

**CHAILEASE HOLDING COMPANY LIMITED
AND ITS SUBSIDIARIES**

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016
(With Independent Accountants' Review Report Thereon)

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Independent Accountants' Review Report

To the Board of Directors of Chailease Holding Company Limited:

We have reviewed the accompanying condensed consolidated statements of financial position of Chailease Holding Company Limited (the "Company") and its subsidiaries (the "Group") as of June 30, 2017 and 2016, the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month periods then ended. These condensed consolidated interim financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standard 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Group's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.



We have previously audited the consolidated statements of financial position of the Group as of December 31, 2016, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and auditing standards generally accepted in the Republic of China and we expressed an unqualified opinion on those audited financial statements in our report dated March 16, 2017. In our opinion, the information set forth in the accompanying condensed consolidated statements of financial position as of December 31, 2016, is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

A handwritten signature of the KPMG firm, written in black ink. The letters are stylized and slanted to the right.

KPMG

Taipei, Taiwan (Republic of China)
August 10, 2017

Notes to Readers

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

AS OF JUNE 30, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2017, December 31, 2016, and June 30, 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

		2017.6.30		2016.12.31		2016.6.30		LIABILITIES AND EQUITY	
		Amount	%	Amount	%	Amount	%	Amount	%
Assets									
Current assets :									
1100	Cash and cash equivalents (Notes (6)(a) and (7))	\$ 12,005,633	4	12,936,615	5	11,431,901	4	2100	Short-term borrowings (Notes (6)(i), (7) and (8))
1110	Current financial assets at fair value through profit or loss (Note (6)(b))	274,539	-	113,057	-	352,347	-	2150	Accounts and notes payable
1130	Field-to-maturity financial assets-current (Note (6)(b))	5,521,726	2	5,824,814	2	8,527,479	3	2230	Current tax liabilities
1170	Accounts receivable, net (Notes (6)(d), (7) and (8))	198,932,980	68	194,395,682	68	189,621,565	68	2305	Other current financial liabilities (Note (7))
1476	Other current financial assets (Notes (7) and (8))	3,431,298	1	3,315,724	1	3,839,088	2	2320	Long-term liabilities, current portion (Notes (6)(i), (6)(j), (7) and (8))
1479	Other current assets-others (Notes (6)(c) and (7))	3,275,324	1	3,654,131	1	2,805,136	1	2399	Other current liabilities-others
		<u>223,441,500</u>	<u>76</u>	<u>220,240,023</u>	<u>77</u>	<u>216,577,516</u>	<u>78</u>		
Non-current assets :									
1523	Non-current available-for-sale financial assets (Note (6)(b))	1,678,464	1	1,815,310	1	1,852,075	1	2530	Bonds payable (Notes (6)(i) and (7))
1528	Non-current held-to-maturity financial assets (Note (6)(b))	1,190,760	-	997,270	-	1,545,709	-	2540	Long-term borrowings (Notes (6)(i), (7) and (8))
1550	Investments accounted under equity method (Notes (6)(f) and (8))	969,144	-	889,608	-	486,727	-	2570	Deferred tax liabilities
1600	Property, plant and equipment (Notes (6)(g) and (8))	10,101,133	4	10,336,214	4	10,130,345	4	2600	Other non-current liabilities (Note (6)(f))
1780	Intangible assets (Note (6)(h))	65,661	-	77,901	-	44,434	-		
1840	Deferred tax assets	3,217,077	1	3,755,363	1	2,907,411	1		
1930	Long-term accounts receivable, net (Notes (6)(d), (7) and (8))	50,963,936	18	46,786,877	16	42,962,621	15		
1995	Other non-current assets-others (Notes (7) and (8))	1,034,244	-	1,184,892	1	1,594,723	1		
		<u>69,220,419</u>	<u>24</u>	<u>65,843,435</u>	<u>23</u>	<u>61,524,045</u>	<u>22</u>		
		<u>\$ 292,661,919</u>	<u>100</u>	<u>286,083,458</u>	<u>100</u>	<u>278,101,561</u>	<u>100</u>		
TOTAL ASSETS									

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

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three months and the six months ended June 30, 2017 and 2016
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the three months ended June 30,				For the six months ended June 30,			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenues: (Note (7))								
4111 Sales revenue	\$ 1,915,554	19	2,099,296	22	3,557,458	18	3,584,655	20
4810 Interest revenue - installment sales	1,874,292	19	1,800,352	19	3,710,141	19	3,569,889	19
4820 Interest revenue - finance leases	2,287,711	23	2,229,547	23	4,609,135	24	4,481,349	24
4300 Rental revenue - operating leases	760,740	8	687,306	7	1,535,008	8	1,375,373	8
4230 Interest revenue - loans	752,576	8	719,799	8	1,512,431	8	1,469,855	8
4240 Other interest revenue	773,125	8	709,565	7	1,511,919	8	1,360,794	7
4881 Other operating revenue	1,492,136	15	1,313,047	14	2,791,093	15	2,488,597	14
	<u>9,856,134</u>	<u>100</u>	<u>9,558,912</u>	<u>100</u>	<u>19,227,185</u>	<u>100</u>	<u>18,330,512</u>	<u>100</u>
Operating costs: (Note (7))								
5111 Cost of sales	1,721,259	17	1,854,437	19	3,146,548	17	3,183,198	17
5240 Interest expense	1,165,222	12	1,137,125	12	2,328,394	12	2,357,262	13
5300 Cost of rental revenue	607,013	6	489,167	5	1,219,222	6	965,002	5
5800 Other operating costs	273,693	3	231,593	2	538,166	3	454,234	3
	<u>3,767,187</u>	<u>38</u>	<u>3,712,322</u>	<u>38</u>	<u>7,232,330</u>	<u>38</u>	<u>6,959,696</u>	<u>38</u>
Gross profit from operation	<u>6,088,947</u>	<u>62</u>	<u>5,846,590</u>	<u>62</u>	<u>11,994,855</u>	<u>62</u>	<u>11,370,816</u>	<u>62</u>
6000 Operating expenses (Note (7))	3,225,833	33	3,906,448	41	6,497,798	34	7,260,089	39
6500 Net other income and expenses (Note (6)(q))	50,915	1	37,560	-	99,000	1	66,835	-
Operating profit	<u>2,914,029</u>	<u>30</u>	<u>1,977,702</u>	<u>21</u>	<u>5,596,057</u>	<u>29</u>	<u>4,177,562</u>	<u>23</u>
Non-operating income and expenses:								
7100 Interest income	15,248	-	19,444	-	30,398	-	36,771	-
7130 Dividend revenue	21,228	-	18,424	-	21,228	-	18,424	-
7020 Other gains and losses (Note (6)(r))	95,684	1	717,012	8	389,588	2	801,243	4
7060 Share of (loss) profit of associates and joint ventures accounted for using equity method (Note (6)(f))	20,663	-	(2,605)	-	9,693	-	(5,089)	-
	<u>152,823</u>	<u>1</u>	<u>752,275</u>	<u>8</u>	<u>450,907</u>	<u>2</u>	<u>851,349</u>	<u>4</u>
7900 Profit before income tax	<u>3,066,852</u>	<u>31</u>	<u>2,729,977</u>	<u>29</u>	<u>6,046,964</u>	<u>31</u>	<u>5,028,911</u>	<u>27</u>
7950 Less: Income tax expense (Note (6)(m))	789,715	8	735,895	8	1,531,328	8	1,331,212	7
Profit for the period	<u>2,277,137</u>	<u>23</u>	<u>1,994,082</u>	<u>21</u>	<u>4,515,636</u>	<u>23</u>	<u>3,697,699</u>	<u>20</u>
Other comprehensive income (loss):								
8310 Items that will not be reclassified to profit or loss								
8311 Remeasurement of defined benefit liabilities	-	-	-	-	-	-	(620)	-
8349 Related tax	-	-	-	-	-	-	123	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(497)</u>	<u>-</u>
8360 Items that may be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	442,113	4	(760,751)	(8)	(1,095,277)	(5)	(982,803)	(4)
8362 Unrealized gains (losses) on available-for-sale financial assets	(135,098)	(1)	11,320	-	(111,052)	(1)	46,837	-
8363 Losses of effective portion of cash flow hedges	-	-	(117,459)	(1)	-	-	(163,416)	(1)
8364 Gains (losses) of effective portion of hedges of net investment in foreign operations	(16,454)	-	13,808	-	328,490	2	65,056	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss	(388)	-	(400)	-	7,622	-	1,393	-
8399 Related tax	(8,444)	-	1,754	-	82,078	-	30,347	-
Total other items that maybe reclassified subsequently to profit or loss	<u>281,729</u>	<u>3</u>	<u>(851,728)</u>	<u>(9)</u>	<u>(788,139)</u>	<u>(4)</u>	<u>(1,002,586)</u>	<u>(5)</u>
8300 Other comprehensive income (loss) for the period, net of tax	<u>281,729</u>	<u>3</u>	<u>(851,728)</u>	<u>(9)</u>	<u>(788,139)</u>	<u>(4)</u>	<u>(1,003,083)</u>	<u>(5)</u>
8500 Total comprehensive income for the period	<u>\$ 2,558,866</u>	<u>26</u>	<u>1,142,354</u>	<u>12</u>	<u>3,727,497</u>	<u>19</u>	<u>2,694,616</u>	<u>15</u>
Profit attributable to:								
8610 Owners of the Company	\$ 2,192,198	22	1,907,232	20	4,348,642	22	3,528,358	19
8620 Non-controlling interests	84,939	1	86,850	1	166,994	1	169,341	1
	<u>\$ 2,277,137</u>	<u>23</u>	<u>1,994,082</u>	<u>21</u>	<u>4,515,636</u>	<u>23</u>	<u>3,697,699</u>	<u>20</u>
Comprehensive income attributable to:								
8710 Owners of the Company	\$ 2,439,647	25	1,048,284	11	3,500,777	18	2,506,960	14
8720 Non-controlling interests	119,219	1	94,070	1	226,720	1	187,656	1
	<u>\$ 2,558,866</u>	<u>26</u>	<u>1,142,354</u>	<u>12</u>	<u>3,727,497</u>	<u>19</u>	<u>2,694,616</u>	<u>15</u>
9750 Basic earnings per share (NT dollars) (Note (6)(o))	<u>\$ 1.93</u>		<u>1.68</u>		<u>3.82</u>		<u>3.10</u>	

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	Equity Attributable to Owners of the Company						
	Other Equity Items						Total equity
Stock	Capital surplus	Retained Earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) of effective portion of cash flow hedges	Gains (losses) of effective portion of hedge of net investment in foreign operations	
Share capital							
\$ 11,392,300	9,407,395	15,497,081	1,545,063	120,270	163,416	(238,484)	40,030,539
-	-	3,528,358	-	-	-	-	3,528,358
-	-	(238)	(969,637)	46,837	(163,416)	65,056	169,341
-	-	3,528,120	(969,637)	46,837	(163,416)	65,056	18,315
-	-	-	-	-	-	-	2,506,960
-	-	-	-	-	-	-	187,656
-	-	(3,531,613)	-	-	-	-	(3,531,613)
-	(58,584)	-	-	-	-	-	(58,584)
-	-	-	-	-	-	-	(230,217)
\$ 11,392,300	9,348,811	15,493,588	575,426	167,107	-	(173,428)	36,803,804
\$ 11,392,300	9,391,481	19,201,441	(627,808)	163,390	-	(210,361)	39,310,443
-	-	4,348,642	-	-	-	-	4,348,642
-	-	-	(1,065,303)	(111,052)	-	328,490	(847,865)
-	-	4,348,642	(1,065,303)	(111,052)	-	328,490	3,500,777
-	-	(3,873,382)	-	-	-	-	(3,873,382)
-	-	-	-	-	-	-	(223,914)
\$ 11,392,300	9,391,481	19,676,701	(1,693,111)	52,338	-	118,129	38,937,838
							2,200,591
							41,138,429

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 six months ended June 30, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Profit before income tax	\$ 6,046,964	5,028,911
Adjustments:		
Adjustments to reconcile profit before income tax to net cash provided by operating activities:		
Depreciation expense	1,022,947	885,977
Amortization expense	74,117	92,800
Gain on financial assets and liabilities at fair value through profit or loss	(13,818)	(23,131)
Interest expense	2,328,394	2,357,262
Interest income	(11,374,024)	(10,918,658)
Dividend income	(21,228)	(18,424)
Share of (profit) loss of associates and joint ventures accounted for using equity method	(9,693)	5,089
Loss (gain) on disposal of property, plant and equipment	8,342	(1,711)
Loss on disposal of foreclosed assets	37,712	33,867
Gain on disposal of investments	(75,108)	(1,993)
Impairment loss on financial assets	2,252,344	2,849,358
Impairment loss on non financial assets	256,010	160,397
Total adjustments to reconcile profit	<u>(5,514,005)</u>	<u>(4,579,167)</u>
Change in operating assets and liabilities:		
Change in operating assets:		
Increase in financial assets held for trading	(147,721)	(143,772)
Decrease in non-current financial assets at fair value through profit or loss	-	721,807
Increase in accounts receivable	(14,788,602)	(15,467,575)
Increase in other current financial assets	(155,303)	(411,338)
Decrease (increase) in other current assets	279,709	(127,841)
Proceeds from sales of operating lease assets	550,169	484,841
Purchase of operating lease assets	(1,774,758)	(1,783,028)
Decrease (increase) in other non-current assets – others	63,370	(231,728)
Total changes in operating assets	<u>(15,973,136)</u>	<u>(16,958,634)</u>
Changes in operating liabilities:		
Increase in accounts and notes payable	281,281	142,613
Increase in long-term and short-term debts	151,169,256	109,654,405
Repayment of long-term and short-term debts	(145,584,498)	(101,144,179)
Increase in other current financial liabilities	758,448	1,828,414
Decrease (increase) in accrued pension liabilities	(3,700)	4,370
Decrease (increase) in other current liabilities-others	(182,456)	46,516
Increase in other non-current liabilities	577,082	57,531
Total changes in operating liabilities	<u>7,015,413</u>	<u>10,589,670</u>
Total changes in operating assets and liabilities	<u>(8,957,723)</u>	<u>(6,368,964)</u>
Total adjustments	<u>(14,471,728)</u>	<u>(10,948,131)</u>
Cash used in operation	(8,424,764)	(5,919,220)
Interest received	11,377,382	10,956,480
Dividend received	21,328	18,524
Interest paid	(2,303,892)	(2,394,648)
Income taxes paid	(1,514,917)	(1,510,336)
Net cash (used in) provided by operating activities	<u>(844,863)</u>	<u>1,150,800</u>
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(25,814)	(111,617)
Proceeds from disposal of available-for-sale financial assets	120,378	10,793
Proceeds from capital reduction of available-for-sale financial assets	-	472
Acquisition of held-to-maturity financial assets	(2,386,035)	(3,092,942)
Disposal of held-to-maturity financial assets	2,490,886	2,992,426
Acquisition of investments accounted for using equity method	(195,593)	(171,480)
Proceeds from capital reduction of investments accounted for using equity method	82,513	37,909
Acquisition of property, plant and equipment	(38,047)	(39,760)
Disposal of property, plant and equipment	115,298	1,224
Acquisition of intangible assets	(630)	(1,530)
Net cash provided by (used in) investing activities	<u>162,956</u>	<u>(374,505)</u>
Cash flows from financing activities:		
Change in non-controlling interests	(223,914)	(230,217)
Net cash used in financing activities	<u>(223,914)</u>	<u>(230,217)</u>
Effect of exchange rate changes on cash and cash equivalents	(60,560)	(207,441)
Net (decrease) increase in cash and cash equivalents	(966,381)	338,637
Cash and cash equivalents, net of bank overdraft, beginning of period	12,935,342	11,093,264
Cash and cash equivalents, net of bank overdraft, end of period (Note (6)(a))	<u>\$ 11,968,961</u>	<u>11,431,901</u>

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

(1) Overview

Chailase 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 financing.

As of June 30, 2017 and 2016, the Company had outstanding common shares both amounted to \$11,392,300 and divided into 1,139,229,994 shares.

(2) Financial Statements Authorisation Date and Authorisation Process

The accompanying condensed interim consolidated financial statements were authorized for issue by the Audit Committee and reported to the Board of Directors on August 10, 2017.

(3) New Accounting Standards and Interpretations

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for reporting periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets-Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group's assessment disclosed that the initial application of the above IFRSs did not have any material impact on the consolidated interim financial statements.

- (b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have a material impact on the consolidated financial statements, but will disclose the relevant impact thereof when the assessment is completed.

Notes to the Condensed Interim Consolidated Financial Statements

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1. IFRS 9 “Financial Instruments”

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Lifetime ECL measurement is adopted if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition, otherwise, the 12-month ECL measurement is applied.

3) Hedge accounting

IFRS 9 will require the Group to ensure that hedge accounting relationships are aligned with the Group’s risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component of a non-financial item, will be likely to qualify for hedge accounting. Currently, the Group does not have hedges with such risk components.

4) Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed if IFRS 9 becomes effective and is adopted. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in retained earnings and reserves as at January 1, 2018, and no restatement of prior periods is required.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

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

2. IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 replaces existing revenue recognition guidance, including IAS 18 “Revenue”, IAS 11 “Construction Contracts”. Under IFRS 15, the Group recognizes revenue by strictly complying with the following steps:

- 1) Identify the contract with the customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract; and
- 5) The Group satisfies a performance obligation.

When IFRS 15 becomes effective, the Group may elect to apply this Standard either retrospectively to each period presented or to recognize the accumulated adjustment at the date of initial application.

3. Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the accounting for deferred tax assets concerning unrealized losses on debt instruments measured at fair value.

The Group is assessing the potential impact of adopting the amendments to IAS 12 on its consolidated financial statements and is expecting to disclose the additional quantitative information before the adoption thereof.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The IFRSs that have been issued by the IASB, but not yet endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the statement of financial position. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

(4) Significant Accounting Policies

The following significant accounting policies have been adopted in preparing the consolidated financial statements and have been applied consistently to all periods presented in these consolidated financial statements, except when otherwise indicated.

(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").

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, 2016. For other related information, please refer to Note (4) of the consolidated financial statements for the year ended December 31, 2016.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(b) Basis of consolidation**

The accounting principles applied in the preparation of the consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2016. For full disclosure of the accounting principles, please refer to note (4)(c) of the consolidated financial statements for the year ended December 31, 2016.

1. Subsidiaries included in the consolidated financial statements

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2017.6.30	2016.12.31	2016.6.30	
The Company	Chailease International Company (Malaysia) Limited	Investment	100.00 %	100.00 %	100.00 %	
"	Golden Bridge (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
"	Chailease International Financial Services Co., Ltd.	Installment sales, financing overseas and financial consulting	100.00 %	100.00 %	100.00 %	
Golden Bridge (B.V.I.) Corp.	My Leasing (Mauritius) Corp.	Investment	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp.	Chailease International Finance Corporation	Leasing	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp. and Chailease International Finance Corporation	Chailease Finance International Corp.	Leasing	100.00 %	100.00 %	100.00 %	
Chailease International Finance Corporation	Chailease International Corp.	Trading	100.00 %	100.00 %	100.00 %	
"	Jirong Real Estate Co., Ltd.	House property leasing and management	100.00 %	100.00 %	100.00 %	
Chailease International Company (Malaysia) Limited	Chailease International (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
"	Chailease International Company (UK) Limited	Consulting, leasing overseas and investment	100.00 %	100.00 %	100.00 %	
"	Chailease Berjaya Credit Sdn. Bhd.	Installment sales	70.00 %	70.00 %	70.00 %	
"	Chailease Royal Leasing Plc.	Leasing	60.00 %	- %	- %	% This subsidiary was established on May 10, 2016. Chailease International Company (Malaysia) Limited invested it on March 6, 2017.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2017.6.30	2016.12.31	2016.6.30	
Chailase International Company (UK) Limited	Chailase Finance Co., Ltd.	Installment sales, leasing, and factoring	100.00 %	100.00 %	100.00 %	
Chailase International Financial Services Co., Ltd.	Chailase International Financial Services (Liberia) Corp.	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailase International Financial Services (Labuan) Co., Ltd.	Leasing	100.00 %	100.00 %	100.00 %	
Chailase Berjaya Credit Sdn. Bhd.	Chailase Agency Sdn. Bhd.	Insurance brokers	100.00 %	- %	- %	Founded on April 19, 2017.
Chailase Finance Co., Ltd.	Fina Finance & Trading Co., Ltd.	Installment sales, trading, and factoring	100.00 %	100.00 %	99.55 %	
"	Chailase Specialty Finance Co., Ltd.	Installment sales	100.00 %	100.00 %	100.00 %	
"	My Leasing (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
Chailase International Company (Malaysia) Limited and Chailase Finance Co., Ltd.	Asia Sermkij Leasing Public Co., Ltd.	Installment sales of automobiles	48.18 %	48.18 %	48.18 %	Please refer to Note (5) for the detailed disclosure of the judgment regarding control of Asia Sermkij Leasing Public Co., Ltd.
Chailase Finance Co., Ltd.	Chailase Finance (B.V.I.) Co., Ltd.	Installment sales, financing overseas, and financial consulting	100.00 %	100.00 %	100.00 %	
"	Chailase International Leasing Company Limited (Vietnam)	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailase International Trading Company Limited (Vietnam)	Trading	100.00 %	100.00 %	- %	Founded on July 18, 2016.
"	Chailase Auto Rental Co., Ltd.	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailase Credit Services Co., Ltd.	Installment sales and leasing	100.00 %	100.00 %	100.00 %	
"	Apex Credit Solutions Inc.	Accounts receivable management, debt management, valuation, trading in financial instruments	100.00 %	100.00 %	100.00 %	

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2017.6.30	2016.12.31	2016.6.30	
Chailease Finance Co., Ltd.	Chailease Insurance Brokers Co., Ltd.	Personal and property insurance brokers	100.00 %	100.00 %	100.00 %	
"	Chailease Cloud Service Co., Ltd.	Software of cloud products, leasing, and installment sales	100.00 %	100.00 %	100.00 %	
"	Chailease Finance Securitization Trust 2014	Special Purpose Entity	- %	- %	- %	% The subsidiary was established on July 24, 2014. (Note a)
"	Chailease Finance Securitization Trust 2016	Special Purpose Entity	- %	- %	- %	% The subsidiary was established on August 24, 2016. (Note a)
"	Yun Tang Inc.	Solar Power business	100.00 %	100.00 %	100.00 %	
"	Chailease Energy Integration Co., Ltd.	Solar Power business	100.00 %	100.00 %	100.00 %	
"	Innovation Energy Integration Co., Ltd.	Solar Power business	100.00 %	100.00 %	100.00 %	
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 %	
Chailease Consumer Finance Co., Ltd. and Chailease Credit Services Co., Ltd.	Chuang Ju Limited Partnership	Installment sales and leasing	100.00 %	- %	- %	% Founded on June 28, 2017.
Chailease Specialty Finance Co., Ltd. and Chailease Cloud Service Co., Ltd.	Sing Chuang Limited Partnership	Installment sales and leasing	100.00 %	- %	- %	% Founded on June 28, 2017.
Grand Pacific Holdings Corp.	Grand Pacific Financing Corp. (California)	Financing, leasing and financial consulting	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Main Street Development, Inc.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Warehouse Funding Corp.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Business Loan LLC. 2005-1	Special Purpose Entity	- %	- %	- %	% The subsidiary was established on June 27, 2005. (Note a)

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2017.6.30	2016.12.31	2016.6.30	
Grand Pacific Warehouse Funding Corp.	Grand Pacific Warehouse Funding LLC.	Special Purpose Entity	100.00 %	100.00 %	100.00 %	
Grand Pacific Business Loan LLC. 2005-1	Grand Pacific Business Loan Trust 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005. (Note a)
Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited	Leasing and financing consulting	99.99 %	99.99 %	99.99 %	
"	SK Insurance Broker Co., Ltd.	Insurance Brokers	100.00 %	- %	- %	Founded on April 12, 2017.

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

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

- (i) the Group has power over the SPE;
- (ii) the Group has exposure, or rights, to variable returns from its involvement with the SPE;
- (iii) the Group has ability to use its power over to affect the amount of the SPE's returns.

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

(c) Income taxes

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

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

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(d) Employee benefits**

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

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

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

The principles for the preparation of consolidated interim financial statements and the related significant estimates and underlying assumptions are consistent with those disclosed in Note (5) of the consolidated financial statements for the year ended December 31, 2016.

(6) Explanation to Significant Accounts**(a) Cash and cash equivalents**

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Cash and demand deposits	\$ 11,763,722	11,549,315	10,354,383
Time deposits	215,973	368,400	59,514
Cash equivalents-repurchase bills	<u>25,938</u>	<u>1,018,900</u>	<u>1,018,004</u>
Cash and cash equivalents	12,005,633	12,936,615	11,431,901
Bank overdraft	<u>(36,672)</u>	<u>(1,273)</u>	<u>-</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 11,968,961</u>	<u>12,935,342</u>	<u>11,431,901</u>

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

AS OF JUNE 30, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS
CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

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(b) Financial instruments

1. The components of financial assets were as follows :

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Financial assets at fair value through profit or loss			
Held for trading			
Securities of listed companies	\$ <u>274,539</u>	<u>113,057</u>	<u>352,347</u>
Available-for-sale financial assets			
Securities of listed companies	1,092,207	244,321	280,243
Emerging stock	2,299	1,070,238	1,068,240
Private equity	<u>583,958</u>	<u>500,751</u>	<u>503,592</u>
Sub-total	<u>1,678,464</u>	<u>1,815,310</u>	<u>1,852,075</u>
Held-to-maturity financial assets			
Investment in debt securities	<u>6,712,486</u>	<u>6,822,084</u>	<u>10,073,188</u>
Total	<u>\$ 8,665,489</u>	<u>8,750,451</u>	<u>12,277,610</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:

	For the six months ended June 30,			
	2017		2016	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Equity price at reporting date				
Increase of 7%	\$ <u>117,551</u>	<u>19,218</u>	<u>129,702</u>	<u>24,664</u>
Decrease of 7%	\$ <u>(117,551)</u>	<u>(19,218)</u>	<u>(129,702)</u>	<u>(24,664)</u>

The Group purchased debt securities issued by real estate trust. These debt securities have maturity dates between 2017 and 2020, and bear effective annual interest rate ranging from 4.39%~8.62%.

3. Derivative instruments used for hedging

1) Cash flow hedge

A subsidiary named, Golden Bridge (B.V.I.) Corp., entered into cross currency swap contract with a bank to hedge future cash flow out of CNY loans receivable. All related contracts were due as of June 30, 2016.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
The fair value adjustment to other comprehensive income	\$ -	(117,459)	-	(163,416)

2) Hedge of net investment in foreign operation

The fair value of the equity investment in a foreign investee, Golden Bridge (B.V.I.) Corp., may be influenced by the fluctuation of USD exchange rate. The Company designated its USD borrowings to hedge the exchange rate fluctuation risk from this investment. The details of net investment hedge in foreign operation and designated derivatives as of June 30, 2017 and December 31, 2016, and June 30, 2016 were as follows:

Hedged Item	Hedge Instrument	Designated Hedging Instrument		
		Fair Value		
		2017.6.30	2016.12.31	2016.6.30
Equity investment measured in USD	Foreign currency borrowings	\$ 5,642,910	5,724,375	4,166,703

There were no effects of ineffectiveness recognized in profit or loss that arises from hedges of net investments in foreign operation, Golden Bridge (B.V.I.) Corp., for the six months ended June 30, 2017 and 2016.

(c) Financial assets securitization**1. 2011 Securitization**

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

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(d) Accounts receivable, net**

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Current			
Accounts receivable	\$ 19,669,304	18,520,273	16,267,328
Less: Allowance for impairment	<u>(622,753)</u>	<u>(613,897)</u>	<u>(589,936)</u>
	<u>19,046,551</u>	<u>17,906,376</u>	<u>15,677,392</u>
Installment sales receivable	76,322,912	75,982,760	75,031,787
Less: Unearned interests	<u>(6,993,230)</u>	<u>(7,221,132)</u>	<u>(6,802,722)</u>
Allowance for impairment	<u>(2,689,651)</u>	<u>(2,597,888)</u>	<u>(2,346,993)</u>
	<u>66,640,031</u>	<u>66,163,740</u>	<u>65,882,072</u>
Leases receivable (including operating leases)	87,421,975	84,812,430	82,978,492
Less: Unearned revenue	<u>(10,349,324)</u>	<u>(9,705,952)</u>	<u>(9,587,053)</u>
Allowance for impairment	<u>(3,299,701)</u>	<u>(3,434,935)</u>	<u>(3,108,179)</u>
	<u>73,772,950</u>	<u>71,671,543</u>	<u>70,283,260</u>
Loans receivable	40,270,383	39,578,177	38,821,563
Less: Allowance for impairment	<u>(796,935)</u>	<u>(924,154)</u>	<u>(1,042,722)</u>
	<u>39,473,448</u>	<u>38,654,023</u>	<u>37,778,841</u>
Sub-total of current accounts	<u>198,932,980</u>	<u>194,395,682</u>	<u>189,621,565</u>
Non Current			
Accounts receivable	6,427,963	5,436,361	4,000,871
Less: Allowance for impairment	<u>(96,926)</u>	<u>(91,684)</u>	<u>(72,709)</u>
	<u>6,331,037</u>	<u>5,344,677</u>	<u>3,928,162</u>
Installment sales receivable	31,117,681	28,171,965	27,698,315
Less: Unearned interests	<u>(3,240,197)</u>	<u>(2,519,292)</u>	<u>(2,545,422)</u>
Allowance for impairment	<u>(412,461)</u>	<u>(393,209)</u>	<u>(371,021)</u>
	<u>27,465,023</u>	<u>25,259,464</u>	<u>24,781,872</u>
Leases receivable	17,941,705	13,901,163	12,759,761
Less: Unearned revenue	<u>(5,685,199)</u>	<u>(3,914,667)</u>	<u>(3,888,977)</u>
Allowance for impairment	<u>(119,558)</u>	<u>(109,668)</u>	<u>(95,835)</u>
	<u>12,136,948</u>	<u>9,876,828</u>	<u>8,774,949</u>
Loans receivable	5,443,374	6,642,702	5,582,185
Less: Allowance for impairment	<u>(412,446)</u>	<u>(336,794)</u>	<u>(104,547)</u>
	<u>5,030,928</u>	<u>6,305,908</u>	<u>5,477,638</u>
Sub-total of non current accounts	<u>50,963,936</u>	<u>46,786,877</u>	<u>42,962,621</u>
Total accounts receivable	<u>\$ 249,896,916</u>	<u>241,182,559</u>	<u>232,584,186</u>

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

	For the six months ended June 30,	
	2017	2016
Opening balance	\$ 8,502,229	7,360,096
Impairment loss recognized	2,252,303	2,849,337
Amounts written off	(2,156,101)	(2,365,954)
Foreign exchange gains	(148,000)	(111,537)
Ending balance	<u>\$ 8,450,431</u>	<u>7,731,942</u>

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

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

	Gross investment in the leases	Unearned revenue	Present value of minimum leases receivable
June 30, 2017			
Within operating cycle	\$ 87,303,154	(10,349,324)	76,953,830
Beyond one operating cycle to 5 years	7,826,264	(999,096)	6,827,168
Beyond 5 years	<u>10,115,441</u>	<u>(4,686,103)</u>	<u>5,429,338</u>
	<u>\$ 105,244,859</u>	<u>(16,034,523)</u>	<u>89,210,336</u>
December 31, 2016			
Within operating cycle	\$ 84,693,447	(9,705,952)	74,987,495
Beyond one operating cycle to 5 years	7,775,539	(1,048,230)	6,727,309
Beyond 5 years	<u>6,125,624</u>	<u>(2,866,437)</u>	<u>3,259,187</u>
	<u>\$ 98,594,610</u>	<u>(13,620,619)</u>	<u>84,973,991</u>
June 30, 2016			
Within operating cycle	\$ 82,818,583	(9,587,053)	73,231,530
Beyond one operating cycle to 5 years	6,521,945	(915,931)	5,606,014
Beyond 5 years	<u>6,237,816</u>	<u>(2,973,046)</u>	<u>3,264,770</u>
	<u>\$ 95,578,344</u>	<u>(13,476,030)</u>	<u>82,102,314</u>

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

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

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Within operating cycle	\$ 2,379,272	2,309,192	2,210,361
Beyond one operating cycle to 5 years	2,205,633	2,282,138	2,448,030
Beyond 5 years	<u>11,486</u>	<u>8,433</u>	<u>10,808</u>
	<u>\$ 4,596,391</u>	<u>4,599,763</u>	<u>4,669,199</u>

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

	<u>Gross investment in the installment sales</u>	<u>Unearned interests</u>	<u>Present value of installment sales receivable</u>
June 30, 2017			
Within operating cycle	\$ 76,322,912	(6,993,230)	69,329,682
Beyond one operating cycle to 5 years	30,264,104	(3,009,453)	27,254,651
Beyond 5 years	<u>853,577</u>	<u>(230,744)</u>	<u>622,833</u>
	<u>\$ 107,440,593</u>	<u>(10,233,427)</u>	<u>97,207,166</u>
December 31, 2016			
Within operating cycle	\$ 75,982,760	(7,221,132)	68,761,628
Beyond one operating cycle to 5 years	28,139,074	(2,518,433)	25,620,641
Beyond 5 years	<u>32,891</u>	<u>(859)</u>	<u>32,032</u>
	<u>\$ 104,154,725</u>	<u>(9,740,424)</u>	<u>94,414,301</u>

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Gross investment in the installment sales	Unearned interest	Present value of minimum leases receivable
June 30, 2016			
Within operating cycle	\$ 75,031,787	(6,802,722)	68,229,065
Beyond one operating cycle to 5 years	27,674,359	(2,544,869)	25,129,490
Beyond 5 years	23,956	(553)	23,403
	<u>\$ 102,730,102</u>	<u>(9,348,144)</u>	<u>93,381,958</u>

6. 2014 Securitization

In 2014, the Group securitized its financial assets, consisting of conditional sales receivable, installment sales receivable, and finance leases receivable, with an aggregate carrying amount of \$6,499,797. Such securitization was made by way of offering the securities in the form of beneficiary certificates, with the Land Bank of Taiwan as the Trustee. Accordingly, the Group received \$5,465,000 in cash from issuing these beneficiary certificates. Because the Group acquired all of the subordinated beneficiary certificates, the Group had control over the SPEs. The SPEs are classified as "Investments accounted under equity method". The downstream transactions are eliminated by the difference between the following two amounts.

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

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

These beneficiary certificates are redeemable for the period from July 24, 2014 to July 24, 2021. Specific terms and conditions of the beneficiary certificates are as follows:

Class of beneficiary certificates issued	Order of principal repayment	Issue amount /par value	Issue price	Interest rate	Payment frequency
twAAA	1st	5,079,000	5,079,000	1.85 %	Monthly
twA	2nd	386,000	386,000	2.65 %	Monthly
Subordinated	3rd	1,034,797	1,294,462	None	Monthly

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

7. 2016 Securitization

In 2016, the Group securitized its financial assets, consisting of conditional sales receivable, installment sales receivable, and finance leases receivable, with an aggregate carrying amount of \$4,973,789. 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 \$4,093,200 in cash from issuing these beneficiary certificates. Because the Group acquired all of the subordinated beneficiary certificates, the Group had control over the SPEs. The SPEs are classified as "Investments accounted under equity method". The Group's downstream transactions are eliminated by the difference between the following two amounts.

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

The SPEs trusts are included in the condensed interim consolidated financial statements and recognized as liabilities for cash obtained from issuing these beneficiary certificates.

These beneficiary certificates are redeemable for the period from August 24, 2016 to August 24, 2023. 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	3,750,000	3,750,000	1.90 %	Monthly
twA	2nd	343,200	343,200	2.45 %	Monthly
Subordinated	3rd	880,589	1,118,309	None	Monthly

(e) Other current assets - others

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Prepayments	\$ 2,045,419	2,385,297	1,456,147
Prepaid expenses	1,163,612	1,215,901	1,310,946
Foreclosed assets	56,443	39,653	32,631
Others	9,850	13,280	5,412
	<u>\$ 3,275,324</u>	<u>3,654,131</u>	<u>2,805,136</u>

As of June 30, 2017 and December 31, 2016, and June 30, 2016, foreclosed assets held by the Group were as follows:

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Foreclosed assets	\$ 78,528	56,525	56,266
Less: Accumulated impairment	(22,085)	(16,872)	(23,635)
	<u>\$ 56,443</u>	<u>39,653</u>	<u>32,631</u>

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

For the three months and the six months ended June 30, 2017 and 2016, the Group recognized an impairment loss of \$6,227, \$1,787, \$5,232 and \$6,495, respectively, for foreclosed assets. Certain foreclosed assets were disposed to non-related parties and a disposal loss of \$16,294, \$16,263, \$37,712 and \$33,867 was recognized thereon for the three months and the six months ended June 30, 2017 and 2016, respectively.

(f) Investments accounted under equity method

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

	<u>2017.6.30</u>		<u>2016.12.31</u>		<u>2016.6.30</u>	
Investments in affiliates	<u>\$ 969,144</u>		<u>889,608</u>		<u>486,727</u>	
	<u>For the three months ended</u>		<u>For the six months ended</u>			
	<u>June 30,</u>		<u>June 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>		
Comprehensive income attributable						
to the Group						
Gain (loss) for the period	\$ 20,663	(2,605)	9,693	(5,089)		
Other comprehensive income	(388)	(400)	7,622	1,393		
Total comprehensive income	\$ 20,275	(3,005)	17,315	(3,696)		

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

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group as of and for the six months ended June 30, 2017 and 2016, were as follows:

	<u>Land and buildings</u>	<u>Transportation equipment</u>	<u>Machinery and miscellaneous equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost:					
Balance at January 1, 2017	\$ 2,950,164	10,256,226	1,657,474	160,530	15,024,394
Additions	-	1,618,032	186,378	8,395	1,812,805
Reclassification	-	378	-	-	378
Disposals	-	(992,681)	(370,747)	-	(1,363,428)
Effect of movements in exchange rate	(42,733)	(77,885)	(10,945)	(1,461)	(133,024)
Balance at June 30, 2017	<u>\$ 2,907,431</u>	<u>10,804,070</u>	<u>1,462,160</u>	<u>167,464</u>	<u>15,341,125</u>

AS OF JUNE 30, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS
CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

	Land and buildings	Transportation equipment	Machinery and miscellaneous equipment	Leasehold improvements	Total
Balance at January 1, 2016	\$ 3,063,847	9,363,546	1,233,559	143,760	13,804,712
Additions	-	1,500,821	315,429	6,538	1,822,788
Reclassification	-	-	(36,821)	-	(36,821)
Disposals	-	(943,318)	(152,737)	-	(1,096,055)
Effect of movements in exchange rate	(47,669)	(26,834)	(8,488)	(704)	(83,695)
Balance at June 30, 2016	<u>\$ 3,016,178</u>	<u>9,894,215</u>	<u>1,350,942</u>	<u>149,594</u>	<u>14,410,929</u>
Depreciation and impairment losses:					
Balance at January 1, 2017	\$ 535,773	3,260,871	771,666	119,870	4,688,180
Depreciation for the period	25,707	886,507	103,424	7,309	1,022,947
Impairment loss	-	153,461	97,317	-	250,778
Disposals	-	(634,158)	(55,461)	-	(689,619)
Effect of movements in exchange rate	(3,567)	(20,830)	(7,425)	(472)	(32,294)
Balance at June 30, 2017	<u>\$ 557,913</u>	<u>3,645,851</u>	<u>909,521</u>	<u>126,707</u>	<u>5,239,992</u>
Balance at January 1, 2016	\$ 491,118	2,607,269	668,413	105,254	3,872,054
Depreciation for the period	27,607	765,262	85,819	7,289	885,977
Impairment loss	-	147,936	5,966	-	153,902
Reclassification	-	-	(3,403)	-	(3,403)
Disposals	-	(574,358)	(37,951)	-	(612,309)
Effect of movements in exchange rate	(3,505)	(5,582)	(6,247)	(303)	(15,637)
Balance at June 30, 2016	<u>\$ 515,220</u>	<u>2,940,527</u>	<u>712,597</u>	<u>112,240</u>	<u>4,280,584</u>
Carrying amounts:					
Balance at January 1, 2017	<u>\$ 2,414,391</u>	<u>6,995,355</u>	<u>885,808</u>	<u>40,660</u>	<u>10,336,214</u>
Balance at June 30, 2017	<u>\$ 2,349,518</u>	<u>7,158,219</u>	<u>552,639</u>	<u>40,757</u>	<u>10,101,133</u>
Balance at January 1, 2016	<u>\$ 2,572,729</u>	<u>6,756,277</u>	<u>565,146</u>	<u>38,506</u>	<u>9,932,658</u>
Balance at June 30, 2016	<u>\$ 2,500,958</u>	<u>6,953,688</u>	<u>638,345</u>	<u>37,354</u>	<u>10,130,345</u>

1. Recognition and reversal of impairment losses were charged to the cost of rental revenue.
2. For the impairment test of its leasing asset, management estimated the recoverable amount based on its value in use, which was determined by using the capital cost rate of 1.35%~5.53% and 1.40%~5.76% for the six months ended June 30, 2017, and 2016, respectively, to reflect the specific risk associated with its cash generating units.
3. Assets held for lease, which were partially pledged for the Group's long-term debts and short-term debts, were discussed further in Note (8).

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(h) Intangible assets**

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2017	\$ <u>46,508</u>	<u>31,393</u>	<u>77,901</u>
Balance at June 30, 2017	\$ <u>46,508</u>	<u>19,153</u>	<u>65,661</u>
Balance at January 1, 2016	\$ <u>12,680</u>	<u>32,827</u>	<u>45,507</u>
Balance at June 30, 2016	\$ <u>12,680</u>	<u>31,754</u>	<u>44,434</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2017 and 2016. Information on amortization for the period is discussed in Note (12)(b). Please refer to Note (6)(h) of the 2016 annual consolidated financial statements for other related information.

(i) Long-term and short-term borrowings

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

2017.6.30				
	<u>Currency</u>	<u>Annual Interest Rate</u>	<u>Years of Maturity</u>	<u>Amount</u>
Secured bank loans	TWD	2.11%	2021	\$ 972,430
"	USD	1.55%~4.75%	2017~2019	1,739,278
"	THB	2.05%~4.75%	2017~2020	8,145,009
"	CNY	3.92%~5.00%	2017~2020	18,055,472
"	VND	3.50%~5.60%	2017~2018	2,885,666
Unsecured bank loans	TWD	0.75%~2.02%	2017~2022	97,562,343
"	USD	1.75%~4.00%	2017~2020	19,937,431
"	EUR	1.30%~1.35%	2017	381,918
"	THB	2.05%~7.13%	2017~2020	11,676,866
"	JPY	1.15%	2017	67,912
"	CNY	4.35%~4.99%	2017~2020	20,823,815
"	HKD	1.65%	2017	109,119
"	MYR	4.70%~4.80%	2017~2018	1,122,330
"	GBP	1.15%	2017	178,201
Notes payable from securitization	TWD	1.85%~2.65%	2019~2023	9,558,200
Total				\$ <u>193,215,990</u>
Current				\$ 158,138,080
Non-current				35,077,910
Total				\$ <u>193,215,990</u>

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

2016.12.31				
	Currency	Annual Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.09%~2.11%	2017~2021	\$ 1,413,500
"	USD	1.25%~4.25%	2017~2019	1,902,229
"	THB	2.05%~4.75%	2017~2019	8,669,900
"	CNY	4.13%~5.49%	2017~2019	17,814,413
"	VND	2.50%~5.30%	2017	2,438,487
Unsecured bank loans	TWD	0.79%~1.97%	2017~2021	94,543,782
"	USD	1.58%~3.50%	2017~2019	21,519,748
"	EUR	1.25%	2017	230,519
"	THB	2.05%~7.38%	2017~2019	9,670,098
"	JPY	1.15%~1.20%	2017	81,342
"	CNY	4.35%~4.99%	2017~2019	21,963,355
"	HKD	1.65%	2017	54,054
"	MYR	4.40%~4.65%	2017	621,450
"	GBP	1.15%	2017	356,491
Other unsecured loans	THB	2.20%	2017	55,138
"	USD	2.75%~4.90%	2019~2021	6
Notes payable from securitization	TWD	1.85%~2.65%	2019~2021	9,558,200
"	USD	1.15%~4.82%	2030	48,123
Total				<u><u>\$ 190,940,835</u></u>
Current				\$ 151,576,908
Non-current				<u>39,363,927</u>
Total				<u><u>\$ 190,940,835</u></u>

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

1. Securities for bank loans

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

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

2. Financial covenants of significant loans and borrowings

- 1) The Company, entered into a syndicated credit agreement 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 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, self-owned asset ratio, etc.) Otherwise, the loans are due and payable immediately.
- 3) 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.
- 4) 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.
- 5) A subsidiary, Grand Pacific Financing Corp. (California), entered into a syndicated credit agreement with financial institutions, under which, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. interest coverage ratio, tangible net worth, etc.) Otherwise, the loan is due and payable immediately.
- 6) 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.
- 7) 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, 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.

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- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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 December 31, 2016, the Group was in compliance with the financial covenants mentioned above.

(j) Bonds payable

Period	Annual Interest Rate	Principal Amount	Repayment Terms	2017.6.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2013.07.22~ 2018.07.22	1.600%	1,400,000	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.	\$ 1,400,000	-	None
2014.06.16~ 2019.06.16	1.500%	450,000	"	450,000	-	"
2014.10.30~ 2021.10.30	2.050%	900,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	900,000	"
2014.10.30~ 2024.10.30	2.300%	1,100,000	"	-	1,100,000	"
2015.06.29~ 2020.06.29	1.550%	3,000,000	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.	1,500,000	1,500,000	"

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Period	Annual Interest Rate	Principal Amount	Repayment Terms	2017.6.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2016.06.28~ 2021.06.28	1.000%	1,350,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	\$ -	1,350,000	None
2016.06.28~ 2023.06.28	1.250%	300,000	"	-	300,000	"
2017.05.17~ 2022.05.17	1.350%	1,700,000	"	-	1,700,000	"
2017.05.17~ 2024.05.17	1.700%	500,000	"	-	500,000	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi-annually.	198,044	-	"
2014.07.18~ 2017.07.25	4.050%	THB 500,000	"	450,100	-	"
2014.07.25~ 2017.08.08	4.050%	THB 320,000	"	288,064	-	"
2014.09.26~ 2017.09.25	3.950%	THB 250,000	"	225,050	-	"
2014.09.26~ 2017.10.10	3.950%	THB 200,000	"	180,040	-	"
2014.09.29~ 2017.09.25	3.950%	THB 100,000	"	90,020	-	"
2014.11.10~ 2017.11.10	3.950%	THB 200,000	"	180,040	-	"
2014.11.24~ 2017.12.07	3.850%	THB 130,000	"	117,026	-	"
2015.03.18~ 2018.03.18	3.700%	THB 100,000	"	90,020	-	"
2015.06.04~ 2018.06.04	3.400%	THB 300,000	"	270,060	-	"
2015.12.25~ 2017.11.15	2.680%	THB 100,000	"	90,020	-	"
2015.08.13~ 2018.08.14	3.100%	THB 150,000	"	-	135,030	"
2015.09.03~ 2018.08.28	3.100%	THB 150,000	"	-	135,030	"
2016.02.02~ 2019.02.02	2.970%	THB 300,000	"	-	270,060	"
2016.02.17~ 2019.02.21	2.970%	THB 100,000	"	-	90,020	"
2016.03.29~ 2019.04.03	2.920%	THB 155,000	"	-	139,531	"
2016.04.27~ 2018.04.27	2.630%	THB 500,000	"	450,100	-	"
2016.06.16~ 2019.06.11	2.930%	THB 100,000	"	-	90,020	"

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Period	Annual Interest Rate	Principal Amount	Repayment Terms	2017.6.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2016.06.24~ 2019.03.21	2.920%	THB 300,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi-annually.	\$ -	270,060	None
2016.06.28~ 2020.06.29	3.250%	THB 200,000	"	-	180,040	"
2016.07.13~ 2019.03.29	2.920%	THB 190,000	"	-	171,038	"
2016.07.25~ 2019.08.01	2.910%	THB 205,000	"	-	184,541	"
2016.07.28~ 2019.07.30	2.930%	THB 235,000	"	-	211,547	"
2016.07.29~ 2018.07.30	2.630%	THB 140,000	"	-	126,028	"
2017.02.24~ 2020.02.28	2.950%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	-	90,020	"
2017.04.27~ 2020.05.15	2.960%	THB 150,000	"	-	135,030	"
Bonds payable (Gross)				5,978,584	9,577,995	
Discounts on bonds payable				(369)	(961)	
				<u>\$ 5,978,215</u>	<u>9,577,034</u>	
Period	Annual Interest Rate	Principal Amount	Repayment Terms	2016.12.31		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	\$ 1,000,000	-	None
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	1,400,000	-	"
2014.06.16~ 2019.06.16	1.500%	450,000	"	225,000	225,000	"
2014.10.30~ 2021.10.30	2.050%	900,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	900,000	"
2014.10.30~ 2023.10.30	2.300%	1,100,000	"	-	1,100,000	"

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Period	Annual Interest Rate	Principal Amount	Repayment Terms	2016.12.31		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2015.06.29~ 2020.06.29	1.550%	3,000,000	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.	\$ -	3,000,000	None
2016.06.28~ 2021.06.28	1.000%	1,350,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	1,350,000	"
2016.06.28~ 2023.06.28	1.250%	300,000	"	-	300,000	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi-annually.	90,500	-	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	190,050	-	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	135,750	-	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	199,100	-	"
2014.07.18~ 2017.07.25	4.050%	THB 500,000	"	452,500	-	"
2014.07.25~ 2017.08.08	4.050%	THB 320,000	"	289,600	-	"
2014.09.26~ 2017.09.25	3.950%	THB 250,000	"	226,250	-	"
2014.09.26~ 2017.10.10	3.950%	THB 200,000	"	181,000	-	"
2014.09.29~ 2017.09.25	3.950%	THB 100,000	"	90,500	-	"
2014.11.10~ 2017.11.10	3.950%	THB 200,000	"	181,000	-	"
2014.11.24~ 2017.12.07	3.850%	THB 130,000	"	117,650	-	"

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Period	Annual Interest Rate	Principal Amount	Repayment Terms	2016.12.31		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2015.01.28~ 2017.01.28	3.600%	THB 300,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	\$ 271,500	-	None
2015.03.18~ 2018.03.18	3.700%	THB 100,000	"	-	90,500	"
2015.05.14~ 2017.05.15	3.500%	THB 120,000	"	108,600	-	"
2015.06.04~ 2018.06.04	3.400%	THB 300,000	"	-	271,500	"
2015.08.13~ 2018.08.14	3.100%	THB 150,000	"	-	135,750	"
2015.09.03~ 2018.08.28	3.100%	THB 150,000	"	-	135,750	"
2015.12.25~ 2017.11.15	2.680%	THB 100,000	"	90,500	-	"
2016.02.02~ 2019.02.02	2.970%	THB 300,000	"	-	271,500	"
2016.02.17~ 2019.02.21	2.970%	THB 100,000	"	-	90,500	"
2016.03.29~ 2019.04.03	2.920%	THB 155,000	"	-	140,275	"
2016.04.27~ 2018.04.27	2.630%	THB 500,000	"	-	452,500	"
2016.06.16~ 2019.06.11	2.930%	THB 100,000	"	-	90,500	"
2016.06.24~ 2019.03.21	2.920%	THB 300,000	"	-	271,500	"
2016.06.28~ 2020.06.29	3.250%	THB 200,000	"	-	181,000	"
2016.07.13~ 2019.03.29	2.920%	THB 190,000	"	-	171,950	"
2016.07.25~ 2019.08.01	2.910%	THB 205,000	"	-	185,525	"
2016.07.28~ 2019.07.30	2.930%	THB 235,000	"	-	212,675	"
2016.07.29~ 2018.07.30	2.630%	THB 140,000	"	-	126,700	"
Bonds payable (Gross)				5,249,500	9,703,125	
Discounts on bonds payable				(441)	(1,476)	
				<u>\$ 5,249,059</u>	<u>9,701,649</u>	

CHAILASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Period	Annual Interest Rate	Principal Amount	Repayment Terms	2016.6.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	\$ 1,000,000	-	None
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	700,000	700,000	"
2014.06.16~ 2019.06.16	1.500%	450,000	"	225,000	225,000	"
2014.10.30~ 2021.10.30	2.050%	900,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	900,000	"
2014.10.30~ 2024.10.30	2.300%	1,100,000	"	-	1,100,000	"
2015.06.29~ 2020.06.29	1.550%	3,000,000	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.	-	3,000,000	"
2016.06.28~ 2021.06.28	1.000%	1,350,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	1,350,000	"
2016.06.28~ 2023.06.28	1.250%	300,000	"	-	300,000	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	92,260	-	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	193,746	-	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	138,390	-	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	202,972	"
2014.07.17~ 2016.07.11	3.790%	THB 215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	198,359	-	"
2014.07.18~ 2017.07.25	4.050%	THB 500,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	461,300	"
2014.07.25~ 2017.08.08	4.050%	THB 320,000	"	-	295,232	"
2014.09.26~ 2017.10.10	3.950%	THB 200,000	"	-	184,520	"

CHAI LEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Period	Annual Interest Rate	Principal Amount	Repayment Terms	2016.6.30		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.	\$ -	230,650	None
2014.09.29~ 2017.09.25	3.950%	THB 100,000	"	-	92,260	"
2014.11.07~ 2016.11.07	3.700%	THB 160,000	"	147,616	-	"
2014.11.10~ 2017.11.10	3.950%	THB 200,000	"	-	184,520	"
2014.11.24~ 2017.12.07	3.850%	THB 130,000	"	-	119,938	"
2014.11.25~ 2016.11.25	3.700%	THB 120,000	"	110,712	-	"
2014.12.03~ 2016.12.07	3.700%	THB 190,000	"	175,294	-	"
2015.01.28~ 2017.01.28	3.600%	THB 300,000	"	276,780	-	"
2015.03.18~ 2018.03.18	3.700%	THB 100,000	"	-	92,260	"
2015.05.14~ 2017.05.15	3.500%	THB 120,000	"	110,712	-	"
2015.06.04~ 2018.06.04	3.400%	THB 300,000	"	-	276,780	"
2015.08.13~ 2018.08.14	3.100%	THB 150,000	"	-	138,390	"
2015.09.03~ 2018.08.28	3.100%	THB 150,000	"	-	138,390	"
2015.12.25~ 2017.11.15	2.680%	THB 100,000	"	-	92,260	"
2016.02.02~ 2019.02.02	2.970%	THB 300,000	"	-	276,780	"
2016.02.17~ 2019.02.21	2.970%	THB 100,000	"	-	92,260	"
2016.03.29~ 2019.04.03	2.920%	THB 155,000	"	-	143,003	"
2016.04.27~ 2018.04.27	2.630%	THB 500,000	"	-	461,300	"
2016.06.16~ 2019.06.11	2.930%	THB 100,000	"	-	92,260	"

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

Period	Annual Interest Rate	Principal Amount	Repayment Terms	2016.6.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2016.06.24~ 2019.03.21	2.920%	THB 300,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	\$ -	276,780	None
2016.06.28~ 2020.06.29	3.250%	THB 200,000	"	-	184,520	"
Bonds payable (Gross)				3,368,869	11,611,375	
Discounts on bonds payable				(281)	(2,163)	
				<u>\$ 3,368,588</u>	<u>11,609,212</u>	

(k) Operating Leases Rentals Payable

1. Leases entered into as lessee

Non-cancellable operating lease rentals payable were as follows:

	2017.6.30	2016.12.31	2016.6.30
Less than one year	\$ 262,880	285,442	195,047
Between one and five years	559,816	356,680	471,862
Beyond five years	95,290	122,060	122,098
	<u>\$ 917,986</u>	<u>764,182</u>	<u>789,007</u>

(l) Employee benefits

1. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2016 and 2015.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Operating expenses	<u>\$ 16,966</u>	<u>18,920</u>	<u>33,910</u>	<u>37,996</u>

CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****2. Defined contribution plans**

The pension costs incurred from the contributions were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Operating costs	\$ 527	509	1,047	1,004
Operating expenses	39,588	37,857	79,181	75,275
Total	<u>\$ 40,115</u>	<u>38,366</u>	<u>80,228</u>	<u>76,279</u>

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

The components of income tax for the three months and the six months ended June 30, 2017 and 2016 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Total income tax expense from continuing operations	<u>\$ 789,715</u>	<u>735,895</u>	<u>1,531,328</u>	<u>1,331,212</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement actuarial gains from defined benefit liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>123</u>
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	<u>\$ (8,444)</u>	<u>1,754</u>	<u>82,078</u>	<u>30,347</u>

(n) Share capital and other equity accounts

Except for the following, there were no significant changes in share capital and other equity accounts for the six months ended June 30, 2017 and 2016. Please refer to Note (6)(n) of the 2016 annual, consolidated financial statements for other related information.

1. Share capital

As of June 30, 2017 and 2016, the Company's authorized capital consisted of both 1,500,000 thousand shares and both issued and outstanding shares worth \$11,392,300 with par value of \$10 (NT dollars) per share.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

Due to the capital needs for investing in subsidiaries and repaying bank loans, the board of directors of the Company resolved to increase the Company's capital by issuing common shares of stock through the offering of global depositary shares overseas, and the offering was approved by the Financial Supervisory Commission (FSC) on August 3, 2012. As of October 9, 2012, these global depositary shares were priced at US\$8.59 per unit, and the Company issued 120,000,000 common shares of stock from the conversion of 24,000,000 units of global depositary shares. Each unit of global depositary shares represents 5 common shares of stock. As of June 30, 2017 and December 31, 2016, and June 30, 2016, the Company has listed, 38,026, 38,028 and 411,909 units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. Major terms and conditions for GDRs were as follows:

1) Voting rights exercised

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

2) Dividend distributions, pre-emptive rights and other rights

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

2. Retained earnings

According to the Articles of Association, the Company is required to appropriate earnings every accounting year. The after tax earnings are initially used to offset cumulative losses, and then a special reserve is appropriated from the remainder. Without necessarily violating the Cayman Islands Companies Law, the Company is able to retain reasonable amount of earnings for Company development. Dividends of at least 25% are distributed out of such annual profits of which cash dividends shall not be less than 30% of the total amount of dividends:

1) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****2) Earnings distribution**

During their meeting on May 26, 2017 and May 27, 2016, the shareholder's meeting resolved to distribute the 2016 and 2015 earnings. These earnings were appropriated as follows:

	2016		2015	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 3.40	<u>3,873,382</u>	3.10	<u>3,531,613</u>

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

(o) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Profit attributable to common stockholders of the Company	\$ <u>2,192,198</u>	<u>1,907,232</u>	<u>4,348,642</u>	<u>3,528,358</u>
Weighted average number of ordinary shares	\$ <u>1,139,230</u>	<u>1,139,230</u>	<u>1,139,230</u>	<u>1,139,230</u>
Weighted average number of ordinary shares (Diluted)	\$ <u>1,139,252</u>	<u>1,139,248</u>	<u>1,139,252</u>	<u>1,139,248</u>

Note: Potential ordinary shares have no dilutive effects.

(p) Employee and board of directors compensation

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

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

For the three months and the six months ended June 30, 2017 and 2016, the Company estimated its employee remuneration amounting to \$329, \$285, \$652 and \$529, and directors' remuneration amounting to \$1,534, \$1,333, \$3,044 and \$2,470, respectively. These estimated amounts were calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed in profit or loss under operating expenses in 2017 and 2016. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2017 and 2016.

For 2016 and 2015, the Company recognized employee remuneration amounting to \$1,087 and \$1,024, and directors' remuneration amounting to 5,216 and 4,214, respectively. The amounts, as stated in the condensed interim consolidated financial statements, are identical to those of the actual distributions for 2016 and 2015. Related information would be available at the Market Observation Post System website.

(q) Net other income and expenses

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net losses on disposal of foreclosed assets	\$ (16,294)	(16,263)	(37,712)	(33,867)
Net losses on impairment loss of foreclosed assets	(6,227)	(1,787)	(5,232)	(6,495)
Gains on doubtful debt recoveries	73,338	55,521	141,846	107,108
Others	98	89	98	89
	<u>\$ 50,915</u>	<u>37,560</u>	<u>99,000</u>	<u>66,835</u>

(r) Other gains and losses

The components of other gains and losses were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Foreign exchange gains (losses)	\$ 2,080	212,902	(10,228)	222,491
Net gains on disposal of properly plant, and equipment	115	11	223	19
Net gains on disposal of available-for-sale financial assets	69,088	-	75,108	1,993
Net gains on valuation of financial assets (liabilities) measured at fair value through profit or loss	7,340	7,238	13,818	23,131
Impairment losses on available-for-sale financial assets	(41)	(21)	(41)	(21)
Others	17,102	496,882	310,708	553,630
	<u>\$ 95,684</u>	<u>717,012</u>	<u>389,588</u>	<u>801,243</u>

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(s) Adjustments to other comprehensive income**

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Available-for-sale financial assets				
Net change in fair value	\$ (128,839)	9,327	(98,773)	46,837
Net change in fair value reclassified to profit or loss	(6,259)	1,993	(12,279)	-
Net change in fair value recognized in other comprehensive income	<u>\$ (135,098)</u>	<u>11,320</u>	<u>(111,052)</u>	<u>46,837</u>

(t) Financial instruments**1. Credit risks****1) Credit risks exposure**

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group. As of June 30, 2017 and December 31, 2016, and June 30, 2016, the maximum exposure to credit risks amounted to \$281,378,914, \$274,467,021 and \$270,443,747, respectively.

The non-performing loans (net of allowance for doubtful accounts) amounted to \$103,179, \$98,931 and \$124,521 as of June 30, 2017 and December 31, 2016, and June 30, 2016, respectively.

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

	Taiwan	Thailand	China	Others	Total
June 30, 2017					
Gross loans and receivables:					
Neither past due nor impaired	\$ 139,107,202	26,011,236	70,579,777	9,409,326	245,107,541
Past due	221,098	-	-	356,263	577,361
Impaired	5,361,338	3,728,860	3,093,397	290,841	12,474,436
	<u>\$144,689,638</u>	<u>29,740,096</u>	<u>73,673,174</u>	<u>10,056,430</u>	<u>258,159,338</u>
Allowance for impairment					
Collectively assessed	\$ 1,567,877	597,567	1,923,767	311,666	4,400,877
Individually assessed	1,775,790	439,077	1,636,859	112,998	3,964,724
	<u>\$ 3,343,667</u>	<u>1,036,644</u>	<u>3,560,626</u>	<u>424,664</u>	<u>8,365,601</u>

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	<u>Taiwan</u>	<u>Thailand</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
December 31, 2016					
Gross loans and receivables:					
Neither past due nor impaired	\$ 133,333,350	25,197,925	69,512,124	8,502,441	236,545,840
Past due	201,215	-	-	158,515	359,730
Impaired	<u>4,925,793</u>	<u>3,782,214</u>	<u>3,581,383</u>	<u>325,048</u>	<u>12,614,438</u>
	<u>\$138,460,358</u>	<u>28,980,139</u>	<u>73,093,507</u>	<u>8,986,004</u>	<u>249,520,008</u>
Allowance for impairment					
Collectively assessed	\$ 1,447,681	536,153	1,625,216	303,276	3,912,326
Individually assessed	<u>2,132,172</u>	<u>367,826</u>	<u>1,889,155</u>	<u>134,901</u>	<u>4,524,054</u>
	<u>\$ 3,579,853</u>	<u>903,979</u>	<u>3,514,371</u>	<u>438,177</u>	<u>8,436,380</u>
June 30, 2016					
Gross loans and receivables:					
Neither past due nor impaired	\$ 128,291,778	25,184,232	67,813,672	6,140,526	227,430,208
Past due	214,077	-	-	144,774	358,851
Impaired	<u>4,410,317</u>	<u>3,504,072</u>	<u>3,853,642</u>	<u>543,807</u>	<u>12,311,838</u>
	<u>\$132,916,172</u>	<u>28,688,304</u>	<u>71,667,314</u>	<u>6,829,107</u>	<u>240,100,897</u>
Allowance for impairment					
Collectively assessed	\$ 1,419,931	471,553	1,484,728	307,559	3,683,771
Individually assessed	<u>1,653,793</u>	<u>319,379</u>	<u>1,811,898</u>	<u>172,391</u>	<u>3,957,461</u>
	<u>\$ 3,073,724</u>	<u>790,932</u>	<u>3,296,626</u>	<u>479,950</u>	<u>7,641,232</u>

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.

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****3) Loans and receivables which were past due**

When loans and receivables of contractual interest or principal payments are past due, the Group consider that impairment loss has not been incurred because 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>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Past due up to 30 days	\$ 550,895	286,039	294,109
Past due up to 31 to 90 days	26,466	73,691	64,742
	<u>\$ 577,361</u>	<u>359,730</u>	<u>358,851</u>

4) Impaired loans and receivables

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

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>
June 30, 2017								
Non-derivative financial liabilities								
Bank overdraft	\$ 36,672	36,672	-	-	-	-	-	36,672
Secured bank loans	31,797,855	32,057,072	4,334,572	3,400,495	13,464,653	10,857,352	-	-
Unsecured bank loans	151,823,263	155,350,599	29,137,260	32,988,388	39,665,575	53,559,376	-	-
Notes payable from securitization	9,558,200	10,225,054	14,263	28,525	128,364	10,053,902	-	-
Bonds payables	15,555,249	16,227,836	1,385,200	634,999	1,763,283	10,464,704	1,979,650	-
Other payables	11,262,555	11,290,372	3,869,397	4,442,256	948,647	528,472	-	1,501,600
Deposits relating to collateral of customers	27,701,107	27,744,846	687,731	1,652,593	7,131,058	17,374,603	1,480	897,381
	<u>\$ 247,734,901</u>	<u>252,932,451</u>	<u>39,428,423</u>	<u>43,147,256</u>	<u>63,101,580</u>	<u>102,838,409</u>	<u>1,981,130</u>	<u>2,435,653</u>
December 31, 2016								
Non-derivative financial liabilities								
Bank overdraft	\$ 1,273	1,273	-	-	-	-	-	1,273
Secured bank loans	32,238,529	33,113,725	6,908,885	2,395,255	11,937,083	11,872,502	-	-
Unsecured bank loans	149,039,566	151,666,554	30,058,470	39,134,721	34,902,892	47,570,471	-	-
Other unsecured loans	55,144	55,211	55,211	-	-	-	-	-
Notes payable from securitization	9,606,323	10,117,801	15,514	31,028	139,628	9,863,172	68,459	-
Bonds payables	14,950,708	15,837,280	290,475	32,549	4,319,196	9,711,660	1,483,400	-
Other payables	7,570,936	7,580,050	4,544,004	828,664	713,787	502,002	-	991,593
Deposits relating to collateral of customers	26,825,001	26,846,650	244,470	533,624	5,991,182	19,315,900	8,806	752,668
	<u>\$ 240,287,480</u>	<u>245,218,544</u>	<u>42,117,029</u>	<u>42,955,841</u>	<u>58,003,768</u>	<u>98,835,707</u>	<u>1,560,665</u>	<u>1,745,534</u>

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	Carrying amount	Contractual cash flows	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	On demand
June 30, 2016								
Non-derivative financial liabilities								
Secured bank loans	\$ 31,406,257	31,830,373	4,502,675	5,394,469	10,888,078	10,580,651	464,500	-
Unsecured bank loans	145,623,165	146,749,605	41,675,375	21,506,025	39,405,659	44,162,546	-	-
Other unsecured loans	955,253	959,504	110,712	515,733	333,059	-	-	-
Notes payable from securitization	5,637,332	5,986,241	9,047	18,094	81,424	5,664,831	212,845	-
Bonds payables	14,977,800	15,968,010	225,305	74,752	2,470,374	10,770,429	2,427,150	-
Other payables	10,905,227	10,917,186	4,574,299	4,186,373	784,277	371,661	-	1,000,576
Deposits relating to collateral of customers	26,035,844	26,051,594	238,556	563,603	5,633,683	18,791,383	-	824,369
	<u>\$ 235,540,878</u>	<u>238,462,513</u>	<u>51,335,969</u>	<u>32,259,049</u>	<u>59,596,554</u>	<u>90,341,501</u>	<u>3,104,495</u>	<u>1,824,945</u>

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

3. Currency risks**1) Exposure to currency risks**

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

2017.6.30					
	Foreign currency (In thousands)		Exchange rate		Functional currency
Financial assets					
Monetary items					
USD	\$	9,987.90	USD : TWD	30.4200	303,832
		13,097.86	USD : GBP	0.7682	398,437
		5,511.62	USD : VND	24,934	167,663
JPY		353,024.63	JPY : USD	0.0089	95,881
EUR		12,878.12	EUR : USD	1.1414	447,128
HKD		30,062.17	HKD : USD	0.1281	117,152
GBP		4,809.26	GBP : USD	1.3018	190,447

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

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

2017.6.30				
	Foreign currency (In thousands)		Exchange rate	Functional currency
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	185,500.00	USD : TWD	30.4200	5,642,910
	4,375.47	USD : VND	24,934	133,102
	2,905.61	USD : MYR	4.4722	88,389
JPY	250,046.58	JPY : USD	0.0089	67,912
EUR	10,999.96	EUR : USD	1.1414	381,918
HKD	28,000.76	HKD : USD	0.1281	109,119
GBP	4,500.02	GBP : USD	1.3018	178,201
2016.12.31				
	Foreign currency (In thousands)		Exchange rate	Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 11,492.10	USD : TWD	32.2500	370,620
	6,353.80	USD : VND	25,000	204,911
CNY	922.39	CNY : USD	0.1432	4,259
GBP	9,301.62	GBP : USD	1.2282	368,437
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	182,979.00	USD : TWD	32.2500	5,901,073
	4,883.80	USD : VND	25,000	157,504
GBP	9,000.02	GBP : USD	1.2282	356,491

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	2016.6.30			
	Foreign currency (In thousands)	Exchange rate		Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 16,750.38	USD : TWD	32.2750	540,619
	7,355.25	USD : VND	24,267	237,391
CNY	6,898.84	CNY : USD	0.1501	33,425
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	132,133.00	USD : TWD	32.2750	4,264,593
	4,732.99	USD : VND	24,267	152,757

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 \$37,108 and \$26,149, for the six months ended June 30, 2017 and 2016, respectively. This analysis is performed on the same basis for both years.

3) The foreign currency gain or loss on monetary items

Since the Group uses multiple functional currencies, the amounts for foreign currency gain or loss are consolidated for presentation. For the six months ended June 30, 2017 and 2016, the foreign currency (loss) gain, including realized and unrealized, amounted to \$(10,228) and \$222,491, respectively.

4. Interest analysis

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

Ending balance as of June 30, 2017	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	0.49 %	\$ 12,005,633	8,168,193	2,022,791	-	-	1,814,649
Debt securities	6.75 %	6,712,486	42,898	3,308,471	3,361,117	-	-
Total accounts receivables	9.44 %	258,347,347	31,266,573	115,078,018	103,581,062	1,688,617	6,733,077
		277,065,466	39,477,664	120,409,280	106,942,179	1,688,617	8,547,726

AS OF JUNE 30, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

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June 30, 2017 and 2016

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Ending balance as of June 30, 2017	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1-5 years	More than 5 years	
Financial liabilities							
Secured bank loans	4.23 %	\$ 31,797,855	22,950,475	6,221,560	2,625,820	-	-
Unsecured bank loans	1.99 %	151,823,263	79,769,309	56,181,352	15,872,602	-	-
Bonds payables	2.12 %	15,555,249	-	3,553,215	10,102,034	1,900,000	-
Bank overdraft	7.13 %	36,672	36,672	-	-	-	-
Notes payable from securitization	1.93 %	9,558,200	-	-	9,558,200	-	-
Deposits relating to collateral of customers	0.12 %	27,701,107	-	2,047,388	5,300,937	800	20,351,982
		<u>236,472,346</u>	<u>102,756,456</u>	<u>68,003,515</u>	<u>43,459,593</u>	<u>1,900,800</u>	<u>20,351,982</u>
Net exposure		\$ 40,593,120	(63,278,792)	52,405,765	63,482,586	(212,183)	(11,804,256)

Ending balance as of December 31, 2016	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	0.57 %	\$ 12,936,615	10,194,669	886,401	-	-	1,855,545
Debt securities	7.56 %	6,822,084	-	3,499,755	3,322,329	-	-
Total accounts receivables	9.71 %	249,684,788	32,125,275	118,018,691	89,093,064	3,375,184	7,072,574
		269,443,487	42,319,944	122,404,847	92,415,393	3,375,184	8,928,119
Financial liabilities							
Secured bank loans	4.19 %	32,238,529	22,916,629	5,649,650	3,672,250	-	-
Unsecured bank loans	2.00 %	149,039,566	84,116,167	46,621,441	18,301,958	-	-
Bonds payables	2.27 %	14,950,708	-	4,324,059	9,226,649	1,400,000	-
Bank overdraft	7.38 %	1,273	1,273	-	-	-	-
Other unsecured loans	2.20 %	55,144	-	55,144	-	-	-
Notes payable from securitization	1.94 %	9,606,323	48,123	-	9,558,200	-	-
Deposits relating to collateral of customers	0.13 %	26,825,001	-	2,228,699	4,689,615	7,885	19,898,802
		232,716,544	107,082,192	58,878,993	45,448,672	1,407,885	19,898,802
Net exposure		\$ 36,726,943	(64,762,248)	63,525,854	46,966,721	1,967,299	(10,970,683)

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Ending balance as of June 30, 2016	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1-5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	0.75 %	\$ 11,431,901	8,694,294	1,037,112	-	-	1,700,495
Debt securities	6.38 %	10,073,188	92,668	4,259,785	5,720,735	-	-
Total accounts receivables	9.74 %	<u>240,316,128</u>	<u>30,789,531</u>	<u>106,664,543</u>	<u>87,994,102</u>	<u>1,276,009</u>	<u>13,591,943</u>
		<u>261,821,217</u>	<u>39,576,493</u>	<u>111,961,440</u>	<u>93,714,837</u>	<u>1,276,009</u>	<u>15,292,438</u>
Financial liabilities							
Secured bank loans	4.59 %	31,406,257	21,270,339	5,803,668	4,332,250	-	-
Unsecured bank loans	2.14 %	145,623,165	93,538,672	37,237,745	14,846,748	-	-
Bonds payables	2.31 %	14,977,800	-	2,443,588	10,234,212	2,300,000	-
Other unsecured loans	2.20 %	955,253	-	955,253	-	-	-
Notes payable from securitization	1.93 %	5,637,332	172,332	-	5,465,000	-	-
Deposits relating to collateral of customers	0.14 %	26,035,844	-	2,193,394	4,424,671	861	19,416,918
		<u>224,635,651</u>	<u>114,981,343</u>	<u>48,633,648</u>	<u>39,302,881</u>	<u>2,300,861</u>	<u>19,416,918</u>
Net exposure		\$ <u>37,185,566</u>	<u>(75,404,850)</u>	<u>63,327,792</u>	<u>54,411,956</u>	<u>(1,024,852)</u>	<u>(4,124,480)</u>

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 profit will decrease or increase by \$134,970 and \$138,557 for the six months ended June 30, 2017 and 2016, respectively. This analysis assumes that all other variables remain constant.

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

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets is measured on a recurring basis. The following are the carrying amount and the fair value of the Group's financial assets and financial liabilities (including fair value hierarchy information). However, for financial instruments not measured at fair value but whose carrying amount is estimated to be reasonably close to the fair value, and for equity investments that has no quoted prices in active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

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	June 30, 2017				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value though profit or loss					
Financial assets held for trading	\$ 274,539	274,539	-	-	274,539
Available-for-sale financial assets					
Domestic and foreign market (OTC) equity securities	1,094,506	1,092,207	2,299	-	1,094,506
Measured at fair value of unquoted equity instruments	583,958	-	-	583,958	583,958
Sub-total	1,678,464	1,092,207	2,299	583,958	1,678,464
Held-to-maturity investments	6,712,486	-	-	-	-
Loans and receivable					
Cash and cash equivalents	12,005,633	-	-	-	-
Accounts receivable	249,896,916	-	-	-	-
Other financial assets	1,252,272	-	-	-	-
Refundable deposits	518,042	-	-	-	-
Restricted bank deposits	2,313,908	-	-	-	-
Sub-total	265,986,771	-	-	-	-
Total	\$ 274,652,260	1,366,746	2,299	583,958	1,953,003
Measurement of financial liabilities at amortized cost					
Bank overdraft	\$ 36,672	-	-	-	-
Secured bank loans	31,797,855	-	-	-	-
Unsecured bank loans	151,823,263	-	-	-	-
Notes payable from securitization	9,558,200	-	-	-	-
Bond payables	15,555,249	-	-	-	-
Other payables	11,262,555	-	-	-	-
Deposits relating to collateral of customers	27,701,107	-	-	-	-
Total	\$ 247,734,901	-	-	-	-

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	December 31, 2016				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value though profit or loss					
Financial assets held for trading	\$ 113,057	113,057	-	-	113,057
Available-for-sale financial assets					
Domestic and foreign market (OTC) equity securities	1,314,559	244,321	1,070,238	-	1,314,559
Measured at fair value of unquoted equity instruments	500,751	-	-	500,751	500,751
Sub-total	1,815,310	244,321	1,070,238	500,751	1,815,310
Held-to-maturity investments	6,822,084	-	-	-	-
Loans and receivable					
Cash and cash equivalents	12,936,615	-	-	-	-
Accounts receivable	241,182,559	-	-	-	-
Other financial assets	1,410,904	-	-	-	-
Refundable deposits	660,349	-	-	-	-
Restricted bank deposits	2,062,502	-	-	-	-
Sub-total	258,252,929	-	-	-	-
Total	\$ 267,003,380	357,378	1,070,238	500,751	1,928,367
Measurement of financial liabilities at amortized cost					
Bank overdraft	\$ 1,273	-	-	-	-
Secured bank loans	32,238,529	-	-	-	-
Unsecured bank loans	149,039,566	-	-	-	-
Other unsecured loans	55,144	-	-	-	-
Notes payable from securitization	9,606,323	-	-	-	-
Bond payables	14,950,708	-	-	-	-
Other payables	7,570,936	-	-	-	-
Deposits relating to collateral of customers	26,825,001	-	-	-	-
Total	\$ 240,287,480	-	-	-	-

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	June 30, 2016				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value though profit or loss					
Financial assets held for trading	\$ 352,347	352,347	-	-	352,347
Available-for-sale financial assets					
Domestic and foreign market (OTC) equity securities	1,348,483	280,243	1,068,240	-	1,348,483
Measured at fair value of unquoted equity instruments	503,592	-	-	503,592	503,592
Sub-total	1,852,075	280,243	1,068,240	503,592	1,852,075
Held-to-maturity investments	10,073,188	-	-	-	-
Loans and receivable					
Cash and cash equivalents	11,431,901	-	-	-	-
Accounts receivable	232,584,186	-	-	-	-
Other financial assets	1,494,623	-	-	-	-
Refundable deposits	1,075,374	-	-	-	-
Restricted bank deposits	2,433,934	-	-	-	-
Sub-total	249,020,018	-	-	-	-
Total	\$ 261,297,628	632,590	1,068,240	503,592	2,204,422
Measurement of financial liabilities at amortized cost					
Secured bank loans	\$ 31,406,257	-	-	-	-
Unsecured bank loans	145,623,165	-	-	-	-
Other unsecured loans	955,253	-	-	-	-
Notes payable from securitization	5,637,332	-	-	-	-
Bond payables	14,977,800	-	-	-	-
Other payables	10,905,227	-	-	-	-
Deposits relating to collateral of customers	26,035,844	-	-	-	-
Total	\$ 235,540,878	-	-	-	-

CHAI LEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

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

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

A. Held-to-Maturity Financial Assets

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

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

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

3) Valuation Techniques for Financial Instruments Measured at Fair Value

A. Non-derivative Financial Instruments

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

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

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

B. Derivative Financial Instruments

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

4) Transfers between Level 1 and Level 2

In May, 2017, O-Bank Co., Ltd. listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 2 to Level 1 of the fair value hierarchy at June 30, 2017.

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****5) Change in Level 3 of the fair value's ledger**

	At fair value through profit or loss Designated at initial recognition	Available-for-sale financial assets Unquoted equity instruments	Total
Opening balance, January 1, 2017	\$ -	500,751	500,751
Total gains and losses recognized:			
In other comprehensive income	-	83,207	83,207
Ending balance, June 30, 2017	\$ -	583,958	583,958
Opening balance, January 1, 2016	\$ 693,713	506,319	1,200,032
Total gains and losses recognized:			
In profit or loss	28,094	-	28,094
In other comprehensive income	-	(2,255)	(2,255)
Disposal	(721,807)	(472)	(722,279)
Ending balance, June 30, 2016	\$ -	503,592	503,592

For the three months and the six months ended June 30, 2017 and 2016, total gains and losses arising from the valuation of investments under Level 3 of the fair value hierarchy that were included in "other gains and losses" and "unrealized gains and losses on available-for-sale financial assets" were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Total gains and losses recognized :				
In profit or loss, and included "other gains and losses"	\$ -	-	-	28,094
In other comprehensive income, and included "unrealized gains and losses on available-for-sale financial assets"	47,816	(197)	83,207	(2,255)

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

The Group's financial instruments that use Level 3 inputs to measure fair values include available-for-sale financial assets-equity investments. Most of these financial instruments using Level 3 inputs to measure fair values have only one significant unobservable input.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

Quantified information of significant unobservable inputs as follows:

<u>Item</u>	<u>Valuation Technique</u>	<u>Significant Non-observable Input</u>	<u>The Relationship between Significant Non-observable Input and Fair Value</u>
Available-for-sale financial assets-equity investments	Net Asset Value Method	• Net Asset Value	• Not applicable

(u) 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, 2016.

(v) Capital Management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2016. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2016. Please refer to Note (6)(v) of the consolidated financial statements for the year ended December 31, 2016 for further details.

(7) Related Parties Transactions

(a) The Company is the ultimate controlling party of the Group.

(b) Names and relationship of related parties

The followings are entities that have had related parties transactions during the periods covered in the consolidated financial statements.

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Chung Hung Corp.	Affiliate
DMC Energy Management Services (Shenzhen) Co., Ltd.	"
C&E Engine Leasing Limited	"
CL Investment Partners Company Limited	"

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Chinatrust Commercial Bank	Other related party
Grand Pacific Investment & Development Co., Ltd.	"
Chailease Construction & Development Corp.	"
Chaico Investment Corporation	"
Yellowstone Security Co., Ltd.	"
Yellowstone Service Co., Ltd.	"
Chailease Resources Technology Co., Ltd.	"
Chailease Business Co., Ltd.	"
Bosser Design Engineering Co., Ltd.	"
Global Hospitality Group Inc.	"
Bangkok Bank Public Company Limited	"
Bangkok Insurance Public Company Limited	"
Enrich Management Consultants Ltd.	"
Grand Pacific Finance Corp. (N.Y.)	"
Sathorn City Tower Property Fund	"

(c) Related parties transactions**1. Operating revenue**

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Affiliates	\$ 256	144	256	393
Other related parties	30,679	62,460	59,082	135,131
	<u>\$ 30,935</u>	<u>62,604</u>	<u>59,338</u>	<u>135,524</u>

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****2. Receivables from related parties**

Receivables of the Group from related parties were as follows:

<u>Account</u>	<u>Categories of related parties</u>	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Finance leases receivable	Other related parties	\$ 215	385	405
Accounts receivable	Other related parties	1,178	1,731	1,968
Other receivables	Affiliates	266	2,774	3,277
Other receivables	Other related parties	6,479	18,253	33,117
Other current financial assets	Other related parties	1,000	1,000	1,000
Other non-current financial assets	Other related parties	1,700	4,000	11,900
		<u>\$ 10,838</u>	<u>28,143</u>	<u>51,667</u>

3. Payable to related parties

Payable to related parties were as follows:

<u>Account</u>	<u>Categories of related parties</u>	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Other current financial liabilities	Other related parties	\$ <u>136</u>	<u>90,761</u>	<u>113</u>

4. Assets transactions

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

5. Related Parties Financing

Financing to affiliates and other related parties was as follows:

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Affiliates	\$ 394,309	423,078	-
Other related parties	102,400	85,931	69,961
	<u>\$ 496,709</u>	<u>509,009</u>	<u>69,961</u>

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

The loans receivable bear interest at annual rates ranging from 2.81% to 5.00%. As of June 30, 2017 and December 31, 2016, interest receivable from the loans receivable from affiliates amounted to \$2,671 and \$1,855, respectively. For the three months and the six months ended June 30, 2017, interest revenue from the loans receivable from affiliates amounted to \$3,892 and \$7,827, respectively.

The loans receivable bear interest at annual rates ranging from 2.66% to 2.67%. As of June 30, 2017 and December 31, 2016, and June 30, 2016, interest receivable from the loans receivable from other related parties amounted to \$424, \$325 and \$11,826, respectively. For the three months and the six months ended June 30, 2017 and 2016, interest revenue from the loans receivable from other related parties amounted to \$1,733, \$877, \$2,747 and \$1,762, respectively.

6. Interest bearing borrowings

Borrowings of the Group from related parties were as follows :

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Other related parties	<u>\$ 2,557,232</u>	<u>2,535,273</u>	<u>2,583,280</u>

The borrowings from other related parties bear interest at annual rates ranging from 3.25% to 7.13%. As of June 30, 2017 and December 31, 2016, and June 30, 2016, interest payable from the interest bearing borrowings from other related parties amounted to \$227, \$229 and \$304, respectively. For the three months and the six months ended June 30, 2017 and 2016, interest expense from the interest bearing borrowing from other related parties amounted to \$20,239, \$27,751, \$40,473 and \$55,891, respectively.

7. Guarantee

As of June 30, 2017 and December 31, 2016, the Group had provided a guarantee for loans taken out by affiliates. The credit limit of the guarantee was \$89,720 and \$92,340, and the actual drawn amount was \$9,576 and \$7,740 as of June 30, 2017 and December 31, 2016, respectively. There have been no guarantee with affiliates for the six months ended June 30, 2016.

8. Others

- 1) As of June 30, 2017 and December 31, 2016, and June 30, 2016, bank deposits in financial institutions which are related parties of the Group amounted to \$165,356, \$170,694 and \$180,544, respectively. For the three months and the six months ended June 30, 2017 and 2016, interest revenue from the deposits in other related parties amounted to \$138, \$246, \$161 and \$285, respectively.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

2) Other expenses with related parties :

Other related parties	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Rent expense	\$ 8,300	7,314	14,872	14,942
Commission and service costs and expenses	383	263	703	497
Other operating costs and expenses	30,740	14,832	31,975	26,033
	<u>\$ 39,423</u>	<u>22,409</u>	<u>47,550</u>	<u>41,472</u>

(d) Key management personnel compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Short-term employee benefits	\$ 61,671	61,660	122,150	124,018
Post-employment benefits	538	457	1,070	920
	<u>\$ 62,209</u>	<u>62,117</u>	<u>123,220</u>	<u>124,938</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2017.6.30	2016.12.31	2016.6.30
Restricted cash in banks				
Restricted account for loans repayment (demand deposits)	Issuance of short-term bills and as guarantee for short-term and long-term borrowings(Note)	\$ 2,304,656	2,071,302	2,687,091
Property, plant and equipment	As guarantee for short-term and long-term borrowings	2,311,336	2,370,965	2,459,451
Equity securities	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	1,280	1,299	1,006,503
Refundable deposits	Provincial court seizure etc.	362,822	475,127	900,079
Accounts receivable and notes receivable	Issuance of short-term bills, corporate bonds and as guarantee for short-term and long-term borrowings	99,784,154	97,419,915	95,890,891
Total		<u>\$104,764,248</u>	<u>102,338,608</u>	<u>102,944,015</u>

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

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(9) Commitments and Contingencies**

- (a) The Group entered into alliances with several commercial banks for which the banks will provide direct financing loans to the Group's corporate and individual customers. Should these corporate and individual customers default on their payments, the Group is required to assume their loan obligations and pay these loans on behalf of these customers. As of June 30, 2017 and December 31, 2016, and June 30, 2016, the balance of unexpired payments from these alliance transactions amounted to \$6,702,599, \$7,438,573 and \$9,087,772, respectively.
- (b) The Group facilitated the extension of financing by financial institutions on behalf of its certain customers under factoring agreements. Such facilitation enables the customers to obtain desired financing from financial institutions. As of June 30, 2017 and December 31, 2016, and June 30, 2016, the balance of financing obtained from such facilitation amounted to \$14,880, \$12,378 and \$36,773, respectively.
- (c) 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 :

	2017.6.30		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current assets</u>			
Cash and cash equivalents	\$ 12,005,633	-	12,005,633
Current financial assets at fair value through profit or loss	274,539	-	274,539
Current held-to-maturity financial assets	3,351,369	2,170,357	5,521,726
Accounts receivable, net	134,493,342	64,439,638	198,932,980
Other current financial assets	3,395,028	36,270	3,431,298
Other current assets – others	3,275,324	-	3,275,324
	<u>\$ 156,795,235</u>	<u>66,646,265</u>	<u>223,441,500</u>

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

2017.6.30			
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current liabilities</u>			
Short-term borrowings	\$ 81,830,406	-	81,830,406
Accounts and notes payable	3,433,479	-	3,433,479
Current tax liabilities	1,398,230	-	1,398,230
Other current financial liabilities	15,858,217	14,781,860	30,640,077
Long-term liabilities, current portion	41,050,999	41,234,890	82,285,889
Other current liabilities – others	1,095,114	82	1,095,196
	<u>\$ 144,666,445</u>	<u>56,016,832</u>	<u>200,683,277</u>
2016.12.31			
	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	\$ 12,936,615	-	12,936,615
Current financial assets at fair value through profit or loss	113,057	-	113,057
Current held-to-maturity financial assets	3,499,755	2,325,059	5,824,814
Accounts receivable, net	134,692,332	59,703,350	194,395,682
Other current financial assets	3,293,256	22,468	3,315,724
Other current assets – others	3,654,131	-	3,654,131
	<u>\$ 158,189,146</u>	<u>62,050,877</u>	<u>220,240,023</u>
<u>Current liabilities</u>			
Short-term borrowings	\$ 79,283,044	-	79,283,044
Accounts and notes payable	3,200,105	5,562	3,205,667
Current tax liabilities	1,860,322	-	1,860,322
Other current financial liabilities	12,472,739	14,148,234	26,620,973
Long-term liabilities, current portion	47,223,926	30,318,997	77,542,923
Other current liabilities – others	1,299,584	82	1,299,666
	<u>\$ 145,339,720</u>	<u>44,472,875</u>	<u>189,812,595</u>

CHAILASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	2016.6.30		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
Current assets			
Cash and cash equivalents	\$ 11,431,901	-	11,431,901
Current financial assets at fair value through profit or loss	352,347	-	352,347
Current held-to-maturity financial assets	4,352,453	4,175,026	8,527,479
Accounts receivable, net	134,211,700	55,409,865	189,621,565
Other current financial assets	3,814,512	24,576	3,839,088
Other current assets – others	2,805,136	-	2,805,136
	<u>\$ 156,968,049</u>	<u>59,609,467</u>	<u>216,577,516</u>
Current liabilities			
Short-term borrowings	\$ 81,819,679	-	81,819,679
Accounts and notes payable	3,316,381	-	3,316,381
Current tax liabilities	1,348,523	-	1,348,523
Other current financial liabilities	13,440,041	17,576,744	31,016,785
Long-term liabilities, current portion	39,259,842	33,342,827	72,602,669
Other current liabilities – others	1,055,874	-	1,055,874
	<u>\$ 140,240,340</u>	<u>50,919,571</u>	<u>191,159,911</u>

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

By item	For the three months ended June 30, 2017			For the three months ended June 30, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	15,123	1,104,492	1,119,615	14,835	1,073,554	1,088,389
Labor and health insurance	1,122	65,699	66,821	1,029	61,512	62,541
Pension	527	56,554	57,081	509	56,777	57,286
Others	-	69,394	69,394	-	77,996	77,996
Depreciation	483,247	31,000	514,247	411,998	36,269	448,267
Amortization	-	33,949	33,949	-	39,055	39,055

By item	For the six months ended June 30, 2017			For the six months ended June 30, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	29,059	2,158,205	2,187,264	28,898	2,125,846	2,154,744
Labor and health insurance	2,207	140,962	143,169	2,040	132,275	134,315
Pension	1,047	113,091	114,138	1,004	113,271	114,275
Others	-	145,054	145,054	-	159,620	159,620
Depreciation	959,878	63,069	1,022,947	812,809	73,168	885,977
Amortization	-	74,117	74,117	-	92,800	92,800

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(c) Seasonal factors:**

The Group's operation is neither seasonal nor cyclical.

(13) Other disclosures**(a) Information on significant transactions**

The information on significant transactions of the Group, which is required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", for the six months ended June 30, 2017 was as follows :

1. Fund loaning to other parties:

No.	Financing company	Counter-party (Note 5)	Account	Related party	Maximum balance for the year	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 1)	Transaction amount	Reasons for financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 2)	Financing company's total financing amount limits (Note 3)
													Item	Value		
1	Chailease Finance Co., Ltd.	A	Other receivables	N	102,498	102,498	102,498	0.80%~19.99%	1	549,750	-	1,373	None	-	2,376,616	23,766,162
"	"	A-1	"	N	103,684	103,684	103,684	0.80%~19.99%	2	-	Working Capital	1,389	None	-	2,376,616	23,766,162
"	"	B	"	N	110,000	110,000	110,000	0.80%~19.99%	1	260,000	-	1,474	None	-	2,376,616	23,766,162
"	"	C	"	N	80,000	80,000	80,000	0.80%~19.99%	2	-	Working Capital	1,072	None	-	2,376,616	23,766,162
"	"	D	"	N	145,948	76,784	76,784	0.80%~19.99%	2	-	Working Capital	1,029	None	-	2,376,616	23,766,162
"	"	E	"	N	82,699	63,902	63,902	0.80%~19.99%	1	241,007	-	856	None	-	2,376,616	23,766,162
"	"	F	"	N	77,839	62,546	62,546	0.80%~19.99%	1	118,829	-	838	Properties	35,140	2,376,616	23,766,162
"	"	G	"	N	71,131	53,714	53,714	0.80%~19.99%	2	-	Working Capital	720	None	-	2,376,616	23,766,162
"	"	H	"	N	31,654	28,944	28,944	0.80%~19.99%	1	50,000	-	388	None	-	2,376,616	23,766,162
"	"	H-1	"	N	25,000	22,709	22,709	0.80%~19.99%	2	-	Working Capital	304	None	-	2,376,616	23,766,162
"	"	I	"	N	60,178	51,552	51,552	0.80%~19.99%	1	83,487	-	691	None	-	2,376,616	23,766,162
"	"	J	"	N	56,843	50,093	50,093	0.80%~19.99%	2	-	Working Capital	671	None	-	2,376,616	23,766,162
"	"	K	"	N	65,773	49,940	49,940	0.80%~19.99%	2	-	Working Capital	669	None	-	2,376,616	23,766,162
"	"	L	"	N	38,000	33,970	33,970	0.80%~19.99%	1	79,740	-	455	None	-	2,376,616	23,766,162
"	"	L-1	"	N	21,363	14,693	14,693	0.80%~19.99%	2	-	Working Capital	197	None	-	2,376,616	23,766,162
"	"	M	"	N	50,000	47,682	42,682	0.80%~19.99%	1	1,016,854	-	572	None	-	2,376,616	23,766,162
"	"	N	"	N	71,601	45,992	45,992	0.80%~19.99%	2	-	Working Capital	616	None	-	2,376,616	23,766,162
"	"	O	"	N	45,000	45,000	45,000	0.80%~19.99%	2	-	Working Capital	603	None	-	2,376,616	23,766,162
"	"	P	"	N	45,000	45,000	45,000	0.80%~19.99%	2	-	Working Capital	603	None	-	2,376,616	23,766,162
"	"	Q	"	N	71,169	42,427	42,427	0.80%~19.99%	2	-	Working Capital	569	None	-	2,376,616	23,766,162
"	"	R	"	N	47,000	42,000	42,000	0.80%~19.99%	2	-	Working Capital	563	None	-	2,376,616	23,766,162
"	"	S	"	N	45,000	41,000	21,000	0.80%~19.99%	1	84,000	-	281	None	-	2,376,616	23,766,162
"	"	T	"	N	40,000	40,000	40,000	0.80%~19.99%	1	60,338	-	536	None	-	2,376,616	23,766,162

AS OF JUNE 30, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

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No.	Financing company	Counter-party (Note 5)	Account	Related party	Maximum balance for the year	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 1)	Transaction amount	Reasons for financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 2)	Financing company's total financing amount (Note 3)
													Item	Value		
1	Chailase Finance Co., Ltd.	Summary of other clients	Other receivables	N	6,816,337	4,535,867	4,385,412	0.80%-19.99%	1	21,609,749	-	58,765	Bank Deposits/Stocks/Properties	470,831	2,376,616	23,766,162
"	"	Summary of other clients	"	N	11,124,498	7,983,433	7,983,433	0.80%-19.99%	2	-	Working Capital	235,120	Bank Deposits/Stocks/Properties	1,093,083	2,376,616	23,766,162
2	Fine Finance & Trading Co., Ltd.	A	"	N	60,000	60,000	60,000	2.2803%-18.7583%	2	-	Working Capital	594	None	-	771,487	7,714,873
"	"	A-1	"	N	10,698	6,685	6,685	2.2803%-18.7583%	1	28,030	-	66	None	-	771,487	7,714,873
"	"	B	"	N	64,000	63,237	63,237	2.2803%-18.7583%	2	-	Working Capital	626	Properties	64,407	771,487	7,714,873
"	"	C	"	N	28,993	48,117	28,117	2.2803%-18.7583%	1	28,000	-	278	Properties	119,478	771,487	7,714,873
"	"	C-1	"	N	10,000	10,000	-	2.2803%-18.7583%	2	-	Working Capital	-	None	-	771,487	7,714,873
"	"	D	"	N	54,140	45,000	-	2.2803%-18.7583%	2	-	Working Capital	-	None	-	771,487	7,714,873
"	"	E	"	N	45,000	44,936	44,936	2.2803%-18.7583%	2	-	Working Capital	443	Properties	31,754	771,487	7,714,873
"	"	F	"	N	44,979	44,907	44,907	2.2803%-18.7583%	2	-	Working Capital	443	Properties	45,000	771,487	7,714,873
"	"	G	"	N	80,978	42,000	42,000	2.2803%-18.7583%	2	-	Working Capital	416	Properties	44,249	771,487	7,714,873
"	"	H	"	N	50,000	41,839	41,839	2.2803%-18.7583%	2	-	Working Capital	414	None	-	771,487	7,714,873
"	"	I	"	N	39,961	39,909	19,909	2.2803%-18.7583%	1	40,000	-	197	Properties	20,000	771,487	7,714,873
"	"	J	"	N	39,827	39,640	39,640	2.2803%-18.7583%	1	20,000	-	392	Properties	60,000	771,487	7,714,873
"	"	Summary of other clients	"	N	2,729,799	1,737,948	1,777,948	2.2803%-18.7583%	1	2,719,461	-	40,132	Bank Deposits/Properties/Vehicles	419,543	771,487	7,714,873
"	"	Summary of other clients	"	N	3,631,076	2,293,673	2,187,973	2.2803%-18.7583%	2	-	Working Capital	35,514	Bank Deposits/Properties/Vehicles/Equipment	435,140	771,487	7,714,873
3	Chailase Consumer Finance Co., Ltd.	A	"	N	1,000	1,000	-	4.00%-19.00%	2	-	Working Capital	-	None	-	142,826	1,428,259
"	"	B	"	N	1,000	764	764	4.00%-19.00%	1	5,893	-	2	None	-	142,826	1,428,259
"	"	C	"	N	742	742	742	4.00%-19.00%	1	6,527	-	2	None	-	142,826	1,428,259
"	"	D	"	N	904	640	640	4.00%-19.00%	2	-	Working Capital	352	None	-	142,826	1,428,259
"	"	E	"	N	500	500	500	4.00%-19.00%	2	-	Working Capital	1	None	-	142,826	1,428,259
"	"	F	"	N	1,151	481	481	4.00%-19.00%	2	-	Working Capital	1	None	-	142,826	1,428,259
"	"	G	"	N	629	441	441	4.00%-19.00%	2	-	Working Capital	13	None	-	142,826	1,428,259
"	"	H	"	N	653	360	360	4.00%-19.00%	2	-	Working Capital	1	None	-	142,826	1,428,259
"	"	I	"	N	435	300	-	4.00%-19.00%	1	6,826	-	-	None	-	142,826	1,428,259
"	"	J	"	N	354	283	283	4.00%-19.00%	1	970	-	1	None	-	142,826	1,428,259
"	"	Summary of other clients	"	N	620	243	243	4.00%-19.00%	1	12,212	-	-	None	-	142,826	1,428,259
"	"	Summary of other clients	"	N	13,469	1,715	1,715	4.00%-19.00%	2	-	Working Capital	38	None	-	142,826	1,428,259

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing company	Counter-party (Note 5)	Account	Related party	Maximum balance for the year	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 1)	Transaction amount	Reasons for financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 2)	Financing company's total financing amount limits (Note 3)
													Item	Value		
4	Chailase International Finance Corporation	Chailase Finance International Corp.	Receivables from related party	Y	897,200	897,200	-	4.35%~20.00%	2	-	Working Capital	-	None	-	2,448,884	6,530,357
"	"	Chailase International Corp.	"	Y	897,200	897,200	-	4.35%~20.00%	2	-	Working Capital	-	None	-	2,448,884	6,530,357
"	"	A	Receivable-short-term financing	N	26,916	26,168	26,168	4.35%~20.00%	2	-	Working Capital	-	None	-	816,295	6,530,357
"	"	B	"	N	22,430	22,430	-	4.35%~20.00%	2	-	Working Capital	-	Properties	37,131	816,295	6,530,357
"	"	C	"	N	22,430	22,430	-	4.35%~20.00%	2	-	Working Capital	-	None	-	816,295	6,530,357
"	"	D	"	N	20,187	20,187	-	4.35%~20.00%	2	-	Working Capital	-	Inventory	33,196	816,295	6,530,357
"	"	E	"	N	19,215	18,243	9,720	4.35%~20.00%	2	-	Working Capital	-	Inventory	17,944	816,295	6,530,357
"	"	F	"	N	15,701	15,701	-	4.35%~20.00%	2	-	Working Capital	-	None	-	816,295	6,530,357
"	"	G	"	N	13,668	13,668	13,668	4.35%~20.00%	2	-	Working Capital	12,301	Properties	771	816,295	6,530,357
"	"	H	"	N	15,701	13,520	13,520	4.35%~20.00%	2	-	Working Capital	128	Vehicles	3,948	816,295	6,530,357
"	"	I	"	N	13,956	11,338	11,338	4.35%~20.00%	2	-	Working Capital	267	None	-	816,295	6,530,357
"	"	J	"	N	13,907	11,214	11,214	4.35%~20.00%	2	-	Working Capital	267	None	-	816,295	6,530,357
"	"	Summary of other clients	Receivables-business relationship	N	24,050	17,228	17,228	4.35%~20.00%	1	69,452	-	253	None	-	816,295	6,530,357
"	"	Summary of other clients	Receivable-short-term financing	N	672,726	424,240	395,081	4.35%~20.00%	2	-	Working Capital	32,568	Vehicles/Properties/Equipment/Inventory	161,286	816,295	6,530,357
5	Chailase Specialty Finance Co., Ltd.	A	Other receivables	N	169,680	169,680	169,680	0.35%~14.97%	2	-	Working Capital	2,323	None	-	2,376,616	5,230,672
"	"	B	"	N	160,000	119,565	119,565	0.35%~14.97%	2	-	Working Capital	1,638	None	-	2,376,616	5,230,672
"	"	C	"	N	95,000	95,000	95,000	0.35%~14.97%	2	-	Working Capital	1,202	None	-	2,376,616	5,230,672
"	"	D	"	N	85,000	85,000	85,000	0.35%~14.97%	2	-	Working Capital	1,163	None	-	2,376,616	5,230,672
"	"	E	"	N	90,000	82,125	82,125	0.35%~14.97%	2	-	Working Capital	1,125	None	-	2,376,616	5,230,672
"	"	F	"	N	81,000	81,000	81,000	0.35%~14.97%	2	-	Working Capital	1,110	None	-	2,376,616	5,230,672
"	"	G	"	N	70,000	70,000	70,000	0.35%~14.97%	2	-	Working Capital	959	None	-	2,376,616	5,230,672
"	"	H	"	N	64,500	64,500	64,500	0.35%~14.97%	2	-	Working Capital	884	None	-	2,376,616	5,230,672
"	"	I	"	N	52,000	52,000	52,000	0.35%~14.97%	2	-	Working Capital	712	None	-	2,376,616	5,230,672
"	"	J	"	N	45,000	45,000	32,000	0.35%~14.97%	2	-	Working Capital	438	None	-	2,376,616	5,230,672
"	"	Summary of other clients	"	N	1,585,912	801,527	801,527	0.35%~14.97%	2	-	Working Capital	40,083	Properties	83,686	2,376,616	5,230,672
6	Chailase Finance Securitization Trust 2016	A	"	N	30,030	20,507	20,507	4.35%~19.09%	2	-	Working Capital	164	None	-	49,728	880,589

AS OF JUNE 30, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

No.	Financing company	Counter-party (Note 5)	Account	Related party	Maximum balance for the year	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 1)	Transaction amount	Reasons for financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 2)	Financing company's total financing amount limits (Note 3)
													Item	Value		
6	Chailase Finance Securitization Trust 2016	B	Other Receivables	N	22,565	15,134	15,134	4.35%~19.09%	2	-	Working Capital	121	None	-	49,738	880,589
"	"	C	"	N	21,300	14,611	14,611	4.35%~19.09%	2	-	Working Capital	117	None	-	49,738	880,589
"	"	D	"	N	21,790	13,536	13,536	4.35%~19.09%	2	-	Working Capital	108	None	-	49,738	880,589
"	"	E	"	N	14,781	13,520	13,520	4.35%~19.09%	2	-	Working Capital	108	None	-	49,738	880,589
"	"	F	"	N	18,499	12,773	12,773	4.35%~19.09%	2	-	Working Capital	102	None	-	49,738	880,589
"	"	G	"	N	13,452	11,757	11,757	4.35%~19.09%	2	-	Working Capital	94	None	-	49,738	880,589
"	"	H	"	N	13,784	10,034	10,034	4.35%~19.09%	2	-	Working Capital	80	None	-	49,738	880,589
"	"	I	"	N	18,479	9,915	9,915	4.35%~19.09%	2	-	Working Capital	79	None	-	49,738	880,589
"	"	J	"	N	15,011	9,836	9,836	4.35%~19.09%	2	-	Working Capital	79	None	-	49,738	880,589
"	"	Summary of other clients	"	N	16,843	10,366	10,366	4.35%~19.09%	1	55,374	-	83	None	-	49,738	880,589
"	"	Summary of other clients	"	N	527,206	309,049	309,049	4.35%~19.09%	2	-	Working Capital	2,472	None	-	49,738	880,589

Note 1: (1)Those with business relationship please fill in 1;

(2)Those necessary for short-term financing please fill in 2.

Note 2: Limit on the amount for loaning fund to individual counter-party

(1)Subsidiary— The maximum fund loan provided by Chailase Finance Co., Ltd. for individual entity cannot exceed 10% of net worth (\$2,376,616).

(2)Subsidiary— The maximum fund loan provided by Fina Finance & Trading Co., Ltd. for individual entity cannot exceed 10% of net worth (\$771,487).

(3)Subsidiary— The maximum fund loan provided by Chailase Consumer Finance Co., Ltd. for individual entity cannot exceed 10% of net worth (\$142,826).

(4)Subsidiary— The maximum fund loan provided by Chailase International Finance Corporation for individual entity cannot exceed 5% of net worth (\$816,295). The maximum fund loaning cannot exceed 15% of net worth (\$2,448,884) to individual affiliate.

(5)Subsidiary— The maximum fund loan provided by Chailase Specialty Finance Co., Ltd. for individual entity cannot exceed 10% of net worth (\$2,376,616) of parent company (Chailase Finance Co., Ltd.).

(6)Special purpose entities— The maximum fund loan provided by Chailase Finance Securitization Trust 2016 for individual entity cannot exceed 1% of securitized financial assets approved by the competent authority.

Note 3: Limit on the amount for loaning fund

(1)Subsidiary— Total amount of fund loan provided by Chailase Finance Co., Ltd. cannot exceed net worth (\$23,766,162), total amount of fund loaning for short-term financing cannot exceed 40% of net worth (\$9,506,465) of the most recent financial statement.

(2)Subsidiary— Total amount of fund loan provided by Fina Finance & Trading Co., Ltd. cannot exceed net worth (\$7,714,873), total amount of fund loaning for short-term financing cannot exceed 40% of net worth (\$3,085,949) of the most recent financial statement.

(3)Subsidiary— Total amount of fund loan provided by Chailase Consumer Finance Co., Ltd. cannot exceed net worth (\$1,428,259), total amount of fund loaning for short-term financing cannot exceed 40% of net worth (\$571,304) of the most recent financial statement.

(4)Subsidiary— Total amount of fund loan provided by Chailase International Finance Corporation cannot exceed 40% of net worth (\$6,530,357) of the most recent financial statement.

(5)Subsidiary— Total amount of fund loan provided by Chailase Specialty Finance Co., Ltd. cannot exceed net worth (\$5,230,672), total amount of fund loaning for short-term financing cannot exceed 40% of net worth (\$2,092,269) of the most recent financial statement.

(6)Special purpose entities— Total amount of fund loan provided by Chailase Finance Securitization Trust 2016 cannot exceed 10% of securitized financial assets approved by the competent authority.

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****Note 4: Counter parties**

- (1) Subsidiary— Chalease Finance Co., Ltd.: There are 3,645 counter parties altogether during the period, the above table only disclosed the related parties and the top 20 counter parties.
- (2) Subsidiary— Fina Finance & Trading Co., Ltd.: There are 726 counter parties altogether during the period, the above table only disclosed the related parties and the top 10 counter parties.
- (3) Subsidiary— Chalease Consumer Finance Co., Ltd.: There are 38 counter parties altogether during the period, the above table only disclosed the related parties and the top 10 counter parties.
- (4) Subsidiary— Chalease International Finance Corporation: There are 105 counter parties altogether during the period, the above table only disclosed the related parties and the top 10 counter parties.
- (5) Subsidiary— Chalease Specialty Finance Co., Ltd.: There are 123 counter parties altogether during the period, the above table only disclosed the related parties and the top 10 counter parties.
- (6) Special purpose entities— Chalease Finance Securitization Trust 2016: There are 96 counter parties altogether during the period, the above table only disclosed the related parties and the top 10 counter parties.

Note 5: Subject to the contracts, we use letters instead of the real name of counter parties.

2. Guarantees and endorsements for other parties:

No.	Endorsement/guarantee provider	Counter-party		Limitation on endorsement/guarantee amount provided to each guaranteed party	Maximum balance for the year	Ending balance	Amount actually drawn	Amount of endorsement/guarantee collateralized by properties	Ratio of accumulated endorsement/guarantee to net equity per latest financial statements	Maximum endorsement/guarantee amount allowance	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Nature of relationship (Note1)										
0	The Company	Golden Bridge (B.V.I.) Corp.	2	77,875,676	322,500	152,100	15,210	-	0.39 %	194,689,190	Y		
"	"	Chalease international company (Malaysia) Limited	2	77,875,676	152,100	152,100	76,050	-	0.39 %	194,689,190	Y		
"	"	Chalease International Leasing Company Limited (Vietnam)	2	77,875,676	741,750	699,660	666,417	-	1.80 %	194,689,190	Y		
"	"	Chalease International Finance Corporation	2	77,875,676	19,713,297	14,742,073	12,668,643	-	37.86 %	194,689,190	Y		Y
"	"	Chalease Berjaya Sdn Bhd	2	19,468,919	2,240,880	2,240,880	1,213,590	-	5.76 %	194,689,190	Y		
"	"	Chalease Royal Leasing Plc	2	19,468,919	304,200	304,200	-	-	0.78 %	194,689,190	Y		
1	Chalease Finance Co., Ltd	Chalease Credit Services Co., Ltd.	2	47,532,324	36,000	36,000	9	-	0.15 %	118,830,810	Y		
"	"	Apex Credit Solutions Inc.	2	47,532,324	290,000	240,000	-	-	1.01 %	118,830,810	Y		
"	"	Chalease Specialty Finance Co., Ltd.	2	47,532,324	900,000	900,000	200,000	-	3.79 %	118,830,810	Y		
"	"	Chalease Consumer Finance Co., Ltd.	2	47,532,324	2,490,000	2,425,000	1,715,000	-	10.20 %	118,830,810	Y		
"	"	Chalease Auto Rental Co., Ltd.	2	47,532,324	4,130,000	4,130,000	2,160,000	-	17.38 %	118,830,810	Y		
"	"	Chalease Energy Integration Co., Ltd.	2	47,532,324	680,000	580,000	250,000	-	2.44 %	118,830,810	Y		
"	"	Chalease Finance (B.V.I.) Co., Ltd.	2	47,532,324	1,440,675	1,064,700	334,620	-	4.48 %	118,830,810	Y		
"	"	Yun Tang Inc.	2	47,532,324	981,000	972,500	972,500	-	4.09 %	118,830,810	Y		
"	"	Chalease International Leasing Company Limited (Vietnam)	2	47,532,324	4,806,680	4,806,680	2,738,294	-	20.22 %	118,830,810	Y		
"	"	Grand Pacific Finance Corp.	3	38,937,838	3,483,000	3,285,360	1,849,536	-	13.82 %	118,830,810			
"	"	Chalease International Financial Services (Liberia) Co., Ltd.	3	38,937,838	499,875	380,250	380,250	-	1.60 %	118,830,810			
"	"	Chalease International Financial Services Co., Ltd.	3	38,937,838	28,697,664	26,948,625	13,888,303	-	113.39 %	118,830,810			

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorserment/guarantee provider	Counter-party		Limitation on endorserment/guarantee amount provided to each guaranteed party	Maximum balance for the year	Ending balance	Amount actually drawn	Amount of endorserment/guarantee collateralized by properties	Ratio of accumulated endorserment/guarantee to net equity per latest financial statements	Maximum endorserment/guarantee amount allowance	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Nature of relationship (Note1)										
2	Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited	2	8,004,541	236,230	223,050	189,942	-	5.43 %	20,011,352	Y		
3	Chailcase International Finance Corporation	Chailcase International Corp.	2	32,651,783	7,688,970	6,391,655	2,545,331	-	39.15 %	81,629,457	Y		Y
"	"	Chailcase Finance International Corp.	2	32,651,783	4,770,212	4,428,131	2,129,621	-	27.12 %	81,629,457	Y		Y
"	"	DMC Energy Management Services (Shenzhen) Co., Ltd.	4	8,162,946	92,340	89,720	9,576	-	5.50 %	81,629,457			Y

Note 1: (1)The Company has business with the receiving parties.

(2)The Company holds directly or indirectly more than 50% of the common stock of the subsidiaries.

(3)The Company hold directly or indirectly more than 50% by the investee.

(4)The stockholders of the Company provide guarantee for the investee to their stockholding percentage.

(5)Others : According to the Regulations Governing Loaning of Funds and Making of guarantees and endorsements by Public Companies article 5, paragraph 2, guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares have no restriction on the guarantees amount.

Note 2: If the financial statements included contingent loss, the amount stated shall be indicated.

Note 3: The maximum guarantees and endorsements cannot exceed five times of net worth of the Company. The maximum guarantees and endorsements for individual counter party cannot exceed 50% of net worth of the Company. The amount of guarantees and endorsements to the subsidiaries in which be hold more than 80% of its outstanding common shares cannot exceed double of net worth of the Company.

Note 4: Subsidiary— The total amount of guarantees and endorsements provided by Chailcase Finance Co., Ltd.(CFC) cannot exceed five times of its net worth, and guarantees for a individual entity cannot exceed 50% of its net worth. The amount of guarantees and endorsements for subsidiaries in which be hold more than 80% of its outstanding common shares cannot exceed double of its net worth; and if the guarantees and endorsements are for business purpose, the amount cannot exceed the transaction amount during last year. The total amount of guarantees and endorsements for the Company holds directly or indirectly 100% of the investee cannot exceed the net worth of the Company, the maximum guarantees and endorsements cannot exceed five times of net worth of CFC.

Note 5: Subsidiary— The total amount of guarantees and endorsements provided by Chailcase Finance Co., Ltd. for Chailcase International Financial Services Co. Ltd., Chailcase Finance (B.V.I) Company Ltd., Chailcase Specialty Finance Co., Ltd. and Chailcase Auto Rental Co., Ltd. is \$1,874,950 . The total amount has been adjusted.

Note 6: Subsidiary— The maximum guarantees and endorsements provided by Asia Sermkij Leasing Public Company Limited cannot exceed five times of its net worth . The maximum of guarantees and endorsements for individual counter party cannot exceed double of its net worth.

Note 7: Subsidiary— The maximum guarantees and endorsements provided by Chailcase International Finance Corporation cannot exceed five times of its net worth. The maximum guarantees and endorsements for individual counter party cannot exceed 50% of its net worth. The individual counter party holding shares to the company are exceed 50% and the maximum guarantees and endorsements cannot exceed double of its net worth.

Note 8: The total amount of guarantees and endorsements provided by the Company for Chailcase International Finance Corp. and Chailcase International Corp. is CNY170,000 thousand dollars (\$762,620). The total amount has been disclosed in the balance of guarantees and endorsements for Chailcase International Corp.

Note 9: The total amount of guarantees and endorsements provided by the Company for Golden Bridge(B.V.I.) Corp. and Chailcase International Company (Malaysia) Limited is USD10,000 thousand dollars(\$304,200). The total amount has been adjusted.

CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****3. Securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures) :**

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the company	Financial Statement Account	Ending balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Chaillease Finance Co., Ltd.	Fubon SSE 180 ETF	Investee company accounted for under the financial assets at fair value through profit or loss	Current financial assets at fair value through profit or loss	700	20,272	- %	20,272	
"	W.I.S.E Yuanalp-shares	"	"	600	9,930	- %	9,930	
"	CSI 300 ETF	"	"	120	5,358	- %	5,358	
"	Kwong Lung	"	"	326	25,111	- %	25,111	
"	Chicony	"	"	1,000	13,400	- %	13,400	
"	Yuanta Financial Holdings	"	"	195	15,405	- %	15,405	
"	Sercomm	"	"	135	4,833	- %	4,833	
"	AIDC	"	"	150	2,999	- %	2,999	
"	CTBC Financial Holding Co., Ltd.	"	"	1,200	36,360	- %	36,360	
"	China Life Insurance Company	"	"	700	35,070	- %	35,070	
"	Cathay Financial Holdings Co., Ltd.	"	"	50	5,100	- %	5,100	
"	Transcend	"	"	180	10,926	- %	10,926	
"	Hon Chuan	"	"	320	19,840	- %	19,840	
"	Chin Poon	"	"	100	5,140	- %	5,140	
"	Holiday	"	"	300	7,440	- %	7,440	
"	Inventec	"	"	300	24,210	- %	24,210	
"	Kinsus	"	"	350	16,958	- %	16,958	
"	Fubon Financial Holding Co., Ltd.	"	"	450	7,155	- %	7,155	
"	Innolux	"	"	-	123,127	- %	123,127	
"	Bank of Panhsin's Beneficial Right of the Real Estate Trust	-	Held-to-maturity financial assets-current	-	395,453	- %	395,453	
"	Bank of Panhsin's Beneficial Right of the Real Estate Trust	-	"	-	114,000	- %	114,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	175,000	- %	175,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	10,300	- %	10,300	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	1,400	- %	1,400	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	458,700	- %	458,700	

AS OF JUNE 30, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the company	Financial Statement Account	Ending balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Chailase Finance Co., Ltd.	Bank of TC's Beneficial Right of the Real Estate Trust	-	Held-to-maturity financial assets-current	-	77,560	- %	77,560	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	14,000	- %	14,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	14,800	- %	14,800	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	123,000	- %	123,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	137,750	- %	137,750	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	28,000	- %	28,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	125,200	- %	125,200	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	120,000	- %	120,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	10,000	- %	10,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	17,600	- %	17,600	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	113,000	- %	113,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	72,000	- %	72,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	116,000	- %	116,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	209,800	- %	209,800	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	145,000	- %	145,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	37,000	- %	37,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	26,500	- %	26,500	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	40,000	- %	40,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	16,000	- %	16,000	

CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the company	Financial Statement Account	Ending balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Chalease Finance Co., Ltd.	Bank of TC's Beneficial Right of the Real Estate Trust	-	Held-to-maturity financial assets-current	-	24,990	- %	24,990	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	79,000	- %	79,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	34,000	- %	34,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	43,819	- %	43,819	
"	Bank of Taipei Star's Bank Beneficial Right of the Real Estate Trust	-	"	-	17,333	- %	17,333	
"	Bank of Taipei Star's Bank Beneficial Right of the Real Estate Trust	-	"	-	7,600	- %	7,600	
"	Bank of Shin Kong's Beneficial Right of the Real Estate Trust	-	"	-	95,000	- %	95,000	
"	Bank of Shin Kong's Beneficial Right of the Real Estate Trust	-	"	-	77,500	- %	77,500	
"	Bank of Shin Kong's Beneficial Right of the Real Estate Trust	-	"	-	32,000	- %	32,000	
"	Bank of BEA's Beneficial Right of the Real Estate Trust	-	"	-	83,100	- %	83,100	
"	Bank of BEA's Beneficial Right of the Real Estate Trust	-	"	-	800,000	- %	800,000	
"	Bank of BEA's Beneficial Right of the Real Estate Trust	-	"	-	231,025	- %	231,025	
"	Bank of BEA's Beneficial Right of the Real Estate Trust	-	"	-	154,000	- %	154,000	
"	Bank of Hwatai's Beneficial Right of the Real Estate Trust	-	"	-	159,970	- %	159,970	
"	Bank of FEI's Beneficial Right of the Real Estate Trust	-	"	-	25,900	- %	25,900	
"	Bank of BEA's Beneficial Right of the Real Estate Trust	-	Non-current held-to-maturity financial assets	-	35,800	- %	35,800	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	170,000	- %	170,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	6,600	- %	6,600	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	6,960	- %	6,960	

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the company	Financial Statement Account	Ending balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Chailease Finance Co., Ltd.	Bank of TC's Beneficial Right of the Real Estate Trust	-	Non-current held-to-maturity financial assets	-	172,000	- %	172,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	70,700	- %	70,700	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	353,500	- %	353,500	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	28,000	- %	28,000	
"	Bank of Shin Kong's Beneficial Right of the Real Estate Trust	-	"	-	148,000	- %	148,000	
"	O-Bank	Investee at Fair value	Non-current available-for-sale financial assets	92,694	860,201	3.88 %	860,201	
"	Subtron Technology Co., Ltd.	"	"	288	2,299	0.10 %	2,299	
"	Chinglin Biotech Co., Ltd.	"	"	57	479	19.00 %	479	
"	Spring House Entertainment Tech Inc.	"	"	857	6,382	4.67 %	6,382	
"	Tekcon Electronics Corp.	"	"	137	2,120	0.52 %	2,120	
"	Ecomsoftware Inc.	"	"	130	2,010	2.60 %	2,010	
"	Information Technology Total Services Corp.	"	"	51	716	0.25 %	716	
"	Finex Co., Ltd.	"	"	16,642	389,902	16.98 %	389,902	
"	Kingmax Technology Inc.	"	"	3,397	28,473	5.79 %	28,473	
"	Inventec energy Corp.	"	"	142	493	0.15 %	493	
"	Everterminal Co., Ltd.	"	"	612	6,330	0.50 %	6,330	
"	Crownpo Technology Inc.	"	"	57	755	0.51 %	755	
"	Book4u Co., Ltd.	"	"	9	88	0.19 %	88	
"	Enova Technology Corp.	"	"	550	2,199	3.07 %	2,199	
"	Webi & Net Internet Services Inc.	"	"	250	-	10.53 %	-	(Note 2)
"	East West Pharmaceuticals	"	"	242	-	5.84 %	-	(Note 2)
"	Bexcom Pte Ltd.	"	"	197	-	- %	-	(Note 2)
"	CTCI Corp.	"	"	800	41,440	0.10 %	41,440	
"	Transcend Information Inc.	"	"	300	30,600	0.07 %	30,600	
"	TECO Nanotech Co., Ltd.	"	"	95	-	0.38 %	-	(Note 2)
"	Azanda Network Devices	"	"	714	-	- %	-	(Note 2)
"	Deerport Aviation Corp.	"	"	-	-	10.48 %	-	(Note 2)
"	Chin Poon	"	"	350	21,700	0.06 %	21,700	shareholding less than 1,000 shares
"	Forcera Materials Co., Ltd.	"	"	102	-	0.56 %	-	(Note 2)
"	Rosun Technologies Inc.	"	"	182	-	- %	-	(Note 2)
"	Skanhex Technology Inc.	"	"	5,273	-	4.53 %	-	(Note 2)
"	Sampotech Co., Ltd.	"	"	369	-	0.10 %	-	(Note 2)
"	Asia Cement Corp.	"	"	750	19,575	0.02 %	19,575	
"	Etemal Materials Co., Ltd.	"	"	395	13,469	0.04 %	13,469	

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the company	Financial Statement Account	Ending balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Chailase Finance Co., Ltd.	China Steel Chemical Corp.	Investee at Fair value	Non-current available-for-sale financial assets	135	15,728	0.06 %	15,728	
"	Feng Hsin Steel Co., Ltd.	"	"	300	15,180	0.05 %	15,180	
"	Lite-On Technology Corp.	"	"	322	16,110	0.01 %	16,110	
"	U-Ming Marine Transport Corp.	"	"	270	8,586	0.03 %	8,586	
"	Chicony	"	"	644	49,619	0.09 %	49,619	
Chailase Specialty Finance Co., Ltd.	Linkou amusement Co., Ltd. (Stock)	"	"	-	36,708	- %	36,708	shareholding less than 1,000 shares
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	Held-to-maturity financial assets-current	-	295,000	- %	295,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	4,000	- %	4,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	98,000	- %	98,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	78,400	- %	78,400	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	127,000	- %	127,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	75,000	- %	75,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	60,000	- %	60,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	155,000	- %	155,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	Non-current held-to-maturity financial assets	-	158,000	- %	158,000	
"	Bank of TC's Beneficial Right of the Real Estate Trust	-	"	-	41,200	- %	41,200	
Bangkok Grand Pacific Lease Public Company Limited	Bangkok Club Co., Ltd. (Stock)	Investee at Fair Value	Non-current available-for-sale financial assets	64	189	0.14 %	189	
Asia Sermkij Leasing Public Co., Ltd.	Swe Trans Group Co., Ltd.	"	"	950	8,552	19.00 %	8,552	
"	Bumrungrad Hospital Pcl. (Stock)	Investee company accounted for under the financial assets at fair value through profit or loss	Current financial assets at fair value through profit or loss	59	9,032	0.01 %	9,032	
Grand Pacific Holding Corp.	Mobleshift, Inc.	Investee at Fair Value	Non-current available-for-sale financial assets	359	7,605	3.45 %	7,605	
"	Stemcyte Inc.	"	"	38	1,521	0.15 %	1,521	

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Name of Holding Company	Type and Name of Marketable Securities	Relationship with the company	Financial Statement Account	Ending balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Grand Pacific Financing Corp.	Swabplus Inc.	Investee at Fair Value	Non-current available-for-sale financial assets	10	-	- %	-	
"	Best Elite International	"	"	1,000	33,462	- %	33,462	
"	Best Elite International	"	"	1,400	46,847	- %	46,847	
"	Mobleshift, Inc.	"	"	358	7,605	3.45 %	7,605	
"	Stemocyte Inc.	"	"	38	1,521	0.15 %	1,521	
Chailease International Financial Services Co., Ltd.	NIP accounts receivables beneficial right	-	Held-to-maturity financial assets-current	-	42,899	- %	42,899	

Note 1: Listed companies use price in the open market, and non-listed companies use its net worth. The aforementioned net worths were calculated in financial statements audit by accountants.

Note 2: The chance of recover of the decrease in net worth and continuous losses is insignificant; therefore, they belong to permanent reduction.

Note 3: The aforementioned inter-company transactions have been eliminated upon the consolidation.

4. Aggregate purchases or sales of the same securities of up to NT\$300 million or 20 percent of paid-in capital or more :

Name of Company	Type and Name of Marketable Securities (Note 1)	Financial Statement Account (Note 1)	Counter-party	Nature of Relationship	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Selling Price	Cost	Disposal gain or loss	Shares/Units	Amount
Chailease Finance Co., Ltd.	Bank of Taipei Star's Beneficial Right of the Real Estate Trust	Held-to-maturity financial assets-current	"	"	-	870,000	-	-	-	870,000	870,000	-	-	-
"	Bank of TCB's Beneficial Right of the Real Estate Trust	"	"	"	-	-	-	510,000	-	51,300	51,300	-	-	458,700
"	"	"	"	"	-	337,000	-	-	-	337,000	337,000	-	-	-
Chailease Consumer Finance Co., Ltd.	Chuang Ju Limited Partnership	Investments accounted under equity method	-	-	-	-	-	-	-	-	-	-	-	-
Chailease Specialty Finance Co., Ltd.	Sing Chong Limited Partnership	"	"	"	-	-	-	-	-	-	-	-	-	-
Fino Finance & Trading Co., Ltd.	Chailease Consumer Finance Co., Ltd.	"	"	"	-	-	-	-	-	-	-	-	-	-

Note 1: Securities accounted under equity method only need to fill in the first two columns.

Note 2: The aforementioned inter-company transactions have been eliminated upon consolidation.

5. Acquisition of real estate of up to NT\$300 million or 20 percent of paid-in capital or more: None.

6. Disposal of real estate of up to NT\$300 million or 20 percent of paid-in capital or more: None.

7. Purchases or sales of goods from or to related parties of up to NT\$100 million or 20 percent of paid-in capital or more: None.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

8. Accounts receivable from related parties of up to NT\$100 million or 20 percent of paid-in capital or more:

Name of Related Party	Counter-party	Nature of Relationships	Ending Balance of Receivables From Related Party	Turnover Rate	Past-due Receivables From Related Party		Amount of Receivables Received in Subsequent Period from Related Party	Allowance for Bad Debts
					Amount	Action Taken		
Chailase Finance Co., Ltd.	Chailase International Company (Malaysia) Limited	Subsidiaries	1,338,480	-	-		-	-
Chailase Specialty Finance Co., Ltd.	Chailase Finance Co., Ltd.	Subsidiaries	459,223	-	-		-	-
Chailase Finance (B.V.I.) Co., Ltd.	Chailase International Financial Services Co. Ltd.	Associates	3,665,028	-	-		-	-
"	Chailase International Financial Services (Liberia) Corp.	Associates	457,122	-	-		-	-
My Leasing (B.V.I.) Corp.	Golden Bridge (B.V.I.) Corp.	Associates	1,650,695	-	-		-	-
Chailase International Financial Services Co., Ltd.	Chailase International Company (Malaysia) Limited	Associates	394,037	-	-		-	-
"	Chailase International Financial Services (Labuan) Co., Ltd.	Subsidiaries	604,420	-	-		-	-
Chailase International Company (Malaysia) Limited	Golden Bridge (B.V.I.) Corp.	Associates	610,042	-	-		-	-
"	Chailase International Company (UK) Limited	Subsidiaries	1,760,519	-	-		-	-
Chailase International Company (UK) Limited	Chailase Finance Co., Ltd.	Subsidiaries	1,802,383	-	-		-	-

Note: The aforementioned inter-company transactions have been eliminated upon consolidation.

9. Trading in derivative instruments : Please refer to note (6)(b).

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

10. Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them:

No.	Name of Company	Counter-party	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Total Consolidated Revenue or Total Assets
1	Chaillease Finance Co., Ltd.	Chaillease Berjaya Credit Sdn. Bhd. • Chaillease Finance (B.V.I.) Company Ltd. • Chaillease Auto Rental Co., Ltd. • Chaillease Credit Services Co., Ltd. • Chaillease Finance Securitization Trust 2014. • Yun Tang Inc. • Chaillease Energy Integration Co., Ltd. • Chaillease Finance Securitization Trust 2016. • Chaillease International Leasing Company Limited (Vietnam) • Chaillease Consumer Finance Co., Ltd. • Golden Bridge (B.V.I.) Corp. • Chaillease International Finance Corporation • Chaillease International Financial Services Co., Ltd. • Chaillease International Financial Services (Liberia) Corp. • Grand Pacific Holdings Corp. • Asia Sermkij Leasing Public Co., Ltd. • Bangkok Grand Pacific Lease Public Company Limited • Fina Finance & Trading Co., Ltd. • Chaillease Specialty Finance Co., Ltd. • Apex Credit Solutions Inc. • Innovation Energy Integration Co., Ltd.	3	Other current financial assets	202,590	Same as normal transactions	0.07 %
1	"	Chaillease Specialty Finance Co., Ltd.	3	Payables and notes	459,223	"	0.16 %
1	"	Chaillease Auto Rental Co., Ltd. • Fina Finance & Trading Co., Ltd. • Chaillease International Company (UK) Limited • Chaillease International Finance Corporation • Asia Sermkij Leasing Public Co., Ltd. • Bangkok Grand Pacific Lease Public Company Limited	3	Other current financial liabilities	1,835,383	"	0.63 %
1	"	Chaillease International Company (UK) Limited. • Fina Finance & Trading Co., Ltd. • Chaillease Specialty Finance Co., Ltd. • Apex Credit Solutions Inc. • Chaillease Auto Rental Co., Ltd. • Chaillease Energy Integration Co., Ltd.	3	Operating cost and expenses	73,817	"	0.38 %

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No.	Name of Company	Counter-party	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Total Consolidated Revenue or Total Assets
1	Chaillease Finance Co., Ltd.	Fina Finance & Trading Co., Ltd. • Chaillease Finance (B.V.I.) Co., Ltd. • Chaillease Consumer Finance Co., Ltd. • Apex Credit Solutions Inc. • Chaillease International Leasing Company Limited. (Vietnam) • Chaillease Auto Rental Co., Ltd. • Chaillease Insurance Brokers Co., Ltd. • Chaillease Finance Securitization Trust 2014 • Yun Tang Inc. • Chaillease Cloud Service Co., Ltd. • Chaillease Credit Services Co., Ltd. • Chaillease Specialty Finance Co., Ltd. • Chaillease International Financial Services (Liberia) Corp. • Chaillease Energy Integration Co., Ltd. • Innovation Energy Integration Co., Ltd. • Chaillease Finance Securitization Trust 2016 • Asia Sermkij Leasing Public Co., Ltd. • Bangkok Grand Pacific Lease Public Company Limited • Chaillease International Finance Corporation • Chaillease International Financial Services Co., Ltd. • Grand Pacific Holdings Corp. • Chaillease Berjaya Credit Sdn. Bhd.	3	Operating revenues and non-operating income	307,605	Same as normal transactions	1.60 %
2	Chaillease Finance (B.V.I) Co., Ltd.	Chaillease International Financial Services Co., Ltd. • Chaillease International Financial Services (Liberia) Corp.	3	Financing and interest receivable	4,122,150	"	1.41 %
2	"	Chaillease International Financial Services Co., Ltd. • Chaillease International Financial Services (Liberia) Corp.	3	Interest revenue-loans	63,761	"	0.33 %
3	Chaillease International Finance Corporation	Chaillease Finance Co., Ltd. • Chaillease International Financial Services Co., Ltd.	3	Other current financial assets	46,618	"	0.02 %
3	"	Chaillease Finance Co., Ltd. • Chaillease International Corp. • Jirong Real Estate Co., Ltd.	3	Other current financial liabilities	109,060	"	0.04 %
3	"	Chaillease Finance Co., Ltd. • Jirong Real Estate Co., Ltd.	3	Operating expenses	115,848	"	0.60 %
4	Golden Bridge(B.V.I) Corp.	Chaillease Finance Co., Ltd.	3	Other current financial liabilities	30,615	"	0.01 %
4	"	Chaillease International Company (Malaysia) Limited. • My Leasing (B.V.I.) Corp. • My Leasing (Mauritius) Corp.	3	Borrowings and interest payable	2,352,264	"	0.80 %
5	My leasing (Mauritius) Corp.	Golden Bridge(B.V.I) Corp.	3	Financing and interest receivable	91,526	"	0.03 %
6	Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited • Chaillease Finance Co., Ltd. • SK Insurance Broker Co., Ltd.	3	Other current financial assets	1,711,642	"	0.58 %

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No.	Name of Company	Counter-party	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Total Consolidated Revenue or Total Assets
7	Chalease International Financial Services Co., Ltd.	Chalease International Financial Services (Labuan) Co., Ltd. - Chalease International Company (Malaysia) Limited	3	Financing and interest receivable	399,037	Same as normal transactions	0.14 %
7	"	Chalease International Financial Services (Labuan) Co., Ltd.	3	Finance leases receivable	599,420	"	0.20 %
7	"	Chalease Finance (BVI) Company, Ltd.	3	Borrowings and interest payable	3,665,028	"	1.25 %
7	"	Chalease Finance Co., Ltd. - Chalease International Finance Corporation	3	Other current financial liabilities	49,750	"	0.02 %
8	Chalease International Company (Malaysia) Limited	Chalease International Company (UK) Limited - Chalease Royal Leasing Plc - Golden Bridge (BVI) Corp.	3	Financing and interest receivable	1,027,313	"	0.35 %
8	"	Chalease International Financial Services Co., Ltd.	3	Borrowings and interest payable	394,037	"	0.14 %

Note 1: Descriptions of numbers are as follows:

1. Parent company is coded "0".

2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is categorized as follows:

1. Transactions from parent company to subsidiary.

2. Transactions from subsidiary to parent company.

3. Transactions from subsidiary to subsidiary.

Note 3: Business transaction less than 30 millions is not required to be disclosed.

Note 4: The aforementioned inter-company transactions have been eliminated upon consolidation.

(b) Information on investees :

The information on investees of the Group for the six months ended June 30, 2017 is as follows (excluding information on investment in Mainland China) :

Name of Investor Company	Name of Investee Company	Location	Principal Business Activities	Original Investment Amount		Ending Balance			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Notes
				June 30, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
The Company	Chalease International Company (Malaysia) Limited	Malaysia	Investment	16,779,458	16,779,458	994,747	100.00 %	25,915,722	2,310,410	2,310,410	
"	Chalease International Financial Services Co., Ltd.	British Virgin Islands	Installment sales, leasing overseas and financial consulting	1,125,540	1,125,540	37,000	100.00 %	2,425,952	448,136	448,136	
"	Grand Pacific Holdings Corp. and its subsidiaries	U.S.	Leasing, real estate, and mortgage	148,784	148,784	3,927	51.00 %	721,381	147,654	75,304	
"	Golden Bridge (B.V.I.) Corp. and its subsidiaries	British Virgin Islands	Investment	10,971,520	10,971,520	337,150	100.00 %	18,074,073	1,628,451	1,628,451	

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Investor Company	Name of Investee Company	Location	Principal Business Activities	Original Investment Amount		Ending Balance			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Notes
				June 30, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
Chaillease International Company (Malaysia) Limited	Chaillease International (B.V.I.) Corp.	British Virgin Islands	Investment	690,839	690,839	22,550	100.00 %	710,814	6,720	6,720	
"	Asia Sermkij Leasing Public Co., Ltd. and its subsidiaries	Thailand	Installment sales of automobiles	454,750	454,750	40,698	11.57 %	463,063	319,819	37,003	
"	Chaillease International Company (UK) Limited	U.K.	Consulting, leasing overseas and investment	18,650,090	18,650,090	341,272	100.00 %	23,744,080	2,241,620	2,241,620	
"	Chaillease Berjaya Credit Sdn. Bhd.	Malaysia	Installment sales	238,070	119,035	-	70.00 %	248,554	18,358	12,851	
"	Chaillease Royal Leasing Plc.	Cambodia	Leasing	36,504	-	-	60.00 %	30,137	(10,659)	(6,396)	
"	Yellowstone Holding AG	Swiss	Venture capital investment	110,047	-	350,000	35.00 %	110,047	(8,612)	-	
Chaillease Berjaya Credits Sdn. Bhd.	Chaillease Agency Sdn. Bhd.	Malaysia	Insurance Brokers	680	-	100	100.00 %	1,222	534	534	
Chaillease International Company (UK) Limited	Chaillease Finance Co., Ltd.	Taiwan	Installment sales, leasing and factoring	21,095,153	21,095,153	1,136,000	100.00 %	23,766,162	2,482,783	2,482,783	
"	C&E Engine Leasing Limited	Ireland	Leasing	152,100	152,100	5,000	50.00 %	156,438	7,636	3,818	
Chaillease International (B.V.I.) Corp.	CL Capital Management Company Limited	Cayman Islands	Investment consultant	-	-	-	48.00 %	-	3,783	-	
"	CL Investment Partners Company Limited	Cayman Islands	Investment consultant	-	-	-	48.00 %	-	4,974	-	
"	Chaillease Greater China SME Fund, L.P.	Cayman Islands	Investment funds	395,174	428,172	-	48.00 %	433,947	45,308	15,113	
"	Diamond Rain Group Limited	British Virgin Islands	Investment funds	264,229	264,229	8,686	35.28 %	248,695	(23,827)	(8,406)	
Chaillease Finance Co., Ltd.	Fina Finance & Trading Co., Ltd.	Taiwan	Installment sales, trading and factoring	4,391,242	4,391,242	394,028	100.00 %	7,749,163	716,964	716,964	
"	Chaillease Specialty Finance Co., Ltd.	Taiwan	Installment sales	5,137,496	5,137,496	201,561	100.00 %	5,132,684	68,943	68,943	
"	My Leasing (B.V.I.) Corp.	British Virgin Islands	Investment	517,140	517,140	17,000	100.00 %	1,690,214	21,817	21,817	
"	Asia Sermkij Leasing Public Co., Ltd. and its subsidiaries	Thailand	Installment sales of automobiles	757,162	757,162	128,837	36.61 %	1,465,231	319,819	117,086	
"	Chaillease Finance (B.V.I.) Co., Ltd.	British Virgin Islands	Installment sales, financing overseas and financial consulting	1,244,483	1,244,483	40,910	100.00 %	4,550,945	72,970	72,970	

AS OF JUNE 30, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016

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

Name of Investor Company	Name of Investee Company	Location	Principal Business Activities	Original Investment Amount		Ending Balance			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Notes
				June 30, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
Chailease Finance Co., Ltd.	Apex Credit Solutions Inc.	Taiwan	Accounts receivable management, debt management, valuation, trading in financial instruments	60,939	60,939	10,000	100.00 %	167,191	17,164	17,164	
"	Chung Hung Corp.	Taiwan	Foreign trade of machinery, equipment, transportation and leasing	1,000	1,000	100	28.57 %	1,280	283	81	
"	Chailease International Leasing Company Limited (Vietnam)	Vietnam	Leasing	640,616	640,616	-	100.00 %	994,236	56,025	56,025	
"	Chailease International Trading Company Limited (Vietnam)	Vietnam	Trading	135,786	135,786	-	100.00 %	138,766	1,810	1,810	
"	Chailease Auto Rental Co., Ltd.	Taiwan	Leasing	952,227	952,227	95,000	100.00 %	942,134	(7,019)	(7,019)	
"	Chailease Credit Services Co., Ltd.	Taiwan	Installment sales and leasing	10,002	10,002	1,000	100.00 %	10,161	547	547	
"	Chailease Insurance Brokers Co., Ltd.	Taiwan	Personal and property insurance brokers	8,000	8,000	800	100.00 %	31,044	14,793	14,793	
"	Grand Pacific Holdings Corp. and its subsidiaries	U.S.	Leasing, real estate, and mortgage	124,987	124,987	3,773	49.00 %	693,092	147,654	72,351	
"	Chailease Cloud Service Co., Ltd.	Taiwan	Software of cloud products, leasing and installment sales	10,000	10,000	1,000	100.00 %	5,838	(280)	(280)	
"	Chailease Finance Securitization Trust 2014	Taiwan	Special purpose entity	1,034,797	1,034,797	-	- %	840,342	161,287	161,287	
"	Chailease Finance Securitization Trust 2016	Taiwan	Special purpose entity	880,589	880,589	-	- %	819,585	137,871	137,871	
"	Yun Tang Inc.	Taiwan	Solar power business	445,000	445,000	-	100.00 %	473,611	28,107	28,107	
"	Chailease Energy Integration Co., Ltd.	Taiwan	Solar power business	50,000	50,000	5,000	100.00 %	148,329	78,105	78,105	
"	Innovation Energy Integration Co., Ltd.	Taiwan	Solar power business	250,000	25,000	25,000	100.00 %	249,783	(142)	(142)	
Fina Finance & Trading Co., Ltd.	Chailease Consumer Finance Co., Ltd.	Taiwan	Installment sales and factoring	1,652,436	852,436	147,100	100.00 %	2,322,568	94,309	94,309	
Chailease Consumer Finance Co., Ltd.	Chuang Ju Limited Partnership	Taiwan	Installment sales and leasing	800,000	-	-	- %	800,127	127	127	(Note 2)
Chailease Specialty Finance Co., Ltd.	Sing Chuang Limited Partnership	Taiwan	Installment sales and leasing	1,500,000	-	-	- %	1,500,238	238	238	(Note 3)
Chailease Credit Services Co., Ltd.	Chuang Ju Limited Partnership	Taiwan	Installment sales and leasing	10	-	-	- %	10	-	-	(Note 2)
Chailease Cloud Service Co., Ltd.	Sing Chuang Limited Partnership	Taiwan	Installment sales and leasing	10	-	-	- %	10	-	-	(Note 3)

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Investor Company	Name of Investee Company	Location	Principal Business Activities	Original Investment Amount		Ending Balance			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Notes
				June 30, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
Chailase International Financial Services Co., Ltd.	Chailase International Financial Services (Liberia) Corp.	Liberia	Leasing	305	305	-	100.00 %	98,804	14,344	14,344	shareholding less than 1,000 shares
	Chailase International Financial Services (Labuan) Co., Ltd.	Malaysia	Leasing	913	913	30	100.00 %	5,599	1,666	1,666	-

Note 1: The aforementioned inter-company transactions have been eliminated upon consolidation.

Note 2: Chailase Consumer Financial Co., Ltd. is limited partner, and Chailase Credit Services Co., Ltd. is general partner.

Note 3: Chailase Specialty Financial Co., Ltd. is limited partner, and Chailase Cloud Service Co., Ltd. is general partner.

(c) Information on investment in Mainland China:**1.Related information on investment in Mainland China:**

Name of the Investee Company	Principal Business Activities	Total Amount of Paid-In Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2017	Net Income (Losses) of the Investee	Percentage of Ownership	Share of profits/losses (Note 2)	Carrying Amount as of June 30, 2017	Accumulated Inward Remittance of Earnings as of June 30, 2017
					Outflow	Inflow						
Chailase International Finance Corporation	Leasing	9,430,200	(2)	-	-	-	-	1,697,466	100.00 %	1,697,466	20,088,875	3,133,260
Chailase Finance International Corp.	Leasing	1,216,800	(2)	-	-	-	-	155,287	100.00 %	155,287	2,385,653	-
Chailase International Corp.	Trading	897,200	(2)	-	-	-	-	176,348	100.00 %	176,348	2,352,854	-
Jirong Real Estate Co., Ltd.	House property leasing and management	762,620	(2)	-	-	-	-	3,231	100.00 %	3,231	793,765	-
DMC Energy Management Services (Shenzhen) Co., Ltd.	Environment	112,150	(2)	-	-	-	-	(5,107)	20.00 %	(913)	18,737	-

2.Limit on the amount of investment in Mainland China area: None.

Note 1: The methods for engaging in investment in Mainland China include the following:

- 1.Direct investment in China companies.
- 2.Indirectly invested in China company through third region.
- 3.Others.

Note 2: Except the investment gains and losses are recognized for Chailase Finance International Corp., Jirong Real Estate Co., Ltd. and DMC Energy Management Services (Shenzhen) Co., Ltd. based on financial report were not reviewed by certified public accountants. Other subsidiaries investment gains and losses are recognized based on financial reports reviewed by certified public accountants.

Note 3: The limit isn't calculated because the Company is foreign company.

Note 4: All numbers are disclosed in NT dollars. The amounts involved with foreign currency are converted to NT dollars by using exchange rates on the financial report date.

Note 5: Current investment gains and losses and book values at the end of the period are included the amounts of direct and indirect investments.

Note 6: The aforementioned inter-company transactions have been eliminated upon consolidation.

3.Significant transactions:

The aforementioned inter company transaction have been eliminated upon consolidation for the six months ended June 30, 2017, please refer to Note (13) (a).

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)****(14) Segment Information**

Operating segments financial information:

For the three months ended June 30, 2017						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 4,856,301	4,082,924	643,988	272,921	-	9,856,134
Intersegment revenue	237,084	19,225	-	7,968	(264,277)	-
Total revenue	\$ 5,093,385	4,102,149	643,988	280,889	(264,277)	9,856,134
Reportable segment profit or loss	\$ 1,333,629	832,846	163,670	(53,008)	-	2,277,137
For the three months ended June 30, 2016						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 4,431,646	4,317,843	644,526	164,897	-	9,558,912
Intersegment revenue	221,508	22,063	-	17,982	(261,553)	-
Total revenue	\$ 4,653,154	4,339,906	644,526	182,879	(261,553)	9,558,912
Reportable segment profit or loss	\$ 1,230,508	664,543	169,324	(70,293)	-	1,994,082
For the six months ended June 30, 2017						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 9,480,352	7,954,001	1,271,455	521,377	-	19,227,185
Intersegment revenue	462,431	38,895	-	15,695	(517,021)	-
Total revenue	\$ 9,942,783	7,992,896	1,271,455	537,072	(517,021)	19,227,185
Reportable segment profit or loss	\$ 2,683,647	1,650,367	319,819	(138,197)	-	4,515,636
For the six months ended June 30, 2016						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 8,665,627	8,022,728	1,287,814	354,343	-	18,330,512
Intersegment revenue	455,548	114,085	-	1,425	(571,058)	-
Total revenue	\$ 9,121,175	8,136,813	1,287,814	355,768	(571,058)	18,330,512
Reportable segment profit or loss	\$ 2,469,498	1,146,288	330,423	(248,510)	-	3,697,699