

**(English Translation of Financial Report Originally Issued in Chinese)**  
**CHALEASE HOLDING COMPANY LIMITED AND ITS**  
**SUBSIDIARIES**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**SEPTEMBER 30, 2015 AND 2014**  
**(With Independent Accountants' Review Report Thereon)**

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## Table of contents

<u>Contents</u>	<u>Page</u>
1. Cover Page	1
2. Table of Contents	2
3. Independent Accountants' Review Report	3
4. Condensed Consolidated Balance Sheets	4
5. Condensed Consolidated Statements of Comprehensive Income	5
6. Condensed Consolidated Statements of Changes in Equity	6
7. Condensed Consolidated Statements of Cash Flows	7
8. Notes to the Condensed Interim Consolidated Financial Statements	
(1) Overview	8
(2) Financial Statements Authorisation Date and Authorisation Process	8
(3) New Accounting Standards and Interpretations	8～10
(4) Significant Accounting Policies	10～14
(5) Significant Accounting Judgments, Estimations, Assumptions, and Sources of Estimation Uncertainty	15
(6) Explanation to Significant Accounts	15～59
(7) Related Party Transactions	59～62
(8) Pledged Assets	62
(9) Commitments and Contingencies	63
(10) Losses Due to Major Disasters	63
(11) Subsequent Events	63
(12) Other	64～67
(13) Segment Information	67～68



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## Independent Accountants' Review Report

The Board of Directors of Chailease Holding Company Limited :

We have reviewed the accompanying condensed consolidated balance sheets of Chailease Holding Company Limited (the "Company") and its subsidiaries (the "Group") as of September 30, 2015 and 2014, the related condensed consolidated statements of comprehensive income, for the three months and nine months ended September 30, 2015 and 2014, and the related condensed consolidated statements of changes in equity, and cash flows for the nine months periods then ended. These condensed consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these condensed consolidated financial statements based on our reviews.

Except as described in paragraphs 3 and 4, we reviewed these condensed consolidated financial statements in accordance with the Statements of Auditing Standard No.36 "Review of Financial Statements" in the Republic of China. A review consists principally of inquiries of Group's personnel and applying analytical procedures to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Also included in the accompanying condensed consolidated financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent accountants. These consolidated subsidiaries had total assets of NT\$74,056,519 thousand and NT\$59,446,938 thousand constituting 28% and 26%, of the Company's consolidated total assets as of September 30, 2015 and 2014, respectively; total liabilities of NT\$62,176,268 thousand and NT\$50,927,937 thousand constituting 28% and 26% of the Company's consolidated total liabilities as of September 30, 2015 and 2014, respectively; comprehensive income of NT\$1,606,621 thousand, NT\$650,691 thousand, NT\$1,964,482 thousand, and NT\$1,148,423 thousand constituting 59%, 26%, 35% and 21% of the Company's consolidated comprehensive income for the three months and the nine months ended September 30, 2015 and 2014, respectively.

Long term investments under equity method of NT\$256,825 thousand and NT\$157,505 thousand as of September 30, 2015 and 2014, respectively, and related investment income (loss) thereof amounting to NT\$(1,917) thousand, NT\$(4,474) thousand, NT\$(10,106) thousand and NT\$(8,845) thousand for the three months and the nine months ended September 30, 2015 and 2014, respectively, were recognized based upon financial statements prepared by investee companies.



Based on our reviews, except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of some consolidated subsidiaries and some equity method investees as described in paragraphs 3 and 4 above been reviewed by independent accountants, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements described in the first paragraph for them to be in conformity with the Guidelines Governing the Preparation of Financial Report by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission in the Republic of China.

We have previously audited the consolidated balance sheets of Chailease Holding Company Limited and its subsidiaries as of December 31, 2014, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and auditing standards generally accepted in the Republic of China and we expressed an unqualified opinion on those audited financial statements in our report dated March 26, 2015. In our opinion, the consolidated balance sheets and related disclosures of the Group as of December 31, 2014, are consistent, in all material respects, with the audited condensed consolidated financial statements from which they have been derived.

KPMG

CPA : Wan Wan, Lin  
Yi Chun, Chen

Taipei, Taiwan, R.O.C.  
November 12, 2015

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the Guidelines Governing the Preparation of Financial Report by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed by the Financial Supervisory Commissions in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to review such financial statements are those generally accepted and applied in the Republic of China.

The independent account's review report and the accompanying 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 auditors' report and financial statements, the Chinese version shall prevail.

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY  
ACCEPTED AUDITING STANDARDS.

# CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

## Condensed Consolidated Balance Sheets

September 30, 2015, December 31, 2014, and September 30, 2014

(Amounts Expressed in Thousands of New Taiwan Dollars)

	2015.9.30		2014.12.31		2014.9.30	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets :</b>						
Cash and cash equivalents (Notes (6)(a) and (7))	10,488,396	4	8,338,117	4	9,655,671	4
Current financial assets at fair value through profit or loss (Note (6)(b))	106,649	-	205,992	-	221,841	-
Current held-to-maturity financial assets (Note (6)(b))	7,194,407	3	6,723,295	3	6,538,845	3
Current derivative financial assets for hedging (Notes (6)(b))	86,511	-	37,759	-	20,604	-
Accounts receivable, net (Notes (6)(d), (7) and (8))	184,187,633	70	164,933,842	69	155,287,497	69
Inventories	207	-	207	-	311	-
Other current financial assets (Notes (7) and (8))	4,223,063	2	3,587,175	2	4,968,229	2
Other current assets - others (Notes (6)(e), (7) and (8))	3,211,568	1	3,289,333	1	2,838,672	1
	209,798,434	80	187,085,720	79	179,531,670	79
<b>Non-current assets :</b>						
Non-current financial assets at fair value through profit or loss (Notes (6)(b) and (6)(e))	699,443	-	710,059	-	789,596	-
Non-current available-for-sale financial assets (Notes (6)(b) and (8))	1,723,898	1	1,569,885	1	1,584,358	1
Non-current held-to-maturity financial assets (Note (6)(b))	2,275,400	1	2,408,525	1	2,232,155	1
Investments accounted under equity method (Notes (6)(f) and (8))	256,825	-	183,215	-	157,505	-
Property, plant and equipment (Notes (6)(g), (7) and (8))	9,891,185	4	8,997,856	4	7,445,159	3
Intangible assets (Note (6)(h))	44,206	-	35,591	-	32,932	-
Deferred tax assets	2,402,542	1	2,334,571	1	1,894,056	1
Long-term accounts receivable, net (Notes (6)(d), (7) and (8))	34,975,896	13	33,539,103	14	32,179,738	14
Other non-current assets - others (Notes (7) and (8))	1,601,610	-	1,072,032	-	928,205	-
	53,874,005	20	50,850,837	21	47,243,904	21
<b>TOTAL ASSETS</b>	<b>\$ 263,672,439</b>	<b>100</b>	<b>\$ 237,936,557</b>	<b>100</b>	<b>\$ 226,775,574</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities :</b>						
Short-term borrowings (Notes (6)(i), (7) and (8))	\$ 76,645,164	29	66,974,084	28	71,630,824	32
Current financial liabilities at fair value through profit or loss (Note (6)(b))	-	-	769	-	-	-
Current derivative financial liabilities for hedging (Note (6)(b))	-	-	2,820	-	-	-
Accounts and notes payable	2,851,564	1	2,344,572	1	1,643,851	1
Current tax liabilities	627,738	-	1,381,461	1	692,563	-
Other current financial liabilities (Note (7))	26,109,917	10	23,243,396	10	21,842,197	10
Advance real estate receipts (Notes (7))	-	-	-	-	349	-
Long-term liabilities - current portion (Notes (6)(i), (6)(j), (7) and (8))	74,131,401	28	59,244,773	25	52,043,371	23
Other current liabilities - others	904,213	-	902,337	-	1,260,551	-
	181,269,997	68	154,094,222	65	149,113,706	66
<b>Non-current Liabilities :</b>						
Bonds payable (Notes (6)(k) and (7))	9,759,397	4	9,299,237	4	6,441,880	3
Long-term borrowings (Notes (6)(i), (7) and (8))	30,214,655	12	34,252,478	14	33,611,844	14
Deferred tax liabilities	1,520,750	-	1,574,717	1	1,556,197	1
Other non-current liabilities (Note (6)(l))	2,124,548	1	2,286,792	1	2,246,610	1
	43,619,350	17	47,413,244	20	43,856,531	19
<b>Total Liabilities</b>	<b>224,889,347</b>	<b>85</b>	<b>201,507,476</b>	<b>85</b>	<b>192,970,237</b>	<b>85</b>
<b>Equity attributable to owners of parent : (Note (6)(n))</b>						
Share capital	11,392,300	4	10,954,134	4	10,954,134	5
Capital surplus	9,407,341	4	9,407,459	4	9,411,698	4
Unappropriated retained earnings	13,775,620	5	12,132,818	5	10,417,822	5
Other equity items	2,207,541	1	1,844,301	1	1,069,595	-
<b>Total equity attributable to owners of parent</b>	<b>36,782,802</b>	<b>14</b>	<b>34,338,712</b>	<b>14</b>	<b>31,853,249</b>	<b>14</b>
Non-controlling interests	2,000,290	1	2,090,369	1	1,952,088	1
<b>Total equity</b>	<b>38,783,092</b>	<b>15</b>	<b>36,429,081</b>	<b>15</b>	<b>33,805,337</b>	<b>15</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 263,672,439</b>	<b>100</b>	<b>\$ 237,936,557</b>	<b>100</b>	<b>\$ 226,775,574</b>	<b>100</b>

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



**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS.****CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Condensed Consolidated Statements of Comprehensive Income****For the three months and nine months ended September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars)**

		For the three months ended September 30,				For the nine months ended September 30,			
		2015		2014		2015		2014	
		Amount	%	Amount	%	Amount	%	Amount	%
<b>Operating revenue : (Note (7))</b>									
4111	Sales revenue	\$ 2,125,878	23	2,492,148	28	6,019,174	23	6,674,000	26
4810	Interest revenue - installment sales	1,740,865	19	1,686,054	19	5,098,808	19	4,862,760	19
4820	Interest revenue - capital leases	2,212,982	24	1,950,547	21	6,551,501	24	5,553,392	21
4300	Rental revenue - operating leases	638,188	7	486,172	5	1,790,940	7	1,393,607	5
4230	Interest revenue - loans	666,532	7	533,898	6	1,902,025	7	1,524,501	6
4240	Other interest revenue	621,153	6	467,210	5	1,703,102	6	1,295,580	5
4830	Building and land sales revenue	-	-	-	-	-	-	750,535	3
4881	Other operating revenue	1,308,074	14	1,413,347	16	3,843,431	14	3,837,032	15
		<u>9,313,672</u>	<u>100</u>	<u>9,029,376</u>	<u>100</u>	<u>26,908,981</u>	<u>100</u>	<u>25,891,407</u>	<u>100</u>
<b>Operating costs : (Note (7))</b>									
5111	Cost of sales	1,864,860	20	2,158,784	24	5,305,701	20	5,824,375	23
5240	Interest expense	1,198,685	13	1,107,274	12	3,586,386	13	3,158,315	12
5300	Cost of rental revenue	461,796	5	279,485	3	1,287,171	5	964,839	4
5800	Other operating costs	207,486	2	202,332	2	602,909	2	1,111,528	4
		<u>3,732,827</u>	<u>40</u>	<u>3,747,875</u>	<u>41</u>	<u>10,782,167</u>	<u>40</u>	<u>11,059,057</u>	<u>43</u>
	<b>Gross profit from operation</b>	<u>5,580,845</u>	<u>60</u>	<u>5,281,501</u>	<u>59</u>	<u>16,126,814</u>	<u>60</u>	<u>14,832,350</u>	<u>57</u>
6000	<b>Operating expenses (Note (7))</b>	<u>3,337,691</u>	<u>36</u>	<u>3,053,100</u>	<u>34</u>	<u>9,607,887</u>	<u>35</u>	<u>8,422,086</u>	<u>32</u>
6500	<b>Net other income and expenses (Note (6)(q))</b>	<u>11,620</u>	<u>-</u>	<u>30,344</u>	<u>-</u>	<u>76,321</u>	<u>-</u>	<u>101,382</u>	<u>-</u>
	<b>Operating profit</b>	<u>2,254,774</u>	<u>24</u>	<u>2,258,745</u>	<u>25</u>	<u>6,595,248</u>	<u>25</u>	<u>6,511,646</u>	<u>25</u>
<b>Non-operating income and expenses :</b>									
7100	Interest income	23,246	-	18,240	-	60,551	-	62,750	-
7130	Dividend revenue	57,533	1	28,473	-	67,418	-	31,326	-
7020	Other gains and losses (Note (6)(r))	95,897	1	373,363	5	548,072	2	730,246	3
7060	Share of loss of associates and joint ventures accounted for using equity method (Note (6)(g))	(1,917)	-	(4,474)	-	(10,106)	-	(8,845)	-
		<u>174,759</u>	<u>2</u>	<u>415,602</u>	<u>5</u>	<u>665,935</u>	<u>2</u>	<u>815,477</u>	<u>3</u>
7900	<b>Profit before income tax</b>	<u>2,429,533</u>	<u>26</u>	<u>2,674,347</u>	<u>30</u>	<u>7,261,183</u>	<u>27</u>	<u>7,327,123</u>	<u>28</u>
7950	<b>Less: Income tax expense (Note (6)(m))</b>	<u>613,322</u>	<u>7</u>	<u>685,135</u>	<u>8</u>	<u>1,859,735</u>	<u>7</u>	<u>1,960,626</u>	<u>7</u>
	<b>Profit for the period</b>	<u>1,816,211</u>	<u>19</u>	<u>1,989,212</u>	<u>22</u>	<u>5,401,448</u>	<u>20</u>	<u>5,366,497</u>	<u>21</u>
<b>Other comprehensive income (loss):</b>									
8360	<b>Items that may be reclassified subsequently to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	1,107,207	12	596,589	7	335,136	1	296,652	1
8362	Unrealized gains (losses) on available-for-sale financial assets	(38,786)	-	31,670	-	(39,706)	-	(132,796)	(1)
8363	Gains (Losses) of effective portion of cash flow hedges	55,322	1	(7,682)	-	51,572	-	60,523	-
8364	Losses of effective portion of hedges of net investment in foreign operations	(135,165)	(2)	(45,198)	(1)	(78,457)	-	(52,348)	-
8391	Other comprehensive income (loss) - other	-	-	(20,979)	-	-	-	(4,412)	-
8399	Income tax relating to items that are or may be reclassified subsequently to profit or loss (Note 6(m))	(73,369)	(1)	(25,371)	-	(28,173)	-	(8,347)	-
	<b>Total other comprehensive income</b>	<u>915,209</u>	<u>10</u>	<u>529,029</u>	<u>6</u>	<u>240,372</u>	<u>1</u>	<u>159,272</u>	<u>-</u>
	<b>Other comprehensive income for the period, net of tax</b>	<u>915,209</u>	<u>10</u>	<u>529,029</u>	<u>6</u>	<u>240,372</u>	<u>1</u>	<u>159,272</u>	<u>-</u>
8500	<b>Total comprehensive income for the period</b>	<u>\$ 2,731,420</u>	<u>29</u>	<u>2,518,241</u>	<u>28</u>	<u>5,641,820</u>	<u>21</u>	<u>5,525,769</u>	<u>21</u>
<b>Profit attributable to :</b>									
8610	Owners of parent	\$ 1,731,694	18	1,905,870	21	5,148,125	19	5,124,667	20
8620	Non-controlling interests	84,517	1	83,342	1	253,323	1	241,830	1
		<u>\$ 1,816,211</u>	<u>19</u>	<u>1,989,212</u>	<u>22</u>	<u>5,401,448</u>	<u>20</u>	<u>5,366,497</u>	<u>21</u>
<b>Comprehensive income attributable to :</b>									
8710	Owners of parent	\$ 2,665,862	28	2,436,512	27	5,511,365	20	5,220,467	20
8720	Non-controlling interests	65,558	1	81,729	1	130,455	1	305,302	1
		<u>\$ 2,731,420</u>	<u>29</u>	<u>2,518,241</u>	<u>28</u>	<u>5,641,820</u>	<u>21</u>	<u>5,525,769</u>	<u>21</u>
9750	<b>Basic earnings per share (NT dollars) (Note (6)(o))</b>	<u>\$ 1.52</u>		<u>1.67</u>		<u>4.52</u>		<u>4.50</u>	

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

**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS.  
CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Condensed Consolidated Statements of Changes in Equity  
For the nine months ended September 30, 2015 and 2014  
(Amounts Expressed in Thousands of New Taiwan Dollars)**

Equity attributable to owners of parent											
Other equity items											
Stock	Capital surplus	Special reserve	Retained Earning	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) of effective portion of cash flow hedges	Gains (losses) of effective portion of investment in foreign operations	Others	Equity attributable to owners of parent	Non controlling interests
\$ 9,958,304	9,411,698	64,865	8,215,781	299,730	760,510	(39,919)	2,615	(49,141)	28,624,443	1,816,750	Total equity
											30,441,193

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

**REVIEWED ONLY. NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS.****CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows****For the nine months ended September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars)**

	<b>For the nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities :</b>		
Profit before income tax	\$ 7,261,183	7,327,123
Adjustments :		
Adjustments to reconcile profit before income tax to net cash provided by operating activities :		
Depreciation expense	1,183,369	994,477
Amortization expense	113,274	52,842
Loss on financial assets and liabilities at fair value through profit or loss	19,203	(36,095)
Interest expense	3,586,386	3,158,315
Interest income	(15,315,987)	(13,236,233)
Dividend income	(67,418)	(31,326)
Share of loss of associates and joint ventures accounted for using equity method	10,106	8,845
Gain on disposal of property, plant and equipment	(7,097)	(112,639)
Loss (gain) on disposal of foreclosed assets	64,166	(583)
Gain on disposal of investments	(114,600)	(39,881)
Impairment loss on financial assets	3,482,603	2,891,016
Impairment loss on non-financial assets	202,660	196,498
Total adjustments to reconcile (profit) loss	(6,843,335)	(6,154,764)
Change in operating assets and liabilities :		
Change in operating assets :		
Decrease in financial assets held for trading	89,404	82,937
Decrease in financial assets at fair value through profit or loss	-	895,104
Increase in accounts receivable	(23,661,438)	(32,197,509)
Proceeds from financial assets securitization	-	3,807,796
Decrease in inventories	-	567,441
(Increase) decrease in other current financial assets	(839,595)	31,988
Decrease in other current assets	155,340	371,992
Proceeds from sales of operating lease assets	507,228	866,714
Purchase of operating lease assets	(2,629,482)	(2,052,106)
Increase in other non-current assets - others	(596,828)	(116,778)
Total changes in operating assets	(26,975,371)	(27,742,421)
Change in operating liabilities :		
Increase (decrease) in accounts payable	479,088	(1,181,244)
Increase in long-term and short-term debts	133,497,240	131,901,918
Repayment of long-term and short-term debts	(112,721,094)	(106,310,375)
Increase in other current financial liabilities	2,551,867	2,011,418
Increase in accrued pension liabilities	13,138	9,959
(Decrease) increase in other current liabilities-others	(7,488)	83,823
(Decrease) increase in other non-current liabilities	(168,579)	420,331
Total changes in operating liabilities	23,644,172	26,935,830
Total changes in operating assets and liabilities	(3,331,199)	(806,591)
Total adjustments	(10,174,534)	(6,961,355)
Cash (outflow) inflow from operation	(2,913,351)	365,768
Interest received	15,326,361	12,919,874
Dividend received	67,518	31,426
Interest paid	(3,759,250)	(3,064,038)
Income taxes paid	(2,732,453)	(2,167,570)
Net cash provided by operating activities	5,988,825	8,085,460
<b>Cash flows from investing activities :</b>		
Acquisition of available-for-sale financial assets	(192,180)	-
Proceeds from disposal of available-for-sale financial assets	116,889	56,347
Acquisition of held-to-maturity financial assets	(4,333,180)	(5,625,075)
Disposal of held-to-maturity financial assets	3,932,209	2,178,315
Acquisition of investments accounted for using equity method	-	(135,255)
Net cash flow from acquisition of subsidiaries	-	(79,281)
Acquisition of property, plant and equipment	(106,047)	(138,835)
Disposal of property, plant and equipment	3,152	5,389
Acquisition of intangible assets	(9,150)	(3,461)
Net cash used in investing activities	(588,307)	(3,741,856)
<b>Cash flows from financing activities :</b>		
Changes in non-controlling interests	(220,652)	(169,964)
Distribution of cash dividend	(3,067,157)	(1,991,661)
Net cash used in financing activities	(3,287,809)	(2,161,625)
Effect of exchange rate changes on cash and cash equivalents	45,483	(141,642)
Net increase in cash and cash equivalents	2,158,192	2,040,337
Cash and cash equivalents, net of bank overdraft, beginning of period	8,330,204	7,502,137
Cash and cash equivalents, net of bank overdraft, end of period	\$ 10,488,396	9,542,474

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



AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

**(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. The Company has been listed on the Main Board of the Taiwan Stock Exchange Corporation (TWSE) since December 13, 2011.

The Company and its subsidiaries ("the Group") were engaged primarily in providing various services of leasing and financial instruments.

As of September 30, 2015 and 2014, the Company had outstanding common stock of \$11,392,300 and \$10,954,134 divided into 1,139,229,994 shares and 1,095,413,456 shares, respectively.

**(2) Financial Statements Authorisation Date and Authorisation Process**

The condensed interim consolidated financial statements were reported to and approved for issue by the Board of Directors on November 12, 2015.

**(3) New Accounting Standards and Interpretations**

- (a) Effect of new issuances of or amendments to IFRSs as endorsed by the Financial Supervisory Commission ("FSC").

The Group has adopted the 2013 version of IFRS (excluding IFRS 9, 'Financial instruments') as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are as follows:

<b>New Standards, Interpretations and Amendments</b>	<b>IASB Effective Date</b>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures - transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
IFRS 10, "Consolidated financial statements"	January 1, 2013 (Investment entities are required to adopt on January 1, 2014)
IFRS 11, "Joint arrangements"	January 1, 2013
IFRS 12, "Disclosure of interests in other entities"	January 1, 2013
IFRS 13, "Fair value measurement"	January 1, 2013

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: Recovery of underlying assets (amendment to IAS 12)	January 1, 2012
Employee benefits (as amendment to IAS 19)	January 1, 2013
Separate financial statements (as amendments to IAS 27)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, "Stripping costs in the production phase of a surface mine"	January 1, 2013

Based on the Group's assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except for the following:

**1. IAS 1 Presentation of Financial Statements**

This standard requires that an entity present separately the items of other comprehensive income that would be classified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of other comprehensive income before related tax effects would also have to allocate the aggregate tax amount between these classifications. The Group has adopted the new presentation method prescribed by the standard. Also, the Group's comprehensive income statements for comparative periods are restated.

**2. IFRS 13 Fair Value Measurement**

This standard revised the definition of fair value, provides a framework for measuring fair value, and requires disclosures on fair value measurement. The Group has disclosed the information required by the standard (Please refer to note 6(t).) Also, the Group has postponed the application of the new fair value measurement, according to the transitional implementation guidance. As the FSC prescribes the adoption of this standard only after 2015, the Group does not expect any significant influence on its financial condition and performance.

**(b) New standards, interpretations and amendments not yet endorsed by the FSC**

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC :

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
IFRS 9, "Financial instruments"	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Acquisition of an interests in joint operations (amendments to IFRS 11)	January 1, 2016

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<b>New Standards, Interpretations and Amendments</b>	<b>IASB Effective Date</b>
IFRS 14 “Regulatory deferral accounts”	January 1, 2016
IFRS 15 “Revenue from contracts with customers”	January 1, 2018
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Services related contributions from employees or third parties (amendments to IAS 19)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
The Annual Improvements : 2010-2012 & 2011-2013 Cycles	July 1, 2014
The Annual Improvements to IFRS : 2012-2014 Cycles	January 1, 2016
IFRIC 21, “Levies”	January 1, 2014

The Group is assessing the potential impact of these new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

**(4) Significant Accounting Policies**

**(a) Statement of compliance**

The accompanying condensed interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and guidelines of IAS 34 “Interim Financial Reporting,” endorsed by FSC. Such condensed interim consolidated financial statements, however, do not include all of the information required for full annual financial statements by International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as “IFRS as endorsed by the FSC”).

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Except as described in the following paragraphs, the significant accounting policies adopted in the preparation of the accompanying condensed interim consolidated financial statements are applied consistently with those of the consolidated financial statements for the year ended December 31, 2014. For other related information, please refer to Note (4) of the consolidated financial statements for the year ended December 31, 2014. In addition, the 2013 IFRS version that was approved and endorsed by the Financial Supervisory Commission of the Republic of China has been adopted in the consolidated financial statements commencing for the period from January 1, 2015 to September 30, 2015.

For the impact of adopting the IFRS 2013 version, which is endorsed by FSC and effective in 2015, please refer to note 3(a).

**(b) Basis of consolidation**

The accounting principles applied in the preparation of the condensed interim consolidated financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2014. For full disclosure of the accounting principles, please refer to Note (4)(c) of the consolidated financial statements for the year ended December 31, 2014.

**1. Subsidiaries included in the condensed interim consolidated financial statements**

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2015.9.30	2014.12.31	2014.9.30	
The Company	Chailase International Company (Malaysia) Limited	Investment	100.00 %	100.00 %	100.00 %	
"	Golden Bridge (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
"	Chailase International Financial Services Co., Ltd.	Installment sales, leasing overseas and financial consulting	100.00 %	100.00 %	100.00 %	
Golden Bridge (B.V.I.) Corp.	My Leasing (Mauritius) Corp.	Investment	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp.	Chailase International Finance Corporation	Leasing	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp. and Chailase International Finance Corporation	Chailase Finance International Corp.	Leasing	100.00 %	100.00 %	100.00 %	
Chailase International Finance Corporation	Chailase International Corp.	Trading	100.00 %	100.00 %	100.00 %	
"	Jirong Real Estate Co., Ltd.	House property leasing and management	100.00 %	100.00 %	100.00 %	

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2015.9.30	2014.12.31	2014.9.30	
Chailase International Company (Malaysia) Limited	Chailase Finance Co., Ltd.	Installment sales, leasing, and factoring	100.00 %	100.00 %	100.00 %	
"	Chailase International (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
"	Chailase International Company (UK) Limited	Solar power business and investment	100.00 %	- %	- %	% Funded in March 26, 2015
Chailase International Financial Services Co., Ltd.	Chailase International Financial Services (Liberia) Corp.	Leasing	100.00 %	100.00 %	- %	% Funded in November 24, 2014
Chailase Finance Co., Ltd.	Fina Finance & Trading Co., Ltd.	Installment sales, trading, and factoring	99.55 %	99.54 %	99.53 %	
"	China Leasing Co., Ltd.	Installment sales	100.00 %	100.00 %	100.00 %	
"	My Leasing (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
Chailase International Company (Malaysia) Limited and Chailase Finance Co., Ltd.	Asia Sermkij Leasing Public Co., Ltd.	Installment sales of automobiles	48.18 %	48.18 %	48.18 %	(Note a)
Chailase Finance Co., Ltd.	Chailase Finance (B.V.I.) Co., Ltd.	Installment sales, leasing overseas, and financial consulting	100.00 %	100.00 %	100.00 %	
"	Chailase International Leasing Company Limited (Vietnam)	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailase Auto Rental Co., Ltd.	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailase Credit Services Co., Ltd.	Installment sales and leasing	100.00 %	100.00 %	100.00 %	
"	Apex Credit Solutions Inc.	Accounts receivable management, debt management, valuation, trading in financial instruments	100.00 %	100.00 %	100.00 %	

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2015.9.30	2014.12.31	2014.9.30	
Chailease Finance Co., Ltd.	Chailease Insurance Brokers Co., Ltd.	Personal and property insurance brokers	100.00 %	100.00 %	100.00 %	
"	Chailease Cloud Service Co., Ltd.	Software of cloud products, leasing, and installment sales	100.00 %	100.00 %	100.00 %	
"	Chailease Finance Securitization Trust 2014	Special Purpose Entity	- %	- %	- %	The subsidiary was established on July 24, 2014. (Note b)
"	Yun Tang Inc.	Solar Power business	100.00 %	100.00 %	100.00 %	The subsidiary was owned by acquiring 100% of the capital contribution on September 30, 2014.
Fina Finance & Trading Co., Ltd.	Chailease Consumer Finance Co., Ltd.	Factoring and installment sales	100.00 %	100.00 %	100.00 %	
The Company and Chailease Finance Co., Ltd.	Grand Pacific Holdings Corp.	Leasing, real estate, and mortgage	100.00 %	100.00 %	100.00 %	
Grand Pacific Holdings Corp.	Grand Pacific Financing Corp. (California)	Financing, leasing and financial consulting	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Main Street Development, Inc.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Warehouse Funding Corp.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Business Loan LLC. 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005. (Note b)
Grand Pacific Warehouse Funding Corp.	Grand Pacific Warehouse Funding LLC.	Special Purpose Entity	100.00 %	100.00 %	100.00 %	
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. (Note b)
Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited	Leasing and financing consulting	99.99 %	99.99 %	99.99 %	



**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Note a: Although the Company's ownership was lower than 50% of the subsidiary's outstanding shares, the subsidiary was consolidated. This is because the other 51.82% ownership was dispersed and no evidence of joint policy-making agreement among those stockholders. Also, the low participation rate of other shareholders in past shareholders' meetings indicates that the Company owns the actual power to control.

Note b: For purposes of trading and investment, the Group set up a number of special purpose entities (SPE) in which it does not have any direct or indirect shareholding.

These SPEs are consolidated if the substance of the Group's relationship with the SPEs and the assessment of their risks and rewards, disclosed that the Group has control over the SPEs. The control of an SPE by the Group may exist if:

- (i) the SPE conducts its business to meet the specific needs of the Group;
- (ii) the Group has decision making powers to obtain the majority of the benefits of the SPE's activities;
- (iii) the Group is able to obtain the majority of the benefits of the SPE's activities through an "auto-pilot" mechanism;
- (iv) by having a right to the majority of SPE's benefits, the Group is exposed to the SPE's risks; and
- (v) the Group has the majority of the residual interest of the SPE.

2. Subsidiaries excluded from the condensed interim consolidated financial statements: None.

**(c) Income taxes**

Income tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by management. This is charged to profit or loss as income tax expense for the current period.

Deferred income taxes are determined based on difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the difference are expected to reverse.

**(d) Employee benefits**

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

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

**(5) Significant Accounting Judgments, Estimations, Assumptions, and Sources of Estimation Uncertainty**

The accompanying condensed interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed by FSC, which requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Except as described in the following paragraphs, the principles for the preparation of consolidated interim financial statements and the related significant estimates and underlying assumptions are consistent with those disclosed in Note (5) of the consolidated financial statements for the year ended December 31, 2014.

**(a) Valuation Process**

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of fair value hierarchy in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data.

**(b) Policies for Transferring of Fair Value Hierarchy**

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(t) for assumptions used in measuring fair value.

**(6) Explanation to Significant Accounts**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2014. Please refer to Note (6) of the 2014 annual consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

(a) Cash and cash equivalents

	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Cash and demand deposits	\$ 10,437,873	8,274,421	9,602,217
Time deposits	50,523	42,685	48,451
Cash equivalents – RP bills	<u>-</u>	<u>21,011</u>	<u>5,003</u>
Cash and cash equivalents	10,488,396	8,338,117	9,655,671
Bank overdraft	<u>-</u>	<u>(7,913)</u>	<u>(113,197)</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 10,488,396</u>	<u>8,330,204</u>	<u>9,542,474</u>

The Group's interest risk and sensitivity analysis of financial assets and liabilities were disclosed in Note (6)(t).

(b) Financial instruments

1.Details of financial assets were as follows :

	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Financial assets at fair value through profit or loss			
Held for trading			
Securities of listed companies	\$ 76,119	177,256	200,106
Derivative instruments not used for hedging	<u>30,530</u>	<u>28,736</u>	<u>21,735</u>
Sub-total	<u>106,649</u>	<u>205,992</u>	<u>221,841</u>
Designated as at fair value through profit or loss			
2011 securitization	<u>699,443</u>	<u>710,059</u>	<u>789,596</u>
	<u>806,092</u>	<u>916,051</u>	<u>1,011,437</u>
Available-for-sale financial assets			
Securities of listed companies	182,303	40,427	46,233
Emerging stock	1,036,130	1,012,241	1,020,225
Private equity	<u>505,465</u>	<u>517,217</u>	<u>518,100</u>
Sub-total	<u>1,723,898</u>	<u>1,569,885</u>	<u>1,584,558</u>
Held-to-maturity financial assets			
Investment in debt securities	<u>9,469,807</u>	<u>9,131,820</u>	<u>8,771,000</u>
Derivative financial assets used for hedging	<u>86,511</u>	<u>37,759</u>	<u>20,604</u>
Total	<u>\$ 12,086,308</u>	<u>11,655,515</u>	<u>11,387,599</u>

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THEGENERALLY ACCEPTED AUDITING STANDARDS.**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****2. Sensitivity analysis— equity price risk :**

If the equity price changes, the impact to other comprehensive income, using the sensitivity analysis based on the same variables, except for the price index for both periods, will be as follows:

Equity price at reporting date	For the nine months ended September 30,			
	2015		2014	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase 7%	\$ 120,728	5,328	110,974	14,007
Decrease 7%	\$ (120,728)	(5,328)	(110,974)	(14,007)

Based on the results of the Group's assessment, impairment loss of \$30 was recognized on available-for-sale financial assets for the three months and the nine months ended September 30, 2015.

The Group purchased debt securities issued by real estate trust. These debt securities have maturity dates between 2015 and 2018, and bear effective annual interest rate ranging from 5.63%~8.83%.

Portion of investments in equity securities was provided as collaterals for the issuance of short-term bills payable, as well as long and short term debts, which were discussed further in Note (8).

**3. Details of financial liabilities were as follows:**

	<u>2014.12.31</u>
Financial liabilities at fair value through profit or loss	
Held for trading	
Derivative instruments not used for hedging	\$ (769)
Derivative financial liabilities used for hedging	(2,820)
Total	<u>\$ (3,589)</u>

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.**CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

**4. Derivative instruments not used for hedging**

Derivative financial instruments are used to manage certain interest risk, arising from the Group's operating, financing and investing activities. As of September 30, 2015, December 31, 2014 and September 30, 2014, derivative financial instruments accounted for as held-for-trading financial assets (liabilities) were as follows:

**Cross currency swap contracts**

2015.9.30					
Nominal Amount		Currency	Interest Rate Payable	Interest Rate Receivable	Contract Period
USD	20,000	USD to CNY	3.700%	90 Days LIBOR + 1.8%	2013.04.29~
CNY	123,510				2016.04.29
USD	30,000	USD to CNY	3.800%	90 Days LIBOR + 1.8%	2013.10.21~
CNY	183,300				2016.04.29
USD	20,000	USD to CNY	3.600%	90 Days LIBOR + 1.8%	2013.12.18~
CNY	121,580				2016.04.29
2014.12.31					
Nominal Amount		Currency	Interest Rate Payable	Interest Rate Receivable	Contract Period
USD	20,000	USD to CNY	3.700%	90 Days LIBOR + 1.8%	2013.04.29~
CNY	123,510				2016.04.29
USD	30,000	USD to CNY	3.800%	90 Days LIBOR + 1.8%	2013.10.21~
CNY	183,300				2016.04.29
USD	20,000	USD to CNY	3.600%	90 Days LIBOR + 1.8%	2013.12.18~
CNY	121,580				2016.04.29
2014.9.30					
Nominal Amount		Currency	Interest Rate Payable	Interest Rate Receivable	Contract Period
USD	20,000	USD to CNY	3.700%	90 Days LIBOR + 1.8%	2013.04.29~
CNY	123,510				2016.04.29
USD	30,000	USD to CNY	3.800%	90 Days LIBOR + 1.8%	2013.10.21~
CNY	183,300				2016.04.29
USD	20,000	USD to CNY	3.600%	90 Days LIBOR + 1.8%	2013.12.18~
CNY	121,580				2016.04.29

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Interest rate swap contracts

2014.12.31				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
CNY 300,000	2012.03.20~2015.03.20	2.960%	Interest rate of one-year time deposit	3 years

  

2014.9.30				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
CNY 300,000	2012.03.20~2015.03.20	2.960%	Interest rate of one-year time deposit	3 years

No interest rate swap contracts were outstanding as of September 30, 2015.

5. Derivative instruments used for hedging

As of September 30, 2015, December 31, 2014 and September 30, 2014, the Group held derivative instruments qualified for hedge accounting as follows:

2015.9.30				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
TWD 400,000	2010.11.17~2015.11.17	3%	90 days CP+1.2%	5 years
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years

  

2014.12.31				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
TWD 400,000	2010.11.17~2015.11.17	3%	90 days CP+1.2%	5 years
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years

  

2014.9.30				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
TWD 400,000	2010.11.17~2015.11.17	3%	90 days CP+1.2%	5 years
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years



(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1) Cash flow hedge

The subsidiaries namely, Chailease Finance Co., Ltd. and Golden Bridge (B.V.I.) Corp., entered into interest swap contract and cross currency swap contract with a bank to hedge future cash flows out of unsecured corporate bonds and CNY loans receivable.

Hedged Item	Hedge Instrument	Fair Value			Expected Cash flow Period	Hedge Period
		2015.9.30	2014.12.31	2014.9.30		
Unsecured corporate bonds	Interest Swap	\$ 6,376	(2,820)	2,064	2010~2016	2010~2016
CNY loans receivable	Cross Currency Swap contract	80,135	37,759	18,540	2013~2016	2013~2016

Item	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
The fair value adjustment to \$ other comprehensive income	55,322	(7,682)	51,572	60,523

2) Hedge of net investment in foreign operation

The fair value of an equity investment in a 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 September 30, 2015, December 31, 2014 and September 30, 2014, were as follows:

Hedged Item	Hedge Instrument	Designated Hedging Instrument		
		Fair Value		
		2015.9.30	2014.12.31	2014.9.30
Equity investment measured in USD	Foreign currency borrowings	\$ <u>2,185,855</u>	<u>2,152,200</u>	<u>2,659,450</u>

There were no effects of ineffectiveness recognized in profit or loss that arises from hedges of net investments in foreign operation of Golden Bridge (B.V.I.) Corp., for the nine months ended September 30, 2015 and 2014.

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE****GENERALLY ACCEPTED AUDITING STANDARDS.****CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(c) Financial assets securitization****1. 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, 2018. Specific terms and conditions of the beneficiary certificates are as follows:

<b>Class of beneficiary certificates issued</b>	<b>Order of principal repayment</b>	<b>Issue amount /par value</b>	<b>Issue price</b>	<b>Interest rate</b>	<b>Payment frequency</b>
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:

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

The Group holds subordinated beneficiary certificates and retains 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.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****1) Key assumptions used in measuring retained interests:**

The key assumptions used in measuring subordinated seller certificates arising from the financial assets securitization at each reporting date were as follows:

	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Repayment rate	21.18 %	13.85 %	9.94 %
Expected return rate on securitized financial assets	7.54 %	8.63 %	8.75 %
Weighted-average life (in years)	1.17	1.92	2.17
Expected credit loss rate (Note)	1.85%~6.30%	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %	4.00 %

**2) Sensitivity analysis**

At each reporting date, the key 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:

	<u>2015.9.30</u>	<u>2014.9.30</u>
Carrying amount of retained interests	699,443	789,596
Weighted -- average life (in years)	1.17	2.17
Repayment rate	21.18 %	9.94 %
Effect on fair value with 10% adverse change	(1,428)	(16,114)
Effect on fair value with 20% adverse change	(2,665)	(30,306)
Expected credit losses	5.76%	4.58%
Effect on fair value with 10% adverse change	(8,035)	(22,885)
Effect on fair value with 20% adverse change	(15,932)	(45,774)
Discount rate for residual cash flows	4.00 %	4.00 %
Effect on fair value with 10% adverse change	(1,540)	(5,027)
Effect on fair value with 20% adverse change	(3,075)	(10,014)

**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.

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****4) Cash flows**

The cash flows received from securitization trusts were as follows:

	<u>For the nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
Other cash flows received on retained interests	\$ 115,274	260,575
Service fees received	2,130	3,570

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

**2. 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:

<b>Class of beneficiary certificates issued</b>	<b>Order of principle repayment</b>	<b>Issue amount /par value</b>	<b>Issue price</b>	<b>Interest rate</b>	<b>Payment frequency</b>
twAAA	1st	3,880,000	3,880,000	2.80 %	Monthly
twA	2nd	375,000	375,000	3.50 %	Monthly
Subordinated	3rd	1,019,997	1,124,727	None	Monthly

Key assumptions at the securitization date:

	<u>August 13, 2010 (securitization date)</u>
Repayment rate	8.5600 %
Expected return rate on securitized financial assets	9.4843 %
Weighted-average life (in years)	3.83
Expected credit loss rate	2.26%~4.20%
Discount rate for cash flows	3.08 %

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE****GENERALLY ACCEPTED AUDITING STANDARDS.****CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

The Group holds subordinated beneficiary certificates and retains 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) Cash flows**

The cash flows received from securitization trusts were as follows:

	<b>For the nine months ended September 30, 2014</b>
Other cash flows received on retained interests	\$ 96,510
Service fees received	1,395

On August 26, 2014, the special purpose trust has fully redeemed beneficiary certificates twAAA and twA. On September 22, 2014, the process of its liquidation was completed, so that the Group received \$895,104 from the return of subordinated certificates.

On September 17, 2014, the Group entered into an agreement with the said Special Purpose Entity to repurchase its receivable of \$613,677.

**(d) Accounts receivable, net**

	<b>2015.9.30</b>	<b>2014.12.31</b>	<b>2014.9.30</b>
<b>Current</b>			
Accounts receivable	\$ 15,168.076	10,089,740	8,828.303
Less: Allowance for impairment	(605.680)	(624.129)	(572.963)
	<u>14,562.396</u>	<u>9,465.611</u>	<u>8,255.340</u>
Installment sales receivable	70,075.904	64,169.367	62,670.533
Less: Unearned interests	(6,358.311)	(5,907,409)	(5,810.514)
Allowance for impairment	(1,949.588)	(1,846.027)	(1,887.072)
	<u>61,768.005</u>	<u>56,415.931</u>	<u>54,972.947</u>
Leases receivable (included operating leases)	82,827.684	78,653.219	73,342.489
Less: Unearned revenue	(9,593.644)	(9,809,078)	(9,258.041)
Allowance for impairment	(3,089.364)	(2,637.123)	(2,411.248)
	<u>70,144.676</u>	<u>66,207.018</u>	<u>61,673.200</u>
Loans receivable	38,736.682	33,734.391	31,281.852
Less: Allowance for impairment	(1,024.126)	(889.109)	(895.842)
	<u>37,712.556</u>	<u>32,845.282</u>	<u>30,386.010</u>
<b>Sub-total of current accounts</b>	<u>184,187.633</u>	<u>164,933.842</u>	<u>155,287.497</u>

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
<b>Non-Current</b>			
Accounts receivable	2,436,081	2,652,563	2,354,258
Less: Allowance for impairment	<u>(49,584)</u>	<u>(53,292)</u>	<u>(49,299)</u>
	<u>2,386,497</u>	<u>2,599,271</u>	<u>2,304,959</u>
Installment sales receivable	25,630,805	26,136,991	25,662,594
Less: Unearned interests	<u>(2,234,338)</u>	<u>(2,296,764)</u>	<u>(2,282,438)</u>
Allowance for impairment	<u>(314,393)</u>	<u>(304,723)</u>	<u>(292,299)</u>
	<u>23,082,074</u>	<u>23,535,504</u>	<u>23,087,857</u>
Leases receivable	7,763,405	6,232,235	5,824,642
Less: Unearned revenue	<u>(2,010,089)</u>	<u>(1,685,203)</u>	<u>(1,586,988)</u>
Allowance for impairment	<u>(71,128)</u>	<u>(59,099)</u>	<u>(53,322)</u>
	<u>5,682,188</u>	<u>4,487,933</u>	<u>4,184,332</u>
Loans receivable	3,910,571	2,988,244	2,628,859
Less: Allowance for impairment	<u>(85,434)</u>	<u>(71,849)</u>	<u>(26,269)</u>
	<u>3,825,137</u>	<u>2,916,395</u>	<u>2,602,590</u>
<b>Sub-total of non-current accounts</b>	<u>34,975,896</u>	<u>33,539,103</u>	<u>32,179,738</u>
<b>Total accounts receivable</b>	<u><u>\$ 219,163,529</u></u>	<u><u>198,472,945</u></u>	<u><u>187,467,235</u></u>

1. The movements in allowance for impairment with respect to accounts receivable during the period were as follows:

	<u>For the nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
Opening balance	\$ 6,485,351	5,398,770
Impairment loss recognized	3,482,573	2,891,016
Amounts written off	(2,826,659)	(2,158,626)
Foreign exchange gains	48,032	57,154
Ending balance	<u><u>\$ 7,189,297</u></u>	<u><u>6,188,314</u></u>

2. Receivables 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 (8).



AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

3.The Group's capital leases receivable and related accounts were as follows:

	<b>Gross investment in the leases</b>	<b>Unearned revenue</b>	<b>Present value of minimum leases receivable</b>
September 30, 2015			
Within operating cycle	\$ 82,648,722	(9,593,644)	73,055,078
Beyond one operating cycle to 5 years	5,537,547	(1,038,118)	4,499,429
Over 5 years	<u>2,225,858</u>	<u>(971,971)</u>	<u>1,253,887</u>
	<u><b>\$ 90,412,127</b></u>	<u><b>(11,603,733)</b></u>	<u><b>78,808,394</b></u>
December 31, 2014			
Within operating cycle	\$ 78,562,748	(9,809,078)	68,753,670
Beyond one operating cycle to 5 years	3,959,475	(649,594)	3,309,881
Over 5 years	<u>2,272,760</u>	<u>(1,035,609)</u>	<u>1,237,151</u>
	<u><b>\$ 84,794,983</b></u>	<u><b>(11,494,281)</b></u>	<u><b>73,300,702</b></u>
September 30, 2014			
Within operating cycle	\$ 73,251,894	(9,258,041)	63,993,853
Beyond one operating cycle to 5 years	3,687,132	(612,400)	3,074,732
Over 5 years	<u>2,137,510</u>	<u>(974,588)</u>	<u>1,162,922</u>
	<u><b>\$ 79,076,536</b></u>	<u><b>(10,845,029)</b></u>	<u><b>68,231,507</b></u>

The Group entered into several electricity procurement agreements with Taiwan Power Company(Refer to Note(9) for details of these agreements). Under these agreements, the production of electric power will be only sold to Taiwan Power Company from the day the power plants are put into commercial operation. The average lease term is approximately twenty years.

The electricity procurement agreements mentioned above were accounted for as finance leases under IFRIC 4 "Determining whether an Agreement contains a lease" and IAS 17 "Lease".

4.The future minimum operating leases receivable under non-cancellable leases was analyzed as follows:

	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Within operating cycle	\$ 2,035,292	1,873,886	1,557,433
Beyond one operating cycle to 5 years	2,550,454	2,413,712	1,460,552
Over 5 years	<u>14,317</u>	<u>197,198</u>	<u>18,995</u>
	<u><b>\$ 4,600,063</b></u>	<u><b>4,484,796</b></u>	<u><b>3,036,980</b></u>

(English Translation of Financial Report Originally Issued in Chinese)  
AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE  
GENERALLY ACCEPTED AUDITING STANDARDS.  
**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

5. The Group's installment sales receivable and related accounts were as follows:

	<b>Gross investment in the installment sales</b>	<b>Unearned interests</b>	<b>Present value of installment sales receivable</b>
September 30, 2015			
Within operating cycle	\$ 70,075,904	(6,358,311)	63,717,593
Beyond one operating cycle to 5 years	25,609,052	(2,233,764)	23,375,288
Over 5 years	21,753	(574)	21,179
	<u>\$ 95,706,709</u>	<u>(8,592,649)</u>	<u>87,114,060</u>
December 31, 2014			
Within operating cycle	\$ 64,169,367	(5,907,409)	58,261,958
Beyond one operating cycle to 5 years	26,104,458	(2,295,861)	23,808,597
Over 5 years	32,533	(903)	31,630
	<u>\$ 90,306,358</u>	<u>(8,204,173)</u>	<u>82,102,185</u>
September 30, 2014			
Within operating cycle	\$ 62,670,533	(5,810,514)	56,860,019
Beyond one operating cycle to 5 years	25,628,579	(2,281,453)	23,347,126
Over 5 years	34,015	(985)	33,030
	<u>\$ 88,333,127</u>	<u>(8,092,952)</u>	<u>80,240,175</u>

6. 2014 Securitization

In 2014, the Group securitized its financial assets, consisting of conditional sales receivable, installment sales receivable, and capital leases receivable, with an aggregate carrying amount of \$6,499,797. 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 \$5,465,000 in cash from issuing these beneficiary certificates, resulting in a gain of \$87,457 from this asset securitization. Because the Group acquired all of the subordinated beneficiary certificates, the Group had control over the SPEs. The SPEs are classified as "Investments accounted under equity method. The downstream transactions are eliminated by the difference between the following two amounts.

- 1) The amount received from disposal of financial assets.
- 2) Adjusted book value of disposed financial assets.

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

The SPEs trusts are included in the condensed interim consolidated financial statements and recognized as liabilities for issue amount.

These beneficiary certificates are redeemable for the period from July 24, 2014 to July 24, 2021. 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	5,079,000	5,079,000	1.85 %	Monthly
twA	2nd	386,000	386,000	2.65 %	Monthly
Subordinated	3rd	1,034,797	1,294,462	None	Monthly

(e) Other current assets - others

	2015.9.30	2014.12.31	2014.9.30
Prepayments	\$ 1,716,305	1,383,417	956,963
Prepaid expenses	1,445,491	1,493,040	1,528,596
Foreclosed assets	41,763	65,806	108,468
Others	8,009	317,070	244,645
	<u>\$ 3,211,568</u>	<u>3,259,333</u>	<u>2,838,672</u>

As of September 30, 2015, December 31, 2014 and September 30, 2014, foreclosed assets held by the Group were as follows:

	2015.9.30	2014.12.31	2014.9.30
Foreclosed assets	\$ 63,233	107,426	135,683
Less: Accumulated impairment	(21,470)	(41,620)	(27,215)
	<u>\$ 41,763</u>	<u>65,806</u>	<u>108,468</u>

For the three months and the nine months ended September 30, 2015 and 2014, the Group recognized a gain on reversal of impairment loss (an impairment loss) of \$(6,232), \$(5,161), \$18,211 and \$(8,693), respectively, for foreclosed assets. Certain foreclosed assets were disposed to non related parties and a disposal gain (loss) of \$(19,636), \$583, \$(64,166) and \$583 was recognized thereon for the three months and the nine months ended September 30, 2015 and 2014, respectively.

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THEGENERALLY ACCEPTED AUDITING STANDARDS.**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(f) Investments accounted under equity method**

The financial information of individually non-significant equity method affiliates included in the consolidated financial statements were as follows:

	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Affiliates	<u>\$ 256,825</u>	<u>183,215</u>	<u>157,505</u>
	<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Comprehensive income attributable to owners of parent	<u>\$ (1,917)</u>	<u>(4,474)</u>	<u>(10,106)</u>
			<u>(8,845)</u>

Portion of the investments in associates was provided as collaterals for the issuance of short-term bills payable, as well as long and short-term debts, which were discussed further in Note (8).

**(g) Property, plant and equipment**

The cost, depreciation, and impairment of the property, plant and equipment of the Group as of and for the nine months ended September 30, 2015 and 2014, were as follows:

	<u>Land and buildings</u>	<u>Transportation equipment</u>	<u>Machinery and miscellaneous equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost:					
Balance at January 1, 2015	\$ 3,060,206	8,055,558	1,098,529	125,923	12,340,216
Additions	24,890	2,273,921	418,951	17,767	2,735,529
Reclassification	-	271	-	-	271
Disposals	-	(1,218,078)	(279,752)	(1,721)	(1,499,551)
Effect of movements in exchange rate	23,596	49,036	(4,113)	263	68,782
Balance at September 30, 2015	<u>\$ 3,108,692</u>	<u>9,160,708</u>	<u>1,233,615</u>	<u>142,232</u>	<u>13,645,247</u>
Balance at January 1, 2014	\$ 2,965,915	5,482,214	2,992,112	121,105	11,561,346
Additions	27,261	2,048,717	110,568	4,395	2,190,941
Reclassification	-	1,945	-	-	1,945
Disposals	-	(1,136,485)	(1,980,720)	-	(3,117,205)
Effect of movements in exchange rate	5,127	3,751	12,304	102	21,284
Balance at September 30, 2014	<u>\$ 2,998,303</u>	<u>6,400,142</u>	<u>1,134,264</u>	<u>125,602</u>	<u>10,658,311</u>

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Land and buildings	Transportation equipment	Machinery and miscellaneous equipment	Leasehold improvements	Total
Depreciation and impairment losses:					
Balance at January 1, 2015	\$ 438,336	1,966,842	842,851	94,331	3,342,360
Depreciation for the period	40,778	1,041,913	91,581	9,097	1,183,369
Impairment loss	-	220,871	-	-	220,871
Disposals	-	(733,873)	(260,674)	(1,721)	(996,268)
Effect of movements in exchange rate	1,516	5,773	(3,487)	(72)	3,730
Balance at September 30, 2015	<u>\$ 480,630</u>	<u>2,501,526</u>	<u>670,271</u>	<u>101,635</u>	<u>3,754,062</u>
Balance at January 1, 2014	\$ 384,074	1,586,301	2,322,279	82,325	4,374,979
Depreciation for the period	38,646	762,556	184,354	8,921	994,477
Impairment loss	-	185,862	1,943	-	187,805
Disposals	-	(716,103)	(1,642,740)	-	(2,358,843)
Effect of movements in exchange rate	515	2,889	11,257	73	14,734
Balance at September 30, 2014	<u>\$ 423,235</u>	<u>1,821,505</u>	<u>877,093</u>	<u>91,319</u>	<u>3,213,152</u>
Carrying amounts:					
Balance at January 1, 2015	<u>\$ 2,621,870</u>	<u>6,088,716</u>	<u>255,678</u>	<u>31,592</u>	<u>8,997,856</u>
Balance at September 30, 2015	<u>\$ 2,628,062</u>	<u>6,659,182</u>	<u>563,344</u>	<u>40,597</u>	<u>9,891,185</u>
Balance at January 1, 2014	<u>\$ 2,581,841</u>	<u>3,895,913</u>	<u>669,833</u>	<u>38,780</u>	<u>7,186,367</u>
Balance at September 30, 2014	<u>\$ 2,575,068</u>	<u>4,578,637</u>	<u>257,171</u>	<u>34,283</u>	<u>7,445,159</u>

Recognition and reversal of impairment losses were charged to the cost of rental revenue.

Assets held for lease, which were partially pledged for the Group's long-term debts and short-term debts, were discussed further in Note (8).

(h) Intangible assets

	Goodwill	Software	Total
Carrying amounts:			
Balance at January 1, 2015	<u>\$ 12,680</u>	<u>22,911</u>	<u>35,591</u>
Balance at September 30, 2015	<u>\$ 12,680</u>	<u>31,526</u>	<u>44,206</u>
Balance at January 1, 2014	<u>\$ 3,728</u>	<u>18,884</u>	<u>22,612</u>
Balance at September 30, 2014	<u>\$ 12,680</u>	<u>20,252</u>	<u>32,932</u>

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2015 and 2014. Information on amortization for the period is discussed in Note (12)(b). Please refer to Note (6)(j) of the 2014 annual consolidated financial statements for other related information.

(i) Long-term and short-term borrowings

The significant terms and conditions of long-term borrowings and short-term borrowings were as follows:

2015.9.30				
	Currency	Interest Rate	Year of Maturity	Amount
Secured bank loans	TWD	1.30%~1.65%	2015~2019	\$ 364,623
"	USD	1.50%~4.00%	2015~2017	1,953,976
"	THB	2.20%~4.75%	2015~2018	9,097,000
"	CNY	4.27%~6.76%	2015~2019	16,087,494
"	VND	4.00%~5.50%	2015~2016	1,590,271
Unsecured bank loans	TWD	0.91%~1.97%	2015~2018	86,147,937
"	USD	1.20%~2.95%	2015~2017	22,077,368
"	EUR	1.35%	2015	103,376
"	THB	2.25%~4.70%	2015~2018	6,345,960
"	JPY	1.20%	2015	302,557
"	CNY	4.23%~6.76%	2015~2018	24,551,400
Other unsecured loans	THB	2.30%~2.55%	2015~2016	1,902,768
"	TWD	7.88%	2015	1,662
Notes payable from securitization	TWD	1.85%~2.65%	2019	5,465,000
"	USD	0.82%~0.94%	2030	204,103
Total				<u>\$ 176,195,495</u>
Current				\$ 145,980,840
Non-current				<u>30,214,655</u>
Total				<u>\$ 176,195,495</u>



(English Translation of Financial Report Originally Issued in Chinese)  
**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE  
 GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

2014.12.31				
	Currency	Interest Rate	Year of Maturity	Amount
Secured bank loans	TWD	1.30%~1.65%	2015~2019	\$ 837,802
"	USD	2.00%~4.00%	2015~2017	1,486,428
"	THB	2.80%~4.75%	2015~2017	8,886,730
"	CNY	3.93%~7.69%	2015~2017	14,476,088
"	VND	3.60%~7.50%	2015~2016	1,320,356
Unsecured bank loans	TWD	0.92%~1.97%	2015~2017	73,316,182
"	USD	1.41%~2.92%	2015~2016	18,587,366
"	EUR	1.37%	2015	100,022
"	THB	2.67%~7.38%	2015~2016	7,588,035
"	JPY	1.20%~1.25%	2015~2016	226,890
"	CNY	3.93%~7.69%	2015~2017	19,697,786
Other unsecured loans	THB	2.90%~3.00%	2015	2,570,343
"	TWD	7.83%	2015	7,541
Notes payable from securitization	TWD	1.85%~2.65%	2019	5,465,000
"	USD	0.71%~0.81%	2030	247,556
Total				<u>\$ 154,814,125</u>
Current				\$ 120,561,647
Non-current				<u>34,252,478</u>
Total				<u>\$ 154,814,125</u>

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<b>2014.9.30</b>				
	<b>Currency</b>	<b>Interest Rate</b>	<b>Years of Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.28%~1.60%	2014	\$ 662,863
"	USD	2.16%~4.00%	2014~2017	1,565,748
"	THB	2.67%~4.75%	2014~2017	8,149,763
"	CNY	3.93%~7.69%	2014~2017	13,853,143
"	VND	3.30%~7.00%	2014~2016	1,046,017
Unsecured bank loans	TWD	0.91%~2.00%	2014~2017	72,380,964
"	USD	1.15%~2.92%	2014~2017	16,710,967
"	EUR	1.39%	2014	5,789
"	THB	2.67%~7.51%	2014~2016	8,548,115
"	JPY	1.20%~1.27%	2014~2016	252,456
"	CNY	3.93%~7.69%	2014~2017	20,103,649
Other unsecured loans	THB	2.88%~3.00%	2014~2015	1,763,013
Notes payable from securitization	TWD	1.85%~2.65%	2019	5,465,000
"	USD	0.71%~0.75%	2030	302,624
Total				<u><u>\$ 150,810,111</u></u>
Current				\$ 117,198,267
Non-current				33,611,844
Total				<u><u>\$ 150,810,111</u></u>

For information on the Group's interest risk, currency risk, and liquidity risk, please refers to Note (6)(t). For information on the debts of related parties, please refer to Note (7).

1. Securities for bank loans

Certain assets of the Group which were pledged for the repayment of aforementioned loans were disclosed in Note (8).

2. Financial covenants of significant loans and borrowings

- 1) A subsidiary, Chailease Finance Co., Ltd., entered into several syndicated credit agreements with financial institutions, under which, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. equity ratio, interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

- 2) A subsidiary, Chailease Finance (B.V.I.) Co., Ltd., also entered into several syndicated credit/loan agreements with financial institutions, under which, Chailease Finance Co., Ltd. shall maintain certain financial ratios on balance sheet date. (i.e. equity ratio, interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.
- 3) A subsidiary, Asia Sermkij Leasing Public Co., Ltd., likewise entered into several 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, etc.) Otherwise, the loans are due and payable immediately.
- 4) A subsidiary, Grand Pacific Financing Corp. (California) entered into a syndicated credit agreement with financial institutions, under which, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. interest coverage ratio, tangible net worth, etc.) Otherwise, the loan is due and payable immediately.
- 5) A subsidiary, Fina Finance & Trading 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. current ratio, interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.
- 6) A subsidiary, Chailease International Finance Corporation entered into several credit/loan agreements with financial institutions. Under these agreements, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio, equity ratio, interest coverage ratio, and total risk assets to net assets ratio, overdue leased assets to leased assets ratio, leasing rental recovery ratio, etc.) Otherwise, the loans are due and payable immediately.
- 7) A subsidiary, Chailease Finance International Corp., entered into several credit/loan agreements with financial institutions. Under these agreements, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio, risk assets to net assets ratio, etc.) Otherwise, the loans are due and payable immediately.
- 8) A subsidiary, Chailease International Corp., entered into several credit/loan agreements with financial institutions. Under these agreements, the Company shall maintain certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio, recovery of account receivable, etc.) Otherwise, the loans are due and payable immediately.
- 9) A subsidiary, Chailease Consumer Finance Co., Ltd., entered into several credit/loan agreements with financial institutions, under which, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. current ratio, interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.
- 10) A subsidiary, Chailease International Financial Services Co., Ltd., entered into several credit/loan agreements with financial institutions, under which, Chailease Finance Co., Ltd., shall maintain certain parent only financial ratios on balance sheet date. (i.e. interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

As of December 31, 2014 the Group were in compliance with the financial covenants mentioned above.

(j) Bonds payable

Period	Interest Rate	Principal Amount	Repayment Terms	2015.9.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.058%~ 2.088%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ 400,000	-	None
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000	"	50,000	-	"
2011.01.19~ 2016.01.19	1.958%~ 1.997%	50,000	"	50,000	-	"
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 annually.	2,000,000	-	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	700,000	700,000	"
2014.06.16~ 2019.06.16	1.500%	450,000	"	-	450,000	"
2014.10.30~ 2021.10.30	2.050%	900,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	900,000	"
2014.10.30~ 2024.10.30	2.300%	1,100,000	"	-	1,100,000	"
2015.06.29~ 2020.06.29	1.550%	3,000,000	"	-	3,000,000	"
2014.05.09~ 2016.05.16	3.820%	THB 240,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	218,328	-	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	1,182,610	-	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	90,970	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	-	191,037	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	-	136,455	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	200,134	"

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Period	Interest Rate	Principal Amount	Repayment Terms	2015.9.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2014.07.17~ 2016.07.11	3.790%	THB 215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	195,586	-	None
2014.07.18~ 2017.07.25	4.050%	THB 500,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	454,850	"
2014.07.25~ 2017.08.08	4.050%	THB 320,000	"	-	291,104	"
2014.09.26~ 2017.10.10	3.950%	THB 200,000	"	-	181,940	"
2014.09.26~ 2017.09.25	3.950%	THB 250,000	"	-	227,425	"
2014.09.29~ 2017.09.25	3.950%	THB 100,000	"	-	90,970	"
2014.11.07~ 2016.11.07	3.700%	THB 160,000	"	-	145,552	"
2014.11.10~ 2017.11.10	3.950%	THB 200,000	"	-	181,940	"
2014.11.24~ 2017.12.07	3.850%	THB 130,000	"	-	118,261	"
2014.11.25~ 2016.11.25	3.700%	THB 120,000	"	-	109,164	"
2014.12.03~ 2016.12.07	3.700%	THB 190,000	"	-	172,843	"
2015.01.28~ 2017.01.28	3.600%	THB 300,000	"	-	272,910	"
2015.03.18~ 2018.03.18	3.700%	THB 100,000	"	-	90,970	"
2015.05.14~ 2017.05.15	3.500%	THB 120,000	"	-	109,164	"
2015.06.04~ 2018.06.04	3.400%	THB 300,000	"	-	272,910	"
2015.08.13~ 2018.08.14	3.100%	THB 150,000	"	-	136,455	"
2015.09.03~ 2018.08.28	3.100%	THB 150,000	"	-	136,455	"
Bonds payable (Gross)				4,796,524	9,761,509	
Discounts on bonds payable				(799)	(2,112)	
				<u>\$ 4,795,725</u>	<u>9,759,397</u>	

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Period	Interest Rate	Principal Amount		Repayment Terms	2014.12.31		Collateral
					Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.058%~ 2.088%	400,000		Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ 400,000	-	None
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000		"	50,000	-	"
2011.01.19~ 2016.01.19	1.958%~ 1.997%	50,000		"	50,000	-	"
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 annually.	1,000,000	1,000,000	"
2013.07.22~ 2018.07.22	1.600%	1,400,000		"	-	1,400,000	"
2014.06.16~ 2019.06.16	1.500%	450,000		"	-	450,000	"
2014.10.30~ 2021.10.30	2.050%	900,000		Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	900,000	"
2014.10.30~ 2024.10.30	2.300%	1,100,000		"	-	1,100,000	"
2013.02.22~ 2015.08.21	4.550%	THB	350,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	338,450	-	"
2014.05.09~ 2016.05.16	3.820%	THB	240,000	"	-	232,080	"
2013.06.27~ 2016.06.27	4.500%	THB	1,300,000	"	-	1,257,100	"
2014.04.30~ 2017.04.28	4.150%	THB	100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	96,700	"
2014.05.15~ 2017.06.08	4.100%	THB	210,000	"	-	203,070	"
2014.05.27~ 2017.05.09	4.050%	THB	150,000	"	-	145,050	"
2014.06.27~ 2017.07.10	4.050%	THB	220,000	"	-	212,740	"

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Period	Interest Rate	Principal Amount		Repayment Terms	2014.12.31		Collateral
					Within Operating Cycle	Beyond Operating Cycle	
2014.07.17~ 2016.07.11	3.790%	THB	215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	-	207,905	None
2014.07.18~ 2017.07.25	4.050%	THB	500,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	483,500	"
2014.07.25~ 2017.08.08	4.050%	THB	320,000	"	-	309,440	"
2014.09.26~ 2017.10.10	3.950%	THB	200,000	"	-	193,400	"
2014.09.26~ 2017.09.25	3.950%	THB	250,000	"	-	241,750	"
2014.09.29~ 2017.09.25	3.950%	THB	100,000	"	-	96,700	"
2014.11.07~ 2016.11.07	3.700%	THB	160,000	"	-	154,720	"
2014.11.10~ 2017.11.10	3.950%	THB	200,000	"	-	193,400	"
2014.11.24~ 2017.12.07	3.850%	THB	130,000	"	-	125,710	"
2014.11.25~ 2016.11.25	3.700%	THB	120,000	"	-	116,040	"
2014.12.03~ 2016.12.07	3.700%	THB	190,000	"	-	183,730	"
2012.04.05~ 2015.04.05	5.000%	CNY	750,000	"	3,818,889	-	"
Bonds payable (Gross)					5,657,339	9,303,035	
Discounts on bonds payable					(129)	(3,778)	
					<u>\$ 5,657,210</u>	<u>9,299,257</u>	

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Period	Interest Rate	Principal Amount	Repayment Terms	2014.9.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.058%~ 2.083%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ 400,000	-	None
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000	"	50,000	-	"
2011.01.19~ 2016.01.19	1.958%~ 1.997%	50,000	"	50,000	-	"
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 annually.	1,000,000	1,000,000	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	-	1,400,000	"
2014.06.16~ 2019.06.16	1.500%	450,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	450,000	"
2012.11.09~ 2014.11.10	4.550%	THB 1,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	944,900	-	"
2013.02.22~ 2015.08.21	4.550%	THB 350,000	"	330,715	-	"
2014.05.09~ 2016.05.16	3.820%	THB 240,000	"	-	226,776	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	-	1,228,370	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	94,490	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	-	198,429	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	-	141,735	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	207,878	"
2014.07.17~ 2016.07.11	3.790%	THB 215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	-	203,154	"



(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Period	Interest Rate	Principal Amount	Repayment Terms	2014.9.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2014.07.18~ 2017.07.25	4.050%	THB 500,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	472,450	None
2014.07.25~ 2017.08.08	4.050%	THB 320,000	"	-	302,368	"
2014.09.26~ 2017.10.10	3.950%	THB 200,000	"	-	188,980	"
2014.09.26~ 2017.09.25	3.950%	THB 250,000	"	-	236,225	"
2014.09.29~ 2017.09.25	3.950%	THB 100,000	"	-	94,490	"
2012.04.05~ 2015.04.15	5.000%	CNY 750,000	"	3,700,593	-	"
Bonds payable (Gross)				6,476,208	6,445,345	
Discounts on bonds payable				(280)	(3,465)	
				<u>\$ 6,475,928</u>	<u>6,441,880</u>	

Financial covenants of significant loans and borrowings:

A subsidiary, Chailease Finance (B.V.I.) Co., Ltd., issued three-year CNY bonds in Hong Kong, under which, Chailease Finance Co., Ltd. shall maintain certain consolidated financial ratios on balance sheet date. (i.e. equity ratio, tangible net worth, interest coverage ratio, etc.) Otherwise, the loans are due and payable immediately. The bonds have been paid as of April 5, 2015.

As of December 31, 2014 Chailease Finance Co., Ltd., a subsidiary, was in compliance with the financial covenants mentioned above.

**(k) Operating Leases**

**1. Leases entered into as lessee**

Non-cancellable operating lease payables were as follows:

	2015.9.30	2014.12.31	2014.9.30
Within 1 year	\$ 189,221	241,054	237,794
Beyond 1 year but up to 5 years	544,750	673,384	696,825
Over 5 years	124,000	130,977	169,989
	<u>\$ 857,971</u>	<u>1,045,415</u>	<u>1,104,608</u>

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

(l) Employee benefits

1. Defined benefit plans

Management believes that in prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2014 and 2013.

The Group's pension costs recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Operating costs	\$ 500	536	1,500	1,427
Operating expenses	18,515	18,065	55,664	54,736
Total	<u>\$ 19,015</u>	<u>18,601</u>	<u>57,164</u>	<u>56,163</u>

2. Defined contribution plans

The pension costs incurred from the contributions were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Operating expenses	<u>\$ 43,037</u>	<u>31,516</u>	<u>85,203</u>	<u>71,582</u>

(m) Income taxes

1. Income Tax Expense

The components of income tax were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Total income tax expense from continuing operations	<u>\$ 613,322</u>	<u>685,135</u>	<u>1,859,735</u>	<u>1,960,626</u>

The amount of income tax recognized in other comprehensive income for years was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Foreign currency translation differences for foreign operations	<u>\$ (73,369)</u>	<u>(25,371)</u>	<u>(28,173)</u>	<u>(8,347)</u>

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

(n) Share capital and other equity accounts

Except for the following, there were no significant changes in capital and reserves for the nine months ended September 30, 2015 and 2014. Please refer to Note (6)(p) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

1. Share capital

Due to the capital required for investing in 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 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 September 30, 2015, December 31, 2014 and September 30, 2014, the Company has listed, 2,572,767, 2,612,562, and 2,870,404 units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. Major terms and conditions for GDRs were as follows:

1) Exercise of voting rights

Holders of GDRs may exercise voting rights with respect to the common shares in the manner set out in "Terms and Conditions of the 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-emptive rights and other rights

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

2. Retained earnings

According to its Articles of Association, which was revised through a resolution approved by the stockholders' meeting on May 30, 2014, the Company is required to appropriate earnings every accounting year. The after-tax earnings are initially used to offset cumulative losses, and then a special reserve is appropriated from the remainder. Without necessarily violating the Cayman Islands Companies Law, the Company is able to retain reasonable amount of earnings for Company development. The remaining earnings for each accounting period and the unappropriated retained earnings are distributed according to the stockholders' approval in compliance with the following order of distribution:

- a) between 0.01% and 1% of such remaining amount as employees' bonus for each accounting period;
- b) between 0.01% and 0.1% of such remaining amount as directors' bonus for each accounting period; and

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

According to The ROC Company Act which was amended on May 2015, employee benefits and the rewards of directors were no longer part of earnings distribution. On this regard, the Company will amend its articles association before the deadline which was set by the authorities.

**Earnings distribution**

For the three months and the nine months ended September 30, 2014, the Company accrued employee benefits of \$286 and \$769, and the board of directors' remuneration of \$1,525 and \$4,100, respectively. These amounts were estimated from the Group's net profit attributed to owners of parent for the three months and nine months ended September 30, 2014, according to the earnings allocation method, priority and factor for employee benefits and the board of directors' remuneration as stated under the Articles of Association. These benefits were charged to profit or loss under operating expense for the three months and nine months ended September 30, 2014.

In its financial statements for the years 2014 and 2013, the Company accrued employee benefits of \$1,024 and \$882, and the board of directors' remuneration of \$5,460 and \$4,706, respectively. There were no differences between the actual distributions of 2014 and 2013 earnings in 2015 and 2014 and those which were estimated and accrued in the financial statements for both periods.

During their meetings on May 28, 2015 and May 30, 2014, the stockholders approved to distribute the 2014 and 2013 earnings, respectively. These earnings were distributed as dividends as follows:

	<b>2014</b>		<b>2013</b>	
	<b>Dividend per share (\$)</b>	<b>Amount</b>	<b>Dividend per share (\$)</b>	<b>Amount</b>
Dividends distributed to common shareholders				
Cash	\$ 2.80	3,067,157	2.00	1,991,661
Stock	0.40	438,166	1.00	995,830
Total		<u>\$ 3,505,323</u>		<u>2,987,491</u>

The information before 2014 earning distribution of the Company's earnings had been announced through the Market Observation Post System on the internet.

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE****GENERALLY ACCEPTED AUDITING STANDARDS.****CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(o) Earnings per share**

The basic and diluted earnings per share were calculated as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Profit attributable to common stockholders of the Company	\$ <u>1,731,694</u>	<u>1,905,870</u>	<u>5,148,125</u>	<u>5,124,667</u>
Weighted average number of ordinary shares	\$ <u>1,139,230</u>	<u>1,139,230</u>	<u>1,139,230</u>	<u>1,139,230</u>
Weighted average number of ordinary shares (Diluted)	\$ <u>1,139,256</u>	<u>1,139,248</u>	<u>1,139,256</u>	<u>1,139,248</u>

Note: Potential ordinary shares have no dilutive effects.

**(p) Employee and board of directors compensation**

For the three months and the nine months ended September 30, 2015, compensation for employees and the board of directors amounted to \$256, \$1,197, \$772 and \$3,604, respectively. These amounts were calculated using the Company's profit before tax for the periods described above, and were determined according to the earnings allocation method, priority and factor for employee benefits and the board of directors' remuneration as stated under the Company's Articles of Association. These compensation costs are charged to profit or loss. According to management, the difference between the actual amounts of employee compensation and estimated employee compensation, if any, will be treated as a changes in accounting estimates and adjusted in profit or loss in the following year.

**(q) Net other income and expenses**

The details of net other income and expenses were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Gain (loss) on disposal of foreclosed assets	\$ (19,636)	583	(64,166)	583
Gain (loss) on reversal of impairment loss of foreclosed assets	(6,232)	(5,161)	18,211	(8,693)
Gain on doubtful debt recoveries	37,490	34,688	122,170	109,258
Others	(2)	234	106	234
	\$ <u>11,620</u>	<u>30,344</u>	<u>76,321</u>	<u>101,382</u>

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

(r) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Foreign exchange gains (losses)	\$ 30,854	(5,869)	13,507	(6,905)
Net gains on disposal of property, plant, and equipment	900	21	2,024	2,118
Net gains on disposal of available-for-sale financial assets	-	-	114,600	39,881
Net gains (losses) on valuation of financial assets (liabilities) measured at fair value through profit or loss	(16,280)	89,103	(19,203)	36,095
Impairment losses on available-for-sale financial assets	-	-	(30)	-
Others	80,423	290,108	437,174	659,057
	<u>\$ 95,897</u>	<u>373,363</u>	<u>548,072</u>	<u>730,246</u>

(s) Adjustments to other comprehensive income

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Available-for-sale financial assets				
Net change in fair value	\$ (38,786)	31,670	(40,542)	(94,256)
Net change in fair value reclassified to profit or loss	-	-	836	(38,540)
Net change in fair value recognized in other comprehensive income	<u>\$ (38,786)</u>	<u>31,670</u>	<u>(39,706)</u>	<u>(132,796)</u>

(t) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group. As of September 30, 2015, December 31, 2014 and September 30, 2014, the Group's maximum exposure to credit risks amounted to \$259,013,975, \$237,672,494 and \$227,460,915, respectively.

The non-performing loans (net of allowance for doubtful accounts) amounted to \$167,048, \$210,194 and \$226,125 as of September 30, 2015, December 31, 2014 and September 30, 2014, respectively.

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

The loans and receivables originated by the Group and their related allowance for impairment at the reporting date by geographic location were as follows:

	<u>Taiwan</u>	<u>Thailand</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
<b><u>September 30, 2015</u></b>					
<b>Gross loans and receivables:</b>					
Neither past due nor impaired	\$ 114,859,838	23,452,543	70,354,993	5,697,492	214,364,866
Past due	180,983	-	-	291,572	472,555
Impaired	<u>3,163,776</u>	<u>3,582,164</u>	<u>4,101,340</u>	<u>401,908</u>	<u>11,249,188</u>
	<u><b>\$118,204,597</b></u>	<u><b>27,034,707</b></u>	<u><b>74,456,333</b></u>	<u><b>6,390,972</b></u>	<u><b>226,086,609</b></u>
<b>Allowance for impairment</b>					
Collectively assessed	\$ 1,401,081	370,402	1,476,041	379,969	3,627,493
Individually assessed	<u>1,200,184</u>	<u>297,685</u>	<u>1,736,878</u>	<u>227,888</u>	<u>3,462,635</u>
	<u><b>\$ 2,601,265</b></u>	<u><b>668,087</b></u>	<u><b>3,212,919</b></u>	<u><b>607,857</b></u>	<u><b>7,090,128</b></u>
<b><u>December 31, 2014</u></b>					
<b>Gross loans and receivables:</b>					
Neither past due nor impaired	\$ 98,780,352	25,084,959	66,283,452	4,384,331	194,533,094
Past due	117,518	-	-	178,836	296,354
Impaired	<u>2,506,388</u>	<u>3,392,786</u>	<u>3,545,628</u>	<u>413,946</u>	<u>9,858,748</u>
	<u><b>\$101,404,258</b></u>	<u><b>28,477,745</b></u>	<u><b>69,829,080</b></u>	<u><b>4,977,113</b></u>	<u><b>204,688,196</b></u>
<b>Allowance for impairment</b>					
Collectively assessed	\$ 1,151,027	317,347	1,299,025	353,968	3,121,367
Individually assessed	<u>1,347,087</u>	<u>279,503</u>	<u>1,461,598</u>	<u>215,890</u>	<u>3,304,078</u>
	<u><b>\$ 2,498,114</b></u>	<u><b>596,850</b></u>	<u><b>2,760,623</b></u>	<u><b>569,858</b></u>	<u><b>6,425,445</b></u>
<b><u>September 30, 2014</u></b>					
<b>Gross loans and receivables:</b>					
Neither past due nor impaired	\$ 93,671,290	24,503,345	61,530,216	4,173,579	183,878,430
Past due	131,089	-	-	181,720	312,809
Impaired	<u>2,405,735</u>	<u>3,093,818</u>	<u>3,199,127</u>	<u>477,666</u>	<u>9,176,346</u>
	<u><b>\$ 96,208,114</b></u>	<u><b>27,597,163</b></u>	<u><b>64,729,343</b></u>	<u><b>4,832,965</b></u>	<u><b>193,367,585</b></u>
<b>Allowance for impairment</b>					
Collectively assessed	\$ 1,213,584	307,339	1,214,719	317,578	3,053,220
Individually assessed	<u>1,219,784</u>	<u>287,143</u>	<u>1,318,767</u>	<u>247,561</u>	<u>3,073,255</u>
	<u><b>\$ 2,433,368</b></u>	<u><b>594,482</b></u>	<u><b>2,533,486</b></u>	<u><b>565,139</b></u>	<u><b>6,126,475</b></u>

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

**2) Loans and receivables which were neither past due nor impaired**

The credit quality of the portfolio of loans and receivables that were neither past due nor impaired includes loans and receivables with renegotiated terms.

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Renegotiating activity is designed to manage customer relationships, maximize collection opportunities and if possible, avoid foreclosure or repossession. Such activities include extended payment arrangements, approved external debt management plans, deferring foreclosure, modification, loan rewrites and/or deferral of payments pending a change in circumstances. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

**3) Loans and receivables which were past due**

The results of the Group's review disclosed that the level of collateral pledged by customers exceed the carrying amounts of these past due loans and receivables so that no impairment loss incurred.

The following table sets forth the aging of past due loans and receivables:

	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Past due up to 30 days	\$ 248,912	210,027	193,186
31 to 90 days	223,643	86,327	24,814
91 to 180 days	-	-	94,809
	<u>\$ 472,555</u>	<u>296,354</u>	<u>312,809</u>

**4) Impaired loans and receivables**

Impaired loans and receivables are loans and receivables for which the Group determine that it will be unable to collect part of principal and interest due according to the contracted terms of the loans and receivables.



(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

**2. Liquidity risks**

The following are the contractual maturities of financial liabilities of the Group, including estimated interest payments and excluding the impact of netting arrangements:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>On demand</u>
<b>September 30, 2015</b>								
<b>Non-derivative financial liabilities</b>								
Secured bank loans	\$ 29,093,364	31,010,355	4,103,693	2,683,582	10,020,421	14,202,659	-	-
Unsecured bank loans	139,528,598	143,044,609	50,341,429	19,237,925	32,271,435	41,193,820	-	-
Other unsecured loans	1,904,430	1,912,942	521,809	874,423	516,710	-	-	-
Notes payable from securitization	5,669,103	6,036,405	8,842	17,684	79,575	5,707,072	223,232	-
Bonds payables	14,555,122	15,620,468	47,522	455,022	2,943,794	10,010,730	2,163,400	-
Other payables	6,189,647	7,674,264	3,975,020	337,919	2,082,351	855,397	-	423,577
Deposits relating to collateral of customers	24,981,097	24,998,483	327,563	604,298	5,321,420	18,108,576	-	636,626
	<u>\$ 221,921,361</u>	<u>230,297,526</u>	<u>59,325,878</u>	<u>24,210,853</u>	<u>53,235,706</u>	<u>90,078,254</u>	<u>2,386,632</u>	<u>1,060,203</u>
<b>December 31, 2014</b>								
<b>Non-derivative financial liabilities</b>								
Bank overdraft	\$ 7,913	7,913	-	-	-	-	-	7,913
Secured bank loans	27,007,404	27,589,820	2,963,808	1,548,762	9,486,254	13,590,996	-	-
Unsecured bank loans	119,508,368	120,556,771	35,117,657	22,153,946	26,064,880	37,220,288	-	-
Other unsecured loans	2,577,884	2,593,299	320,165	1,338,505	934,629	-	-	-
Notes payable from securitization	5,712,556	6,161,043	8,850	17,701	79,652	5,785,623	269,217	-
Bonds payables	14,956,467	15,954,622	13,780	36,821	4,815,208	8,925,413	2,163,400	-
Other payables	5,850,340	5,850,978	3,932,919	828,760	592,150	347	-	496,802
Deposits relating to collateral of customers	22,114,780	22,347,787	458,034	739,035	5,663,802	14,868,608	-	618,308
<b>Derivative financial liabilities</b>								
Derivative instruments not used for hedging	769	769	-	-	-	769	-	-
	<u>\$ 197,736,481</u>	<u>201,063,002</u>	<u>42,815,213</u>	<u>26,663,530</u>	<u>47,636,575</u>	<u>80,392,044</u>	<u>2,432,617</u>	<u>1,123,023</u>

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Carrying amount	Contractual cash flows	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	On demand
<b>September 30, 2014</b>								
<b>Non-derivative financial liabilities</b>								
Bank overdraft	\$ 113,197	113,197	-	-	-	-	-	113,197
Secured bank loans	25,277,534	25,871,049	3,947,011	2,401,659	6,890,255	12,632,124	-	-
Unsecured bank loans	117,888,743	119,110,244	36,897,657	18,734,693	26,231,438	37,246,456	-	-
Other unsecured loans	1,763,013	1,775,467	259,847	784,267	731,353	-	-	-
Notes payable from securitization	5,767,624	5,803,916	189	378	1,700	5,474,066	327,583	-
Bonds payables	12,917,808	13,511,039	4,245	993,035	4,224,034	8,289,725	-	-
Other payables	5,138,392	5,139,721	2,716,123	444,540	1,187,817	374	-	790,867
Deposits relating to collateral of customers	21,032,867	21,069,748	461,994	608,585	5,903,880	13,398,953	467	695,869
	<u>\$ 189,899,178</u>	<u>192,394,381</u>	<u>44,287,066</u>	<u>23,967,157</u>	<u>45,170,477</u>	<u>77,041,698</u>	<u>328,050</u>	<u>1,599,933</u>

The Group are not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

**3. Currency risks**

**1) Exposure to currency risks**

The Group's significant exposure to foreign currency risks was as follows:

<b>2015.9.30</b>					
	Foreign currency (In thousands)		Exchange rate		Functional currency
<b>Financial assets</b>					
<b>Monetary items</b>					
USD	\$	5,100.24	USD : TWD	32.8700	167,645
		7,540.82	USD : VND	23,395	247,867
CNY		6,798.00	CNY : USD	0.1575	35,186
<b>Financial liabilities</b>					
<b>Monetary items</b>					
USD	\$	72,522.07	USD : TWD	32.8700	2,383,800
		5,346.00	USD : VND	23,395	175,709

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE  
GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

		2014.12.31		
		Foreign currency (In thousand)	Exchange rate	Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	3,267.05	USD : TWD 31.6500	103,402
		7,615.68	USD : VND 22,056	241,036
CNY		2,544.70	CNY : USD 0.1609	12,958
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		68,518.56	USD : TWD 31.6500	2,168,612
		6,164.55	USD : VND 22,056	195,108
CNY		750,000.00	CNY : USD 0.1609	3,819,000
		2014.9.30		
		Foreign currency (In thousands)	Exchange rate	Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	2,919.98	USD : TWD 30.4200	88,826
		7,333.77	USD : VND 21,963	223,093
JPY		120,400.85	JPY : TWD 0.2780	33,471
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$	88,008.95	USD : TWD 30.4200	2,677,232
		5,771.00	USD : VND 21,963	175,554
CNY		750,000.00	CNY : USD 0.1622	3,700,593

**2) Sensitivity analysis**

The Group's exposure to foreign currency risk arises from foreign currency exchange fluctuations on cash and cash equivalents, account receivables, and loans and borrowings. A 5% depreciation or appreciation of the TWD against the USD and CNY on balance sheet date would have decreased or increased the net profit after tax by \$2,512 and \$11,162, for the nine months ended September 30, 2015 and 2014, respectively. Such analysis was performed on the same basis for both periods.

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE****GENERALLY ACCEPTED AUDITING STANDARDS.****CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****3) The Foreign Currency Gain or Loss on Monetary Items**

Since the Company uses multiple functional currencies, the amounts for foreign currency gain or loss are consolidated for presentation. For the nine months ended September 30, 2015 and 2014, the foreign currency gain or loss, including realized and unrealized, amounted to \$13,507 of gain and \$6,905 of loss, respectively.

**4. Interest analysis**

The Group's financial assets and financial liabilities with interest rate exposure risk were as follows:

Ending balance as of September 30, 2015	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	1.15 %	\$ 10,488,396	8,118,120	750,916	-	-	1,619,360
Debt securities	5.80 %	10,169,250	699,443	5,638,584	3,831,223	-	-
Total accounts receivables	10.12 %	226,352,826	28,352,517	108,368,260	78,454,935	1,238,712	9,938,402
Cross currency swap contracts	1.53 %	110,665	110,665	-	-	-	-
Interest rate swap contract	1.01 %	6,376	6,376	-	-	-	-
		247,127,513	37,287,121	114,757,760	82,286,158	1,238,712	11,557,762
Financial liabilities							
Secured bank loans	4.98 %	29,093,364	17,939,603	5,610,584	5,543,177	-	-
Unsecured bank loans	2.46 %	139,528,598	83,879,724	40,995,241	14,653,633	-	-
Bonds payables	2.52 %	14,555,122	500,000	2,595,725	9,459,397	2,000,000	-
Other unsecured loans	2.37 %	1,904,430	-	1,904,430	-	-	-
Notes payable from securitization	1.87 %	5,669,103	204,103	-	5,465,000	-	-
Deposits relating to collateral of customers	0.28 %	24,981,097	-	2,274,384	4,617,499	-	18,089,214
		215,731,714	102,523,430	53,380,364	39,738,706	2,000,000	18,089,214
Net exposure		\$ 31,395,799	(65,236,309)	61,377,396	42,547,452	(761,288)	(6,531,452)

Ending balance as of December 31, 2014	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	1.69 %	\$ 8,338,117	6,052,982	713,754	-	-	1,571,381
Debt securities	6.19 %	9,841,879	710,059	4,577,469	4,554,351	-	-
Total accounts receivables	10.39 %	204,958,296	23,380,889	97,512,314	73,687,255	1,184,436	9,193,402
Cross currency swap contracts	1.68 %	66,495	66,495	-	-	-	-
		223,204,787	30,210,425	102,803,537	78,241,606	1,184,436	10,764,783

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Ending balance as of December 31, 2014	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Financial liabilities							
Secured bank loans	5.67 %	27,007,404	17,256,211	4,786,967	4,964,226	-	-
Unsecured bank loans	2.64 %	119,508,368	62,886,707	45,360,961	11,260,700	-	-
Bonds payables	3.71 %	14,956,467	500,000	4,157,210	8,299,257	2,000,000	-
Bank overdraft	7.50 %	7,913	7,913	-	-	-	-
Other unsecured loans	2.93 %	2,577,884	-	2,577,884	-	-	-
Notes payable from securitization	1.86 %	5,712,556	247,556	-	5,465,000	-	-
Deposits relating to collateral of customers	0.64 %	22,114,780	-	2,090,956	3,240,707	-	16,783,117
Interest rate swap contracts	0.94 %	3,589	3,589	-	-	-	-
		191,888,961	80,901,976	58,973,978	33,229,890	2,000,000	16,783,117
Net exposure		\$ 31,315,826	(50,691,551)	43,829,559	45,011,716	(815,564)	(6,018,334)

Ending balance as of September 30, 2014	Effective interest rate	Fixed rate					
		Total	Floating rate	Within 1 year	1-5 years	More than 5 years	Non-interest bearing
Financial assets							
Cash and cash equivalents	0.87 %	\$ 9,655,671	8,053,297	373,240	-	-	1,229,134
Debt securities	6.12 %	9,560,596	789,596	2,428,255	6,342,745	-	-
Total accounts receivables	11.51 %	193,655,549	21,677,351	91,970,267	69,753,906	1,179,429	9,074,596
Cross currency swap contracts	0.96 %	39,634	39,634	-	-	-	-
Interest rate swap contract	0.73 %	2,705	2,705	-	-	-	-
		<u>212,914,155</u>	<u>30,562,583</u>	<u>94,771,762</u>	<u>76,096,651</u>	<u>1,179,429</u>	<u>10,303,730</u>
Financial liabilities							
Secured bank loans	5.70 %	25,277,534	15,294,810	4,499,935	5,482,789	-	-
Unsecured bank loans	2.71 %	117,888,743	66,898,487	39,673,415	11,316,841	-	-
Bonds payables	3.98 %	12,917,808	500,000	5,975,928	6,441,880	-	-
Bank overdraft	7.50 %	113,197	113,197	-	-	-	-
Other unsecured loans	2.93 %	1,763,013	-	1,763,013	-	-	-
Notes payable from securitization	1.85 %	5,767,624	302,624	-	-	5,465,000	-
Deposits relating to collateral of customers	0.64 %	21,032,867	-	2,340,222	2,836,227	-	15,856,418
		<u>184,760,786</u>	<u>83,109,118</u>	<u>54,252,513</u>	<u>26,077,737</u>	<u>5,465,000</u>	<u>15,856,418</u>
Net exposure		\$ 28,153,369	(52,546,535)	40,519,249	50,018,914	(4,285,571)	(5,552,688)

The Group's sensitivity analysis in interest rates is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group's accounting and financial department reported that the increases or decreases in interest rates and the change in interest rate of 25 basis points has been determined as management's benchmark in assessing the reasonableness of the changes in the interest rates.

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE****GENERALLY ACCEPTED AUDITING STANDARDS.****CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

If the interest rate increases or decreases by 0.25%, the Group's net profit will decrease or increase by \$134,856 and \$145,352 for the nine months ended September 30, 2015 and 2014, respectively. This analysis assumes that all other variables remain constant.

**5. Fair value information****1) The Categories and Fair Values of Financial Instruments**

The carrying amount and the fair value of the Group's financial assets and financial liabilities (including fair value hierarchy information; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required.) are as follows:

	September 30, 2015				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value though profit or loss</b>					
Financial assets held for trading	\$ 106,649	76,119	30,530	-	106,649
Financial assets at fair value though profit or loss	699,443	-	-	699,443	699,443
Sub-total	806,092	76,119	30,530	699,443	806,092
<b>Hedging of derivative financial assets</b>	86,511	-	86,511	-	86,511
<b>Available-for-sale financial assets</b>					
Domestic and foreign market (OTC) stocks	1,218,433	182,303	1,036,130	-	1,218,433
Measure the fair value of unquoted equity instruments	505,465	-	-	505,465	505,465
Sub-total	1,723,898	182,303	1,036,130	505,465	1,723,898
<b>Held-to-maturity investments</b>	9,469,807	-	-	-	-
<b>Loan and receivable</b>					
Cash and cash equivalents	10,488,396	-	-	-	-
Accounts receivable	219,163,529	-	-	-	-
Other financial assets	1,586,081	-	-	-	-
Refundable deposits	943,773	-	-	-	-
Restricted bank deposits	3,103,251	-	-	-	-
Sub-total	235,285,030	-	-	-	-
Total	\$ 247,371,338	258,422	1,153,171	1,204,908	2,616,501

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

		September 30, 2015				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
<b>Measurement of financial liabilities at amortized cost</b>						
Secured bank borrowings	\$	29,093.364	-	-	-	-
Unsecured bank loans		139,528.598	-	-	-	-
Unsecured other loans from financial institutions		1,904.430	-	-	-	-
Notes payable from securitization		5,669,103	-	-	-	-
Bonds payable		14,555,122	-	-	-	-
Accounts payable		6,189,647	-	-	-	-
Guarantee deposits		24,981,097	-	-	-	-
Total	\$	<u>221,921,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2014				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>						
Financial assets held for trading	\$	205,992	177,256	28,736	-	205,992
Financial assets at fair value through profit or loss		<u>710,059</u>	<u>-</u>	<u>-</u>	<u>710,059</u>	<u>710,059</u>
Sub-total		<u>916,051</u>	<u>177,256</u>	<u>28,736</u>	<u>710,059</u>	<u>916,051</u>
<b>Hedging of derivative financial assets</b>						
		<u>37,759</u>	<u>-</u>	<u>37,759</u>	<u>-</u>	<u>37,759</u>
<b>Available-for-sale financial assets</b>						
Domestic and foreign market (OTC) stocks		1,052,668	40,427	1,012,241	-	1,052,668
Measure the fair value of unquoted equity instruments		<u>517,217</u>	<u>-</u>	<u>-</u>	<u>517,217</u>	<u>517,217</u>
Sub-total		<u>1,569,885</u>	<u>40,427</u>	<u>1,012,241</u>	<u>517,217</u>	<u>1,569,885</u>
<b>Held-to-maturity investments</b>						
		<u>9,131,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loan and receivable</b>						
Cash and cash equivalents		8,338,117	-	-	-	-
Accounts receivable		198,472,945	-	-	-	-
Other financial assets		1,458,092	-	-	-	-
Refundable deposits		799,339	-	-	-	-
Restricted bank deposits		<u>2,200,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total		<u>211,268,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$	<u>222,924,395</u>	<u>217,683</u>	<u>1,078,736</u>	<u>1,227,276</u>	<u>2,523,695</u>

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	December 31, 2014				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities fair value though profit or loss</b>					
Financial liabilities held for trading	\$ 769	-	769	-	769
<b>Hedging of derivative financial liabilities</b>	2,820	-	2,820	-	2,820
<b>Measurement of financial liabilities at amortized cost</b>					
Bank overdrafts	7,913	-	-	-	-
Secured bank borrowings	27,007,404	-	-	-	-
Unsecured bank loans	119,508,368	-	-	-	-
Unsecured other loans from financial institutions	2,577,884	-	-	-	-
Notes payable from securitization	5,712,556	-	-	-	-
Bonds payable	14,956,467	-	-	-	-
Accounts payable	5,850,340	-	-	-	-
Guarantee deposits	22,114,780	-	-	-	-
Sub-total	197,735,712	-	-	-	-
<b>Total</b>	<b>\$ 197,739,301</b>	<b>-</b>	<b>3,589</b>	<b>-</b>	<b>3,589</b>
	September 30, 2014				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value though profit or loss</b>					
Financial assets held for trading	\$ 221,841	200,106	21,735	-	221,841
Financial assets at fair value though profit or loss	789,596	-	-	789,596	789,596
Sub-total	1,011,437	200,106	21,735	789,596	1,011,437
<b>Hedging of derivative financial assets</b>	20,604	-	20,604	-	20,604
<b>Available-for-sale financial assets</b>					
Domestic and foreign market (OTC) stocks	1,066,458	46,233	1,020,225	-	1,066,458
Measure the fair value of unquoted equity instruments	518,100	-	-	518,100	518,100
Sub-total	1,584,558	46,233	1,020,225	518,100	1,584,558
<b>Held-to-maturity investments</b>	8,771,000	-	-	-	-
<b>Loan and receivable</b>					
Cash and cash equivalents	9,655,671	-	-	-	-
Accounts receivable	187,467,235	-	-	-	-
Other financial assets	2,026,713	-	-	-	-
Refundable deposits	648,097	-	-	-	-
Restricted bank deposits	3,050,232	-	-	-	-
Sub-total	202,847,948	-	-	-	-
<b>Total</b>	<b>\$ 214,235,547</b>	<b>246,339</b>	<b>1,062,564</b>	<b>1,307,696</b>	<b>2,616,599</b>



(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

		September 30, 2014				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
<b>Measure of financial liabilities at amortized cost using</b>						
Bank overdrafts	\$	113,197	-	-	-	-
Secured bank borrowings		25,277,534	-	-	-	-
Unsecured bank loans		117,888,743	-	-	-	-
Unsecured other loans from financial institutions		1,763,013	-	-	-	-
Notes payable from securitization		5,767,624	-	-	-	-
Bonds payable		12,917,808	-	-	-	-
Accounts payable		5,138,392	-	-	-	-
Guarantee deposits		21,032,867	-	-	-	-
Total	\$	189,899,178	-	-	-	-

**2) Valuation Techniques for Financial Instruments not Measured at Fair Value**

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

**A. Held-to-Maturity Financial Assets**

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

**B. Debt Investment that Has No Active Markets and Financial Liabilities Measured at Amortized Cost**

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

**3) Valuation Techniques for Financial Instruments Measured at Fair Value**

**A. Non-derivative Financial Instruments**

If quoted prices in active markets are available, the prices are established as fair values. For the Company's financial instruments that have no active markets, the fair values are determined as follows:

**Beneficiary Certificate that Has No Quoted Prices:** The discounted cash flow model is used to estimate fair values. The main assumption for the model is to discount expected future cash flows by using a discount rate that reflects the time value of money and risks.

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THEGENERALLY ACCEPTED AUDITING STANDARDS.**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Equity Instrument that Has No Quoted Prices: The net asset value method is used to estimate fair values. The main assumption for the model is to use the net asset value per share as the measuring basis.

**B. Derivative Financial Instruments**

Derivative financial instruments are measured by using common valuation models such as discounted cash flow model and Black-Scholes model.

**4) Change in Level 3 of the fair value's ledger**

	<u>At fair value through profit or loss Designated at initial recognition</u>	<u>Available-for-sale financial assets Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2015	\$ 710,059	517,217	1,227,276
Total gains and losses recognized:			
In profit or loss	(10,616)	-	(10,616)
In other comprehensive income	-	(11,752)	(11,752)
Ending balance, September 30, 2015	<u>\$ 699,443</u>	<u>505,465</u>	<u>1,204,908</u>
Opening balance, January 1, 2014	\$ 1,699,947	517,685	2,217,632
Total gains and losses recognized:			
In profit or loss	(15,247)	-	(15,247)
In other comprehensive income	-	415	415
Disposal	(895,104)	-	(895,104)
Ending balance, September 30, 2014	<u>\$ 789,596</u>	<u>518,100</u>	<u>1,307,696</u>

For the three months and nine months ended September 30, 2015 and 2014, total gains and losses arising from the valuation of investments under Level 3 of the fair value hierarchy that were included in "other gains and losses" and "unrealized gains and losses on available-for-sale financial assets" were as follows:

	<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Total gains and losses recognized :				
In profit or loss, and included "other gains and losses"	\$ (3,440)	(2,221)	(10,616)	(41,861)
In other comprehensive income, and included "unrealized gains and losses on available-for-sale financial assets"	6,845	(6,291)	(11,752)	415

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THEGENERALLY ACCEPTED AUDITING STANDARDS.**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****5) The Quantified Information for Significant Unobservable Inputs (Level 3) Used in Fair Value Measurement**

The Company's financial instruments that use Level 3 inputs to measure fair values include financial assets measured at fair value through profit or loss-subordinated beneficiary certificate and available-for-sale financial assets-equity investments. Most of these financial instruments using Level 3 inputs to measure fair values have only one significant unobservable input, except that the subordinated beneficiary certificate has multiple significant unobservable inputs. For subordinated beneficiary certificate that has no active markets, the significant unobservable inputs are independent and therefore unrelated.

Quantified information of significant unobservable inputs as follows:

<u>Item</u>	<u>Valuation Technique</u>	<u>Significant Non-observable Input</u>	<u>The Relationship between Significant Non-observable Input and Fair Value</u>
Financial assets measured at fair value through profit or loss - subordinated beneficiary certificate	Discounted Cash Flow Method	<ul style="list-style-type: none"> <li>Expected Asset Repayment Rate (21.18% on September 30, 2015)</li> <li>Expected Loss Given Default Rate (5.76% on September 30, 2015)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the expected asset repayment rate, the higher the fair value.</li> <li>The lower the expected loss given default rate, the higher the fair value.</li> </ul>
Available-for-sale financial Net Asset Value Method assets-equity investments		• Net Asset Value	• Not applicable

**6) Sensitivity Analysis for Fair Values of Financial Instruments Using Level 3 Inputs**

Management believes their fair value measurement on financial instruments is reasonable. However, the measurement would differ if different valuation models or valuation parameters are used. For financial instruments using Level 3 inputs, if the valuation parameters are changed, the impact on net income or loss and other comprehensive income or loss are as follows:

	<u>Input</u>	<u>Variation</u>	<u>Impact or Fair Value Change on Net income or loss</u>		<u>Impact of Fair Value Change on Other Comprehensive income or loss</u>	
			<u>Favorable Change</u>	<u>Unfavorable Change</u>	<u>Favorable Change</u>	<u>Unfavorable Change</u>
<b>September 30, 2015</b>						
Financial asset at fair value through profit or loss - subordinated beneficiary certificate	Expects Asset Repayment Rate	10%	\$ <u>1,428</u>	<u>(1,428)</u>	<u>-</u>	<u>-</u>
"	Expected Loss Given Default Rate	10%	\$ <u>8,035</u>	<u>(8,035)</u>	<u>-</u>	<u>-</u>

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Input	Variation	Impact or Fair Value Change on Net income or loss		Impact of Fair Value Change on Other Comprehensive income or loss	
			Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change
September 30, 2014						
Financial asset at fair value through profit or loss - subordinated beneficiary certificate	Expects Asset Repayment Rate	10%	\$ 16,114	(16,114)	-	-
"	Expected Loss Given Default Rate	10%	\$ 22,885	(22,885)	-	-

The favorable change and unfavorable change refer to the fluctuation of fair value. The fair value is calculated based on different levels of unobservable inputs. The table above shows the impact of a single input. Therefore, the relations and variations between inputs are not considered.

## (u) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note (6)(v) of the consolidated financial statements for the year ended December 31, 2014.

## (v) Capital Management

Management believes that the objectives, policies and processes of capital management of the Group have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2014. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2014. Please refer to Note (6)(w) of the consolidated financial statements for the year ended December 31, 2014 for further details.

**(7) Related Party Transactions**

## (a) Related-party transactions

## 1. Operating revenue

Operating revenue of the Group from the related parties were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Affiliates	\$ 53,791	15,462	148,816	52,537

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE****GENERALLY ACCEPTED AUDITING STANDARDS.****CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****2. Receivables from related parties**

Receivables of the Group from related parties were as follows :

<u>Account</u>	<u>Category of related party</u>	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Capital leases receivable	Affiliates	\$ 201	435	493
Accounts receivable	Affiliates	1,497	6,723	1,384
Other receivables	Affiliates	17,037	13,138	280,367
Other current financial assets	Affiliates	1,000	1,000	1,000
Other non-current financial assets	Affiliates	13,100	5,100	5,100
		<u>\$ 32,835</u>	<u>26,396</u>	<u>288,344</u>

**3. Payable to related parties**

Payable of the Group from related parties were as follows :

<u>Account</u>	<u>Category of related party</u>	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Other current financial liabilities	Affiliates	\$ 581	3,275	56,739

**4. Asset transactions**

The Group purchased leasehold improvements and other non-current assets from affiliates of \$116,224 and \$3,904 for the nine months ended September 30, 2015 and 2014, respectively.

**5. Related-Party Financing**

Financing to related parties was as follows :

	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Affiliates	\$ 104,121	349,409	335,831

The loans receivable bear interest at rates ranging from 3.23% to 4.00%. As of September 30, 2015, December 31, 2014 and September 30, 2014, interest receivable from the loans receivable from affiliates amounted to \$9,565, \$7,935 and \$6,930, respectively. For the three months and the nine months ended September 30, 2015 and 2014, interest revenue from the loans receivable from affiliates amounted to \$1,100, \$2,909, \$6,641 and \$8,835, respectively.

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THEGENERALLY ACCEPTED AUDITING STANDARDS.**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2015 and 2014****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****6. Interest bearing borrowings**

Borrowings of the Group from related parties were as follows :

	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Affiliates	\$ <u>2,128,698</u>	<u>2,493,104</u>	<u>2,513,243</u>

The borrowings from affiliates bear interest at rates ranging from 2.30% to 4.70%. As of September 30, 2015, December 31, 2014 and September 30, 2014, interest payable from the interest bearing borrowings from affiliates amounted to \$262, \$475 and \$358, respectively. For the three months and the nine months ended September 30, 2015 and 2014 interest expense from the interest bearing borrowing from affiliates amounted to \$23,971, \$28,384, \$76,022 and \$89,403, respectively.

Bonds payable of the Group from related parties was as follows :

	<u>2015.9.30</u>	<u>2014.12.31</u>	<u>2014.9.30</u>
Affiliates	\$ <u>45,485</u>	<u>48,350</u>	<u>47,245</u>

The bonds payable bear interest at rate 4.50%~4.60%. As of September 30, 2015, December 31, 2014 and September 30, 2014, interest payable from bonds payable to affiliates amounted to \$22, \$30, and \$23, respectively. For the three months and the nine months ended September 30, 2015 and 2014, interest expenses from bonds payable to affiliates amounted to \$516, \$532, \$1,577 and \$1,573, respectively.

**7. Others**

1) As of September 30, 2015, December 31, 2014 and September 30, 2014, bank deposits in financial institutions which are related parties of the Group amounted to \$310,243, \$241,293 and \$144,744, respectively. For the three months and the nine months ended September 30, 2015 and 2014, interest revenue from the deposits in affiliates amounted to \$52, \$36, \$189 and \$264, respectively.

2) Other revenue and expense with related parties :

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Affiliates</b>				
Rent expense	\$ 7,613	7,266	22,571	21,588
Commission and service costs	200	147	539	419
Other operating costs and expense	14,774	4,115	47,879	56,410
	<u>\$ 22,587</u>	<u>11,528</u>	<u>70,989</u>	<u>78,417</u>

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

## CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

## Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2015 and 2014

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

- 3) 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 Group and Chailease Construction & Development Corp share 18.11%, 40.945% and 40.945%, respectively, from the proceeds of the sale of the housing units. The housing units have been sold out as of December 31, 2014.

## (b) Key management personnel compensation

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Short-term employee benefits	\$ 7,714	63,727	141,743	200,160
Post-employment benefits	316	358	1,084	1,047
	<u>\$ 8,030</u>	<u>64,085</u>	<u>142,827</u>	<u>201,207</u>

## (8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2015.9.30	2014.12.31	2014.9.30
Restricted cash in banks				
Restricted account for loans repayment (demand deposits)	Issuance of short-term bills and as guarantee for short-term and long-term borrowings and alliance contract guarantee	\$ 3,137,463	2,248,866	3,094,045
Property, plant and equipment	As guarantee for short-term and long-term borrowings	4,357,905	4,119,420	3,798,881
Equity securities	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	1,170,589	1,134,360	1,133,648
Refundable deposits	Provincial court seizure etc.	784,328	591,965	240,206
Notes receivable	Issuance of short-term bills, corporate bonds and as guarantee for short-term and long-term borrowings	35,404,236	25,904,308	25,864,401
Accounts receivable and loans	As guarantee for short-term and long-term borrowings	64,456,674	61,799,923	58,725,036
Total		<u>\$ 109,311,195</u>	<u>95,798,842</u>	<u>92,856,217</u>

Note : The Group issued discount coupons for car rental services and opened a trust account with Sunny Bank in accordance with mandatory and prohibitory provisions of the standard contracts for coupons.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

**(9) Commitments and Contingencies**

- (a) 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 is required to assume their loan obligations and pay these loans on behalf of these customers. As of September 30, 2015, December 31, 2014 and September 30, 2014, the balance of unexpired payments from these alliance transactions amounted to \$11,602,509, \$14,342,389 and \$14,130,674, respectively.
- (b) 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 September 30, 2015, December 31, 2014 and September 30, 2014, the payable balance from these transactions amounted to \$22,269, \$171,396 and \$226,350, respectively.
- (c) 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 September 30, 2015, December 31, 2014 and September 30, 2014, the balance of financing obtained from such facilitation amounted to \$42,538, \$50,769 and \$73,908, respectively.
- (d) The Group entered into several electricity procurement agreements with Taiwan Power Company and all of these agreements will expire on twenty years after the date the electricity generating sets are launched. Under these agreements, reselling to third parties of electric power from the renewable energy system is prohibited.

**(10) Losses Due to Major Disasters : None.**

**(11) Subsequent Events : None.**



(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

**(12) Other**

**(a) Liquidity analysis of assets and liabilities :**

2015.9.30			
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current assets</u>			
Cash and cash equivalents	\$ 10,488,396	-	10,488,396
Current financial assets at fair value through profit or loss	106,649	-	106,649
Current held-to-maturity financial assets	3,817,502	3,376,905	7,194,407
Current derivative financial assets for hedging	86,511	-	86,511
Accounts receivable, net	122,800,827	61,386,806	184,187,633
Inventories	207	-	207
Other current financial assets	4,457,306	65,757	4,523,063
Other current assets – others	3,211,568	-	3,211,568
	<u>\$ 144,968,966</u>	<u>64,829,468</u>	<u>209,798,434</u>

2015.9.30			
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current liabilities</u>			
Short-term borrowings	\$ 76,645,164	-	76,645,164
Accounts and notes payable	2,352,339	499,225	2,851,564
Current tax liabilities	627,738	-	627,738
Other current financial liabilities	10,431,318	15,678,599	26,109,917
Long-term liabilities – current portion	41,367,355	32,764,046	74,131,401
Other current liabilities – others	904,213	-	904,213
	<u>\$ 132,328,127</u>	<u>48,941,870</u>	<u>181,269,997</u>

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	2014.12.31		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<b>Current assets</b>			
Cash and cash equivalents	\$ 8,338,117	-	8,338,117
Current financial assets at fair value through profit or loss	205,992	-	205,992
Current held-to-maturity financial assets	4,438,860	2,284,435	6,723,295
Current derivative financial assets for hedging	37,759	-	37,759
Accounts receivable, net	104,481,515	60,452,327	164,933,842
Inventories	207	-	207
Other current financial assets	3,587,175	-	3,587,175
Other current assets – others	3,259,333	-	3,259,333
	<u>\$ 124,348,958</u>	<u>62,736,762</u>	<u>187,085,720</u>
	2014.12.31		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<b>Current liabilities</b>			
Short-term borrowings	\$ 66,974,084	-	66,974,084
Current financial liabilities at fair value through profit or loss	769	-	769
Current derivative financial liabilities for hedging	2,820	-	2,820
Accounts and notes payable	2,344,572	-	2,344,572
Current tax liabilities	1,381,461	-	1,381,461
Other current financial liabilities	4,694,368	18,549,028	23,243,396
Long-term liabilities – current portion	35,081,973	24,162,800	59,244,773
Other current liabilities – others	902,357	-	902,357
	<u>\$ 111,382,404</u>	<u>42,711,828</u>	<u>154,094,232</u>

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE**

**GENERALLY ACCEPTED AUDITING STANDARDS.**

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<b>2014.9.30</b>			
	<b>Expected to be collected or paid within 12 months</b>	<b>Expected to be collected or paid after 12 months</b>	<b>Total</b>
<u>Current assets</u>			
Cash and cash equivalents	\$ 9,655,671	-	9,655,671
Current financial assets at fair value through profit or loss	221,841	-	221,841
Current held-to-maturity financial assets	2,486,048	4,052,797	6,538,845
Current derivative financial assets for hedging	20,604	-	20,604
Accounts receivable, net	98,858,038	56,429,459	155,287,497
Inventories	311	-	311
Other current financial assets	4,968,229	-	4,968,229
Other current assets – others	2,838,672	-	2,838,672
	<u>\$ 119,049,414</u>	<u>60,482,256</u>	<u>179,531,670</u>
<b>2014.9.30</b>			
	<b>Expected to be collected or paid within 12 months</b>	<b>Expected to be collected or paid after 12 months</b>	<b>Total</b>
<u>Current liabilities</u>			
Short-term borrowings	\$ 71,630,824	-	71,630,824
Accounts and notes payable	1,643,851	-	1,643,851
Current tax liabilities	692,563	-	692,563
Other current financial liabilities	9,867,106	11,975,091	21,842,197
Advance real estate receipts	349	-	349
Long-term liabilities – current portion	25,232,934	26,810,437	52,043,371
Other current liabilities – others	1,260,551	-	1,260,551
	<u>\$ 110,328,178</u>	<u>38,785,528</u>	<u>149,113,706</u>

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

(b) The nature of employee benefits, depreciation and amortization expenses were as follows:

By item	For the three months ended September 30, 2015			For the three months ended September 30, 2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	12,224	912,234	924,458	10,841	882,804	893,645
Labor and health insurance	988	53,025	54,013	922	48,749	49,671
Pension	500	61,552	62,052	536	49,581	50,117
Others	-	62,832	62,832	-	62,360	62,360
Depreciation	377,789	36,467	414,256	297,789	35,804	333,593
Amortization	-	38,925	38,925	-	18,352	18,352

By item	For the nine months ended September 30, 2015			For the nine months ended September 30, 2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	39,473	2,839,544	2,879,017	36,102	2,560,763	2,596,865
Labor and health insurance	3,072	205,745	208,817	2,755	155,960	158,715
Pension	1,500	140,867	142,367	1,427	126,318	127,745
Others	-	200,601	200,601	-	176,881	176,881
Depreciation	1,071,372	111,997	1,183,369	887,556	106,921	994,477
Amortization	-	113,274	113,274	-	52,842	52,842

(c) Seasonality of operation:

The Group's operation is neither seasonal nor cyclical.

**(13) Segment Information**

Operating segments financial information:

	For the three months ended September 30, 2015					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 3,993,891	4,535,022	631,723	153,036	-	9,313,672
Intersegment revenues	203,622	106,576	-	-	(310,198)	-
Total revenue	\$ 4,197,513	4,641,598	631,723	153,036	(310,198)	9,313,672
Reportable segment profit or loss	\$ 1,231,347	553,769	160,701	(129,606)	-	1,816,211

(English Translation of Financial Report Originally Issued in Chinese)

AS OF SEPTEMBER 30, 2015 AND 2014 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE

GENERALLY ACCEPTED AUDITING STANDARDS.

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2015 and 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	For the three months ended September 30, 2014					
	Taiwan	China	Thailand	Others	Elimination	Total
<b>Revenue</b>						
Revenue from external customers	\$ 3,473,245	4,676,359	639,453	240,319	-	9,029,376
Intersegment revenues	196,515	-	-	-	(196,515)	-
<b>Total revenue</b>	<b>\$ 3,669,760</b>	<b>4,676,359</b>	<b>639,453</b>	<b>240,319</b>	<b>(196,515)</b>	<b>9,029,376</b>
<b>Reportable segment profit or loss</b>	<b>\$ 1,071,009</b>	<b>821,093</b>	<b>159,680</b>	<b>(62,570)</b>	<b>-</b>	<b>1,989,212</b>
	For the nine months ended September 30, 2015					
	Taiwan	China	Thailand	Others	Elimination	Total
<b>Revenue</b>						
Revenue from external customers	\$ 11,838,034	12,595,967	1,911,335	563,645	-	26,908,981
Intersegment revenues	672,927	359,154	-	-	(1,032,081)	-
<b>Total revenue</b>	<b>\$ 12,510,961</b>	<b>12,955,121</b>	<b>1,911,335</b>	<b>563,645</b>	<b>(1,032,081)</b>	<b>26,908,981</b>
<b>Reportable segment profit or loss</b>	<b>\$ 3,605,171</b>	<b>1,711,746</b>	<b>482,975</b>	<b>(398,444)</b>	<b>-</b>	<b>5,401,448</b>
	For the nine months ended September 30, 2014					
	Taiwan	China	Thailand	Others	Elimination	Total
<b>Revenue</b>						
Revenue from external customers	\$ 10,750,243	12,615,436	1,873,600	652,128	-	25,891,407
Intersegment revenues	571,735	-	-	-	(571,735)	-
<b>Total revenue</b>	<b>\$ 11,321,978</b>	<b>12,615,436</b>	<b>1,873,600</b>	<b>652,128</b>	<b>(571,735)</b>	<b>25,891,407</b>
<b>Reportable segment profit or loss</b>	<b>\$ 3,068,228</b>	<b>2,092,233</b>	<b>462,756</b>	<b>(256,720)</b>	<b>-</b>	<b>5,366,497</b>