

(English Translation of Financial Report Originally Issued in Chinese)
CHAILEASE HOLDING COMPANY LIMITED AND ITS
SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(With Independent Accountants' Review Report Thereon)

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Independent Auditors' Review Report

The Board of Directors of Chailease Holding Company Limited :

We have reviewed the accompanying condensed consolidated balance sheets of Chailease Holding Company Limited (the "Company") and its subsidiaries (the "Group") as of September 30, 2014 and 2013, the related condensed consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2014 and 2013 and the related condensed consolidated statements of changes in equity, and cash flows for the nine months ended September 30, 2014 and 2013. These condensed consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these condensed consolidated financial statements based on our reviews.

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

Also included in the accompanying condensed consolidated financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent accountants. These consolidated subsidiaries had total assets of NT\$59,446,938 thousand and NT\$39,023,087 thousand constituting 26% and 21%, respectively, of the Company's consolidated total assets; total liabilities of NT\$50,927,937 thousand and NT\$35,401,550 thousand constituting 26% and 23%, respectively, of the Company's consolidated total liabilities as of September 30, 2014 and 2013; comprehensive income of NT\$650,691 thousand, NT\$412,863 thousand, NT\$1,148,423 thousand and NT\$633,923 thousand constituting 26%, 26%, 21% and 12%, respectively, of the Company's consolidated comprehensive income for the three months and the nine months ended September 30, 2014 and 2013.

Long term investments under equity method of NT\$157,505 thousand and NT\$112,229 thousand as of September 30, 2014 and 2013, respectively, and related investment income (loss) thereof amounting to NT \$(4,474) thousand, NT\$1,790 thousand, NT\$(8,845) thousand and NT\$(1,298) thousand for the three months and the nine months ended September 30, 2014 and 2013, 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 the paragraphs 3 and 4 above been reviewed by independent accountants, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements described in the first paragraph for them to be in conformity with the Guidelines Governing the Preparation of Financial Report by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed by the Financial Supervisory Commissions in the Republic of China.

We have previously audited the consolidated balance sheets of Chailease Holding Company Limited and its subsidiaries as of December 31, 2013, and the related statements of comprehensive income, change 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 27, 2014. In our opinion, the consolidated balance sheets and related disclosures of the Group as of December 31, 2013, are consistent, in all material respects, with the audited condensed consolidated financial statements from which they have been derived.

KPMG

CPA : Wan Wan, Lin
Yi Chun, Chen

Taipei, Taiwan, R.O.C.
November 12, 2014

Note to Readers

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

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

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF SEPTEMBER 30, 2014 AND 2013 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY
ACCEPTED AUDITING STANDARDS.**

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Condensed Consolidated Balance Sheets

September 30, 2014, December 31, 2013, and September 30, 2013

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets		2014.9.30		2013.12.31		2013.9.30		LIABILITIES AND EQUITY		2014.9.30		2013.12.31		2013.9.30			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets :								Current Liabilities :									
1100	Cash and cash equivalents (Notes (6)(a) and (7))	\$	9,655,671	4	7,586,221	4	7,906,997	4	2100	Short-term borrowings (Notes (6)(k) , (7) and (8))	\$	71,630,824	32	57,141,701	29	49,431,049	27
1110	Current financial assets at fair value through profit or loss (Note (6)(b))		221,841	-	264,569	-	235,715	-	2120	Current financial liabilities at fair value through profit or loss (Note (6)(b))		-	-	9,150	-	1,809	-
1130	Current held-to-maturity financial assets (Note (6)(b))		6,538,845	3	4,838,385	3	2,741,227	1	2125	Current derivative financial liabilities for hedging (Note (6)(b))		-	-	39,920	-	1,428	-
1135	Current derivative financial assets for hedging (Notes (6)(b))		20,604	-	-	-	-	-	2150	Accounts and notes payable		1,643,851	1	2,383,535	1	996,667	1
1170	Accounts receivable, net (Notes (6)(d), (7) and (8))		155,287,497	69	133,718,307	68	126,210,012	68	2230	Current tax liabilities		692,563	-	618,258	-	413,522	-
1320	Inventories (Notes (6)(e), (7) and (8))		311	-	567,752	-	932,899	1	2305	Other current financial liabilities (Note (7))		21,842,197	10	19,830,779	10	18,612,178	10
1476	Other current financial assets (Notes (7) and (8))		4,968,229	2	5,000,217	3	5,152,210	3	2312	Advance real estate receipts (Notes (6)(e) and (7))		349	-	307,563	-	391,058	-
1479	Other current assets – others (Notes (6)(f), (7) and (8))		2,838,672	1	2,323,739	1	2,108,877	1	2320	Long-term liabilities – current portion		52,043,371	23	49,511,658	25	54,492,717	30
			179,531,670	79	154,299,190	79	145,287,937	78		(Notes (6)(k), (6)(l), (7) and (8))							
Non-current assets :									2399	Other current liabilities – others		1,260,551	-	869,514	-	687,874	-
1510	Non-current financial assets at fair value through profit or loss (Notes (6)(b) and (6)(c))		789,596	-	1,699,947	1	1,721,008	1				149,113,706	66	130,712,078	65	125,028,302	68
1523	Non-current available-for-sale financial assets (Notes (6)(b) and (8))		1,584,558	1	1,728,104	1	1,552,708	1	2530	Bonds payable (Notes (6)(l), (7) and (8))		6,441,880	3	5,004,993	3	6,409,053	3
1528	Non-current held-to-maturity financial assets (Note (6)(b))		2,232,155	1	485,855	-	558,000	-	2540	Long-term borrowings (Notes (6)(j) and (8))		33,611,844	14	26,447,339	14	22,173,684	12
1550	Investments accounted under equity method (Notes (6)(g) and (8))		157,505	-	29,480	-	112,229	-	2570	Deferred tax liabilities		1,556,197	1	1,344,068	1	1,146,151	1
1600	Property, plant and equipment (Notes (6)(i) and (8))		7,445,159	3	7,186,367	4	6,552,554	4	2600	Other non-current liabilities (Note (6)(n))		2,246,610	1	1,826,279	1	1,819,368	1
1780	Intangible assets (Note (6)(j))		32,932	-	22,612	-	22,147	-				43,856,531	19	34,622,679	19	31,548,256	17
1840	Deferred tax assets		1,894,056	1	1,535,509	1	1,441,358	1		Total Liabilities		192,970,237	85	165,334,757	84	156,576,558	85
1930	Long-term accounts receivable, net (Notes (6)(d) , (7) and (8))		32,179,738	14	28,019,446	14	26,928,774	15		Equity attributable to owners of parent : (Note (6)(p))							
1995	Other non-current assets – others(Notes (7) and (8))		928,205	1	769,440	-	749,617	-									
			47,243,904	21	41,476,760	21	39,638,395	22	3110	Share capital		10,954,134	5	9,958,304	5	9,958,304	5
									3200	Capital surplus		9,411,698	4	9,411,698	5	9,411,771	5
									3320	Special reserve		-	-	64,865	-	64,865	-
									3350	Unappropriated retained earnings		10,417,822	5	8,215,781	4	6,578,817	4
									3400	Other equity items		1,069,595	-	973,795	1	536,827	-
										Total equity attributable to owners of parent		31,853,249	14	28,624,443	15	26,550,584	14
									36XX	Non-controlling interests		1,952,088	1	1,816,750	1	1,799,190	1
										Total equity		33,805,337	15	30,441,193	16	28,349,774	15
TOTAL ASSETS		\$	226,775,574	100	195,775,950	100	184,926,332	100	TOTAL LIABILITIES AND EQUITY		\$	226,775,574	100	195,775,950	100	184,926,332	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.**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Condensed Consolidated Statements of Comprehensive Income****For the three and the nine months ended September 30, 2014 and 2013****(Amounts Expressed in Thousands of New Taiwan Dollars)**

		For the three months ended September 30,				For the nine months ended September 30,			
		2014		2013		2014		2013	
		Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue : (Note (7))									
4111	Sales revenue	\$ 2,492,148	28	1,733,146	23	6,674,000	26	4,355,104	21
4810	Interest revenue - installment sales	1,686,054	19	1,468,233	20	4,862,760	19	4,459,616	21
4820	Interest revenue - capital leases	1,950,547	21	1,926,720	26	5,553,392	21	5,521,361	26
4300	Rental revenue - operating leases	486,172	5	509,624	7	1,393,607	5	1,802,546	9
4230	Interest revenue - loans	533,898	6	422,341	6	1,524,501	6	1,097,963	5
4240	Other interest revenue	467,210	5	341,850	4	1,295,580	5	761,034	4
4830	Building and land sales revenue	-	-	-	-	750,535	3	-	-
4881	Other operating revenue	<u>1,413,347</u>	<u>16</u>	<u>1,030,457</u>	<u>14</u>	<u>3,837,032</u>	<u>15</u>	<u>2,922,544</u>	<u>14</u>
		<u>9,029,376</u>	<u>100</u>	<u>7,432,371</u>	<u>100</u>	<u>25,891,407</u>	<u>100</u>	<u>20,920,168</u>	<u>100</u>
Operating costs : (Note (7))									
5111	Cost of sales	2,158,784	24	1,561,941	21	5,824,375	23	3,901,587	19
5240	Interest expense (Note (6)(e))	1,107,274	12	985,456	13	3,158,315	12	2,989,112	14
5300	Cost of rental revenue	279,485	3	441,873	6	964,839	4	1,410,588	7
5800	Other operating costs	<u>202,332</u>	<u>2</u>	<u>168,408</u>	<u>2</u>	<u>1,111,528</u>	<u>4</u>	<u>478,449</u>	<u>2</u>
		<u>3,747,875</u>	<u>41</u>	<u>3,157,678</u>	<u>42</u>	<u>11,059,057</u>	<u>43</u>	<u>8,779,736</u>	<u>42</u>
Gross profit from operation		5,281,501	59	4,274,693	58	14,832,350	57	12,140,432	58
6000	Operating expenses (Note (7))	3,053,100	34	2,307,539	31	8,422,086	32	6,276,406	30
6500	Net other income and expenses (Note (6)(r))	<u>30,344</u>	<u>-</u>	<u>24,440</u>	<u>-</u>	<u>101,382</u>	<u>-</u>	<u>106,529</u>	<u>1</u>
Operating profit		<u>2,258,745</u>	<u>25</u>	<u>1,991,594</u>	<u>27</u>	<u>6,511,646</u>	<u>25</u>	<u>5,970,555</u>	<u>29</u>
Non-operating income and expenses :									
7100	Interest income	18,240	-	27,557	-	62,750	-	102,575	-
7130	Dividend revenue	28,473	-	32,834	1	31,326	-	32,834	-
7020	Other gains and losses (Note (6)(s))	373,363	5	2,500	-	730,246	3	179,366	1
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note (6)(g))	<u>(4,474)</u>	<u>-</u>	<u>1,790</u>	<u>-</u>	<u>(8,845)</u>	<u>-</u>	<u>(1,298)</u>	<u>-</u>
		<u>415,602</u>	<u>5</u>	<u>64,681</u>	<u>1</u>	<u>815,477</u>	<u>3</u>	<u>313,477</u>	<u>1</u>
7900	Profit before income tax	2,674,347	30	2,056,275	28	7,327,123	28	6,284,032	30
7950	Less: Income tax expense (Note (6)(o))	<u>685,135</u>	<u>8</u>	<u>566,358</u>	<u>8</u>	<u>1,960,626</u>	<u>7</u>	<u>1,761,842</u>	<u>8</u>
Profit for the period		<u>1,989,212</u>	<u>22</u>	<u>1,489,917</u>	<u>20</u>	<u>5,366,497</u>	<u>21</u>	<u>4,522,190</u>	<u>22</u>
8300	Other comprehensive income (loss) :								
8310	Exchange differences on translation of foreign financial statements	596,589	7	(344,773)	(4)	296,652	1	591,839	3
8325	Unrealized gains (losses) on available-for-sale financial assets	31,670	-	401,664	6	(132,796)	(1)	354,194	2
8330	Gains (Losses) of effective portion of cash flow hedges	(7,682)	-	4,105	-	60,523	-	9,968	-
8340	Gains (Losses) of effective portion of hedges of net investment in foreign operations	(45,198)	(1)	828	-	(52,348)	-	(9,855)	-
8390	Other comprehensive income (loss) - other	(20,979)	-	26,144	-	(4,412)	-	(109,896)	(1)
8399	Less: Income tax relating to components of other comprehensive income (loss)	<u>25,371</u>	<u>-</u>	<u>(21,690)</u>	<u>-</u>	<u>8,347</u>	<u>-</u>	<u>25,555</u>	<u>-</u>
8300	Other comprehensive income (loss) for the period, net of tax	<u>529,029</u>	<u>6</u>	<u>109,658</u>	<u>2</u>	<u>159,272</u>	<u>-</u>	<u>810,695</u>	<u>4</u>
8500	Total comprehensive income for the period	<u>\$ 2,518,241</u>	<u>28</u>	<u>1,599,575</u>	<u>22</u>	<u>5,525,769</u>	<u>21</u>	<u>5,332,885</u>	<u>26</u>
Profit attributable to :									
8610	Owners of parent	\$ 1,905,870	21	1,408,542	19	5,124,667	20	4,277,228	21
8620	Non-controlling interests	<u>83,342</u>	<u>1</u>	<u>81,375</u>	<u>1</u>	<u>241,830</u>	<u>1</u>	<u>244,962</u>	<u>1</u>
		<u>\$ 1,989,212</u>	<u>22</u>	<u>1,489,917</u>	<u>20</u>	<u>5,366,497</u>	<u>21</u>	<u>4,522,190</u>	<u>22</u>
Comprehensive income attributable to :									
8710	Owners of parent	\$ 2,436,512	27	1,564,771	22	5,220,467	20	5,092,904	25
8720	Non-controlling interests	<u>81,729</u>	<u>1</u>	<u>34,804</u>	<u>-</u>	<u>305,302</u>	<u>1</u>	<u>239,981</u>	<u>1</u>
.		<u>\$ 2,518,241</u>	<u>28</u>	<u>1,599,575</u>	<u>22</u>	<u>5,525,769</u>	<u>21</u>	<u>5,332,885</u>	<u>26</u>
9750	Basic earnings per share (NT dollars) (Note (6)(q))	<u>\$ 1.74</u>		<u>1.28</u>		<u>4.68</u>		<u>3.90</u>	

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

(English Translation of Financial Report Originally Issued in Chinese)

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CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

Condensed Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2014 and 2013

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
					Other equity items							
	Stock				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	Others	Equity attributable to owners of the parent	Non controlling interests	Total equity
	Share capital	Capital surplus	Special reserve	Unappropriated retained earnings								
Balance as of January 1, 2013	\$ 9,053,004	9,411,771	-	5,082,354	(138,522)	(234,099)	(11,396)	29,695	75,473	23,268,280	1,743,341	25,011,621
Net income for the period	-	-	-	4,277,228	-	-	-	-	-	4,277,228	244,962	4,522,190
Other comprehensive income for the period	-	-	-	-	571,265	354,194	9,968	(9,855)	(109,896)	815,676	(4,981)	810,695
Total comprehensive income for the period	-	-	-	4,277,228	571,265	354,194	9,968	(9,855)	(109,896)	5,092,904	239,981	5,332,885
Earnings distribution and appropriation:												
Appropriation for special reserve	-	-	64,865	(64,865)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,810,600)	-	-	-	-	-	(1,810,600)	-	(1,810,600)
Stock dividends of ordinary share	905,300	-	-	(905,300)	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(184,132)	(184,132)
Balance as of September 30, 2013	\$ 9,958,304	9,411,771	64,865	6,578,817	432,743	120,095	(1,428)	19,840	(34,423)	26,550,584	1,799,190	28,349,774
Balance as of January 1, 2014	\$ 9,958,304	9,411,698	64,865	8,215,781	760,510	299,730	(39,919)	2,615	(49,141)	28,624,443	1,816,750	30,441,193
Net income for the period	-	-	-	5,124,667	-	-	-	-	-	5,124,667	241,830	5,366,497
Other comprehensive income for the period	-	-	-	-	224,833	(132,796)	60,523	(52,348)	(4,412)	95,800	63,472	159,272
Total comprehensive income for the period	-	-	-	5,124,667	224,833	(132,796)	60,523	(52,348)	(4,412)	5,220,467	305,302	5,525,769
Earnings distribution and appropriation:												
Cash dividends of ordinary share	-	-	-	(1,991,661)	-	-	-	-	-	(1,991,661)	-	(1,991,661)
Stock dividends of ordinary share	995,830	-	-	(995,830)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	(64,865)	64,865	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(169,964)	(169,964)
Balance as of September 30, 2014	\$ 10,954,134	9,411,698	-	10,417,822	985,343	166,934	20,604	(49,733)	(53,553)	31,853,249	1,952,088	33,805,337

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

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

Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30, 2014 and 2013
(Amounts Expressed in Thousands of New Taiwan Dollars)

	For nine months ended September 30,	
	2014	2013
Cash flows from operating activities :		
Profit before income tax	\$ 7,327,123	6,284,032
Adjustments :		
Adjustments to reconcile profit before income tax to net cash provided by operating activities :		
Depreciation expense	994,477	1,133,148
Amortization expense	52,842	56,811
(Gain) Loss on financial assets and liabilities at fair value through profit or loss	(36,095)	58,145
Interest expense	3,158,315	2,989,112
Interest income	(13,236,233)	(11,839,974)
Dividend income	(31,326)	(32,834)
Share of profit of associates and joint ventures accounted for using equity method	8,845	1,298
(Gain) loss on disposal of property, plant and equipment	(112,639)	16,258
Gain on disposal of foreclosed assets	(583)	(2,971)
Gain on disposal of investments	(39,881)	(26,596)
Impairment loss on financial assets	2,891,016	1,741,775
Impairment loss on non-financial assets	196,498	336,395
Total adjustments to reconcile profit (loss)	<u>(6,154,764)</u>	<u>(5,569,433)</u>
Change in operating assets and liabilities :		
Change in operating assets :		
Decrease in financial assets held for trading	82,937	9,290
Decrease in financial assets at fair value through profit or loss	895,104	-
Increase in accounts receivable	(32,197,509)	(30,170,872)
Proceeds from financial assets securitization	3,807,796	8,004,205
Decrease (increase) in inventories	567,441	(161,396)
Decrease in other current financial assets	31,988	1,596,677
Decrease (increase) in other current assets	371,992	(762,529)
Proceeds from sales of operating lease assets	866,714	1,171,561
Purchase of operating lease assets	(2,052,106)	(1,803,912)
Increase in other non-current assets – others	<u>(116,778)</u>	<u>(737,210)</u>
Total changes in operating assets	<u>(27,742,421)</u>	<u>(22,854,186)</u>
Changes in operating liabilities :		
Decrease in accounts payable	(1,181,244)	(824,034)
Increase in long-term and short-term debts	131,901,918	103,868,570
Repayment of long-term and short-term debts	(106,310,375)	(89,431,118)
Increase in other current financial liabilities	2,011,418	1,288,945
Increase in accrued pension liabilities	9,959	33,804
Increase (decrease) in other current liabilities-others	83,823	(383,658)
Increase in other non-current liabilities	<u>420,331</u>	<u>349,599</u>
Total changes in operating liabilities	<u>26,935,830</u>	<u>14,902,108</u>
Total changes in operating assets and liabilities	<u>(806,591)</u>	<u>(7,952,078)</u>
Total adjustments	<u>(6,961,355)</u>	<u>(13,521,511)</u>
Cash inflow (outflow) generated from operation	365,768	(7,237,479)
Interest received	12,919,874	12,113,232
Dividend received	31,426	32,934
Interest paid	(3,064,038)	(2,967,391)
Income taxes paid	<u>(2,167,570)</u>	<u>(1,658,227)</u>
Net cash provided by operating activities	<u>8,085,460</u>	<u>283,069</u>
Cash flows from investing activities :		
Proceeds from disposal of available-for-sale financial assets	56,347	31,286
Acquisition of held-to-maturity financial assets	(5,625,075)	(1,234,438)
Disposal of held-to-maturity financial assets	2,178,315	421,874
Acquisition of investments accounted for using equity method	(135,255)	(112,906)
Net cash flow from acquisition of subsidiaries (Note 6(h))	(79,281)	-
Acquisition of property, plant and equipment	(138,835)	(83,852)
Disposal of property, plant and equipment	5,389	4,826
Acquisition of intangible assets	<u>(3,461)</u>	<u>(283)</u>
Net cash used in investing activities	<u>(3,741,856)</u>	<u>(973,493)</u>
Cash flows from financing activities :		
Changes in non-controlling interests	(169,964)	(184,132)
Distribution of cash dividend	<u>(1,991,661)</u>	<u>(1,810,600)</u>
Net cash used in financing activities	<u>(2,161,625)</u>	<u>(1,994,732)</u>
Effect of exchange rate changes on cash and cash equivalents	(141,642)	345,947
Net increase (decrease) in cash and cash equivalents	2,040,337	(2,339,209)
Cash and cash equivalents, net of bank overdraft, beginning of period	<u>7,502,137</u>	<u>10,064,721</u>
Cash and cash equivalents, net of bank overdraft, end of period	<u>\$ 9,542,474</u>	<u>7,725,512</u>

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

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(1) Overview

Chalease Holding Company Limited (the “Company”) is an investment holding company, which was founded on December 24, 2009 under the Company Act of Cayman Islands. The Company has been listed on the Main Board of the Taiwan Stock Exchange Corporation (TWSE) since December 13, 2011.

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

As of September 30, 2014 and 2013, the Company had outstanding common stock of \$10,954,134 and \$9,958,304 divided into 1,095,413,456 shares and 995,830,415 shares, respectively.

(2) Financial Statements Authorization Date and Authorization Process

The condensed interim consolidated financial statements were reported to and approved by the Board of Directors and issued on November 12, 2014.

(3) New Accounting Standards and Interpretations not yet Adopted

- (a) Impact of the 2013 version of the International Financial Reporting Standard (“IFRS”) endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”) but not effective

According to the official letter No.1030010325 issued on April 3, 2014 by the FSC, listed, over-the-counter, and emerging stock companies are required to conform to the 2013 version of IFRS endorsed by the FSC (IFRS 9 Financial instruments is excluded) in preparing financial statements.

The new standards and amendments issued by the International Accounting Standards Board (“IASB”) were as follows:

New Standards and amendments	Effective date per IASB
Amended IFRS 1 “ <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i> ”	July 1, 2010
Amended IFRS 1 “ <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ”	July 1, 2011
Amended IFRS 1 “ <i>Government Loans</i> ”	January 1, 2013
Amended IFRS 7 “ <i>Disclosure – Transfers of Financial Assets</i> ”	July 1, 2011
Amended IFRS 7 “ <i>Disclosure – Offsetting Financial Assets and Financial Liabilities</i> ”	January 1, 2013
IFRS10 “ <i>Consolidated Financial Statements</i> ”	January 1, 2013 (Investment Entities amendments, effective 1 January 2014.)

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New Standards and amendments	Effective date per IASB
IFRS 11 “ <i>Joint arrangements</i> ”	January 1, 2013
IFRS 12 “ <i>Disclosure of Interests in Other Entities</i> ”	January 1, 2013
IFRS 13 “ <i>Fair Value Measurement</i> ”	January 1, 2013
Amended IAS 1 “ <i>Presentation of Items of Other Comprehensive Income</i> ”	July 1, 2012
Amended IAS 12 “ <i>Deferred Tax: Recovery of Underlying Assets</i> ”	January 1, 2012
Amended IAS 19 “ <i>Employee Benefits</i> ”	January 1, 2013
Amended IAS 27 “ <i>Separate Financial Statements</i> ”	January 1, 2013
Amended IAS 32 “ <i>Offsetting Financial Assets and Financial Liabilities</i> ”	January 1, 2014
IFRIC20 – “ <i>Stripping Costs in the Production Phase of a Surface Mine</i> ”	January 1, 2013

The Group had assessed that the 2013 version of the IFRS may not have significant impact on the consolidated financial statements except for the following:

A. IAS 1 Presentation of Financial Statements

This standard requires the presentation in other comprehensive income section the line items which are classified according to their nature, and grouped between those items that will or will not be reclassified to profit and loss in subsequent periods. Allocation of income tax of the two categories mentioned above should be separately disclosed. The Group is expecting that adoption of this new standard will change the presentation of comprehensive income statements.

B. IFRS 12 Disclosure of Interests in Other Entities

The standard requires a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is expecting that the adoption of this standard will increase disclosures of the information in the consolidated and unconsolidated entities.

C. IFRS 13 Fair value measurement

The standard defines fair value and provides a framework for measuring fair value and requires disclosures on fair value measurement. Based on its assessment, the Group is not expecting that the adoption of this standard will have a significant impact on the financial position and the results of operations, but is expecting to increase the disclosures relating to fair value measurement.

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(b) Impact of IFRSs issued by IASB but not yet endorsed by the FSC

The 2013 version of the IFRS issued by the IASB but not yet endorsed by the FSC were as follows :

New Standards and amendments	Effective date per IASB
IFRS 9 “ <i>Financial instruments</i> ”	January 1, 2018
IFRS 10 and IAS28 “ <i>Dealing with the Sale or Contribution of Assets between an Investor and Its Joint Venture or Associate</i> ”	January 1, 2016
Amended IFRS 11 “ <i>Acquisition of an interest in a joint operation</i> ”	January 1, 2016
IFRS 14 “ <i>Regulatory Deferral Accounts</i> ”	January 1, 2016
IFRS 15 “ <i>Agreement for contracts with customers</i> ”	January 1, 2017
Amended IAS 16 and 38 “ <i>Clarification of Acceptable Methods of Depreciation and Amortization</i> ”	January 1, 2016
Amended IAS 16 and 41 “ <i>Bearer plants</i> ”	January 1, 2016
Amended IAS 19 “ <i>Define Benefit Plans: Employee Contributions</i> ”	July 1, 2014
Amended IAS 27 “ <i>Equity Method in Separate Financial Statements</i> ”	January 1, 2016
Amended IAS 36 “ <i>Recoverable Amount Disclosures for Non-Financial Assets</i> ”	January 1, 2014
Amended IAS 39 “ <i>Novation of Derivatives and Continuation of Hedge Accounting</i> ”	January 1, 2014
Amended IFRIC 21 “ <i>Levies</i> ”	January 1, 2014

As the standards and amendments above have not been endorsed by the FSC, the Group is in the process of assessing the impact on the financial position and the results of operations. Related impact will be disclosed following the completion of its assessments.

(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, 2013. For other related information, please refer to Note (4) of the consolidated financial statements for the year ended December 31, 2013.

(b) Basis of consolidation

The accounting principles applied in the preparation of the condensed interim consolidated financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2013. For information about the accounting principles, please refer to Note (4)(c) of the consolidated financial statements for the year ended December 31, 2013.

1. Subsidiaries included in the condensed interim consolidated financial statements

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2014.9.30	2013.12.31	2013.9.30	
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. and My Leasing (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 %	100.00 %	
"	Chailease International (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2014.9.30	2013.12.31	2013.9.30	
Chailease Finance Co., Ltd.	Fina Finance & Trading Co., Ltd.	Installment sales, trading, and factoring	99.53 %	99.53 %	99.52 %	
"	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 %	The subsidiary was consolidated due to the Company's power to control and govern the financial, operating and personnel policies of the subsidiary, despite its ownership was lower than 50% of the subsidiary's outstanding shares.
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 %	
"	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 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2014.9.30	2013.12.31	2013.9.30	
Chailease Finance Co., Ltd.	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.
"	Yun Tang Inc.	Solar Power business	100.00 %	- %	- %	The subsidiary was owned by acquiring 100% of the capital contribution on September 30, 2014.
Fina Finance & Trading Co., Ltd.	Chailease Consumer Finance Co., Ltd	Factoring and installment sales	100.00 %	100.00 %	100.00 %	
The Company and Chailease Finance Co., Ltd.	Grand Pacific Holdings Corp.	Leasing, real estate, and mortgage	100.00 %	100.00 %	100.00 %	
Grand Pacific Holdings Corp.	Grand Pacific Financing Corp. (California)	Financing, leasing and financial consulting	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Main Street Development, Inc.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Warehouse Funding Corp.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Business Loan LLC. 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005.
Grand Pacific Warehouse Funding Corp.	Grand Pacific Warehouse Funding LLC.	Special Purpose Entity	100.00 %	100.00 %	100.00 %	
Grand Pacific Business Loan LLC. 2005-1	Grand Pacific Business Loan Trust 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005.
Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited	Leasing and financing consulting	99.99 %	99.99 %	99.99 %	

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

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(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 recognized fully as income tax expense for the current period.

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

(d) Employee benefits

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

(e) Business combination

Goodwill is measured at the consideration transferred less amounts of the identifiable assets acquired and the liabilities assumed (generally at fair value) at the acquisition date. If the amounts of net assets acquired or liabilities assumed exceeds the acquisition price, the Group re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the excess. If the business combination is achieved in batches, any non-controlling equity interest is measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition-date fair value is re-measured and the resulting gain or loss, if any, is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All transaction costs relating to business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

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(f) Leases

Lease agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. If the Group are a lessor under finance leases, the amounts due under such leases, after deduction of unearned charges, are accounted for as 'Loans and receivables' as appropriate. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Unearned finance income is amortized and recognized as interest revenue of operating revenues over the periods of the leases in order to give a constant rate of return on the net investment in the leases.

If the Group are lessees under finance leases, leased assets are capitalized to 'Property, plant and equipment' and the corresponding liability to the lessor is accounted for as 'Other payables'. A finance lease and its corresponding liability are recognized initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognized over the period of the lease based on the interest rate implicit in the lease in order to give a constant rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. As a lessor, the Group classify the assets used for operating leases as 'Property, plant and equipment' which are accounted for accordingly. Impairment losses thereon are recognized for the excess of the carrying value over the recoverable amount of those assets. As a lessee, the Group do not recognize the leased assets on the balance sheets.

Rentals expenses and revenue under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'Costs of operating leases', 'Other operating cost' of operating costs and 'Rental revenue' of operating revenue, respectively.

The electricity procurement agreements entered into by the Group were accounted for under IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and accounted for as finance leases.

(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 of preparation of the consolidated interim financial statements and the related significant estimates and underlying assumptions are consistent with Note (5) of the consolidated financial statements for the year ended December 31, 2013.

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(6) Explanation to Significant Accounts

Except as described in the following paragraphs, there were no significant changes in amounts with those disclosed in the 2013 annual consolidated financial statements. Please refer to Note (6) of the 2013 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Cash and demand deposits	\$ 9,602,217	7,382,547	7,708,822
Time deposits	48,451	196,670	195,175
Cash equivalents – RP bills	<u>5,003</u>	<u>7,004</u>	<u>3,000</u>
Cash and cash equivalents	9,655,671	7,586,221	7,906,997
Bank overdraft	<u>(113,197)</u>	<u>(84,084)</u>	<u>(181,485)</u>
Cash and cash equivalents in consolidated statements of cash flows	<u><u>\$ 9,542,474</u></u>	<u><u>7,502,137</u></u>	<u><u>7,725,512</u></u>

The Group's interest risk and sensitivity analysis of financial assets and liabilities were disclosed in Note (6)(u).

(b) Financial instruments

1.Details of financial assets were as follows :

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Financial assets at fair value through profit or loss			
Held for trading			
Securities of listed companies	\$ 200,106	264,083	228,790
Derivative instruments not used for hedging	<u>21,735</u>	<u>486</u>	<u>6,925</u>
Sub-total	<u>221,841</u>	<u>264,569</u>	<u>235,715</u>
Designated as at fair value through profit or loss			
2010 securitization	-	868,490	881,828
2011 securitization	<u>789,596</u>	<u>831,457</u>	<u>839,180</u>
Sub-total	<u>789,596</u>	<u>1,699,947</u>	<u>1,721,008</u>
	<u>1,011,437</u>	<u>1,964,516</u>	<u>1,956,723</u>

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	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Available-for-sale financial assets			
Securities of listed companies	\$ 46,233	-	-
Emerging stock	1,020,225	1,210,419	1,035,397
Private equity	<u>518,100</u>	<u>517,685</u>	<u>517,311</u>
Sub-total	<u>1,584,558</u>	<u>1,728,104</u>	<u>1,552,708</u>
Held-to-maturity financial assets			
Investment in debt securities	<u>8,771,000</u>	<u>5,324,240</u>	<u>3,299,227</u>
Derivative financial assets used for hedging	<u>20,604</u>	-	-
Total	<u><u>\$ 11,387,599</u></u>	<u><u>9,016,860</u></u>	<u><u>6,808,658</u></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 period, will be as follows:

	<u>For the nine months ended September 30,</u>			
	<u>2014</u>		<u>2013</u>	
	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>
Equity price at reporting date				
Increase 7%	<u>\$ 110,974</u>	<u>14,007</u>	<u>108,745</u>	<u>16,015</u>
Decrease 7%	<u>\$ (110,974)</u>	<u>(14,007)</u>	<u>(108,745)</u>	<u>(16,015)</u>

Based on the results of the Group's assessment, impairment loss of \$0 and \$1,263 were recognized on available-for-sale financial assets for the three months and the nine months ended September 30, 2013, respectively.

The Group purchased debt securities issued by real estate trust. These debt securities have maturity dates between 2014 and 2018, and bear effective annual interest rate ranging from 5.64%~8.99%.

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).

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3. Details of financial liabilities were as follows:

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Financial liabilities at fair value through profit or loss			
Held for trading			
Derivative instruments not used for hedging	\$ -	(9,150)	(1,809)
Derivative financial liabilities used for hedging	<u>-</u>	<u>(39,920)</u>	<u>(1,428)</u>
Total	<u>\$ -</u>	<u>(49,070)</u>	<u>(3,237)</u>

4. Derivative instruments not used for hedging

Derivative financial instruments are used to manage certain interest risk, arising from the Group's operating, financing and investing activities. As of September 30, 2014, December 31, 2013, and September 30, 2013, derivative financial instruments accounted for as held-for-trading financial assets (liabilities) were as follows:

Cross currency swap contracts

		<u>2014.9.30</u>		
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

		<u>2013.12.31</u>		
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

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2013.9.30				
Nominal Amount	Currency	Interest Rate Payable	Interest Rate Receivable	Contract Period
USD 20,000	USD to CNY	3.700%	90 Days LIBOR + 1.8%	2013.04.29~
CNY 123,510				2016.04.29

Interest rate swap contracts

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

2013.12.31				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
CNY 300,000	2012.03.20~2015.03.20	2.960%	Interest rate of one-year time deposit	3 years

2013.9.30				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
CNY 300,000	2012.03.20~2015.03.20	2.960%	Interest rate of one-year time deposit	3 years

5. Derivative instruments used for hedging

As of September 30, 2014, December 31, 2013, and September 30, 2013, the Group held derivative instruments qualified for hedge accounting as follows:

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

2013.12.31				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
TWD 400,000	2010.11.17~2015.11.17	3%	90 days CP+1.2%	5 years
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years

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2013.9.30					
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period	
TWD 400,000	2010.11.17~2015.11.17	3%	90 days CP+1.2%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years	

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 flow out of unsecured corporate bonds and CNY loans receivable.

Hedged item	Hedge Instrument	Fair Value			Expected Cash	
		2014.9.30	2013.12.31	2013.9.30	flow Period	Hedge Period
Unsecured corporate bonds	Interest Swap	\$ 2,064	(6,777)	(1,428)	2010~2016	2010~2016
CNY loans receivable	Cross Currency Swap contract	18,540	(33,143)	-	2013~2016	2013~2016

Item	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
The fair value adjustment to other comprehensive income	\$ (7,682)	4,105	60,523	9,968

2) Hedge of net investment in foreign operation

The fair value of the equity investment in foreign investee, Golden Bridge (B.V.I) Corp., may be influenced by the fluctuation of USD exchange rate. The Company designated its USD borrowings to hedge the exchange rate fluctuation risk from this investment. The details of net investment hedge in foreign operation and designated derivatives as of September 30, 2014, December 31, 2013, and September 30, 2013, were as follows:

Hedged Item	Hedge Instrument	Designated Hedging Instrument		
		Fair Value		
		2014.9.30	2013.12.31	2013.9.30
Equity investment measured in USD	Foreign currency borrowings	\$ <u>2,659,450</u>	<u>2,562,115</u>	<u>769,720</u>

There were no effects of ineffectiveness recognized in profit or loss that arises from hedges of net investments in foreign operation of Golden Bridge (B.V.I) Corp., for the nine months ended September 30, 2014 and 2013.

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(c) Financial assets securitization

1. 2011 Securitization

In 2011, the Group securitized its financial assets, consisting of conditional sales receivable, installment sales receivable, and capital leases receivable, with an aggregate carrying amount of \$5,000,229. Such securitization was made by way of offering the securities in the form of beneficiary certificates, with the Land Bank of Taiwan as the Trustee. Accordingly, the Group received \$4,154,000 in cash from issuing these beneficiary certificates, resulting in a loss of \$9,533 from this asset securitization. These beneficiary certificates are redeemable for the period from November 24, 2011 to November 24, 2018. Specific terms and conditions of the beneficiary certificates are as follows:

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:

	<u>November 24, 2011</u> <u>(securitization date)</u>
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 hold 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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1) Key assumptions used in measuring retained interests:

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

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Repayment rate	9.94 %	9.30 %	9.01 %
Expected return rate on securitized financial assets	8.75 %	9.03 %	9.12 %
Weighted-average life (in years)	2.17	2.92	3.17
Expected credit loss rate (Note)	1.85%~6.30%	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %	4.00 %

2) Sensitivity analysis

At each reporting date, the key assumptions and sensitivity analysis of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	<u>2014.9.30</u>	<u>2013.9.30</u>
Carrying amount of retained interests	789,596	839,180
Weighted — average life (in years)	2.17	3.17
Repayment rate	9.94 %	9.01 %
Effect on fair value with 10% adverse change	(16,114)	(20,981)
Effect on fair value with 20% adverse change	(30,306)	(38,968)
Expected credit losses	4.58%	4.58%
Effect on fair value with 10% adverse change	(22,885)	(23,037)
Effect on fair value with 20% adverse change	(45,774)	(46,078)
Discount rate for residual cash flows	4.00 %	4.00 %
Effect on fair value with 10% adverse change	(5,027)	(6,291)
Effect on fair value with 20% adverse change	(10,014)	(12,520)

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:

	<u>For the nine months ended September 30,</u>	
	<u>2014</u>	<u>2013</u>
Other cash flows received on retained interests	\$ 260,575	266,482
Service fees received	3,570	3,570

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

2. 2010 Securitization

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

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

Key assumptions at the securitization date:

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

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

1) Key assumptions used in measuring retained interests:

At each reporting date, the key assumptions used in measuring the subordinated seller certificates arise from the financial assets securitization were as follows:

	<u>2013.12.31</u>	<u>2013.9.30</u>
Repayment rate	17.10 %	14.72 %
Expected return rate on securitized financial assets	8.76 %	9.02 %
Weighted-average life (in years)	1.67	1.92
Expected credit loss rate (Note)	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %

2) Sensitivity analysis

At each reporting date, the key economic assumptions and sensitivity analysis of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	<u>2013.9.30</u>
Carrying amount of retained interests	881,828
Weighted — average life (in years)	1.92
Repayment rate	14.72 %
Effect on fair value with 10% adverse change	(11,206)
Effect on fair value with 20% adverse change	(20,847)
Expected credit losses	4.58%
Effect on fair value with 10% adverse change	(21,811)
Effect on fair value with 20% adverse change	(43,625)
Discount rate for residual cash flows	4.00 %
Effect on fair value with 10% adverse change	(4,224)
Effect on fair value with 20% adverse change	(8,423)

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3) Expected static pool credit losses

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

4) Cash flows

The cash flows received from securitization trusts were as follows:

	For the nine months ended September 30,	
	2014	2013
Other cash flows received on retained interests	\$ 96,510	253,208
Service fees received	1,395	3,766

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

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

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

(d) Accounts receivable, net

	2014.9.30	2013.12.31	2013.9.30
Current			
Accounts receivable	\$ 8,828,303	7,814,469	7,402,340
Less: Allowance for impairment	(572,963)	(512,465)	(355,242)
	<u>8,255,340</u>	<u>7,302,004</u>	<u>7,047,098</u>
Installment sales receivable	62,670,533	53,111,829	49,851,813
Less: Unearned interests	(5,810,514)	(5,062,691)	(4,976,355)
Allowance for impairment	(1,887,072)	(1,603,860)	(1,602,928)
	<u>54,972,947</u>	<u>46,445,278</u>	<u>43,272,530</u>
Leases receivable (included operating leases)	73,342,489	62,561,613	60,677,961
Less: Unearned revenue	(9,258,041)	(7,170,892)	(6,981,430)
Allowance for impairment	(2,411,248)	(2,062,883)	(1,655,209)
	<u>61,673,200</u>	<u>53,327,838</u>	<u>52,041,322</u>
Loans receivable	31,281,852	27,453,995	24,638,245
Less: Allowance for impairment	(895,842)	(810,808)	(789,183)
	<u>30,386,010</u>	<u>26,643,187</u>	<u>23,849,062</u>
Sub-total of current accounts	<u>155,287,497</u>	<u>133,718,307</u>	<u>126,210,012</u>

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	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Non-Current			
Accounts receivable	\$ 2,354,258	2,172,940	2,082,786
Less: Allowance for impairment	<u>(49,299)</u>	<u>(46,774)</u>	<u>(29,690)</u>
	<u>2,304,959</u>	<u>2,126,166</u>	<u>2,053,096</u>
Installment sales receivable	25,662,594	23,306,532	23,018,558
Less: Unearned interests	<u>(2,282,438)</u>	<u>(2,182,181)</u>	<u>(2,194,548)</u>
Allowance for impairment	<u>(292,299)</u>	<u>(227,778)</u>	<u>(220,703)</u>
	<u>23,087,857</u>	<u>20,896,573</u>	<u>20,603,307</u>
Leases receivable	5,824,642	3,018,968	2,763,840
Less: Unearned revenue	<u>(1,586,988)</u>	<u>(237,356)</u>	<u>(209,804)</u>
Allowance for impairment	<u>(53,322)</u>	<u>(44,969)</u>	<u>(57,972)</u>
	<u>4,184,332</u>	<u>2,736,643</u>	<u>2,496,064</u>
Loans receivable	2,628,859	2,349,297	1,860,588
Less: Allowance for impairment	<u>(26,269)</u>	<u>(89,233)</u>	<u>(84,281)</u>
	<u>2,602,590</u>	<u>2,260,064</u>	<u>1,776,307</u>
Sub-total of non-current accounts	<u>32,179,738</u>	<u>28,019,446</u>	<u>26,928,774</u>
Total accounts receivable	<u><u>\$ 187,467,235</u></u>	<u><u>161,737,753</u></u>	<u><u>153,138,786</u></u>

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

	<u>For the nine months ended September 30,</u>	
	<u>2014</u>	<u>2013</u>
Opening balance	\$ 5,398,770	4,666,258
Impairment loss recognized	2,891,016	1,740,512
Amounts written off	<u>(2,158,626)</u>	<u>(1,685,176)</u>
Foreign exchange gains (loss)	<u>57,154</u>	<u>73,614</u>
Ending balance	<u><u>\$ 6,188,314</u></u>	<u><u>4,795,208</u></u>

2. Receivables arising from installment sales and capital leases transactions, which were partially pledged for the repayment or collaterals of bank loans, were discussed further in Note (8).

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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
September 30, 2014			
Within operating cycle	\$ 73,251,894	(9,258,041)	63,993,853
Beyond one operating cycle to 5 years	3,687,132	(612,400)	3,074,732
Over 5 years	<u>2,137,510</u>	<u>(974,588)</u>	<u>1,162,922</u>
	<u>\$ 79,076,536</u>	<u>(10,845,029)</u>	<u>68,231,507</u>
December 31, 2013			
Within operating cycle	\$ 62,457,079	(7,170,892)	55,286,187
Beyond one operating cycle to 5 years	3,018,968	(237,356)	2,781,612
	<u>\$ 65,476,047</u>	<u>(7,408,248)</u>	<u>58,067,799</u>
September 30, 2013			
Within operating cycle	\$ 60,566,575	(6,981,430)	53,585,145
Beyond one operating cycle to 5 years	2,763,840	(209,804)	2,554,036
	<u>\$ 63,330,415</u>	<u>(7,191,234)</u>	<u>56,139,181</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 electric power generated will be only sold to Taiwan Power Company from the day the power plants are invested into commercial operation. The average lease term is set about twenty years.

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

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

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Within operating cycle	\$ 1,557,433	1,429,788	1,409,965
Beyond one operating cycle to 5 years	1,460,552	1,369,613	1,350,208
Over 5 years	<u>18,995</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,036,980</u>	<u>2,799,401</u>	<u>2,760,173</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
September 30, 2014			
Within operating cycle	\$ 62,670,533	(5,810,514)	56,860,019
Beyond one operating cycle to 5 years	25,628,579	(2,281,453)	23,347,126
Over 5 years	<u>34,015</u>	<u>(985)</u>	<u>33,030</u>
	<u>\$ 88,333,127</u>	<u>(8,092,952)</u>	<u>80,240,175</u>
December 31, 2013			
Within operating cycle	\$ 53,111,829	(5,062,691)	48,049,138
Beyond one operating cycle to 5 years	23,186,893	(2,178,503)	21,008,390
Over 5 years	<u>119,639</u>	<u>(3,678)</u>	<u>115,961</u>
	<u>\$ 76,418,361</u>	<u>(7,244,872)</u>	<u>69,173,489</u>
September 30, 2013			
Within operating cycle	\$ 49,851,813	(4,976,355)	44,875,458
Beyond one operating cycle to 5 years	22,847,208	(2,188,894)	20,658,314
Over 5 years	<u>171,350</u>	<u>(5,654)</u>	<u>165,696</u>
	<u>\$ 72,870,371</u>	<u>(7,170,903)</u>	<u>65,699,468</u>

(e) Inventories and advance real estate receipts

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

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1. Inventories

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Construction for sale (Tianmu area)	\$ -	543,970	932,899
Merchandise inventories	311	23,782	-
Allowance for valuation losses	-	-	-
	<u>\$ 311</u>	<u>567,752</u>	<u>932,899</u>

2. Advance real estate receipts

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Tianmu area	\$ <u>349</u>	<u>307,563</u>	<u>391,058</u>

3. The details of construction in progress-capitalized interest

	<u>For the three months ended September 30,</u> <u>2013</u>	<u>For the nine months ended September 30,</u> <u>2013</u>
Interest expense before capitalization	\$ 986,110	2,993,363
Capitalized interest	654	4,251
Capitalized interest rate	1.51 %	1.51 %

4. The Group provided the land for use in the construction to a commercial bank as collateral for the loan obtained by the Group to finance such construction project, which is discussed further in Note (8).

(f) Other current assets - others

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Prepayments	\$ 956,963	755,373	665,730
Prepaid expenses	1,528,596	1,338,455	1,262,031
Foreclosed assets	108,468	75,159	86,238
Others	<u>244,645</u>	<u>154,752</u>	<u>94,878</u>
	<u>\$ 2,838,672</u>	<u>2,323,739</u>	<u>2,108,877</u>

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As of September 30, 2014, December 31, 2013, and September 30, 2013, foreclosed assets held by the Group were as follows:

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Foreclosed assets	\$ 135,683	92,976	101,731
Less: Accumulated impairment	<u>(27,215)</u>	<u>(17,817)</u>	<u>(15,493)</u>
	<u><u>\$ 108,468</u></u>	<u><u>75,159</u></u>	<u><u>86,238</u></u>

For the three months and the nine months ended September 30, 2014 and 2013, the Group recognized an impairment loss of \$5,161, \$590, \$8,693 and \$5,081, respectively, for foreclosed assets. Certain foreclosed assets were disposed to non-related parties and a disposal gain of \$583, \$5, \$583 and \$2,971 was recognized thereon for the three months and the nine months ended September 30, 2014 and 2013, respectively.

(g) Investments accounted under equity method

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Investments in associates	<u>\$ 157,505</u>	<u>29,480</u>	<u>112,229</u>

Portion of its 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).

(h) Acquisition of Subsidiaries

On September 30, 2014, the Group obtained control of Yun Tang Inc. by acquiring 100% of the capital contribution from the original owner, General Energy Solutions Inc.. After this equity ownership, the Group hence acquired the seventy-one solar power plants of Yun Tang Inc..

This acquisition not only provides the Group with long-term and stable power-generating revenues for twenty years, and diversifies the Group's business, but also helps expand the Group's existing product value chain. Moreover, it also enables the Group to respond to the government's renewable energy policy that advocates solar power energy.

The consideration for this business acquisition and the fair values of identifiable assets and liabilities acquired on acquisition date were as follows:

- 1.The consideration amounted to \$ 445,000, which was based on net assets as of September 30, 2014.
- 2.The Group is required to pay the consideration in accordance with the terms and conditions described in the agreements for the business acquisition above. However, General Energy Solutions Inc. or any designated party is responsible for purchasing back any defective solar equipment or installations from Yun Tang Inc. on the effective date of the above business acquisition agreement.

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3. Identifiable assets and liabilities acquired.

The fair values of identifiable assets acquired and liabilities assumed at the date of acquisition were as follows:

Cash and cash equivalents	\$ 37,021
Leases receivable	1,323,383
Other financial assets and other current assets	367,998
Other non-current assets	30,141
Accounts payable and other payables	(1,322,495)
	<u><u>\$ 436,048</u></u>

4. Goodwill arising from the business acquisition was recognized as follows:

Fair value of the consideration transferred	\$ 445,000
Less: Fair value of identifiable net assets	(436,048)
Goodwill	<u><u>\$ 8,952</u></u>

The goodwill is attributable to the profitability of the electricity procurement agreements with Taiwan Power Company.

None of the goodwill recognized is expected to be deductible for tax purposes.

5. Consideration paid for business acquisition

Fair value of the consideration transferred	\$ 445,000
Less: Other payables	(328,698)
Cash at the acquisition date	(37,021)
The cash flow from acquisition of the subsidiary	<u><u>\$ 79,281</u></u>

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group as of and for the nine months ended September 30, 2014 and 2013, were as follows:

	<u>Land and buildings</u>	<u>Transportation equipment</u>	<u>Machinery and miscellaneous equipment</u>	<u>Equipment to be inspected and construction in process</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost:						
Balance at January 1, 2014	\$ 2,965,915	5,482,214	2,992,112	-	121,105	11,561,346
Additions	27,261	2,048,717	110,568	-	4,395	2,190,941
Reclassification	-	1,945	-	-	-	1,945
Disposals	-	(1,136,485)	(1,980,720)	-	-	(3,117,205)
Effect of movements in exchange rate	5,127	3,751	12,304	-	102	21,284
Balance at September 30, 2014	<u><u>\$ 2,998,303</u></u>	<u><u>6,400,142</u></u>	<u><u>1,134,264</u></u>	<u><u>-</u></u>	<u><u>125,602</u></u>	<u><u>10,658,311</u></u>

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	Land and buildings	Transportation equipment	Machinery and miscellaneous equipment	Equipment to be inspected and construction in process	Leasehold improvements	Total
Balance at January 1, 2013	\$ 1,442,907	4,350,680	6,925,300	-	99,431	12,818,318
Additions	32	1,708,678	162,503	721,029	16,551	2,608,793
Reclassification	-	-	(2,472)	-	(232)	(2,704)
Disposals	-	(850,974)	(3,380,105)	-	-	(4,231,079)
Effect of movements in exchange rate	2,301	19,935	240,538	-	45	262,819
Balance at September 30, 2013	<u>\$ 1,445,240</u>	<u>5,228,319</u>	<u>3,945,764</u>	<u>721,029</u>	<u>115,795</u>	<u>11,456,147</u>
Depreciation and impairment losses:						
Balance at January 1, 2014	\$ 384,074	1,586,301	2,322,279	-	82,325	4,374,979
Depreciation for the period	38,646	762,556	184,354	-	8,921	994,477
Impairment loss	-	185,862	1,943	-	-	187,805
Disposals	-	(716,103)	(1,642,740)	-	-	(2,358,843)
Effect of movements in exchange rate	515	2,889	11,257	-	73	14,734
Balance at September 30, 2014	<u>\$ 423,235</u>	<u>1,821,505</u>	<u>877,093</u>	<u>-</u>	<u>91,319</u>	<u>3,213,152</u>
Balance at January 1, 2013	\$ 385,366	1,180,325	4,675,224	-	72,708	6,313,623
Depreciation for the period	12,398	651,296	462,500	-	6,954	1,133,148
Impairment loss (reversal)	(35,000)	140,160	226,154	-	-	331,314
Reclassification	-	-	(2,681)	-	(183)	(2,864)
Disposals	-	(501,016)	(2,537,318)	-	-	(3,038,334)
Effect of movements in exchange rate	53	4,170	162,443	-	40	166,706
Balance at September 30, 2013	<u>\$ 362,817</u>	<u>1,474,935</u>	<u>2,986,322</u>	<u>-</u>	<u>79,519</u>	<u>4,903,593</u>
Carrying amounts:						
Balance at January 1, 2014	\$ 2,581,841	3,895,913	669,833	-	38,780	7,186,367
Balance at September 30, 2014	<u>\$ 2,575,068</u>	<u>4,578,637</u>	<u>257,171</u>	<u>-</u>	<u>34,283</u>	<u>7,445,159</u>
Balance at January 1, 2013	\$ 1,057,541	3,170,355	2,250,076	-	26,723	6,504,695
Balance at September 30, 2013	<u>\$ 1,082,423</u>	<u>3,753,384</u>	<u>959,442</u>	<u>721,029</u>	<u>36,276</u>	<u>6,552,554</u>

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

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

(j) Intangible assets

	Goodwill	Software	Total
Carrying amounts:			
Balance at January 1, 2014	\$ 3,728	18,884	22,612
Balance at September 30, 2014	<u>\$ 12,680</u>	<u>20,252</u>	<u>32,932</u>
Balance at January 1, 2013	\$ 3,728	19,359	23,087
Balance at September 30, 2013	<u>\$ 3,728</u>	<u>18,419</u>	<u>22,147</u>

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There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2014 and 2013. Information on amortization for the period is discussed in Note (12)(b). Please refer to Note (6)(i) of the 2013 annual consolidated financial statements for other related information.

(k) Long-term and short-term borrowings

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

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

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2013.12.31				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.32%~1.65%	2014	\$ 407,865
"	USD	3.24%~4.50%	2014~2015	1,537,121
"	THB	2.92%~4.75%	2014~2017	7,180,110
"	CNY	4.01%~7.68%	2014~2016	6,928,597
"	VND	4.50%~9.50%	2014~2016	884,773
Unsecured bank loans	TWD	1.10%~2.00%	2014~2017	59,295,776
"	USD	1.14%~2.95%	2014~2017	15,915,355
"	EUR	1.38%~1.39%	2014	19,312
"	THB	2.92%~7.38%	2014~2016	4,030,148
"	JPY	1.20%~1.30%	2014~2016	129,173
"	CNY	4.01%~7.68%	2014~2019	19,047,306
Other unsecured loans	THB	2.65%~3.20%	2014	8,244,284
Notes payable from securitization	USD	0.67%~0.71%	2030	387,552
Total				<u><u>\$ 124,007,372</u></u>
Current				\$ 97,560,033
Non-current				<u>26,447,339</u>
Total				<u><u>\$ 124,007,372</u></u>

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2013.9.30				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.32%~1.92%	2013~2014	\$ 745,574
"	USD	3.27%~4.50%	2013~2015	1,377,677
"	THB	3.17%~4.75%	2013~2017	6,869,709
"	CNY	5.40%~7.68%	2013~2016	5,770,261
"	VND	4.50%~9.50%	2013~2016	730,121
Unsecured bank loans	TWD	1.10%~2.00%	2013~2016	55,971,609
"	USD	1.14%~2.95%	2013~2017	11,404,338
"	EUR	1.38%~1.39%	2013	24,351
"	THB	3.17%~7.38%	2013~2016	4,151,704
"	JPY	1.20%~1.36%	2013~2016	163,026
"	CNY	5.40%~7.68%	2013~2016	22,196,315
Other unsecured loans	THB	2.80%~3.40%	2013~2014	8,656,262
Notes payable from securitization	USD	0.67%~0.71%	2030	411,812
Total				\$ 118,472,759
Current				\$ 96,299,075
Non-current				22,173,684
Total				\$ 118,472,759

For information on the Group's interest risk, currency risk, and liquidity risk, please refers to Note (6)(u). For information on the debts of related parties, please refer to Note (7).

1. Securities for bank loans

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

2. Financial covenants of significant loans and borrowings

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

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

As of September 30, 2014, December 31, 2013 and September 30, 2013, the Group were in compliance with the financial covenants mentioned above.

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(l) Bonds payable

Period	Interest Rate	Principal Amount	Repayment Terms	2014.9.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.058%~ 2.083%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ 400,000	-	None
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000	"	50,000	-	"
2011.01.19~ 2016.01.19	1.958%~ 1.997%	50,000	"	50,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	1,000,000	1,000,000	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	-	1,400,000	"
2014.06.16~ 2019.06.16	1.500%	450,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually	-	450,000	"
2012.11.09~ 2014.11.10	4.550%	THB 1,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	944,900	-	"
2013.02.22~ 2015.08.21	4.550%	THB 350,000	"	330,715	-	"
2014.05.09~ 2016.05.16	3.820%	THB 240,000	"	-	226,776	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	-	1,228,370	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	94,490	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	-	198,429	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	-	141,735	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	207,878	"
2014.07.17~ 2016.07.11	3.790%	THB 215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	-	203,154	"
2014.07.18~ 2017.07.25	4.050%	THB 500,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	472,450	"
2014.07.25~ 2017.08.08	4.050%	THB 320,000	"	-	302,368	"
2014.09.26~ 2017.10.10	3.950%	THB 200,000	"	-	188,980	"

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Period	Interest Rate	Principal Amount	Repayment Terms	2014.9.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2014.09.26~ 2017.09.25	3.950%	THB 250,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	236,225	None
2014.09.29~ 2017.09.25	3.950%	THB 100,000	"	-	94,490	"
2012.04.05~ 2015.04.15	5.000%	CNY 750,000	"	3,700,593	-	"
Bonds payable (Gross)				6,476,208	6,445,345	
Discounts on bonds payable				(280)	(3,465)	
				<u>\$ 6,475,928</u>	<u>6,441,880</u>	
Period	Interest Rate	Principal Amount	Repayment Terms	2013.12.31		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.081%~ 2.099%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ 400,000	-	None
2011.01.19~ 2016.01.19	1.891%~ 1.899%	50,000	"	-	50,000	"
2011.01.19~ 2016.01.19	1.991%~ 1.999%	50,000	"	-	50,000	"
2011.08.30~ 2014.08.30	1.750%	4,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	4,000,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	-	2,000,000	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	-	1,400,000	"
2012.11.09~ 2014.11.10	4.550%	THB 1,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	913,500	-	"
2013.02.22~ 2015.08.21	4.550%	THB 350,000	"	-	319,725	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	-	1,187,550	"
2013.12.26~ 2014.03.26	3.000%	THB 100,000	"	91,350	-	"
2012.04.05~ 2015.04.05	5.000%	CNY 750,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	3,689,263	-	"
Bonds payable (Gross)				9,094,113	5,007,275	
Discounts on bonds payable				(787)	(2,282)	
				<u>\$ 9,093,326</u>	<u>5,004,993</u>	

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				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.081%~ 2.099%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ -	400,000	None
2011.01.19~ 2016.01.19	1.891%~ 1.899%	50,000	"	-	50,000	"
2011.01.19~ 2016.01.19	1.991%~ 1.999%	50,000	"	-	50,000	"
2011.08.30~ 2014.08.30	1.750%	4,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	4,000,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	-	2,000,000	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	-	1,400,000	"
2012.11.09~ 2014.11.10	4.550%	THB 1,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly."	-	948,200	"
2013.02.22~ 2015.08.21	4.550%	THB 350,000	"	-	331,870	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	-	1,232,660	"
2012.04.05~ 2015.04.05	5.000%	CNY 750,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	3,624,691	-	"
Bonds payable (Gross)				7,624,691	6,412,730	
Discounts on bonds payable				-	(3,677)	
				<u>\$ 7,624,691</u>	<u>6,409,053</u>	

Financial covenants of significant loans and borrowings:

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

As of September 30, 2014, December 31, 2013, and September 30, 2013, Chailease Finance Co., Ltd., a subsidiary, was in compliance with the financial covenants mentioned above.

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(m) Operating Leases

1. Leases entered into as lessee

Non-cancellable operating lease payables were as follows:

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Within 1 year	\$ 237,794	195,278	194,206
Beyond 1 year but up to 5 years	696,825	182,207	185,698
Beyond 5 years	<u>169,989</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 1,104,608</u></u>	<u><u>377,485</u></u>	<u><u>379,904</u></u>

(n) Employee benefits

1. Defined benefit plans

Management believes that in prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2013 and 2012.

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating costs	\$ 536	442	1,427	1,291
Operating expenses	<u>18,065</u>	<u>23,506</u>	<u>54,736</u>	<u>78,956</u>
Total	<u><u>\$ 18,601</u></u>	<u><u>23,948</u></u>	<u><u>56,163</u></u>	<u><u>80,247</u></u>

2. Defined contribution plans

The pension costs incurred from the contributions were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating expenses	<u><u>\$ 31,516</u></u>	<u><u>15,553</u></u>	<u><u>71,582</u></u>	<u><u>43,639</u></u>

(o) Income taxes

1. Income Tax Expense

The components of income tax were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Total income tax expense from continuing operations	<u><u>\$ 685,135</u></u>	<u><u>566,358</u></u>	<u><u>1,960,626</u></u>	<u><u>1,761,842</u></u>

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The amount of income tax recognized in other comprehensive income were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Foreign currency translation differences for foreign operations	\$ <u>(25,371)</u>	<u>21,690</u>	<u>(8,347)</u>	<u>(25,555)</u>

2. The income tax returns of the subsidiaries, Chailease Finance Co., Ltd., Fina Finance & Trading Co., Ltd., Apex Credit Solutions Inc., China Leasing Co., Ltd., Chailease Auto Rental Co., Ltd., Chailease Insurance Brokers Co., Ltd., and Chailease Credit Services Co., Ltd. have been assessed by the Tax Authority through 2012.

(p) Share capital and other equity accounts

Except for the following, there was no significant change in capital and reserves for the nine months ended September 30, 2014 and 2013. Please refer to Note (6)(o) of the consolidated financial statements for the year ended December 31, 2013 for other related information.

1. Share capital

Due to the capital needs for investing in the subsidiaries and repaying bank loans, the board of directors of the Company resolved to increase the Company's capital by issuing common shares of stock through the offering of global depositary shares overseas, and the offering was approved by the Financial Supervisory Commission (FSC) on August 3, 2012. As of October 9, 2012, these global depositary shares were priced at US\$8.59 per unit, and the Company issued 120,000,000 common shares of stock from the conversion of 24,000,000 units of global depositary shares. Each unit of global depositary shares represents 5 common shares of stock. As of September 30, 2014, December 31, 2013, and September 30, 2013, the Company has listed, 2,870,404, 2,763,243, and 2,659,654 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.

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2. Retained earnings

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

- a) between 0.01% and 1% of such remaining amount as employees' bonus for each accounting period;
- b) between 0.01% and 0.1% of such remaining amount as directors' bonus for each accounting period; and
- c) dividends of at least 20% of such remaining amount of which cash dividends shall not be less than 30% of the total amount of dividends.

1) Earnings distribution

For the three months and the nine months ended September 30, 2014 and 2013, the Company accrued employee benefits of \$286, \$91, \$769 and \$378, and the board of directors' remuneration of \$1,525, \$732, \$4,100 and \$3,027, respectively. These amounts were estimated from the Group's net profit attributed to owners of parent for the three months and the nine months ended September 30, 2014 and 2013, according to the earnings allocation method, priority and factor for employee benefits and the board of directors' remuneration as stated under the Articles of Association. These benefits are charged to profit or loss under operating expense for the three months and the nine months ended September 30, 2014 and 2013.

In its consolidated financial statements for the years 2013 and 2012, the Company accrued employee benefits of \$882 and \$414, and the board of directors' remuneration of \$4,706 and \$3,313, respectively. These amounts were estimated from the Group's net profit attributed to owners of parent of 2013 and 2012, according to the earnings allocation method, priority and factor for employee benefits and the board of directors' remuneration as stated under the Articles of Association. These benefits are charged to profit or loss under operating expense in 2013 and 2012. There were no differences between the actual distributions of 2013 and 2012 earnings in 2014 and 2013 and those estimated and accrued in the financial statements of both periods, respectively.

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During their meeting on May 30, 2014, and 2013, the stockholders approved to distribute the 2013 and 2012 earnings, respectively. These earnings were distributed as dividends as follows:

	2013		2012	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 2.00	1,991,661	2.00	1,810,600
Stock	1.00	<u>995,830</u>	1.00	<u>905,300</u>
Total		<u>\$ 2,987,491</u>		<u>2,715,900</u>

The information on prior year's distribution of the Company's earnings were announced through the Market Observation Post System on the internet.

3. Other equity accounts

	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	Others
At January 1, 2014	\$ 760,510	299,730	(39,919)	2,615	(49,141)
The Group	<u>224,833</u>	<u>(132,796)</u>	<u>60,523</u>	<u>(52,348)</u>	<u>(4,412)</u>
At September 30, 2014	<u>\$ 985,343</u>	<u>166,934</u>	<u>20,604</u>	<u>(49,733)</u>	<u>(53,553)</u>
At January 1, 2013	\$ (138,522)	(234,099)	(11,396)	29,695	75,473
The Group	<u>571,265</u>	<u>354,194</u>	<u>9,968</u>	<u>(9,855)</u>	<u>(109,896)</u>
At September 30, 2013	<u>\$ 432,743</u>	<u>120,095</u>	<u>(1,428)</u>	<u>19,840</u>	<u>(34,423)</u>

(q) Earnings per share

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

	For the three months ended September 30,	
	2014	2013
Profit attributable to common stockholders of the Company	<u>\$ 1,905,870</u>	<u>1,408,542</u>
Weighted average number of ordinary shares	<u>1,095,413</u>	<u>1,095,413</u>
Weighted average number of ordinary shares (Diluted)	<u>1,095,424</u>	<u>1,095,422</u>

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	For the nine months ended September 30,	
	2014	2013
Profit attributable to common stockholders of the Company	\$ 5,124,667	4,277,228
Weighted average number of ordinary shares	1,095,413	1,095,413
Weighted average number of ordinary shares (Diluted)	1,095,431	1,095,422

Note: Potential ordinary shares have no dilutive effects.

(r) Net other income and expenses

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Gains on disposal of foreclosed assets	\$ 583	5	583	2,971
Impairment loss of foreclosed assets	(5,161)	(590)	(8,693)	(5,081)
Gain on doubtful debt recoveries	34,688	25,025	109,258	108,639
Others	234	-	234	-
	\$ 30,344	24,440	101,382	106,529

(s) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Foreign exchange gains (losses)	\$ (5,869)	3,586	(6,905)	(14,099)
Net gain on disposal of properly plant, and equipment	21	543	2,118	2,567
Net gains on disposal of available-for-sale financial assets	-	5,436	39,881	26,596
Net gains (losses) on valuation of financial assets (liabilities) measured at fair value through profit or loss	89,103	(34,029)	36,095	(58,145)
Impairment losses on available-for-sale financial assets	-	-	-	(1,263)
Others	290,108	26,964	659,057	223,710
	\$ 373,363	2,500	730,246	179,366

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(t) Adjustments to other comprehensive income

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Available-for-sale financial assets				
Net change in fair value	\$ 31,670	405,279	(94,256)	370,476
Net change in fair value reclassified to profit or loss	-	(3,615)	(38,540)	(16,282)
Net change in fair value recognized in other comprehensive income	<u>\$ 31,670</u>	<u>401,664</u>	<u>(132,796)</u>	<u>354,194</u>

(u) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group. As of September 30, 2014, December 31, 2013, and September 30, 2013, the maximum exposure to credit risks amounted to \$227,460,915, \$195,389,382 and \$185,308,433, respectively.

The non-performing loans (net of allowance for doubtful accounts) amounted to \$226,125, \$262,361 and \$281,262 as of September 30, 2014, December 31, 2013, and September 30, 2013, respectively.

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>
September 30, 2014					
Gross loans and receivables:					
Neither past due nor impaired	\$ 93,671,290	24,503,345	61,530,216	4,173,579	183,878,430
Past due	131,089	-	-	181,720	312,809
Impaired	<u>2,405,735</u>	<u>3,093,818</u>	<u>3,199,127</u>	<u>477,666</u>	<u>9,176,346</u>
	<u>\$ 96,208,114</u>	<u>27,597,163</u>	<u>64,729,343</u>	<u>4,832,965</u>	<u>193,367,585</u>
Allowance for impairment					
Collectively assessed	\$ 1,213,584	307,339	1,214,719	317,578	3,053,220
Individually assessed	<u>1,219,784</u>	<u>287,143</u>	<u>1,318,767</u>	<u>247,561</u>	<u>3,073,255</u>
	<u>\$ 2,433,368</u>	<u>594,482</u>	<u>2,533,486</u>	<u>565,139</u>	<u>6,126,475</u>

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	<u>Taiwan</u>	<u>Thailand</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
<u>December 31, 2013</u>					
Gross loans and receivables:					
Neither past due nor impaired	\$ 79,759,656	23,780,427	51,695,376	3,860,029	159,095,488
Past due	132,092	-	-	270,526	402,618
Impaired	<u>2,115,012</u>	<u>2,045,735</u>	<u>2,744,555</u>	<u>414,887</u>	<u>7,320,189</u>
	<u>\$ 82,006,760</u>	<u>25,826,162</u>	<u>54,439,931</u>	<u>4,545,442</u>	<u>166,818,295</u>
Allowance for impairment					
Collectively assessed	\$ 1,129,054	219,901	1,159,308	387,289	2,895,552
Individually assessed	<u>1,047,058</u>	<u>257,289</u>	<u>919,013</u>	<u>223,991</u>	<u>2,447,351</u>
	<u>\$ 2,176,112</u>	<u>477,190</u>	<u>2,078,321</u>	<u>611,280</u>	<u>5,342,903</u>
<u>September 30, 2013</u>					
Gross loans and receivables:					
Neither past due nor impaired	\$ 73,981,211	24,057,759	48,630,691	3,376,628	150,046,289
Past due	157,085	-	-	305,384	462,469
Impaired	<u>2,138,799</u>	<u>1,841,066</u>	<u>2,619,439</u>	<u>488,544</u>	<u>7,087,848</u>
	<u>\$ 76,277,095</u>	<u>25,898,825</u>	<u>51,250,130</u>	<u>4,170,556</u>	<u>157,596,606</u>
Allowance for impairment					
Collectively assessed	\$ 1,152,876	198,319	897,340	397,239	2,645,774
Individually assessed	<u>864,478</u>	<u>289,908</u>	<u>700,026</u>	<u>238,896</u>	<u>2,093,308</u>
	<u>\$ 2,017,354</u>	<u>488,227</u>	<u>1,597,366</u>	<u>636,135</u>	<u>4,739,082</u>

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.

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3) Loans and receivables which were past due

When loans and receivables of contractual interest or principal payments are past due, the level of collateral available exceeds the amounts owed to the Group.

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

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Past due up to 30 days	\$ 193,186	168,779	218,121
31 to 90 days	24,814	233,839	244,348
91 to 180 days	94,809	-	-
	<u>\$ 312,809</u>	<u>402,618</u>	<u>462,469</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 agreements.

2. Liquidity risks

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

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

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>On demand</u>
December 31, 2013								
Non-derivative financial liabilities								
Bank overdraft	\$ 84,084	84,084	-	-	-	-	-	84,084
Secured bank loans	16,938,466	17,663,246	3,036,015	1,405,455	4,572,495	8,649,281	-	-
Unsecured bank loans	98,352,986	99,316,048	22,079,489	23,357,028	27,811,233	25,572,531	495,767	-
Other unsecured loans	8,244,284	8,293,746	2,194,307	3,706,983	2,392,456	-	-	-
Notes payable from securitization	387,552	433,619	229	458	2,061	10,994	419,877	-
Bonds payables	14,098,319	14,587,944	1,946	136,445	4,176,727	10,272,826	-	-
Other payables	5,899,299	5,914,010	4,316,890	590,516	488,972	329	-	517,303
Deposits relating to collateral of customers	18,507,840	18,515,357	173,537	540,458	4,790,408	12,397,256	1,728	611,970
Derivative financial liabilities								
Derivative instruments not used for hedging	9,150	9,150	-	-	-	9,150	-	-
	<u>\$ 162,521,980</u>	<u>164,817,204</u>	<u>31,802,413</u>	<u>29,737,343</u>	<u>44,234,352</u>	<u>56,912,367</u>	<u>917,372</u>	<u>1,213,357</u>
September 30, 2013								
Non-derivative financial liabilities								
Bank overdraft	\$ 181,485	181,485	-	-	-	-	-	181,485
Secured bank loans	15,493,342	16,298,405	2,316,329	1,411,360	3,118,779	9,451,937	-	-
Unsecured bank loans	93,729,858	94,579,674	21,338,191	15,264,247	19,540,912	38,436,324	-	-
Other unsecured loans	8,656,262	8,715,945	1,965,709	3,557,647	3,192,589	-	-	-
Notes payable from securitization	411,812	461,739	245	489	2,201	11,740	447,064	-
Bonds payables	14,033,744	14,578,374	-	54,059	4,190,819	10,333,496	-	-
Other payables	3,678,818	3,682,855	1,151,676	237,938	1,092,970	276	-	1,199,995
Deposits relating to collateral of customers	17,966,479	18,057,964	203,978	499,233	4,658,227	12,047,808	-	648,718
Derivative financial liabilities								
Derivative instruments not used for hedging	1,809	1,809	-	-	1,809	-	-	-
	<u>\$ 154,153,609</u>	<u>156,558,250</u>	<u>26,976,128</u>	<u>21,024,973</u>	<u>35,798,306</u>	<u>70,281,581</u>	<u>447,064</u>	<u>2,030,198</u>

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

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3. Currency risks

1) Exposure to currency risks

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

2014.9.30				
	Foreign currency (In thousands)		Exchange rate	Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 2,919.98	USD : TWD	30.4200	88,826
	7,333.77	USD : VND	21,963	223,093
JPY	120,400.85	JPY : TWD	0.2780	33,471
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$ 88,008.95	USD : TWD	30.4200	2,677,232
	5,771.00	USD : VND	21,963	175,554
CNY	750,000.00	CNY : USD	0.1622	3,700,593
2013.12.31				
	Foreign currency (In thousands)		Exchange rate	Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 3,292.15	USD : TWD	29.8050	98,122
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	87,112.72	USD : TWD	29.8050	2,596,395
	5,532.57	USD : VND	21,755	164,898
CNY	750,000.00	CNY : USD	0.1650	3,689,263

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		2013.9.30		
	Foreign currency (In thousands)	Exchange rate		Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	3,521.57	USD : TWD 29.5700	104,133
		6,971.09	USD : VND 21,904	206,135
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		27,392.58	USD : TWD 29.5700	809,998
		5,550.38	USD : VND 21,903	164,125
CNY		750,000.00	CNY : USD 0.1634	3,624,691

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 \$11,162 and \$12,541, for the nine months ended September 30, 2014 and 2013, respectively. The analysis was performed on the same basis for both period.

4. Interest analysis

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

Ending balance as of September 30, 2014	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	0.87 %	\$ 9,655,671	8,053,297	373,240	-	-	1,229,134
Debt securities	6.12 %	9,560,596	789,596	2,428,255	6,342,745	-	-
Total accounts receivables	11.51 %	193,655,549	21,677,351	91,970,267	69,753,906	1,179,429	9,074,596
Cross currency swap contracts	0.96 %	39,634	39,634	-	-	-	-
Interest rate swap contract	0.73 %	2,705	2,705	-	-	-	-
		<u>212,914,155</u>	<u>30,562,583</u>	<u>94,771,762</u>	<u>76,096,651</u>	<u>1,179,429</u>	<u>10,303,730</u>

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Ending balance as of September 30, 2014	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Financial liabilities							
Secured bank loans	5.70 %	25,277,534	15,294,810	4,499,935	5,482,789	-	-
Unsecured bank loans	2.71 %	117,888,743	66,898,487	39,673,415	11,316,841	-	-
Bonds payables	3.98 %	12,917,808	500,000	5,975,928	6,441,880	-	-
Bank overdraft	7.50 %	113,197	113,197	-	-	-	-
Other unsecured loans	2.93 %	1,763,013	-	1,763,013	-	-	-
Notes payable from securitization	1.85 %	5,767,624	302,624	-	-	5,465,000	-
Deposits relating to collateral of customers	0.64 %	21,032,867	-	2,340,222	2,836,227	-	15,856,418
		184,760,786	83,109,118	54,252,513	26,077,737	5,465,000	15,856,418
Net exposure		\$ 28,153,369	(52,546,535)	40,519,249	50,018,914	(4,285,571)	(5,552,688)

Ending balance as of December 31, 2013	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	1.69 %	\$ 7,586,221	6,650,254	203,674	-	-	732,293
Debt securities	6.47 %	7,024,187	1,699,947	51,728	5,272,512	-	-
Total accounts receivables	11.66 %	167,136,523	19,692,077	78,169,622	62,338,257	115,961	6,820,606
Interest rate swap contract	0.04 %	486	486	-	-	-	-
		181,747,417	28,042,764	78,425,024	67,610,769	115,961	7,552,899
Financial liabilities							
Secured bank loans	5.47 %	16,938,466	11,174,281	283,185	5,481,000	-	-
Unsecured bank loans	2.76 %	98,352,986	73,300,818	19,104,238	5,947,930	-	-
Bonds payables	3.41 %	14,098,319	500,000	5,004,063	8,594,256	-	-
Bank overdraft	7.38 %	84,084	84,084	-	-	-	-
Other unsecured loans	3.16 %	8,244,284	-	8,244,284	-	-	-
Notes payable from securitization	0.71 %	387,552	387,552	-	-	-	-
Deposits relating to collateral of customers	0.59 %	18,507,840	-	1,604,863	2,435,996	1,728	14,465,253
Cross currency swap contracts	0.96 %	42,293	42,293	-	-	-	-
Interest rate swap contracts	1.36 %	6,777	6,777	-	-	-	-
		156,662,601	85,495,805	34,240,633	22,459,182	1,728	14,465,253
Net exposure		\$ 25,084,816	(57,453,041)	44,184,391	45,151,587	114,233	(6,912,354)

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Ending balance as of September 30, 2013	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	1.73 %	\$ 7,906,997	6,995,762	590,765	-	-	320,470
Debt securities	6.70 %	5,020,235	1,721,008	51,468	3,247,759	-	-
Total accounts receivables	11.41 %	157,933,994	21,040,604	74,289,064	57,338,587	165,696	5,100,043
Cross currency swap contracts	1.64 %	6,925	6,925	-	-	-	-
		170,868,151	29,764,299	74,931,297	60,586,346	165,696	5,420,513
Financial liabilities							
Secured bank loans	5.49 %	15,493,342	7,473,358	1,944,144	6,075,840	-	-
Unsecured bank loans	3.12 %	93,729,858	71,448,386	16,379,876	5,901,596	-	-
Bonds payables	3.41 %	14,033,744	500,000	4,000,000	9,533,744	-	-
Bank overdraft	7.38 %	181,485	181,485	-	-	-	-
Other unsecured loans	3.21 %	8,656,262	-	8,656,262	-	-	-
Notes payable from securitization	0.71 %	411,812	411,812	-	-	-	-
Deposits relating to collateral of customers	0.55 %	17,966,479	-	1,691,174	2,909,233	-	13,366,072
Interest rate swap contracts	1.35 %	3,237	3,237	-	-	-	-
		150,476,219	80,018,278	32,671,456	24,420,413	-	13,366,072
Net exposure		\$ 20,391,932	(50,253,979)	42,259,841	36,165,933	165,696	(7,945,559)

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.

If the interest rate increases or decreases by 0.25%, the Group's net profit will decrease or increase by \$145,352 and \$120,242 for the nine months ended September 30, 2014 and 2013, respectively. This analysis assumes that all other variables remain constant.

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5. Fair value

1) Fair value and carrying amount

Other than those listed below, the Group consider the carrying amounts of its financial assets and financial liabilities measured at amortized cost as a reasonable approximation of fair value:

	2014.9.30		2013.12.31		2013.9.30	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Accounts receivable	\$ 187,467,235	188,428,690	161,737,753	158,519,447	153,138,786	153,051,658
Financial liabilities:						
Bonds Payable	12,917,808	12,940,689	14,098,319	13,808,705	14,033,744	14,369,554
Deposits relating to collateral of customers	21,032,867	21,005,951	18,507,840	18,466,364	17,966,479	17,951,878
Secured loans	31,045,158	31,061,969	17,326,018	17,304,893	15,905,154	15,940,248
Unsecured loans	119,764,953	119,729,148	106,681,354	106,655,251	102,567,605	102,576,676

2) Interest rates used in fair value determination

The interest rates used to discount the estimated cash flows of certain financial assets and liabilities were as follows:

	As of September 30,	
	2014	2013
Accounts receivable	11.51 %	11.41 %
Long-term debts and short-term debts	3.64 %	3.65 %
Deposits relating to collateral of customers	0.64 %	1.37 %
Bonds payable	3.98 %	2.50 %

3) Fair value hierarchy

The table below provides the different levels of fair value hierarchy in determining the fair value of financial instruments carried at fair value.

- A. Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- B. Level 2: prices other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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C. Level 3: prices for the assets or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>September 30, 2014</u>				
Current financial assets at fair value through profit\$ or loss	200,106	21,735	-	221,841
Current derivative financial assets used for hedging	-	20,604	-	20,604
Non-current financial assets at fair value through profit or loss	-	-	789,596	789,596
Non-current available-for-sale financial assets	<u>46,233</u>	<u>1,020,225</u>	<u>518,100</u>	<u>1,584,558</u>
	<u>\$ 246,339</u>	<u>1,062,564</u>	<u>1,307,696</u>	<u>2,616,599</u>
<u>December 31, 2013</u>				
Current financial assets at fair value through profit\$ or loss	264,083	486	-	264,569
Non-current financial assets at fair value through profit or loss	-	-	1,699,947	1,699,947
Non-current available-for-sale financial assets	<u>-</u>	<u>1,210,419</u>	<u>517,685</u>	<u>1,728,104</u>
	<u>264,083</u>	<u>1,210,905</u>	<u>2,217,632</u>	<u>3,692,620</u>
Current financial liabilities at fair value through profit or loss	-	(9,150)	-	(9,150)
Current derivative financial liabilities used for hedging	-	(39,920)	-	(39,920)
	<u>-</u>	<u>(49,070)</u>	<u>-</u>	<u>(49,070)</u>
	<u>\$ 264,083</u>	<u>1,161,835</u>	<u>2,217,632</u>	<u>3,643,550</u>
<u>September 30, 2013</u>				
Current financial assets at fair value through profit\$ or loss	228,790	6,925	-	235,715
Non-current financial assets at fair value through profit or loss	-	-	1,721,008	1,721,008
Non-current available-for-sale financial assets	<u>-</u>	<u>1,035,397</u>	<u>517,311</u>	<u>1,552,708</u>
	<u>228,790</u>	<u>1,042,322</u>	<u>2,238,319</u>	<u>3,509,431</u>
Current financial liabilities at fair value through profit or loss	-	(1,809)	-	(1,809)
Current derivative financial liabilities used for hedging	-	(1,428)	-	(1,428)
	<u>-</u>	<u>(3,237)</u>	<u>-</u>	<u>(3,237)</u>
	<u>\$ 228,790</u>	<u>1,039,085</u>	<u>2,238,319</u>	<u>3,506,194</u>

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For the nine months ended September 30, 2014, the fair value hierarchy for available-for-sale financial assets of \$46,233 had been changed from level 2 to level 1 because the Group was able to obtain their active market prices periodically. There was no transfer between the fair value levels for the nine months ended September 30, 2013.

The following table shows the movements in Level 3 of the fair value hierarchy for the nine months ended September 30, 2014 and 2013:

	<u>At fair value through profit or loss</u>	<u>Available-for-sale financial assets</u>	
	<u>Designated at initial recognition</u>	<u>Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2014	\$ 1,699,947	517,685	2,217,632
Total gains and losses recognized:			-
In profit or loss	(15,247)	-	(15,247)
In other comprehensive income	-	415	415
Disposal	(895,104)	-	(895,104)
Ending balance, September 30, 2014	<u>\$ 789,596</u>	<u>518,100</u>	<u>1,307,696</u>
Opening balance, January 1, 2013	\$ 1,791,558	505,939	2,297,497
Total gains and losses recognized:			
In profit or loss	(70,550)	1,822	(68,728)
In other comprehensive income	-	9,550	9,550
Ending balance, September 30, 2013	<u>\$ 1,721,008</u>	<u>517,311</u>	<u>2,238,319</u>

For the nine months ended September 30, 2014 and 2013, 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 from available-for-sale financial assets were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Total gains and losses recognized :				
In profit or loss, and included “other gains and losses”	\$ (2,221)	(25,208)	(41,861)	(71,171)
In other comprehensive income, and included “unrealized gains on available-for-sale financial assets ”	(6,291)	1,580	415	11,993

(v) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note (6)(u) of the consolidated financial statements for the year ended December 31, 2013.

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(w) Capital Management

Management believes that the objectives, policies and processes of capital management of the Group have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2013. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2013. Please refer to Note (6)(v) of the consolidated financial statements for the year ended December 31, 2013 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:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Affiliates	\$ <u>15,462</u>	<u>15,351</u>	<u>52,537</u>	<u>48,555</u>

2. Receivables from related parties

Receivables of the Group from related parties were as follows :

<u>Account</u>	<u>Categories of related parties</u>	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Capital leases receivable	Affiliates	\$ 493	659	748
Accounts receivable	Affiliates	1,384	1,525	8,519
Other receivables	Affiliates	280,367	807,638	116,968
Other current financial assets	Affiliates	1,000	1,000	1,000
Other non-current financial assets	Affiliates	<u>5,100</u>	<u>5,600</u>	<u>10,900</u>
		<u>\$ 288,344</u>	<u>816,422</u>	<u>138,135</u>

3. Payable to related parties

Payable of the Group from related parties were as follows :

<u>Account</u>	<u>Categories of related parties</u>	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Other current financial liabilities	Affiliates	\$ <u>56,739</u>	<u>146,285</u>	<u>25,959</u>

4. Asset transactions

The Group purchased leasehold improvements from affiliates of \$1,238, \$6,771, \$3,904 and \$13,152 for the three months and nine months ended September 30, 2014 and 2013, respectively.

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5. Related-Party Financing

Financing to related parties was as follows :

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Affiliates	<u>\$ 335,831</u>	<u>343,940</u>	<u>341,228</u>

The loans receivable bear interest at rates ranging from 3.23% to 4.00%. As of September 30, 2014, December 31, 2013, and September 30, 2013, interest receivable from the loans receivable from affiliates amounted to \$6,930, \$4,860 and \$4,179, respectively. For the three months and the nine months ended September 30, 2014 and 2013, interest revenue from the loans receivable from affiliates amounted to \$2,909, \$3,017, \$8,835 and \$8,935, respectively.

6. Interest bearing borrowings

Borrowings of the Group from related parties were as follows :

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Affiliates	<u>\$ 2,513,243</u>	<u>2,778,909</u>	<u>3,680,343</u>

The borrowings from affiliates bear interest at rates ranging from 2.83% to 7.38%. As of September 30, 2014, December 31, 2013, and September 30, 2013, interest payable from the interest bearing borrowings from affiliates amounted to \$358, \$786 and \$1,460, respectively. For the three months and the nine months ended September 30, 2014 and 2013, interest expense from the interest bearing borrowing from affiliates amounted to \$28,384, \$32,301, \$89,403 and \$98,394, respectively.

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

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Affiliates	<u>\$ 47,245</u>	<u>45,675</u>	<u>47,410</u>

The bonds payable bear interest at rate 4.50%. As of September 30, 2014, December 31, 2013 and September 30, 2013, interest payable from bonds payable to affiliates amounted to \$23, \$28, and \$23, respectively. For the three months and the nine months ended September 30, 2014 and 2013, interest expenses from bonds payable to affiliates amounted to \$532, \$575, \$1,573 and \$1,077, respectively.

7. Endorsements and guarantees with related parties

As of September 30, 2013, guarantee and endorsements of bank loans provided by the Group for related parties amounted for \$743,400. The bank loans which related parties have actually obtained amounted to \$619,500.

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8. Others

- 1) As of September 30, 2014, December 31, 2013 and September 30, 2013, bank deposits in financial institutions which are related parties of the Group amounted to \$144,744, \$275,405 and \$472,801, respectively. For the three months and the nine months ended September 30, 2014 and 2013, interest revenue from the deposits in affiliates amounted to \$36, \$11, \$264 and \$397, respectively.

- 2) Other revenue and expense with related parties :

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Affiliates				
Rent expense	\$ 7,266	4,956	21,588	15,203
Commission and service costs	147	155	419	344
Other operating costs	4,115	6,126	56,410	21,912
	<u>\$ 11,528</u>	<u>11,237</u>	<u>78,417</u>	<u>37,459</u>

- 3) In 2010, Chailease Finance Co., Ltd. and Chailease Construction & Development Corp. entered into an agreement with a related party, Yi Mao International Development Corp. for joint venture construction of housing units. Under this agreement, Yi Mao International Development Corp. invested its land for use in the construction. Yi Mao, the Company and Chailease Construction & Development Corp share 18.11%, 40.945% and 40.945%, respectively, from the proceeds of the sale of the housing units. Please refer to Note (6)(e) for related information.

(b) Key management personnel compensation

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Short-term employee benefits	\$ 63,727	66,972	200,160	204,757
Post-employment benefits	358	555	1,047	1,710
	<u>\$ 64,085</u>	<u>67,527</u>	<u>201,207</u>	<u>206,467</u>

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(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2014.9.30	2013.12.31	2013.9.30
Restricted cash in banks				
Restricted account for loans repayment (demand deposits)	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	\$ 3,092,145	3,297,140	3,938,652
Time deposits	Alliance contract guarantee	1,900	1,900	2,200
Inventories	As guarantee for short-term and long-term borrowings	-	-	932,899
Property and equipment, and assets held for lease	As guarantee for short-term and long-term borrowings	3,798,881	3,649,672	1,994,892
Equity securities	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	1,133,648	1,190,724	1,109,765
Refundable deposits	Provincial court seizure etc.	240,206	310,348	354,222
Notes receivable	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	25,864,401	21,128,592	20,691,224
Accounts receivable and loans	As guarantee for short-term and long-term borrowings	58,725,036	45,484,808	40,618,647
Total		<u>\$ 92,856,217</u>	<u>75,063,184</u>	<u>69,642,501</u>

(9) Commitments and Contingencies

- (a) The Group entered into alliances with several commercial banks for which the banks will provide direct financing loans to the Group's corporate and individual customers. Should these corporate and individual customers default on their payments, the Group is required to assume their loan obligations and pay these loans on behalf of these customers. As of September 30, 2014, December 31, 2013, and September 30, 2013, the balance of unexpired payments from these alliance transactions amounted to \$14,130,674, \$11,481,602 and \$11,239,050, respectively.
- (b) Chailease Finance Co., Ltd. (CFC), together with third parties/co-facilitators, entered into an agreement with CFC customers for purposes of facilitating the extension of loans to these customers by financial institutions, under which, CFC will share with these co-facilitators in the facilitating fee that they earn from this agreement. If the customers default on their payments, CFC is required to pay to the financial institutions its share of the loans on behalf of these customers. As of September 30, 2014, December 31, 2013, and September 30, 2013, the payable balance from these transactions amounted to \$226,350, \$401,295 and \$457,336, respectively.

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- (c) The Group facilitated the extension of financing by financial institutions on behalf of its certain customers under factoring agreements. Such facilitation enables the customers to obtain desired financing from financial institutions. As of September 30, 2014, December 31, 2013, and September 30, 2013, the balance of financing obtained from such facilitation amounted to \$73,908, \$37,138 and \$49,869, 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 :

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

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	2013.12.31		
	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	\$ 7,586,221	-	7,586,221
Current financial assets at fair value through profit or loss	264,569	-	264,569
Current held-to-maturity financial assets	1,500,728	3,337,657	4,838,385
Accounts receivable, net	85,240,004	48,478,303	133,718,307
Inventories	567,752	-	567,752
Other current financial assets	5,000,217	-	5,000,217
Other current assets – others	<u>2,323,739</u>	<u>-</u>	<u>2,323,739</u>
	\$ 102,483,230	51,815,960	154,299,190
<u>Current liabilities</u>			
Short-term borrowings	\$ 57,141,701	-	57,141,701
Current financial liabilities at fair value through profit or loss	9,150	-	9,150
Current derivative financial liabilities for hedging	39,920	-	39,920
Accounts and notes payable	2,383,535	-	2,383,535
Current tax payable	618,258	-	618,258
Other current financial liabilities	8,449,271	11,381,508	19,830,779
Advance real estate receipts	307,563	-	307,563
Long-term liabilities – current portion	29,111,158	20,400,500	49,511,658
Other current liabilities – others	<u>869,514</u>	<u>-</u>	<u>869,514</u>
	\$ 98,930,070	31,782,008	130,712,078

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	2013.9.30		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current assets</u>			
Cash and cash equivalents	\$ 7,906,997	-	7,906,997
Current financial assets at fair value through profit or loss	235,715	-	235,715
Current held-to-maturity financial assets	1,814,189	927,038	2,741,227
Accounts receivable, net	83,119,414	43,090,598	126,210,012
Inventories	932,899	-	932,899
Other current financial assets	5,152,210	-	5,152,210
Other current assets – others	2,108,877	-	2,108,877
	\$ 101,270,301	44,017,636	145,287,937
<u>Current liabilities</u>			
Short-term borrowings	\$ 49,431,049	-	49,431,049
Current financial liabilities at fair value through profit or loss	1,809	-	1,809
Current derivative financial liabilities for hedging	1,428	-	1,428
Accounts and notes payable	996,667	-	996,667
Current tax payable	413,522	-	413,522
Other current financial liabilities	7,521,890	11,090,288	18,612,178
Advance real estate receipts	391,058	-	391,058
Long-term liabilities – current portion	32,352,717	22,140,000	54,492,717
Other current liabilities – others	687,874	-	687,874
	\$ 91,798,014	33,230,288	125,028,302

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(b) The nature of operating costs and expenses were as follows:

By item	By function	For the three months ended September 30, 2014			For the three months ended September 30, 2013		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		10,841	882,804	893,645	13,040	789,731	802,771
Labor and health insurance		922	48,749	49,671	791	50,686	51,477
Pension		536	49,581	50,117	442	39,059	39,501
Others		-	62,360	62,360	-	54,702	54,702
Depreciation		297,789	35,804	333,593	338,404	25,701	364,105
Amortization		-	18,352	18,352	-	24,901	24,901

By item	By function	For the nine months ended September 30, 2014			For the nine months ended September 30, 2013		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		36,102	2,560,763	2,596,865	40,267	2,234,958	2,275,225
Labor and health insurance		2,755	155,960	158,715	2,473	148,338	150,811
Pension		1,427	126,318	127,745	1,291	122,595	123,886
Others		-	176,881	176,881	-	160,006	160,006
Depreciation		887,556	106,921	994,477	1,060,448	72,700	1,133,148
Amortization		-	52,842	52,842	-	56,811	56,811

(c) Seasonality of operation:

The Group's operation is neither seasonal nor cyclical.

(13) Segment Information

Operating segments financial information:

	For the three months ended September 30, 2014					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 3,473,245	4,676,359	639,453	240,319	-	9,029,376
Intersegment revenues	196,515	-	-	-	(196,515)	-
Total revenue	\$ 3,669,760	4,676,359	639,453	240,319	(196,515)	9,029,376
Reportable segment profit or loss	\$ 1,071,009	821,093	159,680	(62,570)	-	1,989,212

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For the three months ended September 30, 2013						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 2,928,774	3,638,485	611,616	253,496	-	7,432,371
Intersegment revenues	226,974	103,989	-	-	(330,963)	-
Total revenue	\$ 3,155,748	3,742,474	611,616	253,496	(330,963)	7,432,371
Reportable segment profit or loss	\$ 818,815	524,188	155,902	(8,988)	-	1,489,917
For the nine months ended September 30, 2014						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 10,750,243	12,615,436	1,873,600	652,128	-	25,891,407
Intersegment revenues	571,735	-	-	-	(571,735)	-
Total revenue	\$ 11,321,978	12,615,436	1,873,600	652,128	(571,735)	25,891,407
Reportable segment profit or loss	\$ 3,068,228	2,092,233	462,756	(256,720)	-	5,366,497
For the nine months ended September 30, 2013						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 8,014,438	10,488,190	1,776,324	641,216	-	20,920,168
Intersegment revenues	744,171	231,296	-	-	(975,467)	-
Total revenue	\$ 8,758,609	10,719,486	1,776,324	641,216	(975,467)	20,920,168
Reportable segment profit or loss	\$ 2,421,258	1,708,241	469,652	(76,961)	-	4,522,190