income tax		
Current period	600,680	1,128,156
Prior years	(697,794)	-
	(97,114)	1,128,156
	$ 627,239	$ 2,154,331

In February 2018, the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%, while the applicable tax rate used by subsidiaries in China is 25%.

As the status of 2019 appropriation of earnings is uncertain, the potential income tax consequences of 5% of 2018 unappropriated earnings are not reliably determinable.

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

	For the Year Ended December 31	
	2018	**2017**
Income tax expenses at the statutory rate	$ 3,565,810	$ 3,162,089
Permanent differences	(3,497,627)	(2,511,704)
Unrecognized temporary differences	315,601	33,661
Loss carryforwards	606,451	1,221,185
Prior year's adjustments	(356,425)	(140,262)
Additional income tax under the Alternative Minimum Tax Act	558,374	385,643
Others	(564,945)	3,719
	$ 627,239	$ 2,154,331

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

	For the Year Ended December 31	
	2018	2017
Current income tax		
(Gain) loss on equity instruments at fair value through other comprehensive income	$ 12,543	$ -
Deferred income tax		
Adjustment in tax rate	409,086	-
(Gain) loss on equity instruments at fair value through other comprehensive income	(1,076,129)	-
Unrealized (gain) loss on available-for-sale financial assets	-	(208,848)
(Gain) loss on debt instruments at fair value through other comprehensive income	(3,661,565)	-
Actuarial gain (loss) on defined benefit plans	(42,149)	(18,770)
(Gain) loss on reclassification using the overlay approach	(1,457,479)	-
Deferred income tax related to tax losses and reversals	(121,476)	-
	$ (5,937,169)	$ (227,618)

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

	For the Year Ended December 31	
	2018	2017
Current income tax (benefit)		
Income tax recognized in equity - dividend policy	$ (1,135)	$ -
Deferred income tax (benefit)		
Deferred income tax related to tax losses and reversals	27,602	-
	$ 26,467	$ -

e. Deferred tax assets and liabilities

	December 31	
	2018	2017
Deferred tax assets		
Loss carryforwards	$ 5,219,346	$ 2,539,109
Financial products valuation	3,763,949	-
Unrealized loss on foreign exchange	2,555,594	5,582,056
Allowance for bad debts	611,455	587,393
Others	502,216	373,304
	$ 12,652,560	$ 9,081,862

(Continued)

	December 31	
	2018	2017
Deferred tax liabilities		
Purchase policy value	$ 2,553,504	$ 2,631,116
Goodwill	1,069,814	909,342
Debt instruments measured at amortized cost	922,659	-
Investment property	902,231	870,197
Land value increment tax	768,784	763,324
Gain on financial asset at fair value through profit or loss	460,432	844,660
Unrealized gain on available-for-sale financial assets	-	1,047,151
Debt investment without active market	-	1,340,808
Held-to-maturity financial assets	-	635,894
Others	597,851	348,962
	$ 7,275,275	$ 9,391,454

(Concluded)

f. Amount of unused loss carryforwards of unrecognized deferred income tax assets in the balance sheet

The information of the Corporation is as follows:

	December 31	
	2018	2017
Deductible amount of taxable income		
Expiry in 2019	$ -	$ 117,069
Expiry in 2021	378,146	378,146
	$ 378,145	$ 495,215

The information of CDIB Capital Group is as follows:

	December 31	
	2018	2017
Deductible amount of taxable income		
Expiry in 2021	$ 380,488	$ 380,488

The information of KGI Bank is as follows:

	December 31	
	2018	2017
Deductible amount of taxable income		
Expiry in 2017	$ -	$ 4,156,938
Expiry in 2018	12,613,743	9,738,114
Expiry in 2019	6,160,060	3,910,829
	$ 18,773,803	$ 17,805,881

g. Amount of unused loss carryforwards

As of December 31, 2018, the loss carryforwards related information of KGI Bank is as follows:

Amount of Unused Carryforwards	Final Carryforwards Year
$ 12,613,743	2018
10,187,530	2019
2,624,589	2020
1,240,412	2021
$ 26,666,274	

h. Income tax assessments

The Corporation's income tax returns through 2014 had been examined by the tax authorities. The Corporation disagreed with the tax authorities' assessments of its 2011 tax returns and thus filed tax appeals.

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

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

The income tax returns of KGI Securities for the years through 2014 had been examined by the tax authorities. KGI Securities disagreed with the tax authorities' assessments of its tax returns from 2009 to 2014. As a result, KGI filed tax appeals.

The income tax returns of KGI Securities Investment Advisory Co., Ltd. for the year through 2017 had been examined by the tax authorities. Income tax returns of KGI Insurance Brokers Co., Ltd., KGI Information Technology Co., Ltd., GSFC, KGI Futures Co., Ltd., KGI Securities Investment Trust Co., Ltd., and KGI Venture Capital Co., Ltd. through 2016 had been examined by the tax authorities.

CDIB Capital Group's income tax returns through 2014 had been examined by the tax authorities.

Income tax returns of CDIB Capital Management Inc., through 2016 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2016 and as of 2013 had been examined by the tax authorities.

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

Capital Life Insurance's income tax returns through 2016 had been examined by the tax authorities.

48. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Year Ended December 31	
	2018	**2017**
Basic EPS	$ 0.54	$ 0.80
Diluted EPS	$ 0.54	$ 0.80

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

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Earnings used in the computation of EPS	$ 7,852,688	$ 11,695,285

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

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of common shares outstanding in computation of basic EPS	14,480,026	14,583,551
Effect of dilutive potentially common shares:		
Restricted shares	2,468	5,424
Employee share options	18,044	3,260
Weighted average number of common shares outstanding in computation of diluted EPS	14,500,538	14,592,235

49. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Corporation

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

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

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

Information on employee share options was as follows:

	For the Year Ended December 31			
	2018		2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	64,118	$ 7.93	73,211	$ 8.43
Options exercised	(7,182)	7.61	(1,077)	7.65
Options invalid	(770)	7.81	(8,016)	8.41
Balance at December 31	56,166	7.54	64,118	7.93
Options exercisable, end of period	48,298	7.55	41,556	7.92
Weighted-average remaining contractual life (years)	2.6		3.62	

The weighted-average share price at the date of exercise of share options from January 1 to December 31, 2018 and 2017 were $10.73 and $9.23, respectively.

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

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

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

Compensation costs for the years ended December 31, 2018 and 2017 were $6,009 thousand and $5,645 thousand.

b. Issue restricted share plan

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

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

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

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

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

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

For the years ended December 31, 2018 and 2017, the Corporation recognized $6,983 thousand and $23,435 thousand as compensation cost.

50. RELATED-PARTY TRANSACTIONS

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

a. Related parties

Related Party	Relationship with the Group
Others	Other related parties

b. Significant transactions with related-parties

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

	Amount	%
December 31, 2018	$ 291,210	-
December 31, 2017	67,571	-

For the years ended December 31, 2018 and 2017, the interest revenues from cash in bank were $371 thousand and $223 thousand, respectively.

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

	Amount	%
December 31, 2018	$ 200,611	-
December 31, 2017	262,228	-

For the years ended December 31, 2018 and 2017, the interest revenues from due from banks were both $0 thousand.

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

	Amount	%
December 31, 2018	$ 6,032,510	2

4) Bank debentures (recognized as debt instruments measured at amortized cost)

	Amount	%
December 31, 2018	$ 921,744	-

For the year ended December 31, 2018, the interest revenues from bank debentures was $32,009 thousand.

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the year ended December 31, 2018		
Other related parties	$ 1,277,470	$ 1,942,918
For the year ended December 31, 2017		
Other related parties	701,044	299,896

6) Purchase and sale of securities

	Sale of Securities
For the year ended December 31, 2018	
Other related parties	$ 510,569

7) Revenue receivable (recognized as receivables, net)

	Amount	%
December 31, 2018	$ 123,303	-
December 31, 2017	244,416	-

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

	Amount	%
December 31, 2018	$ 15,935	-
December 31, 2017	23,919	-

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

	Amount	%
December 31, 2018	$ 22,433	-
December 31, 2017	16,772	-

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

	Amount	%
December 31, 2018	$ 459,512	-

11) Other receivables (recognized as receivables, net)

	Amount	%
December 31, 2018	$ 40,374	-
December 31, 2017	6,102	-

12) Discounts and loans, net

KGI Bank

	Amount	%	Interest Rate (%)
December 31, 2018	$ 1,150,686	-	1.54-15.00
December 31, 2017	962,341	-	1.54-15.00

For the years ended December 31, 2018 and 2017, the interest revenues from discounts and loans were $16,667 thousand and $15,117 thousand, respectively.

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	40	$ 34,371	$ 21,486	$ 21,486	$ -	None	Yes
Residential mortgage loans	85	1,399,026	1,123,527	1,123,527	-	Real estate	Yes
Others	12	19,712	5,673	5,673	-	Real estate	Yes

For the Year Ended December 31, 2017

(In Thousands of New Taiwan Dollars)

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

China Life Insurance

	Amount	%
December 31, 2018	$ 4,134	-
December 31, 2017	2,877	-

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Other related parties	$ 908,555	4	$ 4,096,960	14

For the years ended December 31, 2018 and 2017, the interest expenses from call loans from banks were $41,016 thousand and $22,345 thousand, respectively.

14) Notes and bonds issued under repurchase agreements

	Amount	%
December 31, 2017	$ 61,219	-

15) Other payables (recognized as payables)

	Amount	%
December 31, 2018	$ 21,006	-
December 31, 2017	69,938	-

16) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2018	$ 1,117,220	-	0-5.58
December 31, 2017	1,278,464	-	0-5.58

For the years ended December 31, 2018 and 2017, the interest expenses from deposits and remittances were $8,651 thousand and $7,126 thousand, respectively.

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

	Amount	%
December 31, 2017	298,480	-

For the years ended December 31, 2018 and 2017, the interest expenses from short-term borrowings were $8,621 thousand and $5,159 thousand, respectively.

18) Customers' equity accounts - futures (recognized as other financial liabilities)

	Amount	%
December 31, 2018	$ 8,723	-
December 31, 2017	42,647	-

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

	For the Year Ended December 31	
	Amount	**%**
2018	$ 13,192	-
2017	19,710	-

20) Other revenue except for interest income

	Amount	%
2018	$ 12,759	-
2017	12,180	1

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

	For the Year Ended December 31	
	Amount	**%**
2018	$ 270,764	-
2017	39,097	

22) Consulting service revenue

	2018		2017	
	Amount	**%**	**Amount**	**%**
<u>2018</u>				
Other related parties	$ 560,535	43	$ 483,405	42

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

	Amount	%
2018	$ 10,000	-
2017	40,000	1

24) Outstanding derivative financial instruments

KGI Bank

December 31, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,320,368	$ 642,233	Financial assets at FVTPL	$ 150,929
					Financial liabilities at FVTPL	2,366

December 31, 2017

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 11,431,784	$ (493,670)	Financial liabilities at FVTPL	$ 493,670

China Life Insurance

December 31, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Other related parties	Currency swap contracts	November 16, 2018 - February 27, 2019	US$ 299,000	Financial assets at FVTPL	$ 14,352
		October 8, 2018 - February 14, 2019	US$ 295,000	Financial liabilities at FVTPL	17,414

December 31, 2017

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Other related parties	Currency swap contracts	February 14, 2017 - September 25, 2018	US$ 464,000	Financial assets at FVTPL	$ 65,887

25) Issuance of letters of guarantee by related parties due to business needs

	For the Year Ended December 31	
	2018	2017
Others	$ 540,000	$ 860,000

26) Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Salary and short-term benefits	$ 435,620	$ 341,631
Share-based payment	5,795	20,976
Post-employment benefits	2,920	2,527
	$ 444,335	$ 365,134

The terms of the transactions with related parties were similar to those for third parties, except for certain preferential interest rates for employees' savings in and borrowings from KGI Bank.

Based on the Banking Act 32 and 33, except for consumer loans and government loans, credits extended by KGI Bank to any related party were fully secured, and the other terms of these credits were similar to those for third parties.

c. Related-party transactions were at costs or prices of at least NT$100 million

The significant transactions and relationship of the Corporation's subsidiaries with related parties were summarized below:

KGI Bank and subsidiaries

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

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

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Other related parties	$ 200,611	3	$ 262,228	2

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 464,124	1	$ 391,201	1

3) Bank debentures (recognized as debt instruments measured at amortized cost)

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	$ 921,744	8

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

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

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the year ended December 31, 2018		
Subsidiary of the parent company	$ 5,330,933	$ 2,733,358
Other related parties	877,050	-
For the year ended December 31, 2017		
Subsidiary of the parent company	2,847,280	6,632,791

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Other related parties	$ 908,555	4	$ 4,096,960	14

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Parent company	$ 530,563	100	$ 412,845	100

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

8) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2018			
Parent company	$ 5,019,205	1	0-0.73
Subsidiary of the parent company	18,239,625	4	0-1.03
December 31, 2017			
Parent company	974,422	-	0-0.57
Subsidiary of the parent company	12,720,348	3	0-1.03

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

	For the Year Ended December 31, 2018	
	Amount	%
Subsidiary of the parent company	$ 307,771	17

10) Outstanding derivative financial instruments

December 31, 2018

(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	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,320,368	$ 642,233	Financial assets at FVTPL	$ 150,929
					Financial liabilities at FVTPL	2,366
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	January 18, 2017 - February 01, 2020	602,120	(13,226)	Financial assets at FVTPL	2,740
					Financial liabilities at FVTPL	7,058
	Asset swap - option	January 18, 2017 - December 31, 2019	602,120	52,985	Financial liabilities at FVTPL	14,231
	Interest rate swap contracts	November 04, 2016 - November 06, 2020	636,173	(101)	Financial assets at FVTPL	544
					Financial liabilities at FVTPL	4,544
	Currency swap contracts	July 19, 2018 - February 27, 2019	15,520,165	36,905	Financial assets at FVTPL	49,613
					Financial liabilities at FVTPL	12,709

December 31, 2017

(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	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 11,431,784	$ (493,670)	Financial liabilities at FVTPL	$ 493,670
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 23, 2016 - March 01, 2020	508,220	6,070	Financial assets at FVTPL	10,412
	Asset swap - option	March 23, 2016 - February 13, 2020	508,220	(72,664)	Financial liabilities at FVTPL	77,745
	Interest rate swap contracts	November 04, 2016 - January 24, 2020	955,136	(763)	Financial liabilities at FVTPL	4,883
	Currency swap contracts	February 15, 2017 - September 21, 2018	7,014,280	11,733	Financial liabilities at FVTPL	60,367

KGI Securities and subsidiaries

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

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

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 2,738,863	20	$ 4,360,264	28

2) Available-for-sale financial assets - current

	December 31, 2017	
	Amount	**%**
Stock		
Parent company	$ 3,063,126	91

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

	December 31, 2018	
	Amount	**%**
Open Ended Fund and Money Market Instruments		
Other related parties	$ 465,958	1

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

	December 31, 2018	
	Amount	**%**
Stocks		
Parent company	$ 2,399,876	17

5) Purchase and sale of bonds

	Purchase of Bonds	**Sale of Bonds**
For the year ended December 31, 2018		
Subsidiary of the parent company	$ 5,278,020	$ 15,860,435
Other related parties	400,420	1,942,918
For the year ended December 31, 2017		
Subsidiary of the parent company	6,632,791	6,807,872
Other related parties	650,453	249,960

6) Purchase and sale of securities

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

7) Guarantee deposits received in futures contracts

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 919,916	4	$ 2,042,540	9

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

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

9) Restricted assets (recognized as other current assets)

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,202,572	3	$ 1,036,153	2

10) Short-term borrowings

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

11) Customers' equity accounts - futures

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 394,377	2	$ 362,052	2

12) Payables

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

13) Current tax liabilities

	December 31			
	2018		2017	
	Amount	%	Amount	%
Parent company	$ 740,985	81	$ 340,456	46

14) Other operating revenue

	For the Year Ended December 31, 2018	
	Amount	%
Subsidiary of the parent company	$ 337,512	39

15) Other operating expenses

	For the Year Ended December 31, 2018	
	Amount	%
Subsidiary of the parent company	$ 126,520	3

16) Other income and loss

	2018		2017	
	Amount	%	Amount	%
Parent company	$ 169,551	8	$ 151,293	9

17) Outstanding derivative financial instruments

a) Asset swap IRS contracts value

	December 31	
	2018	2017
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 602,120	$ 508,220

b) Asset swap option contracts - call

	December 31	
	2018	2017
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 602,120	$ 508,220

c) Interest rate swap contracts

	December 31	
	2018	2017
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 636,173	$ 955,136

18) Due to business needs, the related-parties issued a letter of guarantee

	For the Year Ended December 31	
	2018	2017
Other related parties	$ 540,000	$860,000

CDIB Capital Group and subsidiaries

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

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

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 6,566,990	39	$ 5,089,039	40

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

	Amount	%
December 31, 2018	$ 150,215	65

3) Revenue receivable (recognized as other receivables)

	December 31, 2017	
	Amount	%
Other related parties	$ 118,497	22

4) Sale of securities receivables (recognized as other receivables)

	December 31, 2018	
	Amount	%
Other related parties	$ 459,512	41

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Parent company	$ 317,267	98	$ 339,279	98

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

6) Purchase and sale of securities

	Sale of Securities
2018	
Other related parties	$ 510,569
2017	
Subsidiary of the parent company	112,345

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Parent company	$ 523,096	96	$ 323,549	97

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

8) Consulting service revenue

	2018		2017	
	Amount	%	Amount	%
Other related parties	$ 240,906	37	$ 242,153	43

China Development Asset Management Corp. Group

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

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

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

	Amount	%
December 31, 2018	$ 150,187	100

China Life Insurance

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

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

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

	December 31, 2018	
	Amount	%
Subsidiary of the parent company	$ 6,719,483	16
Other related parties	223,286	1

2) Financial assets at fair value through other comprehensive income

	December 31, 2018	
	Amount	%
Stocks		
Parent company	$ 5,467,191	2

3) Available-for-sale financial assets

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

4) Receivables from sale of securities (recognized as receivables)

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

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
2018		
Subsidiary of the parent company	$ 10,529,442	$ 2,544,662
2017		
Subsidiary of the parent company	3,960,593	-

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

	December 31, 2018	
	Amount	%
Other related parties	$ 5,159,700	2

7) Service fee revenue

	2018	
	Amount	%
Subsidiary of the parent company	$ 131,397	13

8) Dividend income (recognized as realized gain on financial assets measured at fair value through other comprehensive income)

	2018	
	Amount	%
Parent company	$ 337,481	6

9) Commission fee

	2018	
	Amount	%
Subsidiary of the parent company	$ 639,433	5

10) Outstanding derivative financial instrument

December 31, 2018

(In Thousands of United States Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	October 25, 2018 - February 27, 2019	US$ 250,000	Financial assets at FVTPL	$ 12,884
		July 05, 2018- February 15, 2019	US$ 255,000	Financial liabilities at FVTPL	49,387
Other related parties	Currency swap contracts	November 16, 2018 - February 27, 2019	US$ 299,000	Financial assets at FVTPL	14,352
		October 8, 2018 - February 14, 2018	US$ 295,000	Financial liabilities at FVTPL	17,414

December 31, 2017

(In Thousands of United States Dollars/US Dollars)

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

51. PLEDGED ASSETS

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

	December 31	
	2018	2017
Financial assets at fair value through other comprehensive income - negotiable certificate of deposit	$ 16,198,186	$ -
Other assets - operating guarantee deposits	7,438,483	7,454,004
Property and equipment, net	4,792,233	4,827,689
Accounts receivable- Installment accounts receivables and lease receivables	2,380,148	2,541,307
Other assets - guarantee deposit paid	1,502,485	130,584
Other financial assets - pledged time deposits	1,248,210	1,029,134
Other assets - competitive bid transactions guarantee	369,445	299,258
Investment property, net	344,109	348,297
Financial assets at fair value through profit or loss - bonds	203,177	356,457
Financial assets at fair value through other comprehensive income - bonds	181,348	-
Checking accounts - restricted for agent’s stock transfer purposes	51,074	52,128
Restricted assets - impound account	44,936	62,258
Due from the Central Bank and call loans to financial institutions	-	6,520,000
Available-for-sale financial assets - negotiable certificate of deposit	-	10,804,495
Available-for-sale financial assets - bonds and stocks	-	180,596

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

52. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 55 and 57 were summarized as follows:

a. In April 2007, CDIB Capital Group and Morgan Stanley entered into a CDS contract that was tied to a synthetic collateralized debt obligation on residential mortgage-backed securities. The representations made to CDIB Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB Capital Group. On July 15, 2010, CDIB Capital Group initiated action against Morgan Stanley & Co. International PLC ("Morgan Stanley") et al. to recover losses CDIB Capital Group suffered as a result of its investment in a Morgan Stanley's credit default swap (CDS) product that had been tied to a synthetic collateralized debt obligation on residential mortgage-backed securities; the representations made to CDIB Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB Capital Group. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB Capital Group had recognized all gains and losses from the transaction. The balance of US$11,978 thousand (NT$381,410 thousand based on the exchange rate of December 31, 2018) was reclassified to "other financial liabilities". The litigation had not yet been concluded as of December 31, 2018. In addition, Morgan Stanley overlooked CDIB Capital Group's efforts and terminated interest rate swap (IRS) contracts (nominal principal amount: KRW24,000,000 thousand) and CDS contracts (nominal principal amount: JPY586,510 thousand), CDIB Capital Group reserves the right of legal proceedings.

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

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

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

e. The case KGI Bank acted vigorously in regards to Prince Motors' overdue debt. In December 2012, a third party regards filed a lawsuit claiming that KGI Bank fraudulently infringed upon the property rights of creditors (credit litigation amounted to $481,157 thousand) on Dun Nan building. On February 14, 2014, the Taipei District Court judged that KGI Bank lost the lawsuit and has to return the amount of $1,786,318 thousand for re-allocation. KGI Bank has appealed on March 10, 2014, and the original adjudication in favor of the third party was revoked by the court, which indicated KGI Bank on the second trial. The third party filed an appeal but the court rejected the third party's appeal on July 26, 2017. Third party then filed appeal for third trial and the case was currently pending with the Supreme Court. The third party filed a new appeal and the Supreme Court ordered the high court to conduct a new trial on November 9, 2018. The high court is hearing this case on third trial as the consolidated financial statements were reported to the board of directors.

f. In response to the rapid business development and IT demands for innovative products, KGI Bank plans to outsource part of its IT operations to, in order to enhance IT service levels, in line with 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. Throughout the validity period of the IT outsourcing contract, in addition to paying for extra services in accordance with professional rates. Starting from December 31, 2018, the Bank has to pay, annual service fees for the basic framework, support service, IT application service and integration and transformation of its server and so on, with the service fees totaling $300,120 thousand for the remaining years. The plan have been modified and approved by the board of directors on August 21, 2018.

g. On December 16, 2016, the Company signed the contract with CHUNG-LU Construction Co., Ltd. for the construction of Taipei Academy, and on March 1, 2017 signed the first contract change protocol, modify the total amount of the contract is $5,623,913 thousand. As of December 31, 2018, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is $1,378,319 thousand and unpaid amount is $4,245,594 thousand.

53. BUSINESS COMBINATIONS

a. China Life Insurance

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

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

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

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

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

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

5) The influence of business combination on business performance

   Since the acquisition date, net revenue and net loss from the acquire in 2017 were $51,090,406 thousand and $959,337 thousand respectively. Should the acquisition happened on the opening date of fiscal year, the proposed net revenue and net profit of the subsidiary for the year ended December 31, 2017 were $193,769,305 thousand and $16,586,212 thousand respectively. Should the acquisition completed on the opening date of fiscal year, the amounts could not reflect the actual revenue and operating performance of the Corporation and subsidiaries. Neither should it be utilized to forecast the operating performance in the future.

b. Traditional Insurance Policies of Allianz Taiwan Life Insurance

China Life Insurance acquired a part of the asset and liability business of the traditional insurance policies of Allianz Taiwan Life Insurance at a consideration price of NT$1. The settlement date was May 18, 2018.

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

	Fair Value on Settlement Date
Financial assets (including cash and cash equivalents of $49,856,478)	$ 50,766,127
Financial liabilities	(2,569)
Insurance liabilities	(49,031,763)
Other liabilities	(357)
	$ 1,731,438

The bargain purchase gain due to the partial acquisition of the traditional insurance business of Allianz Taiwan Life Insurance was $1,731,438 thousand, which was generated by the acquisition consideration of $1 minus the fair value of the net identifiable assets of $1,731,438 thousand.

Had the acquisition happened on January 1, 2018, the pro forma net revenue and net income before tax of the subsidiary for the year ended December 31, 2018 would have been $252,610,506 thousand and $13,776,102 thousand, respectively.

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

Consolidated Profitability

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.53	0.88
	After income tax	0.50	0.75
Return on net worth	Before income tax	5.61	6.98
	After income tax	5.35	5.94
Profit margin		5.08	14.48

Profitability of the Corporation

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	4.10	5.92
	After income tax	4.07	6.05
Return on net worth	Before income tax	4.73	6.87
	After income tax	4.74	7.06
Profit margin		88.97	94.31

Profitability of KGI Bank

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.46	0.87
	After income tax	0.34	0.55
Return on net worth	Before income tax	4.83	8.38
	After income tax	3.59	5.30
Profit margin		24.39	28.98

Profitability of KGI Securities

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	2.30	4.75
	After income tax	2.11	4.61
Return on net worth	Before income tax	6.94	14.05
	After income tax	6.38	13.64
Profit margin		38.85	55.64

Profitability of China Life Insurance

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.60	0.63
	After income tax	0.64	0.65
Return on net worth	Before income tax	11.02	9.91
	After income tax	11.67	10.30
Profit margin		3.01	3.56

55. FINANCIAL INSTRUMENTS

a. The definitions of each hierarchy are as follows:

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

2) Level 2 fair values refer to directly or indirectly observable inputs other than Level 1 quoted prices, such as the quoted prices of similar financial instruments in active markets; in less active markets, fair values are quoted prices of the same or similar financial instruments or financial instruments that can be generated by using pricing models that use inputs such as interest rates and volatility rates, which are derived from or can be corroborated with observable market data.

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

b. Fair value

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

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	$ 111,514,368	$ 81,132	$ 6,857,996	$ 118,453,496
Bond investments	41,989,438	61,457,028	191,943	103,638,409
Others	47,323,015	15,470,248	11,033,980	73,827,243
Financial assets designated as at FVTPL	6,169,907	42,512,632	574,064	49,256,603
Financial assets at FVTOCI				
Stock investments	17,462,411	12,316	11,111,094	28,585,821
Bond investments	235,021,765	173,029,763	-	408,051,528
Others	-	48,698,585	-	48,698,585
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,091,924	1,649,405	-	4,741,329
Financial liabilities designated as at FVTPL	-	29,046,779	-	29,046,779

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ 927,604	$ 28,660,132	$ 167,547	$ 29,755,283
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	746,457	49,325,395	771,524	50,843,376
Financial liabilities designated as at FVTPL	-	3,155,241	-	3,155,241

(Concluded)

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
Nonderivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	$ 12,996,195	$ -	$ -	$ 12,996,195
Bond investments	24,982,960	19,930,069	-	44,913,029
Others	785,808	19,244,125	-	20,029,933
Financial assets designated as at FVTPL	-	23,650,076	1,215,716	24,865,792
Available-for-sale financial assets				
Stock investments	146,337,350	555,487	17,091,036	163,983,873
Bond investments	123,530,695	231,267,706	-	354,798,401
Others	8,092,318	30,834,526	1,179,998	40,106,842
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,330,993	3,163,745	-	4,494,738
Financial liabilities designated as at FVTPL	-	17,417,983	-	17,417,983
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	655,067	22,340,390	149,201	23,144,658
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,349,139	31,032,660	449,041	32,830,840
Financial liabilities designated as at FVTPL	-	986,143	-	986,143

2) Evaluation technology at fair value

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

3) Reconciliation of fair value

a) The limitation of valuation techniques and uncertain inputs

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

b) Credit risk valuation adjustments

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

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

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

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

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

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

4) Transfers between the Levels 1 and 2

	For the Year Ended December 31, 2018		**For the Year Ended December 31, 2017**	
	Level 1 Converted Into Level 2	**Level 2 Converted Into Level 1**	**Level 1 Converted Into Level 2**	**Level 2 Converted Into Level 1**
Available-for-sale financial assets - bond investments	$ -	$ -	$ 50,663	$ 37,686,358
Financial assets at FVOCI - bond investments	8,193,853	10,483,913	-	-

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 3 items of financial instruments

The movements of financial assets with Level 3 fair value were as follows:

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3 (Note)	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	$ 20,569,493	$ 2,545,325	$ 2,963,681	$ -	$ (7,417,920)	$ (409,113)	$ 18,251,466
Financial assets designated as at FVTPL	457,036	14,023	165,293	-	(62,288)	-	574,064
Financial assets at FVTOCI	16,855,341	(5,690,731)	68,400	-	(121,916)	-	11,111,094

For the Year Ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets held for trading	$ 241,384	$ (45,769)	$ 77,220	$ -	$ (123,634)	$ -	$ 149,201
Financial assets designated as at FVTPL	174,265	69,608	971,843	-	-	-	1,215,716
Available-for-sale financial assets	366,045	(223,363)	18,139,175	-	(10,823)	-	18,271,034

Note: For parts of stock investments, the Corporation's subsidiaries acquired their observable market material, causing the applicable level of stock investments transfer from Level 3.

The movements of financial liabilities with Level 3 fair value were as follows:

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 449,041	$ (217,502)	$ 1,142,185	$ -	$ (602,200)	$ -	$ 771,524

For the Year Ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 237,850	$ 37,889	$ 1,049,780	$ -	$ (876,478)	$ -	$ 449,041

The total gains or losses for the years ended December 31, 2018 and 2017 included gain of $45,868 thousand and $204,760 thousand relating to assets and liabilities measured at fair value on Level 3 fair value measurement and held at the end of reporting date.

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

KGI Bank and subsidiaries

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

	Fair Value at December 31, 2018	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Nonderivative financial instruments					
Financial assets at FVTOCI	$ 381,396	Market approach, net asset method	P/B, P/E, Lack of liquidity discount and control discount	1.15-9.94, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of marketability and control.
Derivative financial instruments					
Financial assets at FVTPL	147,234	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	146,087	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

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

KGI Securities and subsidiaries

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

December 31, 2018

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of marketability	23%-26%	Assets at fair value is inversely proportional to discount for lack of marketability.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	24.93%-62.14%	According to condition of contract, fair value of asset may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

(Continued)

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	2.18%-14.04%	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	21.32%-47.70%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

(Concluded)

December 31, 2017

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Available-for-sale financial assets	Fair value from counter-party	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.42%-69.92%	According to condition of contract, fair value of assets may be higher or lower.
Equity derivatives - premium - equity option (call option)	Martingale pricing technique	History volatility	19.70%	According to condition of contract, fair value of assets may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	2.13%-56.98%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	13.93%-59.80%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

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

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

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

December 31, 2018

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/ Negative Change	Positive Impact	Negative Impact
Financial assets				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Reduction proportion	-1%/+1%	$ 359	$ 368
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	Historical volatility	+25%/-25%	2,173	1,997
Financial liabilities				
Derivative instruments				
Structured notes - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put options)	Historical volatility	-25%/+25%	(12)	(12)

December 31, 2017

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

(Continued)

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/ Negative Change	Positive Impact	Negative Impact
Financial liabilities				
Derivative instruments				
Structured notes - options	Historical volatility	-25%/+25%	$ (210)	$ (175)
Equity derivative instruments - premium - options (put options)	Historical volatility	-25%/+25%	971	1,103

(Concluded)

CDIB Capital Group and subsidiaries

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

	Fair Value at December 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 15,365,511	Market approach	P/B P/S Lack of liquidity discount	0.66-2.06 0.31-9.44 23%-29%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
		Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	23%-29% 10.33%-14.14% 3%-7%	When the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Lack of liquidity discount Non-controlling interest discount	23%-29% 11%	When the higher lack of liquidity discount, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	39.05%-39.2%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

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

China Life Insurance

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

	December 31, 2018			
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
Financial assets				
Financial assets at fair value through profit or loss	Option	Volatility in stock price for the 90-day period	35.139%	The higher the volatility in stock price for the 90-day period, the higher the fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.18%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.

	December 31, 2017			
	Valuation Techniques	**Significant Unobservable Inputs**	**Quantification Information**	**Relationship Between Inputs and Fair Value**
Financial assets				
Financial assets at fair value through profit or loss	Option	Volatility in stock price for the 90-day period	26.727%	The higher the volatility in stock price for the 90-day period, the higher the fair value.
Available-for-sale	Market approach	Discount for lack of liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.51%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.

7) Pricing process of Level 3 fair value

KGI Bank and subsidiaries

KGI Bank's risk management department is responsible for the pricing process of Level 3 fair value. The pricing models and conditions assumed are conform to market practice; the basis of the theory are commonly recognized by the industry as a basis of valuation in conducting measurement of fair value. Further, the department confirms whether the sources of the information are independent or not, reasonably reflecting the prices in normal circumstances, and examines and adjusts fair value periodically to insure results of the valuation is reasonable.

KGI Securities and subsidiaries

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

CDIB Capital Group and subsidiaries

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

China Life Insurance

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

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

1) Fair value information

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

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

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

Fair values of bonds payable with quoted prices in an active market are evaluated using the market price; bonds payable with no quoted prices in an active market are estimated by valuation methods or the opponent's price.

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

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Level I	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt instruments measured at amortized cost	$ 155,654,720	$ 790,443,476	$ -	$ 946,098,196
Investments accounted for using the equity method	2,803,009	-	-	2,803,009
Non-financial assets				
Investment property, net	-	-	25,033,305	25,033,305
Financial liabilities				
Bank debentures payable	-	7,353,175	-	7,353,175

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Level I	Level 2	Level 3	Total
Financial assets				
Held to maturity financial assets	$ 120,725,199	$ 81,225,149	$ -	$ 201,950,348
Investments accounted for using the equity method	2,830,066	-	-	2,830,066
Debt instruments with no active market	74,365,024	575,027,180	-	649,392,204
Non-financial assets				
Investment property, net	-	-	25,123,845	25,123,845
Financial liabilities				
Bank debentures payable	-	1,002,863	-	1,002,863

3) Measurement technique

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

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

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

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

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

f) The fair value of debt investments measured at amortized cost is estimated by referring to quote price from electronic bond trading system of Taipei Exchange and Bloomberg.

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

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

56. INFORMATION OF INSURANCE CONTRACTS

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

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

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

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

2) Risk management policies, procedures and methods:

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

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

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

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

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

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

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

b. Information of insurance risks

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

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

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

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

2) Interpretation for concentration of insurance risks

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

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

3) Claim development trend

a) Direct business loss development trend

Accident Year	Development Year											Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	
2008	$ 2,170,100	$ 2,736,556	$ 2,776,542	$ 2,781,989	$ 2,786,399	$ 2,792,187	$ 2,798,032	$ 2,798,807	$ 2,799,546	$ 2,800,435	$ 2,802,449	
2009	2,243,111	2,870,648	2,924,110	2,934,461	2,936,046	2,939,451	2,940,095	2,940,209	2,940,748	2,941,322		
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963	3,144,299	3,144,902	3,145,167			
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,824	3,354,243				
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,748					
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,053,040						
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,303,753							
2015	3,530,448	4,420,482	4,498,438	4,510,113								
2016	3,721,820	4,648,280	4,743,133									
2017	4,320,234	5,400,952										
2018	4,775,948											$ 1,137,709
Note: This table does not include long-term life insurance.									Add:	Long-term insurance claims		426,129
										Claim reserve for discount on no claim		122,904
									Reserve for claims balance			$ 1,686,742

b) Retained business loss development trend

Accident Year	Development Year											Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	
2008	$ 2,128,556	$ 2,682,784	$ 2,721,905	$ 2,719,002	$ 2,723,312	$ 2,728,970	$ 2,734,682	$ 2,735,440	$ 2,736,162	$ 2,737,031	$ 2,739,000	
2009	2,204,858	2,820,114	2,862,350	2,868,022	2,869,572	2,872,900	2,873,529	2,873,640	2,874,167	2,874,728		
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,782	3,073,109	3,073,699	3,073,958			
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,936	3,278,301				
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,586					
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,983,916						
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,206,313							
2015	3,468,881	4,336,525	4,407,051	4,408,435								
2016	3,657,093	4,560,257	4,647,033									
2017	4,244,930	5,298,470										
2018	4,692,869											$ 1,130,013
Note: This table does not include long-term life insurance.									Add:	Long-term insurance claims		406,621
										Claim reserve for discount on no claim		122,904
									Reserve for claims balance			$ 1,659,538

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

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

4) Credit risk:

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

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

5) Liquidity risk:

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

	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
December 31, 2018					
Insurance liabilities of investment contracts with discretionary participation features	$ (33,630,030)	$ 39,944,163	$ 129,971,782	$ 558,939,147	$ 3,349,786,380
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
December 31, 2017					
Insurance liabilities of investment contracts with discretionary participation features	(20,408,694)	9,987,603	111,026,996	457,700,212	2,985,206,011
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

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

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

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

6) Market risk:

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

57. 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 business, operational and liquidity risks.

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

KGI Bank and subsidiaries

KGI Bank has planned a 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 directors supervise the establishment of risk management structure and culture, ensures efficiency of operation in risk management, reviews important risk control report and bear the ultimate responsibility of risk management.

2) Risk management committee

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

3) Business and management departments

   The department is responsible for ensuring compliance of risk management regulations while conducting the operations to practice the control of daily risk.

4) Risk management department

   KGI Bank establishes a risk management department which is independent from operating departments to take charge of planning and managing of risk management system and to provide overall risk management information to senior management and the board of directors.

5) Internal audit department

   The department takes charge of establishment of all risk mechanisms and audit the compliance and implementation of mechanism.

Risk management is a joint duty to all KGI Bank's department including business, legal, compliance of law, finance, accounting, administration, operating, audit departments and so on, should all practice it actively, and through coordination of intra-departments to carry out the overall risk management.

<u>KGI Securities and subsidiaries</u>

1) Financial risk management objectives

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

2) Risk management organization

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

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

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

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

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

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

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

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

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

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

3) Risk management system

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

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

4) Risk management mechanism

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

a) Market risk

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

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

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

b) Credit risk

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

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

c) Liquidity risk

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

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

d) Operating risk and other risks

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

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

5) Risk hedge and mitigation strategy

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

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

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

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

<u>China Life Insurance</u>

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

b. Credit risk

<u>KGI Bank and subsidiaries</u>

1) Definition and source of credit risk

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

2) Credit risk management policy

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

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

a) Credit investigation

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

b) Credit approval

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

c) Post-lending loan review

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

d) Risk report and information disclosures

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

3) Mitigation of risks or hedging of credit risk

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

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

4) Maximum exposure to credit risk

Without taking into account KGI Bank's irrevocable collateral or KGI Bank's other credit enhancements and maximum exposure of unused amount for unused revolving credit without credit card and cash card, the maximum exposure to credit risk from on-balance sheet financial assets was equal to their carrying values; the maximum exposure of credit risk from off-balance sheet financial instruments was as follows:

	December 31	
	2018	**2017**
Irrevocable loan commitments, guarantees and letters of credit	$ 37,251,576	$ 29,079,858

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

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

	Discounts And Loans						
	December 31, 2018						
			Stage 3				
	Stage 1	**Stage 2**		**Purchased or**			
	12-month Expected Credit Losses	**Lifetime Expected Credit Losses**	**Lifetime Expected Credit Losses**	**Originated Credit-impaired Financial Asset**	**Recognition of Impairment/ Adjustment**	**Total**	**December 31, 2017 Total**
Short-term loans	$ 59,431,415	$ 1,121,576	$ 614,463	$ -		$ 61,167,454	$ 57,489,128
Short-term secured loans	20,978,083	2,600	4,797	-		20,985,480	14,775,539
Medium-term loans	135,657,957	192,409	361,245	-		136,211,611	118,372,311
Medium-term secured loans	55,203,609	62,808	11,912	-		55,278,329	52,803,496
Long-term loans	929,979	277,446	402,542	-		1,609,967	1,678,126
Long-term secured loans	63,377,413	96,527	1,010,702	-		64,484,642	52,083,633
Loans reclassified to nonperforming loans	-	-	420,512	-		420,512	455,444
Export negotiations	56,079	-	-	-		56,079	17,155
Total book values	335,634,535	1,753,366	2,826,173	-		340,214,074	297,674,832
Impairment allowance	(1,415,427)	(102,703)	(495,451)	-		(2,013,581)	(3,924,531)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (2,320,761)	(2,320,761)	
Adjusting for discounts and loans premium	-	-	-	-	(128,300)	(128,300)	(93,311)
	$ 334,219,108	$ 1,650,663	$ 2,330,722	$ -	$ (2,449,061)	$ 335,751,432	$ 293,656,990

	Receivables						
	December 31, 2018						
			Stage 3				
	Stage 1	**Stage 2**		**Purchased or**			
	12-month Expected Credit Losses	**Lifetime Expected Credit Losses**	**Lifetime Expected Credit Losses**	**Originated Credit-impaired Financial Asset**	**Recognition of Impairment/ Adjustment**	**Total**	**December 31, 2017 Total**
Credit card business	$ 2,449,428	$ 196,501	$ 91,043	$ -		$ 2,736,972	$ 2,648,363
Accounts receivable - forfaiting	8,122,872	-	-	-		8,122,872	4,400,120
Accounts receivable factoring without recourse	8,180,068	280	160	-		8,180,508	8,498,884
Acceptances	140,770	-	-	-		140,770	258,652
Installment accounts and lease receivables	3,365,564	47,465	92,327	-		3,505,356	3,951,034
Total book value	22,258,702	244,246	183,530	-		22,686,478	19,757,053
Impairment allowance	(65,519)	(27,975)	(66,189)	-		(159,683)	(307,539)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (186,096)	$ (186,096)	
	$ 22,193,183	$ 216,271	$ 117,341	$ -	$ (186,096)	$ 22,340,699	$ 19,449,514

Maximum exposure to credit risk of financial instruments not applicable to impairment is as follows:

	December 31, 2018
	Maximum Exposure to Credit Risk
Financial assets at FVTPL	
Debt instrument	$ 35,640,472
Derivatives instruments	23,860,387

5) Collaterals and credit enhancement

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

KGI Bank and its subsidiaries observe collateral's value of financial instrument closely, and consider recognizing impairment for financial assets with credit impairment. KGI Bank and its subsidiaries' financial assets with impairment, and collateral's values for mitigation of potential losses for the year ended December 31, 2018 were as follows:

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	$ 91,043	$ 28,013	$ 63,030	$ -
Accounts receivable factoring	160	10	150	-
Installment accounts and lease receivables	92,327	38,166	54,161	96,449
Discounts and loans	2,826,173	495,451	2,330,722	8,450,071
Total amount of impaired asset	$ 3,009,703	$ 561,640	$ 2,448,063	$ 8,546,520

The amount the of KGI Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount is $581,078 thousand for the year ended December 31, 2018.

6) Concentrations of credit risk

Concentrations of credit risk arise when there is only one counterparty, or when there is a number of more than one counterparties or exposure but they have comparable economic characteristics, or when 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 from a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, due from and call loans to banks, investments, receivables and derivatives. To manage credit risk concentration, KGI Bank maintains a diversified portfolio and monitors its exposure continually. KGI Bank's most significant concentrations of credit risk are summarized as follows:

a) By object

Object	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Public and private enterprise	$ 223,928,501	65.82	$ 197,705,315	66.42
Natural person	115,908,259	34.07	99,643,651	33.47
Non-profit organization	377,314	0.11	325,866	0.11
Total	$ 340,214,074	100.00	$ 297,674,832	100.00

b) By region

Region	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Domestic	$ 249,109,901	73.22	$ 225,941,825	75.90
Overseas	91,104,173	26.78	71,733,007	24.10
Total	$ 340,214,074	100.00	$ 297,674,832	100.00

c) By collateral

Collateral	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Non-collateral	$ 199,322,970	58.59	$ 178,769,206	60.06
Collateral				
Financial collateral	7,522,386	2.21	6,857,650	2.30
Property	112,842,633	33.17	89,144,353	29.95
Guarantee	14,661,938	4.31	16,997,483	5.71
Other	5,864,147	1.72	5,906,140	1.98
Total	$ 340,214,074	100.00	$ 297,674,832	100.00

7) The analysis of financial assets credit quality and impairment of overdue credit-2017

Some financial assets held by KGI Bank and its subsidiaries such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreement, parts of receivables, parts of other financial assets, guarantee deposits paid, deposits for business operations and clearing and settlement fund are regarded as having very low credit risk because of the counterparties' good credit ratings.

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

a) Credit quality analysis of discounts, loans and receivables

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

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

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

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

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

c) Securities investment credit quality analysis

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

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

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

8) Aging analysis of financial assets overdue but not yet impaired - 2017

Delays in processing borrowers' repayments and other administrative reasons could result in financial assets becoming overdue but not impaired. Based on KGI Bank's assessment of credits, financial assets overdue within 90 days are not considered impaired unless other evidence proves otherwise.

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

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

9) Analysis of impairment for financial assets - 2017

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

Items		**December 31, 2017**	
		Discounts and Loans	**Allowance for Bad Debts**
With objective evidence of impairment	Assessment of individual impairment	$ 184,525	$ 42,374
	Assessment of collective impairment	750,991	443,884
Without objective evidence of impairment	Assessment of collective impairment	296,739,316	3,438,273
Total		297,674,832	3,924,531

Items		**December 31, 2017**	
		Receivables	**Allowance for Bad Debts**
With objective evidence of impairment	Assessment of individual impairment	$ 1,707,936	$ 1,173,526
	Assessment of collective impairment	83,504	51,553
Without objective evidence of impairment	Assessment of collective impairment	21,743,478	243,149
Total		23,534,918	1,468,228

10) Management of foreclosed collateral

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

Foreclosed collateral will be sold when it is actually available for sale. The foreclosed collateral is classified as other assets in balance sheet. The difference amount between the disposition price and the book value is recognized as other non-interest net income.

KGI Bank's foreclosed collaterals were mainly securities, land and buildings. As of December 31, 2018 and 2017, the carrying amounts of the collaterals were $0 thousand. Foreclosed collaterals assumed are classified as other assets in the balance sheets. KGI Bank had gained on disposal of collaterals with amounts of $0 thousand and $128,237 thousand during 2018 and 2017, respectively.

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

a) KGI Bank's asset quality of nonperforming loan and overdue credits

Item			December 31, 2018				
			Nonperforming Loan (NPL) (Note 1)	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 92,641	$ 66,186,663	0.14%	$ 868,216	937.18%
	Unsecured		125,781	162,139,177	0.08%	1,837,173	1,460.61%
Consumer loan	Mortgage (Note 4)		36,495	50,506,797	0.07%	762,653	2,089.76%
	Cash card		134,830	13,837,469	0.97%	287,034	212.89%
	Micro credit (Note 5)		158,752	23,343,848	0.68%	324,479	204.39%
	Other (Note 6)	Secured	23,697	24,173,355	0.10%	253,059	1,067.88%
		Unsecured	1,438	26,765	5.37%	1,728	120.23%
Total			573,634	340,214,074	0.17%	4,334,342	755.59%
			Overdue Receivable	**Account Receivable**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			$ 17,283	$ 2,736,972	0.63%	$ 56,444	326.59%
Account receivable - factored without recourse (Note 7)			36	8,180,508	0.00%	113,780	312,137.08%

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

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

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

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

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

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

Note 6: "Others" under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and it does not include credit cards.

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

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

Items	December 31, 2018		December 31, 2017	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 11,518	$ 88	$ 12,862	$ 137
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	44,921	4,653	46,561	4,276
Total	$ 56,439	$ 4,741	$ 59,423	$ 4,413

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

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

c) Concentration of KGI Bank's credit extensions

December 31, 2018

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 012711 Computer manufacturing	$ 7,924,071	13.57
2	B Group - 012331 Manufacture of cement	7,185,684	12.31
3	C Group - 012613 Packaging and testing of semi-conductors	4,933,506	8.45
4	D Group - 016811 Real estate activities for sale and rental	4,539,571	7.78
5	E Group - 015100 Civil aviation transportation	4,215,415	7.22
6	F Group - 016700 Real estate development activities	3,850,000	6.60
7	G Group - 012711 Computer manufacturing	3,378,104	5.79
8	H Group - 016811 Real estate activities for sale and rental	3,181,523	5.45
9	I Group - 012411 Iron and steel smelting	3,011,595	5.16
10	J Group - 016700 Real estate development activities	2,855,537	4.89

December 31, 2017

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	B Group - 011850 Manufacture of man-made fibers	$ 5,899,179	9.64
2	G Group - 012711 Computer manufacturing	4,340,394	7.09
3	A Group - 012711 Computer manufacturing	4,199,518	6.86
4	K Group - 012641 Manufacture of liquid crystal panel and components	4,035,229	6.59
5	F Group - 016700 Real estate development activities	3,825,000	6.25
6	I Group - 012411 Smelting and refining of iron and steel	3,625,759	5.92
7	J Group - 016700 Real estate development activities	3,468,927	5.67
8	L Group - 012740 Manufacture of magnetic and optical media	3,200,000	5.23
9	M Group - 011512 Manufacture of paper	3,019,197	4.93
10	N Group - 014510 Wholesale on a fee or contract basis	2,984,800	4.88

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

Credit business

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

a) Quantitative index

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

b) Qualitative index

i. Changes in the current or predicted operating, financial, or economic conditions that are expected to cause a significant change in the ability of the borrower to perform its obligations.

ii. Actual or expected significant changes in borrower's operating results.

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

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

For the various types of credit assets of KGI Bank which are not be regarded as low credit risk, its can be assumed that the credit risk of such assets has not increased significantly since the initial recognition.

13) Definition of default and impaired credit of financial assets

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

a) Quantitative index

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

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

b) Qualitative index

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

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

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

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

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

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

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

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

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

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

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

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

iv. Before the maturity of the note or bond, the bond guarantor or issuer closes down or is in the process of perform other financial restructuring.

14) Write-off policy

The KGI Bank shall write off bad debts for non-performing loans and overdue receivables that meet one of the following requirements:

a) When reaching the criteria of write-off of the regulation.

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

c) Written off by the governing authorities or the financial inspection authorities.

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

e) Obtaining the documentary evidence or supporting documents with the assessments that it is not possible to recover the loan.

15) Amendment of contract cash flows of financial assets

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

16) Measurement of expected credit losses

For the purpose of measuring expected credit losses, KGI Bank divides credit assets into the following groups; for corporate banking, they are grouped according to scale, while for consumer banking, they are grouped according to product characteristics

Business	Group	Definition
Corporate banking	Large enterprises + Stage 1	Credit risk has not increased significantly.
	Small and medium enterprises + Stage 1	
	Large enterprises + Stage 2	Credit risk has increased significantly.
	Small and medium enterprises + Stage 2	
	Large enterprises + Stage 3	Credit impaired.
	Small and medium enterprises + Stage 3	
Consumer banking	Product + Stage 1	Credit risk has not increased significantly.
	Product + Stage 2	Credit risk has increased significantly.
	Product + Stage 3	Credit impaired

KGI Bank measures the allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model l For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses, KGI Bank takes into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and include the loss given default ("LGD") and exposure at default ("EAD") and taking into account the impact of the time value of money when calculating the 12 month and lifetime expected credit losses.

Probability of default is the probability of default of a borrower (or counterparty) over a period of time; the loss given default refers to the probability of loss of the borrower or counterparty due to inability to recover the debt at the end of the reminder procedures. The probability of default and loss given default are used in the impairment assessment of KGI Bank's credit business are based on internal historical information (such as credit loss experience, etc.) of each group, adjusted based on the current observable data and forward-looking general economic information (such as GDP and employment rate, etc.) which are used to calculate the probability of default on expected losses.

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

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

17) Considerations of forward-looking information

KGI Bank incorporates forward-looking information when measuring expected credit losses on loans and receivables. Based on the business characteristics, KGI Bank selected the overall indicators that are highly relevant to lending as an adjustment parameter for default probability of lending. Based on the type of business, KGI Bank used different overall indicator. The Corporate banking business takes the economic growth rate (GDP) as an adjustment parameter; the consumer banking business takes employment rate variation as adjustment parameter. KGI Bank will make reference to external information (predicted value of internationally renowned economic forecasting institutions) or group expert assessments to provide forecasting information on economic factors (basic economic conditions) quarterly; it contains the best estimate of the economic situation in the next five years, and for more than five years until the duration of the relevant financial instruments, it assumes a forecast that is equal to the fifth year.

The measurement of expected credit loss of the Bank's debt instruments is based an external credit migration matrix method to calculate the Probability of default (PD), which is incorporated in the information of forward-looking factors.

18) Changes of provisions for off-balance-sheet guarantees and commitments

The off-balance-sheet guarantees and commitments provisions for the year ended December 31, 2018 are adjusted as follows:

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 161,030	$ 633	$ -	$ 1,726	$ -	$ 163,389	$ 27,441	$ 190,830
Changes due to financial instruments that have been identified at the beginning of the year:								
To lifetime ECL	(34)	34	-	-	-	-		-
From conversion to credit-impaired financial assets	(9)	(12)	-	21	-	-		-
To 12-month ECL	544	(141)	-	(403)	-	-		-
Derecognizing financial assets during the current period	(92,303)	(3)	-	-	-	(92,306)		(92,306)
Purchased or originated new financial assets	93,819	321	-	-	-	94,140		94,140
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							34,999	34,999
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	(12,077)	64	-	326	-	(11,687)		(11,687)
Balance at December 31	$ 150,970	$ 896	$ -	$ 1,670	$ -	$ 153,536	$ 62,440	$ 215,976

KGI Bank and its subsidiaries had no significant increase in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment unused amount for the year ended December 31, 2018. Net increase of $27,028,541 thousand change in total book value resulted in abovementioned provisions increased by $25,146 thousand in comparison to the prior period.

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

There was no significant increase in the credit risk of debt instruments measured at amortized cost of KGI Bank and subsidiaries; therefore, the 12-month expected credit losses were used to assess allowance for loss. The retroactive application of IFRS 9 on January 1, 2018 resulted in $2,181 thousand of loss allowance. An increase in the investment position resulted in $3,581 thousand of loss allowance on December 31, 2018.

20) Loss allowance for receivables

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

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 108,302	$ 32,442	$ -	$ 1,232,581	$ -	$ 1,373,325	$ 135,280	$ 1,508,605
Changes due to financial instruments that have been identified at the beginning of the year:								
To lifetime ECL	(1,470)	3,480	7	(2,017)	-	-		-
From conversion to credit-impaired financial assets	(1,097)	(3,257)	-	4,354	-	-		-
To 12-month ECL	1,827	(144)	-	(1,683)	-	-		-
Derecognizing financial assets during the current period	(70,020)	(8,390)	-	(25,076)	-	(103,486)		(103,486)
Purchased or originated new financial assets	58,357	11,876	-	5,698	-	75,931		75,931
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	102,608	102,608
Write-off	-	(6,237)	-	(54,463)	-	(60,700)		(60,700)
Recovery of written-off	-	-	-	92,128	-	92,128		92,128
Effect of exchange rate changes and others	(26,159)	(1,312)	(2)	(68,367)	-	(95,840)		(95,840)
Balance at December 31	$ 69,740	$ 28,458	$ 5	$ 1,183,155	$ -	$ 1,281,358	$ 237,888	$ 1,519,246

Changes in total book values of receivables for the year ended December 31, 2018 of KGI Bank and subsidiaries:

	Stage 1	Stage 2		Stage 3		Total
		Lifetime ECL		Lifetime ECL		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	$ 21,697,882	$ 251,185	$ -	$ 1,938,926	$ -	$ 23,887,993
Conversion from individual financial instruments to lifetime ECL	-	(18)	18	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	(2)	-	2	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(134,140)	56,284	-	77,856	-	-
Purchased or originated new receivables	14,723,867	44,146	-	35,620	-	14,803,633
Write-off	-	(6,237)	-	(75,492)	-	(81,729)
Derecognition	(9,484,059)	(94,266)	(1)	(78,006)	-	(9,656,332)
Others	380,760	(82)	-	(7,430)	-	373,248
Balance at December 31	$ 27,184,310	$ 251,010	$ 17	$ 1,891,476	$ -	$ 29,326,813

21) Loss allowance for discounts and loans

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

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	$ 1,316,129	$ 129,626	$ -	$ 530,904	$ -	$ 1,976,659	$ 1,952,257	$ 3,928,916
Changes due to financial instruments that have been identified at the beginning of the year:								
To lifetime ECL	(2,902)	(1,908)	12,440	(7,630)	-	-		-
From conversion to credit-impaired financial assets	(4,120)	(25,452)	-	29,572	-	-		-
To 12-month ECL	13,868	(2,306)	-	(11,562)	-	-		-
Derecognizing financial assets during the current period	(1,179,605)	(7,625)	(3,739)	(336,104)	-	(1,527,073)		(1,527,073)
Purchased or originated new financial assets	1,452,967	782	-	11,621	-	1,465,370		1,465,370
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							368,504	368,504
Write-off	-	-	-	(442,684)	-	(442,684)		(442,684)
Recovery of written-off	-	-	-	725,908	-	725,908		725,908
Effect of exchange rate changes and others	(180,910)	2,501	(1,616)	(4,574)	-	(184,599)		(184,599)
Balance at December 31	$ 1,415,427	$ 95,618	$ 7,085	$ 495,451	$ -	$ 2,013,581	$ 2,320,761	$ 4,334,342

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

	Stage 1	Stage 2		Stage 3		Total
		Lifetime ECL		Lifetime ECL		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	$ 292,239,778	$ 1,977,828	$ -	$ 3,457,226	$ -	$ 297,674,832
Conversion from individual financial instruments to lifetime ECL	-	(33,735)	33,735	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	(13,113)	-	13,113	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(578,304)	191,268	-	387,036	-	-
Purchased or originated new discounts and loans	565,156,755	38,185	-	419,378	-	565,614,318
Write-off	-	-	-	(442,684)	-	(442,684)
Derecognition	(517,905,049)	(265,401)	(9,917)	(797,154)	-	(518,977,521)
Others	(3,278,645)	(165,282)	(202)	(210,742)	-	(3,654,871)
Balance at December 31	$ 335,634,535	$ 1,729,750	$ 23,616	$ 2,826,173	$ -	$ 340,214,074

KGI Securities and subsidiaries

Credit risk analysis after January 1, 2018

1) Source of credit risk

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

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

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

2) Credit risk management

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

3) Default and credit derogation definition of financial assets

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

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

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

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

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

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

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

d) KGI securities and subsidiaries' financial assets are written-off if they are unable to reasonably expect that financial assets will be recovered (e.g., significant financial difficulties for the issuer or the debtor, or bankrupt).

4) Credit risk statement for financial assets

a) Cash and cash equivalents, other financial assets

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

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

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

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

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

d) Bonds purchased under resell agreements

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

e) Receivables

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

f) Customers' margin accounts

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

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

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

h) Held-to-maturity financial assets - noncurrent

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

i) Others noncurrent assets

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

5) Assessment of expected credit losses

a) Consideration of forward-looking information

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

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

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

b) Receivables and other financial assets

KGI Securities and domestic subsidiaries

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

Overseas subsidiaries

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

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

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

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

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

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

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

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

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

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

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

Credit risk analysis before January 1, 2018

1) Source of credit risk

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

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

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

2) Internal risk rating

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

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

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

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

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

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

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

3) Quality and condition of past due financial assets

December 31, 2017

(In Thousands of New Taiwan Dollars)

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

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

a) Cash and cash equivalents

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

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

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

c) Receivables

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

d) Held to maturity financial assets - noncurrent

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

e) Other assets - noncurrent

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

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

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

Financial assets at fair value through other comprehensive income

Total book value and allowance loss for financial assets at financial assets at fair value through other comprehensive income were $16,110,773 thousand and $5,447 thousand, respectively.

Receivables and other financial assets

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	$ 13,849,068	$ (532)	$ 13,848,536
Bonds purchased under resell agreement	19,448,839	(17)	19,448,822
Receivables on margin loans	21,181,502	(1,871)	21,179,631
Trading securities receivables	8,031,155	(1,223)	8,029,932
Customer's margin accounts	21,810,523	(48)	21,810,475
Accounts receivable futures guarantee deposits	188,951	(176,333)	12,618
Accounts receivable	22,259,487	(1,113)	22,258,374
Other current assets	47,592,747	(12,958)	47,579,789
Financial assets measured at amortized cost - non-current	500,000	(3,293)	496,707
Other non-current assets	5,069,492	(1,797,288)	3,272,204
	$ 159,931,764	$ (1,994,676)	$ 157,937,088

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

i. Financial assets at fair value through other comprehensive income

	12 Months Expected Credit Loss
January 1, 2018 (IAS 39)	$ -
Adjustment to IFRS 9	293
January 1, 2018 (IFRS 9)	293
Increase	5,086
Change in exchange rate	68
December 31, 2018	$ 5,447

ii. Receivables and other financial assets

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss (Collective)	Credit Impaired Financial Assets (Lifetime Expected Credit Loss)	Lifetime Expected Credit Loss (Simplify)	Total
January 1, 2018 (IAS 39)	$ -	$ -	$ 1,842,138	$ 806	$ 1,842,944
Adjustment to IFRS 9	13,036	2	13	3,003	16,054
January 1, 2018 (IFRS 9)	13,036	2	1,842,151	3,809	1,858,998
Addition (reversal)	2,531	211	104,216	(229)	106,729
Derecognizing financial assets during the current period	-	-	(11,096)	-	(11,096)
Written-off	-	-	(1,929)	-	(1,929)
Change in exchange rate	308	4	41,662	-	41,974
December 31, 2018	$ 15,875	$ 217	$ 1,975,004	$ 3,580	$ 1,994,676

iii. The aforementioned change in allowance loss does not result from a significant change in the total book value. In February 2018 the futures trader of the subsidiary company defaulted due to deficiency of futures guarantee deposits. KGI Securities subsidiaries recognized an impairment loss of $89,771 thousand for the outstanding accounts receivable - futures guarantee deposits.

CDIB Capital Group and subsidiaries

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

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

China Life Insurance

- Credit risk analysis

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

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

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

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

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

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

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

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

2) Financial assets credit risk concentration analysis

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

December 31, 2018

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$ 38,287,834	$ 1,919,154	$ 2,738,184	$ -	$ -	$ 42,945,172
Financial assets at fair value through profit or loss	22,768,189	8,226,879	31,346,707	3,726,226	-	66,068,001
Financial assets at fair value through other comprehensive income	95,588,537	76,002,454	57,546,223	62,264,262	-	291,401,476
Financial assets at amortized cost	134,174,771	218,562,631	212,259,896	367,500,420	17,984,522	950,482,240
Refundable deposits - bonds	5,965,762	-	-	-	-	5,965,762
Total	$ 296,785,093	$ 304,711,118	$ 303,891,010	$ 433,490,908	$ 17,984,522	$ 1,356,862,651
Proportion	21.87%	22.46%	22.40%	31.95%	1.32%	100.00%

December 31, 2017

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

ii. China Life Insurance's regional distribution of credit risk exposure for secured loans and overdue receivables (excluding policy loans and automatic premium loans) is as follows:

December 31, 2018

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	$ 553,282	$ 289,001	$ 308,836	$ 1,151,119
Overdue receivables	-	2,032	450	2,482
Total	$ 553,282	$ 291,033	$ 309,286	$ 1,153,601
Proportion	47.96%	25.23%	26.81%	100.00%

December 31, 2017

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

3) Financial asset credit quality and overdue impairment analysis

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

i. Grading of financial instrument credit risk quality

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

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

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

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

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

December 31, 2018

Financial Assets	Normal Assets	
	Investment Grade	Non-investment Grade
Cash and cash equivalents	$ 42,945,172	$ -
Financial assets at fair value through profit or loss	66,068,001	-
Financial assets at fair value through other comprehensive income	291,401,476	-
Financial assets at amortized cost	950,482,240	-
Refundable deposits	5,965,762	-
	$ 1,356,862,651	$ -
Proportion	100.00%	-

December 31, 2017

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

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

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

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

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

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

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

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

December 31, 2017

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

China Life Insurance's aging analysis for net amount of secured loans is as follows:

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

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

China Life Insurance assesses its debt investments at fair value through other comprehensive income, debt investments measured at amortized cost and other receivables on December 31, 2018. The assessment indicates those investments belongs to lower credit risk which is the same as the initial assessment. Therefore, the 12-month expected credit loss (loss rate 0.00%-0.18%) is used to measure the amount of allowance loss.

The total book value of China Life Insurance debt investments measured at fair value through other comprehensive income and amortized cost and related other receivables on December 31, 2018 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
Total book value on December 31, 2018 (Note)	$ 294,783,102	$ 956,524,783	$ 11,073,170

Note: Including securities serving as collateral deposits.

Changes in allowance losses of financial asset at fair value through other comprehensive income, and debt investment measured at cost and other related receivables for the year ended December 31, 2018 are as follows:

	At Fair Value Through Other Comprehensive Income	At Amortized Cost	Other Receivables
January 1, 2018	$ 18,150	$ 69,784	$ 757
Disposal	(3,857)	(2,333)	(68)
Addition	12,662	16,849	314
Change in model/risk factors	(198)	848	29
Change in exchange rate and others	313	1,494	12
December 31, 2018	$ 27,070	$ 86,642	$ 1,044

For the year ended December 31, 2018, the increase in debt investments measured at amortized cost and at fair value through other comprehensive income correspond with the increase in the allowance loss measured on the basis of 12 months.

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

Credit Risk Ratings	Measurement of Expected Credit Loss	Loans	Other Receivables
Low credit risk	12 months expected credit loss	$ 1,150,280	$ 1,146
Credit risk significantly increase	Lifetime expected credit loss	5,074	26
Impairment	Lifetime expected credit loss	16,250	66
Total book value		$ 1,171,604	$ 1,238

Changes in allowance losses for the year ended December 31, 2018 are as follows:

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss - Collective	Lifetime Expected Credit Loss - Individual	Impairment Recognized In Accordance with IFRS 9	Impairment Recognized In Accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts By Insurance Enterprises	Total
January 1, 2018	$ 1,012	$ 16,815	$ 351	$ 18,178	$ 23,772	$ 41,950
Change due to financial assets recognized at the beginning of the year						
Change to duration expected credit loss	(2)	-	2	-	-	-
Change to 12 months expected credit loss	33	-	(33)	-	-	-
Disposal	(185)	-	(37)	(222)	-	(222)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(7,440)	(7,440)
Change in exchange rate and others	(785)	(16,473)	973	(16,285)	-	(16,285)
December 31, 2018	$ 73	$ 342	$ 1,256	$ 1,671	$ 16,332	$ 18,003

The allowance loss of China Life Insurance's accounts receivables arising from other transactions are measured by lifetime expected credit loss. Changes in allowance losses of receivables for the year ended December 31, 2018 are as follows:

	Receivables
January 1, 2018	$ 724
Addition	7,191
Written-off due to uncollectable	-
December 31, 2018	$ 7,915

c. Liquidity risk

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

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

2) Management policy of liquidity risk

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

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

a) Financial assets held for liquidity management

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

b) Non-derivative financial liabilities

The following tables show the cash outflows on the KGI Bank's non-derivative financial liabilities based on contract maturities. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the balance sheets.

(In Thousands of New Taiwan Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 7,523,296	$ 2,500	$ -	$ 166,850	$ -	$ 7,692,646
Notes and bonds issued under repurchase agreement	13,291,782	1,243,064	601,742	-	-	15,136,588
Deposits and remittances	39,640,290	68,725,042	59,815,135	86,327,484	24,215,819	278,723,770
Bank debentures payable	-	-	-	-	7,350,000	7,350,000
Other capital outflow on maturity	2,867,861	710,703	298,834	562,208	287,922	4,727,528
Total	$ 63,323,229	$ 70,681,309	$ 60,715,711	$ 87,056,542	$ 31,853,741	$ 313,630,532

(In Thousands of New Taiwan Dollars)

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

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 235,000	$ 146,000	$ 20,000	$ -	$ -	$ 401,000
Notes and bonds issued under repurchase agreement	239,203	511,658	331,969	-	-	1,082,830
Deposits and remittances	1,573,301	1,006,239	542,454	843,891	10,023	3,975,908
Bank debentures payable	-	-	-	-	945,133	945,133
Other capital outflow on maturity	30,683	19,947	8,128	1,620	159,044	219,422
Total	$ 2,078,187	$ 1,683,844	$ 902,551	$ 845,511	$ 1,114,200	$ 6,624,293

(In Thousands of U.S. Dollars)

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

4) Maturity analysis of derivative financial instruments

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

(In Thousands of New Taiwan Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (233,453,223)	$ (278,785,154)	$ (170,854,332)	$ (43,935,861)	$ (7,938,490)	$ (734,967,060)
Cash inflow	212,355,080	261,260,926	164,566,007	38,897,232	6,501,546	683,580,791
Interest rate derivatives instruments						
Cash outflow	(148,479)	(340,477)	(11,507)	(300,000)	(16,900,584)	(17,701,047)
Cash inflow	125,186	337,310	-	-	15,006	477,502
Cash outflow subtotal	(233,601,702)	(279,125,631)	(170,865,839)	(44,235,861)	(24,839,074)	(752,668,107)
Cash inflow subtotal	212,480,266	261,598,236	164,566,007	38,897,232	6,516,552	684,058,293
Net cash flow	$ (21,121,436)	$ (17,527,395)	$ (6,299,832)	$ (5,338,629)	$ (18,322,522)	$ (68,609,814)

(In Thousands of New Taiwan Dollars)

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

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (8,079,022)	$ (9,161,839)	$ (5,717,494)	$ (1,603,252)	$ (492,810)	$ (25,054,417)
Cash inflow	8,838,537	9,949,100	5,887,192	1,598,368	540,811	26,814,008
Interest rate derivatives instruments						
Cash outflow	(89,987)	(133,284)	(85,583)	(6,773)	(68,545)	(384,172)
Cash inflow	59,794	125,658	74,119	2,843	128	262,542
Others						
Cash outflow	(365)	-	-	-	-	(365)
Cash inflow	725	-	-	-	-	725
Cash outflow subtotal	(8,169,374)	(9,295,123)	(5,803,077)	(1,610,025)	(561,355)	(25,438,954)
Cash inflow subtotal	8,899,056	10,074,758	5,961,311	1,601,211	540,939	27,077,275
Net cash flow	$ 729,682	$ 779,635	$ 158,234	$ (8,814)	$ (20,416)	$ 1,638,321

(In Thousands of U.S. Dollars)

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

5) Maturity analysis of off-balance sheet items

The table below shows KGI Bank's maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period.

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	$ 7,809,005	$ 3,477,324	$ 3,972,951	$ 10,004,484	$ 11,987,812	$ 37,251,576

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	$ 3,733,551	$ 4,103,855	$ 2,851,540	$ 7,230,363	$ 11,160,549	$ 29,079,858

6) The maturity analysis of lease agreement

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

The maturity analysis of lease commitments were as follows:

December 31, 2018	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 1,727,233	$ 1,976,230	$ -	$ 3,703,463
Financial lease present value income (lessor)	1,615,018	1,890,338	-	3,505,356
Operating lease payment (lessee)	322,537	325,106	85,297	732,940
Operating lease income (lessor)	22,177	76,527	10,185	108,889
Present value of financial lease payment (lessee)	-	3,716	-	3,716

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

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

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

(In Thousands of New Taiwan Dollars)

December 31, 2018	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 149,159,389	$ 245,722,737	$ 299,698,283	$ 202,917,488	$ 75,145,312	$ 149,115,349	$ 1,121,758,558
Main capital outflow on maturity	103,871,470	206,384,796	376,122,829	261,937,068	189,060,528	198,159,116	1,335,535,807
Gap	45,287,919	39,337,941	(76,424,546)	(59,019,580)	(113,915,216)	(49,043,767)	(213,777,249)

(In Thousands of New Taiwan Dollars)

December 31, 2017	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 127,058,823	$ 219,715,996	$ 295,579,614	$ 163,632,779	$ 128,864,381	$ 117,527,786	$ 1,052,379,379
Main capital outflow on maturity	95,731,910	183,638,358	383,761,033	208,991,914	213,997,515	205,014,186	1,291,134,916
Gap	31,326,913	36,077,638	(88,181,419)	(45,359,135)	(85,133,134)	(87,486,400)	(238,755,537)

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

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 9,842,316	$ 10,983,935	$ 6,369,860	$ 1,944,560	$ 3,788,668	$ 32,929,339
Main capital outflow on maturity	10,441,717	11,367,360	7,095,302	3,027,754	2,636,078	34,568,211
Gap	(599,401)	(383,425)	(725,442)	(1,083,194)	1,152,590	(1,638,872)

(In Thousands of U.S. Dollars)

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

<u>KGI Securities and subsidiaries</u>

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2018	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 5,114,643	$ 8,733,893	$ -	$ -	$ -	$ 13,848,536
Financial assets measured at FVTPL - current	45,048,279	1,944,214	9,160,574	387,366	69,401	56,609,834
Financial assets measured at FVTOCI - current	13,641,407	134,551	643,797	3,288,431	7,953,100	25,661,286
Securities purchased under resell agreement	-	19,494,037	-	-	-	19,494,037
Receivable	29,269,275	4,088,892	15,752,425	2,371,131	-	51,481,723
Customers' margin accounts	21,810,475	-	-	-	-	21,810,475
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,925,678	2,093,783	6,916,890	-	-	11,936,351
Other financial assets - current	-	-	3,387,927	-	-	3,387,927
Current tax assets	-	-	48	2,255	569,624	571,927
Other current assets	45,521,742	986,209	1,071,838	-	-	47,579,789
Financial assets measured at FVTPL - noncurrent	-	-	-	549,334	2,233,090	2,782,424
Financial assets measured at FVTOCI - noncurrent	-	-	-	-	4,218,151	4,218,151
Financial assets at amortized cost - noncurrent	-	-	-	298,653	198,054	496,707
Investments accounted for using the equity method	-	-	-	-	11,170,844	11,170,844
Others noncurrent assets	70,000	-	100,000	259,621	2,814,781	3,244,402
Total	$ 163,401,499	$ 37,475,579	$ 37,033,499	$ 7,156,791	$ 29,227,045	$ 274,294,413
Percentage	59.57%	13.66%	13.50%	2.61%	10.66%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2018	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 14,782,223	$ -	$ -	$ -	$ 14,782,223
Commercial papers payable, net	-	2,457,752	-	-	-	2,457,752
Financial liabilities measured at FVTPL - current	3,723,021	1,236,609	5,532,983	1,124,791	69,401	11,686,805
Bonds issued under repurchase agreements	-	65,299,256	-	-	-	65,299,256
Payables	60,856,910	1,603,369	5,143,243	96,648	-	67,700,170
Guarantee deposits - borrowed securities	-	5,908,005	11,910,455	-	-	17,818,460
Futures customers' equity	21,792,908	-	-	-	-	21,792,908
Collections/other payables/other current liabilities	424,784	1,101,415	2,601,633	30	-	4,127,862
Other financial liabilities - current	-	2,224,901	8,913	739	-	2,234,553
Current tax liabilities	-	-	175,426	-	738,425	913,851
Bonds payable	-	-	-	4,800,000	-	4,800,000
Provisions - noncurrent	-	-	-	21,840	205,228	227,068
Others noncurrent liabilities	-	-	-	694,628	67,593	762,221
Total	$ 86,797,623	$ 94,613,530	$ 25,372,653	$ 6,738,676	$ 1,080,647	$ 214,603,129
Percentage	40.45%	44.09%	11.82%	3.14%	0.50%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2018	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 163,401,499	$ 37,475,579	$ 37,033,499	$ 7,156,791	$ 29,227,045	$ 274,294,413
Cash outflow	86,797,623	94,613,530	25,372,653	6,738,676	1,080,647	214,603,129
Amount of cash flow gap	$ 76,603,876	$ (57,137,951)	$ 11,660,846	$ 418,115	$ 28,146,398	$ 59,691,284

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

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

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

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

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

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

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from December 31, 2018 and 2017, show that the sums from deducting cash outflow from cash inflow are $59,691,284 thousand and $47,210,147 thousand, respectively, all indicating sufficient fund liquidity.

An observation of fund inflow and outflow in different periods of time shows that current and receivable items contribute to the most of the financial assets of KGI Securities and subsidiaries, taking up to nearly 59.57% of the entire financial assets. This shows that most of these financial assets can be liquidated immediately and therefore have high liquidity. As for financial liabilities, there is no particular period with a high number of due payments which will put stress on fund dispatching.

Although an analysis of funds gap shows that the cash outflow exceeded cash inflow within 3 months period and 1 to 5 years period, the main differentiating factor is that the financial assets of KGI Securities and subsidiaries have high liquidity, which causes financial assets and liabilities to have different impacts during different cash flow periods. On December 31, 2018 and 2017, net cash inflow calculated from net spot financial assets are respectively $76,603,876 thousand and $75,769,563 thousand, which are sufficient to cover the net cash outflows of $57,137,951 thousand and $59,648,125 thousand from the 3 months and 1-5 years period, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

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

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

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

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

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

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

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

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

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

As of December 31, 2018 and 2017, CDIB Capital Group and subsidiaries’ other financial liabilities are $381,410 thousand and $370,737 thousand, respectively, and will be paid by financial assets and the rest of nonderivative financial liabilities are $905,189 thousand and $909,527 thousand, respectively, and are mainly all current liabilities.

China Life Insurance

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

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

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

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

   a) Financial assets held for managing liquidity risk

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

   b) Maturity analysis of non-derivative financial liabilities

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

      Non-derivative financial liabilities

	December 31, 2018		
	In 1 Year	**Over 1 Year**	**Total**
Payables	$ 10,698,549	$ 28,537	$ 10,727,086

	December 31, 2017		
	In 1 Year	**Over 1 Year**	**Total**
Payables	$ 8,495,206	$ 52,723	$ 8,547,929

c) Maturity analysis of derivative financial liabilities

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

China Life Insurance has enough operating capital, including cash and cash equivalents, and highly liquid securities, such as government bonds to pay the investment and liabilities at maturity. Therefore, the risk of liquidity is extremely low. China Life Insurance enters into forward contracts and cross currency swaps derivative financial instruments, whose currencies are highly liquid, so the possibility of selling out and the risk of market liquidity are low. The forward contracts and cross currency swaps will be operated continually and the capital is enough to pay for settlement, so the risk of capital liquidity is low.

China Life Insurance's maturity structure of derivative financial liabilities is as follows:

	December 31, 2018				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 1,782,682	$ -	$ 686,445	$ -	$ 2,469,127

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

3) Maturity analysis of lease commitments

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

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2018 and 2017 are as follows:

	December 31	
	2018	2017
Less than one year	$ 111,219	$ 121,955
More than one year but less than five years	438,883	451,549
More than five years	4,834,881	5,250,407
	$ 5,384,983	$ 5,823,911

The minimum lease payments of operating lease for the three and years ended December 31, 2018 and 2017 amounted to $63,301 thousand and $68,207 thousand, respectively.

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

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2018 and 2017 are as follows:

	December 31	
	2018	2017
Less than one year	$ 407,686	$ 401,125
More than one year but less than five years	873,984	1,000,913
More than five years	223,248	232,402
	$ 1,504,918	$ 1,634,440

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

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

In accordance with the non-cancellable finance lease, the total amount of the minimum lease payment as at December 31, 2018 and 2017 is as follows:

	December 31	
	2018	2017
Less than one year	$ 30,066	$ 35,325
More than one year but less than five years	24,205	54,271
	$ 54,271	$ 89,596

d. Market risk

KGI Bank and subsidiaries

1) Source and definition of market risk

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

2) Risk management policies

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

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

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

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

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

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

The KGI Bank's market risk report includes profit or loss on trading positions, limits usage, stress testing, trading portfolio risk assessment, as well as significant exception if any.

The risk management unit of the KGI Bank independently performs daily market risk limit controls, and monthly reports to both the Risk Management Committee and CDFH's Risk Management Committee. Besides, the above reports are quarterly presented to the Board for reference.

4) Mitigation of risks or hedging of market risk

The KGI Bank's market risk positions or hedging positions are marked to market on a daily base through techniques such as model evaluation. All market parameters are updated at least daily in accordance with changes in market conditions. Market Risk Limits are regularly reviewed and controlled based on the revaluation results.

5) Valuation techniques of market risk

The KGI Bank uses the VaR model and stress testing to evaluate the potential and extreme risk of trading portfolios. Through variations of the assumptions on market conditions, these techniques can be used to assess the market risk of positions held and the maximum expected loss.

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

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2018			**For the Year Ended December 31, 2017**		
	Average	**Highest**	**Lowest**	**Average**	**Highest**	**Lowest**
Interest rate risk	$ 172,030	$ 263,393	$ 72,541	$ 98,810	$ 187,181	$ 29,201
Equity risk	13,929	27,333	3,477	8,254	13,354	4,918
Exchange rate risk	5,034	34,521	2,163	10,860	44,645	2,060

6) Interest rate risk in banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

7) Interest rate risk management of the banking book

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

8) Concentration of currency risk information

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 6,504,546	30.73	$ 199,904,197
EUR	553,336	35.22	19,488,500
HKD	3,190,724	3.92	12,520,400
CNY	1,282,347	4.48	5,739,271
GBP	35,024	38.89	1,362,084
AUD	43,641	21.68	946,141
JPY	2,497,538	0.28	695,315
SGD	20,472	22.49	460,408
ZAR	202,838	2.13	431,843
Financial liabilities			
Monetary items			
USD	8,133,541	30.73	249,968,104
CNY	3,795,557	4.48	16,987,396
EUR	391,754	35.22	13,797,578
ZAR	2,048,614	2.13	4,361,500
AUD	100,666	21.68	2,182,447
JPY	4,488,426	0.28	1,249,578
HKD	110,607	3.92	434,023
GBP	3,127	38.89	121,619
NZD	5,713	20.63	117,855

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 5,914,373	29.85	$ 176,532,206
CNY	2,382,398	4.58	10,908,763
EUR	191,275	35.67	6,822,783
HKD	1,338,076	3.82	5,110,111
JPY	6,663,892	0.26	1,765,265
GBP	41,090	40.21	1,652,217
SGD	20,243	22.32	451,818
ZAR	180,741	2.42	437,031
Nonmonetary items			
HKD	568,390	3.82	2,170,682
Financial liabilities			
Monetary items			
USD	7,027,583	29.85	209,759,297
CNY	3,032,704	4.58	13,886,450
ZAR	1,594,860	2.42	3,856,371
EUR	88,468	35.67	3,155,661
AUD	63,370	23.26	1,473,986
JPY	4,329,719	0.26	1,146,943
HKD	178,360	3.82	681,156
NZD	16,677	21.20	353,544
GBP	2,665	40.21	107,141

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

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

December 31, 2018

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 290,680,052	$ 13,938,764	$ 5,363,941	$ 96,967,939	$ 406,950,696
Interest rate-sensitive liabilities	124,914,663	119,990,034	51,240,364	9,068,808	305,213,869
Interest rate sensitivity gap	165,765,389	(106,051,270)	(45,876,423)	87,899,131	101,736,827
Net worth					57,581,935
Ratio of interest rate-sensitive assets to liabilities (%)					133.33
Ratio of interest rate-sensitive gap to net worth (%)					176.68

December 31, 2017

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 259,156,710	$ 15,038,530	$ 4,733,678	$ 74,345,633	$ 353,274,551
Interest rate-sensitive liabilities	143,550,855	96,800,437	22,051,229	3,812,474	266,214,995
Interest rate sensitivity gap	115,605,855	(81,761,907)	(17,317,551)	70,533,159	87,059,556
Net worth					59,218,356
Ratio of interest rate-sensitive assets to liabilities (%)					132.70
Ratio of interest rate-sensitive gap to net worth (%)					147.01

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 (interest rate-sensitive assets and interest rate-sensitive liabilities in New Taiwan dollars).

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

December 31, 2018

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 2,871,990	$ 149,671	$ 42,301	$ 1,547,530	$ 4,611,492
Interest rate-sensitive liabilities	4,215,405	768,422	465,888	892,835	6,342,550
Interest rate sensitivity gap	(1,343,415)	(618,751)	(423,587)	654,695	(1,731,058)
Net worth					25,518
Ratio of interest rate-sensitive assets to liabilities (%)					72.71
Ratio of interest rate-sensitive gap to net worth (%)					(6,783.67)

December 31, 2017

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 3,113,094	$ 155,835	$ 42,177	$ 1,554,905	$ 4,866,011
Interest rate-sensitive liabilities	4,276,669	469,709	694,146	583,645	6,024,169
Interest rate sensitivity gap	(1,163,575)	(313,874)	(651,969)	971,260	(1,158,158)
Net worth					66,874
Ratio of interest rate-sensitive assets to liabilities (%)					80.77
Ratio of interest rate-sensitive gap to net worth (%)					(1,731.85)

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

KGI Securities and subsidiaries

Market risk is the risk of potential loss or change in valuation for securities or financial products that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and commodity risk.

KGI Securities utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities also holds regular stress test to help the management understand the estimated influence on the income of investment portfolio under potential extreme events or circumstances.

1) Risk factor sensitivity

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

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

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

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

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

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

Comparisons of Risk Sensitive Factors

(In Thousands of New Taiwan Dollars)

Risk Sensitivity	December 31, 2018	December 31, 2017
Interest rate risk	$ 5,774	$ 4,820
Equity securities risk	2,710,631	9,081,111
Exchange rate risk	957,905	199,480
Commodity risk	10,758	95,944

2) Value at risk

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

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

	For the Year Ended December 31, 2018			December 31, 2018
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 146,388	$ 65,496	$ 332,135	$ 159,003
Interest rate	118,562	61,188	249,690	126,778
Exchange rate	9,424	3,386	24,670	8,413
Commodity	5,501	146	17,873	3,037

	For the Year Ended December 31, 2017			December 31, 2017
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 286,226	$ 101,239	$ 629,367	$ 185,196
Interest rate	84,874	43,376	164,328	98,072
Exchange rate	7,031	3,002	16,488	5,553
Commodity	6,517	59	33,934	4,240

3) Stress test

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

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

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 1,554,985	30.78	$ 47,867,143
JPY	23,540,436	0.28	6,553,476
EUR	91,152	35.22	3,210,271
HKD	155,753	3.92	610,893
CNY	33,063	4.48	147,973
Nonmonetary items			
USD	1,315,358	30.73	40,424,903
CNY	301,685	4.48	1,350,220
AUD	13,460	21.68	291,811
EUR	4,156	35.22	146,367
Investments accounted for using the equity method			
USD	78,570	30.73	2,414,682

(Continued)

	December 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
<u>Financial liabilities</u>			
Monetary items			
USD	$ 4,150,323	30.73	$ 127,546,314
JPY	23,390,109	0.28	6,511,626
EUR	92,580	35.22	3,260,553
HKD	99,051	3.92	388,442
AUD	8,640	21.68	187,315
Nonmonetary items			
USD	183,398	30.73	5,636,356
CNY	27,442	4.48	122,818

(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
<u>Financial assets</u>			
Monetary items			
USD	$ 1,533,281	29.83	$ 45,733,639
JPY	10,660,054	0.26	2,822,099
CNY	181,517	4.58	831,136
HKD	130,431	3.81	497,062
Nonmonetary items			
USD	948,179	29.85	28,301,257
CNY	332,660	4.58	1,523,219
AUD	30,770	23.26	715,714
Investments accounted for using the equity method			
USD	73,746	29.85	2,201,177
<u>Financial liabilities</u>			
Monetary items			
USD	3,737,065	29.84	111,512,461
JPY	10,364,108	0.26	2,744,556
AUD	24,696	23.26	574,426
HKD	99,931	3.81	380,589
Nonmonetary items			
USD	212,777	29.85	6,350,974
CNY	31,864	4.58	145,903

CDIB Capital Group and subsidiaries

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

1) Foreign currency rate risk information

The financial assets and liabilities denominated in foreign currency and with material influence on CDIB Capital Group and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 223,828	30.733	$ 6,878,905
CNY	187,203	4.476	837,845
HKD	55,585	3.924	218,117
KRW	6,854,094	0.028	188,755
JPY	414,683	0.278	115,448
Nonmonetary items			
USD	380,420	30.733	11,691,440
HKD	852,357	3.924	3,344,647
THB	230,845	0.949	219,072
Investment accounted for using the equity method			
CNY	685,898	4.476	3,069,805
USD	89,104	30.733	2,738,434
Financial liabilities			
Monetary items			
USD	15,381	30.733	472,712

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 277,735	29.848	$ 8,289,840
HKD	125,165	3.819	478,007
CNY	70,069	4.579	320,838
KRW	6,938,074	0.028	194,162
JPY	429,684	0.265	113,823

(Continued)

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Nonmonetary items			
USD	$ 336,183	29.848	$ 10,034,400
HKD	902,835	3.819	3,447,925
CNY	81,452	4.579	372,960
THB	347,622	0.915	318,074
KRW	5,536,100	0.028	154,928
Investment accounted for using the equity method			
CNY	664,905	4.579	3,044,534
USD	92,247	29.848	2,753,391
Financial liabilities			
Monetary items			
USD	40,011	29.848	1,194,258

(Concluded)

Sensitivity analysis

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

	Impact on Profit or Loss For the Year Ended December 31	
	2018	2017
Monetary items		
USD	$ 180,976	$ 70,956
JPY	68,789	1,138
HKD	34,905	4,025
CNY	8,171	2,989
KRW	2,604	1,839
THB	2,191	3

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of December 31, 2018 and 2017 were cash in banks. Management believes that interest rate changes would have been no significant effect on CDIB Capital Group and subsidiaries.

3) Other price risk

CDIB Capital Group and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB Capital Group manages this exposure by setting risk acceptance limitation concerning industry, country, affiliated groups, and the same group.

If equity prices had been 1% higher/lower, the post-tax income for the year ended December 31, 2018 would increase/decrease by $178,311 thousand as a result of the changes in fair value of financial assets at fair value through profit or loss.

If equity prices had been 1% higher/lower, the post-tax income for the year ended December 31, 2017 would increase/decrease by $4,570 thousand as a result of the changes in fair value of financial assets held for trading. The post-tax other comprehensive income for the year ended December 31, 2017 would increase/decrease by $107,667 thousand as a result of the changes in fair value of available-for-sale financial assets.

China Life Insurance

1) Market risk analysis

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

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

2) Exchange rate risk

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

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

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

3) Interest rate risk

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

4) Equity price risk

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

5) Value at risk

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

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

6) Stress testing

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

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

a) Simple sensitivity

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

b) Scenario analysis

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

i. Historical scenario:

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

ii. Hypothetical scenario:

China Life Insurance makes hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses for the investment position by taking into consideration the movement of relevant risk factors.

Risk management department performs the stress testing with historical and hypothetical scenarios regularly. China Life Insurance's risk analysis, early warning, and business management are in accordance with the stress testing report.

Summary of Factor Sensitivity Analysis
December 31, 2018

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ 1,594	$ 1,249,417
Interest rate risk (yield curve)	+1BP	-	(431,567)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(1,596,326)	(389,592)

Summary of Factor Sensitivity Analysis
December 31, 2017

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ -	$ 1,193,279
Interest rate risk (yield curve)	+1BP	(35)	(381,892)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(1,278,343)	(70,985)

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 32,439,523	30.7330	$ 996,964,533
Non-monetary items			
USD	442,376	30.7330	13,595,540
Financial liabilities			
Monetary items			
USD	15,470	30.7330	475,440

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 27,567,151	29.8480	$ 822,824,310
Non-monetary items			
USD	211,293	29.8480	6,306,678
Financial labilities			
Monetary items			
USD	76,240	29.8480	2,275,612

The above information is disclosed based on the carrying amount of the foreign currencies, which has been translated to functional currency.

e. Transfers of financial assets

KGI Bank and subsidiaries

Transferred financial assets not qualifying for full derecognition

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

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

December 31, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	$ 307,330	$ 291,964	$ 307,330	$ 291,964	$ 15,366
Financial assets at FVTPL	8,359,623	7,844,863	8,359,623	7,844,863	514,760
Financial assets at FVTOCI	55,513,141	52,166,855	55,513,141	52,166,855	3,346,286

December 31, 2017					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Financial assets at FVTPL	$ 4,824,192	$ 4,582,517	$ 4,824,192	$ 4,582,517	$ 241,675
Available-for-sale financial assets	43,558,559	40,043,756	43,558,559	40,043,756	3,514,803

KGI Securities and subsidiaries

1) Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Securities and subsidiaries, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities held by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements. As the substance of these transactions is secured borrowing, securities that has transferred to counterparties during the transaction causes KGI Securities' right to receive cash flows of the financial assets transferred to the counterparties; KGI Securities only recognized related liabilities reflecting the obligation to repurchase the transferred financial assets at a fixed price in the future, and the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Securities does not derecognize it entirely because KGI Securities remains exposed to interest rate risk, credit risk and market risk on these pledged instruments.

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

December 31, 2018					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL					
Transactions with agreements	$ 52,973,046	$ 51,217,733	$ 52,973,046	$ 51,217,733	$ 1,755,313
Transaction - borrowed securities	826,971	1,157,759	826,971	1,157,759	(330,788)

December 31, 2017					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL					
Transactions with agreements	$ 55,612,999	$ 54,732,813	$ 55,612,999	$ 54,732,813	$ 880,186
Transaction - borrowed securities	153,986	215,580	153,986	215,580	(61,594)

2) Transferred financial assets qualifying for full derecognition

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

Period	Types of Continuing Involvement	Outflows of Repurchased Transferred (Derecognized) Financial Assets	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
			Financial Assets at FVTPL	Assets	Liabilities	
December 31, 2018	Call option	$ 11,074,500	$ 654,271	$ 654,271	$ -	$ 654,271
December 31, 2017	Call option	$ 10,430,900	$ 1,128,581	$ 1,128,581	$ -	$ 1,128,581

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.

Period	Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
December 31, 2018	Call option	$ -	$ 241,400	$ 1,875,100	$ 8,958,000	$ -	$ 11,074,500
December 31, 2017	Call option	$ -	$ 437,400	$ 2,807,800	$ 7,185,700	$ -	$ 10,430,900

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.

Period	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
December 31, 2018	Call option	$ (12,172)	$ (357,181)	$ (369,353)
December 31, 2017	Call option	$ (2,167)	$ 210,551	$ 208,384

f. Offsetting financial assets and financial liabilities

KGI Bank and subsidiaries

KGI Bank and subsidiaries have enforceable master netting arrangements or similar agreements signed with counterparty, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

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

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 15,164,692	$ -	$ 15,164,692	$ 15,164,692	$ -	$ -
Derivative financial instruments	23,860,387	-	23,860,387	7,962,286	2,407,631	13,490,470
Total	$ 39,025,079	$ -	$ 39,025,079	$ 23,126,978	$ 2,407,631	$ 13,490,470

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Notes and bonds issued under repurchase agreements	$ 60,303,682	$ -	$ 60,303,682	$ 59,626,359	$ 677,323	$ -
Derivative financial instruments	44,819,970	-	44,819,970	7,962,286	11,014,447	25,843,237
Total	$ 105,123,652	$ -	$ 105,123,652	$ 67,588,645	$ 11,691,770	$ 25,843,237

December 31, 2017						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 18,829,142	$ -	$ 18,829,142	$ 18,829,142	$ -	$ -
Derivative financial instruments	16,405,402	-	16,405,402	5,634,398	1,327,598	9,443,406
Total	$ 35,234,544	$ -	$ 35,234,544	$ 24,463,540	$ 1,327,598	$ 9,443,406

December 31, 2017						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	$ 45,444,814	$ -	$ 45,444,814	$ 45,251,592	$ 193,222	$ -
Derivative financial instruments	25,866,698	-	25,866,698	5,634,398	3,709,337	16,522,963
Total	$ 71,311,512	$ -	$ 71,311,512	$ 50,885,990	$ 3,902,559	$ 16,522,963

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

KGI Securities and subsidiaries

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

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

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

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	$ 2,164,742	$ -	$ 2,164,742	$ -	$ 435,743	$ 1,728,999
Securities purchased under resell agreements	19,448,822	-	19,448,822	19,448,822	-	-
Total	$ 21,613,564	$ -	$ 21,613,564	$ 19,448,822	$ 435,743	$ 1,728,999

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 2,899,593	$ -	$ 2,899,593	$ -	$ 676,921	$ 2,222,672
Notes and bonds issued under repurchase agreements	65,175,218	-	65,175,218	65,175,218	-	-
Total	$ 68,074,811	$ -	$ 68,074,811	$ 65,175,218	$ 676,921	$ 2,222,672

December 31, 2017						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 2,258,637	$ -	$ 2,258,637	$ -	$ 70,133	$ 2,188,504
Securities purchased under resell agreements	21,129,128	-	21,129,128	21,129,128	-	-
Total	$ 23,387,765	$ -	$ 23,387,765	$ 21,129,128	$ 70,133	$ 2,188,504

December 31, 2017						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative financial instruments	$ 5,259,084	$ -	$ 5,259,084	$ -	$ 453,886	$ 4,805,198
Notes and bonds issued under repurchase agreements	54,732,813	-	54,732,813	54,732,813	-	-
Total	$ 59,991,897	$ -	$ 59,991,897	$ 54,732,813	$ 453,886	$ 4,805,198

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

China Life Insurance

China Life Insurance holds financial instruments in accordance with paragraph 42 of IAS 32 recognized by the FSC and the related assets and liabilities are offset on the balance sheet.

China Life Insurance may perform transactions not meeting the requirements of offsetting, but has enforceable master netting arrangement or other similar agreements with the counterparties. When both parties agree to settle in net amount, financial assets and financial liabilities could be offset and settled in net amount, and if not, in total amount. However, if any party in the transaction defaults, the other party can choose net settlement.

Related information about above offsetting financial assets and financial liabilities are as follows:

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments	**Cash Collateral Received**	
Derivative financial instruments	$ 3,132,902	$ -	$ 3,132,902	$ 1,543,353	$ 83,901	$ 1,505,648

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments	**Cash Collateral Received**	
Derivative financial instruments	$ 2,469,127	$ -	$ 2,469,127	$ 1,543,353	$ 503,714	$ 422,060

December 31, 2017						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments	**Cash Collateral Received**	
Derivative financial instruments	$ 4,287,344	$ -	$ 4,287,344	$ 493,857	$ 2,275,612	$ 1,517,875

December 31, 2017						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments	**Cash Collateral Received**	
Derivative financial instruments	$ 535,854	$ -	$ 535,854	$ 493,857	$ -	$ 41,997

58. CAPITAL MANAGEMENT

a. Objective

The basic management objective includes eligible capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite. In order to undertake all kinds of risk, the Group conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

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

c. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

Items / Company	December 31, 2018		
	% of Ownership	**Group's Eligible Capital**	**Group's Legal Capital Demand**
The Corporation		$ 169,227,317	$ 186,836,128
KGI Bank	100.00	63,912,516	47,125,976
KGI	100.00	19,780,482	9,081,894
CDIB Capital Group	100.00	47,686,090	24,636,062
China Development Asset Management Corp.	100.00	2,358,918	1,595,846
China Life Insurance	34.96	28,048,402	20,653,219
Deduct items		211,244,920	185,756,820
Subtotal		119,768,805(A)	104,172,305 (B)
Group's CAR (C)=(A)÷(B)			114.97 (C)

(In Thousands of New Taiwan Dollars; %)

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

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

d. Financial holding companies' net eligible capital

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	**2017**
Common stock	$ 149,622,812	$ 149,763,034
Capital instruments of comply with Tier 1 capital requirement	-	-
Other preferred stock and subordinated bonds	10,000,000	10,000,000
Reserve for raising capital	10,748	5,162
Capital surplus	1,630,992	1,173,719
Legal reserve	6,776,135	5,606,606
Special reserve	565,041	2,078,602
Retained earnings	14,754,530	13,184,948
Equity adjustment	(10,522,131)	73,567
Deduction: Capital items	(3,610,810)	(4,209,823)
	$ 169,227,317	$ 177,675,815

The Group's CARs were 114.97% and 118.21% as of December 31, 2018 and 2017, respectively. Since the Financial Holding Company Act and related regulations require, the Group's CAR should be at least 100%, the Group's CARs met its requirement.

59. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

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

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	**2018**	**2017**	**Trust Liabilities**	**2018**	**2017**
Bank deposits	$ 585,926	$ 371,243	Payables	$ 151,212	$ 152,685
Short-term investments	28,539,061	29,283,250	Payables on securities under custody	4,839,320	2,571,397
Financial assets at FVTPL	11,640	241,655	Other liabilities	57,865	5,730
Receivables	50,719	193	Donated assets received	1,811	1,811
Other financial assets	16,450	7,650	Trust capital	29,835,976	30,555,629
Real estate, net	534,259	534,259	Accumulated earnings	675,725	707,034
Intangible assets - surface right	984,534	984,534			
Securities under custody	4,839,320	2,571,397			
Other assets	-	105			
Total	$ 35,561,909	$ 33,994,286	Total	$ 35,561,909	$ 33,994,286

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2018	**2017**
Trust income and gains		
Dividend income	$ 9,976	$ 96,752
Interest income	1,506,809	1,347,506
Rental income	28,367	29,583
Gain on financial assets at FVTPL, net	-	30,536
Other income	8,800	9,653
Total trust income and gains	1,553,952	1,514,030
Trust expenses		
Properties transaction losses	(1,171,300)	(717,270)
Administrative expenses	(32,716)	(40,561)
Loss on financial assets at FVTPL, net	(3,753)	-
Tax expenditure	(1,346)	(11,854)
Other expenses	(10,185)	(79)
Total trust expenses	(1,219,300)	(769,764)
Net income	$ 334,652	$ 744,266

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

	December 31	
Investment Portfolio	**2018**	**2017**
Bank deposits	$ 585,926	$ 371,243
Short-term investments		
Funds	26,786,220	27,956,024
Bonds	1,410,880	1,013,666
Common shares	73,200	75,900
Structured notes	93,766	93,766
ETF	174,995	143,894
Financial assets at FVTPL	11,640	241,655
Other financial assets	16,450	7,650
Real estate, net	534,259	534,259
Intangible assets - surface right	984,534	984,534
Securities under custody	4,839,320	2,571,397
Other assets	50,719	298
Total	$ 35,561,909	$ 33,994,286

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

Balance Sheets of Trust Accounts
December 31, 2018 and 2017

(In Thousands of New Taiwan Dollars)

Trust Assets	**2018**	**2017**	**Trust Liabilities**	**2018**	**2017**
Bank deposits	$ 1,043,226	$ 1,136,142	Payables	$ 11,274	$ 59,962
Financial assets	21,051,505	26,411,297	Trust capital	21,967,226	25,510,294
Receivables	33,903	127,032	Reserves and retained earnings	150,134	2,104,215
Total	$ 22,128,634	$ 27,674,471	Total	$ 22,128,634	$ 27,674,471

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2018	**2017**
Trust income	$ 2,431,829	$ 3,230,873
Trust expenses	(3,579,009)	(2,184,859)
Income before income tax	(1,147,180)	1,046,014
Income tax expenses	-	-
Income after income tax	$ (1,147,180)	$ 1,046,014

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

	December 31	
Investment Portfolio	**2018**	**2017**
Bank deposits	$ 1,043,226	$ 1,136,142
Stocks	10,733,485	14,493,874
Funds	9,350,380	11,532,078
Structured notes	957,456	385,345
Bonds	10,184	-
Total	$ 22,094,731	$ 27,547,439

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

For related information as of December 31, 2018, please refer to Table 9 (attached).

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

Please refer to Table 10 (attached).

62. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCES SHARING IN THE GROUP

a. Business or trading behaviors

Please refer to Note 50 for related-party transactions.

b. Integrate business activities

The Corporation has become a full-functioning financial platform for its customers by improving the overall business performance of the company through integrating the insurance, investment, trust custody and channel of banking, securities and life insurance.

c. Cross utilization of information or locations and business utilities

In compliance with Article 43 of "Financial Holding Companies Act", "Financial Holding Subsidiaries Cross-selling Activities Acts", "Self-disciplinary Standards" and other related regulations from FSC, the Corporation has advocated cross-selling activities among China development Financial Holdings and its Subsidiaries. In addition, the Corporation and its subsidiaries which joined the cross selling business disclosure protection measures of customer information on official website (http://www.cdibh.com/chhtml/content/1513) to limit the use of the data, secure the customer information and related rights when handling cross-selling activities.

d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits or losses arising from integrated business activities among subsidiaries are allocated to each subsidiary based on the related business features or other reasonable allocation methods.

63. CONTINGENCIES AND COMMITMENTS, DISASTER DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 52 to the consolidated financial statements. Information on disaster damages: None.

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

Please refer to Notes 54 and 57 to the consolidated financial statements.

65. 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.

66. FINANCIAL RATIOS OF FUTURES-DEALING SUBSIDIARIES

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

a. KGI Securities' futures department

Rule No.	Formula	2018 Formula	2018 %	2017 Formula	2017 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	\$1,791,507 / \$413,737	=4.33	\$1,855,943 / \$633,222	=2.93	≧1	Yes
17	Current assets / Current liabilities	\$2,330,195 / \$412,737	=5.65	\$2,443,795 / \$322,389	=7.58	≧1	Yes
22	Equities / Capital stock	\$1,791,507 / \$400,000	=447.88%	\$1,855,943 / \$400,000	=463.99%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	\$1,091,064 / \$244,118	=446.94%	\$1,327,438 / \$340,935	=389.35%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	December 31, 2018 Formula	2018 %	2017 Formula	2017 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers' equity accounts	\$3,416,097 / \$387,747	=8.81	\$2,609,333 / \$315,529	=8.27	≧1	Yes
17	Current assets / Current liabilities	\$24,284,147 / \$22,117,410	=1.10	\$23,777,258 / \$21,872,001	=1.09	≧1	Yes
22	Equities / Capital stock	\$3,416,097 / \$760,000	=449.49%	\$2,609,333 / \$760,000	=343.33%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	\$3,005,408 / \$5,059,084	=59.41%	\$2,387,050 / \$4,433,304	=53.84%	≧20% ≧15%	Yes

67. DISCLOSURES REQUIRED BY THE FINANCIAL SUPERVISORY COMMISSION

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

a. Securities held:

Richpoint Company Limited.

(In U.S. Dollars)

	Number of Shares	Carrying Amount
Financial assets at FVTPL - non-current		
Dragon Investment Fund I Co.	4,375,142	$ 198,444
He Ding Venture Capital Investment Corporation	347,500	72,456
Lien Ding Venture Capital Investment Corporation	336,000	104,307
		$ 375,207

b. Derivative instruments and related capital resources:

KGI Asia (Holdings) Pte. Ltd.

(In U.S. Dollars)

Type of derivative	Capital Resources	Nominal Amount	Carrying Value
Foreign exchange	Borrowing	$ 19,438,058	$ (87,242)

c. Asset management revenues, service and litigation matters: Note 52(c).

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

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

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

68. ADDITIONAL DISCLOSURES

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

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

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

3) Marketable securities held: Not applicable to the Corporation, KGI Bank, KGI Securities and subsidiaries and China Life Insurance. For other subsidiaries' information: Please refer to Table 3 (attached).

4) Marketable securities were acquired and disposed of, at cost or price of at least NT$300 million or 10% of the paid-in capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT$300 million or 10% of the issued capital): For the KGI Bank and subsidiaries' information: None. Not applicable to KGI Securities and subsidiaries and China Life Insurance. For the Corporation and CDIB Capital Group and other subsidiaries' information: Please refer to Table 4 (attached).

5) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the issued capital: For the Group's information: None.

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

7) Discount on service fees received from related parties amounting to NT$5 million: For the Group's information: None.

8) Receivables from related parties amounting to NT$300 million or 10% of the issued capital: Please refer to Note 50 and Table 5 (attached).

9) Sale of nonperforming loans: Please refer to Table 7 (attached).

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

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

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

13) Derivative transactions of the Group: Please refer to Notes 8, 55 and 57 to the consolidated financial statements.

c. Investments in mainland China: Please refer to Table 11 (attached).

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

69. SEGMENT INFORMATION

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

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

a. Segment revenues and results

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

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the year ended December 31, 2018						
Interest profit (loss), net	$ 7,230,513	$ 1,929,369	$ 167,051	$ 47,770,610	$ (515,215)	$ 56,582,328
Noninterest profit (loss), net	1,553,670	12,643,152	3,617,913	180,116,376	(2,163,562)	195,767,549
Net profit (loss)	8,784,183	14,572,521	3,784,964	227,886,986	(2,678,777)	252,349,877
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	49,299	(111,815)	-	16,755	-	(45,761)
Net change in insurance liabilities	-	-	-	(213,695,965)	-	(213,695,965)
Operating expenses	(5,901,328)	(11,477,179)	(1,357,325)	(4,330,807)	(2,099,633)	(25,166,272)
Income (loss) before income tax	2,932,154	2,983,527	2,427,639	9,876,969	(4,778,410)	13,441,879
Income tax benefit (expense)	(777,667)	(511,862)	(244,208)	574,748	331,750	(627,239)
Net income (loss)	$ 2,154,487	$ 2,471,665	$ 2,183,431	$ 10,451,717	$ (4,446,660)	$ 12,814,640
For the year ended December 31, 2017						
Interest profit (loss), net	$ 6,505,438	$ 1,973,291	$ 106,530	$ 13,980,452	$ (495,299)	$ 22,070,412
Noninterest profit (loss), net	5,040,665	17,850,819	4,538,077	38,348,097	(2,434,419)	63,343,239
Net profit (loss)	11,546,103	19,824,110	4,644,607	52,328,549	(2,929,718)	85,413,651
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(463,439)	(153,712)	-	(2,948)	6,349	(613,750)
Net change in insurance liabilities	-	-	-	(48,277,392)	-	(48,277,392)
Operating expenses	(5,728,408)	(11,667,404)	(1,411,019)	(1,423,865)	(1,772,015)	(22,002,711)
Income (loss) before income tax	5,354,256	8,002,994	3,233,588	2,624,344	(4,695,384)	14,519,798
Income tax benefit (expense)	(1,874,675)	(400,902)	(131,689)	(218,978)	471,913	(2,154,331)
Net income (loss)	$ 3,479,581	$ 7,602,092	$ 3,101,899	$ 2,405,366	$ (4,223,471)	$ 12,365,467

b. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers	
	For the Year Ended December 31	
	2018	2017
Taiwan	$ 245,895,973	$ 80,882,778
Others	6,453,904	4,530,873
	$ 252,349,877	$ 85,413,651

c. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2018 and 2017.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Year	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	$ 3,687,960	$ 3,687,960	$ 614,660	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 13,149,939 (Note 1)	$ 13,149,939 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,224,610	4,302,620	307,330	Floating	Short-term financing	-	Working capital	-	-	-	13,149,939	
2	KGI Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	952,723	491,728	491,728	Floating	Short-term financing	-	Working capital	-	-	-	13,082,884 (Note 2)	13,082,884 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,536,650	1,536,650	-	Floating	Short-term financing	-	Working capital	-	-	-	16,784,889 (Note 3)	16,784,889 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	614,660	-	-	Floating	Short-term financing	-	Working capital	-	-	-	16,784,889	
4	KGI International Finance Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	61,466	-	-	Floating	Short-term financing	-	Working capital	-	-	-	301,829 (Note 4)	301,829 (Note 4)

Note 1: Richpoint Company Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 2: KG Investments Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 3: KGI International Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 4: KGI International Finance Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/ Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	Maximum Collateral/ Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	KGI Securities	KGI Securities (Singapore) Pte. Ltd.	Note 1	$ 5,841,874	$ 774,820	$ 449,800	$ 449,800	$ -	0.77%	$ 23,367,494 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	16,784,889	3,650,522	1,037,791	30,733	-	6.18%	16,784,889 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	16,784,889	4,118,222	4,118,222	1,199,440	-	24.54%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	16,784,889	199,765	199,765	-	-	1.19%		No	No	No
		KGI Finance Limited	Note 1	16,784,889	132,152	132,152	-	-	0.79%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	16,784,889	1,905,446	1,905,446	-	-	11.35%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	16,784,889	614,660	614,660	-	-	3.66%		No	No	No
		KGI Asia (Holdings) Pte. Limited	Note 1	16,784,889	3,140,996	3,140,996	2,290,244	-	18.71%		No	No	No
3	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,485,240	1,690,315	1,690,315	430,262	-	188.43%	4,485,240 (Note 4)	No	No	Yes

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

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

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

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

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

TABLE 3

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	Stocks							
	Taiwan Stock Exchange	-	Financial assets at fair value through profit or loss	18,449,638	$ 1,386,121	2.66	$ 1,386,121	
	Tong Hsing Electronic Industries, Ltd.	-	Financial assets at fair value through profit or loss	1,183,248	127,199	0.72	127,199	
	Logitech Inc.	-	Financial assets at fair value through profit or loss	2,965,248	42,016	10.69	42,016	
	Solar Fine Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	4,828,064	13,898	10.83	13,898	
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	4,225,979	68,165	6.04	68,165	
	National Glory Development Corp.	-	Financial assets at fair value through profit or loss	646,884	4,693	6.47	4,693	
	TopGreen Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	633,377	6,023	1.17	6,023	
	Hair O’right International Corp.	-	Financial assets at fair value through profit or loss	1,835,837	105,901	9.02	105,901	
	DaBomb Protein Corp.	-	Financial assets at fair value through profit or loss	3,284,568	75,052	11.26	75,052	
	Power Venture Co.	-	Financial assets at fair value through profit or loss	677,245	6,033	5.68	6,033	
	Ori Vita Bio Application Inc.	-	Financial assets at fair value through profit or loss	858,690	5,584	0.42	5,584	
	Echem Hightech Co., Ltd.	-	Financial assets at fair value through profit or loss	1,535,934	5,596	11.69	5,596	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,000,000	27,742	9.91	27,742	
	E-one Moli Energy Corp.	-	Financial assets at fair value through profit or loss	6,875,493	70,954	2.28	70,954	
	HealthStream Taiwan Inc.	-	Financial assets at fair value through profit or loss	4,774,523	34,886	13.96	34,886	
	Subtron Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	12,316,000	122,421	4.31	122,421	
	Orgchem Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,067,220	13,448	1.92	13,448	
	General Life Biotechnology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,520,000	31,058	8.40	31,058	
	Mec Imex Inc.	-	Financial assets at fair value through profit or loss	4,802,000	40,456	10.52	40,456	
	Yieh United Steel Corp.	-	Financial assets at fair value through profit or loss	6,945,622	46,883	0.27	46,883	
	Hua-jie (Taiwan) Corp.	-	Financial assets at fair value through profit or loss	1,300,403	8,259	6.45	8,259	
	AMIA Co.	-	Financial assets at fair value through profit or loss	6,000,000	96,660	9.54	96,660	
	Up Scientech Materials Corp.	-	Financial assets at fair value through profit or loss	4,651,344	66,713	6.85	66,713	
	PlexBio Co., Ltd.	-	Financial assets at fair value through profit or loss	3,526,000	50,492	5.07	50,492	
	Riselink Restructuring Fund Corporation	-	Financial assets at fair value through profit or loss	3,289,681	33,829	12.50	33,829	
	Orient Pharma Co., Ltd.	-	Financial assets at fair value through profit or loss	2,857,800	44,810	1.83	44,810	
	Wai-Gin Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	1,170,000	1,559	3.44	1,559	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	7,567,424	83,871	5.64	83,871	
	Eastern Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss	4,348,680	25,523	6.47	25,523	
	Topview Optromics Corporation	-	Financial assets at fair value through profit or loss	687,000	15,835	2.99	15,835	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets at fair value through profit or loss	3,224,867	183,495	3.66	183,495	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,746,720	67,308	5.98	67,308	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through profit or loss	3,845,330	31,431	1.38	31,431	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,308,026	79,440	7.88	79,440	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	1,293,232	145,489	1.07	145,489	
	DragonJet Corporation	-	Financial assets at fair value through profit or loss	4,300,000	20,055	4.77	20,055	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	2,494,309	35,885	5.28	35,885	
	Terawins, Inc.	-	Financial assets at fair value through profit or loss	1,913,996	7,884	6.30	7,884	
	Feature Integration Technology Inc.	-	Financial assets at fair value through profit or loss	1,341,803	16,773	4.03	16,773	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through profit or loss	2,731,098	20,365	10.57	20,365	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,150,536	5,533	10.43	5,533	
	Overseas Investment & Development Corp.	-	Financial assets at fair value through profit or loss	2,600,000	13,321	2.89	13,321	
	Microprogram Co., Ltd.	-	Financial assets at fair value through profit or loss	2,550,000	34,692	7.95	34,692	
	Lefram Technology Corporation	-	Financial assets at fair value through profit or loss	7,484,454	49,772	17.48	49,772	
	TAK Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,467,706	920	4.14	920	
	Engineering & IP Advanced Technologies Ltd.	-	Financial assets at fair value through profit or loss	4,216	2	-	2	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	97,532	4.81	97,532	
	JHL. Biotech, Inc.	-	Financial assets at fair value through profit or loss	8,382,844	528,119	3.98	528,119	
	Easten Power and Electric Company Limited	-	Financial assets at fair value through profit or loss	3,201,019	196,280	12.00	196,280	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	Beauty Essentials International Ltd.	-	Financial assets at fair value through profit or loss	86,503,067	$ 219,285	8.02	$ 219,285	
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	3,675,000	24,664	0.15	24,664	
	Entery Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	8,364,000	11,959	11.22	11,959	
	Engineering & IP Advanced Technologies Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	6,392,765	3,244	0.35	3,244	
	Lightel Technologies, Inc.	-	Financial assets at fair value through profit or loss	3,000,000	85,122	43.44	85,122	
	Apexigen, Inc.	-	Financial assets at fair value through profit or loss	4,970,588	61,394	9.59	61,394	
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	15,000,000	144,217	35.71	144,217	
	CDIB Capital Management Corporation	Subsidiary	Investments accounted for using the equity method	33,093,889	644,755	100.00	644,755	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	4,575,742	28.71	4,575,742	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	58,200,000	582,043	38.80	582,043	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	58,250,000	582,069	33.29	582,069	
	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	9,628,341	100.00	9,628,341	
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	4,431,405	33,814	20.00	33,814	
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	3,965	30.00	3,965	
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,509,971	100.00	1,509,971	
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	9,142,006	100.00	9,142,006	
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	7,875,667	100.00	7,875,667	
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	614,315	100.00	614,315	
	<u>Funds</u>							
	CommLaunch	-	Financial assets at fair value through profit or loss	-	42,436	-	42,436	
	ARCH Venture Fund V, L.P.	-	Financial assets at fair value through profit or loss	-	6,474	-	6,474	
	FORWARD VENTURES IV, L.P.	-	Financial assets at fair value through profit or loss	-	24,274	-	24,274	
	Forward Venture V	-	Financial assets at fair value through profit or loss	-	24,085	-	24,085	
	MPM BIOVENTURES III L.P.	-	Financial assets at fair value through profit or loss	-	6,859	-	6,859	
	Sanderling	-	Financial assets at fair value through profit or loss	-	16,256	-	16,256	
	SAMARA CAPITAL PARTNERS FUND I LIMITED	-	Financial assets at fair value through profit or loss	-	125,762	-	125,762	
	THL EQUITY FUND VI INVESTORS (CERIDIAN), L.P.	-	Financial assets at fair value through profit or loss	-	653,557	-	653,557	
	<u>Corporate bonds</u>							
	Belta (Cayman) Holding Limited	-	Financial assets at fair value through profit or loss	11,959,916	7,324	-	7,324	
	<u>Government bonds</u>							
	A00109	-	Financial assets at fair value through other comprehensive income	7,000,000	7,117	-	7,117	
	A01105	-	Financial assets at fair value through other comprehensive income	100,000,000	101,798	-	101,798	
	A03115	-	Financial assets at fair value through other comprehensive income	50,000,000	50,299	-	50,299	
CDIB Capital Management Corporation	<u>Stocks</u>							
	ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	65,660	5,712	0.05	5,712	
	MCM Stamping Co., Ltd.	-	Financial assets at fair value through profit or loss	70,000	294	0.22	294	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	783,000	8,678	0.58	8,678	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	297,623	766	1.44	766	
	Kwan’s International Co., Ltd.	-	Financial assets at fair value through profit or loss	101,240	3,988	0.13	3,988	
	CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	15,828	60.00	15,828	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	1,500,000	15,001	1.00	15,001	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	1,750,000	17,487	1.00	17,487	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	298,893	100.00	298,893	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	16,804	-	16,804	
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd	Financial assets at fair value through profit or loss	-	80,139	-	80,139	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Private Equity (Hong Kong) Corporation Limited	Stocks							
	CDIB Private Equity (China) Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 58,435	100.00	HK$ 58,435	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 7,942	56.00	HK$ 7,942	
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 3,813	27.08	HK$ 3,813	
CDIB Private Equity (China) Corporation	Stocks							
	CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 15,377	70.00	CNY 15,377	
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 10,721	65.00	CNY 10,721	
CDIB Private Equity (Fujian) Co., Ltd.	Stocks							
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 2,487	20.00	CNY 2,487	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Stocks							
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 7,201	58.33	CNY 7,201	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Funds							
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,575	-	CNY 10,575	
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Funds							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,433	-	CNY 10,433	
CDIB Venture Capital Corporation	Stocks							
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	1,388,659	22,399	1.98	22,399	
	Azotek Co., Ltd.	-	Financial assets at fair value through profit or loss	824,500	12,827	-	12,827	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	3,468	1.24	3,468	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets at fair value through profit or loss	1,500,000	2,128	4.22	2,128	
	Fukuta Co., Ltd.	-	Financial assets at fair value through profit or loss	1,872,753	207,392	4.68	207,392	
	Handa Pharmaceuticals Inc.	-	Financial assets at fair value through profit or loss	2,809,000	88,905	2.69	88,905	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	45,000	1.62	45,000	
	Sum Max Tech. Limited	-	Financial assets at fair value through profit or loss	2,598,481	106,148	10.96	106,148	
	Regal Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,101,000	57,803	2.86	57,803	
	Sino-American Silicon Products Inc.	-	Financial assets at fair value through profit or loss	5,708,562	349,364	0.97	349,364	
	Fusheng Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	800,000	127,600	0.61	127,600	
	M2Communication, Inc.	-	Financial assets at fair value through profit or loss	6,477,527	11,592	14.81	11,592	
	GSD Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	5,741,702	352,541	16.89	352,541	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	3,725,007	52,821	4.69	52,821	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	5,528,901	101,953	10.11	101,953	
	Greatland Electronics Taiwan Ltd.	-	Financial assets at fair value through profit or loss	1,920,000	13,114	5.50	13,114	
	Shengzhuang Holding Limited	-	Financial assets at fair value through profit or loss	610,590	5,813	6.11	5,813	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	97,532	4.81	97,532	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	514,821	2,198	-	2,198	
	CVie Therapeutics Company Limited	-	Financial assets at fair value through profit or loss	560,000	13,226	4.15	13,226	
	Shane Global Holding Inc.	-	Financial assets at fair value through profit or loss	1,715,700	208,458	1.54	208,458	
	Viscovery (Cayman) Holding Company Limited	-	Financial assets at fair value through profit or loss	195,317	6,003	1.85	6,003	
	Kkday.com International Company Limited.	-	Financial assets at fair value through profit or loss	3,000,000	24,458	1.03	24,458	
	i-Serve	-	Financial assets at fair value through profit or loss	2,232,219	154,575	4.17	154,575	
	Hartec Asia Pte. Ltd.	-	Financial assets at fair value through profit or loss	2,800,000	84,528	10.23	84,528	
	Windtree Therapeutic, Inc.	-	Financial assets at fair value through profit or loss	594,552	60,540	1.85	60,540	
	iCHEF Co., Ltd.	-	Financial assets at fair value through profit or loss	11,167,513	82,136	40.74	82,136	
	4Gamers Entertainment Inc. - Preferred stock A	-	Financial assets at fair value through profit or loss	24,000	16,227	20.00	16,227	
	Viscovery (Cayman) Holding Company Limited - Preferred stock A+	-	Financial assets at fair value through profit or loss	304,878	9,370	8.20	9,370	
	Citiesocial Holding Cayman Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	479,635	15,367	18.18	15,367	
	Uimbo CV Inc.	-	Financial assets at fair value through profit or loss	1,394,145	21,513	10.29	21,513	
	CCMODA Corp. - Preferred stock	-	Financial assets at fair value through profit or loss	666,666	15,366	20.00	15,366	
	Asia Parents Holdings Limited	-	Financial assets at fair value through profit or loss	248,889	17,210	14.74	17,210	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Venture Capital Corporation	Kneron Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,546,391	$ 135,965	10.00	$ 135,965	
	Zentera Systems, Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,324,503	77,612	39.35	77,612	
	FUNP Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	400,000	44,256	20.00	44,256	
	Achieve Made International Limited - Preferred stock	-	Financial assets at fair value through profit or loss	168,138	12,293	6.67	12,293	
	Kwan’s International Co., Ltd.	-	Financial assets at fair value through profit or loss	202,480	7,975	0.25	7,975	
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	5,105,377	32,547	0.20	32,547	
	CBA Sports International Ltd.- Preferred stock	-	Financial assets at fair value through profit or loss	2,402,500	10,257	13.73	10,257	
	Derbysoft Holdings Limited - Preferred stock A	-	Financial assets at fair value through profit or loss	28,000,000	96,783	45.78	96,783	
	Viscovery (Cayman) Holding Company Limited - Preferred stock A++	-	Financial assets at fair value through profit or loss	200,000	6,147	10.96	6,147	
	FunNow Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	185,184	30,733	20.00	30,733	
	Derbysoft Holdings Limited - Preferred stock B	-	Financial assets at fair value through profit or loss	4,643,469	16,050	9.26	16,050	
	4Gamers Entertainment Inc. - Preferred stock B	-	Financial assets at fair value through profit or loss	8,727	5,901	4.80	5,901	
	Kkday.com International Company Limited	-	Financial assets at fair value through profit or loss	5,654,616	46,100	8.66	46,100	
	Traveler Co., Ltd.	-	Financial assets at fair value through profit or loss	32,077	24,586	9.55	24,586	
	Regent Investment Holding Corp.	Associate	Investments accounted for using the equity method	500,000	4,954	50.00	4,954	
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	870,000,000	3,337,455	100.00	3,337,455	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	413,042	-	413,042	
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd	Financial assets at fair value through profit or loss	-	150,215	-	150,215	
	<u>Convertible (exchangeable) corporate bond</u>							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	-	90,547	-	90,547	
CDIB Venture Capital (Hong Kong) Corporation Limited	<u>Funds</u>							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 408,159	-	HK$ 408,159	
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 353,998	-	HK$ 353,998	
CDIB Capital Investment I Limited	<u>Stocks</u>							
	Best Inc.	-	Financial assets at fair value through profit or loss	356,280	US$ 1,464	0.09	US$ 1,464	
	Casper Sleep, Inc.	-	Financial assets at fair value through profit or loss	266,690	US$ 8,307	20.05	US$ 8,307	
	CCAP Best Logistics Holdings Limited	-	Financial assets at fair value through profit or loss	1,000	US$ 2,271	11.11	US$ 2,271	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	13,722,047	US$ 7,826	3.40	US$ 7,826	
	Giddy Inc.	-	Financial assets at fair value through profit or loss	666,755	US$ 7,287	6.26	US$ 7,287	
	Simplify Compliance Holdings, LLC	-	Financial assets at fair value through profit or loss	2,833,333	US$ 3,254	2.91	US$ 3,254	
	Great Team Backend Foundry, Inc.	-	Financial assets at fair value through profit or loss	1,636,800	US$ 717	1.81	US$ 717	
	Rokid Corporation Ltd	-	Financial assets at fair value through profit or loss	615,642	US$ 5,000	1.51	US$ 5,000	
	<u>Funds</u>							
	Carlyle Asia Partners II, L. P.	-	Financial assets at fair value through profit or loss	-	US$ 128	-	US$ 128	
	Ripley Cable Holdings I, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 891	-	US$ 891	
	MSD Sports Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 10,361	-	US$ 10,361	
	BCP QualTek Investor Holdings, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 5,521	-	US$ 5,521	
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US$ 88,975	-	US$ 88,975	
	CDIB Capital Global Opportunities Fund L.P.	Other related parties	Financial assets at fair value through profit or loss	-	US$ 1,511	-	US$ 1,511	
	<u>Corporate bonds</u>							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	41,875,000	US$ 6,769	-	US$ 6,769	
	<u>Convertible (exchangeable) corporate bond</u>							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	28,094,510	US$ 9,291	-	US$ 9,291	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US$ 4,000	-	US$ 4,000	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Investment II Limited	Stocks							
	Great Rich Technologies Limited	-	Financial assets at fair value through profit or loss	1,660,000	US$ 2,744	2.46	US$ 2,744	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	508,929	US$ 71	0.89	US$ 71	
	Indostar Capital	-	Financial assets at fair value through profit or loss	631,701	US$ 9,908	2.88	US$ 9,908	
	Indostar Everstone	-	Financial assets at fair value through profit or loss	860,332	US$ 13,431	8.12	US$ 13,431	
	CBA Sports International Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	2,375,000	US$ 330	13.57	US$ 330	
CDIB Global Markets Limited	Stocks							
	Facebook Inc.	-	Financial assets at fair value through profit or loss	575	US$ 75	-	US$ 75	
	GoPro, Inc.	-	Financial assets at fair value through profit or loss	51,878	US$ 220	0.04	US$ 220	
	Flemingo International (BVI) Ltd.	-	Financial assets at fair value through profit or loss	1,048	US$ 47,240	50.19	US$ 47,240	
	Funds							
	Huaxing Capital Partners II LP	-	Financial assets at fair value through profit or loss	-	US$ 10,714	-	US$ 10,714	
	GS TDN Investors Offshore, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 525	-	US$ 525	
	CX Partners Fund Alpha Limited	-	Financial assets at fair value through profit or loss	-	US$ 6,554	-	US$ 6,554	
	Carlyle Asia Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 2,120	-	US$ 2,120	
	Riverwood Capital Partners L.P.	-	Financial assets at fair value through profit or loss	-	US$ 4,673	-	US$ 4,673	
	ECP II (Cayman) Ltd. A	-	Financial assets at fair value through profit or loss	-	US$ 7,418	-	US$ 7,418	
	Sino-Century China Private Equity II L. P.	-	Financial assets at fair value through profit or loss	-	US$ 384	-	US$ 384	
	KKR Asian Fund II L.P.	-	Financial assets at fair value through profit or loss	-	US$ 7,909	-	US$ 7,909	
	Carlyle Asia Partners IV, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 19,739	-	US$ 19,739	
	Carlyle Giovanna Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 11,592	-	US$ 11,592	
	Tenaya Capital V, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 5,272	-	US$ 5,272	
	THL Equity Fund Vi Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	US$ 10,633	-	US$ 10,633	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 1,094	-	US$ 1,094	
	Industry Ventures Fund VI, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 3,465	-	US$ 3,465	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 5,430	-	US$ 5,430	
	Tenaya Capital VI, LP	-	Financial assets at fair value through profit or loss	-	US$ 7,899	-	US$ 7,899	
	Formation8 Partners Fund I, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 7,772	-	US$ 7,772	
	Blue Point Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 7,518	-	US$ 7,518	
	Riverwood Capital Partners II L.P.	-	Financial assets at fair value through profit or loss	-	US$ 13,858	-	US$ 13,858	
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 15,700	-	US$ 15,700	
CDIB Capital International Corporation	Stocks							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US$ 7,614	100.00	US$ 7,614	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US$ 5,911	100.00	US$ 5,911	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 1,925	100.00	US$ 1,925	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US$ (74)	100.00	US$ (74)	
China Development Asset Management Corp.	Stocks							
	Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	2,000,000	81,098	100.00	81,098	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,498,721	100.00	2,498,721	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	197,305	100.00	197,305	
	Pine Street Asset Management Corp.	-	Financial assets at fair value through other comprehensive income	3,886,190	27,429	12.25	27,429	
	Waterland Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	8,034,740	44,865	1.07	44,865	
	Victor Taichung Machinery Works Co., Ltd.	-	Financial assets at fair value through profit or loss	94,266	106	0.06	106	
Chung Hwa Growth 3 Asset Management Corp.	Funds							
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd	Financial assets at fair value through profit or loss	-	150,187	-	150,187	
CDIB Management Consulting Corp.	Stocks							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	653,433	76.04	653,433	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	170,190	100.00	170,190	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	$ 208	19.00	$ 208	
	Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	496,574	-	0.07	-	
Global Securities Finance Corporation	Bank debentures							
	Sunny Bank Second Subordinated Bank Debentures issued in 2015	-	Financial assets measured at amortized cost	200,000,000	199,288	-	199,993	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issued in 2015	-	Financial assets measured at amortized cost	100,000,000	99,365	-	100,000	
	Bank of Panhsin 3th Unsecured Subordinate Financial Debentures issued in 2017	-	Financial assets measured at amortized cost	200,000,000	198,054	-	199,993	
	Taiwan Business Bank's 2nd Subordinated Financial Debentures Issue in 2018	-	Other assets	150,000,000	149,834	-	149,997	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other assets	50,000,000	49,946	-	50,100	
	Government bonds							
	A05113	-	Other assets	100,000,000	99,663	-	100,069	
	A06102	-	Other assets	100,000,000	99,782	-	100,197	

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

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

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

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

(Concluded)

TABLE 4

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value (Note 1)	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
The Corporation	Stocks													
	The Capital Securities Corporation	Financial assets at fair value through profit or loss	-	-	115,940,510	$ 1,656,293	4,765,705 (Note 2)	$ -	67,995,000	$ 737,375	$ 953,259	$ (215,884)	52,711,215	$ 703,034
CDIB Capital Group	Stocks													
	China Metal Products Co., Ltd.	Financial assets at fair value through profit or loss	-	-	12,381,003	284,118	-	-	12,381,003	369,071	284,118	84,953	-	-
	Qisda Corporation	Financial assets at fair value through profit or loss	-	-	148,867,816	2,974,383	-	-	148,867,816	3,404,898	2,974,383	430,515	-	-
	Chipbond Technology Corporation	Financial assets at fair value through profit or loss	-	-	7,971,229	356,735	-	-	7,971,229	502,519	356,735	145,784	-	-
	Globalwafers. Co., Ltd.	Financial assets at fair value through profit or loss	-	-	1,758,072	123,960	-	-	1,758,072	865,619	123,960	741,659	-	-
	Sino-American Silicon Products Inc.	Financial assets at fair value through profit or loss	-	-	3,423,956	173,252	-	-	3,423,956	429,316	173,252	256,064	-	-
	Leyou, Inc.	Financial assets at fair value through profit or loss	-	-	663,958,732	450,150	-	-	663,958,732	803,040	450,150	352,890	-	-
	Taiwan Stock Exchange	Financial assets at fair value through profit or loss	-	-	48,604,914	8,400	-	-	30,155,276	2,258,769	5,211	2,253,558	18,449,638	3,189
CDIB Global Markets Limited	Funds													
	Carlyle Giovanna Partners, L.P.	Financial assets at fair value through profit or loss	-	-	-	US$ 12,858	-	-	-	US$ 47,438	US$ 12,271	US$ 35,167	-	US$ 587
CDIB Capital Investment I Limited	Funds													
	Ripley Cable Holdings I, L.P.	Financial assets at fair value through profit or loss	-	-	-	US$ -	-	-	-	US$ 12,077	-	US$ 12,077	-	-
	Brightstar Capital Partners QualTek, L.P.	Financial assets at fair value through profit or loss	GOF 2 QT Holdings LLC	Other related parties	-	-	-	US$ 9,700	-	US$ 10,105	US$ 9,700	US$ 405	-	-

Note 1: Initial acquisition cost.

Note 2: Stock dividend.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
CDIB Capital Group	The Corporation	Parent company	$ 317,267	-	$ -	-	$ -	$ -
The Corporation	CDIB Capital Group	Subsidiary	523,096	-	-	-	-	-
	KGI Bank	Subsidiary	530,563	-	-	-	-	-
	KGI Securities	Subsidiary	740,985	-	-	-	-	-

Note 1: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

Note 2: Tax receivable result from linked-tax system.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Business	Percentage of Ownership, End of Year	Carrying Value, End of Year (Note 3)	Investment Gain (Loss)	Consolidated Investment (Note 1)				Note
							Present Shares	Virtual Shares (Note 2)	Total		
									Shares	Percentage of Ownership	
The Corporation	CDIB Capital Group	Taipei City, Taiwan	Venture capital	100.00	$ 47,686,090	$ 2,311,400	2,041,115,913	-	2,041,115,913	100.00	
	KGI Securities	Taipei City, Taiwan	Financial service	100.00	52,266,100	3,126,073	3,241,843,251	-	3,241,843,251	100.00	
	KGI Bank	Taipei City, Taiwan	Commercial bank	100.00	60,074,282	1,932,730	4,606,162,291	-	4,606,162,291	100.00	
	China Development Asset Management Corp.	Taipei City, Taiwan	Trading and management of nonperforming loans of financial institution	100.00	2,358,918	35,202	200,000,000	-	200,000,000	100.00	
	China Life Insurance	Taipei City, Taiwan	Financial insurance	25.33	23,371,430	1,894,697	1,410,093,962	-	1,410,093,962	35.13	

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

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

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

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

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SOLD NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

1. Summary of sold nonperforming loans

Transaction Date	Counter Party	Type of Loans	Carrying Value (Note 1)	Selling Price	Disposal Gain (Loss) (Note 2)	Other Condition	Relationship of Counter-party with the Subsidiaries
2018.01.26	A	Unsecured loans	$ 69	$ 800	$ 698	-	-
2018.07.27	B	Unsecured loans	37	900	834	-	-
2018.10.15	C	Unsecured loans	-	250	238	-	-
2018.10.29	D	Unsecured loans	27	2,500	2,363	-	-

2. Sale of nonperforming loans exceeding NT$1 billion (excluding related-party transactions): For the Group: None.

TABLE 8

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Consolidated entities

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2018	December 31, 2017	
The Corporation	CDIB Capital Group	Venture fund	100.00	100.00	
	KGI Securities	Financial service	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	China Life Insurance Co., Ltd.	Financial insurance	25.33	25.33	(Note 1)
CDIB Capital Group	CDIB Capital Management Corporation	Management and consulting	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	
	CDIB Global Markets Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment I Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment II Limited	Venture fund	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Management company of venture fund	100.00	100.00	
	CDIB Capital International (USA) Corporation	Management company of venture fund	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Management company of venture fund	100.00	100.00	
	CDIB Capital Asia Partners Limited	Management of private equity fund	100.00	100.00	(Note 2)
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	
CDIB Private Equity (Fujian) Co., Ltd.	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	20.00	20.00	
CDIB Capital Management Corporation	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	
	CDIB Capital Innovation Advisors Corporation	Management and consulting	60.00	60.00	
CDIB Private Equity (Hong Kong) Corporation Limited	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	27.08	27.08	
	CDIB Private Equity (China) Corporation	Management and consulting	100.00	100.00	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	56.00	56.00	
CDIB Private Equity (China) Corporation	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting	65.00	65.00	
	CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting	70.00	70.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017	Note
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	58.34	58.34	
KGI Securities	Richpoint Company Limited	Investment holdings	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture capital	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	100.00	99.99	(Note 3)
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	
	Global Securities Finance Corporation	Stock loans and financing purchase of securities	21.99	21.99	(Note 4)
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	
KGI Information Technology Co., Ltd.	KGI Information Technology (Shanghai) Co., Ltd.	Information service	-	100.00	(Note 5)
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	100.00	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	
KGI International Holdings Limited	KGI Limited	Investment holdings	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	
KGI Limited	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	
	KGI Hong Kong Limited	Management and consulting	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	(Note 6)
	KGI Capital Asia Limited	Securities investment	100.00	100.00	
	KGI Asset Management Limited	Asset management	100.00	100.00	
	TG Holborn (HK) Limited	Insurance brokerage	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	
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	(Note 7)
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	99.00	
KGI Asia Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	-	100.00	(Note 8)

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017	Note
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Securities investment	100.00	100.00	(Note 9)
KGI Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	

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

Note 2: CDIB Capital Asia Partners Limited conducted registration of establishment on March 21, 2014, however, CDIB Capital International Corporation had not invested any capital as of December 31, 2018.

Note 3: In order to integrate KGI Securities Investment Trust Co., Ltd. into a wholly-owned subsidiaries of KGI Securities to meet future business development needs, on January 26, 2018, KGI Securities's board of directors resolved to buy back the remaining 1,833 shares of KGI Securities with a total purchase price of $19 thousand. The delivery date was February 22, 2018.

Note 4: KGI Securities held 21.99% of the shares of Global Securities Finance Corporation (GSFC) and obtained more than half of the seats in the board of director, therefore, GSFC should be included in the consolidated financial statements.

Note 5: KGI Information Technology (Shanghai) Co., Ltd. conducted registration of establishment on May 30, 2016. However, KGI Information Technology Co., Ltd. has no capital invested until the close of December 28, 2018.

Note 6: To integrate internal resources and improve the effectiveness of funding operation, the overseas investee enterprises of KGI Limited, which included KGI Securities (Hong Kong) Limited, KGI Asia Limited, Grand Cathay Securities (Hong Kong) Limited and KGI Wealth Management Limited, were merged. KGI Asia Limited was the survivor company after the merger. The effective date of the merger was October 3, 2017.

Note 7: KGI Capital (Singapore) Pte. Ltd. has discontinued.

Note 8: Grand Cathay Capital (Hong Kong) Limited was closed in October 23, 2018.

Note 9: To integrate internal resources, strengthen capital and enhance refinancing ability, the overseas investee enterprises of KGI Asia (Holdings) Pte. Ltd., which included KGI Futures (Singapore) Pte. Ltd. and KGI Securities (Singapore) Pte. Ltd., were merged. KGI Securities (Singapore) Pte. Ltd. was the survivor company after the merger. The effective date of the merger was October 2, 2017.

(Continued)

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2018	December 31, 2017	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	-	50.00	As of September 30, 2018, CDIB Capital Group's investment in CDIB Biotech USA Investment Co., Ltd. of CDIB Capital Group had amounted to $0 thousand; CDIB Biotech USA Investment Co., Ltd. was approbated to liquidate by the Board of Director on April 20, 2008, therefore, CDIB Biotech USA Investment Co., Ltd. was not included in the consolidated financial statement. The liquidation was settled on October 2018.
CDIB Capital Investment I Limited	Subicvest Inc.	Leasing	-	100.00	As of September 30, 2018, CDIB Capital Investment I Limited's investment in Subicvest Inc. of CDIB Capital Investment I Limited had amounted to US$80 thousand; Subicvest Inc. was approbated to liquidate by the Board of Director on May 24, 2016, therefore, Subicvest was not included in the consolidated financial statement. The liquidation was settled on October 2018.
KGI Securities	Grand Cathay Holding Limited	Investment holdings	-	-	Grand Cathay Holding Limited was approbated to liquidate by the board of directors on December 27, 2013, therefore, Grand Cathy Holding Limited was not included in the consolidated financial statement. The liquidation was settled on May 1, 2018.

(Concluded)

TABLE 9

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE
DECEMBER 31, 2018
(In Millions of New Taiwan Dollars; %)

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.	$ 147,149	92.41
Taipower Corporation	15,776	9.91
KG Investment Holdings Ltd	13,545	8.51
AT&T Inc.	11,119	6.98
VERIZON COMMUNICATIONS	10,651	6.69
GOLDMAN SACHS GROUP INC.	10,349	6.50
FANNIE MAE	10,305	6.47
JPMORGAN CHASE & CO.	10,011	6.29
SOCIETE GENERALE	9,141	5.74
COMCAST CORP.	8,708	5.47
CITIGROUP INC.	8,676	5.45
BARCLAYS BANK PLC	8,552	5.37
BANK OF AMERICA CORP.	8,369	5.26
DEUTSCHE BANK AG	8,329	5.23
Hon Hai Precision Industry Co., Ltd.	8,103	5.09
CREDIT SUISSE	7,825	4.91
Natixis S.A.	7,607	4.78
WELLS FARGO & COMPANY	7,530	4.73
WESTPAC BANKING CORP.	7,012	4.40
HSBC	6,995	4.39
NATIONAL BANK OF CANADA	6,963	4.37
MORGAN STANLEY	6,743	4.23
Nomura Holdings	6,620	4.16
BNP-PARIBAS SA	6,495	4.08
FREDDIE MAC	6,458	4.06
MEXICO	6,159	3.87
ANHEUSER-BUSCH INBEV	5,956	3.74
SAUDI INTERNATIONAL BOND	5,922	3.72
LLOYDS BANK PLC	5,841	3.67
EDF	5,701	3.58
ADCB FINANCE CAYMAN LTD.	5,699	3.58

(Continued)

	Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
	Alibaba Group	$ 5,562	3.49
	China Development Bank	5,390	3.38
	CDIB & Partners Investment Holding Corporation	5,323	3.34
	ROYAL BANK OF CANADA	5,190	3.26
	RABOBANK NEDERLAND	5,081	3.19
	STANDARD CHARTERED PLC	4,781	3.00
	MALAYAN BANKING BHD	4,756	2.99
	RUSSIAN FEDERATION	4,657	2.92
	TSMC	4,636	2.91
	Cathay Financial Holdings Co., Ltd.	4,485	2.82
	GOVERNMENT NATL MORTGAGE ASSOCIATION	4,333	2.72
	KOMMUNALBANKEN AS	4,298	2.70
	QNB FINANCE LTD.	4,242	2.66
	Comision Federal de Electricidad	4,183	2.63
	Nan Ya Plastics Corporation	4,111	2.58
	NATIONAL BK OF ABU DHABI	4,083	2.56
	CTBC Financial Holding Co., Ltd.	3,995	2.51
	COMMONWEALTH BANK	3,976	2.50
	DBS BANK LTD.	3,975	2.50
	CVS Health Corp	3,803	2.39
	Far Eastern New Century Corporation	3,777	2.37
	The Export-Import Bank of the Republic of China	3,690	2.32
	E.SUN Commercial Bank, Ltd.	3,434	2.16
	KGI Futures Co., Ltd.	3,416	2.15
	APPLE INC.	3,413	2.14
	China Petroleum Corporation, Taiwan	3,349	2.10
	Cathay United Commercial Bank	3,330	2.09
	Intel Corp.	3,269	2.05
	SINOPEC	3,204	2.01
	Jin Hua Integrated Circuit (Fujian) Co., Ltd.	3,073	1.93
	United States of America	3,064	1.92
	NATIONAL AUSTRALIA BANK	3,056	1.92
	CDIB Capital Asia Partners	3,054	1.92
	Total	$ 528,298	331.78
2.	The same group		
	Foxconn Technology Group	$ 15,228	9.56
	Lin Yuan Group	12,534	7.87
	Far Eastern Group	11,847	7.44
	JPMORGAN CHASE GROUP	11,302	7.10
	Goldman Sachs Group	10,349	6.50
	HSBC Group	9,333	5.86
	Societe Generale Group	9,141	5.74
	Deutsche Bank Group	9,039	5.68
	CITI Group	8,875	5.57
	Barclays Bank Group	8,552	5.37
	CTBC Group	8,410	5.28

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Bank of America Group	$ 8,369	5.26
Credit Suisse Group	7,825	4.91
Natixis S.A. Group	7,607	4.78
Wells Fargo Bank Group	7,556	4.75
Fubon Group	7,483	4.70
Westpac Banking Group	7,012	4.40
Morgan Stanle Group	6,743	4.23
NOMURA Group	6,656	4.18
BNP Paribas Group	6,555	4.12
LLOYDSBK Group	5,976	3.75
Royal Bank of Canada Group	5,962	3.74
Ruentex Group	5,707	3.58
ASE Group	5,704	3.58
Formosa Plastic Group	5,651	3.55
China Development Bank Group	5,390	3.38
RABO Bank Group	5,081	3.19
TSMC Group	4,812	3.02
Standard Chartered Group	4,784	3.00
FAB Group	4,620	2.90
Evergreen Group	4,570	2.87
Yulon Group	4,475	2.81
Tencent Group	4,455	2.80
YFY Group	4,267	2.68
National Australia Bank Group	4,255	2.67
Nanya Plastics Group	4,136	2.60
Gateway Real Estate Fund Group	4,109	2.58
First Financial Holding Group	4,028	2.53
The Common Wealth Bank of Australia Group	3,976	2.50
DBS Group	3,971	2.49
China Construction Bank Group	3,963	2.49
E.SUN Financial Holding Group	3,945	2.48
CTCI Group	3,941	2.47
Taishin Group	3,933	2.47
Chailease Group	3,728	2.34
Hungtai Group	3,525	2.21
Yageo Group	3,501	2.20
Qsan Technology Group	3,392	2.13
China Steel Group	3,314	2.08
Mega Financial Holding Group	3,260	2.05
Taiwan Cement Group	3,166	1.99
Bank of China Group	3,161	1.99
Formosa Chemicals and Fiber Group	3,087	1.94
Fujian Electronics & Information Group	3,073	1.93
Walsin Group	3,054	1.92
Total	$ 328,388	206.23

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
Assets	**2018**	**2017**
Cash and cash equivalents	$ 4,570,426	$ 1,014,547
Financial assets at fair value through profit or loss	471,765	-
Available-for-sale financial assets	-	1,344,910
Receivables, net	50,567	4,689
Current tax assets	1,881,337	1,234,121
Investments accounted for using the equity method, net	185,756,820	200,445,118
Other financial assets	500,300	300
Property and equipment, net	28,054	21,488
Other assets, net	33,988	29,946
Total	$ 193,293,257	$ 204,095,119
Liabilities and Equity		
Commercial paper payable	$ 9,898,975	$ 9,899,365
Payables	722,528	699,065
Current tax liabilities	1,129,319	472,630
Bonds payable	19,000,000	22,000,000
Other borrowings	3,299,951	3,299,950
Provisions	6,946	41,362
Other liabilities	2,855	2,675
Total liabilities	34,060,574	36,415,047
Equity		
Capital		
Common stock	149,622,812	149,763,034
Advance receipts for capital stock	10,748	5,162
Capital surplus	1,630,992	1,173,719
Retained earnings		
Legal reserve	6,776,135	5,606,606
Special reserve	565,041	2,078,602
Unappropriated earnings	14,754,530	13,184,948
Other		
Exchange differences on translation of financial statements of foreign operations	(930,286)	(2,031,949)
Unrealized gain (loss) on available-for-sale financial assets	-	2,113,838
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	(66,615)	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	(5,071,947)	-
Other comprehensive income (loss) reclassified using the overlay approach	(4,451,944)	-
Others	(1,339)	(8,322)
Treasury shares	(3,605,444)	(4,205,566)
Total equity	159,232,683	167,680,072
Total	$ 193,293,257	$ 204,095,119

(Continued)

2. Statements of comprehensive income

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

	For the Year Ended December 31	
	2018	**2017**
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	$ 9,353,789	$ 12,687,096
Others	19,686	51,725
Total revenues	9,373,475	12,738,821
EXPENSES AND LOSSES		
Operating expenses	(993,269)	(1,026,932)
Others	(547,105)	(338,275)
Total expenses and losses	(1,540,374)	(1,365,207)
NET PROFIT BEFORE INCOME TAX	7,833,101	11,373,614
INCOME TAX BENEFIT	19,587	321,671
NET PROFIT FOR THE YEAR	7,852,688	11,695,285
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss, net of income tax		
Remeasurement of defined benefit plans	11,442	(1,063)
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures	(2,229,298)	(143,832)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	385,487	15,253
Items that will be reclassified subsequently to profit or loss, net of income tax		
Unrealized gain on available-for-sale financial assets	-	257,619
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(12,722,740)	1,511,643
Income tax relating to the items that may be reclassified subsequently to profit or loss	1,706,604	74,068
Other comprehensive income (loss) for the year, net of income tax	(12,848,505)	1,713,688
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ (4,995,817)	$ 13,408,973
BASIC EARNINGS PER SHARE	$0.54	$0.80
DILUTED EARNINGS PER SHARE	$0.54	$0.80

(Continued)

3. Statements of changes in equity

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

	Capital			Retained Earnings			Other Equity						
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2017	$ 149,744,203	$ 10	$ 1,104,521	$ 5,014,298	$ 3,228,296	$ 8,556,188	$ 494,377	$ -	$ (2,255,818)	$ -	$ (21,211)	$ (2,376,747)	$ 163,488,117
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	592,308	-	(592,308)	-	-	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	(7,487,871)	-	-	-	-	-	-	(7,487,871)
Reversal of special reserve	-	-	-	-	(949,694)	949,694	-	-	-	-	-	-	-
	-	-	-	592,308	(949,694)	(7,130,485)	-	-	-	-	-	-	(7,487,871)
Other change in other surplus	-	-	59,948	-	-	-	-	-	-	-	-	-	59,948
Net profit for the year ended December 31, 2017	-	-	-	-	-	11,695,285	-	-	-	-	-	-	11,695,285
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(129,642)	(2,526,326)	-	4,369,656	-	-	-	1,713,688
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	11,565,643	(2,526,326)	-	4,369,656	-	-	-	13,408,973
Reorganization	-	-	(93)	-	-	-	-	-	-	-	-	-	(93)
Purchase of the Corporation shares, as treasury shares	-	-	-	-	-	-	-	-	-	-	-	(1,834,558)	(1,834,558)
Disposal of the Corporation shares, as treasury shares	-	-	2,402	-	-	-	-	-	-	-	-	5,739	8,141
Share-based payments	18,831	5,152	6,941	-	-	(6,398)	-	-	-	-	12,889	-	37,415
Trading loss reserve of subsidiaries reversed	-	-	-	-	(200,000)	200,000	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	149,763,034	5,162	1,173,719	5,606,606	2,078,602	13,184,948	(2,031,949)	-	2,113,838	-	(8,322)	(4,205,566)	167,680,072
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)
Reversal of special reserve	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-
	-	-	-	1,169,529	(1,513,561)	(8,630,345)	-	-	-	-	-	-	(8,974,377)
Net profit for the year ended December 31, 2018	-	-	-	-	-	7,852,688	-	-	-	-	-	-	7,852,688
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(80,056)	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(12,848,505)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	7,772,632	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(4,995,817)
Cancellation of treasury shares	(206,461)	-	-	-	-	-	-	-	-	-	-	206,461	-
Disposal of the Corporation shares, as treasury shares	-	-	176,732	-	-	-	-	-	-	-	-	393,661	570,393
Parent's appropriation of cash dividend to subsidiaries	-	-	287,529	-	-	-	-	-	-	-	-	-	287,529
Share-based payments	66,239	5,586	(6,988)	-	-	(4,159)	-	-	-	-	6,983	-	67,661
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	215,673	-	(215,673)	-	-	-	-	-
Net change in special reserve of subsidiaries	-	-	-	-	-	36,660	-	-	-	-	-	-	36,660
BALANCE AT DECEMBER 31, 2018	$ 149,622,812	$ 10,748	$ 1,630,992	$ 6,776,135	$ 565,041	$ 14,754,530	$ (930,286)	$ (5,138,562)	$ -	$ (4,451,944)	$ (1,339)	$ (3,605,444)	$ 159,232,683

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 7,833,101	$ 11,373,614
Adjustments for:		
Depreciation and amortization expenses	4,986	4,854
Loss on financial assets at fair value through profit or loss, net	135,770	-
Interest expenses	409,873	310,432
Interest income	(14,130)	(26,577)
Dividend income	(13,616)	(45,810)
Share-based payment compensation cost	9,286	23,237
Share of profit of subsidiaries, associates and joint ventures	(9,300,102)	(12,685,573)
Others	-	23,159
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	737,375	-
Receivables	(70,049)	138,951
Other financial assets	(500,000)	-
Other assets	(3,753)	509,822
Payables	48,573	156,399
Other	(22,794)	5,274
Interest paid	(437,378)	(322,073)
Interest received	11,678	26,577
Dividend received	11,600,918	6,496,394
Income tax refund (paid)	55,684	(4,490)
Net cash generated from operating activities	10,485,422	5,984,190
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment under equity method	-	(33,121,887)
Proceeds of capital return on investments accounted for using the equity method	-	5,000,000
Acquisition of property and equipment	(9,446)	(14,462)
Disposal of available-for-sale financial assets	-	89,246
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	5,000,000	20,000,000
Net cash generated from (used in) investing activities	4,990,554	(8,047,103)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	(390)	5,899,591
Proceeds from corporate bonds	-	10,000,000
Repayments of corporate bonds	(3,000,000)	(6,000,000)
Increase (decrease) in other borrowings	1	(699,942)
Cash dividends paid	(8,974,377)	(7,487,871)
Exercise of employee share options	54,669	8,241
Net cash generated from (used in) financing activities	(11,920,097)	1,720,019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,555,879	(342,894)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,014,547	1,357,441
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 4,570,426	$ 1,014,547

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	**2017**
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 33,083,932	$ 47,564,313
Financial assets at fair value through profit or loss	81,922,752	54,441,219
Financial assets at fair value through other comprehensive income	151,669,704	-
Debt instruments measured at amortized cost	11,965,807	-
Securities purchased under resell agreements	15,164,692	18,829,142
Receivables, net	24,305,714	18,552,904
Assets held for sale, net	29,649	-
Discount and loans, net	335,751,432	293,656,990
Available-for-sale financial assets, net	-	127,662,495
Investments accounted for using the equity method, net	1,654,220	1,738,613
Other financial assets, net	1,476,948	7,862,447
Property and equipment, net	5,374,246	5,518,787
Investment property, net	1,108,910	932,134
Deferred tax assets	2,176,684	2,855,924
Other assets, net	13,491,511	5,884,365
Total assets	$ 679,176,201	$ 585,499,333
Deposits from the Central Bank and banks	$ 21,359,259	$ 28,330,692
Financial liabilities at fair value through profit or loss	73,866,749	43,284,681
Notes and bonds issued under repurchase agreements	60,303,682	45,444,814
Payables	6,940,026	6,787,707
Current tax liabilities	530,563	412,845
Deposits and remittances	421,726,228	376,649,751
Bank debentures payable	7,350,000	1,000,000
Principal received on structured notes	24,020,358	20,147,989
Other financial liabilities	3,716	3,162
Provisions	331,602	213,712
Deferred tax liabilities	24,413	243,838
Other liabilities	4,345,130	1,758,392
Total liabilities	620,801,726	524,277,583
Common stock	46,061,623	46,061,623
Capital surplus	7,251,173	7,250,553
Retained earnings	6,567,132	8,166,473
Others	(1,505,453)	(256,899)
Total equity	58,374,475	61,221,750
Total liabilities and equity	$ 679,176,201	$ 585,499,333

(Continued)

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2018	**2017**
Interest revenue	$ 13,051,990	$ 10,273,997
Interest expense	(6,006,754)	(4,029,867)
Interest profit, net	7,045,236	6,244,130
Noninterest profits and gains, net	1,749,965	4,729,434
Total net revenues	8,795,201	10,973,564
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	(15,111)	(288,239)
Operating expenses	(5,891,545)	(5,661,258)
Net profit before income tax	2,888,545	5,024,067
Income tax expense	(743,091)	(1,844,062)
Net profit for the year	2,145,454	3,180,005
Other comprehensive income (loss) for the year net of income tax	(1,788,002)	1,016,351
Total comprehensive income for the year	$ 357,452	$ 4,196,356
Basic earnings per share	$0.47	$0.69

(Continued)

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	**2017**
Current assets	$ 136,199,128	$ 132,216,805
Noncurrent assets	43,193,399	43,216,936
Total assets	$ 179,392,527	$ 175,433,741
Current liabilities	$ 114,059,600	$ 110,425,142
Noncurrent liabilities	6,914,191	6,847,824
Total liabilities	120,973,791	117,272,966
Common stock	32,418,432	29,988,123
Capital surplus	8,648,158	8,646,690
Retained earnings	21,243,911	20,657,851
Others	(3,891,765)	(1,131,889)
Total equity	58,418,736	58,160,775
Total liabilities and equity	$ 179,392,527	$ 175,433,741

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2018	**2017**
Operating revenues	$ 9,690,226	$ 14,519,046
Operating expenses	(8,717,146)	(8,507,084)
Profit from operations	973,080	6,011,962
Share of profit (loss) of subsidiaries, associates and joint ventures	2,269,197	1,575,345
Other income and loss	856,844	733,497
Total non-operating income or loss	3,126,041	2,308,842
Net profit before income tax	4,099,121	8,320,804
Income tax expense	(334,296)	(243,119)
Net profit for the year	3,764,825	8,077,685
Other comprehensive income (loss)	(2,981,994)	(3,461,346)
Total comprehensive income (loss) for the year	$ 782,831	$ 4,616,339
Basic earnings per share	$1.16	$2.28

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	**2017**
Current assets	$ 6,813,888	$ 5,089,560
Noncurrent assets	42,775,502	49,413,520
Total assets	$ 49,589,390	$ 54,503,080
Current liabilities	$ 941,433	$ 723,199
Noncurrent liabilities	961,867	804,655
Total liabilities	1,903,300	1,527,854
Common stock	20,411,159	20,411,159
Capital surplus	589,866	4,688,261
Retained earnings	26,234,466	28,585,639
Others	450,599	(709,833)
Total equity	47,686,090	52,975,226
Total liabilities and equity	$ 49,589,390	$ 54,503,080

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2018	**2017**
Operating revenues	$ 2,637,060	$ 4,896,413
Operating costs	-	(871,724)
Gross profit	2,637,060	4,024,689
Operating expenses	(408,289)	(528,601)
Profit from operations	2,228,771	3,496,088
Non-operating income and expenses	248,282	(43,636)
Net profit before income tax	2,477,053	3,452,452
Income tax expense	(165,652)	(99,917)
Net profit for the year	2,311,401	3,352,535
Other comprehensive income (loss) for the year, net of income tax	441,682	2,140,361
Total comprehensive income (loss) for the year	$ 2,753,083	$ 5,492,896
Basic earnings per share	$1.13	$1.63

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	**2017**
Current assets	$ 71,658	$ 44,161
Noncurrent assets	3,120,035	3,211,800
Total assets	$ 3,191,693	$ 3,255,961
Current liabilities	$ 831,179	$ 832,695
Noncurrent liabilities	1,596	1,712
Total liabilities	832,775	834,407
Common Stock	2,000,000	2,000,000
Capital surplus	8,747	8,735
Retained earnings	370,120	412,819
Others	(19,949)	-
Total equity	2,358,918	2,421,554
Total liabilities and equity	$ 3,191,693	$ 3,255,961

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	For the Year Ended December 31	
	2018	**2017**
Revenues and gains	$ 118,415	$ 183,792
Expenses and losses	(80,582)	(82,668)
Net profit before income tax	37,833	101,124
Income tax expense	(2,631)	-
Net profit for the year	35,202	101,124
Other comprehensive income (loss) for the year, net of income tax	(98)	(60)
Total comprehensive income (loss) for the year	$ 35,104	$ 101,064
Basic earnings per share	$0.18	$0.51

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	**2017**
Cash and cash equivalents	$ 42,947,426	$ 44,717,613
Receivables	17,549,054	12,998,829
Current tax assets	499,407	-
Financial assets at fair value through profit or loss	215,549,254	4,531,910
Financial assets at fair value through other comprehensive income	323,006,735	-
Available-for-sale financial assets	-	424,694,976
Financial assets measured at amortized cost	950,482,240	-
Debt instruments with no active market	-	632,451,850
Held-to-maturity financial assets	-	194,762,878
Investment property	23,143,854	23,149,852
Loans	33,379,965	31,490,373
Reinsurance assets	534,353	302,104
Property and equipment	10,722,338	9,387,145
Intangible assets	230,128	186,275
Deferred tax assets	9,949,639	5,689,044
Other assets	19,859,278	19,546,345
Separate account product assets	63,501,665	61,824,990
Total assets	$ 1,711,355,336	$ 1,465,734,184
Payables	$ 10,727,086	$ 8,547,929
Current tax liabilities	-	4,934,199
Financial liabilities at fair value through profit or loss	2,469,127	535,854
Insurance liabilities	1,552,528,196	1,284,198,018
Foreign exchange valuation reserve	3,169,331	2,703,763
Provisions	134,940	120,084
Deferred tax liabilities	1,342,297	2,553,444
Other liabilities	4,388,310	4,978,156
Separate account product liabilities	63,501,665	61,824,990
Total liabilities	1,638,260,952	1,370,396,437
Common stock	40,135,823	37,863,984
Capital surplus	2,289,273	2,289,273
Retained earnings	48,243,509	44,077,239
Others	(17,574,221)	11,107,251
Total equity	73,094,384	95,337,747
Total liabilities and equity	$ 1,711,355,336	$ 1,465,734,184

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2018	**2017**
Operating revenues	$ 338,495,113	$ 255,328,334
Operating costs	(325,583,910)	(242,182,893)
Operating expenses	(4,954,851)	(4,405,260)
Profit from operations	7,956,352	8,740,181
Non-operating income and expenses	1,646,887	(897)
Income from continuing operations before income tax	9,603,239	8,739,284
Income tax benefit	574,748	344,688
Net income	10,177,987	9,083,972
Other comprehensive income (loss) for the year net of income tax	(35,428,214)	7,960,686
Total comprehensive income (loss) for the year	$ (25,250,227)	$ 17,044,658
Basic earnings per share	$2.54	$2.26

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Beauty Essential International (Shanghai) Ltd.	Sale and R&D of the cosmetics.	US$ 2,000 thousand	Note 1,b,1)	US$ 2,262 thousand	$ -	$ -	US$ 2,262 thousand	(Note 3)	8.86	$ -	$ 67,521	$ -
Derby Software (Shanghai) Co., Ltd.	The next-generation electronic distribution channel operator serving China's hotel industry.	US$ 10,000 thousand	Note 1,b,2)	US$ 3,267 thousand	-	-	US$ 3,267 thousand	(Note 3)	6.87	-	107,235	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments.	US$ 35,200 thousand	Note 1,b,3)	US$ 1,400 thousand	-	-	US$ 1,400 thousand	(Note 3)	1.66	-	45,003	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering.	US$ 17,130 thousand	Note 1,b,4)	US$ 3,000 thousand	-	-	US$ 3,000 thousand	(Note 3)	10.23	-	99,603	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging.	US$ 87,070 thousand	Note 1,b,5),21)	US$ 228 thousand	-	-	US$ 228 thousand	(Note 3)	1.79	-	7,007	-
MCM (Beijing) Commercial Co., Ltd.	Apparel, jewelry, watches, perfumes, cosmetics, glasses, bags, leather goods wholesale and retail; import and export of goods.	EUR 4,460 thousand	Note 1,b,6),22)	US$ 182 thousand	-	-	US$ 182 thousand	(Note 3)	5.00	-	6,413	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US$ 28,000 thousand	Note 1,b,5),20)	US$ 941 thousand	US$ 7 thousand	-	US$ 948 thousand	(Note 3)	2.36	-	7,195	-
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US$ 3,000 thousand	Note 1,b,5),20)	US$ 33 thousand	-	-	US$ 33 thousand	(Note 3)	2.36	-	253	-
Tianjin Mei Wei Information Technology Co., Ltd.	Computer IT consulting and technical services; computer hardware and software development; furniture, building materials, daily commodities, hardware wholesale.	CNY 171,574 thousand	Note 1,b,5),20)	CNY 273 thousand	CNY 24 thousand	-	CNY 297 thousand	(Note 3)	2.36	-	2,253	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale.	US$ 500 thousand	Note 1,b,5),20)	US$ 42 thousand	-	-	US$ 42 thousand	(Note 3)	2.36	-	316	-
Jiangyin Suda Huicheng Composite Material Co., Ltd.	Lithium battery with extruded composite film	CNY 19,812 thousand	Note 1,b,20)	US$ 4,938 thousand	-	-	US$ 4,938 thousand	(Note 3)	3.89	-	37,471	-
CDIB Private Equity (China) Corporation	Management and consulting.	US$ 7,000 thousand	Note 1,b,8)	US$ 7,000 thousand	-	-	US$ 7,000 thousand	28,399	100.00	28,399	229,300	-
CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting.	CNY 10,000 thousand	Note 10	-	-	-	-	22,877	70.00	16,014	68,820	-
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 6,686 thousand	-	-	CNY 6,686 thousand	(87)	70.00	(61)	38,958	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 350,000 thousand	$ -	$ -	CNY 350,000 thousand	$ 32,764	35.00	$ 11,467	$ 1,648,309	$ -
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting.	CNY 7,000 thousand	Note 11	-	-	-	-	15,053	65.00	9,784	47,982	-
CDIB Yida Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 3,250 thousand	-	-	CNY 3,250 thousand	2,505	65.00	1,628	35,912	-
CDIB Yida Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 300,000 thousand	-	-	CNY 300,000 thousand	278,246	30.00	83,474	1,421,496	-
Focus Multimedia Technology (Shanghai) Co., Ltd.	Multimedia network information systems software R&D; multimedia network engineering design consultancy; market research and intermediary service; sales of self-produced products.	US$ 38,000 thousand	Note 1,b,9),23)	US$ 16,612 thousand	-	US$ 16,612 thousand	-	(Note 3)	-	-	-	-
Focus (China) Information Technology Co., Ltd.	LCD advertising, software and hardware of computers manufacture and sale, and network technology design and development; computer integrated design, debugging and maintenance; self-developed technological achievement transfer; related technologies consultancy and technical service.	US$ 10,000 thousand	Note 1,b,9),23)	US$ 4,371 thousand	-	US$ 4,371 thousand	-	(Note 3)	-	-	-	-
Chi Zhong Information Technology (Shanghai) Co., Ltd.	LCD advertising, software and hardware of computers manufacture and sale, and network technology design and development; computer integrated design, debugging and maintenance; self-developed technological achievement transfer; related technologies consultancy and technical service.	US$ 10,000 thousand	Note 1,b,9),23)	US$ 875 thousand	-	US$ 875 thousand	-	(Note 3)	-	-	-	-
Shanghai OOH Advertising Co., Ltd.	Domestic and foreign advertisement design, production, releases and agent.	US$ 400 thousand	Note 1,b,9),23)	US$ 174 thousand	-	US$ 174 thousand	-	(Note 3)	-	-	-	-
GSD Industrial (China) Co., Ltd.	Pumps manufacture and sale.	CNY 50,000 thousand	Note 1,b,10)	US$ 2,235 thousand	-	-	US$ 2,235 thousand	(Note 3)	19.86	-	68,353	-
Beijing Shengzhuang Co., Ltd.	Cosmetics sales.	CNY 54,300 thousand	Note 1,b,11)	US$ 5,000 thousand	-	-	US$ 5,000 thousand	(Note 3)	5.44	-	151,150	-
Lightel Technologies (Shenzhen) Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps.	US$ 4,100 thousand	Note 1,b,12)	US$ 337 thousand	-	-	US$ 337 thousand	(Note 3)	11.58	-	10,076	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK$ 313,432 thousand	Note 1,b,6),13)	US$ 2,311 thousand	-	-	US$ 2,311 thousand	(Note 3)	7.7	-	71,027	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK$ 195,686 thousand	Note 1,b,6),13)	US$ 1,678 thousand	-	-	US$ 1,678 thousand	(Note 3)	7.7	-	51,580	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
Jiangsu Stonehenge Industrial Holding Ltd.	Business in research, development and manufacture of electro optic technology, process on TFT-LCD optical, functional film material, and production and marketing of other plastic product.	HK$ 761,576 thousand	Note 1,b, 6),24)	US$ 9,248 thousand	$ -	$ -	US$ 9,248 thousand	(Note 3)	5.46	$ -	$ 70,183	$ -
Tutwo (Xiamen) Outdoor Co., Ltd.	Business in wholesale and retail of outdoor sports products, sporting goods, clothing, shoes and hats, wholesale, retail and manufacture of textile and hosiery, leather garments, leather manufacturing, retail of kitchenware and daily groceries.	CNY 350,379 thousand	Note 1,b, 14)	US$ 7,417 thousand	-	-	US$ 7,417 thousand	(Note 3)	2.67	-	56,285	-
Best Logistics Technology (China) Co., Ltd.	Business in research, development, technical services, computer information, network logistics technology and wholesale and retail of general labor supplies, household appliances and building materials.	US$ 183,000 thousand	Note 1,b, 15)	US$ 211 thousand	-	-	US$ 211 thousand	(Note 3)	-	-	2,619	-
Loyou, Inc.	Children's products.	US$ 62,150 thousand	Note 1,b, 16)	US$ 963 thousand	-	US$ 963 thousand	-	(Note 3)	-	-	-	-
Viscovery	Business in software development	US$ 3,500 thousand	Note 1,b, 17)	US$ 36 thousand	-	-	US$ 36 thousand	(Note 3)	1.80	-	1,106	-
CDIB International Leasing Corporation	Financial Leasing and management business consulting.	CNY 187,750 thousand	Note 1,a	US$ 30,000 thousand	-	-	US$ 30,000 thousand	(2,260)	100.00	(2,260)	170,190	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US$ 4,000 thousand	Note 1,b,18)	US$ 4,000 thousand	-	-	US$ 4,000 thousand	(10,451)	100.00	(10,451)	37,389	-
CCB Life Insurance Company Limited	Life insurance.	CNY 4,495,789 thousand	Note 1,a	7,401,464	-	-	7,401,464	2,630,121	19.90	71,756	8,193,589	71,756
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US$ 13,380 thousand	Note 1,b,19)	US$ 360 thousand	US$ 21 thousand	-	US$ 381 thousand	(Note 3)	0.88	-	3,401	-
Cheng Zong Environmental Protection Technology (Shanghai) Co., Ltd.	Business in Packaging materials, plastic products, machinery and equipment, providing molds and related products wholesale, commission agents.	US$ 5,000 thousand	Note 1,b,19)	US$ 107 thousand	-	-	US$ 107 thousand	(Note 3)	0.88	-	852	-
Taro Technology (Hangzhou) Co., Ltd	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US$ 30,000 thousand	Note 1,b,25)	-	US$ 2,000 thousand	-	US$ 2,000 thousand	(Note 3)	1.01	-	61,466	-
Rokid Business (Hangzhou) Co., Ltd	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US$ 15,000 thousand	Note 1,b,25)	-	US$ 3,000 thousand	-	US$ 3,000 thousand	(Note 3)	1.01	-	92,199	-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$13,987,176	US$806,220 thousand	$125,839,745

(Continued)

Note 1: The investment types are as follows:

a. Direct investments.

b. Reinvested through a third area by:

1) Beauty Essentials International Ltd.
2) Derbysoft Holdings Limited.
3) Capital Excel Investments Limited.
4) Hartec Asia Pet Ltd.
5) CDIB Capital Investment I Limited.
6) CDIB Capital Investment II Limited
7) CDIB Venture Capital (Hong Kong) Corporation Limited.
8) CDIB Private Equity (Hong Kong) Corporation Limited.
9) CDIB Global Markets Limited.
10) GSD Technologies Co., Ltd.
11) Shengzhuang Holdings Limited.
12) Lightel Technologies, Inc.
13) CBA Sport International Limited.
14) CCAP Tutwo Holdings (Hong Kong) Limited.
15) Best Logistics.
16) Leyou, Inc.
17) Viscovery (Cayman) Holding Company Limited.
18) Richpoint Company Limited.
19) Deluxe Technology Group Co., Ltd.
20) CDIB Capital Asia Partners L.P.
21) Great Team Backend Foundry, Inc.
22) Sungjoo Design Tech & Distribution Inc.
23) Carlyle Giovanna Partners, L.P.
24) Great Rich Technologies Limited.
25) Rokid Corporation Limited.

c. Other.

Note 2: The financial statements were audited by international CPA firms having a corporative relation with CPA firms in the Republic of China.

Note 3: Investee Company was not significantly influenced by the Company; therefore the Group cannot acquire the related financial information.

Note 4: Investment amount authorized or to be authorized by the Investment Commission, MOEA.

Note 5: Subsidiary of the Corporation formerly indirectly invested in Focal Tech (Shenzhen) System Co., Ltd. through its subsidiary's investment in Focal Tech (Shenzhen) Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.

Note 6: Subsidiary of the Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary's investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.

Note 7: Subsidiary of the Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yanghou Enteres Industrial Co., Ltd., Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.

Note 8: Subsidiary of the Corporation formerly indirectly invested in China Peptides (Wuhan) Co., Ltd. through its subsidiary's investment in JHL Biotech, Inc. has been listed on the Taipei Exchange on September 17, 2015, refer to its financial report for the information.

Note 9: Subsidiary of the Corporation formerly indirectly invested in Power Logic Tech (DongGuan) Inc., Dongguan TaiYi Electronics Co., Ltd., Dongguan Yi Quan Electronics Co., Ltd. through Sun Max Tech Limited, has been listed on the Taipei Exchange on December 28, 2017, refer to its financial report for the information.

Note 10: In 2017, CDIB Private Equity (Fujian) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 11: In 2017, CDIB Yida Private Equity (Kunshan) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 12: Subsidiary of the Corporation formerly indirectly invested in Gio Van Gogh (International) Jewelry Limited through its subsidiary's investment in Regal Holding Co., Ltd. has been listed on the Taiwan Stock Exchange on June 26, 2017, refer to its financial report for the information.

Note 13: Subsidiary of the Corporation formerly indirectly invested in San Neng Bakeware (Wuxi) Co., Ltd. through its subsidiary's investment in San Neng Group Holdings Co., Ltd. has been listed on the Taiwan Stock Exchange on June 25, 2018, refer to its financial report for the information.

Note 14: Subsidiary of the Corporation formerly indirectly invested in Hangzhou Huatong Industries Inc. and Hangzhou Rilong Leather Co., Ltd. through its subsidiary's investment in Shane Global Holding Inc. has been listed on the Taiwan Stock Exchange on August 15, 2018, refer to its financial report for the information.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	CDIB Capital Group	1	Current tax assets	$ 523,096	Note 4	0.02%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	523,096	Note 4	0.02%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	317,267	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	317,267	Note 4	0.01%
0	The Corporation	KGI Bank	1	Current tax assets	530,563	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	530,563	Note 4	0.02%
0	The Corporation	KGI Securities	1	Current tax assets	740,985	Note 4	0.03%
3	KGI Securities	The Corporation	2	Current tax liabilities	740,985	Note 4	0.03%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	4,519,205	Note 4	0.17%
0	The Corporation	KGI Bank	1	Other financial assets	500,000	Note 4	0.01%
2	KGI Bank	The Corporation	2	Deposits and remittances	5,019,205	Note 4	0.18%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	6,157,065	Note 4	0.23%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	6,157,065	Note 4	0.23%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposits and remittances	2,830,664	Note 4	0.10%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	2,738,863	Note 4	0.10%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other assets	91,801	Note 4	0.00%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
2	KGI Bank	KGI Securities	3	Financial assets at fair value through profit or loss	$ 394,377	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Customers’ equity accounts - futures	394,377	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Other financial assets	919,916	Note 4	0.03%
2	KGI Bank	KGI Securities	3	Deposits and remittances	919,916	Note 4	0.03%
3	KGI Securities	KGI Bank	3	Restricted assets	1,202,572	Note 4	0.04%
2	KGI Bank	KGI Securities	3	Deposits and remittances	1,202,572	Note 4	0.04%
2	KGI Bank	China Life Insurance	3	Deposits and remittances	6,719,483	Note 4	0.25%
4	China Life Insurance	KGI Bank	3	Cash and cash equivalents	6,719,483	Note 4	0.25%
2	KGI Bank	China Life Insurance	3	Service fee revenue and commission income	299,977	Note 4	0.12%
4	China Life Insurance	KGI Bank	3	Service fee expense and commission expense	299,977	Note 4	0.12%
2	KGI Bank	CDIB Capital Management Corporation	3	Deposits and remittances	226,552	Note 4	0.01%
5	CDIB Capital Management Corporation	KGI Bank	3	Other financial assets	200,000	Note 4	0.01%
5	CDIB Capital Management Corporation	KGI Bank	3	Cash and cash equivalents	26,552	Note 4	0.00%
3	KGI Securities	China Life Insurance	3	Service fee revenue and commission income	337,512	Note 4	0.13%
4	China Life Insurance	KGI Securities	3	Service fee expense and commission expense	337,512	Note 4	0.13%
3	KGI Securities	KGI Futures Co., Ltd.	3	Service fee revenue and commission income	257,095	Note 4	0.10%
6	KGI Futures Co., Ltd.	KGI Securities	3	Service fee expense and commission expense	257,095	Note 4	0.10%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	653,825	Note 4	0.02%
6	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	653,825	Note 4	0.02%
3	KGI Securities	KGI Insurance Brokers Co., Ltd.	3	Net other noninterest profit and gain	141,271	Note 4	0.06%
7	KGI Insurance Brokers Co., Ltd.	KGI Securities	3	Net other noninterest profit and gain	141,271	Note 4	0.06%
3	KGI Securities	KGI Securities Investment Advisory Co., Ltd.	3	Operating expenses	154,743	Note 4	0.06%

(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)
8	KGI Securities Investment Advisory Co., Ltd.	KGI Securities	3	Consulting service revenues	$ 154,743	Note 4	0.06%
6	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Financial assets at fair value through profit or loss	254,897	Note 4	0.01%
9	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	254,897	Note 4	0.01%
6	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	3,014,733	Note 4	0.11%
9	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	3,014,733	Note 4	0.11%
6	KGI Futures Co., Ltd.	KGI Futures (Hong Kong) Ltd.	3	Other financial assets	115,911	Note 4	0.00%
10	KGI Futures (Hong Kong) Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	115,911	Note 4	0.00%
11	Richpoint Company Limited	KG Investments Holdings Limited	3	Receivables, net	616,147	Note 4	0.02%
12	KG Investments Holdings Limited	Richpoint Company Limited	3	Other borrowings	616,147	Note 4	0.02%
11	Richpoint Company Limited	KGI International Holdings Limited	3	Receivables, net	308,074	Note 4	0.01%
13	KGI International Holdings Limited	Richpoint Company Limited	3	Other borrowings	308,074	Note 4	0.01%
14	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Operating expenses	270,116	Note 4	0.11%
15	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Consulting service revenues	270,116	Note 4	0.11%
16	CDIB Venture Capital Corporation	KGI Bank	3	Cash and cash equivalents	183,373	Note 4	0.01%
2	KGI Bank	CDIB Venture Capital Corporation	3	Deposits and remittances	183,373	Note 4	0.01%
14	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Consulting service revenues	131,750	Note 4	0.05%
17	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Operating expenses	131,750	Note 4	0.05%
4	China Life Insurance	KGI Securities	3	Service fee revenue and commission income	126,520	Note 4	0.05%
3	KGI Securities	China Life Insurance	3	Operating expenses	126,520	Note 4	0.05%

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.

(Continued)

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT$100 million.

(Concluded)

TABLE 13-1

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 2018

ASSETS	Richpoint Company Limited (In U.S. Dollars)	KG Investments Holdings Limited (In U.S. Dollars)	KGI International Holdings Limited (In U.S. Dollars)	KGI Investment Advisory (Shanghai) Co., Ltd. (In CNY)
CURRENT ASSETS				
Cash and cash equivalents	$ 83,354	$ 3,404	$ 16,937	$ 8,370,624
Other receivables - related parties	30,000,000	16,000,000	-	-
Other current assets	73,245	-	-	53,647
Total current assets	30,156,599	16,003,404	16,937	8,424,271
NONCURRENT ASSETS				
Financial assets fair value through profit or loss - noncurrent	375,207	-	-	-
Investments accounted for using the equity method	441,995,291	547,115,609	566,065,303	-
Property and equipment	-	-	-	6,010
Other noncurrent assets	-	-	-	75,640
Total noncurrent assets	442,370,498	547,115,609	566,065,303	81,650
TOTAL	$ 472,527,097	$ 563,119,013	$ 566,082,240	$ 8,505,921
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	$ 44,600,000	$ -	$ -	$ -
Commercial paper payable	-	-	3,879,790	-
Other payables	50,245	48,396	204,730	18,429
Other payables - related parties	-	137,375,697	15,845,695	-
Total current liabilities	44,650,245	137,424,093	19,930,215	18,429
NONCURRENT LIABILITIES				
Other noncurrent liabilities	-	-	-	152,000
Total noncurrent liabilities	-	-	-	152,000
Total liabilities	44,650,245	137,424,093	19,930,215	170,429
EQUITY				
Common stock	147,043,557	156,864,163	209,248,261	25,278,600
Capital reserve	872,149	77,461	54,662,168	10,818
Special reserve	-	9,759,135	387,913	-
Retained earnings (accumulated deficit)	275,334,389	254,217,969	277,077,491	(16,953,926)
Other equity	4,626,757	4,776,192	4,776,192	-
Total equity	427,876,852	425,694,920	546,152,025	8,335,492
TOTAL	$ 472,527,097	$ 563,119,013	$ 566,082,240	$ 8,505,921

TABLE 13-2

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 2018
(Expressed in U.S. Dollars)

ASSETS	KGI Limited	Supersonic Service Inc.	KGI International Limited
CURRENT ASSETS			
Cash and cash equivalents	$ -	$ -	$ 432
Total current assets	-	-	432
NONCURRENT ASSETS			
Investments accounted for using the equity method	360,863,261	-	72,743,596
Total noncurrent assets	360,863,261	-	72,743,596
TOTAL	$ 360,863,261	$ -	$ 72,744,028
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Other payables - related parties	$ 81,311,730	$ -	$ 2,755,403
Total Current liabilities	81,311,730	-	2,755,403
Total liabilities	81,311,730	-	2,755,403
EQUITY			
Common stock	308,341,129	100	81,511,717
Accumulated deficit	(28,789,598)	(100)	(11,523,092)
Total equity	279,551,531	-	69,988,625
TOTAL	$ 360,863,261	$ -	$ 72,744,028

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 2018
(Expressed in U.S. Dollars)

ASSETS	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ -	$ 391,465	$ -
Prepayments	-	-	1,465,182	-
Other receivables	-	-	74,206	
Other receivables - related parties	-	-	-	1
Other current assets	-	1	1,797,925	-
Total current assets	-	1	3,728,778	1
NONCURRENT ASSETS				
Property and equipment	-	-	3,669,210	-
Total noncurrent assets	-	-	3,669,210	-
TOTAL	$ -	$ 1	$ 7,397,988	$ 1
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	$ -	$ -	$ 13,758,818	$ -
Other payable - related parties	-	-	7,726,904	-
Total current liabilities	-	-	21,485,722	-
NONCURRENT LIABILITIES				
Other noncurrent liabilities	-	-	1,766,767	-
Total noncurrent liabilities	-	-	1,766,767	-
Total liabilities	-	-	23,252,489	-
EQUITY				
Common stock	2	1	15,000	1
Special reserve	-	-	58,265	-
Accumulated deficit	(2)	-	(15,927,766)	-
Total equity	-	1	(15,854,501)	1
TOTAL	$ -	$ 1	$ 7,397,988	$ 1

TABLE 13-4

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 2018
(Expressed in U.S. Dollars)

ASSETS	KGI Korea Limited	TG Holborn (HK) Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
CURRENT ASSETS				
Cash and cash equivalents	$ -	$ -	$ 114,010	$ 4,937
Other receivable - related parties	72,750	418,999	-	3,654,977
Total current assets	72,750	418,999	114,010	3,659,914
NONCURRENT ASSETS				
Investments accounted for using the equity method	-	-	171,216,387	-
Total noncurrent assets	-	-	171,216,387	-
TOTAL	$ 72,750	$ 418,999	$ 171,330,397	$ 3,659,914
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	$ -	$ -	$ 74,714,537	$ -
Financial liabilities at fair value through profit or loss - current	-	-	87,242	-
Other payable	-	-	53,848	5,671
Other payable - related parties	-	-	36,711,188	-
Total current liabilities	-	-	111,566,815	5,671
Total liabilities	-	-	111,566,815	5,671
EQUITY				
Common stock	10,000	22,003	75,749,306	5,738,175
Retained earnings (accumulated deficit)	62,750	396,996	(15,559,047)	(1,792,774)
Other equity	-	-	(426,677)	(291,158)
Total equity	72,750	418,999	59,763,582	3,654,243
TOTAL	$ 72,750	$ 418,999	$ 171,330,397	$ 3,659,914

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	Richpoint Company Limited (In U.S. Dollars)	KG Investments Holdings Limited (In U.S. Dollars)	KGI International Holdings Limited (In U.S. Dollars)	KGI Investment Advisory (Shanghai) Co., Ltd. (In CNY)
REVENUES				
Other operating income	$ (2)	$ (251)	$ (104,381)	$ 996,824
Total revenues	(2)	(251)	(104,381)	996,824
COSTS AND EXPENSES				
Financial costs	2,467,359	1,476,706	912,485	-
Employee benefit expenses	-	-	-	1,855,465
Depreciation and amortization expenses	-	-	-	5,480
Other operating expenses	25,867	72,868	59,638	1,432,168
Total costs and expenses	2,493,226	1,549,574	972,123	3,293,113
LOSS FROM OPERATIONS	(2,493,228)	(1,549,825)	(1,076,504)	(2,296,289)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	27,769,546	29,332,991	30,502,394	-
OTHER PROFITS (LOSSES)	2,341,607	332,859	(92,899)	5,481
NON-OPERATING REVENUE AND EXPENSE	30,111,153	29,665,850	30,409,495	5,481
NET PROFIT (LOSS) FOR THE YEAR	27,617,925	28,116,025	29,332,991	(2,290,808)
OTHER COMPREHENSIVE INCOME (LOSSES)	(1,440,753)	(1,371,975)	(1,371,975)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 26,177,172	$ 26,744,050	$ 27,961,016	$ (2,290,808)

TABLE 14-2

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In U.S. Dollars)

	KGI Limited	Supersonic Services Inc.	KGI International Limited
REVENUES			
Other operating income	$ 13,754	$ -	$ 581,608
Total revenues	13,754	-	581,608
COSTS AND EXPENSES			
Other operating expenses	262	-	68
Total costs and expenses	262	-	68
PROFIT FROM OPERATIONS	13,492	-	581,540
OTHER PROFIT (LOSSES)	-	-	-
NON-OPERATING REVENUE AND EXPENSE	-	-	-
NET PROFIT FOR THE YEAR	13,492	-	581,540
OTHER COMPREHENSIVE INCOME (LOSSES)	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	$ 13,492	$ -	$ 581,540

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In U.S. Dollars)

	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
REVENUES				
Other operating income	$ -	$ -	$ (428,263)	$ -
Total revenues	-	-	(428,263)	-
COSTS AND EXPENSES				
Employee benefits	-	-	66,127,746	-
Depreciation and amortization	-	-	1,604,217	-
Other operating expenses	-	-	18,056,909	-
Total costs and expenses	-	-	85,788,872	-
LOSS FROM OPERATIONS	-	-	(86,217,135)	-
OTHER REVENUE AND EXPENSE	-	-	87,758,816	-
NON-OPERATING REVENUE AND EXPENSE	-	-	87,758,816	-
NET PROFIT FOR THE YEAR	-	-	1,541,681	-
OTHER COMPREHENSIVE INCOME (LOSSES)	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	$ -	$ -	$ 1,541,681	$ -

TABLE 14-4

KGI SECURITIES AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In U.S. Dollars)

	KGI Korea Limited	TG Holborn (HK) Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
REVENUES				
Derivative assets - counter	$ -	$ -	$ 408,468	$ -
Other operating income	-	317	(868,837)	1
Total revenues	-	317	(460,369)	1
COSTS AND EXPENSES				
Financial costs	-	-	999,328	-
Other operating expenses	-	1,276	718,848	5,227
Total costs and expenses	-	1,276	1,718,176	5,227
LOSS FROM OPERATIONS	-	(959)	(2,178,545)	(5,226)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	-	-	6,893,316	-
OTHER REVENUE AND EXPENSE	-	-	885	-
NON-OPERATING REVENUE AND EXPENSE	-	-	6,894,201	-
NET PROFIT (LOSS) FOR THE YEAR	-	(959)	4,715,656	(5,226)
OTHER COMPREHENSIVE INCOME (LOSSES)	-	-	17,014,018	(72,765)
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	$ -	$ (959)	$ 21,729,674	$ (77,991)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description			Amount
Cash in banks	Time deposits			$ 21,907,169
	Checking deposits and demand deposits			26,407,963
				48,315,132
	Currency	Foreign currencies (dollar)	Exchange rate	
Due from banks	USD	41,767,636	30.7330	1,283,645
	JPY	1,058,446,231	0.2784	294,671
	CNY	44,915,318	4.4756	201,023
	GBP	839,808	38.8900	32,660
	Others (Note 1)			2,110,907
				3,922,906
Short-term transactions instruments	Interest rate: 0.42%-0.65%; Last maturity date: March 2019			3,366,859
Others (Note 2)				4,002,526
				$ 59,607,423

Note 1: The amount of each currency in others does not exceed 5% of the amount balance.

Note 2: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Asset	Description	Shares	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk	Note
							Unit Price	Gross Amount		
Financial assets mandatorily classified as at FVTPL										
Shares						$ 118,766,709		$ 108,988,496	$ -	
Bank debentures						52,581,871		53,166,795	-	
Operating securities								51,128,316	-	
Mutual funds						46,673,535		44,986,204	-	
Others (Note 1)								67,404,620	(144,358)	Note 2
								325,674,431	(144,358)	
Financial assets designated as at FVTPL										
Government bonds						21,093,280		20,515,907	-	
Others (Note 2)								28,740,696	-	
								49,256,603	-	
								$ 374,931,034	$ (144,358)	

Note 1: The amount of each product in others does not exceed 5% of the account balance.

Note 2: For the information on pledged as collateral for the Group, please refer to Note 51.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Asset	Description	Shares	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Allowance for Impairment Loss	Fair Value		Note
								Unit Price	Gross Amount	
Government bonds	Expires before 2010					$ 180,024,107	$ 5,755,123		$ 185,779,230	Note 2
Corporate bonds	Expires before 2057					123,923,848	(5,376,143)		118,547,705	
Bank debentures	Expires before 2048					108,843,450	(5,108,996)		103,734,454	
Negotiable certificates of deposit	Expires before 2020					48,710,000	(11,415)		48,698,585	Note 2
Others (Note 1)						28,353,842	222,118		28,575,960	
						$ 489,855,247	$ (4,519,313)		$ 485,335,934	

Note 1: The amount of each item in others does not exceed 5% of the account balance.

Note 2: For the information on pledged as collateral for the Group, please refer to Note 51.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SECURITIES PURCHASED UNDER RESALE AGREEMENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Face Value	Carrying Amount	Note
Corporate bonds	$ 15,628,494	$ 15,196,326	
Commercial papers	10,255,000	10,244,264	
Bank debentures	7,195,605	6,689,953	
Government bonds	6,588,554	6,589,991	
Negotiable certificates of deposit	1,050,000	1,050,000	
	$ 40,717,653	$ 39,770,534	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount	Allowance for Impairment Loss	Net Value	Note
Receivables on margin loans, refinancing margin and refinancing deposits receivable	$ 21,181,502	$ (1,871)	$ 21,179,631	
Receivable accounts for settlement	18,167,610	(202)	18,167,408	
Interest receivable	16,287,188	(13,392)	16,273,796	
Accounts receivable factoring without recourse	8,180,472	(113,744)	8,066,728	
Accounts receivable - forfeiting	8,122,872	(103,224)	8,019,648	
Trading securities receivable	8,031,155	(1,223)	8,029,932	
Settlement price	6,308,741	-	6,308,741	
Others	14,526,748	(1,473,253)	13,053,495	
	$ 100,806,288	$ (1,706,909)	$ 99,099,379	

Note: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

REINSURANCE ASSETS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
1. Claims recoverable from reinsurers			
Individual health insurance		$ 234,711	
Individual life insurance		159,635	
Group insurance		33,013	
Investment-linked insurance		22,598	
Individual accident insurance		6,892	
		$ 456,849	
2. Due from reinsurers and ceding companies			
Reinsurance Group of America, Incorporated		$ 175	
3. Reinsurance reserve assets			
Ceded unearned premium reserve		$ 50,125	
Ceded reserve for claims		27,204	
		$ 77,329	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DEBT INVESTMENT MEASURED AT AMORTIZED COST
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Title	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Allowance for Impairment Loss	Unamortized Premium (Discount)	Carrying Amount	Note
Bank debentures	Expires before 2110			$ 1,524,215,029	0.00-9.05	$ (53,814)	$ (969,555,788)	$ 554,605,427	
Corporate bonds	Expires before 2058			268,426,627	0.00-6.95	(33,570)	(2,879,604)	265,513,453	
Government bonds	Expires before 2110			94,657,774	1.13-7.75	(5,959,587)	2,818,341	91,516,528	
Others	Expires before 2054			60,305,656	2.50-5.00	(2,445)	(1,402,340)	58,900,871	
							$ (971,019,391)	$ 970,536,279	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Balance, January 1, 2018		Additions in Investment		Decrease in Investment		Balance, December 31, 2018			Market Value or Net Assets Value			
Investees	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price (NT$)	Total Amount	Collateral	Note
CDIB & Partners Investment Holding Corporation	367,200	$ 6,099,875	-	$ -	-	$ 735,133	367,200	34	$ 5,364,742	14.61	$ 5,364,742		
CDIB Capital Asia Partners L.P.	-	3,582,136	-	4,866	-	-	-		3,587,002		3,587,002		
KGI Securities (Thailand) Public Company Limited	696,614	2,192,355	-	441,078	-	217,255	696,614	35	2,416,178	4.02	2,803,009		
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	-	1,674,714	-	-	-	26,405	-		1,648,309		1,648,309		
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	-	1,369,820	-	51,676	-	-	-		1,421,496		1,421,496		
CDIB Capital Healthcare Ventures Limited	74,998	760,617	-	-	-	10,935	74,998	43	749,682	10.00	749,682		
CDIB Capital Creative Industries Limited	69,495	649,034	-	47,205	-	-	69,495	46	696,239	10.02	696,239		
Others (Note 4)		160,495		58,783		-			219,278		219,278		
		$ 16,489,046		$ 603,608		$ 989,728			$ 16,102,926		$ 16,489,757		

Note 1: Beginning balance includes adjustments of IFRS 9.

Note 2: The increase in the current year includes capital increase, investment income accounted for using equity method, capital surplus, unrealized gain on financial transactions, and effects of changes on consolidated subsidiaries.

Note 3: The decrease in the current year includes dissolution and liquidation, investment loss accounted for using equity method, capital surplus, unrealized loss on financial transactions, the distribution of cash dividends, and effects of changes on consolidated subsidiaries.

Note 4: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

OTHER FINANCIAL ASSETS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Separate-account insurance products		$ 63,501,665	
Guarantee deposits received on futures contracts			
Cash in banks		12,750,200	
Overseas guarantee deposits received on future contracts		4,080,905	
Settlement of futures clearing agency		1,996,295	
Settlement of other futures dealer		1,668,667	
Others (Note 1)		114	
		20,496,181	
Time deposits not qualifying as cash equivalents		4,864,875	
Others (Note 2)		2,499,809	
		$ 91,362,530	

Note 1: The amount of each product in others does not exceed 5% of the amount balance.

Note 2: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COMMERCIAL PAPER PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Guarantee Agency	Contract Maturity Date	Interest Rate (%)	Amount: Issue Amount	Amount: Unamortized Discounts	Amount: Carrying Amount	Collateral Item	Carrying Value
CDFH								
Commercial paper payable	Non-guaranteed	2019/02/21	0.79	$ 1,400,000	$ (84)	$ 1,399,916	Non-collateral	$ -
Commercial paper payable	Non-guaranteed	2019/01/22	0.75	1,400,000	(35)	1,399,965	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/21	0.75	1,100,000	(26)	1,099,974	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/02/22	0.73	1,000,000	(61)	999,939	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/02/20	0.79	1,000,000	(59)	999,941	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/02/15	0.69	1,000,000	(72)	999,928	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/03/08	0.67	1,000,000	(286)	999,714	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/02/14	0.65	1,000,000	(190)	999,810	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/02/19	0.62	1,000,000	(212)	999,788	Non-collateral	-
				9,900,000	(1,025)	9,898,975		
China Development Asset Management Corp.								
Commercial paper payable	China Bills Finance Corporation	2019/01/18	0.94	400,000	(113)	399,887	Non-collateral	-
Commercial paper payable	Ta Ching Finance Corporation	2019/02/20	1.07	200,000	(293)	199,707	Non-collateral	-
Commercial paper payable	Far Eastern International Bank	2019/01/18	0.98	100,000	(83)	99,917	Non-collateral	-
Commercial paper payable	Taiwan Finance Corporation	2019/01/21	0.96	100,000	(53)	99,947	Non-collateral	-
				800,000	(542)	799,458		
KGI Bank and its subsidiaries								
Commercial paper payable	Non-guaranteed	2019/01/03	1.14	300,000	(7)	299,993	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/18	1.02-1.05	300,000	(3)	299,997	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/14	1.27	200,000	(45)	199,955	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/08	1.07	200,000	(5)	199,995	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/18	1.06-1.07	200,000	(18)	199,982	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/16	1.06	150,000	(24)	149,976	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/03/25	1.33	100,000	(83)	99,917	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/09	1.06	100,000	(10)	99,990	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/18	1.04	100,000	(10)	99,990	Non-collateral	-
Commercial paper payable	Ta Ching Finance Corporation	2019/01/22	1.09	55,000	(11)	54,989	Non-collateral	-
Commercial paper payable	China Bills Finance Corporation	2019/03/04	1.09	50,000	(49)	49,951	Non-collateral	-
Commercial paper payable	Taiwan Finance Corporation	2019/01/07	1.08	30,000	(2)	29,998	Non-collateral	-
Commercial paper payable	Mega Bills Finance Corporation	2019/01/22	1.08	30,000	(6)	29,994	Non-collateral	-
Commercial paper payable	International Bills Finance Corporation	2019/03/04	1.09	15,000	(11)	14,989	Non-collateral	-
				1,830,000	(284)	1,829,716		
KGI Bank and its subsidiaries								
Commercial paper payable	Shanghai Commercial Bank	2019/03/19	0.68-0.73	670,000	(560)	669,440	Non-collateral	-
Commercial paper payable	Sunny Bank	2019/02/14	0.68-0.70	600,000	(320)	599,680	Non-collateral	-
Commercial paper payable	Taiwan Business Bank	2019/02/26	0.68-0.76	540,000	(376)	539,624	Non-collateral	-
Commercial paper payable	International Bills Finance Corporation	2019/02/13	0.60-0.66	300,000	(118)	299,882	Non-collateral	-

(Continued)

Item	Guarantee Agency	Contract Maturity Date	Interest Rate (%)	Amount: Issue Amount	Amount: Unamortized Discounts	Amount: Carrying Amount	Collateral Item	Collateral Value
Commercial paper payable	Taishin International Bank	2019/01/28	0.60	$ 220,000	$ (102)	$ 219,898	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/10	2.38-2.59	119,859	(621)	119,238	Non-collateral	-
Commercial paper payable	Mega Bills Finance Corporation	2019/02/20	0.71	10,000	(9)	9,991	Non-collateral	-
				2,459,859	(2,106)	2,457,753		
				$ 14,989,859	$ (3,957)	$ 14,985,902		

Note: The amount of each item in others does not exceed 5% of the account balance.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Liabilities	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk	Note
						Unit Price	Gross Amount		
Financial liabilities held for trading									
Option and futures contracts							$ 22,123,276	$ (131)	
Interest rate swap contracts							16,967,047	(158)	
Currency swap and forward exchange contracts							8,882,350	(2,390)	
Borrowed securities payable							4,339,043	-	
Others (Note)							3,272,989	(231)	
							55,584,705	(2,910)	
Financial liabilities designated as at FVTPL									
Bank debentures payable									
15KGIB1	Principal due on maturity; maturity date: 2045/03/24	106	1,000,000	US$ 106,000,000	0.00		3,009,704	-	
P16KGIB1	Principal due on maturity; maturity date: 2046/05/03	110	1,000,000	US$ 110,000,000	0.00		3,045,149	-	
P16KGIB2	Principal due on maturity; maturity date: 2046/05/27	110	1,000,000	US$ 110,000,000	0.00		3,036,692	-	
P16KGIB3	Principal due on maturity; maturity date: 2046/11/08	80	1,000,000	US$ 80,000,000	0.00		2,052,673	-	
P17KGIB1	Principal due on maturity; maturity date: 2047/01/23	200	1,000,000	US$ 200,000,000	0.00		5,689,143	-	
P18KGIB1	Principal due on maturity; maturity date: 2048/01/30	200	1,000,000	US$ 200,000,000	0.00		5,681,903	-	
P18KGIB2	Principal due on maturity; maturity date: 2048/02/27	160	1,000,000	US$ 160,000,000	0.00		4,616,211	-	
Structured products							3,155,241	-	
Others							1,915,304	-	
							32,202,020	-	
							$ 87,786,725	$ (2,910)	

Note: The amount of each product in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Title	Face Value	Carrying Amount	Note
Corporate bonds	$ 61,666,052	$ 58,385,910	
Bank debentures	39,178,063	36,276,317	
Government bonds	29,929,885	30,237,248	
Commercial paper	580,000	579,425	
	$ 131,354,000	$ 125,478,900	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

PROVISION
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Changes	Other Changes	Ending Balance	Note
Insurance liabilities					
Reserve for life insurance liabilities	$ 1,263,844,149	$ 215,489,129	$ 33,782,269	$ 1,513,115,547	Note 1
Premium deficiency reserve	9,164,460	(1,688,610)	28,295	7,504,145	Note 2
Special reserve	6,253,066	242,865	(131,334)	6,364,597	Notes 3 and 4
Unearned premium reserve	3,384,890	433,699	36,202	3,854,791	Note 5
Reserve for claims	1,544,777	133,489	8,476	1,686,742	Note 6
Other reserve	-	(466,188)	20,468,562	20,002,374	Note 7
Foreign exchange valuation reserve	2,703,763	465,568	-	3,169,331	
Other (Note 8)	1,547,323	60,089	-	1,607,412	
	$ 1,288,442,428	$ 214,670,041	$ 54,192,470	$ 1,557,304,939	

Note 1: Other changes include $28,517,954 thousands of traditional insurance policies generated from Allianz Life Insurance on May 18, 2018, $5,104,645 thousands of losses on foreign exchanges, and $159,670 thousands of reserve for life insurance - payables for the insured.

Note 2: Other changes include $1 thousand of traditional insurance policies generated from Allianz Life Insurance on May 18, 2018, and $28,294 thousands of losses on foreign exchanges.

Note 3: Beginning balance equals $6,259,742 thousands, due to 2017 ending balance applying to IFRS 9 adjustment, reducing 6,676 thousand dollars.

Note 4: Other changes include gain on equity instruments dividend policy measured at FVTOCI transferred to unappropriated earnings and reduce the amount of special reserve.

Note 5: Other changes include $36,201 thousands of traditional insurance policies generated from Allianz Life Insurance on May 18, 2018, and $1 thousand of losses on foreign exchanges.

Note 6: Other changes include $9,046 thousands of traditional insurance policies generated from Allianz Life Insurance on May 18, 2018, and $570 thousands of gains on foreign exchanges.

Note 7: The amount is generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life on 18 May 2018.

Note 8: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SHARE OF THE PROFIT (LOSS) OF ASSOCIATED AND JOINT VENTURES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investees	Amount	Note
Share of the profit (loss) of associated and joint ventures		
CDIB & Partners Investment Holding corporation	$ (491,972)	
KGI Securities (Thailand) Public Company Limited	353,980	
CDIB Capital Asia Partners L.P.	(297,955)	
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	84,388	
CDIB Capital Creative Industries Limited	47,204	
Other (Note)	(5,693)	
	(310,048)	
Others	4,309	
	$ (305,739)	

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT 15

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

ALLOWANCE FOR BAD DEBTS AND LOSSES ON COMMITMENT AND GUARANTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Reversal of allowance for bad debts - accounts receivable	$ 154,178	
Allowance for bad debts - discounts and loans	(63,277)	
Allowance for bad debts - guarantee liabilities	(38,425)	
Reversal of allowance for bad debts -loan commitments	14,328	
Allowance for bad debts - overdue loans	(12,029)	
Others	(100,536)	
	$ (45,761)	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

NET CHANGE IN INSURANCE LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Reserve for life insurance liabilities	$(215,489,129)	
Premium deficiency reserve	1,688,610	
Special reserve	(242,865)	
Reserve for claims	(118,769)	
Other reserve	466,188	
	$(213,695,965)	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

EMPLOYEE BENEFITS EXPENSE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Employee Benefits	Net Income and Gains Other Than Interest Income	Other Selling and Administrative Expense	Total	Note
Salaries and wages	$ 12,695,578	$ 3,775,024	$ -	$ 16,470,602	
Employee insurance	1,018,292	-	-	1,018,292	
Pension	667,832	-	-	667,832	
Remuneration of directors and supervisors	206,588	-	-	206,588	
Other employee benefits	705,644	-	-	705,644	
	$ 15,293,934	$ 3,775,024	$ -	$ 19,068,958	

Note:

1. As of December 31, 2018 and 2017, the number of employees in the Group was 12,597 and 13,240, including 31 and 35 directors who are not concurrently serving as employees, respectively.

2. During 2018, the average of employee benefits was $1,501 thousand.

3. During 2018, the average of salaries and wages was $1,311 thousand.

STATEMENT 18

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Intangible assets	$ 1,349,919	
Building and facilities	440,437	
Computer equipment	286,985	
Leasehold improvements	111,348	
Other equipment	111,139	
Others (Note)	117,410	
	$ 2,417,238	

Note: The amount of each item in others does not exceed 5% of the account balance.