

**Statement on Internal Control System of  
China Development Financial Holding Corporation**

We hereby declare on behalf of China Development Financial Holding Co., Ltd., that, in accordance with the Implementation Rules of Internal Control and Audit Systems of Financial Holding Companies and Banking Industry, from January 1, 2021 to December 31, 2021, the Company established an internal control system, performed risk management, and was audited by an detached and independent internal auditing department, which regularly reports to the Board and the Audit Committee. After a careful assessment, except for the items listed on the attachment, all units were able to effectively implement internal control and legal compliance tasks during the year. This statement shall be included as an integral part of the Company's annual report and prospectus, and shall be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

To:

Financial Supervisory Commission, R.O.C

Stated by

Chairman: Chia-Juch Chang

President: Stefano Paolo Bertamini

Chief Auditor: Hans Tzou

Compliance Officer: Julian Yen

Dated: March 28, 2022

**China Development Financial Holding Corporation**  
**Plan for Improving the Internal Control System**

(As of December 31, 2021)

Area for improvement	Rectification measures	Estimated time of rectification
<b>KGI Bank</b>		
1. In accordance with the provisions of Article 61 Paragraph 1(1) of the Banking Act of the Republic of China, KGI Bank shall correct the significant deficiency involved in the management of credit granted to specific interested party, and it may hinder the sound operation of the Bank.	The mechanism of the credit approval process of interested parties has been updated and strengthened, and also that of post-loan management and system control function.	All have been rectified.
2. A former account officer (AO) of a specific branch has lent his account to others and indirectly dealt with fund transfer of the customer. The customer's mailing address is the same as that of the AO.	(1) The monitoring report on AO's accounts has been added, and the enforcement measures for all branches will be updated.  (2) A verification process on same personal data has been strengthened, and additional verification measures will be enforced.	(1) Estimated to be rectified by the end of April 2022.  (2) Estimated to be rectified by the end of April 2022.
3. A former operation manager (OM) of a specific branch misappropriated client funds.	(1) Strengthen personnel education and training, and carry out staff rotation between branches.  (2) Function of notification on account data alteration has been added.	(1) All have been rectified.  (2) All have been rectified.
4. As per the result of AMLCFT operation, we found that 2 customers selected the category of occupation as "Freelancer/Home Manager/Student or Others", but the working title was selected as "Person in Charge" without sufficient information for OP staff to review and identify the risk rating.	Once customers select category of occupation as Freelancer or Others with title as Person in Charge, the applicant will be included in the enhanced inspection measures.	Estimated to be rectified by the end of June 2022.
<b>KGI Securities</b>		
1. Taiwan Stock Exchange conducted an inspection on Host Co-Location from 9 November 2020 to 10 November 2020 and raised following IT related findings :  (1) The audit log of Host Co-Location was not kept for three years.	(1) To review and safe keep the audit log of Host Co-Location.  (2) To review and safe keep the records of entry and exit of Firewall and the backups.  (3) To review and include the list	(1) All have been rectified.  (2) All have been rectified.

Area for improvement	Rectification measures	Estimated time of rectification
<p>(2) The records of entry and exit of Firewall and the backups were not kept for three years.</p> <p>(3) Vulnerability assessment was not conducted in the second half year of 2019.</p>	<p>of hosts for Vulnerability assessment.</p>	<p>(3) All have been rectified.</p>
<p>2. Taiwan Stock Exchange conducted an inspection from 2 December 2021 to 3 December 2021 for cyber security incidents that we reported and raised following findings :</p> <p>(1) Authentication mechanism for account log-in is insufficient.</p> <p>(2) It was delayed in reporting cyber security incident.</p> <p>(3) IT system launch was not conducted in accordance with the procedure.</p> <p>(4) The internal control system was not reviewed in due course and implemented accordingly.</p>	<p>(1) To enhance System login authentication mechanism.</p> <p>(2) To make reporting of cyber security incident in accordance with the timeline requirement.</p> <p>(3) To conduct the system launch in accordance with the procedure.</p> <p>(4) Multi-factor authentication mechanism has already been implemented on 20 January 2022 to verify client's identification for the application of electronic certificate.</p>	<p>(1) All have been rectified.</p> <p>(2) All have been rectified.</p> <p>(3) All have been rectified.</p> <p>(4) All have been rectified.</p>
<b>China Life</b>		
<p>1. Synchronous replication mechanism to offsite recovery center has not been established and simulations of various disaster scenarios were not included in the offsite backup recovery operation to strengthen disaster recovery response capability.</p>	<p>1. The Company has adjusted the synchronous replication mechanism of offsite recovery environment, revised the internal regulations to include response measures toward various disaster scenarios, and completed recovery drills.</p>	<p>All have been rectified.</p>
<p>2. The information security management of e-learning system was found inappropriate. The Company should review information security incident reporting process and implement review on information security assessment.</p>	<p>2. The Company has revised the "Information Security Incident Notification and Response Management Measures" to enhance incident response management mechanism and strengthened security control measures and inspections of e-learning related systems.</p>	<p>All have been rectified.</p>

2. Where the competent authority has required the company's internal control policies to be reviewed by a CPA, the CPA review report must be disclosed: