Stock Code：5871

(English Translation of Financial Report Originally Issued in Chinese)

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

(With Independent Accountants' Audit Report Thereon)

Address: 8F to 12F, No.362, Ruiguang Rd., Neihu District, Taipei, Taiwan, (R.O.C.)

Telephone No.:886-2-8752-6388

(English Translation of Financial Report Originally Issued in Chinese)

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

The Board of Directors of

Chailease Holding Company Limited

We have audited the accompanying consolidated balance sheets of Chailease Holding Company Limited (the "Company") and its subsidiaries ("the Group") as of December 31 , 2012 and 2011, and the related consolidated statements of income, consolidated changes in stockholders' equity, and consolidated statements of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our audits.

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

In our opinion, based on our audit, the consolidated financial statements referred to the first paragraph present fairly, in all material respects, the financial position of Chailease Holding Company Limited and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

KPMG

CPA: Wan Wan, Lin

Yi Chun, Chen

Taipei, Taiwan, R.O.C.

March 26, 2013

Note to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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 financial statements are those generally accepted and applied in the Republic of China.

The independent accountants' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent accountants' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Report Originally Issued in Chinese)
CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2012 and 2011
(Amounts Expressed in Thousands of New Taiwan Dollars)

ASSETS	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes (2), (4)(a) and (5))	$ 10,131,431	6	6,558,070	5
Financial assets at fair value through profit or loss – current (Notes (2) and (4)(b))	236,246	-	240,841	-
Held-to-maturity financial assets – current (Notes (2) and (4)(b))	1,997,100	1	280,000	-
Accounts receivable, net (Notes (2), (4)(d) and (5))	5,164,152	3	5,155,618	4
Installment sales receivable, net (Notes (2) and (4)(e))	37,441,082	23	27,995,540	21
Capital leases receivable, net (Notes (2), (4)(f) and (5))	44,829,940	27	35,254,755	27
Loans, net (Notes (2), (4)(g), (5) and (6))	17,495,030	10	12,884,462	9
Other receivables (Notes (2) and (5))	1,142,337	1	787,662	1
Other financial assets – current (Note (6))	5,515,405	3	5,142,620	4
Costs and estimated earnings in excess of billings on uncompleted contracts (Notes (2), (4)(j),(5) and (6))	970,877	1	638,924	-
Other current assets (Notes (2), (4)(h), (4)(r) and (5))	2,660,739	2	1,925,740	1
	127,584,339	77	96,864,232	72
Funds and Long-term Investments				
Long-term investments under the equity method (Notes (2), (4)(i) and (6))	7,062	-	1,243	-
Financial assets at fair value through profit or loss - non-current (Notes (2), (4)(b) and (4)(c))	1,791,558	1	1,838,291	1
Other financial assets – non-current (Notes (2), 4(k), (5) and (6))	2,179,987	1	1,959,921	2
Held-to-maturity financial assets – non-current (Notes (2) and (4)(b))	490,000	-	-	-
Financial investments carried at cost – non-current (Notes (2), (4)(b), (5) and (6))	1,436,728	1	1,445,986	1
	5,905,335	3	5,245,441	4
Property and Equipment (Notes (2), (4)(l), (4)(m),(5) and (6))				
Land	45,892	-	95,064	-
Buildings	132,281	-	175,904	-
Transportation equipment	100,971	-	95,379	-
Miscellaneous equipment	571,907	-	503,387	-
Assets held for lease	11,664,821	7	15,717,875	12
Leasehold improvements	99,431	-	84,817	-
	12,615,303	7	16,672,426	12
Less: Accumulation depreciation	(4,123,305)	(2)	(5,103,279)	(4)
Less: Accumulation impairment	(2,161,900)	(1)	(2,962,281)	(2)
Prepayments for equipment	3,378	-	3,418	-
	6,333,476	4	8,610,284	6
Intangible Assets	23,087	-	24,669	-
Other Assets				
Long-term installment sales receivable, net (Notes (2) , (4)(e)	17,058,782	10	15,241,608	11
Long-term capital leases receivable, net (Notes (2) and (4)(f))	7,045,484	4	6,627,901	5
Long-term loans, net (Notes (2), (4)(g) and (6))	1,884,222	1	2,035,045	1
Other assets (Notes (2) and (4)(r))	957,981	1	1,069,310	1
	26,946,469	16	24,973,864	18
TOTAL ASSETS	**$ 166,792,706**	**100**	**135,718,490**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)
CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2012 and 2011
(Amounts Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND STOCKHOLDERS'S EQUITY	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Current Liabilities				
Short-term debts (Notes (4)(n), (5), and (6))	$ 32,055,644	19	27,361,601	20
Short-term bills payable, net (Notes (4)(o) and (6))	18,987,943	11	12,469,447	9
Financial liabilities at fair value through profit or loss – current (Notes (2) and (4)(b))	5,007	-	757	-
Derivative financial liabilities for hedging - current (Notes (2) and (4)(b))	11,396	-	15,988	-
Accounts and notes payable	1,772,933	1	2,312,484	2
Income tax payable	673,990	-	669,271	-
Other financial liabilities – current (Note (5))	2,090,294	2	1,530,520	1
Billings for land and buildings (Notes (2) and (4)(j))	302,039	-	173,091	-
Current portion of long-term debts (Notes (4)(n), (4)(p), (5), and (6))	44,748,177	27	32,367,377	24
Other current liabilities	1,149,487	1	815,982	1
Guarantee deposits	13,566,301	8	8,364,406	6
	115,363,211	69	86,080,924	63
Long-Term Liabilities				
Bonds payable (Notes (4)(p), (5), and (6))	6,948,536	4	5,175,290	4
Long-term debts (Notes (4)(n), (5), and (6))	15,197,148	9	22,342,408	16
Other financial liabilities – non-current	2,264,709	2	3,862,266	3
	24,410,393	15	31,379,964	23
Other Liabilities				
Other liabilities (Notes (4)(l), (4)(q), and (4)(r))	1,166,125	1	901,183	1
Total Liabilities	140,939,729	85	118,362,071	87
Stockholders' Equity (Notes (2) and (4)(s))				
Common stock	9,053,004	5	7,853,004	6
Capital surplus				
Additional paid-in capital	9,387,469	6	4,623,522	3
Long-term investments under equity method	26,006	-	70,898	-
Retained earnings				
Undistributed earnings	5,699,285	3	3,364,429	3
Other adjustments to stockholders' equity				
Cumulative translation adjustment	(30,414)	-	199,033	-
Unrecognized pension cost	(23,055)	-	(16,045)	-
Unrealized loss on financial instruments	(11,396)	-	(15,974)	-
	24,100,899	14	16,078,867	12
Minority interests	1,752,078	1	1,277,552	1
Total Stockholders' equity	25,852,977	15	17,356,419	13
Commitments and contingencies (Notes (5) and (7))				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 166,792,706**	**100**	**135,718,490**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)
CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Income
For the years ended December 31, 2012 and 2011
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the years ended December 31,			
	2012		2011	
	Amount	%	Amount	%
Operating revenue				
Sales revenue	$ 2,632,479	12	1,063,537	6
Interest revenue - installment sales	4,643,450	21	4,022,343	24
Interest revenue - capital leases	6,114,388	28	3,885,519	23
Rental revenue - operating leases	2,901,738	13	3,551,780	21
Interest revenue - others	1,211,019	5	977,120	6
Interest revenue - loans	1,031,198	5	805,131	5
Construction revenue	556,898	3	67,009	-
Commission -revenue	252,709	1	154,067	1
Others	2,741,379	12	2,243,044	14
	22,085,258	100	16,769,550	100
Operating costs				
Costs of goods sold	(2,415,197)	(11)	(990,452)	(6)
Interest expense (Note (4)(j),(5))	(3,758,898)	(17)	(2,946,170)	(18)
Costs of operating leases (Note (4)(m))	(2,596,324)	(12)	(3,748,702)	(22)
Construction cost	(380,379)	(2)	(44,154)	-
Others	(529,681)	(2)	(384,419)	(2)
	(9,680,479)	(44)	(8,113,897)	(48)
Gross Profit	12,404,779	56	8,655,653	52
Operating Expenses (Notes (4)(l) and (5))	(7,089,563)	(32)	(4,922,674)	(30)
Operating Profit	5,315,216	24	3,732,979	22
Non-Operating Revenue and Gains				
Interest income	169,274	1	63,681	1
Investment income recognized under equity method (Notes (2) and (4)(i))	111	-	109	-
Dividend income	29,995	-	30,280	-
Gain on disposal of assets (Note (4)(h))	194,600	1	41,481	-
Gain on disposal of investments	1,329	-	2,541	-
Others (Note (5))	789,161	3	341,442	2
	1,184,470	5	479,534	3
Non-Operating Expenses and Losses				
Interest expense (Note (4)(j))	(206,724)	(1)	(138,209)	(1)
Loss on disposal of assets (Note (4)(m))	(30,690)	-	(89,610)	(1)
Impairment loss (Notes (2), (4)(b) and (4)(h))	(8,192)	-	(51,659)	-
Loss on valuation of financial assets (Notes (2) and (4)(b))	(21,293)	-	(85,844)	-
Loss on valuation of financial liabilities (Notes (2) and (4)(b))	(4,275)	-	(757)	-
Others	(5,022)	-	(7,624)	-
	(276,196)	(1)	(373,703)	(2)
Consolidated Income before Income Tax	6,223,490	28	3,838,810	23
Income Tax Expense (Notes (2) and (4)(r))	(1,833,981)	(8)	(1,202,172)	(7)
Consolidated Net Income	**$ 4,389,509**	**20**	**2,636,638**	**16**
Attributable to				
Stockholders of the Company	$ 4,141,047	19	2,447,690	15
Minority interests	248,462	1	188,948	1
	$ 4,389,509	**20**	**2,636,638**	**16**

	Before Income tax	After Income tax	Before Income tax	After Income tax
Earnings per share attributable to parent company (NT dollars) (Notes (2) and (4)(u))	**$ 7.28**	**5.11**	**4.84**	**3.35**

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

(English Translation of Financial Report Originally Issued in Chinese)
CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2012 and 2011
(Amounts Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings	Equity adjustment				
	Common Stock	Capital Surplus	Undistributed Earnings	Cumulative Translation Adjustment	Unrecognized pension cost	Unrealized Gain or Loss on Financial Instruments	Minority Interests	Total
Balance as of January 1, 2011	$ 6,910,684	3,714,991	1,737,951	(312,994)	(10,195)	(13,571)	1,225,986	13,252,852
Capital increase in cash	942,320	908,531	-	-	-	-	-	1,850,851
Net consolidated income for the year ended December 31, 2011	-	-	2,447,690	-	-	-	188,948	2,636,638
2010 earnings distribution and appropriation :								
Cash dividends	-	-	(821,212)	-	-	-	-	(821,212)
Cumulative translation adjustment to long-term equity investments	-	-	-	512,027	-	-	-	512,027
Changes in minority interests	-	-	-	-	-	-	(137,382)	(137,382)
Recognition of change in investee companies' stockholders' equity	-	70,898	-	-	(5,850)	(2,403)	-	62,645
Balance as of December 31, 2011	**$ 7,853,004**	**4,694,420**	**3,364,429**	**199,033**	**(16,045)**	**(15,974)**	**1,277,552**	**17,356,419**
Capital increase in cash of minority interests	-	-	-	-	-	-	560,812	560,812
Capital increase in cash	1,200,000	4,763,947	-	-	-	-	-	5,963,947
Net consolidated income for the year ended December 31, 2012	-	-	4,141,047	-	-	-	248,462	4,389,509
2011 earnings distribution and appropriation :								
Cash dividends	-	-	(1,806,191)	-	-	-	-	(1,806,191)
Changes in hedges of a net investment in a foreign operation	-	-	-	3,243	-	-	-	3,243
Unrealized translation gains from loans of foreign operation	-	-	-	105,168	-	-	-	105,168
Cumulative translation adjustment to long-term equity investments	-	-	-	(337,858)	-	-	-	(337,858)
Changes in minority interests	-	-	-	-	-	-	(334,748)	(334,748)
Recognition of change in investee companies' stockholders' equity	-	(44,892)	-	-	(7,010)	4,578	-	(47,324)
Balance as of December 31, 2012	**$ 9,053,004**	**9,413,475**	**5,699,285**	**(30,414)**	**(23,055)**	**(11,396)**	**1,752,078**	**25,852,977**

(English Translation of Financial Report Originally Issued in Chinese)
CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2012 and 2011
(Amounts Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2012	**2011**
Cash flows from operating activities		
Consolidated net income	$ 4,389,509	2,636,638
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,864,069	2,198,381
Compensation costs on stock received by the employees	-	70,933
Investment income recognized under equity method	(111)	(109)
Cash dividends received from long-term investments at equity method	100	100
(Gain) loss on sale, disposal and retirement of assets, net	(18,833)	53,043
Gain on disposal of foreclosed assets	(143,050)	-
Gain on disposal of investments	(1,329)	(2,541)
Loss on valuation of financial instruments	25,568	86,601
Impairment loss on loans and receivables	1,950,245	852,636
Impairment loss on fixed assets, leased assets and investments	885,738	1,741,831
Amortization of unrealized gain on leaseback transactions	(100,288)	(100,288)
Cumulative translation adjustments realized	122,632	-
Loss on sale of financial assets	-	9,533
Change in operating assets and liabilities:		
Financial assets at fair value through profit or loss - current	30,000	33,673
Costs and estimated earnings in excess of billings on uncompleted contracts	(331,953)	(104,236)
Other current assets	(441,946)	(943,381)
Other financial assets - current	-	18,962
Prepaid pension cost	236	700
Other financial liabilities - current	575,794	395,897
Other current liabilities	497,300	625,075
Deferred income tax assets and liabilities, net	223,391	42,434
Other liabilities	50,793	68,113
Other – unrealized interest revenue	2,508,166	4,646,238
Net cash provided by operating activities	12,086,031	12,330,233
Cash flows from investing activities:		
Increase in accounts receivable	(373,110)	(3,436,395)
Increase in installment sales receivable	(22,710,047)	(18,445,596)
Increase in capital leases receivable	(15,748,131)	(25,692,101)
Proceeds from financial assets securitization	11,134,550	10,885,123
Increase in -loans, net	(4,576,627)	(5,929,578)
Increase in other receivables	(363,354)	(194,724)
Increase in financial assets carried at cost - non-current	(1,137)	(115,030)
Increase in available-for-sale financial assets	-	(843)
Increase in held-to-maturity financial assets – current	(1,717,100)	(280,000)
Increase in held-to-maturity financial assets – non-current	(490,000)	-
Proceeds from return of capital by investee	320	6,416
(Decrease) increase in notes and accounts payable	(481,024)	1,194,673
Increase in long-term investments under equity method	(5,914)	-
Purchase of property and equipment	(2,127,303)	(1,909,496)
Proceeds from sales of property and equipment	1,586,666	1,373,024
Proceeds from sales of investments	2,629	846,684
Increase in restricted assets	(447,615)	(2,680,140)
Purchase of intangible assets	(2,065)	(3,389)
Increase in other financial assets - non-current	(115,075)	(15,348)
Increase in other assets	(23,553)	(75,078)
Net cash used in investing activities	(36,457,890)	(44,471,798)

(English Translation of Financial Report Originally Issued in Chinese)
CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2012 and 2011
(Amounts Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2012	**2011**
Cash flows from financing activities:		
Increase in short-term debts	4,751,492	601,003
Increase in short-term bills payable	7,342,820	4,834,421
Increase in guarantee deposits received	3,919,908	3,849,322
Increase in bonds payable	6,521,738	4,100,000
Increase in long-term debts	75,430,085	35,262,926
Repayment of long-term debts	(74,070,962)	(15,739,061)
Cash dividends paid	(1,806,185)	(821,212)
Capital increase in cash	5,963,947	1,850,851
Cash dividends paid to minority interests	(116,122)	(121,829)
Changes in minority interests	(225,770)	-
Subsidiaries' capital increase in cash by minority interests	560,812	-
Net cash provided by financing activities	28,271,763	33,816,421
Exchange rate effects	(326,543)	535,810
Net increase in cash and cash equivalents	3,573,361	2,210,666
Cash and cash equivalents, beginning of year	6,558,070	4,347,404
Cash and cash equivalents, end of year	**$ 10,131,431**	**6,558,070**
Supplemental disclosures of cash flow information:		
Cash paid for interest during the year (excluding capitalized interest)	**$ 4,273,422**	**3,172,462**
Cash paid for income tax during the year	**$ 1,593,961**	**700,343**
Non-cash investing and financing activities:		
Reclassification of current portion of long-term debts	**$ 44,748,177**	**32,367,377**

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

(English Translation of Financial Report Originally Issued in Chinese)
CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2012 and 2011
(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1 Overview

Chailease Holding Company Limited (the "Company") is an investment holding company, which was founded on December 24, 2009 under the company act of Cayman Islands.

On December 31, 2009, the Company signed a contract to swap equity shares of stock with its parent company, Financial One Corp. (FOC). Under this contract, the Company issued 785,121,306 shares of stock to acquire 100% stock ownership of 800,997,223 shares of stock of Chailease International Company (Malaysia) Limited from FOC. The transaction date was effective on December 31, 2009.

On December 31, 2009, the Company signed a contract to swap equity shares of stock with its parent company, Financial One Corp. (FOC). Under this contract, the Company issued 130,792,490 shares of stock to acquire 100% stock ownership of 20,000,000 shares of stock of Golden Bridge (B.V.I) Corp. from FOC. The transaction date was effective on December 31, 2009.

On July 1, 2010, the Company formally contracted with its parent company (FOC) to buy back from FOC the ownership of 224,845,418 shares of the Company's shares of stock, effective July 1, 2010. These shares of treasury stock were all retired as of December 31, 2010.

Through a formal resolution approved during the meeting by the stockholders of the parent company (FOC) on May 27, 2011, FOC repurchased most of its outstanding shares of stock from its stockholders in exchange for ownership of the shares of stock of the Company, so that FOC no longer owns the Company's equity shares.

As of December 31, 2012 and 2011, the Company had outstanding common stock of $9,053,004 and $7,853,004 divided into 905,300,378 shares and 785,300,378 shares, respectively.

As of December 31, 2012 and 2011, the Company and its subsidiaries had 2,713 and 2,292 employees, respectively.

2 Summary of Significant Accounting Policies

The consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The Company's consolidated financial statements were prepared in accordance with "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles of the Republic of China. The significant accounting policies and their measurement basis are as follows:

(a) Basis of preparation

The consolidated entities include the Company and its subsidiaries which are controlled by the Company. The profit or loss of a subsidiary is included in the consolidated financial statements from the date when the Company acquires control thereof. Significant intra-group balances and transactions are eliminated in full in the consolidated financial statements. As of December 31, 2012 and 2011, the consolidated subsidiaries were as follows:

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio 2012.12.31	Shareholding Ratio 2011.12.31	Note
The Company	Chailease International Company (Malaysia) Limited	Investment	100.00%	100.00%	The subsidiary was established on November 3, 2009. As of December 31, 2012, total issued capital was US$259,049 thousand.
〃	Golden Bridge (B.V.I) Corp.	Investment	100.00%	100.00%	The subsidiary was established on April 9, 2008. As of December 31, 2012, total issued capital was US$196,050 thousand.
Golden Bridge (B.V.I) Corp. and My Leasing (B.V.I.) Corp.	My Leasing (Maurtitius) Corp.	Investment	100.00%	100.00%	The subsidiary was established on June 3, 2004. As of December 31, 2012, total issued capital was US$81,018 thousand.

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio 2012.12.31	Shareholding Ratio 2011.12.31	Note
My Leasing (Maurtitius) Corp.	Chailease International Finance Corporation	Leasing	100.00%	100.00%	The subsidiary was established on March 11, 2005. As of December 31, 2012, total issued capital was US$265,000 thousand.
My Leasing (Mauritius) Corp. and Chailease International Finance Corporation	Chailease Finance International Corp.	Leasing	100.00%	100.00%	The subsidiary was established on April 27, 2011. As of December 31, 2012, total issued capital was US$40,000 thousand.
Chailease International Finance Corporation	Chailease International Corp.	International trading	100.00%	100.00%	The subsidiary was established on July 17, 2008 and was acquired in September 2011. As of December 31, 2012, total issued capital was CNY$84,177 thousand.
〃	Jirong Real Estate Co., Ltd.	House property leasing and management	100.00%	- %	The subsidiary was established on November 12, 2012. As of December 31, 2012, total issued capital was CNY$17,000 thousand.
Chailease International Company (Malaysia) Limited	Chailease Finance Co., Ltd.	Installment sales, leasing, and factoring	100.00%	100.00%	The subsidiary was established on June 23, 1980. As of December 31, 2012, total issued capital was $8,299,941.
〃	Chailease International (B.V.I.) Corp.	Investment	100.00%	100.00%	The subsidiary was established on December 24, 2007. As of December 31, 2012, total issued capital was US$7,800 thousand.
Chailease International (B.V.I.) Corp.	Chailease International (Mauritius) Corp.	Investment	- %	100.00%	The subsidiary was established on January 29, 2008. The subsidiary was struck off in December, 2012.
Chailease Finance Co., Ltd.	Fina Finance & Tranding Co., Ltd.	Installment sales, trading, and factoring	99.52%	99.51%	The subsidiary was established on April 19, 1987. As of December 31, 2012, total issued capital was $1,760,857.
〃	China Leasing Co., Ltd.	Installment sales	100.00%	100.00%	The subsidiary was established on January 23, 1991. As of December 31, 2012, total issued capital was $151,107.
〃	My Leasing (B.V.I.) Corp.	Investment	100.00%	100.00%	The subsidiary was established on April 21, 2004. As of December 31, 2012, total issued capital was US$103,000 thousand.
Chailease International Company (Malaysia) Limited and Chailease Finance Co., Ltd.	Aisa Sermkij Leasing Public Co., Ltd.	Installment sales of automobiles	48.18%	37.43%	The subsidiary was established on June 4, 1984. As of December 31, 2012, total issued capital was THB$1,725,000 thousand. The subsidiary was consolidated due to the Company's power to control and govern the financial, operating and personnel policies of the subsidiary, despite its ownership was lower than 50% of the subsidiary's outstanding shares.

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio 2012.12.31	Shareholding Ratio 2011.12.31	Note
Chailease Finance Co., Ltd.	Chailease Finance (B.V.I.) Co., Ltd.	Installment sales, leasing overseas, and financial consulting	100.00%	100.00%	The subsidiary was established on May 8, 1995. As of December 31, 2012, total issued capital was US$40,910 thousand.
〃	Chailease International Leasing Company Limited (Vietnam)	Leasing	100.00%	100.00%	The subsidiary was established on October 9, 2006. As of December 31, 2012, total issued capital was VND$200,000,000 thousand.
〃	Chailease Auto Rental Co., Ltd. (F/K/A Chailease Auto Service Co., Ltd.)	Leasing	100.00%	100.00%	The subsidiary was established on March 2, 2006. As of December 31, 2012, total issued capital was $50,000. The subsidiary renamed as Chailease Auto Rental Co., Ltd. in March, 2012.
〃	Chailease Credit Services Co., Ltd.	Installment sales and leasing	100.00%	100.00%	The subsidiary was established on May 26, 2008. As of December 31, 2012, total issued capital was $500.
〃	Apex Credit Solutions Inc.	Accounts receivable management, debt management, valuation, trading in financial instruments	100.00%	100.00%	The subsidiary was established on October 2, 2001. As of December 31, 2012, total issued capital was $58,500.
〃	Chailease Insurance Brokers Co., Ltd.	Personal and property insurance brokers	100.00%	100.00%	The subsidiary was established on June 23, 2011. As of December 31, 2012, total issued capital was $8,000.
Fina Finance & Trading Co., Ltd.	Chailease Consumer Finance Co., Ltd	Factoring and installment sales	100.00%	100.00%	The subsidiary was established on June 3, 2000. As of December 31, 2012, total issued capital was $469,597.
The Company and Chailease Finance Co., Ltd.	Grand Pacific Holdings Corp.	Leasing, real estate, and mortgage	100.00%	100.00%	The subsidiary was established on September 25, 1987. The Company acquired it in March, 2011. As of December 31, 2012, total issued capital was US$5,301 thousand.
Grand Pacific Holdings Corp.	Grand Pacific Financing Corp. (California)	Financing, leasing and financial consulting	100.00%	100.00%	The subsidiary was established on August 24, 1983. As of December 31, 2012, total issued capital was US$4,750 thousand.
〃	Grand Pacific Main Street Development Inc.	Real estate development	100.00%	100.00%	The subsidiary was established on March 7, 1990. As of December 31, 2012, total issued capital was US$0.5 thousand.
〃	Grand Pacific Warehouse Funding Corp	Real estate	100.00%	100.00%	The subsidiary was established on May 6, 2003. As of December 31, 2012, total issued capital was US$0.

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio 2012.12.31	Shareholding Ratio 2011.12.31	Note
Grand Pacific Holdings Corp.	Grand Pacific Business Loan LLC. 2005-1	Special Purpose Entity	-	-	The subsidiary was established on June 27, 2005.
Grand Pacific Warehouse Funding Corp	Grand Pacific Warehouse Funding LLC.	Special Purpose Entity	100.00%	100.00%	The subsidiary was established on April 13, 2004. As of December 31, 2012, total issued capital was US$0.
Grand Pacific Business Loan LLC. 2005-1	Grand Pacific Business Loan Trust. 2005-1	Special Purpose Entity	-%	-%	The subsidiary was established on June 27, 2005.
Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited	Leasing and financing consulting	99.99%	99.99%	The subsidiary was established on March 24, 1989. As of December 31, 2012, total issued capital was THB$438,500 thousand.

Subsidiaries excluded from the condensed consolidated financial statements: None.

(b) Foreign currencies

The Company and its subsidiaries located in R.O.C. record their transactions in New Taiwan Dollar, which is also their reporting currency. Non-derivative foreign currency transactions during the period are recorded at exchange rates prevailing at the transaction dates. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates on the balance sheet date, resulting in unrealized exchange gain or losses which are reflected in the accompanying statements of income. Foreign currency-denominated non-monetary assets and liabilities that are stated at historical costs which are translated using the exchange rate at the date of the transaction. However, non-monetary assets and liabilities measured at fair value in a foreign currency are stated at spot rates of the balance sheet date. If the non-monetary assets and liabilities reported at fair value through profit or loss, unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income. If the non-monetary assets or liabilities are reported at fair value through adjustments of stockholders' equity, unrealized exchange gains or losses from such translations are recognized as adjustment of stockholders' equity.

For foreign subsidiaries and long-term equity investments in foreign subsidiaries which are accounted for by the equity method, their foreign currency financial statements are translated into the Company's reporting currency. Translation difference resulting from the translation of foreign currency financial statements into the Company's reporting currency are accounted for as a cumulative translation adjustment, a separate component of stockholders' equity.

(c) Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(d) Operating cycle

The operating cycle for the Group's some business lines extends beyond 1 year. Classification of related assets and liabilities as current or non-current is based on the operating cycle.

(e) Cash equivalents

Cash equivalents are defined as highly liquid short-term investments which are readily convertible into known amounts of cash and with maturities within three months. Interest rate fluctuations have little effect on the values of these investments. Commercial papers acquired with maturities of less than three months from the date of purchase are classified as cash equivalents.

(f) Financial assets (liabilities) measured at fair value through profit or loss

These financial assets (liabilities) are classified as held for trading and initially designated at fair value through profit or loss.

Financial assets held for trading are those that the Group principally acquire for the purpose of short-term profit taking. The financial derivatives, except for those that meet the criteria of hedge accounting, are classified as financial assets (liabilities) at fair value though profit or loss.

If the hybrid instruments include the main contract and embedded derivatives and the market value of embedded derivatives is not available on the balance sheet date, these hybrid instruments are designated as financial assets (liabilities) at fair value through profit or loss.

(g) Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value, and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

(h) Held-to-maturity financial assets

Held-to-maturity financial assets are those that the Group have a positive intent and ability to hold to maturity. Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Gains or losses are recognized at the time of derecognition, impairment or amortization. All regular way purchases or sales of financial assets are recognized and derecognized on a trading date basis.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

(i) Hedge accounting

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. If hedging relationships conform to the criteria for hedge accounting, the hedging instruments are accounted for as follows:

(i) Fair value hedges

Changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. Also, the hedged item is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

(ii) Cash flow hedges

Changes in the fair value of a hedging instrument designated as a cash flow hedge are recognized directly in equity. If a hedge of a forecasted transaction subsequently results in the recognition of an asset or a liability, then the amount recognized in equity is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. Otherwise, the associated cumulative gain or loss is removed from equity and recognized in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

(iii) Hedge of net investment in foreign operation

Changes in the fair value of the hedging instrument are recognized directly in equity. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognized directly in equity is recognized in profit or loss on disposal of the foreign operation.

(j) Financial assets at cost

Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at original cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

(k) Financial assets securitization

Under the Regulations for Financial Assets Securitization, the Group, with the assistance of a trustee, securitize its financial assets for purposes of offering asset-backed securities in the form of related beneficiary certificates through a special-purpose trust. Once the financial asset is securitized, the Group no longer retain the ownership title of the asset, and thus, remove the asset from the condensed consolidated balance sheet and recognize any gains or losses from securitization. The Group retain the subordinated securities, which are classified as financial assets at fair value through profit or loss, to build confidence and trust among potential investors.

Gains or losses from securitization are determined based on the difference between the proceeds from securitization and carrying value of the securitized financial assets. The cost of each class of asset-backed securities, which is determined based on the previous carrying value of the securitized financial assets, is allocated in proportion to the fair value of each class of the asset–backed securities and the retained interests on the date of transfer. As there exists no active trade market for securitized financial assets, the fair value of each class of asset-backed securities and the retained interests are evaluated based on the present value of future cash flows considering the expected credit loss rate, discount rate, and other relevant risks associated with the financial asset.

The cash receipts of subordinated seller certificates from the trustee are accounted for using the cost recovery method. On the balance sheet date, the fair value of these certificates is evaluated based on the present value of expected future cash flows, and the resulting gains or losses (if any) are recognized.

(l) Loans and receivables

Loans and receivables are measured at amortized cost using the effective interest method. The Group consider evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group use historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest is continuously recognized on impaired financial asset. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(m) Assets impairment

The Group assess at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Group estimate the recoverable amount of the asset.

The Group recognize impairment loss for an asset whose carrying value is higher than the recoverable amount. The Group reverse an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

The Group perform an impairment test annually on the cash-generating unit to which goodwill is allocated on an annual basis and recognize an impairment loss on the excess of carrying value over the recoverable amount.

(n) Costs and estimated earnings in excess of billings on uncompleted contracts

The Group commission a construction company, to build residential units for sale. The land and cost of construction are accounted for as costs and estimated earnings in excess of billings on uncompleted contracts during the construction period and measured at the lower of cost and market value. The cost is calculated by individual construction site and interest expense incurred up to the time when the building is ready for sale is capitalized as part of the costs and estimated earnings in excess of billings on uncompleted contracts. Advance receipts from advance sales and costs and estimated earnings in excess of billings on uncompleted contracts are classified as current or non-current liabilities and assets, respectively, based on operating cycle.

The percentage-of-completion method is adopted when the following conditions are all met:

1. the project reaches the planning stage； construction of the project may begin at any time；
2. the total price of pre-selling contracts reaches an amount equal to the estimated total construction cost；
3. the buyers' payments already reach 15% of the total contract price；
4. the collection of total accounts receivable can be reliably estimated；
5. the contract costs to complete the contract and the degree of its completion at the end of the period can be reasonably estimated； and
6. costs belonging to the contract can be reasonably identified.

Otherwise, completion method is adopted for accounting advance sales, under which, operating income and cost are recognized only when the construction is completed.

(o) Investment under the equity method

Long-term investments in which the Group have acquired over 20% of voting rights and exercise significant influence over the investee companies are accounted for under the equity method.

When the financial statements of a foreign operation are translated into the reporting currency, all asset and liability accounts are translated using the spot foreign exchange rate at the balance sheet date, and the stockholders' equity accounts are translated at the historical foreign exchange rate except that the beginning retained earnings are stated at the translated carrying amount of the ending balance of retained earnings in prior year and the profit and loss accounts are translated at the average foreign exchange rate in the reporting period. The resulting translation differences are recorded as cumulative translation adjustments in the stockholders' equity

When a long-term investment accounted for under the equity method is sold in full or partially, the difference between the selling price and the carrying value of this investment is recorded as gain or loss on disposal of long-term investment. The related capital surplus and other components of stockholders' equity arising from long-term equity investments are adjusted proportionately to disposal gain/loss based on the disposal ratio.

When the Group subscribe for additional investee's shares that is disproportionate to its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Group's share of the investee's equity. Such difference is adjusted against capital surplus or retained earnings.

Under the equity method of accounting, the unrealized income or loss arising from the transaction between the Group and investee accounted for under the equity method is deferred in either of downstream or upstream transaction, except in the case of downstream transaction where gain or loss is fully eliminated when controlling interest exists. The gains or losses from inter-company transaction relating to depreciable or amortizable assets are recognized ratably over their estimated useful lives. Gains or losses from inter-company transactions relating to other assets are recognized until they are realized through transactions with third parties.

(p) Property, equipment and assets held for lease

Property, plant, and equipment, and assets held for lease are stated at cost less accumulated depreciation and impairment loss. Major additions, improvements and replacements are capitalized, whereas regular maintenance and repairs are reflected as current expenses. When property, plant, and equipment are scrapped or sold, costs and related accumulated depreciation are written-off, and gain or loss thereon is accounted for as non-operating revenue or expense. Assets no longer used in operations are transferred to idle assets whose depreciation is recorded under non-operating expenses.

Depreciation of property, plant, and equipment of the Group is calculated using the straight-line method over the estimated economic lives; the estimated economic lives of the respective classes of assets are as follows:

Buildings	6 to 56 years
Transportation equipment	3 to 6 years
Miscellaneous equipment	4 to 16 years
Leasehold improvements	5 years
Assets held for lease	1 to 12 years

If property and equipment are repurchased within three years since the date of disposal, the related gain or loss on the disposal of such assets is reversed. In accordance with Interpretation (1990) Tai-Tsai-Jen (1) No.01436 issued by Securities and Futures Bureau, the difference between the repurchase price and the asset's market value is recognized as current loss when the market value of such asset is lower than the repurchase price. In accordance with Interpretation (1995) No.75 issued by the Accounting Research and Development Foundation, the adjusted carrying amount is compared with the initial carrying amount of the said assets at the date of disposal, and loss is recognized in profit or loss if the adjusted carrying amount is greater than the initial carrying amount.

(q) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the investees' net fair value of the identifiable assets, liabilities and contingent liabilities under purchase method. Goodwill is measured at cost less accumulated impairment losses.

(r) Deferred charges

Deferred charges consisting of capitalized software and building maintenance costs are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives of 3 to 5 years from the date incurred.

(s) Foreclosed assets

Valuations are periodically performed by management and impairment losses are established by a charge to profit or loss if the carrying value of a property exceeds its fair value less estimated costs to sell. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(t) Pension plan

The subsidiaries of the Company in the R.O.C. have adopted a defined benefit pension plan covering all regular employees. Pension benefits are determined based on the length of service and the base salary received in the year of retirement. The retirement benefit is payable in lump-sum not to exceed 61 months of salary. Under this pension plan, the Group bear all the pension benefits payment. Effective July 1, 2005, the Group adopted the "Labor Pension Act" (The "Act") that prescribes a defined contribution pension scheme for those employees who were covered by the Labor Standards Law prior to the enforcement of the Act but chose to be subject to the pension mechanism under the Act or those employees who are employed after the enforcement of the Act. In accordance with the Act, the Group contribute monthly to the Labor Pension Fund for the employee individual pension fund accounts at the minimum rate of 6% of the employee's monthly wages.

For the defined benefit pension plan, the subsidiaries of the Company in the R.O.C. have adopted SFAS No.18 "Accounting for Pensions", under which, pension obligation is actuarially calculated as of each fiscal year-end. Based on the result of actuarial calculation, a minimum pension liability and net periodic pension costs are recognized covering the service lives of participants. A deferred pension cost is recognized and classified under intangible assets when the amount of additional liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net benefit obligation. An excess of additional liability over the sum of unrecognized prior service cost and unrecognized transitional net benefit obligation is charged to unrecognized pension cost, and is classified as a reduction of equity. The unrecognized net transition obligation and unrecognized pension gain or loss are amortized on a straight-line basis.

The Group adopt a defined contribution pension plan (mainly for foreign subsidiaries) according to local regulations and recognize monthly pension contributions as current expenses on accrual basis. According to the regulations of the Peoples Republic of China government, the subsidiaries in mainland China contribute basic retirement insurance fees according to the legally prescribed percentages of employee's salary and recognize these fees as expenses on accrual basis.

For defined contribution pension plan, the Group contribute to the Pension Fund at legal rate of the employee's monthly wages; contributions are reflected as current pension expense on accrual basis. The Company and those subsidiaries with no employee pension plan and not subject to local pension regulations need not adopt SFAS No. 18.

(u) Income tax

The Group adopted SFAS No.22 "Income Taxes", under which, deferred income taxes are determined based on differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, loss carry forwards and investment tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the deferred tax assets will not be realized, a valuation allowance is recognized accordingly. Deferred tax assets or liabilities are classified into current or non-current items in accordance with the nature of the related balance sheet account. However, if a deferred tax asset or liability is not related to an asset or liability in the financial statements, then it is classified as either current or non-current based on the expected length of time before it is realized or settled.

The 10% surtax on undistributed earnings of the subsidiaries in the R.O.C. is reported as current expense on the date when the stockholders declared not to distribute the earnings during their annual stockholders' meeting.

Foreign subsidiaries operate in different countries based on their income tax regulations and thus file their income tax return to the local authorities separately. The income tax expense appearing in the condensed consolidated financial statements is the aggregate amount of income tax expenses of all subsidiaries.

When a change in the tax laws is enacted, the deferred tax assets or liabilities (including items that are directly debited or credited to stockholders' equity) are recalculated accordingly in the period of change. The effect of changes in the deferred tax assets or liabilities is reported as an adjustment to current income tax benefit or expense.

(v) Shared-based Payment

The Group adopted SFAS No. 39 "Share-based Payment" for shared-based payment agreements with a grant date on or after January 1, 2008, as follows:

An equity-settled share-based payment transaction is measured based on the fair value of the award at the grant date, and recognized as expenses over the vesting period with a corresponding increase in equity. The vesting period is estimated based on the vesting conditions under the share-based payment arrangement. Vesting conditions include service conditions and performance conditions (including market conditions). In estimating the fair value of an equity-settled share-based award, only the effect of market conditions is taken into consideration.

For the cash-settled share-based payment transaction, a compensation cost is recognized based on the fair value of the award at the grant date and a salary expense is recognized at vesting period.

(w) Employees bonuses and directors' remuneration

Employees' bonuses and directors' and supervisors' remuneration appropriated after January 1, 2008, are estimated and charged to expense in accordance with Interpretation (2007) No.52 issued by Accounting Research and Development Foundation. The difference, if any, between the amount approved in the stockholders' meeting in the subsequent year and the amount estimated and accrued in the current year's financial statements is accounted for as a change in accounting estimate and charged to profit or loss in the period during which stockholders' approval is obtained.

(x) Revenue recognition policies for the various businesses activities

(i) sales revenue

Sales revenue is recognized when ownership title to the product and the risks and rewards of ownership are transferred to the customer.

(ii) installment sales revenue

The revenue from installment sales is calculated using ordinary sales method. Under this method, gross profit between the normal selling price from sales and cost of sales is recognized on selling date. The excess of selling price from installment sales over the normal selling price is treated as unearned interest revenue, which is subsequently recognized as interest revenue by using the interest method. Unearned interest revenue is treated as a deduction item of installment sales receivable. The ownership of the leased property is transferred upon receipt of the full amount of installment sales receivable.

(iii) leasing business

The Group classify lease contracts as capital or operating leases in conformity with the criteria prescribed under the Statement of Financial Accounting Standards ("SFAS") No.2 "Accounting for Leases." These criteria include the lease terms, the likelihood of collecting receivables under lease contracts, and future cost borne by the lessor.

(iv) accounting for factoring of accounts receivable

The Group engage in factoring of accounts receivable with or without recourse. Factoring of accounts receivable is treated as a purchase if it meets the conditions described below, otherwise, it is treated as financing of accounts receivable:

1) When the factoring transfers and surrenders all or part of the control over the financial assets, the factored receivables are deemed to be reasonably collectable with no restrictions.

2) All of the following conditions should be met when the transferor surrenders the control over transferred accounts receivable:

A. The transferred accounts receivable are isolated from the transferor – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership situation.

B. Either (1) each transferee obtains the right – free of conditions that prevent the transferee from taking advantage of that right – to pledge or exchange the transferred accounts receivable or (2) the transferee is a qualifying special-purpose entity and the holders of beneficial interests in that entity have the right – free of conditions that prevent them from taking advantage of the right – to pledge or exchange those interests.

C. The transferor does not maintain effective control over the transferred accounts receivable through (1) an agreement that both entitle and obligates the transferor to repurchase or redeem them before their maturity or (2) an agreement that entitles the transferor to repurchase or redeem transferred accounts receivable that are not readily obtainable.

(v) commission revenue

The Group enter into strategic alliance agreement with financial institutions, to function as an agency in order to promote loans and management service on their behalf. Commission revenue is recognized on accrual basis based on certain percentage (prescribed under the commission agreement) of debtor's monthly installment repayments to financial institutions.

(vi) loans

Loans are recorded at its principal amount. Interest income is recognized on accrual basis. If the collectability of interest receivable is in question, the recognition of interest income is deferred to the point of collection.

(y) Sale and leaseback

If the lessee sells property to the lessor and immediately leases it back, then the entire transaction is treated as a sale and leaseback transaction. The gain or loss resulting from the sale of leased property is recognized depending on the following:

(i) If the present value of future lease payments is lower than 10% of the fair value of the leased property, the gain or loss is recognized immediately.

(ii) If the present value of future lease payments is between 10% and 90% of the leased property's market value, the gain or loss is amortized over the lease term except that, if the gain or loss exceeds the present value of future lease payments, the excess amount is recognized immediately.

(iii) If the present value of future lease payments is over 90% of the leased property's market value, the gain or loss is amortized over the lease term.

For operating lease, the amortization of the gain or loss is recognized as deduction of rental. For financing lease, the amortization of the gain or loss is recognized as deduction of depreciation expense of the leased property.

(z) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available.

(aa) Interest cost

Interest cost is incurred for the external financing obtained by the Group to finance its leasing and installment sales transactions, which are capital intensive. Interest related to operations is accounted for as operating costs and interest from non-operation is accounted for as part of non-operating expense.

(bb) Earnings per share

Basic EPS are calculated by dividing net income by the weighted-average number of common shares issued and outstanding during the period. The employee stock bonuses not yet approved by the stockholders' meeting are potentially dilutive common shares. Diluted EPS are calculated by dividing net income by the weighted-average number of common shares used in the basic EPS calculation plus the number of common shares that would be issued assuming all potentially dilutive common shares are converted and outstanding. If a dilutive effect does not exist, only basic EPS are disclosed; otherwise, dilutive EPS are disclosed in addition to the basic EPS. In the event of capitalization of retained earnings, employee bonus, or capital surplus, the number of shares outstanding is retroactively adjusted for additional shares issued thereon.

3 Reasons for and Effects of Accounting Changes:

Effective from January 1, 2011, the Group adopted the amended Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement" for the measurement of loans and receivables. The adoption of this amended standard disclosed no impact on profit or loss and EPS for the year ended December 31, 2011.

Effective from January 1, 2011, the Group adopted the amended Statement of Financial Accounting Standards (SFAS) No. 41 "Operating Segments." Under SFAS No. 41, an entity shall prospectively disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Accordingly, the Group determine and present operating segments based on the information that internally is provided to the chief operating decision maker.

4 Summary of Major Accounts

(a) Cash and Cash Equivalents

	December 31, 2012	December 31, 2011
Revolving cash	$ 22,429	151,815
Checking accounts	1,659,709	245,456
Demand deposits	8,314,395	5,931,358
Time deposits	132,899	226,443
Cash equivalents	1,999	2,998
Total	**$ 10,131,431**	**6,558,070**

(b) Financial Instruments

(i) Financial assets (liabilities) at fair value through profit or loss-current:

	December 31, 2012	December 31, 2011
Financial assets held for trading - current		
Securities of listed companies	**$ 236,246**	**240,841**
Financial liabilities held for trading - current		
Interest rate swaps	**$ (5,007)**	**(757)**

1) As of December 31, 2012 and 2011, the financial derivatives held by the Group were as follows:

(Unit:thousand dollars)

Item	December 31, 2012 Carrying Amount	December 31, 2012 Notional Amount	December 31, 2011 Carrying Amount	December 31, 2011 Notional Amount
Derivative financial liabilities :				
Interest rate swap	$ (80)	400,000	(757)	400,000
Interest rate swap	(4,927)	CNY 300,000	-	-
	$ (5,007)		**(757)**	

2) For the years ended December 31, 2012 and 2011, the Group recognized a net gain (loss) of $25,440 and ($45,287), respectively, on financial assets measured at fair value through profit or loss resulting from changes in the fair value of above investments in equity securities of listed companies.

3) The Group entered into interest rate swap agreements with various commercial banks. For the years ended December 31, 2012 and 2011, the Group recognized a net loss of $4,275 and $757, respectively, on these derivative financial liabilities and assets measured at fair value through profit or loss.

(ii) Derivative financial liability for hedging – current:

As of December 31, 2012 and 2011, the cash flow hedging instruments held by the Group were as follows:

December 31, 2012

Nominal Amount	Carrying Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
$ 400,000	$ (9,809)	2010.11.17~ 2015.11.17	3.00%	90 Days CP+ 1.20%	Five Years
$ 50,000	(700)	2011.01.19~ 2016.01.19	3.00%	90 Days CP+ 1.10%	Five Years
$ 50,000	(887)	2011.01.19~ 2016.01.19	3.00%	90 Days CP+ 1.00%	Five Years
	$ (11,396)				

December 31, 2011

Nominal Amount	Carrying Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
$ 400,000	$ (13,310)	2010.11.17~ 2015.11.17	3.00%	90 Days CP+ 1.20%	Five Years
$ 50,000	(1,221)	2011.01.19~ 2016.01.19	3.00%	90 Days CP+ 1.10%	Five Years
$ 50,000	(1,457)	2011.01.19~ 2016.01.19	3.00%	90 Days CP+ 1.00%	Five Years
	$ (15,988)				

The Group's risk management and hedging policy was disclosed in Note (4)(w).

(iii) Held-to-maturity financial assets-current

	December 31, 2012	December 31,2011
Investment in debt instruments	**$ 1,997,100**	**280,000**

The Group purchased debt securities issued by real estate trust. These debt securities have maturity dates between 2013 and 2014, and bear effective annual interest rate of 4.53% ~ 8.90%.

(iv) Financial assets at fair value through profit or loss – non-current

	December 31, 2012	December 31, 2011
Subordinated beneficiary certificates -		
Chailease Finance Co., Ltd. - 2010	$ 950,778	982,590
Chailease Finance Co., Ltd. - 2011	840,780	855,701
	$ 1,791,558	**1,838,291**

For the years ended December 31, 2012 and 2011, the Group recognized an unrealized valuation loss of $46,733 and $106,296, respectively, on financial assets at fair value through profit or loss – non-current resulting from changes in the fair value of above subordinated beneficiary certificates.

(v) Held-to-maturity financial assets-non-current

	December 31, 2012
Investment in debt instruments	**$ 490,000**

The Group purchased debt securities issued by real estate trust. These debt securities will mature in 2015, and bear effective annual interest rate of 6.43% ~ 8.99%.

(vi) Financial assets carried at cost – non-current

	December 31, 2012	December 31, 2011
Equity securities of		
Industrial Bank of Taiwan	$ 900,000	900,000
Finex Co., Ltd.	293,223	293,223
Others (consisting of items of less than 5% of total individually)	243,505	252,763
Total	**$ 1,436,728**	**1,445,986**

1) The investments in equity securities-common stock, with no active market and whose fair value cannot be reliably measured, were accounted for as financial assets at cost – non-current.

2) Due to the capital decrease or liquidation of certain investee, the Group received cash refund of $320 and $6,416 for the years ended December 31, 2012 and 2011, respectively.

3) As of December 31, 2012 and 2011, the Group provided portion of its investments in equity securities as collaterals for the issuance of short-term bills payable, as well as long and short term debts, which were discussed further in Note (6).

(vii) Based on the results of the Group's assessment, the Group recognized impairment losses of $4,503 and $34,106 for the years ended December 31, 2012 and 2011, respectively, on financial assets carried at cost.

(c) Financial assets securitization

(i) 2011 Securitization

In 2011, the Group securitized its financial assets, consisting of conditional sales receivable, installment sales receivable, and capital leases receivable, with an aggregate carrying amount of $5,000,229. Such securitization was made by way of offering the securities in the form of beneficiary certificates, with the Land Bank of Taiwan as the Trustee. Accordingly, the Group received $4,154,000 in cash from issuing these beneficiary certificates, resulting in a loss of $9,533 from this asset securitization. These beneficiary certificates are redeemable for the period from November 24, 2011 to November 24, 2016. Specific terms and conditions of the beneficiary certificates are as follows:

Class of beneficiary certificates issued	Order of principal repayment	Issue amount (par value)	Issue price	Interest rate	Payment frequency
twAAA	1st	3,830,000	3,830,000	2.20%	Monthly
twA	2nd	324,000	324,000	3.00%	Monthly
Subordinated	3rd	846,229	991,210	None	Monthly

Key assumptions at the securitization date:

	November 24, 2011 (securitization date)
Repayment rate (monthly rate)	9.4500%
Expected return rate on securitized financial assets (annual rate)	9.4000%
Weighted-average life (in years)	4.83
Expected credit loss rate (annual rate)	1.65%~3.07%
Discount rate for cash flows (annual rate)	2.56%

The Group hold subordinated beneficiary certificates and retain the right to interest (if any) in excess of the amount paid to the holders of twAAA and twA beneficiary certificates. If debtors default, neither the investor nor trustee has the right of recourse to the Group. The repayment of the principal amount of subordinated beneficiary certificates is subordinate to the investors' certificates and their value is affected by the credit risk, prepayment rate and change in interest rate of the securitized financial assets.

(1) Key assumptions used in measuring retained interests:

The key assumptions used in measuring subordinated seller certificates arise from the financial assets securitization at the end of December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Repayment rate (monthly rate)	9.49%	9.72%
Expected return rate on securitized financial assets (annual rate)	9.19%	9.68%
Weighted-average life (in years)	3.83	4.75
Expected credit loss rate (annual rate) (Note)	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows (annual rate)	4.00%	4.00%

(2) Sensitivity analysis

As of December 31, 2012, the key economic assumptions and sensitivity analysis of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

Carrying amount of retained interests	$	840,780
Weighted－average life (in years)		3.83
Repayment rate (monthly rate)		9.49%
Effect on fair value with 10% adverse change		(21,354)
Effect on fair value with 20% adverse change		(39,453)
Expected credit losses (annual rate)		4.58%
Effect on fair value with 10% adverse change		(23,109)
Effect on fair value with 20% adverse change		(46,211)
Discount rate for residual cash flows (annual rate)		4.00%
Effect on fair value with 10% adverse change		(6,209)
Effect on fair value with 20% adverse change		(12,356)

(3) Expected static pool credit losses

As the securitized conditional sales receivable, installment sales receivable, and capital leases receivable do not have actual credit losses as of the balance sheet date, the expected static pool credit losses are, therefore, equal to the expected credit losses.

(4) Cash flows

The cash flows received from and paid to securitization trusts were as follows:

	For the year ended December 31, 2012	For the year ended December 31, 2011
Other cash flows received on retained interests	$ 360,282	17,009
Service fees received	4,760	397

Note: The securitization of debts is revolving and the expected credit loss rate (annual rate) of retained interests is evaluated and adjusted during the issue period.

(ii) 2010 Securitization

In 2010, the Group securitized its financial assets, consisting of conditional sales receivable, installment sales receivable, and capital leases receivable, with an aggregate carrying amount of $5,274,997. Such securitization was made by way of offering the securities in the form of beneficiary certificates, with the Land Bank of Taiwan as the Trustee. Accordingly, the Group received $4,255,000 in cash from issuing these beneficiary certificates, resulting in a gain of $43,516 from this asset securitization. These beneficiary certificates are redeemable for the period from August 13, 2010 to August 26, 2017. Specific terms and conditions of the beneficiary certificates are as follows:

Class of beneficiary certificates issued	Order of principal repayment	Issue amount (par value)	Issue price	Interest rate	Payment frequency
twAAA	1st	3,880,000	3,880,000	2.800%	Monthly
twA	2nd	375,000	375,000	3.500%	Monthly
Subordinated	3rd	1,019,997	1,124,727	None	Monthly

Key assumptions at the securitization date:

	August 13, 2010 (securitization date)
Repayment rate (monthly rate)	8.560%
Expected return rate on securitized financial assets	9.4843%
Weighted-average life (in years)	3.83
Expected credit loss rate (annual rate)	2.26%~4.20%
Discount rate for cash flows (annual rate)	3.08%

The Group hold subordinated beneficiary certificates and retain the right to interest (if any) in excess of the amount paid to the holders of twAAA and twA beneficiary certificates. If debtors default, neither the investor nor trustee has the right of recourse to the Group. The repayment of the principal amount of subordinated beneficiary certificates is subordinate to the investors' certificates and their value is affected by the credit risk, prepayment rate and change in interest rate of the securitized financial assets.

(1) Key assumptions used in measuring retained interests:

The key assumptions used in measuring the subordinated seller certificates arise from the financial assets securitization at the end of December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Repayment rate (monthly rate)	10.6800%	10.2100%
Expected return rate on securitized financial assets (annual rate)	9.1000%	9.2800%
Weighted-average life (in years)	2.67	3.58
Expected credit loss rate (annual rate) (Note)	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows (annual rate)	4.00%	4.00%

(2) Sensitivity analysis

As of December 31, 2012, the key economic assumptions and sensitivity analysis of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	December 31, 2012
Carrying amount of retained interests	$ 950,778
Weighted－average life (in years)	2.67
Repayment rate (monthly rate)	10.68%
Effect on fair value with 10% adverse change	(17,449)
Effect on fair value with 20% adverse change	(32,447)
Expected credit losses (annual rate)	4.58%
Effect on fair value with 10% adverse change	(24,351)
Effect on fair value with 20% adverse change	(48,706)
Discount rate for residual cash flows (annual rate)	4.00%
Effect on fair value with 10% adverse change	(6,159)
Effect on fair value with 20% adverse change	(12,268)

(3) Expected static pool credit losses

As the securitized conditional sales receivable, installment sales receivable, and capital leases receivable do not have actual credit losses as of the balance sheet date, the expected static pool credit losses are, therefore, equal to the expected credit losses.

(4) Cash flows

The cash flows received from and paid to securitization trusts were as follows:

	For the years ended December 31,	
	2012	2011
Other cash flows received on retained interests	$ 362,826	373,656
Service fees received	5,022	5,022

Note: The securitization of debts is revolving and the expected credit loss rate (annual rate) of retained interests is evaluated and adjusted during the issue period.

(iii) 2007 Securitization

In 2007, the Group securitized its financial assets, consisting of conditional sales receivable, installment sales receivable, and capital leases receivable, with an aggregate carrying amount of $6,000,013. Such securitization was made by way of offering the securities in the form of beneficiary certificates, with the Land Bank of Taiwan as the Trustee. Accordingly, the Group received $4,890,000 in cash from issuing these beneficiary certificates, resulting in a gain of $42,712 from this asset securitization. These beneficiary certificates are redeemable for the period from August 24, 2007 to August 24, 2014. Specific terms and conditions of the beneficiary certificates are as follows:

Class of beneficiary certificates issued	Order of principal repayment	Issue amount (par value)	Issue price	Interest rate	Payment frequency
twAAA	1st	4,470,000	4,470,000	3.005%	Monthly
twA	2nd	420,000	420,000	3.555%	Monthly
Subordinated	3rd	1,110,013	1,175,867	None	Monthly

The Group hold subordinated beneficiary certificates and retain the right to interest (if any) in excess of the amount paid to the holders of twAAA and twA beneficiary certificates. If debtors default, neither the investor nor Trustee has the right of recourse to the Group. The repayment of the principal amount of subordinated beneficiary certificates is subordinate to the investors' certificates and their value is affected by the credit risk, prepayment rate and change in interest rate of the securitized financial assets.

On July 13, 2011, the Group entered into an agreement with the said Special Purpose Entity to repurchase its receivables of $624,306.

For the nine months ended September 30, 2011, the Special Purpose Entity fully redeemed beneficiary certificates twAAA and twA. As the process of its liquidation was completed on July 21, 2011, the Group received $809,857 from the return of subordinated certificates. The Group recognized a disposal gain thereon of $65,739.

The cash flows received from and paid to securitization trusts were as follows:

	For the year ended December 31, 2011
Other cash flows received on retained interests	$ 71,476
Service fees received	992

(d) Accounts receivable, net

	December 31, 2012	December 31, 2011
Accounts receivable	$ 5,337,884	5,296,383
Less: Provision for impairment	(173,732)	(140,765)
Net	**$ 5,164,152**	**5,155,618**

(e) Installment sales receivable, net

	December 31, 2012		December 31, 2011	
	Short-term	Long-term	Short-term	Long-term
Installment sales receivable	$ 42,715,364	19,019,128	32,113,112	16,914,590
Less: Unearned revenue	(4,525,288)	(1,788,264)	(3,560,902)	(1,524,430)
Provision for impairment	(748,994)	(172,082)	(556,670)	(148,552)
Net	**$ 37,441,082**	**17,058,782**	**27,995,540**	**15,241,608**

The expected collections on long-term installment sales receivable at each maturity date were as follows:

Year	December 31, 2012	December 31, 2011
First year	$ 10,168,807	9,234,230
Second year	5,189,317	4,806,270
Third year	2,595,482	2,150,196
Fourth year and thereafter	1,065,522	723,894
	$ 19,019,128	**16,914,590**

(f) Capital leases receivable, net

	December 31, 2012		December 31, 2011	
	Short-term	Long-term	Short-term	Long-term
Capital leases receivable	$ 52,841,253	8,581,812	42,005,377	7,547,958
Less: Unearned revenue	(7,151,541)	(620,475)	(6,228,275)	(488,711)
Provision for impairment	(859,772)	(915,853)	(522,347)	(431,346)
Net	**$ 44,829,940**	**7,045,484**	**35,254,755**	**6,627,901**

The expected collections on long-term capital leases receivable at each maturity date were as follows:

Year	December 31, 2012	December 31, 2011
First year	$ 1,457,545	1,273,793
Second year	6,873,887	6,099,244
Third year	250,333	171,067
Fourth year and thereafter	47	3,854
	$ 8,581,812	**7,547,958**

Notes: receivable arising from installment sales and capital leases transactions, which were partially pledged for the repayment or collaterals of bank loans, were discussed further in Note (6).

(g) Loans receivable, net

	December 31, 2012		December 31, 2011	
	Short-term	Long-term	Short-term	Long-term
Loans receivable	$ 18,195,108	2,047,645	13,616,233	2,277,508
Less: Provision for impairment	(700,078)	(163,423)	(731,771)	(242,463)
Net	**$ 17,495,030**	**1,884,222**	**12,884,462**	**2,035,045**

The expected collections on long-term loans at each maturity date were as follows:

Year	December 31, 2012	December 31, 2011
First year	$ 493,700	455,415
Second year	909,626	973,813
Third year	198,778	115,733
Fourth year and thereafter	445,541	732,547
	$ 2,047,645	**2,277,508**

(h) Foreclosed assets

As of December 31, 2012 and 2011, foreclosed assets held by the Group, which were accounted for as other current assets, were as follows:

	December 31, 2012	December 31, 2011
Cost	$ 127,097	385,396
Less: Accumulated impairment	(25,280)	(66,951)
	$ 101,817	**318,445**

For the years ended December 31, 2012 and 2011, the Group recognized an impairment loss of $3,689 and, $17,553, respectively, for foreclosed assets. The Group disposed certain foreclosed assets to non-related parties and recognized a disposal gain thereon of $143,050 for the year ended December 31, 2012.

(i) Long-term investments under equity method

	December 31, 2012			December 31, 2011		
Accounted for under the equity method	Original Investment Cost	Ownership Ratio	Carrying Amount	Original Investment Cost	Ownership Ratio	Carrying Amount
Chung Hang Corp.	1,000	28.57%	**$ 1,254**	1,000	28.57%	**$ 1,243**

Investment income recognized under the equity method from investments in which the Group exercised significant influence was as follows:

	For the years ended December 31,	
	2012	2011
Based on audited financial statements of investees :		
Chung Hang Corp.	$ 111	109

Based on a resolution approved by its stockholders during their meeting, Chung Hang Corp. distributed cash dividends of both $100 for the years ended December 30, 2012 and 2011.

As of December 31, 2012, Chailease International (B.V.I) Corp. prepaid US$200 thousand (approximately $5,808) to CLJ Capital Management Company Limited, which was accounted for as an investment under equity method.

As of December 31, 2012 and 2011, the Group provided portion of its investments in securities as collaterals for its long-term debts and short-term debts, which were discussed further in Note (6).

(j) Costs and estimated earnings in excess of billings on uncompleted contracts

In 2010, the subsidiaries namely, Chailease Finance Co., Ltd. and Chailease Construction & Development Corp., entered into an agreement with a related party, Yi Mao International Development Corp. for joint venture construction of housing units. Under this agreement, Yi Mao International Development Corp. invested its land for use in the construction. For the proceeds from the sale of the housing units, Yi Mao, the Group and Chailease Construction & Development Corp. share 18.11%, 40.945% and 40.945%, respectively.

(i) Costs and estimated earnings in excess of billings on uncompleted contracts

	December 31, 2012	December 31, 2011
Construction site:		
Tianmu area	$ 970,877	638,924

(ii) Billings for land and buildings

	December 31, 2012	December 31, 2011
Construction site:		
Tianmu area	$ 302,039	173,091

(iii) The details of income recognized under the percentage-of-completion method

	Construction sales to be recognized	Total construction costs to be allocated	Sales Rate(%)	Percentage of completion	Expected year of completion	Cumulative gain
2012.12.31						
Tianmu area	$ 623,907	424,533	90.64%	42.16%	2013	162,397
2011.12.31						
Tianmu area	$ 67,009	44,154	70.06%	5.93%	2013	18,992

The details of costs and estimated earnings in excess of billings on uncompleted contracts-capitalized interest

	For the years ended December 31,	
	2012	2011
Interest expense before capitalization	3,972,730	3,093,238
Capitalized interest	7,108	8,859
Capitalized interest rate	1.65%	1.82%

As of December 31, 2012 and 2011, the Group provided the land for use in the construction to a commercial bank as collateral for the loan obtained by the Group to finance such construction project, which is discussed further in Note (6).

(k) Other financial assets – non - current

	December 31, 2012	December 31, 2011
Overdue loans and receivables	$ 2,018,061	2,027,424
Less：Provision for impairment	(901,207)	(844,597)
Overdue loans and receivables,net	1,116,854	1,182,827
Factoring receivable-noncurrent	640,196	471,310
Less：Provision for impairment	(31,075)	(28,234)
Factoring receivable-noncurrent,net	609,121	443,076
Guarantee deposits paid	324,648	211,209
Restricted deposits-noncurrent	69,771	122,809
Other	59,593	-
Total	**$ 2,179,987**	**1,959,921**

(l) Property and equipment

For the years ended December 31, 2012 and 2011, none of property and equipment qualified for capitalization of interest costs.

In October 2008, Chailease Finance Co., Ltd. sold for $596,460 certain land and building in NeiHu district with net book value of $347,027 to a non-related third party. Thereafter, Chailease Finance Co., Ltd. leased back those assets under the operating lease agreement. In compliance with the revised Interpretation (1991.04.17) No. 030 issued by the Accounting Research and Development Foundation, Chailease Finance Co., Ltd. recognized a gain on property disposal of $249,432 as the present value of aggregate future leaseback payments under the operating lease agreement is less than 10% of the fair value of those assets.

On July 10, 2009, Chailease Finance Co., Ltd. repurchased the land and office building mentioned above for $605,707. The repurchase resulted in a non-operating loss of $268,050 in compliance with related standards and regulations. On July 24, 2009, Chailease Finance Co., Ltd. entered into a sale and lease back arrangement with Cathay Life Insurance Co., Ltd., a non-related party, for a total selling price of $2,785,257, involving the repurchased land and office building located in Neihu district, which resulted in a gain on disposal of property of $1,330,159. Because the future lease payments ranged between 10% to 90% of the fair value of the disposal property, Chailease Finance Co., Ltd. recognized the excess amount of the gain over the present value of future lease payments in income statements immediately and amortizes the rest of the gain of $501,442 over the lease term (from September 2009 to August 2014). The amortization was recorded as a deduction of rental. As of December 31, 2012, the unrealized gain was $167,148.

As of December 31, 2012 and 2011, the Group's property and equipment provided as collaterals for the Group's long-term debts and short-term debts, were discussed further in Note (6).

(m) Assets held for lease, net

	December 31, 2012				
	Remark	Cost	Accumulated Depreciation	Accumulated Impairment	Net
Land	Operating lease	$ 445,475	-	61,900	383,575
Buildings	〃	616,244	192,680	71,851	351,713
Transportation equipment	〃	4,249,709	976,694	170,462	3,102,553
Machinery and miscellaneous equipment	〃	6,353,393	2,366,925	1,857,687	2,128,781
Total		**$ 11,664,821**	**3,536,299**	**2,161,900**	**5,966,622**

	December 31, 2011				
	Remark	Cost	Accumulated Depreciation	Accumulated Impairment	Net
Land	Operating lease	$ 445,475	-	61,900	383,575
Buildings	〃	616,244	183,025	71,851	361,368
Transportation equipment	〃	3,326,418	868,160	85,342	2,372,916
Machinery and miscellaneous equipment	〃	11,329,738	3,429,978	2,743,188	5,156,572
Total		**$ 15,717,875**	**4,481,163**	**2,962,281**	**8,274,431**

The lease period, lease amounts, and terms of payments are specified in the operating lease contracts.

For the years ended December 31, 2012 and 2011, the Group sold certain assets held for lease to non-related parties for $1,525,995 and, $1,366,233 resulting in a net gain and (loss) of $18,513 and $(52,577), respectively.

According to the SFAS No. 35 “Accounting for Asset Impairment”, the Group evaluate any asset impairment by comparing the recoverable amount with carrying amount at each balance sheet date. Based on the result of expert’s valuation, the Group recognized an impairment loss of $877,546 and $1,690,172 for the years ended December 31, 2012 and 2011, respectively.

Rental is calculated by multiplying the cost of the assets by their lease rates and is collected monthly, bimonthly, or quarterly. As of December 31, 2012 and 2011, rental collectible for each of the following 5 years were as follows:

Year	December 31,2012	December 31,2011
First year	$ 1,566,557	3,571,986
Second year	683,377	243,455
Third year	300,098	48,034
Fourth year and thereafter	40,005	17,984
	$ 2,590,037	**3,881,459**

As of December 31, 2012 and 2011, assets held for lease, which were partially pledged for the Group’s long-term debts and short-term debts, were discussed further in Note (6).

(n) Bank borrowings

(i) Short-term debts

	December 31, 2012	December 31, 2011
Secured loan	$ 8,280,102	6,027,381
Unsecured loan	23,775,542	21,334,220
Total	**$ 32,055,644**	**27,361,601**
Range of interest rate	**1.10%~16.75%**	**0.97%~19.50%**
Unused credit line (Note)	**$ 29,952,827**	**25,832,368**

Note: Included unused credit line for short-term bills payable.

Certain assets of the Group which were pledged for the repayment of the aforementioned loans were disclosed in Note (6).

The Group’s risk management and hedging policy were disclosed in Note (4)(w).

(ii) Long-term debts

Nature of the debt	Creditor	Due date	December 31, 2012	December 31, 2011
Credit Loan	Taiwan Cooperative Bank - East Branch	2014.11.25	$ -	10,000
〃	Taiwan Cooperative Bank - East Branch	2015.12.28	20,000	-
〃	Taiwan Cooperative Bank - Business Department	2014.11.22	-	10,000
〃	Taiwan Cooperative Bank - Business Department	2015.12.28	430,000	-
〃	Taiwan Cooperative Bank – Dunnan Branch (OBU)	2013.10.08	28,750	180,681
〃	Taiwan Cooperative Bank – Dunnan Branch (OBU)	2014.08.18	113,837	-
〃	Bank of Taiwan - LongShan Branch	2013.12.27	-	19,530
〃	Bank of Taiwan - LongShan Branch	2014.12.27	15,063	-
〃	Bank of Taiwan - LongShan Branch	2016.08.20	16,610	-
〃	Mega International Commercial Bank (OBU)	2013.09.20	-	207,324
〃	Mega International Commercial Bank (OBU)	2014.12.17	290,400	-
〃	Mega International Commercial Bank- DunHua Branch	2015.05.10	27,094	-
〃	Mega International Commercial Bank- DunHua Branch	2014.06.06	17,424	-
〃	Mega International Commercial Bank- DunHua Branch	2013.02.14	2,994	14,835
〃	E-San Bank	2014.11.17	-	10,000
〃	Ta Chung Bank - Dun Hua Branch	2013.09.30	-	100,000
〃	Anz Bank	2013.10.25	-	14,000
〃	First Bank (OBU)	2012.01.04	-	357,851
〃	First Bank (OBU)	2014.04.15	-	22,500
〃	First Bank (OBU)	2013.02.05	108,029	-
〃	Chang Hwa Bank	2012.11.20	-	8,577
〃	Shanghai Commercial & Savings Bank	2014.04.15	-	31,450
〃	Hua Tai Bank	2012.12.03	-	333
〃	Chinatrust Commercial Bank	2013.05.15	-	263,393
〃	Bank Of Taiwan – Taipei Branch and other 9 participating financial institutions (Note 5)	2014.08.18	2,904,000	3,027,500
〃	Bangkok Bank	2013.08.31	-	1,929,400
〃	Argi Bank	2012.06.15	-	500,000
〃	Argi Bank	2014.07.19	-	100,000
〃	Argi Bank	2013.06.10	500,000	-
〃	Union Bank	2014.05.30	2,500	12,500
〃	Union Bank	2013.12.31	5,000	-
〃	Taiwan Cooperative Bank and other 7 participating financial institutions (Note 1)	2012.09.04	-	2,000,000
〃	Mizuho Corporate Bank and other 11 participating financial institutions (Note 2)	2014.03.18	3,600,000	3,600,000
〃	Mizuho Corporate Bank (OBU) and other 8 participating financial institutions (Note 3)	2013.03.08	1,103,520	2,361,450
〃	Land Bank and other 5 participating financial Institutions (Note 23)	2012.09.17	-	300,000
〃	Land Bank and other 5 participating financial Institutions (Note 24)	2014.05.06	720,000	900,000

Nature of the debt	Creditor	Due date	December 31, 2012	December 31, 2011
Credit Loan	Land Bank and other 6 participating financial Institutions (Note 25)	2013.07.12	600,000	600,000
〃	Land Bank and other 5 participating financial Institutions (Note 16)	2015.04.19	750,000	-
〃	Land Bank(OBU) and other 5 participating financial Institutions (Note 15)	2015.11.29	1,161,600	-
〃	Industrial Bank of Taiwan and other 5 participating financial Institutions (Note 22)	2012.01.13	-	250,000
〃	E-San Bank	2014.12.15	-	18,333
〃	DBS Bank, Ltd.	2014.01.17	1,323,728	648,653
〃	DBS Bank, Ltd.	2015.01.17	237,660	-
〃	China Development Bank	2014.01.05	1,270,315	2,860,165
〃	China Development Bank and other participating financial institutions (Note 17)	2015.01.17	12,074,060	9,133,300
〃	Bank of China	2014.12.20	-	922,944
〃	Bank of China	2013.03.20	414,740	-
〃	China Everbright Bank	2013.08.30	156,576	381,099
〃	Agricultural Bank of China	2014.04.06	428,720	922,944
〃	Shanghai Bank	2014.03.21	-	721,050
〃	Shanghai Commercial & Savings Bank	2013.12.31	10,000	-
〃	China Construction Bank	2013.11.05	-	87,247
〃	Bank of Nanjing	2014.10.30	-	288,420
〃	Bank of Nanjing	2015.02.18	386,229	-
〃	Hang Seng Bank	2014.11.28	-	962,152
〃	Hang Seng Bank	2015.09.29	432,926	-
〃	Bank of Communication	2015.08.28	19,958	93,266
〃	Bank of Communication (Note 19)	2014.12.23	2,083,969	2,163,150
〃	Industrial and Commercial Bank of China Limited	2014.12.21	-	4,835,169
〃	Industrial and Commercial Bank of China Limited(Note 20)	2015.10.10	6,554,150	-
〃	China Bohai Bank	2013.06.20	-	304,726
〃	Societe General Corporation & Investment Banking	2015.12.15	1,686,920	-
〃	First Bank	2014.09.12	45,375	-
〃	Taichung Bank	2013.03.14	100,000	-
〃	Shanghai Bank – Changning Branch	2014.03.21	582,500	-
〃	China Merchants Bank	2015.08.22	423,408	-
Secured Loan	Bank SinoPac - Business Department	2013.12.23	28,000	28,000
〃	Taiwan Cooperative Bank - DunNang Branch	2014.04.17	158,244	165,000
〃	Koahsiung Bank - Taipei Branch	2013.06.11	-	367,000
〃	Siam City Bank (Thailand)	2013.06.23	-	1,447,050
〃	Bank of Ayudhya (Thailand) (Note 4)	2013.08.30	-	482,350
〃	Hua Nan Bank - Vietnam Branch	2013.12.13	-	29,426
〃	First Union National Bank	2020.10.05	659,942	975,767
〃	Mega Bank Public Co., Ltd. (Thailand) (Note 4)	2013.09.29	-	1,929,400
〃	LH Bank	2013.09.30	-	289,410

Nature of the debt	Creditor	Due date	December 31, 2012	December 31, 2011
Secured Loan	LH Bank	2015.12.14	667,450	-
〃	Chinatrust Commercial Bank, Ho Chi Minh City Branch	2013.02.11	-	8,248
〃	Chinatrust Commercial Bank, Ho Chi Minh City Branch	2015.09.20	56,965	-
〃	Bank of China	2014.06.25	10,941	49,296
〃	Bank of China	2015.11.25	21,704	-
〃	Bank of Taiwan - California Branch and other 7 participating financial institutions (Note 14)	2015.01.18	1,200,514	-
〃	Mizuho Corporate Bank (Vietnam)	2014.06.25	-	56,414
〃	Mizuho Corporate Bank (Vietnam)	2013.02.28	9,804	-
〃	China Merchants Bank	2012.09.20	-	687,401
〃	Ping An Bank and other 3 participating financial institutions (Note 18)	2013.11.01	922,680	2,158,343
〃	Shanghai Bank - Tianjin Branch	2014.12.19	-	432,630
〃	Shanghai Bank - Tianjin Branch (Note 21)	2014.11.19	1,188,300	-
〃	Mizuho Corporate Bank and other 3 participating financial institutions (Note18)	2014.08.02	1,894,290	3,630,727
〃	Bank of Hangzhou	2015.09.20	72,959	-
〃	Frist Bank, Ho Chi Minh City Branch	2015.08.31	10,760	-
〃	Frist Bank, Hanoi City Branch	2015.12.26	6,209	-
Long-term bills payable	Mega Bills Finance Corp. (Note 10)	2015.01.02	999,844	-
〃	Mega Bills Finance Corp. (Note 2)	2014.03.18	299,762	299,741
〃	Mega Bills Finance Corp.	2013.01.23	24,964	-
〃	Taishin International Bank (Note 8)	2015.01.09	99,996	-
〃	China Bills Finance Corp. (Note 9)	2015.03.28	499,930	-
〃	Grand Bills Finance Corp. (Note 11)	2015.02.17	299,677	-
〃	Grand Bills Finance Corp. (Note 6)	2014.09.21	499,597	499,640
〃	International Bills Finance Corp. (Note 7)	2015.02.01	499,975	-
〃	International Bills Finance Corp and other 5 participating financial institutions (Note 12)	2015.09.04	2,998,412	-
〃	China Bills Finance Corp., Mega Bills Finance Corp. and other 5 participating financial institutions (Note13)	2015.03.25	1,493,901	-
Sub-Total			55,272,875	54,709,785
Less: Current portion			(40,080,727)	(32,367,377)
Total			**$ 15,192,148**	**22,342,408**
Range of interest rate			**0.62%~18.50%**	**0.61%~19.50%**
Unused credit line			**$ 27,969,986**	**12,338,906**

Certain assets of the Group which were pledged for the repayment of aforementioned loans were disclosed in Note (6).

Note 1: In 2010, a subsidiary, Chailease Finance Co., Ltd. entered into a syndicated credit agreement with Taiwan Cooperative Bank and other 7 participating financial institutions, under which, this subsidiary was granted a long-term facility and revolving credit facility totaling $2,000,000, which will mature on September 4, 2012. Under this agreement, this subsidiary shall maintain certain financial ratios on consolidated balance sheet date (i.e. equity ratio of not less than 11%, interest coverage ratio of not less than 1.1, tangible net worth of least $8,500,000, etc.). Otherwise, the loans are due and payable immediately.

Note 2: In 2011, a subsidiary, Chailease Finance Co., Ltd., entered into a syndicated credit agreement with Mizuho Corporate Bank and other 11 participating financial institutions, under which, this subsidiary was granted a long-term facility and revolving credit facility totaling $3,900,000, which will mature on March 18, 2014. Under this agreement, this subsidiary shall maintain certain financial ratios on balance sheet date (i.e. equity ratio of not less than 11%, interest coverage ratio of not less than 1.1, tangible net worth of least $9,000,000, etc.). The commercial bills payable, which were guaranteed by Mega Bills Finance Corp. with credit facility of $300,000, were a part of this three year revolving facility. As the term of this subsidiary's bills payable was intended to cover a period of three years, such bills payable were classified under long-term debts.

Note 3: Since 2005, a subsidiary, Chailease Finance (B.V.I.) Co., Ltd. enters into several syndicated credit/loan agreements with some financial institutions, under which, Chailease Finance Co., Ltd. shall maintain certain financial ratios on consolidated balance sheet date (i.e. equity ratio of not less than 11%, interest coverage ratio of not less than 1.1, tangible net worth of least $8,500,000, etc.). Otherwise, the loan is due and payable immediately.

Note 4: In 2010, a subsidiary, Asia Sermkij Leasing Public Co., Ltd. entered into several syndicated credit/loan agreements with financial institutions, under which, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio of not less than 10, etc.) Otherwise, the loan is due and payable immediately.

Note 5: In 2011, a subsidiary, Chailease Finance (B.V.I.) Co., Ltd. entered into a syndicated credit/loan agreement with Bank of Taiwan and other 9 participating financial institutions, under which, this subsidiary was granted a long-term facility totaling US$100,000 thousand, which will mature on August 18, 2014. Under this agreement, Chailease Finance Co., Ltd. shall maintain certain financial ratios on consolidated balance sheet date (i.e. equity ratio of not less than 11%, interest coverage ratio of not less than 1.1, tangible net worth of least $9,000,000, etc.) Otherwise, the loan is due and payable immediately.

Note 6: In 2011, a subsidiary, Chailease Finance Co., Ltd. entered into a three-year credit facility agreement with Grand Bills Finance Corp., in which Chailease Finance Co., Ltd. can issue the commercial bills of $500,000. As the term of this subsidiary's bills payable was intended to cover a period of three years, they were classified under long-term debts.

Note 7: In 2012, a subsidiary, Chailease Finance Co., Ltd. entered into a three-year credit facility agreement with International Bills Finance Corp., in which Chailease Finance Co., Ltd. can issue the commercial bills of $500,000. As the term of this subsidiary's bills payable was intended to cover a period of three years, they were classified under long-term debts.

Note 8: In 2012, a subsidiary, Chailease Finance Co., Ltd. entered into a three-year credit facility agreement with Taishin International Bank, in which Chailease Finance Co., Ltd. can issue the commercial bills of $100,000. As the term of this subsidiary's bills payable was intended to cover a period of three years, they were classified under long-term debts.

Note 9: In 2012, a subsidiary, Chailease Finance Co., Ltd., entered into a three-year credit facility agreement with China Bills Finance Corp., in which, Chailease Finance Co., Ltd. can issue commercial bills of $500,000. As the term of this subsidiary's bills payable was intended to cover a period of three years, they were classified under long-term debts.

Note 10: In 2012, a subsidiary, Chailease Finance Co., Ltd. entered into a three-year credit facility agreement with Mega Bills Finance Corp. in which, Chailease Finance Co., Ltd. can issue commercial bills of $1,000,000. As the term of this subsidiary's bills payable was intended to cover a period of three years, they were classified under long-term debts.

Note 11: In 2012, a subsidiary, Chailease Finance Co., Ltd. entered into a three-year credit facility agreement with Grand Bills Finance Corp., in which, Chailease Finance Co., Ltd. can issue commercial bills of $300,000. As the term of this subsidiary's bills payable was intended to cover a period of three years, they were classified under long-term debts.

Note 12: In 2012, a subsidiary, Chailease Finance Co., Ltd. entered into a three-year credit facility agreement with International Bills Finance Corp. and other 5 participating financial institutions, under which, this subsidiary was granted a long-term facility and revolving credit facility totaling $3,000,000. Under this agreement, this subsidiary shall maintain certain financial ratios on balance sheet date (i.e. equity ratio of not less than 11%, interest coverage ratio of not less than 1.1, and tangible net worth of least $9,000,000, etc.) Otherwise, the loan is due and payable immediately. As the term of this subsidiary's bills payable was intended to cover a period of three years, they were classified under long-term debts.

Note 13: On June 27, 2012, a subsidiary, Fina Finance & Trading Co., Ltd. entered into a three-year credit facility agreement with China Bills Finance Corp., Mega Bills Finance Corp. and other 5 participating financial institutions, in which, Fina Finance & Trading Co., Ltd. can issue commercial bills of $4,100,000. As the term of this subsidiary's bills payable was intended to cover a period of three years, they were classified under long-term debts.

Note 14: In 2012, a subsidiary, GPLA, entered into a syndicated credit agreement with Bank of Taiwan-California Branch and other 7 participating financial institutions, under which, this subsidiary was granted a long-term facility and credit facility totaling US$74,000 thousand, which will mature on January 18, 2015. Under this agreement, this subsidiary shall maintain certain financial ratios on consolidated balance sheet date (i.e. interest coverage ratio of not less than 1.2, tangible net worth of least US$28,000 thousand, etc.). Otherwise, the loans are due and payable immediately.

Note 15: In 2012, a subsidiary, Chailease Finance (B.V.I.) Co., Ltd. entered into a syndicated credit/loan agreement with Land Bank and other 5 participating financial institutions, under which, this subsidiary was granted a long-term facility totaling US$110,000 thousand, which will mature on November 29, 2015. Under this agreement, Chailease Finance Co., Ltd. shall maintain certain financial ratios on consolidated balance sheet date (i.e. equity ratio of not less than 11%, interest coverage ratio of not less than 1.1, tangible net worth of least $9,000,000, etc.) Otherwise, the loan is due and payable immediately.

Note 16: In 2012, a subsidiary, Fina Finance & Trading Co., Ltd. entered into a syndicated credit/loan agreement with Land Bank and other 5 participating financial institutions, under which, this subsidiary was granted a long-term facility and credit facility totaling $1,500,000. The term of this subsidiary's credit/loan agreement was intended to cover a period of three years. Under this agreement, this subsidiary shall maintain certain financial ratios on consolidated balance sheet date (i.e. current ratio of not less than 65%, interest coverage ratio of not less than 1.5, tangible net worth of least $800,000, etc.) Otherwise, the loan is due and payable immediately.

Note 17: Since 2011, a subsidiary, Chailease International Finance Corp. Ltd. entered into a syndicated credit/loan agreement with China Development Bank and other participating financial institutions. Under this agreement, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio of less than 87%~90%, etc.) Otherwise, the loan is due and payable immediately.

Note 18: Since 2008, a subsidiary, Chailease International Finance Corp. entered into several syndicated facility agreements with Mizuho Corporate Bank and Ping An Bank and other participating financial institutions. Under this agreement, this subsidiary shall maintain certain financial ratios on balance sheet date (i.e. equity ratio of not less than 10%, interest coverage ratio of not less than 1.1). Otherwise, the loan is due and payable immediately.

Note 19: Since 2010, a subsidiary, Chailease International Finance Corp. Ltd. entered into a credit/loan agreement with Bank of Communication. Under this agreement, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio of less than 90%, etc.) Otherwise, the loan is due and payable immediately.

Note 20: Since 2012, a subsidiary, Chailease International Finance Corp. Ltd. entered into a credit/loan agreement with Industrial and Commercial Bank of China Ltd. Under this agreement, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. total risk assets to net assets ratio of not less than 10, overdue leased assets to leased assets ratio of less than 5%, leasing rental recovery ratio of not less than 95%, etc.) Otherwise, the loan is due and payable immediately.

Note 21: Since 2012, a subsidiary, Chailease Finance International Corp. entered into a credit/loan agreement with Shanghai Bank. Under this agreement, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio of not less than 80%, risk assets to net assets raito of not less than 10 etc.) Otherwise, the loan is due and payable immediately.

Note 22: In 2010, a subsidiary, Chailease Consumer Finance Co., Ltd. entered into a syndicated credit/loan agreement with Industrial Bank of Taiwan and other 5 participating financial institutions, under which, this subsidiary was granted a long-term facility and credit facility totaling $500,000. The term of this subsidiary's credit/loan agreement was intended to cover a period of three years. Under this agreement, this subsidiary shall maintain certain financial ratios on consolidated balance sheet date (i.e. current ratio of not less than 100%, interest coverage ratio of not less than 1.5, tangible net worth of least $80,000, etc.) Otherwise, the loan is due and payable immediately.

Note 23: On June 17, 2009, a subsidiary, Fina Finance & Tranding Co., Ltd. entered into a syndicated credit/loan agreement with Land Bank and other 5 participating financial institutions, under which, this subsidiary was granted a long-term facility and credit facility totaling $1,200,000. The term of this subsidiary's credit/loan agreement was intended to cover a period of three years. Under this agreement, this subsidiary shall maintain certain financial ratios on consolidated balance sheet date (i.e. current ratio of not less than 65%, interest coverage ratio of not less than 1.5, tangible net worth of least $450,000, etc.) Otherwise, the loan is due and payable immediately.

Note 24: On February 17, 2011, a subsidiary, Fina Finance & Tranding Co., Ltd. entered into a syndicated credit/loan agreement with Land Bank and other 5 participating financial institutions, under which, this subsidiary was granted a long-term facility and credit facility totaling $1,430,000. The term of this subsidiary's credit/loan agreement was intended to cover a period of three years. Under this agreement, this subsidiary shall maintain certain financial ratios on consolidated balance sheet date (i.e. current ratio of not less than 65%, interest coverage ratio of not less than 1.5, tangible net worth of least $450,000, etc.) Otherwise, the loan is due and payable immediately.

Note 25: On April 12, 2010, a subsidiary, Fina Finance & Tranding Co., Ltd. entered into a syndicated credit/loan agreement with Land Bank and other 6 participating financial institutions, under which, this subsidiary was granted a long-term facility and credit facility totaling $1,200,000. The term of this subsidiary's credit/loan agreement was intended to cover a period of three years. Under this agreement, this subsidiary shall maintain certain financial ratios on consolidated balance sheet date (i.e. current ratio of not less than 65%, interest coverage ratio of not less than 1.5, tangible net worth of least $450,000, etc.) Otherwise, the loan is due and payable immediately.

As of December 31, 2012 and 2011, subsidiaries concerned were in compliance with the financial covenants mentioned above.

(iii) Settlement of long-term debts

	December 31, 2012 Operating cycle		December 31, 2011 Operating cycle	
	Within	**Beyond**	**Within**	**Beyond**
Long-term debts	$ 2,203,851	-	2,533,345	-
--Less: Unamortized discount	(41,851)	-	(89,345)	-
Receivables under capital leases and installment sales (Note)	(2,162,000)	-	(2,444,000)	-
Net	$ -	-	-	-

Note: Net of unearned interest income and guarantee deposits.

A subsidiary, Chailease Finance Co., Ltd., purchased aircrafts and engines, and raw materials from a third party which were financed through long-term bank debts of $10,375,000. This subsidiary mortgaged these assets to the banks concerned and leased these aircrafts back to the third party under capital leases arrangements (from July, 2003 to July, 2013) and sold these raw materials back to the third party under installment sales arrangement for the same amount and lease terms. The third party pays rental directly to this subsidiary's lenders. When the rental is fully paid, this subsidiary's loan obligation to the lenders is also considered settled. For the meantime, this subsidiary's covenant with the lenders requires that this subsidiary transfer its rights to all rent receivables from the lessee and all its rights in respect of the lease agreement and the insurance to secure lenders' debt under the loan agreement. Under the said rights transfer agreement, the lenders shall not invoke any civil rights or hold this subsidiary responsible except for exercising the mortgages on collaterals if this subsidiary violates the loan agreements in respect of any breach by the lessee of the lease agreement.

(o) Short-term bills payable, net

	December 31, 2012	December 31, 2011
Bills payable	$ 19,004,973	12,480,000
Less: Unamortized discount	(17,030)	(10,553)
Net	**$ 18,987,943**	**12,469,447**
Range of interest rate	**1.12%~1.79%**	**1.12%~1.75%**

Certain assets of the Group which were pledged for the repayment of the aforementioned loans were disclosed in Note (6).

(p) Bonds payable

(Unit:thousand dollars)

Period	Interest Rate	Principal Amount	Repayment Terms	December 31, 2012 Within Operating Cycle	December 31, 2012 Beyond Operating Cycle	Collateral
2010.11.17~ 2015.11.17	2.061%~ 2.081%	$ 400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually	$ -	400,000	none
2011.01.19~ 2016.01.19	1.855%~ 1.885%	$ 50,000	〃	-	50,000	〃
2011.01.19~ 2016.01.19	1.955%~ 1.985%	$ 50,000	〃	-	50,000	〃
2011.08.30~ 2014.08.30	1.750%	$ 4,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly	4,000,000	-	〃
2012.06.05~ 2017.06.05	1.500%	$ 2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable	-	2,000,000	〃
2010.05.14~ 2013.05.14	4.600%	THB 500,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly	476,750	-	〃
2010.09.23~ 2013.09.23	4.600%	THB 200,000	〃	190,700	-	〃
2012.11.09~ 2014.11.10	4.550%	THB 1,000,000	〃	-	953,500	〃
2012.04.05~ 2015.04.05	5.000%	CNY 750,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi-annually	-	3,495,036	〃
				$ 4,667,450	**6,948,536**	

(Unit:thousand dollars)

Period	Interest Rate	Principal Amount	Repayment Terms	December 31, 2011 Within Operating Cycle	December 31, 2011 Beyond Operating Cycle	Collateral
2010.11.17~ 2015.11.17	1.824%~ 2.054%	$ 400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually	$ -	400,000	none
2011.01.19~ 2016.01.19	1.667%~ 1.835%	$ 50,000	〃	-	50,000	〃
2011.01.19~ 2016.01.19	1.767%~ 1.935%	$ 50,000	〃	-	50,000	〃
2011.08.30~ 2014.08.30	1.750%	4,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly	-	4,000,000	〃
2010.05.14~ 2013.05.14	4.600%	THB 500,000	〃	-	482,350	〃
2010.09.23~ 2013.09.23	4.600%	THB 200,000	〃	-	192,940	
				$ -	**5,175,290**	

Cash flow hedging instruments were held thereon and were disclosed in Notes (4)(b) and (4)(w).

(q) Retirement plan

In accordance with SFAS No.18. "Accounting for Pensions", the Group adopted December 31, 2012 and 2011 as the measurement date for the actuarial calculation of pension liability.

Actuarial assumptions used in determining the present value of the projected benefit obligation for 2012 and 2011 were as follows:

	December 31, 2012	December 31, 2011
Discount rate	1.75%~3.70%	2.00%~3.90%
Estimated rate of return on plan assets	1.75%	2.00%~3.00%
Future salary increase rate	3.00%~6.00%	2.00%~6.00%

The funded status was reconciled with accrued pension liabilities per book as of December 31, 2012 and 2011 as follows:

	December 31, 2012	December 31, 2011
Vested benefit obligation	$ (212,352)	(179,559)
Non-vested benefit obligation	(542,455)	(477,260)
Accumulated benefit obligation	(754,807)	(656,819)
Effect of future salary increase	(654,371)	(605,029)
Projected benefit obligation	(1,409,178)	(1,261,848)
Fair value of pension fund assets	582,399	559,075
Funded status	(826,779)	(702,773)
Unrecognized transition net assets	(166)	(4,174)
Unrecognized pension loss	659,007	589,537
Provision of pension liabilities	(23,187)	(16,143)
Accured pension liabilities	**$ (191,125)**	**(133,553)**

As of December 31, 2012 and 2011, the vested employees' pension benefits under the Group's pension plan amounted to $254,099 and $220,595, respectively.

The components of net pension costs were as follows:

	For the years ended December 31			
		2012		2011
Servise cost		$ 50,999		53,388
Interest cost		26,132		23,214
Actual return on pension plan assets	$ (5,269)		(6,483)	
Gain on pension plan assets	15,646	10,377	19,549	13,066
Amortization		(236)		(171)
Net pension cost		**$ 87,272**		**89,497**

The Group adopted a defined contribution scheme to account for pension cost. For the years 2012 and 2011, the pension expense thereon amounted to $57,897 and $43,693, respectively.

(r) Income taxes

(i) As of December 31, 2012 and 2011, the components of deferred tax assets and liabilities were as follows:

	December 31, 2012		December 31, 2011	
	Amount	Income Tax Effect	Amount	Income Tax Effect
Deferred income tax assets (liabilities) - current				
Loss on uncollectible accounts in excess of the limit allowed by the tax law	$ 4,063,773	1,155,011	3,216,581	898,347
Unrealized foreign exchange loss	1,778	302	1,100	187
Unrealized revaluation loss on financial instruments	80	14	757	129
Deferred expense	15,416	8,668	23,504	5,520
Net deferred income tax assets (liabilities) - current		**$ 1,163,995**		**904,183**
Deferred income tax assets (liabilities) - non-current				
Provision for impairment of foreign financial assets	$ 480,193	114,256	377,541	64,182
Unrealized impairment loss	2,241,849	561,031	1,479,282	654,745
Unrealized revaluation loss on financial instruments	153,582	25,934	106,849	17,987
Tax-book difference on property depreciation	467	228	2,798,394	715,619
Tax-book difference on pension expense	148,152	33,030	135,703	24,319
Unrealized investment income accounted for under the equity method	(7,666,218)	(969,734)	(4,501,167)	(610,259)
Loss carry forwards benefit	2,520,588	1,219,007	2,377,083	1,145,991
Cumulative translation adjustments	262,387	44,605	3,692	628
Other	471,053	94,103	644,404	212,440
Net deferred income tax assets (liabilities) - non-current		**$ 1,122,460**		**2,225,652**

(ii)

	December 31, 2012	December 31, 2011
Deferred income tax assets - current	$ 1,163,995	904,183
Allowance	(354,907)	(421,596)
Net deferred income tax assets	**$ 809,088**	**482,587**

	December 31, 2012	December 31, 2011
Deferred income tax assets - non-current	$ 2,092,194	2,724,901
Deferred income tax liabilities - non-current	(969,734)	(499,249)
Allowance	(1,309,244)	(1,889,504)
Net deferred income tax assets - non-current	**$ (186,784)**	**336,148**

(iii) The components of income tax expense were as follows:

	For the years ended December 31,	
	2012	2011
Current income tax expense	$ 1,605,441	1,142,327
Deferred income tax expense	223,391	42,434
10% surtax on undistributed earnings	-	454
Under-accrual of prior years' income tax	5,149	16,957
Income tax expense	**$ 1,833,981**	**1,202,172**

The components of deferred income tax expense were as follows:

	For the years ended December 31,	
	2012	2011
Unrealized investment income accounted for under the equity method	$ 375,822	277,082
Loss carry forwards benefit	(121,594)	264,472
Loss on uncollectible accounts in excess of the limitation of tax law	(281,555)	194,975
Reversal of asset impairment loss	17,092	83,657
Less: Allowance	(563,383)	(775,848)
Tax-book difference on property depreciation	697,145	(76,929)
Tax-book difference on pension expense	(8,810)	(7,566)
Others	108,674	82,591
Deferred income tax expenses	**$ 223,391**	**42,434**

(iv) The foreign subsidiaries incorporated in British Virgin Islands and Malaysia are not taxed of investment income from foreign investment. by the respective local governments. Other foreign subsidiaries are taxed in accordance with the income tax law of their respective jurisdiction.

(v) The income tax calculated on pretax financial income at a statutory income tax rate was reconciled with the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2012 and 2011 as follows:

	For the years ended December 31,	
	2012	2011
Income tax calculated on pre-tax financial income at a statutory tax rate	$ 2,177,401	1,331,756
Permanent differences	(105,983)	(44,492)
10% surtax on undistributed earnings	-	454
Tax exempt income and investment tax credits	(69,628)	(25,874)
Under-accrual of prior years' income tax	5,149	16,957
Adjustments to prior years' deferred tax assets and liabilities	(56,269)	291
Loss carry forwards	(118,872)	(62,385)
Others	2,183	(14,535)
	$ 1,833,981	**1,202,172**

(vi) As of December 31, 2012, the Company and its subsidiaries located in R.O.C. have loss carry forwards which can be used to offset future income tax liabilities as follows:

Year Incurred	Operating Loss Carryforwards	Year of Expiration
2007	$ 10,628	2017
2008	58	2018
2009	10,821	2019
2010	57	2020
2011	64	2021
2012	82	2022
	$ 21,710	

(vii) As of December 31, 2012, foreign subsidiaries have loss carry forwards which can be used to offset future income tax liabilities as follows:

Year Incurred	Operating Loss Carryforwards	Year of Expiration
2008	$ 87,613	2018
2009	299,191	2019
2010	1,463,374	2020
2011	423,125	2021
2012	225,575	2022
	$ 2,498,878	

(viii) On December 26, 2011, Chailease Finance Co., Ltd. resolved to alter the retained earnings distribution policy of the foreign subsidiaries. For Grand Pacific Holdings Corp., the board of directors resolved not to distribute the retained earnings generated before and in 2014. For My Leasing (B.V.I.) Corp., the board of directors resolved not to distribute the retained earnings generated before and in 2006. The restricted retained earnings of these subsidiaries are treated as permanent differences for tax reporting purposes so that no deferred income tax liabilities were recognized thereon.

(ix) On December 30, 2010, the board of directors of Chailease Finance Co., Ltd. resolved to alter the retained earnings distribution policy of the foreign subsidiaries. For Chailease Finance (B.V.I.) Co., Ltd., the board of directors resolved not to distribute the retained earnings generated before and in 2006. The restricted retained earnings of this subsidiary are treated as permanent differences for tax reporting purposes so that no deferred income tax liabilities were recognized thereon.

(x) On March 25, 2013, the board of directors of Golden Bridge (B.V.I.) Corp. resolved to alter the retained earnings distribution policy of the foreign subsidiaries. For Chailease International Finance Corporation, the board of directors resolved not to distribute the retained earnings generated before and in 2011. The restricted retained earnings of this subsidiary are treated as permanent differences for tax reporting purposes so that no deferred income tax liabilities were recognized thereon.

(xi) The income tax returns of Chailease Finance Co., Ltd., Fina Finance & Trading Co., Ltd., China Leasing Co., Ltd., Apex Credit Solutions Inc., Chailease Auto Rental Co., Ltd. and Chailease Credit Services Co., Ltd. have been assessed by the Tax Authority through 2010. Please refer to Note (7)(f) for further information.

(s) Stockholders' equity

(i) Capital stock

As of December 31, 2012 and 2011, the Company's authorized capital consisted of 1,500,000 thousand shares and issued shares amounting to $9,053,004 and $7,853,004, respectively, with par value of $10 (NT dollars) per share.

On May 15, May 31 and December 12, 2011, the Company decided to increase its capital by 33,032 thousand shares, 31,200 thousand shares and 30,000 thousand shares, respectively. The registration processes for the changes of its shareholdings were completed as of December 31, 2011.

Due to the capital needs for investing in the subsidiaries and repaying bank loans, the board of directors of the Company resolved to increase the Company's capital by issuing common shares of stock through the offering of global depositary shares overseas, and the offering was approved by the Financial Supervisory Commission (FSC) on August 3, 2012. As of October 9, 2012, these global depositary shares were priced at US$ 8.59 per unit, and the Company issued 120,000,000 common shares of stock~~s~~ from the conversion of 24,000,000 units of global depositary shares. Each unit of global depositary shares represents 5 common shares of stock. As of December 31, 2012, the Company has listed, in total, 6,223,200 units of GDR on the Euro MTF market of the Luxembourg Stock Exchange. Major terms and conditions for GDRs were as follows:

(1) Voting rights exercised

Holders of GDRs may exercise voting rights with respect to the common shares in the manner set out in"Terms and Conditions of ghe Global Depositary Shares-Voting Rights," as such provisions may be amended from time to time to comply with applicable ROC law.

(2) Dividend Distributions, Pre-emptie Rights and Other Rights

Holders of GDRs have same rights on dividend distribution and share distribution as the Company's existing common shareholders.

(ii) Capital surplus

The Company issued new shares to the original parent company (FOC) in exchange for 100% equity ownership of Chailease International Company (Malaysia) Limited and Golden Bridge (B.V.I.) Corp. Since the fair value of the acquired equities is greater than the fair value of the newly issued shares, the excess amount is credited to additional paid-in capital in excess of par value.

In 2012, the Company issued 120,000 thousand common shares of stock through the offering of GDRs, and was credited to additional paid-in capital of $4,763,947.

In 2011, the Company issued 94,232 thousand shares for an amount exceeding par value so that the excess amount of $908,531 was credited to additional paid-in capital.

On May 15 and December 12, 2011, the Company, decided to increase its capital, of which 33,032 thousand shares and 1,389 thousand shares were subscribed by employees through the exercise of employee stock options, and were charged to compensation expenses of $71,014.

(iii) Distribution of earnings

According to the Company's Articles of Incorporation, which was revised through a resolution approved by the stockholders' meeting on May 10, 2012, the Company is required to appropriate earnings every accounting year. The after-tax earnings are initially used to offset cumulative losses, and the remainder is set aside as a special reserve. Without necessarily violating the Cayman Islands Companies Law, the Company is able to retain reasonable amount of earnings for Company development. The remaining earnings are distributed according to the board of directors' approval in compliance with the following order of distribution:

(a) between 0.01% and 1% of such remaining amount as employees' bonus;

(b) between 0.01% and 0.1% of such remaining amount as directors' bonus; and

(c) dividends of at least 20% of such remaining amount of which not be less than 30% of the total amount of dividends shall be in cash.

In its financial statements for the years 2012 and 2011, the Company accrued employee-bonus of $414 and $245, and the board of directors' remuneration of $3,313 and $1,958, respectively. The difference between the accrued amounts for employee bonus and the board of directors' remuneration approved in the Annual General Stockholders' Meeting is normally treated as a difference arising from a change in accounting estimate, and is charged to profit or loss in the period of actual distributions.

Through a formal resolution during the meeting of the stockholders on May 10, 2012 and March 23, 2011, the 2011 and 2010 earnings were distributed as employee bonus, stockholder bonus, and board of directors' remuneration as follows:

	2011	2010
Dividends per common stock (NT dollars)		
Cash dividend	$ 2.30	1.19
Stock dividend (Calculated on the basis of par value)	-	-
	$ 2.30	**1.19**
Stockholders bonus (in cash)	**$ 1,806,191**	**821,212**
Employees bonus (in cash)	**$ 245**	**-**
Board of directors' remuneration (in cash)	**$ 1,958**	**-**

There was no difference between the actual distributions in 2012 and 2011 of the 2011 and 2010 earnings and those estimated and accrued in the 2011 and 2010 financial statements.

The information on the distribution of the Company's earnings will be announced through the Market Observation Post System on the internet.

(t) Employee stock option based on shares of parent company

(i) The Company provides one type of employee stock option arrangements for their employees and those of their subsidiaries. The details of these arrangements were as follows:

	Employee share purchase from captial increase in cash (1)	Employee share purchase from captial increase in cash (2)
Grant date	May 15, 2011	December 6, 2011
Number of options granted	33,032,000 shares	1,995,000 shares
Period of validity	-	7 days
Vesting period	Immediately granted	7 days

(ii) The Company adopts the Black-Scholes Option Valuation Model to estimate the fair value of employee stock options on the date of grant. All hypothetical assumptions based on weighted average method used in this model were as follows:

	Employee share purchase from captial increase in cash (1)	Employee share purchase from captial increase in cash (2)
Fair value of stock options	$ 14.54	$ 0.53
Share price on the date of grant	-	$ 25.00
Exercise price	$ 12.39	$ 25.00
Expected volatility of the share price	-	38.01 %
Dividends expected on the shares	-	-
Risk-free interest rate	-	0.88 %
Remaining stock options exercisable period	Immediately granted	7 days

(iii) For the year ended December 31, 2011, the Group recognized compensation cost of $70,933, related to the stock options granted to acquire the shares of parent company.

(u) Earnings per share

For the years ended December 31, 2012 and 2011, the basic earnings per share attributable to parent company were calculated as follows:

	For the years ended December 31,			
	2012		2011	
	Before income tax	After income tax	Before income tax	After income tax
Net income attribute to equity holders of the Company	$ 5,899,397	4,141,047	3,542,837	2,447,690
Weighted average number of common shares outstanding (thousand shares)	810,546	810,546	731,737	731,737
Primary earnings per share (NT dollars)	$ 7.28	5.11	4.84	3.35

(v) Financial instruments

(i) Fair value of financial instruments

	December 31, 2012		December 31, 2011	
Financial Assets	Book Value	Fair Value	Book Value	Fair Value
Financial assets at fair value through profit or loss - current	$ 236,246	236,246	240,841	240,841
Held-to-maturity financial assets – current	1,997,100	1,997,100	280,000	280,000
Financial assets at fair value through profit or loss - non-current	1,791,558	1,791,558	1,838,291	1,838,291
Held-to-maturity financial assets –non–current	490,000	490,000	-	-
Financial assets at cost - non-current	1,436,728	-	1,445,986	-
Financial assets with book value equal to fair value	149,887,852	149,887,852	119,643,202	119,643,202
Total	$ 155,839,484		123,448,320	
Financial Liabilities				
Financial liabilities at fair value through profit or loss - current	$ 5,007	5,007	757	757
Derivative financial liabilities for hedging - current	11,396	11,396	15,988	15,988
Current portion of long-term debts	44,748,177	44,748,177	32,367,377	32,367,377
Bonds payable	6,948,536	6,948,536	5,175,290	5,175,290
Long-term debts	15,197,148	15,197,148	22,342,408	22,342,408
Financial liabilities with book value equal to fair value	70,737,824	70,737,824	55,900,724	55,900,724
Total	$ 137,648,088		115,802,544	

(ii) Methods and assumptions used to establish the fair values of financial instruments were as follows:

(1) The fair value of short-term financial instruments was determined by their carrying amount on the balance sheet as these instruments have short-term maturities. This method was applied to cash, notes and accounts receivable, other financial assets, short-term debts, short-term and bills payable, notes and accounts payable and other financial liabilities.

(2) The fair value of financial instruments being traded in active markets was based on quoted market prices. If the financial instruments were not traded in an active market then the fair value was determined using valuation techniques. The estimates and assumptions used in those valuation techniques were consistent with those used by financial market traders when quoting their prices, which are readily available to the Group.

(3) In practice, financial assets whose market price was not available as they were not traded in the public market were reported at cost.

(4) With respect to financial instruments such as refundable deposits that are indispensable guarantee for the on-going operation of the Group, it is impossible to estimate the time necessary to accomplish the exchange of assets. Consequently, the fair market value of these financial instruments cannot be established. The book value was used as the fair market value.

(5) The fair value of bonds payable being traded in active markets was based on quoted market price.

(6) The fair value of long-term debts was estimated based on the present value of expected cash flows. The discount rate was based on the interest rate of long-term debts, which have similar terms.

(7) The fair value of financial derivatives instruments was based on the amount the Group expect to receive or to pay assuming that the contracts were settled on the balance sheet date. The expected amount usually includes the unrealized gain (loss) on measurement of unsettled contracts. Most financial derivatives of the Group were based on quoted market price obtained from financial institutions.

(iii) The fair values of financial assets / liabilities, which were measured at quoted market value or estimated using valuation techniques, were as follows:

	December 31, 2012		December 31, 2011	
	Measured at quoted market price	Estimated using valuation technique	Measured at quoted market price	Estimated using valuation technique
Financial Assets:				
Financial assets at fair value through profit or loss - current	$ 236,246	-	240,841	-
Financial assets at fair value through profit or loss - non - current	-	1,791,558	-	1,838,291
	$ 236,246	**1,791,558**	**240,841**	**1,838,291**
Financial Liabilities:				
Financial liabilities at fair value through profit or loss - current	$ -	5,007	-	757
Derivative financial liabilities for hedging - current	-	11,396	-	15,988
	$ -	**16,403**	-	**16,745**

(iv) Loss recognized from changes in the fair values of financial assets and liabilities, which were estimated using valuation techniques amounted to $51,008 and $107,053 for the years ended December 31, 2012 and 2011, respectively.

(w) Financial Risk Information

(1) Market Risk

The equity securities held by the Group were classified as financial assets held for trading and available-for-sale financial assets. As these assets were measured at fair value, changes in security market price will expose the Group to market risk. The Group's receivables bearing fixed interest rate including installment sales receivable, and lease receivable, expose the Group to interest rate risk from change of market interest rate.

(2) Credit Risk

The Group's credit risk arose from cash, accounts receivable, and installment sales and capital leases receivable. Cash was deposited at various financial institutions. The Group diversified its credit risk with each financial institution and does not consider concentration of credit risk of the Group's cash to be significant.

The Group have a diversified group of customers and did not trade with only one client. Geographic regions of operations are diversified as well. The Group review clients' financial positions periodically and requests for collaterals. Therefore, the Group management does not expect significant concentration of credit risk on accounts receivable, and installment sales and capital leases receivable.

(3) Liquidity Risks:

The Group has sufficient operating capital to meet the cash requirements for settlement of the contracts and full repayment of unexpired loan. Therefore, the Group management does not expect capital deficiency risk.

The possibility that the Group might not be able to sell its financial derivative at reasonable price in the market is remote. The liquidity risk exposure thereon is deemed immaterial.

The beneficiary certificates held by the Group are traded in an active market. These beneficiary certificates were expected to be sold at equivalent market price anytime. On the other hand, a certain degree of liquidity risk exists from the financial instruments carried-at-cost with no active trading market.

The capital and working fund of the Group are sufficient to meet its cash demand for the outstanding derivative financial instruments; therefore, the Group management does not expect liquidity risk thereon. As the exchange rate for forward foreign exchange contracts is fixed, the Group management does not expect material cash flow risk.

(4) Interest Rate Risk:

The short-term debts and long-term debts bear floating interest rates which expose the Group to the risk of fluctuation in interest rate. The fluctuation in interest rate might affect future cash flows.

(5) Off-Balance-Sheet Credit Risk

Guarantees involved off-balance-sheet credit risk, which is the amount of possible loss in the event of default by counter-parties to financial instrument transactions and of a substantial impairment in the value of collaterals assumed. The Group did not request for collateral on the guarantees. The credit risks of the Group, which were estimated based on guarantees provided by the Group and counter-parties' outstanding claims, were as follows:

	December 31, 2012	December 31, 2011
Guarantees provided by the Group	743,400	-

	December 31, 2012	December 31, 2011
Counter-parties' outstanding claims	519,500	-

The Group entered into alliances with several commercial banks and transferred creditors' right to the banks. Details of these transactions are disclosed in Note (7). The Group's possible loss in the event of default by counter-parties to contracts involving transfer of creditor's right might exist. Therefore, the procedures for credit evaluation and authorization are performed in order to effectively reduce the credit risk.

(6) Risk management and hedging policy

Financial derivatives are used to hedge operating risk, as one of the Group's hedging policies. The risk management of the Group conforms to their internal control system and is evaluated regularly.

(7) Cash flow hedge

The subsidiary, Chailease Finance Co., Ltd., entered into an interest swap contract with a bank to hedge the future floating cash flow out of unsecured corporate bonds.

	Designated Hedging Instrument				
Item to be Hedged	**Hedge Instrument**	**Fair Value December 31, 2012**	**Fair Value December 31, 2011**	**Expected Cash flow Period**	**Hedge Period**
Unsecured corporate bonds	Interest Swap	($ 11,396)	(15,988)	2010~2016	2010~2016

Item	January 1 to December 31, 2012	January 1 to December 31, 2011
Adjusted amount charged to stockholders' equity	$ 4,592	(9,329)

(8) Hedge of net investment in foreign operation

The fair value of the equity investment in foreign investee, Golden Bridge (B.V.I) Corp., may be influenced by the fluctuation of USD exchange rate. The Company designated its USD borrowings to hedge the exchange rate fluctuation risk from this investment. The details of net investment hedge in foreign operation and designated derivatives as of December 31, 2012, were as follows:

	Designated Hedging Instrument	
Item to be Hedged	**Hedge Instrument**	**Fair Value on December 31, 2012**
Equity investment measured in USD	Foreign currency borrowings	**$ 609,855**

(5) Related party transactions

(a) Names of related parties and their relationship with the Group

Name of related party	Relationship with the Group
Financial One Corp. (“FOC”) (Note 2)	An affiliate
Chung Hang Corp.	An investee company accounted for under the equity method
Grand Pacific Holdings Corp.(Note 1) (“GPHC”)	A subsidiary of Chailease Holding Company Limited
Grand Pacific Financing Corporation (Note 1) (“GPLA”)	A subsidiary of Chailease Holding Company Limited (A subsidiary of GPHC Corp.)
Grand Pacific Holdings (N.V.) (“GPNV”)	An affiliate
Grand Pacific Finance Corporation (“GPNY”)	"
Chailease Meiki Co., Ltd.	"
Chailease Business Co., Ltd.	"
Grand Pacific Investment & Development Co., Ltd.	"
Bosser Design Engineering Co., Ltd.	"
Chinatrust Commercial Bank	"
China Life Insurance Co., Ltd.	"
Chailease Resource Technology Co., Ltd.	"
Industrial Bank of Taiwan	"
Chailease Construction & Development Corp.	"
Yi Mao International Development Corp.	"
Global Hospitality Group Inc.	"
China Bills Finance Corporation	"
CITI Enterprise (Thai) Co., Ltd.	"
Bangkok Bank Public Company Limited	"
Bangkok Insurance Public Limited	"
Bangkok Garden Property Fund.	"
Pan Asia Industries Ltd.	"
Enrich Management Consultants Ltd.	"
Media Xposure Limited (Cayman)	"
Biochem Laboratory Ltd.	"
Wills International Holdings Inc.	"
Luckystone Enterprise Co., Ltd.	"
Formosa Technology S.A.	"
New Atlantic Trading Co., Ltd	"
Double Link Enterprises Corp.	"
Pacific Star Universal Group Ltd.	"
Sathorn City Tower Property Fund	"
Chailease Foundation	The Company is a donor of more than one-third of this foundation
All board directors, presidents and executive vice presidents	The key management of the Company

Note 1: This entity was invested in March, 2011.

Note 2: The entity was the ultimate parent company of the Company before May 27, 2011.

(b) Significant transactions with related parties

(i) Operating Leases

Prices and lease terms were negotiated. The details of rental revenue and expense derived from these operating leases of rental cars, office spaces, etc., were as follows:

	For the years ended December 31,	
Rental revenue	**2012**	**2011**
Chinatrust Commercial Bank	$ 6,522	6,337
Grand Pacific Investment & Development Co., Ltd.	1,500	5,660
Industrial bank of Taiwan	4,588	4,453
Chailease Resources Technology Co., Ltd.	2,360	2,189
Chailease Construction & Development Corp.	4,720	2,760
China Life Insurance Co.,Ltd	840	1,680
Others	1,569	417
Total	**$ 22,099**	**23,496**

	For the years ended December 31,	
Rental expense	**2012**	**2011**
Sathorn City Tower Property Fund	**$ 19,362**	**18,353**

(ii) Capital leases

Prices and lease terms were negotiated. The details of these capital leases were as follows:

	As of and for the year ended December 31, 2012				
	Capital leases receivable		Unearned revenue		Interest
	Short-term	Long-term	Short-term	Long-term	revenue
Industrial Bank of Taiwan	$ 2,616	-	(249)	-	225
China Life Insurance Co., Ltd	2,095	-	(135)	-	205
Others	1,016	-	(136)	-	53
Total	**$ 5,727**	**-**	**(520)**	**-**	**483**

	As of and for the year ended December 31, 2011				
	Capital leases receivable		Unearned revenue		Interest
	Short-term	Long-term	Short-term	Long-term	revenue
China Life Insurance Co., Ltd	$ 3,836	-	(474)	-	298
Industrial Bank of Taiwan	3,173	-	(288)	-	253
Total	**$ 7,009**	**-**	**(762)**	**-**	**551**

(iii) Asset transactions

In March, 2011, the Company and its subsidiary, Chailease Finance Co., Ltd., acquired the entire outstanding equity shares of Grand Pacific Holdings Corp. from GPNV for US$ 1 dollar, respectively.

For the year ended December 31, 2011, the Group bought for $302,415 the loans receivable from GPNY, which was recorded as loans.

For the year ended December 31, 2011, the Group bought for $86,584 the foreclosed assets from GPNY, which were recorded as other current assets.

For the year ended December 31, 2011, the Group bought for $14,702 the equity shares of Mobileshift and other 2 companies from GPNY, which were accounted for as financial assets carried at cost – non-current.

For the years ended December 31, 2012 and 2011, the Group bought the deferred assets and leaseshold improvements for $17,877 and $13,642, respectively, from Bosser Design Engineering Co., Ltd.

(iv) Deposits

	As of and for the year ended December 31, 2012		
	Ending Balance	Interest Rate	Interest Revenue
Bangkok Bank Public Company Limited	$ 124,121	0.63%	686
Chinatrust Commercial Bank	464,030	0%~1.35%	218
Industrial Bank of Taiwan	14,706	0.17%	2
Total	**$ 602,857**		**906**

	As of and For the year ended December 31, 2011		
	Ending Balance	Interest Rate	Interest Revenue
Bangkok Bank Public Company Limited	$ 408,165	0.88%	989
Chinatrust Commercial Bank	86,347	1.35%	278
Industrial Bank of Taiwan	1,427	0.17%	-
Total	**$ 495,939**		**1,267**

Note: Deposits include unrestricted bank deposits, restricted current assets, and time deposits, used as guarantee deposits.

(v) Interest bearing debts

	As of and For the year ended December 31, 2012				
	Maximum Balance	Ending Balance	Interest Rate	Interest Expense	Interest Payable
Bangkok Bank Public Company Limited	THB(‘000) 3,705,052	$ 2,126,270	3.55%~7.38%	109,041	344
Bangkok Insurance Public Company Limited	THB(‘000) 30,000	28,605	4.60%	1,323	173
Chinatrust Commercial Bank	USD(‘000) 8,700	78,408	3.42%~4.05%	5,981	312
Industrial Bank of Taiwan	100,000	100,000	1.84%~1.85%	198	-
Total		**$ 2,333,283**		**116,543**	**829**

	As of and For the year ended December 31, 2011				
	Maximum Balance	Ending Balance	Interest Rate	Interest Expense	Interest Payable
Bangkok Bank Public Company Limited	THB(‘000) 4,187,600	2,237,053	4.65%~7.50%	110,829	291
Bangkok Insurance Public Company Limited	THB(‘000) 90,000	28,941	2.60%~4.60%	2,351	175
Chinatrust Commercial Bank	USD(‘000) 14,000	263,392	2.43%~4.17%	9,306	636
Industrial Bank of Taiwan	150,000	-	1.71%~1.79%	1,168	-
Total		**$ 2,529,386**		**123,654**	**1,102**

Note1: Interest rates charged by related parties were the same as those charged by unrelated parties.

Note2: Include short-term debts, current portion of long-term debts, unsecured corporate bonds and long-term debts.

(vi) As of December 31, 2012 and 2011, bonds issued by the Group, which were held by Bangkok Insurance Public Company Limited, amounted to $28,605 and $28,941, respectively.

(vii) As of December 31, 2012, short-term bills payable, which were issued by the Group through China Bill Finance Corp., amounted to $1,600,000, of which guaranteed commercial bills amounted to $600,000 and unguaranteed long-term fixed rate commercial bills amounted to $1,000,000. As of December 31, 2011, guaranteed commercial bills amounted to $570,000.

(viii) Accounts receivable (payable)

1) Accounts receivable

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Chinatrust Commercial Bank	$ 3,179	-	4,371	-
GPNY	1,220	-	55,654	1
CITC Enterprise (Thai) Co., Ltd	9,295	-	14,726	-
Others	776	-	1,094	-
Total	**$ 14,470**	**-**	**75,845**	**1**

2) Other receivables

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Grand Pacific Investment & Development Co., Ltd.	$ 10,000	1	15,033	2
Chailease Construction & Development Corp.	39,353	3	47,380	6
Chinatrust Commercial Bank	4,286	1	7,045	1
Chailease Resources Technology Co., Ltd.	-	-	6,683	1
Others	834	-	329	-
Total	**$ 54,473**	**5**	**76,470**	**10**

Notes: Other receivables consisted mainly of uncollected commissions, guarantees, and service fees for consulting services.

3) Other financial assets – current

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Chinatrust Commercial Bank	**$ 1,000**	**-**	**1,000**	**-**

4) Other financial assets – non-current

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Chinatrust Commercial Bank	$ 17,167	1	20,200	1
Yi Mao International Development Corp.	-	-	10,000	1
Total	**$ 17,167**	**1**	**30,200**	**2**

5) Other financial liabilities – current

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Bosser Design Engineering Co., Ltd.	$ 15,150	1	-	-
Yi Mao International Development Corp.	7,018	-	-	-
Total	**$ 22,168**	**1**	**-**	**-**

(viii) Others

1) Other operating revenue and non-operating revenue and gains

	Nature	For the years ended December 31 2012	2011
Chinatrust Commercial Bank	Commission and service charge	$ 81,740	121,998
Chailease Resource Technology Co., Ltd	Consulting fee	14	10,269
Chung Hang Corp.	Consulting fee	5,170	6,250
China Life Insurance Co., Ltd	Commission and service charge	5,243	5,036
Chailease Construction & Development Corp.	Consulting fee	577	4,909
Enrich Management Consultants Ltd.	Service charge	6,327	-
Others	Consulting fee, guarantee fee, etc.	937	2,500
Total		**$ 100,008**	**150,962**

2) Operating expenses and non-operating expenses and losses

	Nature	For the years ended December 31 2012	2011
China Life Insurance Co., Ltd.	Insurance expense	$ 8,899	7,818
FOC	Guarantee fee	-	10,535
Chailease Foundation	Donation expense	5,950	5,240
Chailease Resource Technology Co., Ltd.	Miscellanellaneous	2,021	3,417
Chinatrust Commercial Bank	Commission and service charge	2,202	-
Global Hospitality Group Inc.	Miscellanellaneous	7,838	-
Others	Consulting expense, commission, etc.	1,587	4,184
Total		**$ 28,497**	**31,194**

3) Loans receivable

	As of and For the year ended December 31, 2012				
	Maximum Balance for the Period	Ending Balance	%	Interest Revenue	Interest Receivable
Enrich Management Consultants Ltd.	USD(‘000) 15,016	$ 275,880	3.31%~3.47%	20,008	1,040
Others	USD(‘000) 28,490	59,225	2.26%~4.00%	7,707	-
Total		**$ 335,105**		**27,715**	**1,040**

	As of and For the year ended December 31, 2011				
	Maximum Balance for the Period	Ending Balance	%	Interest Revenue	Interest Receivable
Enrich Management Consultants Ltd.	USD('000) 14,701	$ 403,293	3.26%~3.49%	17,466	1,222
Media Xposure Limited (Cayman)	USD('000) 17,375	223,278	2.41%~3.44%	14,087	354
Others	USD('000) 17,800	389,034	2.29%~3.37%	11,719	1,154
Total		**$ 1,015,605**		**43,272**	**2,730**

Note: The ending balance was accounted for as loans, and the interest receivable was accounted for as other receivables.

4) In 2010, Chailease Finance Co., Ltd. and Chailease Construction & Development Corp. entered into an agreement with a related party, Yi Mao International Development Corp. for joint venture construction of housing units. Under this agreement, Yi Mao International Development Corp. invested its land for use in the construction. Yi Mao, the Company and Chailease Construction & Development Corp share 18.11%, 40.945% and 40.945%, respectively, from the proceeds of the sale of the housing units. Please refer to Note (4) (j) for related information.

5) Endorsements and guarantees with related parties

Bank	Amount of Guarantees	Bank Facilities	Beginning Date	Ending Date	Guarantee to	Remarks
December 31, 2012						
Kaohsiung Bank	$ 419,500		2012.06.05	2013.06.11	Chailease Construction & Development Corp.	Real estate mortgage guarantee
Kaohsiung Bank	$ 100,000		2012.06.05	2014.06.30	〃	〃
	$ 519,500	**$ 743,400**				

(c) Management compensation

The details of management compensation were as follows:

	For the Years Ended December 31,	
	2012	2011
Payroll expense	$ 162,604	94,872
Bonus and special budget	73,191	60,899
Business service expense	642	642
Employee bonuses	894	519

The foregoing management compensation included the estimated remuneration of directors and supervisors and employee bonuses. For further information please refer to Note 4 (s).

(6) Pledged assets

As of December 31, 2012 and 2011, the following assets were pledged as collaterals for bank loans or were restrictive of use:

	December 31, 2012	December 31, 2011	Purpose of Collateral
Restricted cash in banks			
Restricted account for loans repayment (demand deposits)	$ 5,449,536	1,168,852	Issuance of short-term bills and as guarantee for short-term and long-term debts
Time deposits	1,900	194,480	Alliance contract guarantee
Costs and estimated earnings in excess of billings on uncompleted contracts	970,877	638,924	As guarantee for short-term and long-term debts
Property and equipment, and assets held for lease (Note)	1,110,404	1,123,173	As guarantee for short-term and long-term debts
Equity securities	1,009,885	1,000,855	Issuance of short-term bills and as guarantee for short-term and long-term debts
Refundable deposits	88,967	72,348	Provincial court seizure etc.
Notes receivable	22,849,773	24,907,418	Issuance of short-term bills, corporate bonds and as guarantee for short-term and long-term debts
Accounts receivable and loans	48,534,425	41,599,888	As guarantee for short-term and long-term debts
Total	**$ 80,015,767**	**70,705,938**	

Note: As of December 31, 2012 and 2011, the balance of pledged assets, excluding accumulated impairment loss, were both $128,851.

(7) Significant commitments and contingencies

(a) As of December 31, 2012 and 2011, the aggregate notes receivable deposited for receivables factoring, loans and advances, installment sales and capital leases receivable, pledged as collaterals for the repayment of bank loans and corporate bonds issued were as follows:

	December 31, 2012	December 31, 2011
Notes receivable deposited	$ 41,818,391	38,485,957
Others, pledged as collaterals for the repayment of bank loans and corporate bonds issued	22,849,773	24,907,418

(b) Promissory notes issued for short-term debts and long-term debts were as follows:

	December 31, 2012	December 31, 2011
Promissory notes issued	$ 29,182,050	26,268,179

(c) Unused letters of credit were as follows:

	December 31, 2012	December 31, 2011
EUR ('000)	$ -	690
USD ('000)	273	-
JPY ('000)	8,500	62,900

(d) The Group entered into alliances with several commercial banks for which the banks will provide direct financing loans to the Group's corporate and individual customers. Should these corporate and individual customers default on their payments, the Group are required to assume their loan obligations and pay these loans on behalf of these customers. As of December 31, 2012 and 2011, the unexpired balance from these alliance transactions amounted to $5,384,047 and $2,773,922, respectively.

(e) The Group entered into sale and lease-back agreements with third parties, which was financed through long-term bank debts. The third parties paid rentals directly to the Group's lender. For details regarding long-term debts payable, refer to notes 4(n).

(f) In 2012, Chailease Finance Co., Ltd. (CFC) was formally notified by the National Tax Administration (NTA) in which the NTA assessed CFC to pay additional income tax of $40,930 for 2010, and CFC rejected to accept it. Therefore, CFC applied for administrative remedy and accrued a possible loss of $6,968 in 2012.

(g) Chailease Finance Co., Ltd. (CFC), together with third parties/co-facilitators, entered into an agreement with CFC customers for purposes of facilitating the extension of loans to these customers by financial institutions, under which, CFC will share with these co-facilitators in the facilitating fee that they earn from this agreement. If the customers default on their payments, CFC is required to pay to the financial institutions its share of the loans on behalf of these customers. As of December 31, 2012 and 2011, the payable balance from these transactions amounted to $634,067 and $693,404, respectively.

(h) The Group facilitated the extension of financing by financial institutions on behalf of its certain customers under factoring agreements. Such facilitation enables the customers to obtain desired financing from financial institutions. As of December 31, 2012 and 2011, the balance of financing obtained from such facilitation amounted to $63,227 and $52,316, respectively.

(i) For the years ended December 31, 2012, Chailease Finance Co., Ltd. and Chailease Construction & Development Corp. entered into pre-selling building premises construction contracts with customers worth $3,511,840, and Chailease Finance Co., Ltd. and Chailease Construction & Development Corp. received advance payments of $737,670 based on these contracts which recorded as billings for land and buildings.

(j) Chailease Finance Co., Ltd. and Chailease Construction & Development Corp. entered into a construction agreement with non-related parties, with a total contract price of $868,364.

(8) SIGNIFICANT CATASTROPHIC LOSSES: None.

(9) SIGNIFICANT SUBSEQUENT EVENTS:

On September 4, 2012, Chailease International Finance Corporation entered into a real estate purchase agreement with Shanghai Hongqiao Linkong Economic Zone Development Co., Ltd., with a total contract price of CNY$297,000 thousand. This agreement requires, among other things, that Chailease International Finance Corporation or Jirong Real Estate Co., Ltd. shall sign the official "Shanghai real estate sales contract" with Shanghai Hongqiao Linkong Economic Zone Development Co., Ltd., before April 30, 2013. Therefore, Chailease International Finance Corporation is expecting to invest in Jirong Real Estate Co., Ltd., a company located in China.

(10) Others

(a)Liquidity analysis of assets and liabilities

	December 31, 2012		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after12 months	Total
Current assets			
Cash and cash equivalents	$ 10,131,431	-	10,131,431
Financial assets at fair value through profit or loss – current	236,246	-	236,246
Held-to-maturity financial assets – current	1,997,100	-	1,997,100
Accounts receivable, net	4,757,233	406,919	5,164,152
Installment sales receivable, net	30,562,843	6,878,239	37,441,082
Capital leases receivable, net	27,760,987	17,068,953	44,829,940
Loans, net	12,954,250	4,540,780	17,495,030
Other receivables	1,142,337	-	1,142,337
Other financial assets - current	5,515,405	-	5,515,405
Costs and estimated earnings in excess of billings on uncompleted contracts	970,877	-	970,877
Other current assets	2,660,739	-	2,660,739
	$ 98,689,448	**28,894,891**	**127,584,339**
Current liabilities			
Short-term debts	$ 32,055,644	-	32,055,644
Short-term bills payable, net	18,987,943	-	18,987,943
Financial liabilities at fair value through profit or loss – current	5,007	-	5,007
Derivative financial liabilities for hedging - current	11,396	-	11,396
Accounts and notes payable	1,772,933	-	1,772,933
Income tax payable	673,990	-	673,990
Other financial liabilities – current	2,090,294	-	2,090,294
Billings for land and buildings	302,039	-	302,039
Current portion of long-term debts	22,371,391	22,376,786	44,748,177
Other current liabilities	1,149,487	-	1,149,487
Guarantee deposits	5,038,657	8,527,644	13,566,301
	$ 84,458,781	**30,904,430**	**115,363,211**

	December 31, 2011		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after12 months	Total
Current assets			
Cash and cash equivalents	$ 6,558,070	-	6,558,070
Financial assets at fair value through profit or loss – current	240,841	-	240,841
Held-to-maturity financial assets – current	280,000	-	280,000
Accounts receivable, net	5,014,189	141,429	5,155,618
Installment sales receivable, net	22,428,391	5,567,149	27,995,540
Capital leases receivable, net	20,605,120	14,649,635	35,254,755
Loans, net	10,085,935	2,798,527	12,884,462
Other receivables	787,662	-	787,662
Other financial assets - current	5,142,620	-	5,142,620
Costs and estimated earnings in excess of billings on uncompleted contracts	-	638,924	638,924
Other current assets	1,925,740	-	1,925,740
	$ 73,068,568	**23,795,664**	**96,864,232**
Current liabilities			
Short-term debts	$ 27,361,601	-	27,361,601
Short-term bills payable, net	12,469,447	-	12,469,447
Financial liabilities at fair value through profit or loss – current	757	-	757
Derivative financial liabilities for hedging - current	15,988	-	15,988
Accounts and notes payable	2,312,484	-	2,312,484
Income tax payable	669,271	-	669,271
Other financial liabilities - current	1,530,520	-	1,530,520
Billings for land and buildings	-	173,091	173,091
Current portion of long-term debts	17,109,545	15,257,832	32,367,377
Other current liabilities	815,982	-	815,982
Guarantee deposits	4,359,313	4,005,093	8,364,406
	$ 66,644,908	**19,436,016**	**86,080,924**

(b) Personnel, depreciation, and amortization expenses categorized as operating cost or expense were as follows:

Categorized by function	For the years ended December 31					
	2012			2011		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Personnel expenses						
Salary expense	52,485	2,657,660	2,710,145	53,230	2,140,519	2,193,749
Labor and health insurance	3,187	139,340	142,527	2,961	100,174	103,135
Pension expense (Note2)	1,719	144,064	145,783	1,660	133,090	134,750
Other personnel expense	-	171,200	171,200	-	148,927	148,927
Depreciation expense (Note1)	1,718,777	84,178	1,802,955	2,058,530	70,159	2,128,689
Amortization expense	-	58,928	58,928	-	67,506	67,506

Note1: Depreciation expense did not include depreciation of idle assets (classified under non-operating expenses and losses), which both amounted to $2,186 for the years ended December 31, 2012 and 2011.

Note2: Included actual payments of pension benefits of $ 614 and $1,560 for the years ended December 31, 2012 and 2011, respectively.

(c) Accounts reclassification:

Certain accounts in prior year were reclassified to conform to the presentation adopted in the current year's financial statements.

(d) The Group's significant foreign currency denominated financial assets and liabilities were as follows:

(Unit: thousand dollars)

	December 31, 2012		December 31, 2011	
Financial assets	**Foreign currency**	**Exchange rate**	**Foreign currency**	**Exchange rate**
Monetary				
USD	$ 412,125	29.0400	369,658	30.2750
JPY	575,120	0.3364	894,196	0.3906
THB	22,917,114	0.9535	18,087,359	0.9647
VND	842,483,462	0.0013	748,062,257	0.0014
CNY	13,509,206	4.6600	9,564,418	4.8070
Financial liabilities				
Monetary				
USD	409,907	29.0400	366,939	30.2750
JPY	642,701	0.3364	844,893	0.3906
THB	19,499,532	0.9535	16,028,611	0.9647
VND	477,610,902	0.0013	396,492,716	0.0014
CNY	8,339,224	4.6600	8,624,891	4.8070
Non-monetary				
VND	138,645,054	0.0013	148,106,850	0.0014
CNY	2,411,465	4.6600	681,809	4.8070

(e) Supplemental information

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, a project team was set up for purposes of carrying out a plan to adopt the IFRSs. Leading the implementation of this plan is the chief finance officer of the Company. Among of the key components of the plan, anticipated schedule and status of execution as of December 31, 2012 were as follows:

Plan Contents	Responsible Department (or Responsible Person)	Status
Phase 1 - Evaluation (2010.01.01 ~ 2011.12.31)		
◎ Establish adoption plans and form a special task force for IFRSs conversion	Finance & Accounts Department	Completed
◎ Perform the first stage of internal training for employees	Finance & Accounts Department and Human Resource Department	Completed
◎ Compare and analyze the differences between the current accounting policies and IFRSs	Finance & Accounts Department	Completed
◎ Evaluate proposed adjustments to current accounting policies	Finance & Accounts Department	Completed
◎ Evaluate the adoption of IFRS 1 - "First-time Adoption of IFRSs"	Finance & Accounts Department	Completed
◎ Evaluate adjustments related to information systems and internal controls	Finance & Accounts Department, IT Department and Internal Audit Department	Completed
Phase 2 - Preparation (2011.01.01 ~ 2012.12.31)		
◎ Determine how to modify the current Accounting Policies to comply with IFRSs	Finance & Accounts Department	Completed
◎ Determine how to adopt IFRS 1 - "First-time Adoption of IFRSs"	Finance & Accounts Department	Completed
◎ Adjust relevant information systems and internal controls	IT Department and Internal Audit Department	Completed
◎ Perform the second stage of internal training for employees	Finance & Accounts Department and Human Resources Department	Completed
Phase 3 - Implementation (2012.01.01 ~ 2013.12.31)		
◎ Test the operation of relevant information systems	Finance & Accounts and IT Department	Completed
◎ Collect information for purposes of preparing the opening date balance sheet and comparative financial statements under IFRSs	Finance & Accounts Department	In Progress
◎ Prepare financial statements under IFRSs	Finance & Accounts Department	In Progress

(f) Supplemental information – continued

As of December 31, 2012, based on the Company's assessment, the significant differences between the Company's current accounting policies under R.O.C. GAAP and those under IFRSs were as follows:

1. Consolidated balance sheet reconciliation as of January 1, 2012

Item	R.O.C. GAAP	Effect of Transition to IFRSs	IFRSs
Current assets (Notes (10)(f)(4)(1)、(10)(f)(4)(2)、(10)(f)(4)(3) and (10)(f)(4)(5))	$ 96,864,232	7,962,924	104,827,156
Funds and long-term investments (Notes (10)(f)(4)(4))	5,245,441	(2,320,149)	2,925,292
Property and equipment (Notes (10)(f)(4)(5) and (10)(f)(4)(9))	8,610,284	113,326	8,723,610
Intangible assets	24,669	-	24,669
Other assets (Notes (10)(f)(4)(2)、(10)(f)(4)(3)、(10)(f)(4)(6)、(10)(f)(4)(7)、(10)(f)(4)(8) and (10)(f)(4)(9))	24,973,864	(6,191,888)	18,781,976
Total assets	**$ 135,718,490**	**(435,787)**	**135,282,703**
Current liabilities (Notes (10)(f)(4)(5) and (10)(f)(4)(7))	$ 86,080,924	8,466,095	94,547,019
Long-term liabilities	31,379,964	(8,466,517)	22,913,447
Other liabilities (Notes (10)(f)(4)(5)、(10)(f)(4)(6) and (10)(f)(4)(8))	901,183	105,563	1,006,746
Total liabilities	**$ 118,362,071**	**105,141**	**118,467,212**
Common stock	$ 7,853,004	-	7,853,004
Capital surplus	4,694,420	-	4,694,420
Retained earnings (Notes (10)(f)(4)(1)、(10)(f)(4)(2)、(10)(f)(4)(5)、(10)(f)(4)(6) and (10)(f)(4)(7))	3,364,429	(186,664)	3,177,765
Non-controlling interests (Notes (10)(f)(4)(4)、(10)(f)(4)(6) and (10)(f)(4)(7))	1,277,552	(10,081)	1,267,471
Other adjustment to stockholders' equity (Note (10)(f)(4)(4))	167,014	(344,183)	(177,169)
Total stockholders' equity	**$ 17,356,419**	**(540,928)**	**16,815,491**
Total liabilities and stockholders' equity	**$ 135,718,490**	**(435,787)**	**135,282,703**

2. Consolidated balance sheet reconciliation as of December 31, 2012

Item	R.O.C. GAAP	Effect of Transition to IFRSs	IFRSs
Current assets (Notes (10)(f)(4)(1)、(10)(f)(4)(2) and (10)(f)(4)(3))	$ 127,584,339	4,987,626	132,571,965
Funds and long-term investments (Note (10)(f)(4)(4))	5,905,335	(2,414,086)	3,491,249
Property and equipment (Note (10)(f)(4)(9))	6,333,476	171,219	6,504,695
Intangible assets	23,087	-	23,087
Other assets (Notes (10)(f)(4)(3)、(10)(f)(4)(6)、(10)(f)(4)(7)、(10)(f)(4)(8) and (10)(f)(4)(9))	26,946,469	(2,926,454)	24,020,015
Total assets	**$ 166,792,706**	**(181,695)**	**166,611,011**
Current liabilities (Note (10)(f)(4)(7))	$ 115,363,211	4,945,905	120,309,116
Long-term liabilities	24,410,393	(4,922,988)	19,487,405
Other liabilities (Notes (10)(f)(4)(5)、(10)(f)(4)(6) and (10)(f)(4)(8))	1,166,125	636,744	1,802,869
Total liabilities	**$ 140,939,729**	**659,661**	**141,599,390**
Common stock	$ 9,053,004	-	9,053,004
Capital surplus	9,413,475	(1,704)	9,411,771
Retained earnings (Notes (10)(f)(4)(1)、(10)(f)(4)(2)、(10)(f)(4)(5)、(10)(f)(4)(6) and (10)(f)(4)(7))	5,699,285	(541,551)	5,157,734
Non-controlling interests (Notes (10)(f)(4)(5)、(10)(f)(4)(6) and (10)(f)(4)(7))	1,752,078	(8,737)	1,743,341
Other adjustment to stockholders' equity (Notes (10)(f)(4)(4) and (10)(f)(4)(5))	(64,865)	(289,364)	(354,229)
Total stockholders' equity	**$ 25,852,977**	**(841,356)**	**25,011,621**
Total liabilities and stockholders' equity	**$ 166,792,706**	**(181,695)**	**166,611,011**

3. Consolidated income statement reconciliation for the year ended December 31, 2012

Item	R.O.C. GAAP	Effect of Transition to IFRSs	IFRSs
Operating revenue (Notes (10)(f)(4)(1) and (10)(f)(4)(5))	$ 22,085,258	(683,717)	21,401,541
Operating costs (Note (10)(f)(4)(1))	(9,680,479)	380,379	(9,300,100)
Gross profit	12,404,779	(303,338)	12,101,441
Operating expenses (Notes (10)(f)(4)(2)、(10)(f)(4)(5)、(10)(f)(4)(6) and (10)(f)(4)(7))	(7,089,563)	(46,961)	(7,136,524)
Operating profit	5,315,216	(350,299)	4,964,917
Non-operating gains and losses	908,274	-	908,274
Consolidated income before income tax	6,223,490	(350,299)	5,873,191
Income tax expense (Note (10)(f)(4)(6))	(1,833,981)	(4,262)	(1,838,243)
Consolidated net income attributable to	**$ 4,389,509**	**(354,561)**	**4,034,948**
-Stockholders of the Company	$ 4,141,047	(354,887)	3,786,160
- Non-controlling interests	248,462	326	248,788
Total	**$ 4,389,509**	**(354,561)**	**4,034,948**

4. Notes to the reconciliation differences

(1) Under R.O.C. GAAP, the percentage-of-completion method is adopted when the following conditions are all met: (a) the project has reached the planning stage; construction of the project may begin at any time (b) the total price of pre-selling contracts has reached the estimated total construction cost (c) the buyers' payments have already reached 15% of the total contract price (d) reliable estimates can be made as to the collection of total accounts receivable (e) estimates for contract costs to complete the contract and the degree of its completion at the end of the period are reasonably reliable, and (f) costs belonging to the contract can be reasonably identified.

Under IFRSs, completed-contract method is adopted and IAS No.18 is applied for the accounting of revenue from long- term construction contracts.

If the R.O.C. GAAP financial statements are restated to IFRSs, retained earnings will be decreased by $22,855 as of January 1, 2012. Also, other operating revenues and costs, which are recognized by completed-contract method, will be decreased by $556,898 and $380,379, respectively, for the year ended December 31, 2012.

(2) Under R.O.C. GAAP, percentage-of-completion method is adopted for long-term construction contract. Selling expenses are recognized in each period based upon the percentage of completion. Under IFRSs, advertising and selling expenses are recognized as incurred.

If the R.O.C GAAP financial statements are restated to IFRSs, retained earnings will be decreased by $66,704 as of January 1, 2012. Also, operating expenses will be decreased by $31,649 for the year ended December 31, 2012.

(3) Under R.O.C. GAAP, deferred tax assets or liabilities are classified as current or non-current in accordance with the classification of their related assets or liabilities. Under IFRSs, deferred tax assets or liabilities are classified as non-current assets or liabilities.

Under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

If the R.O.C. GAAP financial statements are restated to IFRSs, the deferred tax assets – current of $482,587 and the deferred tax assets – current of $809,088 will be reclassified to the deferred tax assets – non-current as of January 1 and December 31, 2012, respectively.

(4) Under R.O.C. GAAP, an equity investment in a public company whose shares of stock are not listed on the TWSE or traded on the GTSM and emerging stock is accounted for as financial assets measured at cost. Under IFRSs, such equity investment is reassessed to determine as to whether or not it shall be reclassified to available-for-sale financial assets - non-current in accordance with IAS No. 39.

If the R.O.C. GAAP financial statements are restated to IFRSs, financial assets measured at cost of $1,085,758 and $1,202,629, will be reclassified to available-for-sale financial assets – non-current as of January 1 and December 31, 2012, respectively. Due to this reclassification, unrealized gains or losses on available-for-sale financial assets will be decreased by $360,228 and $234,099, for the year ended December 31, 2011, and for the year ended December 31, 2012, respectively.

(5) Under the R.O.C. GAAP, gain from sale and leaseback transaction is deferred and amortized over the period of contracts using the straight-line method. Under IFRSs, gain from sale and leaseback transaction is recognized immediately as the risk and reward of ownership are already transferred. If the R.O.C. GAAP financial statements are restated to IFRSs, retained earnings will be increased by $392,333 as of January 1, 2012. Also, operating revenue and operating expenses relating to sales-leaseback transactions will be decreased by $126,819 and increased by $98,984, respectively, for the year ended December 31, 2012.

(6) Under ROC GAAP, the pension cost and pension liability under the defined benefit pension plan are recognized on the basis of actuarial calculations. After the adoption of IFRSs, the actuarial calculation for the defined benefit obligation is determined in accordance with IAS No. 19 "Employee Benefits."Under R.O.C. GAAP, actuarial gains and losses are amortized over the expected average remaining service lives of the participating employees. Under IFRSs, the Group availed of an optional exemption allowed under IFRS No.1 "First-time Adoption of International Financial Reporting Standards." If the R.O.C. GAAP financial statements are restated to IFRSs, retained earnings will be decreased by $481,241 as of January 1, 2012 after immediately recognizing actuarial gains and losses. Also, operating expenses and income tax expenses will be decreased by $21,612 and increased by $4,262, respectively, for the year ended December 31, 2012.

(7) Under R.O.C. GAAP, there is no specific guidance for short-term employee benefits. The Group did not accrue short-term paid leaves. Under IFRSs, accumulated short-term paid leaves are accrued during the employee service period. If the R.O.C. GAAP financial statements are restated to IFRSs, retained earnings will be decreased by $8,197 as of January 1, 2012. Also, operating expenses related to expected cost of accumulated short-term paid leaves will be increased by $1,238 for the year ended December 31, 2012.

(8) Under R.O.C. GAAP, deferred tax liabilities and assets of the same taxable entity are offset and presented as a net amount. Under IFRSs, deferred tax assets and liabilities should be offset only if the entity has the legal right to settle on a net basis and other relating conditions.

(9) Under IFRSs, certain land and buildings, which were originally classified as other assets under R.O.C. GAAP, are reclassified to property and equipment depending on the intention of the Group to hold these assets. If the R.O.C. GAAP financial statements are restated to IFRSs, other assets of $176,783 and $174,597, will be reclassified to property and equipment as of January 1 and December 31, 2012, respectively.

(g) Supplemental information – continued

Except for optional exemptions and mandatory exceptions under IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs. The key optional exemptions adopted by the Group were as follows:

1. The Group elected not to apply IFRS3 retrospectively to past business combinations, acquisitions of subsidiaries, and related parties transactions, which occurred before January 1, 2012.

2. The Group elected to recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012

3. According to the existing facts and situations on December 31, 2011, the Group may determine whether arrangements in existence on the date of transition to IFRSs contain leases by applying paragraphs 6–9 of IFRIC 4 to those arrangements on the basis of facts and circumstances existing on that date.

(h) Supplemental information – continued

The Group's aforementioned assessment is based on the IFRSs announced by Financial Supervisory Commission (FSC). However, the assessment result and the accounting policies the Group elected under IFRS 1 "First Adoption of IFRSs" may be impacted as FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments and the accounting policies the Group elected.

(11) Operating Segments

(a) The Group's reportable segments include operations in Taiwan, China, Thailand and other areas. These segments engage mainly in-installment sales and leasing. The Group use net income as the measurement for segment profit and the basis of performance assessment.

(b) Operating segments financial information:

As of and For the year ended December 31, 2012	Taiwan	China	Thailand	Others	Elimination	Total
Operating revenue						
Operating revenue from external customers	$ 9,132,043	10,468,774	1,941,479	542,962	-	22,085,258
Operating revenue among intersegments	940,099	-	-	-	(940,099)	-
Interest revenue	84,569	73,882	708	10,115	-	169,274
Total	$ 10,156,711	10,542,656	1,942,187	553,077	(940,099)	22,254,532
Interest expense	$ 206,724	-	-	-	-	206,724
Depreciation & amortization	$ 619,054	1,220,671	18,477	3,681	-	1,861,883
Investment income recognized under equity method	$ 111	-	-	-	-	111
Segment net income	$ 2,668,619	1,600,272	472,228	(351,610)	-	4,389,509
Assets						
Long-term investments under the equity method	1,254	-	-	5,808	-	7,062
Non-current assets	3,854,550	2,758,559	75,975	6,735	-	6,695,819
Segment Assets	$ 82,748,292	63,601,076	22,107,643	5,743,546	(7,407,851)	166,792,706
Segment Liabilities	$ 70,649,196	52,556,741	18,754,857	6,386,786	(7,407,851)	140,939,729

As of and For the year ended December 31, 2011	Taiwan	China	Thailand	Others	Elimination	Total
Operating revenue						
Operating revenue from external customers	$ 7,370,731	7,362,417	1,583,856	452,546	-	16,769,550
Operating revenue among intersegments	584,808	-	-	-	(584,808)	-
Interest revenue	4,692	54,669	1,012	3,308	-	63,681
Total	$ 7,960,231	7,417,086	1,584,868	455,854	(584,808)	16,833,231
Interest expense	$ 138,209	-	-	-	-	138,209
Depreciation & amortization	$ 543,771	1,629,055	17,049	6,320	-	2,196,195
Investment income recognized under equity method	$ 109	-	-	-	-	109
Segment net income	$ 2,168,994	584,166	298,704	(415,226)	-	2,636,638
Assets						
Long-term investments under the equity method	1,243	-	-	-	-	1,243
Non-current assets	3,189,326	5,543,447	72,204	63,654	-	8,868,631
Segment Assets	$ 63,135,581	53,330,593	17,650,876	4,538,239	(2,936,799)	135,718,490
Segment Liabilities	$ 53,121,550	46,984,437	15,621,915	5,570,968	(2,936,799)	118,362,071

(c) Products information

Product Description	For the year ended December 31, 2012	For the year ended December 31, 2011
Interest revenue - installment sales	$ 4,643,450	4,022,343
Interest revenue - capital leases	6,114,388	3,885,519
Rental revenue - operating leases	2,901,738	3,551,780
Interest revenue - loans	1,031,198	805,131
Interest revenue - others	1,211,019	977,120
Sales	2,632,479	1,063,537
Construction revenue	556,898	67,009
Commission revenue	252,709	154,067
Other	2,741,379	2,243,044
Total	$ 22,085,258	16,769,550

(d) Geographic information:

The Group's reportable segments are based on the locations of the principal operations as disclosed in Note 12(b).

(e) Major customers representing at least 10% of gross sales :None.