

(English Translation of Financial Report Originally Issued in Chinese)
CHALEASE HOLDING COMPANY LIMITED AND ITS
SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
JUNE 30, 2016 AND 2015
(With Independent Accountants' Review Report Thereon)

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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 June 30, 2016 and 2015, the related condensed consolidated statements of comprehensive income for the three month and the six month periods then ended, and changes in equity and cash flows for the six months 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.

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\$54,249,701 thousand and NT\$38,743,182 thousand constituting 20% and 16% of the Company's consolidated total assets as of June 30, 2016 and 2015, respectively; total liabilities of NT\$37,820,228 thousand and NT\$31,557,802 thousand constituting 16% and 15% of the Company's consolidated total liabilities as of June 30, 2016 and 2015, respectively; comprehensive income of NT\$294,784 thousand, NT\$(35,816) thousand, NT\$1,043,414 thousand and NT\$357,861 thousand constituting 26%, 3%, 39% and 12% of the Company's consolidated comprehensive income for the three months and the six months ended June 30, 2016 and 2015, respectively.

Furthermore, long term investments under equity method of NT\$486,727 thousand and NT\$213,997 thousand as of June 30, 2016 and 2015, respectively, and related investment income (loss) thereof amounting to NT\$2,605 thousand, NT\$83 thousand, NT\$(5,089) thousand and NT\$(8,189) thousand for the three months and the six months ended June 30, 2016 and 2015, 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 Financial Supervisory Commission, R.O.C.

We have previously audited the consolidated balance sheets of Chailease Holding Company Limited and its subsidiaries as of December 31, 2015, 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 17, 2016. In our opinion, the accompanying condensed interim consolidated balance sheets and related disclosures of the Group as of December 31, 2015, are consistent, in all material respects, with the audited consolidated financial statements from which they have been derived.

KPMG

CPA : Chung Yi, Chiang
 Yi Chun, Chen

Taipei, Taiwan, R.O.C.
August 9, 2016

Note to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and consolidated 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 accountant's review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language accountant's review and financial statements, the Chinese version shall prevail.

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Condensed Consolidated Balance Sheets

June 30, 2016, December 31, 2015, and June 30, 2015
(Amounts Expressed in Thousands of New Taiwan Dollars)

		2016.6.30		2015.12.31		2015.6.30			LIABILITIES AND EQUITY						
	Assets	Amount	%	Amount	%	Amount	%	Current Liabilities :	Amount	%					
	Current assets :														
1100	Cash and cash equivalents (Notes 6(a) and (7))	\$ 11,431,901	4	11,097,812	4	10,577,561	5	2100	Short-term borrowings (Notes 6(i), (7) and (8))	\$ 81,819,679	30	78,844,180	29	66,532,716	27
1110	Current financial assets at fair value through profit or loss (Note 6(b))	352,347	-	235,545	-	281,931	-	2150	Accounts and notes payable	3,316,381	1	3,235,819	1	2,125,792	1
1130	Current held-to-maturity financial assets (Note 6(b))	8,527,479	3	7,658,388	3	5,447,206	2	2230	Current tax liabilities	1,348,523	-	1,295,601	-	1,192,825	-
1135	Current derivative financial assets for hedging (Notes 6(b))	-	-	163,416	-	31,189	-	2305	Other current financial liabilities (Note (7))	31,016,785	12	26,274,248	10	26,816,798	11
1170	Accounts receivable, net (Notes 6(d), (7) and (8))	189,621,565	68	185,606,083	69	171,936,830	69	2320	Long-term liabilities – current portion	72,602,669	26	74,456,126	28	73,661,807	30
1320	Inventories	207	-	207	-	207	-		(Notes 6(i), 6(j), (7) and (8))						
1476	Other current financial assets (Notes (7) and (8))	3,839,088	2	3,513,245	1	4,550,042	2	2399	Other current liabilities – others	1,055,874	-	1,017,178	-	962,890	-
1479	Other current assets – others (Notes 6(e) and (7))	2,804,929	1	2,720,371	1	3,175,067	1			191,159,911	69	185,123,152	68	171,292,828	69
	Non-current assets :	216,577,516	78	210,995,067	78	196,000,033	79		Non-current Liabilities :						
1510	Non-current financial assets at fair value through profit or loss (Notes 6(b) and 6(c))	-	-	693,713	-	702,883	-	2530	Bonds payable (Notes 6(j) and (7))	11,609,212	4	9,440,820	4	10,417,219	4
1523	Non-current available-for-sale financial assets (Notes 6(b) and (8))	1,852,075	1	1,704,727	1	1,747,657	1	2540	Long-term borrowings (Notes 6(i), (7) and (8))	32,568,247	12	28,891,972	11	27,762,109	11
1528	Non-current held-to-maturity financial assets (Note 6(b))	1,545,709	-	2,317,394	1	2,747,750	1	2570	Deferred tax liabilities	1,484,254	-	1,771,018	1	1,299,821	1
1550	Investments accounted under equity method (Notes 6(f) and (8))	486,727	-	365,278	-	213,997	-	2600	Other non-current liabilities	2,375,196	1	2,312,321	1	2,309,982	1
1600	Property, plant and equipment (Notes 6(g) and (8))	10,130,345	4	9,932,658	4	9,283,891	4		Total Liabilities	48,036,909	17	42,416,131	17	41,789,131	17
1780	Intangible assets (Note 6(h))	44,434	-	45,507	-	44,136	-			239,196,820	86	227,539,283	85	213,081,959	86
	Deferred tax assets	2,907,411	1	2,949,052	1	2,346,046	1		Equity attributable to owners of parent : (Note 6(n))						
1840	Long-term accounts receivable, net (Notes 6(d), (7) and (8))	42,962,621	15	37,073,556	14	34,568,152	14	3100	Share capital	11,392,300	4	11,392,300	4	10,954,134	4
1930	Other non-current assets – others (Notes (7) and (8))	1,594,723	1	1,492,870	1	1,479,085	1	3150	Stock dividends to be distributed	-	-	-	-	438,165	-
1995		61,524,045	22	56,574,755	22	53,133,597	21	3200	Capital surplus	9,348,811	3	9,407,395	4	9,407,341	4
								3350	Unappropriated retained earnings	15,493,588	6	15,497,081	6	12,043,926	5
								3400	Other equity items	569,105	-	1,590,265	-	1,273,373	-
									Total equity attributable to owners of parent	36,803,804	13	37,887,041	14	34,116,939	13
								36XX	Non-controlling interests	2,100,937	1	2,143,498	1	1,934,732	1
									Total equity	38,904,741	14	40,030,539	15	36,051,671	14
	TOTAL ASSETS	\$ 278,101,561	100	267,509,872	100	249,133,630	100		TOTAL LIABILITIES AND EQUITY	\$ 278,101,561	100	267,509,872	100	249,133,630	100

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.

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

	For the three months ended June 30,				For the six months ended June 30,			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue : (Note (7))								
4111 Sales revenue	\$ 2,099,296	22	2,257,313	25	3,584,655	20	3,893,296	22
4810 Interest revenue - installment sales	1,800,352	19	1,704,149	19	3,569,889	19	3,357,943	19
4820 Interest revenue - capital leases	2,229,547	23	2,123,569	23	4,481,349	24	4,338,519	25
4300 Rental revenue - operating leases	687,306	7	585,106	6	1,375,373	8	1,152,752	7
4230 Interest revenue - loans	719,799	8	620,498	7	1,469,855	8	1,235,493	7
4240 Other interest revenue	709,565	7	555,262	6	1,360,794	7	1,081,949	6
4881 Other operating revenue	1,313,047	14	1,246,363	14	2,488,597	14	2,535,357	14
	<u>9,558,912</u>	<u>100</u>	<u>9,092,260</u>	<u>100</u>	<u>18,330,512</u>	<u>100</u>	<u>17,595,309</u>	<u>100</u>
Operating costs : (Note (7))								
5111 Cost of sales	1,854,437	19	1,997,979	22	3,183,198	17	3,440,841	20
5240 Interest expense	1,137,125	12	1,183,857	13	2,357,262	13	2,387,701	13
5300 Cost of rental revenue	489,167	5	436,579	5	965,002	5	825,375	5
5800 Other operating costs	231,593	2	206,042	2	454,234	3	395,423	2
	<u>3,712,322</u>	<u>38</u>	<u>3,824,457</u>	<u>42</u>	<u>6,959,696</u>	<u>38</u>	<u>7,049,340</u>	<u>40</u>
Gross profit from operation	<u>5,846,590</u>	<u>62</u>	<u>5,267,803</u>	<u>58</u>	<u>11,370,816</u>	<u>62</u>	<u>10,545,969</u>	<u>60</u>
6000 Operating expenses (Note (7))	3,906,448	41	3,269,067	36	7,260,089	39	6,270,196	36
6500 Net other income and expenses (Note (6)(q))	<u>37,560</u>	<u>-</u>	<u>(490)</u>	<u>-</u>	<u>66,835</u>	<u>-</u>	<u>64,701</u>	<u>-</u>
Operating profit	<u>1,977,702</u>	<u>21</u>	<u>1,998,246</u>	<u>22</u>	<u>4,177,562</u>	<u>23</u>	<u>4,340,474</u>	<u>24</u>
Non-operating income and expenses :								
7100 Interest income	19,444	-	16,471	-	36,771	-	37,305	-
7130 Dividend revenue	18,424	-	9,885	-	18,424	-	9,885	-
7020 Other gains and losses (Note (6)(r))	717,012	8	419,055	5	801,243	4	452,175	3
7060 Share of (loss) profit of associates and joint ventures accounted for using equity method (Note (6)(f))	<u>(2,605)</u>	<u>-</u>	<u>83</u>	<u>-</u>	<u>(5,089)</u>	<u>-</u>	<u>(8,189)</u>	<u>-</u>
	<u>752,275</u>	<u>8</u>	<u>445,494</u>	<u>5</u>	<u>851,349</u>	<u>4</u>	<u>491,176</u>	<u>3</u>
7900 Profit before income tax	<u>2,729,977</u>	<u>29</u>	<u>2,443,740</u>	<u>27</u>	<u>5,028,911</u>	<u>27</u>	<u>4,831,650</u>	<u>27</u>
7950 Less: Income tax expense (Note (6)(m))	<u>735,895</u>	<u>8</u>	<u>653,679</u>	<u>7</u>	<u>1,331,212</u>	<u>7</u>	<u>1,246,413</u>	<u>6</u>
Profit for the period	<u>1,994,082</u>	<u>21</u>	<u>1,790,061</u>	<u>20</u>	<u>3,697,699</u>	<u>20</u>	<u>3,585,237</u>	<u>21</u>
Other comprehensive income (loss):								
8310 Items that will not be reclassified subsequently to profit or loss								
8311 Remeasurement of defined benefit plans	-	-	-	-	(620)	-	-	-
8349 Income tax related to items that will not be reclassified subsequently (Note (6)(m))	-	-	-	-	123	-	-	-
Total items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(497)</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss								
8361 Exchange differences on translation of foreign financial statements	(760,751)	(8)	(525,755)	(6)	(982,803)	(4)	(772,071)	(4)
8362 Unrealized gains (losses) on available-for-sale financial assets (Note (6)(s))	11,320	-	(12,611)	-	46,837	-	(920)	-
8363 Losses of effective portion of cash flow hedges	(117,459)	(1)	(2,833)	-	(163,416)	(1)	(3,750)	-
8364 Gains of effective portion of hedges of net investment in foreign operations	13,808	-	31,907	1	65,056	-	56,708	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note (6)(f))	(400)	-	-	-	1,393	-	-	-
8399 Income tax relating to items that are or may be reclassified subsequently to profit or loss (Note 6(m))	<u>1,754</u>	<u>-</u>	<u>30,770</u>	<u>-</u>	<u>30,347</u>	<u>-</u>	<u>45,196</u>	<u>-</u>
Total other items that maybe reclassified subsequently to profit or loss	<u>(851,728)</u>	<u>(9)</u>	<u>(478,522)</u>	<u>(5)</u>	<u>(1,002,586)</u>	<u>(5)</u>	<u>(674,837)</u>	<u>(4)</u>
Other comprehensive income (loss) for the period, net of tax	<u>(851,728)</u>	<u>(9)</u>	<u>(478,522)</u>	<u>(5)</u>	<u>(1,003,083)</u>	<u>(5)</u>	<u>(674,837)</u>	<u>(4)</u>
8500 Total comprehensive income for the period	<u>\$ 1,142,354</u>	<u>12</u>	<u>1,311,539</u>	<u>15</u>	<u>2,694,616</u>	<u>15</u>	<u>2,910,400</u>	<u>17</u>
Profit attributable to :								
8610 Owners of parent	\$ 1,907,232	20	1,706,985	19	3,528,358	19	3,416,431	20
8620 Non-controlling interests	<u>86,850</u>	<u>1</u>	<u>83,076</u>	<u>1</u>	<u>169,341</u>	<u>1</u>	<u>168,806</u>	<u>1</u>
	<u>\$ 1,994,082</u>	<u>21</u>	<u>1,790,061</u>	<u>20</u>	<u>3,697,699</u>	<u>20</u>	<u>3,585,237</u>	<u>21</u>
Comprehensive income attributable to :								
8710 Owners of parent	\$ 1,048,284	11	1,330,963	15	2,506,960	14	2,845,503	16
8720 Non-controlling interests	<u>94,070</u>	<u>1</u>	<u>(19,424)</u>	<u>-</u>	<u>187,656</u>	<u>1</u>	<u>64,897</u>	<u>1</u>
	<u>\$ 1,142,354</u>	<u>12</u>	<u>1,311,539</u>	<u>15</u>	<u>2,694,616</u>	<u>15</u>	<u>2,910,400</u>	<u>17</u>
9750 Basic earnings per share (NT dollars) (Note (6)(o))	<u>\$ 1.68</u>		<u>1.50</u>		<u>3.10</u>		<u>3.00</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.

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Condensed Consolidated Statements of Changes in Equity

For the six months ended June 30, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Non controlling interests	Total equity
	Other equity items											
	Stock		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 hedge of net investment in foreign operations	Equity attributable to owners of parent				
Share capital	dividend to be distributed	Capital surplus	Unappropriated retained earnings									
\$	10,954,134	-	9,407,459	12,132,818	1,818,240	152,325	34,939	(161,203)	34,338,712	2,090,369	36,429,081	
Profit for the period												
	-	-	-	3,416,431	-	-	-	-	3,416,431	168,806	3,585,237	
Other comprehensive income (loss) for the period												
	-	-	-	-	(622,966)	(920)	(3,750)	56,708	(570,928)	(103,909)	(674,837)	
Total comprehensive income (loss) for the period												
	-	-	-	3,416,431	(622,966)	(920)	(3,750)	56,708	2,845,503	64,897	2,910,400	
Earnings distribution and appropriation:												
Cash dividends to ordinary share												
	-	-	-	(3,067,158)	-	-	-	-	(3,067,158)	-	(3,067,158)	
Stock dividends of ordinary share												
	-	438,165	-	(438,165)	-	-	-	-	-	-	-	
Changes in ownership interests in subsidiaries												
	-	-	(118)	-	-	-	-	-	(118)	-	(118)	
Changes in non-controlling interests												
	-	-	-	-	-	-	-	-	-	(220,534)	(220,534)	
\$	10,954,134	438,165	9,407,341	12,043,926	1,195,274	151,405	31,189	(104,495)	34,116,939	1,934,732	36,051,671	
Balance as of January 1, 2016												
\$	11,392,300	-	9,407,395	15,497,081	1,545,063	120,270	163,416	(238,484)	37,887,041	2,143,498	40,030,539	
Profit for the period												
	-	-	-	3,528,358	-	-	-	-	3,528,358	169,341	3,697,699	
Other comprehensive income (loss) for the period												
	-	-	-	(238)	(969,637)	46,837	(163,416)	65,056	(1,021,398)	18,315	(1,003,083)	
Total comprehensive income (loss) for the period												
	-	-	-	3,528,120	(969,637)	46,837	(163,416)	65,056	2,506,960	187,656	2,694,616	
Earnings distribution and appropriation:												
Cash dividends of ordinary share												
	-	-	-	(3,531,613)	-	-	-	-	(3,531,613)	-	(3,531,613)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed												
	-	-	(58,584)	-	-	-	-	-	(58,584)	-	(58,584)	
Changes in non-controlling interests												
	-	-	-	-	-	-	-	-	-	(230,217)	(230,217)	
\$	11,392,300	-	9,348,811	15,493,588	575,426	167,107	-	(173,428)	36,803,804	2,100,937	38,904,741	

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.
CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

For the six months ended June 30, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2016	2015
Cash flows from operating activities :		
Profit before income tax	\$ 5,028,911	4,831,650
Adjustments :		
Adjustments to reconcile profit before income tax to net cash provided by operating activities :		
Depreciation expense	885,977	769,113
Amortization expense	92,800	74,349
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(23,131)	2,923
Interest expense	2,357,262	2,387,701
Interest income	(10,918,658)	(10,051,209)
Dividend income	(18,424)	(9,885)
Share of loss of associates and joint ventures accounted for using equity method	5,089	8,189
Gain on disposal of property, plant and equipment	(1,711)	(16,031)
Loss on disposal of foreclosed assets	33,867	44,530
Gain on disposal of investments	(1,993)	(114,600)
Impairment loss on financial assets	2,849,358	2,181,046
Impairment loss on non-financial assets	160,397	122,255
Total adjustments to reconcile (profit) loss	<u>(4,579,167)</u>	<u>(4,601,619)</u>
Change in operating assets and liabilities :		
Change in operating assets :		
Increase in financial assets held for trading	(143,772)	(72,927)
Decrease in non - current financial assets at fair value through profit or loss	721,807	-
Increase in accounts receivable	(15,467,575)	(13,812,819)
Increase in other current financial assets	(411,338)	(1,023,310)
Decrease (increase) in other current assets	(127,841)	40,971
Proceeds from sales of operating lease assets	484,841	310,838
Purchase of operating lease assets	(1,783,028)	(1,514,495)
Increase in other non-current assets - others	(231,728)	(485,445)
Total changes in operating assets	<u>(16,958,634)</u>	<u>(16,557,187)</u>
Change in operating liabilities :		
Increase (decrease) in accounts payable	142,613	(182,080)
Increase in long-term and short-term debts	109,654,405	70,365,882
Repayment of long-term and short-term debts	(101,144,179)	(59,088,946)
Increase in other current financial liabilities	1,828,414	982,784
Increase in accrued pension liabilities	4,370	8,568
Increase in other current liabilities-others	46,516	71,168
Increase in other non-current liabilities	57,531	25,116
Total changes in operating liabilities	<u>10,589,670</u>	<u>12,182,492</u>
Total changes in operating assets and liabilities	<u>(6,368,964)</u>	<u>(4,374,695)</u>
Total adjustments	<u>(10,948,131)</u>	<u>(8,976,314)</u>
Cash outflow from operation	(5,919,220)	(4,144,664)
Interest received	10,956,480	10,077,688
Dividend received	18,524	9,985
Interest paid	(2,394,648)	(2,419,857)
Income taxes paid	<u>(1,510,336)</u>	<u>(1,720,074)</u>
Net cash provided by operating activities	<u>1,150,800</u>	<u>1,803,078</u>
Cash flows from investing activities :		
Acquisition of available-for-sale financial assets	(111,617)	(184,048)
Proceeds from disposal of available-for-sale financial assets	10,793	116,889
Proceeds from capital reduction of available-for-sale financial assets	472	-
Acquisition of held-to-maturity financial assets	(3,092,942)	(1,911,290)
Disposal of held-to-maturity financial assets	2,992,426	2,836,968
Acquisition of investments accounted under equity method	(171,480)	-
Proceeds from capital reduction of investments accounted for using equity method	37,909	-
Acquisition of property, plant and equipment	(39,760)	(65,223)
Disposal of property, plant and equipment	1,224	1,493
Acquisition of intangible assets	<u>(1,530)</u>	<u>(8,008)</u>
Net cash (used in) provided by investing activities	<u>(374,505)</u>	<u>786,781</u>
Cash flows from financing activities :		
Changes in non-controlling interests	(230,217)	(220,652)
Net cash used in financing activities	<u>(230,217)</u>	<u>(220,652)</u>
Effect of exchange rate changes on cash and cash equivalents	(207,441)	(142,591)
Net increase in cash and cash equivalents	338,637	2,226,616
Cash and cash equivalents, net of bank overdraft, beginning of period	11,093,264	8,330,204
Cash and cash equivalents, end of period	<u>\$ 11,431,901</u>	<u>10,556,820</u>

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

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(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 June 30, 2016 and 2015, 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 authorized for issue by the Audit Committee and reported to the Board of Directors on August 9, 2016.

(3) New Accounting Standards and Interpretations

- (a) Impact of the International Financial Reporting Standard ("IFRS") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect

According to the official letter No.1050026834 issued on July 18, 2016 by the FSC, public entities are required to conform to the IFRSs, which were issued by the International Accounting Standards Board ("IASB") before January 1, 2016, and were endorsed for implementation by the FSC effective January 1, 2017 (excluding IFRS 9 "Financial instruments", IFRS 15 "Revenue from Contracts with Customers", and others which have yet to be approved by the FSC in order for them to take effect) in preparing their financial statements from January 1, 2017. The related new standards, interpretations and amendments were as follows:

New Standards, Interpretations and Amendments	IASB Effective Date
Investment entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisitions of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of Acceptable Methods of Depreciation and Amortization (amendments to IAS 16 and 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016

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New Standards, Interpretations and Amendments	IASB Effective Date
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 and 2011-2013 Cycles	July 1, 2014
The Annual Improvements to IFRS: 2012-2014 Cycles	January 1, 2016
IFRIC 21, 'Levies'	January 1, 2014

According to the management's assertion, except for the following, the initial application of the above new IFRSs, whenever applied, would not have any material impact on the condensed interim consolidated financial statements:

- I. Amendment to IAS 36 - requiring disclosures for the recoverable amount of non-financial assets.

The amendment to IAS 36 requires the Group to disclose the fair value hierarchy and valuation assumptions, if an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. The Group will increase the relevant disclosures in accordance with this new standard.

- (b) New standards and amendments not yet endorsed by the FSC

New standards and amendments issued by the IASB but not yet endorsed by the FSC :

New Standards, Interpretations and Amendments	IASB Effective Date
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)	Not yet endorsed by IASB
IFRS 15 'Revenue from contracts with customers'	January 1, 2018
IFRS 16 'Lease'	January 1, 2019
Classification and measurement of share-based payment transaction (amendments to IFRS2)	January 1, 2018
Clarification of IFRS 15 (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017

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The relevant impacts for the Group are as follows:

Issue Date	New Standards and Amendments	Main Amendments
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	<p>The new standard provides a single model for determining whether an entity recognizes revenue in accordance with the method, timing and amount by applying the five-step model. IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", and the relevant interpretations.</p> <p>In April 12, 2016, the amendments clarify how to identify performance obligations in a contract; determine whether a company is a principal or an agent; and determine whether the revenue from granting a license should be recognized at a point in time or over time.</p> <p>The new standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".</p> <p>The main amendments are as follows:</p> <ul style="list-style-type: none">• Clarification and Measurement: The financial asset is driven by the entity's business model and the contractual cash flow characteristics, which would be classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (OCI), and financial assets at fair value through profit or loss. The financial liabilities measured at fair value through profit or loss that have changes in fair value related to the changes in its credit risk are recognized in OCI.• Impairment: The new expected credit loss model is to replace the current incurred loss model.• Hedge accounting: Applies more principle-based regulations so the hedge accounting method represents risk management more closely. This includes amending, achieving Continuing, Continuing and discontinuing the regulations of hedge accounting in order to make more types of risk exposure eligible for hedge items.
November 19, 2013 July 24, 2014	IAS 9 "Financial Instruments"	

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<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Main Amendments</u>
January 13, 2016	IFRS 16 "Lease"	The new standard of accounting for lease is amended as follows: <ul style="list-style-type: none">• For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and lease liability on the balance sheet. During the lease term, the lease payment shall include the measurement of the depreciation on the right-of-use asset and the interest expense on the lease liability.• A lessor shall classify a lease as either finance leases or operating leases. The accounting treatment remains similar with that of IAS 17 "Leases".
September 11, 2014	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	The amendments to IFRS 10 and IAS 28 clarify that the gain or loss resulting from the sale or contribution to an associate or a joint venture that constitute a business as defined is recognized in full. Otherwise, if the transactions do not constitute a business as defined, the investor should recognize partial gain or loss calculated according to the shareholding ratio.

The Group is evaluating the impact on its financial position and financial performance of the initial adoption of above mentioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(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").

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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, 2015. For other related information, please refer to Note (4) of the consolidated financial statements for the year ended December 31, 2015.

(b) Basis of consolidation

The accounting principles applied in the preparation of the consolidated financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2015. For full disclosure of the accounting principles, please refer to Note (4)(c) of the consolidated financial statements for the year ended December 31, 2015.

1. Subsidiaries included in the condensed interim consolidated financial statements

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2016.6.30	2015.12.31	2015.6.30	
The Company	Chailease International Company (Malaysia) Limited	Investment	100.00 %	100.00 %	100.00 %	
"	Golden Bridge (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
"	Chailease 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.	Chailease International Finance Corporation	Leasing	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp. and Chailease International Finance Corporation	Chailease Finance International Corp.	Leasing	100.00 %	100.00 %	100.00 %	
Chailease International Finance Corporation	Chailease 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 %	
Chailease International Company (Malaysia) Limited	Chailease Finance Co., Ltd.	Installment sales, leasing, and factoring	- %	100.00 %	100.00 %	Chailease International Company (UK) Limited issued common shares in exchange for all the shares of Chailease Finance Co., Ltd. on June 4, 2016.

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2016.6.30	2015.12.31	2015.6.30	
Chailease International Company (Malaysia) Limited	Chailease International (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
"	Chailease International Company (UK) Limited	Solar power business and investment	100.00 %	100.00 %	-	% Funded on March 26, 2015
"	Chailease Berjaya Credit Sdn. Bhd.	Leasing	70.00 %	70.00 %	-	% Funded on September 9, 2015
Chailease International Company (UK) Limited	Chailease Finance Co., Ltd.	Installment sales, leasing, and factoring	100.00 %	-	%	% Chailease International Company (UK) Limited issued common shares in exchange for all the shares of Chailease Finance Co., Ltd. on June 4, 2016.
Chailease International Financial Services Co., Ltd.	Chailease International Financial Services (Liberia) Corp.	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailease International Financial Services (Labuan) Co., Ltd.	Leasing	100.00 %	-	%	% Funded on January 19, 2016
Chailease Finance Co., Ltd.	Fina Finance & Trading Co., Ltd.	Installment sales, trading, and factoring	99.55 %	99.55 %	99.55 %	
"	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 %	
Chailease International Company (Malaysia) Limited and Chailease Finance Co., Ltd.	Asia Sermkij Leasing Public Co., Ltd.	Installment sales of automobiles	48.18 %	48.18 %	48.18 %	(Note a)
Chailease Finance Co., Ltd.	Chailease Finance (B.V.I.) Co., Ltd.	Installment sales, leasing overseas, and financial consulting	100.00 %	100.00 %	100.00 %	
"	Chailease International Leasing Company Limited (Vietnam)	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailease Auto Rental Co., Ltd.	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailease Credit Services Co., Ltd.	Installment sales and leasing	100.00 %	100.00 %	100.00 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2016.6.30	2015.12.31	2015.6.30	
Chailease Finance Co., Ltd.	Apex Credit Solutions Inc.	Accounts receivable management, debt management, valuation, trading in financial instruments	100.00 %	100.00 %	100.00 %	
"	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 %	
"	Chailease Energy Integration Co., Ltd	Solar Power business	100.00 %	100.00 %	- %	Funded on November 4, 2015
"	Innovation Energy Integration Co., Ltd.	Solar Power business	100.00 %	- %	- %	Funded on June 29, 2016
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 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2016.6.30	2015.12.31	2015.6.30	
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 %	

Note a: Although the Company's ownership was lower than 50% of the subsidiary's outstanding shares, the subsidiary was consolidated because the ownership of the other 51.82% interest is 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 has 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 is expected to reverse.

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(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.

(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.

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, 2015.

(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, 2015. Please refer to Note (6) of the 2015 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Cash and demand deposits	\$ 10,354,383	10,859,886	10,508,820
Time deposits	59,514	217,935	49,710
Cash equivalents – RP bills	<u>1,018,004</u>	<u>19,991</u>	<u>19,031</u>
Cash and cash equivalents	11,431,901	11,097,812	10,577,561
Bank overdraft	<u>-</u>	<u>(4,548)</u>	<u>(20,741)</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 11,431,901</u>	<u>11,093,264</u>	<u>10,556,820</u>

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

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(b) Financial instruments

1.Details of financial assets were as follows :

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Financial assets at fair value through profit or loss			
Held for trading			
Securities of listed companies	\$ 352,347	213,429	265,200
Derivative instruments not used for hedging	-	22,116	16,731
Sub-total	<u>352,347</u>	<u>235,545</u>	<u>281,931</u>
Designated as at fair value through profit or loss			
2011 securitization	-	693,713	702,883
	<u>352,347</u>	<u>929,258</u>	<u>984,814</u>
Available-for-sale financial assets			
Securities of listed companies	280,243	163,350	195,757
Emerging stock	1,068,240	1,035,058	1,053,279
Private equity	<u>503,592</u>	<u>506,319</u>	<u>498,621</u>
Sub-total	<u>1,852,075</u>	<u>1,704,727</u>	<u>1,747,657</u>
Held-to-maturity financial assets			
Investment in debt securities	<u>10,073,188</u>	<u>9,975,782</u>	<u>8,194,956</u>
Derivative financial assets used for hedging	-	163,416	31,189
Total	<u>\$ 12,277,610</u>	<u>12,773,183</u>	<u>10,958,616</u>

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:

	For the six months ended June 30,			
	2016		2015	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Equity price at reporting date				
Increase 7%	\$ <u>129,702</u>	<u>24,664</u>	<u>122,391</u>	<u>18,564</u>
Decrease 7%	\$ <u>(129,702)</u>	<u>(24,664)</u>	<u>(122,391)</u>	<u>(18,564)</u>

The Group purchased debt securities issued by real estate trust. These debt securities have maturity dates between 2016 and 2018, and bear effective annual interest rate ranging from 5.06%~8.62%.

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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. 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 December 31, 2015 and June 30, 2015, derivative financial instruments accounted for as held-for-trading financial assets (liabilities) were as follows:

Cross currency swap contracts

		2015.12.31			
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	

		2015.6.30			
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	

4. Derivative instruments used for hedging

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

		2015.12.31			
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period	
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	

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2015.6.30					
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	

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
		2016.6.30	2015.12.31	2015.6.30		
Unsecured corporate bonds	Interest Swap	\$ -	1,385	2,663	2010~2016	2010~2016
CNY loans receivable	Cross Currency Swap contract	-	162,031	28,526	2013~2016	2013~2016

Item	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
The fair value adjustment to other comprehensive income	\$ (117,459)	(2,833)	(163,416)	(3,750)

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

Hedged Item	Designated Hedging Instrument			
	Fair Value			
	Hedge Instrument	2016.6.30	2015.12.31	2015.6.30
Equity investment measured in USD	Foreign currency borrowings	\$ <u>4,166,703</u>	<u>2,432,333</u>	<u>2,268,210</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 six months ended June 30, 2016 and 2015.

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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:

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

Key assumptions at the securitization date:

	November 24, 2011 (securitization date)
Repayment rate	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.

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

	<u>2015.12.31</u>	<u>2015.6.30</u>
Repayment rate	28.06 %	18.15 %
Expected return rate on securitized financial assets	6.57 %	8.11 %
Weighted-average life (in years)	0.92	1.42
Expected credit loss rate (Note)	1.85%~7.88%	1.85%~6.30%
Discount rate for residual cash flows	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>2015.6.30</u>
Carrying amount of retained interests	702,883
Weighted—average life (in years)	1.42
Repayment rate	18.15 %
Effect on fair value with 10% adverse change	(3,406)
Effect on fair value with 20% adverse change	(6,313)
Expected credit losses	4.58%
Effect on fair value with 10% adverse change	(10,028)
Effect on fair value with 20% adverse change	(20,057)
Discount rate for residual cash flows	4.00 %
Effect on fair value with 10% adverse change	(2,276)
Effect on fair value with 20% adverse change	(4,542)

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.

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4) Cash flows

The cash flows received from securitization trusts were as follows:

	For the six months ended June 30,	
	2016	2015
Other cash flows received on retained interests	\$ 5,154	115,274
Service fees received	138	1,660

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

The special purpose trust has fully redeemed beneficiary certificates twAAA and twA on January 27, 2016. As the process of its liquidation was completed on February 26, 2016, the Group received \$721,807 from the return of subordinated certificates.

On February 23, 2016, the Group entered into an agreement with the said Special Purpose Entity to repurchase its receivable of \$529,514.

(d) Accounts receivable, net

	2016.6.30	2015.12.31	2015.6.30
Current			
Accounts receivable	\$ 16,267,328	14,741,271	12,860,493
Less: Allowance for impairment	(589,936)	(539,361)	(577,586)
	<u>15,677,392</u>	<u>14,201,910</u>	<u>12,282,907</u>
Installment sales receivable	75,031,787	71,073,596	68,391,340
Less: Unearned interests	(6,802,722)	(6,421,195)	(6,193,734)
Allowance for impairment	(2,346,993)	(2,109,303)	(1,888,897)
	<u>65,882,072</u>	<u>62,543,098</u>	<u>60,308,709</u>
Leases receivable (included operating leases)	82,978,492	83,335,162	76,743,870
Less: Unearned revenue	(9,587,053)	(9,593,354)	(8,966,628)
Allowance for impairment	(3,108,179)	(3,222,114)	(2,768,647)
	<u>70,283,260</u>	<u>70,519,694</u>	<u>65,008,595</u>
Loans receivable	38,821,563	39,255,476	35,270,813
Less: Allowance for impairment	(1,042,722)	(914,095)	(934,194)
	<u>37,778,841</u>	<u>38,341,381</u>	<u>34,336,619</u>
Sub-total of current accounts	<u>189,621,565</u>	<u>185,606,083</u>	<u>171,936,830</u>

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	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Non-Current			
Accounts receivable	4,000,871	2,653,946	3,066,649
Less: Allowance for impairment	<u>(72,709)</u>	<u>(52,402)</u>	<u>(56,380)</u>
	<u>3,928,162</u>	<u>2,601,544</u>	<u>3,010,269</u>
Installment sales receivable	27,698,315	26,769,295	25,795,541
Less: Unearned interests	<u>(2,545,422)</u>	<u>(2,478,530)</u>	<u>(2,233,185)</u>
Allowance for impairment	<u>(371,021)</u>	<u>(350,817)</u>	<u>(319,154)</u>
	<u>24,781,872</u>	<u>23,939,948</u>	<u>23,243,202</u>
Leases receivable	12,759,761	8,684,859	6,670,959
Less: Unearned revenue	<u>(3,888,977)</u>	<u>(2,308,150)</u>	<u>(1,741,460)</u>
Allowance for impairment	<u>(95,835)</u>	<u>(70,046)</u>	<u>(57,846)</u>
	<u>8,774,949</u>	<u>6,306,663</u>	<u>4,871,653</u>
Loans receivable	5,582,185	4,327,359	3,520,454
Less: Allowance for impairment	<u>(104,547)</u>	<u>(101,958)</u>	<u>(77,426)</u>
	<u>5,477,638</u>	<u>4,225,401</u>	<u>3,443,028</u>
Sub-total of non-current accounts	<u>42,962,621</u>	<u>37,073,556</u>	<u>34,568,152</u>
Total accounts receivable	<u>\$ 232,584,186</u>	<u>222,679,639</u>	<u>206,504,982</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Opening balance	\$ 7,360,096	6,485,351
Impairment loss recognized	2,849,337	2,181,016
Amounts written off	(2,365,954)	(1,868,408)
Effect of movements in exchange rate	<u>(111,537)</u>	<u>(117,829)</u>
Ending balance	<u>\$ 7,731,942</u>	<u>6,680,130</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).

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

	Gross investment in the leases	Unearned revenue	Present value of minimum leases receivable
June 30, 2016			
Within operating cycle	\$ 82,818,583	(9,587,053)	73,231,530
Beyond one operating cycle to 5 years	6,521,945	(915,931)	5,606,014
Over 5 years	6,237,816	(2,973,046)	3,264,770
	<u>\$ 95,578,344</u>	<u>(13,476,030)</u>	<u>82,102,314</u>
December 31, 2015			
Within operating cycle	\$ 83,182,946	(9,593,354)	73,589,592
Beyond one operating cycle to 5 years	5,294,353	(756,927)	4,537,426
Over 5 years	3,390,506	(1,551,223)	1,839,283
	<u>\$ 91,867,805</u>	<u>(11,901,504)</u>	<u>79,966,301</u>
June 30, 2015			
Within operating cycle	\$ 76,592,572	(8,966,628)	67,625,944
Beyond one operating cycle to 5 years	4,401,723	(732,484)	3,669,239
Over 5 years	2,269,236	(1,008,976)	1,260,260
	<u>\$ 83,263,531</u>	<u>(10,708,088)</u>	<u>72,555,443</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 sold only 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:

	2016.6.30	2015.12.31	2015.6.30
Within operating cycle	\$ 2,210,361	2,076,579	1,966,406
Beyond one operating cycle to 5 years	2,448,030	2,497,887	2,508,437
Over 5 years	10,808	13,147	13,147
	<u>\$ 4,669,199</u>	<u>4,587,613</u>	<u>4,487,990</u>

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

	Gross investment in the installment sales	Unearned interests	Present value of installment sales receivable
June 30, 2016			
Within operating cycle	\$ 75,031,787	(6,802,722)	68,229,065
Beyond one operating cycle to 5 years	27,674,359	(2,544,869)	25,129,490
Over 5 years	23,956	(553)	23,403
	<u>\$ 102,730,102</u>	<u>(9,348,144)</u>	<u>93,381,958</u>
December 31, 2015			
Within operating cycle	\$ 71,073,596	(6,421,195)	64,652,401
Beyond one operating cycle to 5 years	26,733,062	(2,477,169)	24,255,893
Over 5 years	36,233	(1,361)	34,872
	<u>\$ 97,842,891</u>	<u>(8,899,725)</u>	<u>88,943,166</u>
June 30, 2015			
Within operating cycle	\$ 68,391,340	(6,193,734)	62,197,606
Beyond one operating cycle to 5 years	25,767,130	(2,232,355)	23,534,775
Over 5 years	28,411	(830)	27,581
	<u>\$ 94,186,881</u>	<u>(8,426,919)</u>	<u>85,759,962</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.

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The SPEs trusts are included in the condensed 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

	2016.6.30	2015.12.31	2015.6.30
Prepayments	\$ 1,456,147	1,316,868	1,739,933
Prepaid expenses	1,310,946	1,357,203	1,396,372
Foreclosed assets	32,631	35,914	29,767
Others	5,205	10,386	8,995
	<u>\$ 2,804,929</u>	<u>2,720,371</u>	<u>3,175,067</u>

As of June 30, 2016, December 31, 2015 and June 30, 2015, foreclosed assets held by the Group were as follows:

	2016.6.30	2015.12.31	2015.6.30
Foreclosed assets	\$ 56,266	52,948	45,685
Less: Accumulated impairment	(23,635)	(17,034)	(15,918)
	<u>\$ 32,631</u>	<u>35,914</u>	<u>29,767</u>

For the three months and the six months ended June 30, 2016 and 2015, the Group recognized a gain on reversal of impairment loss (an impairment loss) of \$(1,787), \$5,669, \$(6,495) and \$24,443, respectively, for foreclosed assets. Certain foreclosed assets were disposed to non-related parties and a disposal loss of \$16,263, \$44,530, \$33,867 and \$44,530 was recognized thereon for the three months and the six months ended June 30, 2016 and 2015, respectively.

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

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Investments in affiliates	<u>\$ 486,727</u>	<u>365,278</u>	<u>213,997</u>
	<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>
			<u>2015</u>
Comprehensive income attributable to the Group			
Gain (loss) for the period	\$ (2,605)	83	(5,089)
Other comprehensive income	(400)	-	1,393
Total comprehensive income	<u>\$ (3,005)</u>	<u>83</u>	<u>(3,696)</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 six months ended June 30, 2016 and 2015, 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, 2016	\$ 3,063,847	9,363,546	1,233,559	143,760	13,804,712
Additions	-	1,500,821	315,429	6,538	1,822,788
Reclassification	-	-	(36,821)	-	(36,821)
Disposals	-	(943,318)	(152,737)	-	(1,096,055)
Effect of movements in exchange rate	(47,669)	(26,834)	(8,488)	(704)	(83,695)
Balance at June 30, 2016	<u>\$ 3,016,178</u>	<u>9,894,215</u>	<u>1,350,942</u>	<u>149,594</u>	<u>14,410,929</u>
Balance at January 1, 2015	\$ 3,060,206	8,055,558	1,098,529	125,923	12,340,216
Additions	25,181	1,468,538	77,428	8,571	1,579,718
Reclassification	-	275	-	-	275
Disposals	-	(730,218)	(205,534)	-	(935,752)
Effect of movements in exchange rate	(41,562)	(45,680)	(19,828)	(369)	(107,439)
Balance at June 30, 2015	<u>\$ 3,043,825</u>	<u>8,748,473</u>	<u>950,595</u>	<u>134,125</u>	<u>12,877,018</u>

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	Land and buildings	Transportation equipment	Machinery and miscellaneous equipment	Leasehold improvements	Total
Depreciation and impairment losses:					
Balance at January 1, 2016	\$ 491,118	2,607,269	668,413	105,254	3,872,054
Depreciation for the period	27,607	765,262	85,819	7,289	885,977
Impairment loss	-	147,936	5,966	-	153,902
Reclassification	-	-	(3,403)	-	(3,403)
Disposals	-	(574,358)	(37,951)	-	(612,309)
Effect of movements in exchange rate	(3,505)	(5,582)	(6,247)	(303)	(15,637)
Balance at June 30, 2016	<u>\$ 515,220</u>	<u>2,940,527</u>	<u>712,597</u>	<u>112,240</u>	<u>4,280,584</u>
Balance at January 1, 2015	\$ 438,336	1,966,842	842,851	94,331	3,342,360
Depreciation for the period	27,053	681,143	55,298	5,619	769,113
Impairment loss	-	146,698	-	-	146,698
Disposals	-	(448,253)	(191,196)	-	(639,449)
Effect of movements in exchange rate	(1,928)	(7,784)	(15,647)	(236)	(25,595)
Balance at June 30, 2015	<u>\$ 463,461</u>	<u>2,338,646</u>	<u>691,306</u>	<u>99,714</u>	<u>3,593,127</u>
Carrying amounts:					
Balance at January 1, 2016	<u>\$ 2,572,729</u>	<u>6,756,277</u>	<u>565,146</u>	<u>38,506</u>	<u>9,932,658</u>
Balance at June 30, 2016	<u>\$ 2,500,958</u>	<u>6,953,688</u>	<u>638,345</u>	<u>37,354</u>	<u>10,130,345</u>
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 June 30, 2015	<u>\$ 2,580,364</u>	<u>6,409,827</u>	<u>259,289</u>	<u>34,411</u>	<u>9,283,891</u>

Recognition and reversal of impairment losses were charged to operating costs under 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, 2016	<u>\$ 12,680</u>	<u>32,827</u>	<u>45,507</u>
Balance at June 30, 2016	<u>\$ 12,680</u>	<u>31,754</u>	<u>44,434</u>
Balance at January 1, 2015	<u>\$ 12,680</u>	<u>22,911</u>	<u>35,591</u>
Balance at June 30, 2015	<u>\$ 12,680</u>	<u>31,456</u>	<u>44,136</u>

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There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2016 and 2015. Information on amortization for the period is discussed in Note (12)(b). Please refer to Note (6)(i) of the 2015 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:

2016.6.30				
	Currency	Interest Rate	Year of Maturity	Amount
Secured bank loans	TWD	1.10%~2.11%	2016~2021	\$ 1,449,500
"	USD	1.30%~4.25%	2016~2017	1,860,105
"	THB	2.05%~4.75%	2016~2018	9,161,418
"	CNY	3.91%~6.39%	2016~2019	17,284,442
"	VND	1.70%~5.50%	2016~2017	1,650,792
Unsecured bank loans	TWD	0.84%~1.97%	2016~2019	93,906,021
"	USD	1.40%~3.20%	2016~2019	19,708,180
"	EUR	1.22%~1.35%	2016	179,451
"	THB	2.18%~4.70%	2016~2019	8,346,007
"	JPY	1.15%~1.43%	2016	51,869
"	CNY	4.35%~6.39%	2016~2018	23,310,123
"	HKD	1.65%	2016	83,179
"	MYR	4.63%	2017	38,335
Other unsecured loans	THB	2.10%~2.20%	2016~2017	955,253
Notes payable from securitization	TWD	1.85%~2.65%	2019	5,465,000
"	USD	1.15%~2.54%	2030	172,332
Total				<u>\$ 183,622,007</u>
Current				\$ 151,053,760
Non-current				<u>32,568,247</u>
Total				<u>\$ 183,622,007</u>

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2015.12.31				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.27%~1.58%	2016~2019	\$ 364,854
"	USD	1.30%~4.00%	2016~2017	1,708,037
"	THB	2.20%~4.75%	2016~2018	8,423,466
"	CNY	4.13%~6.76%	2016~2018	18,012,131
"	VND	3.60%~5.40%	2016	1,868,104
Unsecured bank loans	TWD	0.91%~1.97%	2016~2018	87,054,898
"	USD	1.27%~3.09%	2016~2017	21,957,824
"	EUR	1.35%	2016	229,632
"	THB	2.20%~7.38%	2016~2018	7,776,650
"	JPY	1.20%~1.51%	2016	189,579
"	CNY	4.27%~6.76%	2016~2018	22,586,286
Other unsecured loans	THB	2.20%~2.30%	2016	1,523,738
Notes payable from securitization	TWD	1.85%~2.65%	2019	5,465,000
"	USD	0.82%~1.01%	2030	197,792
Total				\$ 177,357,991
Current				\$ 148,466,019
Non-current				28,891,972
Total				\$ 177,357,991

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2015.6.30				
	Currency	Interest Rate	Year of Maturity	Amount
Secured bank loans	TWD	1.30%~1.65%	2015~2019	\$ 757,808
"	USD	1.85%~4.00%	2015~2017	1,625,395
"	THB	2.30%~4.75%	2015~2018	8,503,494
"	CNY	4.27%~6.76%	2015~2018	16,297,805
"	VND	3.80%~5.30%	2015~2016	1,394,931
Unsecured bank loans	TWD	0.94%~1.97%	2015~2018	78,745,646
"	USD	1.24%~1.59%	2015~2017	18,727,669
"	EUR	1.35%	2015	91,319
"	THB	2.15%~7.38%	2015~2016	6,895,064
"	JPY	1.20%	2015	276,416
"	CNY	4.27%~6.76%	2015~2018	22,344,147
Other unsecured loans	THB	2.30%~2.90%	2015	2,395,188
"	TWD	7.88%	2015	3,299
Notes payable from securitization	TWD	1.85%~2.65%	2019	5,465,000
"	USD	0.82%~0.90%	2030	197,878
Total				<u>\$ 163,721,059</u>
Current				<u>\$ 135,958,950</u>
Non-current				<u>27,762,109</u>
Total				<u>\$ 163,721,059</u>

For information on the Group's interest risk, currency risk, and liquidity risk, please refer 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 annual financial statements. (i.e. equity ratio, interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.
- 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 annual financial statements. (i.e. equity ratio, interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.

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- 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 annual financial statements. (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 annual financial statements. (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 annual financial statements. (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 annual financial statements. (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 annual financial statements. (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 annual financial statements. (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 annual financial statements. (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 annual financial statements. (i.e. interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.

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As of December 31, 2015 the Group was in compliance with the financial covenants mentioned above.

(j) Bonds payable

Period	Interest Rate	Principal Amount	Repayment Terms	2016.6.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
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	-	None
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	"	225,000	225,000	"
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	"
2016.06.28~ 2021.06.28	1.000%	1,350,000	"	-	1,350,000	"
2016.06.28~ 2023.06.28	1.250%	300,000	"	-	300,000	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	92,260	-	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	193,746	-	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	138,390	-	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	202,972	"
2014.07.17~ 2016.07.11	3.790%	THB 215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	198,359	-	"
2014.07.18~ 2017.07.25	4.050%	THB 500,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	461,300	"
2014.07.25~ 2017.08.08	4.050%	THB 320,000	"	-	295,232	"
2014.09.26~ 2017.10.10	3.950%	THB 200,000	"	-	184,520	"
2014.09.26~ 2017.09.25	3.950%	THB 250,000	"	-	230,650	"

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Period	Interest Rate	Principal Amount	Repayment Terms	2016.6.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2014.09.29~ 2017.09.25	3.950%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	92,260	None
2014.11.07~ 2016.11.07	3.700%	THB 160,000	"	147,616	-	"
2014.11.10~ 2017.11.10	3.950%	THB 200,000	"	-	184,520	"
2014.11.24~ 2017.12.07	3.850%	THB 130,000	"	-	119,938	"
2014.11.25~ 2016.11.25	3.700%	THB 120,000	"	110,712	-	"
2014.12.03~ 2016.12.07	3.700%	THB 190,000	"	175,294	-	"
2015.01.28~ 2017.01.28	3.600%	THB 300,000	"	276,780	-	"
2015.03.18~ 2018.03.18	3.700%	THB 100,000	"	-	92,260	"
2015.05.14~ 2017.05.15	3.500%	THB 120,000	"	110,712	-	"
2015.06.04~ 2018.06.04	3.400%	THB 300,000	"	-	276,780	"
2015.08.13~ 2018.08.14	3.100%	THB 150,000	"	-	138,390	"
2015.09.03~ 2018.08.28	3.100%	THB 150,000	"	-	138,390	"
2015.12.25~ 2017.11.15	2.680%	THB 100,000	"	-	92,260	"
2016.02.02~ 2019.02.02	2.970%	THB 300,000	"	-	276,780	"
2016.02.17~ 2019.02.21	2.970%	THB 100,000	"	-	92,260	"
2016.03.29~ 2019.04.03	2.920%	THB 155,000	"	-	143,003	"
2016.04.27~ 2018.04.27	2.630%	THB 500,000	"	-	461,300	"
2016.06.16~ 2019.06.11	2.930%	THB 100,000	"	-	92,260	"
2016.06.24~ 2019.03.21	2.920%	THB 300,000	"	-	276,780	"
2016.06.28~ 2020.06.29	3.250%	THB 200,000	"	-	184,520	"
Bonds payable (Gross)				3,368,869	11,611,375	
Discounts on bonds payable				(281)	(2,163)	
				<u>\$ 3,368,588</u>	<u>11,609,212</u>	

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Period	Interest Rate	Principal Amount	Repayment Terms	2015.12.31		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	50,000	-	None
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.	219,504	-	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	1,188,980	-	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	91,460	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	-	192,066	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	-	137,190	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	201,212	"
2014.07.17~ 2016.07.11	3.790%	THB 215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	196,639	-	"

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Period	Interest Rate	Principal Amount		Repayment Terms	2015.12.31		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.	-	457,300	None
2014.07.25~ 2017.08.08	4.050%	THB	320,000	"	-	292,672	"
2014.09.26~ 2017.10.10	3.950%	THB	200,000	"	-	182,920	"
2014.09.26~ 2017.09.25	3.950%	THB	250,000	"	-	228,650	"
2014.09.29~ 2017.09.25	3.950%	THB	100,000	"	-	91,460	"
2014.11.07~ 2016.11.07	3.700%	THB	160,000	"	146,336	-	"
2014.11.10~ 2017.11.10	3.950%	THB	200,000	"	-	182,920	"
2014.11.24~ 2017.12.07	3.850%	THB	130,000	"	-	118,898	"
2014.11.25~ 2016.11.25	3.700%	THB	120,000	"	109,752	-	"
2014.12.03~ 2016.12.07	3.700%	THB	190,000	"	173,774	-	"
2015.01.28~ 2017.01.28	3.600%	THB	300,000	"	-	274,380	"
2015.03.18~ 2018.03.18	3.700%	THB	100,000	"	-	91,460	"
2015.05.14~ 2017.05.15	3.500%	THB	120,000	"	-	109,752	"
2015.06.04~ 2018.06.04	3.400%	THB	300,000	"	-	274,380	"
2015.08.13~ 2018.08.14	3.100%	THB	150,000	"	-	137,190	"
2015.09.03~ 2018.08.28	3.100%	THB	150,000	"	-	137,190	"
2015.12.25~ 2017.11.15	2.680%	THB	100,000	"	-	91,460	"
Bonds payable (Gross)					4,834,985	9,442,560	
Discounts on bonds payable					(698)	(1,740)	
					<u>\$ 4,834,287</u>	<u>9,440,820</u>	

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Period	Interest Rate	Principal Amount	Repayment Terms	2015.6.30		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	"	-	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	"
2015.06.29~ 2020.06.29	1.550%	3,000,000	"	-	3,000,000	"
2013.02.22~ 2015.08.21	4.550%	THB 350,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	321,580	-	"
2014.05.09~ 2016.05.16	3.820%	THB 240,000	"	220,512	-	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	1,194,440	-	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	91,880	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	-	192,948	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	-	137,820	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	202,136	"

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Period	Interest Rate	Principal Amount	Repayment Terms	2015.6.30		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.	-	197,542	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.	-	459,400	"
2014.07.25~ 2017.08.08	4.050%	THB 320,000	"	-	294,016	"
2014.09.26~ 2017.10.10	3.950%	THB 200,000	"	-	183,760	"
2014.09.26~ 2017.09.25	3.950%	THB 250,000	"	-	229,700	"
2014.09.29~ 2017.09.25	3.950%	THB 100,000	"	-	91,880	"
2014.11.07~ 2016.11.07	3.700%	THB 160,000	"	-	147,008	"
2014.11.10~ 2017.11.10	3.950%	THB 200,000	"	-	183,760	"
2014.11.24~ 2017.12.07	3.850%	THB 130,000	"	-	119,444	"
2014.11.25~ 2016.11.25	3.700%	THB 120,000	"	-	110,256	"
2014.12.03~ 2016.12.07	3.700%	THB 190,000	"	-	174,572	"
2015.01.28~ 2017.01.28	3.600%	THB 300,000	"	-	275,640	"
2015.03.18~ 2018.03.18	3.700%	THB 100,000	"	-	91,880	"
2015.05.14~ 2017.05.15	3.500%	THB 120,000	"	-	110,256	"
2015.06.04~ 2018.06.04	3.400%	THB 300,000	"	-	275,640	"
Bonds payable (Gross)				4,236,532	10,419,538	
Discounts on bonds payable				(959)	(2,319)	
				<u>\$ 4,235,573</u>	<u>10,417,219</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 bonds are due and payable immediately. These bonds have been paid as of April 5, 2015.

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Future lease commitments under these non-cancellable operating leases were as follows:

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Within 1 year	\$ 195,047	175,383	214,451
Beyond 1 year but up to 5 years	471,862	520,656	558,806
Over 5 years	<u>122,098</u>	<u>132,604</u>	<u>128,045</u>
	<u>\$ 789,007</u>	<u>828,643</u>	<u>901,302</u>

(l) Employee benefits**1. Defined benefit plans**

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. 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, 2015 and 2014.

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating expenses	\$ <u>18,920</u>	<u>18,505</u>	<u>37,996</u>	<u>37,149</u>

2. Defined contribution plans

The pension costs incurred from the contributions were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating costs	\$ 509	539	1,004	1,000
Operating expenses	<u>37,857</u>	<u>18,489</u>	<u>75,275</u>	<u>42,166</u>
Total	<u>\$ 38,366</u>	<u>19,028</u>	<u>76,279</u>	<u>43,166</u>

(m) Income taxes**1. Income Tax Expense**

The components of income tax were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Total income tax expense from continuing operations	\$ <u>735,895</u>	<u>653,679</u>	<u>1,331,212</u>	<u>1,246,413</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Items that will not be reclassified				
subsequently to profit or loss:				
Remeasurement of defined				
benefit plans	\$ -	-	123	-
Items that may be reclassified				
subsequently to profit or loss:				
Foreign currency translation				
differences for foreign	\$ 1,754	30,770	30,347	45,196
operations				

(n) Share capital and other equity accounts

Except for the following, there were no significant changes in capital and reserves for the six months ended June 30, 2016 and 2015. Please refer to Note (6)(o) of the consolidated financial statements for the year ended December 31, 2015 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 June 30, 2016, December 31, 2015 and June 30, 2015, the Company has listed, 411,909, 1,365,667, and 2,744,313 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.

CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2016 and 2015****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****2. Retained earnings**

According to the Articles of Association, 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. Dividends of at least 25% of such remaining amount of which cash dividends shall not be less than 30% of the total amount dividends:

a) Earnings distribution

The Company accrued employee benefits and the board of directors' remuneration of \$1,024 and \$5,460, respectively, for the years 2014. There were no difference between the actual distributions of 2014 earnings in 2015 and those which were estimated and accrued in the financial statements.

During their meeting on May 27, 2016 and May 28, 2015, the shareholder's meetings resolved to distribute the 2015 and 2014 earnings. These earnings were appropriated as follows:

	2015		2014	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 3.10	3,531,613	2.80	3,067,158
Stock	-	-	0.40	438,165
Total		\$ 3,531,613		3,505,323

The related information of the Company's earnings distribution can be accessed from the Market Observation Post System on the internet.

(o) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Profit attributable to common stockholders of the Company	\$ 1,907,232	1,706,985	3,528,358	3,416,431
Weighted average number of ordinary shares	\$ 1,139,230	1,139,230	1,139,230	1,139,230
Weighted average number of ordinary shares (Diluted)	\$ 1,139,248	1,139,248	1,139,248	1,139,248

Note: Potential ordinary shares have no dilutive effects.

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(p) Employee and board of directors compensation

According to the Articles of Association, if there are surplus profits, the annual surplus profits shall be allocated in accordance with the following sequence and manner; however, if the Company has accumulated losses, such accumulated losses shall first be offset against the annual profits:

- a) Between 0.01% and 1% of the surplus profits before tax of each financial years as employees' compensation;
- b) Not to exceed 0.1% of the surplus profits before tax of each financial year as directors' compensation.

For the three months and the six months ended June 30, 2016 and 2015, compensation for employees amounted to \$285, \$257, \$529 and \$516, respectively. For the three months and the six months ended June 30, 2016 and 2015, compensation for the board of directors amounted to \$1,333, \$1,025, \$2,470, and \$2,407, respectively. These amounts were estimated using the Company's profit before tax before remuneration of employee and the board of directors 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 estimated compensation costs were accrued and charged to profit or loss in the period when the employee service is rendered. According to management, the difference between the actual distribution and estimated amounts of employee as well as the board of directors compensation, if any, will be treated as a change in accounting estimate 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:

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Losses on disposal of foreclosed assets	\$ (16,263)	(44,530)	(33,867)	(44,530)
(Losses) gains on reversal of impairment loss of foreclosed assets	(1,787)	5,669	(6,495)	24,443
Gains on doubtful debt recoveries	55,521	38,274	107,108	84,680
Others	89	97	89	108
	<u>\$ 37,560</u>	<u>(490)</u>	<u>66,835</u>	<u>64,701</u>

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The details of other gains and losses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Foreign exchange gains (losses)	\$ 212,902	(20,289)	222,491	(17,347)
Net gains on disposal of property, plant, and equipment	11	850	19	1,124
Net gains on disposal of available-for-sale financial assets	-	114,600	1,993	114,600
Net gains on valuation of financial assets (liabilities) measured at fair value through profit or loss	7,238	(20,501)	23,131	(2,923)
Impairment losses of available-for-sale financial assets	(21)	(30)	(21)	(30)
Others	496,882	344,425	553,630	356,751
	<u>\$ 717,012</u>	<u>419,055</u>	<u>801,243</u>	<u>452,175</u>

(s) Adjustments to other comprehensive income

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Available-for-sale financial assets				
Net change in fair value	\$ 9,327	(13,447)	46,837	(1,756)
Net change in fair value reclassified to profit or loss	1,993	836	-	836
Net change in fair value recognized in other comprehensive income	<u>\$ 11,320</u>	<u>(12,611)</u>	<u>46,837</u>	<u>(920)</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 June 30, 2016, December 31, 2015 and June 30, 2015, the Group's maximum exposure to credit risks amounted to \$270,443,747, \$262,748,664 and \$246,409,560, respectively.

The non-performing loans (net of allowance for doubtful accounts) amounted to \$124,521, \$149,905 and \$181,430 as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

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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>
June 30, 2016					
Gross loans and receivables:					
Neither past due nor impaired	\$128,291,778	25,184,232	67,813,672	6,140,526	227,430,208
Past due	214,077	-	-	144,774	358,851
Impaired	<u>4,410,317</u>	<u>3,504,072</u>	<u>3,853,642</u>	<u>543,807</u>	<u>12,311,838</u>
	<u>\$132,916,172</u>	<u>28,688,304</u>	<u>71,667,314</u>	<u>6,829,107</u>	<u>240,100,897</u>
Allowance for impairment					
Collectively assessed	\$ 1,419,931	471,553	1,484,728	307,559	3,683,771
Individually assessed	<u>1,653,793</u>	<u>319,379</u>	<u>1,811,898</u>	<u>172,391</u>	<u>3,957,461</u>
	<u>\$ 3,073,724</u>	<u>790,932</u>	<u>3,296,626</u>	<u>479,950</u>	<u>7,641,232</u>
December 31, 2015					
Gross loans and receivables:					
Neither past due nor impaired	\$117,467,121	24,370,296	70,501,289	5,852,828	218,191,534
Past due	147,748	-	-	181,061	328,809
Impaired	<u>3,488,715</u>	<u>3,398,415</u>	<u>4,089,842</u>	<u>325,473</u>	<u>11,302,445</u>
	<u>\$121,103,584</u>	<u>27,768,711</u>	<u>74,591,131</u>	<u>6,359,362</u>	<u>229,822,788</u>
Allowance for impairment					
Collectively assessed	\$ 1,325,639	417,484	1,449,065	305,778	3,497,966
Individually assessed	<u>1,438,024</u>	<u>269,634</u>	<u>1,926,341</u>	<u>161,089</u>	<u>3,795,088</u>
	<u>\$ 2,763,663</u>	<u>687,118</u>	<u>3,375,406</u>	<u>466,867</u>	<u>7,293,054</u>
June 30, 2015					
Gross loans and receivables:					
Neither past due nor impaired	\$108,365,734	24,086,128	64,975,664	5,082,774	202,510,300
Past due	133,886	-	-	110,733	244,619
Impaired	<u>2,717,490</u>	<u>3,427,468</u>	<u>3,651,885</u>	<u>365,978</u>	<u>10,162,821</u>
	<u>\$111,217,110</u>	<u>27,513,596</u>	<u>68,627,549</u>	<u>5,559,485</u>	<u>212,917,740</u>
Allowance for impairment					
Collectively assessed	\$ 1,242,770	368,376	1,386,713	351,456	3,349,315
Individually assessed	<u>1,282,452</u>	<u>284,848</u>	<u>1,462,017</u>	<u>215,556</u>	<u>3,244,873</u>
	<u>\$ 2,525,222</u>	<u>653,224</u>	<u>2,848,730</u>	<u>567,012</u>	<u>6,594,188</u>

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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 was recognized thereon.

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

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Past due up to 30 days	\$ 294,109	181,037	120,725
31 to 90 days	64,742	73,200	123,894
90 to 180 days	-	74,572	-
	<u>\$ 358,851</u>	<u>328,809</u>	<u>244,619</u>

4) Impaired loans and receivables

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

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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:

	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
June 30, 2016								
Non-derivative financial liabilities								
Secured bank loans	\$ 31,406,257	31,830,373	4,502,675	5,394,469	10,888,078	10,580,651	464,500	-
Unsecured bank loans	145,623,165	146,749,605	41,675,375	21,506,025	39,405,659	44,162,546	-	-
Other unsecured loans	955,253	959,504	110,712	515,733	333,059	-	-	-
Notes payable from securitization	5,637,332	5,986,241	9,047	18,094	81,424	5,664,831	212,845	-
Bonds payables	14,977,800	15,968,010	225,305	74,752	2,470,374	10,770,429	2,427,150	-
Other payables	10,905,227	10,917,186	4,574,299	4,186,373	784,277	371,661	-	1,000,576
Deposits relating to collateral of customers	26,035,844	26,051,594	238,556	563,603	5,633,683	18,791,383	-	824,369
	<u>\$ 235,540,878</u>	<u>238,462,513</u>	<u>51,335,969</u>	<u>32,259,049</u>	<u>59,596,554</u>	<u>90,341,501</u>	<u>3,104,495</u>	<u>1,824,945</u>
December 31, 2015								
Non-derivative financial liabilities								
Bank overdraft	\$ 4,548	4,548	-	-	-	-	-	4,548
Secured bank loans	30,376,592	32,148,711	4,464,274	3,222,045	9,942,150	14,520,242	-	-
Unsecured bank loans	139,790,321	143,397,987	55,853,154	18,216,341	30,549,409	38,779,083	-	-
Other unsecured loans	1,523,738	1,529,211	237,796	985,024	306,391	-	-	-
Notes payable from securitization	5,662,792	6,004,991	8,850	17,699	79,648	5,681,410	217,384	-
Bonds payables	14,275,107	15,244,116	118,105	37,776	3,306,104	9,662,481	2,119,650	-
Other payables	6,932,789	6,935,189	4,467,353	871,553	547,407	347,044	-	701,832
Deposits relating to collateral of customers	25,089,282	25,104,584	228,586	570,606	5,410,706	18,258,444	-	636,242
	<u>\$ 223,655,169</u>	<u>230,369,337</u>	<u>65,378,118</u>	<u>23,921,044</u>	<u>50,141,815</u>	<u>87,248,704</u>	<u>2,337,034</u>	<u>1,342,622</u>
June 30, 2015								
Non-derivative financial liabilities								
Bank overdraft	\$ 20,741	20,741	-	-	-	-	-	20,741
Secured bank loans	28,579,433	29,092,750	2,133,631	3,322,670	9,908,782	13,727,667	-	-
Unsecured bank loans	127,059,520	128,009,740	36,640,702	25,334,659	29,519,296	36,515,083	-	-
Other unsecured loans	2,398,487	2,410,555	519,665	1,009,568	881,322	-	-	-
Notes payable from securitization	5,662,878	6,063,753	8,837	17,674	79,532	5,732,882	224,828	-
Bonds payables	14,652,792	15,774,745	38,434	358,334	3,203,151	10,011,426	2,163,400	-
Other payables	8,221,648	8,614,890	3,243,802	3,215,347	919,966	264,667	-	971,108
Deposits relating to collateral of customers	23,178,079	23,194,129	382,202	543,452	4,798,741	16,794,746	-	674,988
	<u>\$ 209,773,578</u>	<u>213,181,303</u>	<u>42,967,273</u>	<u>33,801,704</u>	<u>49,310,790</u>	<u>83,046,471</u>	<u>2,388,228</u>	<u>1,666,837</u>

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The Group is 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:

2016.6.30				
	Foreign currency (In thousands)		Exchange rate	Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	16,750.38	USD : TWD 32.2750	540,619
		7,355.25	USD : VND 24,267	237,391
CNY		6,898.84	CNY : USD 0.1501	33,425
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$	132,133.00	USD : TWD 32.2750	4,264,593
		4,732.99	USD : VND 24,267	152,757
2015.12.31				
	Foreign currency (In thousand)		Exchange rate	Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	12,519.75	USD : TWD 32.8250	410,961
		8,258.00	USD : VND 23,363	271,069
CNY		6,828.63	CNY : USD 0.1522	34,109
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		79,136.00	USD : TWD 32.8250	2,597,639
		5,334.63	USD : VND 23,363	175,109

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		2015.6.30			
		Foreign currency (In thousands)	Exchange rate		Functional currency
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$	2,858.53	USD : TWD	30.8600	88,214
		8,365.67	USD : VND	22,525.55	258,165
CNY		6,781.50	CNY : USD	0.1611	33,724
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	\$	73,724.00	USD : TWD	30.8600	2,275,123
		5,669.96	USD : VND	22,525.55	174,975

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 \$26,149 and \$8,419, for the six months ended June 30, 2016 and 2015, respectively. Such analysis was performed on the same basis for both periods.

3) The Foreign Currency Gain or Loss on Monetary Items

Since the Group uses multiple functional currencies, the amounts for foreign currency gain or loss are consolidated for presentation. For the six months ended June 30, 2016 and 2015, the foreign currency gain or loss, including realized and unrealized, amounted to \$222,491 of gain and \$17,347 of loss, respectively.

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

Ending balance as of June 30, 2016	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	0.75 %	\$ 11,431,901	8,694,294	1,037,112	-	-	1,700,495
Debt securities	6.38 %	10,073,188	92,668	4,259,785	5,720,735	-	-
Total accounts receivables	9.80 %	240,316,128	30,789,531	106,664,543	87,994,102	1,276,009	13,591,943
		261,821,217	39,576,493	111,961,440	93,714,837	1,276,009	15,292,438
Financial liabilities							
Secured bank loans	4.59 %	31,406,257	21,270,339	5,803,668	4,332,250	-	-
Unsecured bank loans	2.14 %	145,623,165	93,538,672	37,237,745	14,846,748	-	-
Bonds payables	2.31 %	14,977,800	-	2,443,588	10,234,212	2,300,000	-
Other unsecured loans	2.20 %	955,253	-	955,253	-	-	-
Notes payable from securitization	1.93 %	5,637,332	172,332	-	5,465,000	-	-
Deposits relating to collateral of customers	0.14 %	26,035,844	-	2,193,394	4,424,671	861	19,416,918
		224,635,651	114,981,343	48,633,648	39,302,881	2,300,861	19,416,918
Net exposure		\$ 37,185,566	(75,404,850)	63,327,792	54,411,956	(1,024,852)	(4,124,480)

Ending balance as of December 31, 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	0.87 %	\$ 11,097,812	8,351,786	1,052,911	-	-	1,693,115
Debt securities	6.30 %	10,669,495	693,713	4,117,714	5,858,068	-	-
Total accounts receivables	11.37 %	230,039,735	26,689,972	108,703,310	83,340,548	1,240,458	10,065,447
Interest rate swap contracts	1.80 %	1,385	1,385	-	-	-	-
Cross currency swap contracts	1.30 %	184,147	184,147	-	-	-	-
		251,992,574	35,921,003	113,873,935	89,198,616	1,240,458	11,758,562

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Ending balance as of December 31, 2015	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	4.97 %	30,376,592	21,754,766	2,949,232	5,672,594	-	-
Unsecured bank loans	2.30 %	139,790,321	78,799,981	45,922,791	15,067,549	-	-
Bonds payables	2.53 %	14,275,107	100,000	3,034,287	9,140,820	2,000,000	-
Bank overdraft	7.38 %	4,548	4,548	-	-	-	-
Other unsecured loans	2.26 %	1,523,738	-	1,523,738	-	-	-
Notes payable from securitization	1.88 %	5,662,792	197,792	-	5,465,000	-	-
Deposits relating to collateral of customers	0.30 %	25,089,282	-	1,995,033	5,080,473	-	18,013,776
		216,722,380	100,857,087	55,425,081	40,426,436	2,000,000	18,013,776
Net exposure		\$ 35,270,194	(64,936,084)	58,448,854	48,772,180	(759,542)	(6,255,214)

Ending balance as of June 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	0.88 %	\$ 10,577,561	7,417,890	1,049,434	-	-	2,110,237
Debt securities	5.89 %	8,897,839	702,883	2,285,128	5,909,828	-	-
Total accounts receivables	10.37 %	213,185,112	25,048,472	101,259,281	76,620,536	1,200,221	9,056,602
Cross currency swap contracts	1.87 %	45,257	45,257	-	-	-	-
Interest rate swap contract	0.94 %	2,663	2,663	-	-	-	-
		232,708,432	33,217,165	104,593,843	82,530,364	1,200,221	11,166,839
Financial liabilities							
Secured bank loans	5.76 %	28,579,433	18,987,600	4,520,343	5,071,490	-	-
Unsecured bank loans	2.60 %	127,059,520	70,329,005	43,004,867	13,725,648	-	-
Bonds payables	2.56 %	14,652,792	500,000	2,735,573	9,417,219	2,000,000	-
Bank overdraft	7.38 %	20,741	20,741	-	-	-	-
Other unsecured loans	2.54 %	2,398,487	-	2,398,487	-	-	-
Notes payable from securitization	1.87 %	5,662,878	197,878	-	5,465,000	-	-
Deposits relating to collateral of customers	0.69 %	23,178,079	-	2,630,583	3,833,978	-	16,713,518
		201,551,930	90,035,224	55,289,853	37,513,335	2,000,000	16,713,518
Net exposure		\$ 31,156,502	(56,818,059)	49,303,990	45,017,029	(799,779)	(5,546,679)

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.

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If the interest rate increases or decreases by 0.25%, the Group's net profit will decrease or increase by \$138,557 and \$122,500 for the six months ended June 30, 2016 and 2015, respectively. This analysis assumes that all other variables remain constant.

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

The following are 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 but whose carrying amount is estimated to be 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, the fair value information need not be disclosed:

	June 30, 2016				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value though profit or loss					
Financial assets held for trading	\$ 352,347	352,347	-	-	352,347
Available-for-sale financial assets					
Domestic and foreign market (OTC) stocks	1,348,483	280,243	1,068,240	-	1,348,483
Measure the fair value of unquoted equity instruments	503,592	-	-	503,592	503,592
Sub-total	1,852,075	280,243	1,068,240	503,592	1,852,075
Held-to-maturity investments	10,073,188	-	-	-	-
Loan and receivable					
Cash and cash equivalents	11,431,901	-	-	-	-
Accounts receivable	232,584,186	-	-	-	-
Other financial assets	1,494,623	-	-	-	-
Refundable deposits	1,075,374	-	-	-	-
Restricted bank deposits	2,433,934	-	-	-	-
Sub-total	249,020,018	-	-	-	-
Total	\$ 261,297,628	632,590	1,068,240	503,592	2,204,422

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		June 30, 2016				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Measurement of financial liabilities at amortized cost						
Secured bank loans	\$	31,406,257	-	-	-	-
Unsecured bank loans		145,623,165	-	-	-	-
Other unsecured loans		955,253	-	-	-	-
Notes payable from securitization		5,637,332	-	-	-	-
Bonds payables		14,977,800	-	-	-	-
Other payables		10,905,227	-	-	-	-
Deposits relating to collateral of customers		26,035,844	-	-	-	-
Sub-total		235,540,878	-	-	-	-
Total	\$	235,540,878	-	-	-	-
December 31, 2015						
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value though profit or loss						
Financial assets held for trading	\$	235,545	213,429	22,116	-	235,545
Financial assets at fair value though profit or loss		693,713	-	-	693,713	693,713
Sub-total		929,258	213,429	22,116	693,713	929,258
Hedging of derivative financial assets						
		163,416	-	163,416	-	163,416
Available-for-sale financial assets						
Domestic and foreign market (OTC) stocks		1,198,408	163,350	1,035,058	-	1,198,408
Measure the fair value of unquoted equity instruments		506,319	-	-	506,319	506,319
Sub-total		1,704,727	163,350	1,035,058	506,319	1,704,727
Held-to-maturity investments						
		9,975,782	-	-	-	-
Loan and receivable						
Cash and cash equivalents		11,097,812	-	-	-	-
Accounts receivable		222,679,639	-	-	-	-
Other financial assets		1,501,466	-	-	-	-
Refundable deposits		972,476	-	-	-	-
Restricted bank deposits		2,090,129	-	-	-	-
Sub-total		238,341,522	-	-	-	-
Total	\$	251,114,705	376,779	1,220,590	1,200,032	2,797,401

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		December 31, 2015				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Measurement of financial liabilities at amortized cost						
Bank overdraft	\$	4,548	-	-	-	-
Secured bank loans		30,376,592	-	-	-	-
Unsecured bank loans		139,790,321	-	-	-	-
Other unsecured loans		1,523,738	-	-	-	-
Notes payable from securitization		5,662,792	-	-	-	-
Bonds payables		14,275,107	-	-	-	-
Other payables		6,932,789	-	-	-	-
Deposits relating to collateral of customers		25,089,282	-	-	-	-
Sub-total		223,655,169	-	-	-	-
Total	\$	223,655,169	-	-	-	-
		June 30, 2015				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss						
Financial assets held for trading	\$	281,931	265,200	16,731	-	281,931
Financial assets at fair value through profit or loss		702,883	-	-	702,883	702,883
Sub-total		984,814	265,200	16,731	702,883	984,814
Hedging of derivative financial assets						
		31,189	-	31,189	-	31,189
Available-for-sale financial assets						
Domestic and foreign market (OTC) stocks		1,249,036	195,757	1,053,279	-	1,249,036
Measure the fair value of unquoted equity instruments		498,621	-	-	498,621	498,621
Sub-total		1,747,657	195,757	1,053,279	498,621	1,747,657
Held-to maturity investments						
		8,194,956	-	-	-	-

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		June 30, 2015			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Loan and receivable					
Cash and cash equivalents	10,577,561	-	-	-	-
Accounts receivable	206,504,982	-	-	-	-
Other financial assets	2,091,537	-	-	-	-
Refundable deposits	837,049	-	-	-	-
Restricted bank deposits	2,593,863	-	-	-	-
Sub-total	222,604,992	-	-	-	-
Total	\$ 233,563,608	460,957	1,101,199	1,201,504	2,763,660
Measurement of financial liabilities					
at amortized cost					
Bank overdrafts	\$ 20,741	-	-	-	-
Secured bank loans	28,579,433	-	-	-	-
Unsecured bank loans	127,059,520	-	-	-	-
Other unsecured loans	2,398,487	-	-	-	-
Notes payable from securitization	5,662,878	-	-	-	-
Bonds payables	14,652,792	-	-	-	-
Other payables	8,221,648	-	-	-	-
Deposits relating to collateral of customers	23,178,079	-	-	-	-
Sub-total	209,773,578	-	-	-	-
Total	\$ 209,773,578	-	-	-	-

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.

CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2016 and 2015****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****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 Group'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.

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, 2016	\$ 693,713	506,319	1,200,032
Total gains and losses recognized:			
In profit or loss	28,094	-	28,094
In other comprehensive income	-	(2,255)	(2,255)
Disposal	(721,807)	(472)	(722,279)
Ending balance, June 30, 2016	<u>\$ -</u>	<u>503,592</u>	<u>503,592</u>
Opening balance, January 1, 2015	\$ 710,059	517,217	1,227,276
Total gains and losses recognized:			
In profit or loss	(7,176)	-	(7,176)
In other comprehensive income	-	(18,596)	(18,596)
Ending balance, June 30, 2015	<u>\$ 702,883</u>	<u>498,621</u>	<u>1,201,504</u>

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For the six months ended June 30, 2016 and 2015, 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 June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Total gains and losses recognized :				
In profit or loss, and included “other gains and losses”	\$ -	14	28,094	(7,176)
In other comprehensive income, and included “unrealized gains and losses on available-for-sale financial assets”	(197)	621	(2,255)	(18,596)

5) The Quantified Information for Significant Unobservable Inputs (Level 3) Used in Fair Value Measurement

The Group’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"> Expected Asset Repayment Rate (As of December 31 and June 30, 2015 the interest rate is 28.06% and 18.15%, respectively) Expected Loss Given Default Rate (As of December 31 and June 30, 2015 the interest rate is 7.88 and 4.58%) 	<ul style="list-style-type: none"> The higher the expected asset repayment rate, the higher the fair value. The lower the expected loss given default rate, the higher the fair value.
Available-for-sale financial assets-equity investments	Net Asset Value Method	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:

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	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
June 30, 2015						
Financial asset at fair value through profit or loss - subordinated beneficiary certificate	Expects Asset Repayment Rate	10%	\$ 3,406	(3,406)	-	-
"	Expected Loss Given Default Rate	10%	\$ 10,028	(10,028)	-	-

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, 2015.

(v) Capital Management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2015. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2015. Please refer to Note (6)(w) of the consolidated financial statements for the year ended December 31, 2015 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 June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Affiliates	\$ 62,604	49,943	135,524	95,025

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Receivables of the Group from related parties were as follows :

<u>Account</u>	<u>Category of related party</u>	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Capital leases receivable	Affiliates	\$ 405	216	346
Accounts receivable	Affiliates	1,968	2,038	5,121
Other receivables	Affiliates	36,394	38,763	14,688
Other current financial assets	Affiliates	1,000	1,000	1,000
Other non-current financial assets	Affiliates	11,900	10,900	5,900
		<u>\$ 51,667</u>	<u>52,917</u>	<u>27,055</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>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Other current financial liabilities	Affiliates	\$ 113	709	696

4. Asset transactions

The Group entered into an agreement of Shanghai office building with an affiliate Zhongyou Investment Management Consultants (Shanghai) Co., Ltd. (Zhongyou). Zhongyou is responsible for design, supervision and management consulting jobs for leasehold improvements project. The project expenditure amounted to \$0, \$0, \$4,944 and \$9,295 for the three months and the six months ended June 30, 2016 and 2015, respectively, including project consultant fee of \$0, \$0, \$124 and \$9,295 paid to Zhongyou for the three months and the six months ended June 30, 2016 and 2015, respectively.

5. Related-Party Financing

Financing to related parties was as follows :

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Affiliates	<u>\$ 69,961</u>	<u>71,153</u>	<u>93,808</u>

The loans receivable bear interest at rates ranging from 4.00% to 4.25%. As of June 30, 2016, December 31, 2015 and June 30, 2015, interest receivable from the loans receivable from affiliates amounted to \$11,826, \$10,263 and \$8,186, respectively. For the three months and the six months ended June 30, 2016 and 2015, interest revenue from the loans receivable from affiliates amounted to \$877, \$2,527, \$1,762 and \$5,541, respectively.

ACCEPTED AUDITING STANDARDS.**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2016 and 2015****(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>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Affiliates	<u>\$ 2,583,280</u>	<u>2,839,808</u>	<u>2,133,981</u>

The borrowings from affiliates bear interest at rates ranging from 3.40% to 4.70%. As of June 30, 2016, December 31, 2015 and June 30, 2015, interest payable from the interest bearing borrowings from affiliates amounted to \$304, \$379 and \$272, respectively. For the three months and the six months ended June 30, 2016 and 2015, interest expense from the interest bearing borrowing from affiliates amounted to \$27,751, \$25,425, \$55,891 and \$52,051, respectively.

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

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Affiliates	<u>\$ -</u>	<u>45,730</u>	<u>45,940</u>

The bonds payable bear interest at rates ranging from 4.50% to 4.60%. As of December 31, 2015 and June 30, 2015, interest payable from bonds payable to affiliates amounted to \$28, and \$22, respectively. For the three months and the six months ended June 30, 2016 and 2015, interest expenses from bonds payable to affiliates amounted to \$495, \$523, \$1,019 and \$1,061, respectively.

7. Others

- 1) As of June 30, 2016, December 31, 2015 and June 30, 2015, bank deposits in financial institutions which are related parties of the Group amounted to \$180,544, \$315,004 and \$917,874, respectively. For the three months and the six months ended June 30, 2016 and 2015, interest revenue from the deposits in affiliates amounted to \$246, \$115, \$285 and \$137, respectively.

- 2) Other expense with related parties :

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Affiliates				
Rent expense	\$ 7,314	7,421	14,942	14,958
Commission and service costs and expenses	263	183	497	339
Other operating costs and expenses	14,832	25,997	26,033	33,105
	<u>\$ 22,409</u>	<u>33,601</u>	<u>41,472</u>	<u>48,402</u>

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(b) Key management personnel compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Short-term employee benefits	\$ 61,660	66,816	124,018	134,029
Post-employment benefits	457	411	920	768
	<u>\$ 62,117</u>	<u>67,227</u>	<u>124,938</u>	<u>134,797</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2016.6.30	2015.12.31	2015.6.30
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	\$ 2,687,091	2,146,875	2,593,863
Property, plant and equipment	As guarantee for short-term and long-term borrowings	2,459,451	4,569,992	4,114,302
Equity securities	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	1,006,503	1,174,967	1,181,366
Refundable deposits	Provincial court seizure etc.	900,079	806,718	636,630
Accounts receivable and notes receivable	Issuance of short-term bills, corporate bonds and as guarantee for short-term and long-term borrowings	95,890,891	94,670,046	98,042,135
Total		<u>\$ 102,944,015</u>	<u>103,368,598</u>	<u>106,568,296</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.

(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 June 30, 2016, December 31, 2015 and June 30, 2015, the balance of unexpired payments from these alliance transactions amounted to \$9,087,772, \$11,524,705 and \$12,770,922, respectively.

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- (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 December 31, 2015 and June 30, 2015, the payable balance from these transactions amounted to \$11,119 and \$51,358, 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 June 30, 2016, December 31, 2015 and June 30, 2015, the balance of financing obtained from such facilitation amounted to \$36,773, \$19,812 and \$53,174, 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.****(12) Other****(a) Liquidity analysis of assets and liabilities :**

	2016.6.30		
	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	\$ 11,431,901	-	11,431,901
Current financial assets at fair value through profit or loss	352,347	-	352,347
Current held-to-maturity financial assets	4,352,453	4,175,026	8,527,479
Accounts receivable, net	134,211,700	55,409,865	189,621,565
Inventories	207	-	207
Other current financial assets	3,814,512	24,576	3,839,088
Other current assets – others	2,804,929	-	2,804,929
	<u>\$ 156,968,049</u>	<u>59,609,467</u>	<u>216,577,516</u>

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	2016.6.30		
	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	\$ 81,819,679	-	81,819,679
Accounts and notes payable	3,316,381	-	3,316,381
Current tax liabilities	1,348,523	-	1,348,523
Other current financial liabilities	13,440,041	17,576,744	31,016,785
Long-term liabilities – current portion	39,259,842	33,342,827	72,602,669
Other current liabilities – others	1,055,874	-	1,055,874
	<u>\$ 140,240,340</u>	<u>50,919,571</u>	<u>191,159,911</u>
	2015.12.31		
	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	\$ 11,097,812	-	11,097,812
Current financial assets at fair value through profit or loss	235,545	-	235,545
Current held-to-maturity financial assets	4,117,714	3,540,674	7,658,388
Current derivative financial assets for hedging	163,416	-	163,416
Accounts receivable, net	127,849,388	57,756,695	185,606,083
Inventories	207	-	207
Other current financial assets	3,476,935	36,310	3,513,245
Other current assets – others	2,720,371	-	2,720,371
	<u>\$ 149,661,388</u>	<u>61,333,679</u>	<u>210,995,067</u>
<u>Current liabilities</u>			
Short-term borrowings	\$ 78,844,180	-	78,844,180
Accounts and notes payable	2,749,876	485,943	3,235,819
Current tax payable	1,295,601	-	1,295,601
Other current financial liabilities	10,968,806	15,305,442	26,274,248
Long-term liabilities – current portion	42,547,233	31,908,893	74,456,126
Other current liabilities – others	1,017,178	-	1,017,178
	<u>\$ 137,422,874</u>	<u>47,700,278</u>	<u>185,123,152</u>

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	2015.6.30	
	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	\$ 10,577,561	10,577,561
Current financial assets at fair value through profit or loss	281,931	281,931
Current held-to-maturity financial assets	2,285,128	3,162,078
Current derivative financial assets for hedging	31,189	31,189
Accounts receivable, net	115,345,943	56,590,887
Inventories	207	207
Other current financial assets	4,487,273	62,769
Other current assets – others	3,172,016	3,051
	\$ 136,181,248	59,818,785
		196,000,033
<u>Current liabilities</u>		
Short-term borrowings	\$ 66,532,716	66,532,716
Accounts and notes payable	2,125,792	2,125,792
Current tax payable	1,192,825	1,192,825
Other current financial liabilities	11,735,033	15,081,765
Long-term liabilities – current portion	42,895,439	30,766,368
Other current liabilities – others	962,890	962,890
	\$ 125,444,695	45,848,133
		171,292,828

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

By item	By function	For the three months ended June 30, 2016			For the three months ended June 30, 2015		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		14,835	1,073,554	1,088,389	13,753	974,814	988,567
Labor and health insurance		1,029	61,512	62,541	1,046	69,735	70,781
Pension		509	56,777	57,286	539	36,994	37,533
Others		-	77,996	77,996	-	66,289	66,289
Depreciation		411,998	36,269	448,267	351,097	35,979	387,076
Amortization		-	39,055	39,055	-	40,375	40,375

By item	By function	For the six months ended June 30, 2016			For the six months ended June 30, 2015		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		28,898	2,125,846	2,154,744	27,249	1,927,310	1,954,559
Labor and health insurance		2,040	132,275	134,315	2,084	152,720	154,804
Pension		1,004	113,271	114,275	1,000	79,315	80,315
Others		-	159,620	159,620	-	137,769	137,769
Depreciation		812,809	73,168	885,977	693,583	75,530	769,113
Amortization		-	92,800	92,800	-	74,349	74,349

(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 June 30, 2016					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 4,431,646	4,317,843	644,526	164,897	-	9,558,912
Intersegment revenues	221,508	22,063	-	17,982	(261,553)	-
Total revenue	\$ 4,653,154	4,339,906	644,526	182,879	(261,553)	9,558,912
Reportable segment profit or loss	\$ 1,230,508	664,543	169,324	(70,293)	-	1,994,082

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For the three months ended June 30, 2015						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 4,047,742	4,286,181	630,196	128,141	-	9,092,260
Intersegment revenues	208,158	96,581	-	-	(304,739)	-
Total revenue	\$ 4,255,900	4,382,762	630,196	128,141	(304,739)	9,092,260
Reportable segment profit or loss	\$ 1,241,546	615,282	158,375	(225,142)	-	1,790,061
For the six months ended June 30, 2016						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 8,665,627	8,022,728	1,287,814	354,343	-	18,330,512
Intersegment revenues	455,548	114,085	-	1,425	(571,058)	-
Total revenue	\$ 9,121,175	8,136,813	1,287,814	355,768	(571,058)	18,330,512
Reportable segment profit or loss	\$ 2,469,498	1,146,288	330,423	(248,510)	-	3,697,699
For the six months ended June 30, 2015						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 7,844,143	8,060,945	1,279,612	410,609	-	17,595,309
Intersegment revenues	469,305	252,578	-	-	(721,883)	-
Total revenue	\$ 8,313,448	8,313,523	1,279,612	410,609	(721,883)	17,595,309
Reportable segment profit or loss	\$ 2,373,824	1,157,977	322,274	(268,838)	-	3,585,237