

(English Translation of Financial Report Originally Issued in Chinese)
CHAILEASE HOLDING COMPANY LIMITED AND ITS
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors of Chailease Holding Company Limited :

We have audited the accompanying consolidated balance sheets of Chailease Holding Company Limited and its subsidiaries (the Consolidated Company) as of December 31, 2013, December 31, 2012 and January 1, 2012, and the consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2013 and 2012. The Company's management is responsible for the preparation and presentation of the consolidated financial statements. Our responsibility is to issue a report on these consolidated financial statements based on our audits.

We conducted our audits 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. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Chailease Holding Company Limited and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the results of its operations and its cash flows for the years then ended, in conformity with the related financial accounting standards of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), IFRIC Interpretations and SIC Interpretations which are endorsed by Financial Supervisory Commission R.O.C.

KPMG

CPA : Wan Wan, Lin
Yi Chun, Chen

Taipei, Taiwan, R.O.C.
March 27, 2014

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the International Financial Reporting Standards approved by the Financial Supervisory Commissions in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2013, and December 31, January 1, 2012

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets		2013.12.31		2012.12.31		2012.1.1		LIABILITIES AND EQUITY		2013.12.31		2012.12.31		2012.1.1			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets :																	
1100	Cash and cash equivalents (Notes (6)(a) and (7))	\$	7,586,221	4	10,131,431	6	6,558,070	5	2100	Short-term borrowings (Notes (6)(j) , (7)and(8))	\$	57,141,701	29	51,043,587	31	39,831,048	30
1110	Current financial assets at fair value through profit or loss (Note (6)(b))		264,569	-	236,246	-	240,841	-	2120	Current financial liabilities at fair value through profit or loss (Note (6)(b))		42,293	-	5,007	-	757	-
1130	Current held-to-maturity financial assets		4,838,385	3	1,997,100	1	280,000	-	2125	Current derivative financial liabilities for hedging (Note (6)(b))		6,777	-	11,396	-	15,988	-
	(Note (6)(b))								2150	Accounts and notes payable		2,383,535	1	1,772,943	1	2,312,415	2
1170	Accounts receivable, net (Notes (6)(d),(7)and(8))		133,718,307	68	110,970,208	67	89,839,107	66	2230	Current tax liabilities		618,258	-	675,265	-	669,271	-
1320	Inventories (Notes (6)(e), (7), and (8))		567,752	-	771,503	1	616,069	-	2305	Other current financial liabilities (Note (7))		19,830,779	10	17,323,233	10	13,186,866	10
1476	Other current financial assets (Notes (7) and (8))		5,000,217	3	6,748,887	4	6,113,565	5	2312	Advance real estate receipts (Note (6)(e)and(7))		307,563	-	302,039	-	173,091	-
1479	Other current assets – others		2,323,739	1	1,442,367	1	1,179,503	1	2320	Long-term liabilities – current portion		49,511,658	25	48,013,666	29	37,541,490	28
	(Notes (6)(f) and (7))									(Notes (6)(j), (6)(k), (7) and (8))							
			154,299,190	79	132,297,742	80	104,827,155	77	2399	Other current liabilities – others		869,514	-	1,160,551	1	816,093	-
Non-current assets :												130,712,078	65	120,307,687	72	94,547,019	70
1510	Non-current financial assets at fair value through profit or loss (Notes (6)(b) and (6)(c))		1,699,947	1	1,791,558	1	1,838,291	1		Non-current Liabilities :							
									2530	Bonds payable (Notes (6)(k), (7)and(8))		5,004,993	3	6,946,767	4	5,174,629	4
1523	Non-current available-for-sale financial assets (Note (6)(b) and (8))		1,728,104	1	1,202,629	1	1,085,758	1	2540	Long-term borrowings (Note (6)(j)and(8))		26,447,339	14	11,931,451	7	17,168,295	13
1528	Non-current held-to-maturity financial assets (Note (6)(b))		485,855	-	490,000	-	-	-	2570	Deferred tax liabilities (Note6(n))		1,344,068	1	976,090	1	610,462	-
1550	Investments accounted under equity method (Notes (6)(g) and (8))		29,480	-	7,062	-	1,243	-	2600	Other non-current liabilities (Note (6)(m))		1,826,279	1	1,435,965	1	1,272,635	1
1600	Property, plant and equipment		7,186,367	4	6,504,695	4	8,723,610	7				34,622,679	19	21,290,273	13	24,226,021	18
	(Notes (6)(h) and (8))									Total Liabilities		165,334,757	84	141,597,960	85	118,773,040	88
1780	Intangible assets (Note (6)(i))		22,612	-	23,087	-	24,669	-									
1840	Deferred tax assets (Note (6)(n))		1,535,509	1	1,739,184	1	1,533,184	1		Equity attributable to owners of parent :							
1930	Long-term accounts receivable, net		28,019,446	14	21,742,423	13	17,160,953	13		(Note (6)(o))							
	(Notes (6)(d) , (7)and(8))								3110	Share capital		9,958,304	5	9,053,004	5	7,853,004	6
1995	Other non-current assets – others		769,440	-	811,201	-	393,668	-	3200	Capital surplus		9,411,698	5	9,411,771	6	4,694,420	3
	(Notes (7) and (8))								3320	Special reserve		64,865	-	-	-	-	-
			41,476,760	21	34,311,839	20	30,761,376	23	3350	Unappropriated retained earnings		8,215,781	4	5,082,354	3	3,177,765	2
									3400	Other equity items		973,795	1	(278,849)	-	(177,169)	-
										Total equity attributable to owners of parent		28,624,443	15	23,268,280	14	15,548,020	11
										of parent							
									36XX	Non-controlling interests		1,816,750	1	1,743,341	1	1,267,471	1
										Total equity		30,441,193	16	25,011,621	15	16,815,491	12
TOTAL ASSETS		\$	195,775,950	100	166,609,581	100	135,588,531	100		TOTAL LIABILITIES AND EQUITY	\$	195,775,950	100	166,609,581	100	135,588,531	100

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2013 and 2012

(Amounts Expressed in Thousands of New Taiwan Dollars)

		For the years ended December 31,			
		2013		2012	
		Amount	%	Amount	%
	Operating revenue : (Note (7))				
4111	Sales revenue	\$ 7,172,933	24	2,632,479	12
4810	Interest revenue - installment sales	6,005,667	20	4,643,450	22
4820	Interest revenue - capital leases	7,296,824	24	6,114,388	29
4300	Rental revenue - operating leases	2,270,196	7	2,901,738	14
4230	Interest revenue - loans	1,552,638	5	1,031,198	4
4240	Other interest revenue	1,126,463	4	1,355,226	6
4800	Other operating revenue	<u>4,986,959</u>	<u>16</u>	<u>2,734,116</u>	<u>13</u>
		<u>30,411,680</u>	<u>100</u>	<u>21,412,595</u>	<u>100</u>
	Operating costs : (Note (7))				
5111	Cost of sales	(6,430,492)	(21)	(2,415,197)	(11)
5240	Interest expense (Note (6)(e))	(3,985,775)	(13)	(3,965,622)	(19)
5300	Cost of rental revenue	(1,766,902)	(6)	(2,579,770)	(12)
5800	Other operating costs	<u>(1,184,117)</u>	<u>(4)</u>	<u>(540,665)</u>	<u>(2)</u>
		<u>(13,367,286)</u>	<u>(44)</u>	<u>(9,501,254)</u>	<u>(44)</u>
	Gross profit from operation	17,044,394	56	11,911,341	56
6000	Operating expenses (Note (7))	(9,153,989)	(30)	(7,128,393)	(33)
6500	Net other income and expenses (Note (6)(q))	<u>152,225</u>	<u>1</u>	<u>255,458</u>	<u>1</u>
	Operating profit	<u>8,042,630</u>	<u>27</u>	<u>5,038,406</u>	<u>24</u>
	Non-operating income and expenses :				
7100	Interest income	127,842	-	86,813	-
7130	Dividend revenue	33,876	-	29,995	-
7020	Other gains and losses (Notes (6)(b) and (6)(r))	374,692	1	717,866	4
7060	Share of profit of associates and joint ventures accounted for using equity method (Note 6 (g))	<u>(2,459)</u>	<u>-</u>	<u>111</u>	<u>-</u>
		<u>533,951</u>	<u>1</u>	<u>834,785</u>	<u>4</u>
	Profit before income tax	8,576,581	28	5,873,191	28
7950	Income tax expense (Note (6)(n))	<u>(2,368,593)</u>	<u>(8)</u>	<u>(1,838,243)</u>	<u>(9)</u>
	Profit for the period	<u>6,207,988</u>	<u>20</u>	<u>4,034,948</u>	<u>19</u>
8300	Other comprehensive income (loss) :				
8310	Exchange differences on translation of foreign financial statements	866,066	3	(388,182)	(2)
8325	Unrealized gains on available-for-sale financial assets	533,829	2	126,129	1
8330	Gains (losses) of effective portion of cash flow hedges	(28,523)	-	4,592	-
8340	Gains (losses) of effective portion of hedges of net investment in foreign operations	(27,080)	-	29,695	-
8360	Defined benefit plan actuarial gains (losses)	36,743	-	(92,291)	-
8390	Other comprehensive income (loss) - other	(124,614)	-	75,473	-
8399	Less: Income tax relating to components of other comprehensive income (loss)	<u>44,869</u>	<u>-</u>	<u>(60,870)</u>	<u>-</u>
8300	Other comprehensive income (loss) for the period, net of tax	<u>1,211,552</u>	<u>5</u>	<u>(183,714)</u>	<u>(1)</u>
	Total comprehensive income for the period	<u>\$ 7,419,540</u>	<u>25</u>	<u>3,851,234</u>	<u>18</u>
	Profit attributable to :				
8610	Owners of parent	\$ 5,883,044	19	3,786,160	18
8620	Non-controlling interests	<u>324,944</u>	<u>1</u>	<u>248,788</u>	<u>1</u>
		<u>\$ 6,207,988</u>	<u>20</u>	<u>4,034,948</u>	<u>19</u>
	Comprehensive income attributable to :				
	Owners of parent	\$ 7,166,836	24	3,609,100	17
	Non-controlling interests	<u>252,704</u>	<u>1</u>	<u>242,134</u>	<u>1</u>
		<u>\$ 7,419,540</u>	<u>25</u>	<u>3,851,234</u>	<u>18</u>
9750	Basic earnings per share (NT dollars) (Note (6)(p))	<u>\$ 5.91</u>		<u>4.25</u>	

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For The Years Ended December 31, 2013 And 2012

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent				Other equity items					Equity attributable to owners of the parent	Non controlling interests	Total equity
	Stock	Capital surplus	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) of effective portion of cash flow hedges	Gains (losses) of effective portion of hedge of net investment in foreign operations	Others			
Balance as of January 1, 2012	\$ 7,853,004	4,694,420	-	3,177,765	199,047	(360,228)	(15,988)	-	-	15,548,020	1,267,471	16,815,491
Net income for the year	-	-	-	3,786,160	-	-	-	-	-	3,786,160	248,788	4,034,948
Other comprehensive income for the year	-	-	-	(75,380)	(337,569)	126,129	4,592	29,695	75,473	(177,060)	(6,654)	(183,714)
Total comprehensive income for the year	-	-	-	3,710,780	(337,569)	126,129	4,592	29,695	75,473	3,609,100	242,134	3,851,234
Earnings distribution and appropriation												
Cash dividends of ordinary share	-	-	-	(1,806,191)	-	-	-	-	-	(1,806,191)	-	(1,806,191)
Other changes in capital surplus:												
Changes in share of profit of associates and joint ventures accounted for using equity method	-	(46,596)	-	-	-	-	-	-	-	(46,596)	(210,954)	(257,550)
Capital increase in cash	1,200,000	4,763,947	-	-	-	-	-	-	-	5,963,947	-	5,963,947
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	444,690	444,690
Balance as December 31, 2012	9,053,004	9,411,771	-	5,082,354	(138,522)	(234,099)	(11,396)	29,695	75,473	23,268,280	1,743,341	25,011,621
Net income for the year	-	-	-	5,883,044	-	-	-	-	-	5,883,044	324,944	6,207,988
Other comprehensive income for the year	-	-	-	31,148	899,032	533,829	(28,523)	(27,080)	(124,614)	1,283,792	(72,240)	1,211,552
Total comprehensive income for the year	-	-	-	5,914,192	899,032	533,829	(28,523)	(27,080)	(124,614)	7,166,836	252,704	7,419,540
Earnings distribution and appropriation:												
Special reserve appropriated	-	-	64,865	(64,865)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,810,600)	-	-	-	-	-	(1,810,600)	-	(1,810,600)
Stock dividends of ordinary share	905,300	-	-	(905,300)	-	-	-	-	-	-	-	-
Other changes in capital surplus:												
Changes in share of profit of associates and joint ventures accounted for using equity method	-	(73)	-	-	-	-	-	-	-	(73)	-	(73)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(179,295)	(179,295)
Balance as of December 31, 2013	\$ 9,958,304	9,411,698	64,865	8,215,781	760,510	299,730	(39,919)	2,615	(49,141)	28,624,443	1,816,750	30,441,193

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

(Amounts Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2013	2012
Cash flows from operating activities :		
Profit before income tax	\$ 8,576,581	5,873,191
Adjustments :		
Adjustments to reconcile profit before income tax to net cash provided by operating activities :		
Depreciation expense	1,491,409	1,803,835
Amortization expense	87,491	58,928
Loss on financial assets and liabilities at fair value through profit or loss	81,398	50,606
Interest expense	3,985,775	3,965,622
Interest income	(16,109,434)	(13,231,075)
Dividend income	(33,876)	(29,995)
Share of (profit) loss of associates and joint ventures accounted for using equity method	2,459	(111)
(Gain) loss on disposal of property, plant and equipment	(30,222)	(18,833)
Gain on disposal of foreclosed assets	(2,967)	(143,050)
Gain on disposal of investments	(53,627)	(26,367)
Impairment loss on financial assets	2,802,759	1,973,816
Impairment loss on non-financial assets	427,690	881,235
Total adjustments to reconcile profit (loss)	(7,351,145)	(4,715,389)
Change in operating assets and liabilities :		
Change in operating assets :		
Decrease (Increase) in financial assets held for trading	(14,114)	30,000
Increase in accounts receivable	(40,611,358)	(38,797,367)
Proceeds from financial assets securitization	8,786,354	11,134,550
Decrease (Increase) in other current financial assets	(514,222)	939,457
Decrease (Increase) in inventories	203,751	(155,434)
Increase in other current assets	(1,179,379)	(319,989)
Proceeds from sales of operating lease assets	1,540,606	1,521,456
Purchase of operating lease assets	(2,267,588)	(1,950,988)
Increase in other non-current assets – others	(64,857)	(671,033)
Total changes in operating assets	(34,120,807)	(28,269,348)
Changes in operating liabilities :		
Increase (Decrease) in accounts payable	575,688	(717,049)
Increase in long-term and short-term debts	129,610,388	93,239,632
Repayment of long-term and short-term debts	(106,953,630)	(75,371,269)
Increase in other current financial liabilities	2,507,546	4,136,367
Increase (Decrease) in accrued pension liabilities	(13,514)	120,647
Increase (Decrease) in other current liabilities-others	(285,513)	473,406
Increase in non-current liabilities-others	403,828	42,683
Total changes in operating liabilities	25,844,793	21,924,417
Total changes in operating assets and liabilities	(8,276,014)	(6,344,931)
Total adjustments	(15,627,159)	(11,060,320)
Cash outflow generated from operation	(7,050,578)	(5,187,129)
Interest received	16,216,739	12,879,205
Dividend received	33,876	29,995
Interest paid	(3,945,232)	(4,273,422)
Income taxes paid	(1,810,093)	(1,593,961)
Net cash provided by operating activities	3,444,712	1,854,688
Cash flows from investing activities :		
Acquisition of available-for-sale financial assets	-	(1,137)
Proceeds from disposal of available-for-sale	60,664	2,411
Proceeds from return of capital by available-for-sale financial assets	621	320
Acquisition of held-to-maturity financial assets	(5,076,240)	(2,224,000)
Disposal of held-to-maturity financial assets	2,239,100	16,900
Acquisition of investments accounted for using equity method	(127,441)	-
Acquisition of property, plant and equipment	(1,709,535)	(174,993)
Disposal of property, plant and equipment	3,910	2,627
Acquisition of intangible assets	(2,267)	(2,061)
Net cash used in investing activities	(4,611,188)	(2,379,933)
Cash flows from financing activities :		
Issuance of capital by cash	-	5,963,947
Distribution of cash dividend	(1,810,600)	(1,806,185)
Changes in non-controlling interests	(184,132)	218,920
Net cash (used in) provided by in financing activities	(1,994,732)	4,376,682
Effect of exchange rate changes on cash and cash equivalents	598,624	(326,543)
Net (decrease) increase in cash and cash equivalents	(2,562,584)	3,524,894
Cash and cash equivalents, beginning of year	10,064,721	6,539,827
Cash and cash equivalents, end of year	\$ 7,502,137	10,064,721

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2013 and 2012

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

(1) Overview

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

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

As of December 31, 2013 and 2012, the Company had outstanding common stock of \$9,958,304 and \$9,053,004 divided into 995,830,415 shares and 905,300,378 shares, respectively.

(2) Financial Statements Authorisation Date and Authorisation Process

The consolidated financial statements were reported to and approved by the Board of Directors and issued on March 27, 2014.

(3) New Standards and Interpretations not yet Adopted

- (a) New standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect

The International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"), which is effective on January 1, 2013 (in December 2011, the IASB postponed the effective date until January 1, 2015). This standard has been endorsed by the FSC; however, the effective date has not been announced. In accordance with FSC rules, early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standard 39 Financial Instrument: recognition and measurement ("IAS 39"). The adoption of this new standard is expected to have significant impact on the classification and measurement of financial instruments in the consolidated financial statements.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2013 and 2012

(Amounts Expressed in Thousands of New Taiwan Dollars)

(b) New standards and interpretations not yet endorsed by FSC

A summary of the new standards and amendments issued by the IASB that may have an impact on the consolidated financial statements not yet endorsed by FSC:

<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description</u>	<u>Effective date per IASB</u>
May 12, 2011 June 28, 2012	<ul style="list-style-type: none"> IFRS 10 <i>Consolidated financial statements</i> IFRS 11 <i>Joint arrangements</i> IFRS 12 <i>Disclosure of interests in other entities</i> Amended IAS 27 <i>Separate financial statements</i> Amended IAS 28 <i>Investments in associates and joint ventures</i> 	<ul style="list-style-type: none"> On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities), other than consolidation process, in which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (concepts from joint controlled assets and joint controlled operations), and joint venture (concepts from jointly controlled entities), and removal of the proportionate consolidation method. On June 28, 2012, amendments were issued to clarify the guidance over the transition period. 	January 1, 2013
May 12, 2011	IFRS 13 <i>Fair value measurement</i>	Replaces fair value measurement guidance in other standards, and consolidated as one single guidance.	January 1, 2013
June 16, 2011	Amended IAS 1 <i>Presentation of financial statements</i>	Items presented in other comprehensive income are conditioned on whether they are potentially reclassifiable to profit or loss subsequently.	July 1, 2012
June 16, 2011	Amended IAS 19 <i>Employee benefits</i>	Eliminates the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) in profit or loss; in addition, requires the immediate recognition of past service cost.	January 1, 2013

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<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description</u>	<u>Effective date per IASB</u>
November 19, 2013	Amended IFRS 9 <i>Financial instrument</i>	Applies more principle-based regulations so the hedge accounting method represents risk management more closely. This includes amending , achieving, continuing and discontinuing the regulations of hedge accounting in order to make more types of risk exposure eligible for hedge items. If the aforementioned regulation is applied, the group may increase its hedge accounting transaction, and change the measurement used for hedge instruments and hedge items.	Unconfirmed, early adoption is permitted.

(4) Significant Accounting Policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows:

The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements, except when otherwise indicated. These consolidated financial statements include the statement of financial position as at January 1, 2012, prepared for the purpose of the first-year adoption of International Financial Reporting Standards (IFRSs) endorsed by FSC.

(a) Statement of compliance

These consolidated annual 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by FSC (hereinafter referred to as the IFRSs endorsed by FSC).

These are the Group's first IFRS consolidated annual financial statements for part of the period covered by the first IFRS (endorsed by FSC) annual financial statements, and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRSs endorsed by FSC has affected the reported financial position, financial performance, and cash flows of the Group is provided in Note (14).

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(b) Basis of preparation

1. Basis of measurement

The consolidated financial statements have been prepared on historical cost basis except for the following material accounts in the statement of financial position:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Available-for-sale financial assets are measured at fair value;
- 3) Derivative financial instruments are measured at fair value;

2. Functional and presentation currency

The functional currency of each entity of the Group is determined based on the primary economic environment in which the entity operates. The Group consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. Unless otherwise specified, all financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

1. Principle of preparation of the interim consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Income (losses) applicable to non controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim consolidated financial statements.

1) Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2) Special purpose entities

Special purpose entities (SPE) are established for trading and investment purpose. The Group do not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group conclude that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

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2.Subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2013.12.31	2012.12.31	2012.1.1	
The Company	Chailease International Company (Malaysia) Limited	Investment	100.00 %	100.00 %	100.00 %	
The Company	Golden Bridge (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
The Company	Chailease International Financial Services Co., Ltd.	Installment sales, leasing overseas and financial consulting	100.00 %	- %	- %	The subsidiary was established on April 2, 2013.
Golden Bridge (B.V.I.) Corp. and My Leasing (B.V.I.) Corp.	My Leasing (Mauritius) Corp.	Investment	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp.	Chailease International Finance Corporation	Leasing	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp. and Chailease International Finance Corporation	Chailease Finance International Corp.	Leasing	100.00 %	100.00 %	100.00 %	
Chailease International Finance Corporation	Chailease International Corp.	Trading	100.00 %	100.00 %	100.00 %	
Chailease International Finance Corporation	Jirong Real Estate Co., Ltd.	House property leasing and management	100.00 %	100.00 %	- %	The subsidiary was established on November 12, 2012.
Chailease International Company (Malaysia) Limited	Chailease Finance Co., Ltd.	Installment sales, leasing, and factoring	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 (B.V.I.) Corp.	Chailease International (Mauritius) Corp.	Investment	- %	- %	100.00 %	The subsidiary was established on January 29, 2008. The subsidiary was dissolved in December, 2012.
Chailease Finance Co., Ltd.	Fina Finance & Trading Co., Ltd.	Installment sales, trading, and factoring	99.53 %	99.52 %	99.51 %	
Chailease Finance Co., Ltd.	China Leasing Co., Ltd.	Installment sales	100.00 %	100.00 %	100.00 %	
Chailease Finance Co., Ltd.	My Leasing (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2013.12.31	2012.12.31	2012.1.1	
Chailease International Company (Malaysia) Limited and Chailease Finance Co., Ltd.	Asia Sermkij Leasing Public Co., Ltd.	Installment sales of automobiles	48.18 %	48.18 %	37.43 %	The subsidiary was consolidated due to the Company's power to control and govern the financial, operating and personnel policies of the subsidiary, despite its ownership was lower than 50% of the subsidiary's outstanding shares.
Chailease Finance Co., Ltd.	Chailease Finance (B.V.I.) Co., Ltd.	Installment sales, leasing overseas, and financial consulting	100.00 %	100.00 %	100.00 %	
Chailease Finance Co., Ltd.	Chailease International Leasing Company Limited (Vietnam)	Leasing	100.00 %	100.00 %	100.00 %	
Chailease Finance Co., Ltd.	Chailease Auto Rental Co., Ltd.	Leasing	100.00 %	100.00 %	100.00 %	
Chailease Finance Co., Ltd.	Chailease Credit Services Co., Ltd.	Installment sales and leasing	100.00 %	100.00 %	100.00 %	
Chailease Finance Co., Ltd.	Apex Credit Solutions Inc.	Accounts receivable management, debt management, valuation, trading in financial instruments	100.00 %	100.00 %	100.00 %	
Chailease Finance Co., Ltd.	Chailease Insurance Brokers Co., Ltd.	Personal and property insurance brokers	100.00 %	100.00 %	100.00 %	
Chailease Finance Co., Ltd.	Chailease Cloud Service Co., Ltd.	Software of cloud products, leasing, and installment sales	100.00 %	- %	- %	The subsidiary was established on January 29, 2013.

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2013.12.31	2012.12.31	2012.1.1	
Fina Finance & Trading Co., Ltd.	Chailease Consumer Finance Co., Ltd	Factoring and installment sales	100.00 %	100.00 %	100.00 %	
The Company and Chailease Finance Co., Ltd.	Grand Pacific Holdings Corp.	Leasing, real estate, and mortgage	100.00 %	100.00 %	100.00 %	
Grand Pacific Holdings Corp.	Grand Pacific Financing Corp. (California)	Financing, leasing and financial consulting	100.00 %	100.00 %	100.00 %	
Grand Pacific Holdings Corp.	Grand Pacific Main Street Development, Inc.	Real estate development	100.00 %	100.00 %	100.00 %	
Grand Pacific Holdings Corp.	Grand Pacific Warehouse Funding Corp.	Real estate development	100.00 %	100.00 %	100.00 %	
Grand Pacific Holdings Corp.	Grand Pacific Business Loan LLC. 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005.
Grand Pacific Warehouse Funding Corp.	Grand Pacific Warehouse Funding LLC.	Special Purpose Entity	100.00 %	100.00 %	100.00 %	
Grand Pacific Business Loan LLC. 2005-1	Grand Pacific Business Loan Trust 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005.
Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited	Leasing and financing consulting	99.99 %	99.99 %	99.99 %	

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

(d) Foreign Currency

1.Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

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Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following which are recognized in other comprehensive income:

- 1) available-for-sale equity investment;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedge is effective.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group dispose of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposed of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising thereon form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

3.Hedge of a net investment in foreign operation

Hedge accounting is adopted for hedge of a net investment in foreign operation, regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective, and are presented in the exchange differences on translation of foreign financial statements in equity. To the extent that the hedge is ineffective, such differences are recognized in profit or loss.

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(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1. It is expected to be realized, or sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of twelve months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Time deposits with maturities of less than one year are used for short-term cash commitments instead of investment and are subject to an insignificant risk of changes in their fair value, are classified as cash and cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

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1. Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

Financial assets classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Group designate financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

A.Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise

B.Performance of the financial asset is evaluated on a fair value basis

C.Hybrid contains one or more embedded derivatives

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss, and are included in operating revenue or other income and other gains or losses of non-operating revenues and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other income and other gains or losses of non-operating revenues and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is classified under dividend revenue of non-operating revenues and expenses.

3) Held-to-maturity financial assets

If the Group have the positive intent and ability to hold debt securities to maturity, such

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financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, under interest income of non-operating revenues and expenses.

4) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

5) Impairment of financial assets

Except for financial assets at fair value through profit or loss, other financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group use historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

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An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is reduced from the carrying amount, except for accounts receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance accounts are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss of financial assets measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfer substantially all the risks and rewards of ownership of financial assets.

2. Financial liabilities and equity instruments

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

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Financial liabilities are classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Group designate financial liabilities, other than those classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- A. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on different basis;
- B. Performance of the financial liabilities is evaluated on a fair value basis;
- C. Hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss, under other gains or losses of non-operating revenues and expenses.

2) Other financial liabilities

Financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capitalized cost is recognized in profit or loss, and is included in operating costs.

3. Derivative financial instruments, including hedge accounting

The Group hold derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value; and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, under other gains or losses of non-operating revenues and expenses.

When a derivative is designated as a hedging instrument, its timing of recognition to profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such an unquoted equity instruments, derivatives that are classified as financial assets, are measured at amortized cost, and are included in financial assets measured at cost; and those that are classified as financial liabilities are measured at cost, and are included in financial liabilities measured at cost.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and that the host contract is not measured at fair value through profit or loss.

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The Group designate its hedging instruments, including derivatives, embedded derivatives, and non-derivative instrument for a hedge of a foreign currency risk, as fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. Foreign exchange risk of firm commitments are treated as a fair value hedge.

On initial designation of the derivative as a hedging instrument, the Group formally document the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, and whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk.

1) Fair value hedge

Changes in the fair value of a hedging instruments designated and qualified as fair value hedges are recognized in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

Hedged financial instruments using an effective interest rate is amortized to profit or loss when hedge accounting is discontinued over the period to maturity.

2) Cash flow hedge

When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in other equity – effective portion of cash flow hedge gain (loss). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, under other gains or losses of non-operating revenue and expenses.

When the hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and is presented in the same accounting caption with the hedged item recognized in the consolidated statement of comprehensive income.

For a cash flow hedge of a forecast transaction recognized as a non-financial assets or liabilities, the amount accumulated in other equity – effective portion of cash flow hedge gain (loss) and retained in other comprehensive income is reclassified as the initial cost of the non-financial asset or liability.

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3) Hedge of a net investment in a foreign operation

Any effective portion of the gains or losses of a hedging instrument is recognized under other comprehensive income and presented in other equity – effective portion of a hedge of a net investment in a foreign operation gain (loss). Any ineffective portion of such gains or losses is recognized in profit or loss, under operating costs or other gains or losses of non-operating revenues and expenses.

The gains and losses of an effective portion of a hedging instrument presented in other equity – effective portion of a hedge of a net investment in a foreign operation gain (loss) is reclassified in profit or loss, under operating costs or other gains or losses of non-operating revenues and expenses, upon disposal of the investment.

(h) Financial assets securitization

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

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

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

(i) Investment in associates

Associates are those entities in which the Group have significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group hold between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from business acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies of investees with those of the Group, from the date that significant influence commences

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until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except when that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except when the Group have an obligation or have made payments on behalf of the investee.

(j) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized under net other income and expenses of profit or loss.

2. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

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Leased assets are depreciated by using straight-line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings	20~60 years
2) Transportation equipment	3~ 6 years
3) Miscellaneous equipment	4~16 years
4) Assets held for lease	1~12 years
5) Leasehold improvements	5 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(k) Leases

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

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

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

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

(l) Intangible assets

1. Goodwill

Goodwill is measured at cost less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms part of the carrying amount of such investment.

2. Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses. The amortizable amount is determined based on the cost of an asset less its residual values. Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date when they are made available for use. The residual value, amortization period and amortization method for an intangible asset are reviewed at least annually at each financial year end. Any change thereof is accounted for as a change in accounting estimate.

(m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from construction contracts, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The excess of carrying amount of the asset over its recoverable amount is recognized as an impairment loss which is charged to profit or loss.

An assessment is made at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been an improvement in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

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For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

If the carrying amount of each of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

(n) Revenue recognition policies for the various businesses activities

1.Sales revenue

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

2.Installment sales revenue

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

3.Leasing business

Lease contracts are classified as capital or operating leases based on certain criteria, such as the lease terms, the likelihood of collecting receivables under lease contracts, and future cost to be borne by the lessor. The revenues generated from leasing business are interest revenue for capital leases and rental revenue for operating leases.

4.Loans receivable

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

5.Accounting for factoring of accounts receivable

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

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

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2) Control over transferred accounts receivable is deemed to have been transferred under all of the following conditions:

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

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

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

6. Fee and commission

Fee and commission income is earned from a range of services rendered by the Group to its customers, and comprises income earned from services rendered over a period of time as well as transaction-type services.

Fees earned from providing services over a period of time are recognized over the service period during which the related service is provided or credit risk is undertaken. Fee and commission income from such services comprises mainly loans, guarantees, and other management and advisory fees. When a fee is charged in lieu of interest, such fee is amortized over the same period that the related interest income is recognized.

Cost or expense arising from providing the above service is recognized when such cost or expense is incurred.

(o) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

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2. Defined benefit plans

Aside from the defined contribution plan, the Group also maintain defined benefit plans, which are post-employment benefit plans, for their employees. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Group's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average vesting period. To the extent that the benefits vest immediately, pension cost is recognized immediately in profit or loss.

All actuarial gains and losses at January 1, 2012, the date of transition to FSC endorsed IFRS, were recognized in retained earnings. All subsequent actuarial gains and losses from defined benefit plans are recognized in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost which had not been previously recognized.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee salary expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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For share-based payment awards, the grant-date fair value of the share-based payment considers such non-vesting conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- 1.Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- 2.Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- 3.Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- 1.the entity has the legal right to settle tax assets and liabilities on a net basis; and
- 2.the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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A deferred tax asset is recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Group disclose the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated on profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated on profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements 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.

Management continuously monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates in the period and of changes .

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Critical judgments made in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements were as follows:

(a) Financial asset and liability classification

At initial recognition, financial assets and liabilities are categorized or designated depending on the following circumstances:

1. Financial assets or liabilities are designated as “trading”, if they meet the criteria for being classified as trading assets and liabilities as set out in accounting policy disclosure Note 4(g).
2. Financial assets or liabilities are designated as at fair value through profit or loss, if they met one of the criteria for being designated as such as set out in accounting policy disclosure Note 4(g).
3. Financial assets are designated as held-to-maturity, if the Group have both the positive intention and ability to hold the assets until their maturity date in accordance with the accounting policy disclosure Note 4(g).

(b) Securitizations

In applying its accounting policies on securitized financial assets, the Group have evaluated both the extent of risks and rewards on assets transferred to another entity and the extent of the Group’s control over the other entity:

- 1.If the Group, in substance, control the entity in which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognized in the Group’s consolidated balance sheet.
- 2.If the Group have transferred financial assets to another entity, but have not transferred substantially all of the risk and rewards relating to the transferred assets, the assets are recognized in the Group’s consolidated balance sheet.
- 3.If the Group transfer substantially all the risk and rewards relating to the transferred assets to an entity that it does not control, the assets are derecognized from the Group’s consolidated balance sheet.

Details of the Group’s securitization activities are discussed under the accounting policy disclosure Note 4(h) and Note 6(c).

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Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

(a) Impairment losses on loans and receivables

Impairment allowances on loans and receivables represent management's best estimate of losses incurred in the loan portfolios at the balance sheet date. Management is required to exercise judgment in making assumptions and estimations when calculating loan and receivables impairment allowances on both individually and collectively assessed loans and receivables.

The specific counterparty component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the estimated future cash flows that are expected to be received. In estimating these cash flows, management makes judgments on counterparty's financial situation and the net realizable value of any underlying collateral. The Group recognize an impairment loss on the excess of carrying value over the recoverable amount of the estimated cash flows in profit or loss.

All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics. The current methodology used for impairment assessment is subject to estimation of uncertainty, because it is not practicable to identify losses individually due to the large number of insignificant loans in the portfolio. In addition, the statistical analyses of historical information is supplemented with significant judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience. In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within each portfolio. In certain circumstances, historical loss experience provides certain less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic, regulatory or behavioral conditions such that the most recent trends in the portfolio risk factors are not fully reflected in the statistical models of impairment assessment. In these circumstances, such factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment allowances derived solely from historical loss experience.

This key area of judgment is subject to uncertainty and is highly sensitive to factors such as loan portfolio growth, product mix, unemployment rates, bankruptcy trends, geographic concentrations, economic conditions such as national and local trends in housing markets, the level of interest rates, account management policies and practices, changes in laws and regulations, and other factors that can affect customer payment patterns. Different factors are applied in different regions and countries to reflect different economic and credit conditions and laws and regulations. The assumptions underlying this judgment are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. For example, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure they remain appropriate.

(b) Impairment losses on non-financial assets

The Group review the carrying amounts of the assets at each reporting date to determine whether

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there is any indication of impairment. If any such indication exists, the asset's recoverable amount or value in use is estimated. Determining the value in use of non-financial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, require the Group to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment losses could have a material adverse impact on the Group's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believe that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

(c) Impairment of available for sale investment securities

Significant judgment is required in determining the impairment of the available for sale investment securities at each reporting date and this requires management to make estimates and assumptions that can affect the financial statements. Management is required to exercise judgment in determining whether there is objective evidence that an impairment loss has occurred.

The best evidence of whether there is indication of impairment loss for quoted investment securities is the quoted prices in an actively traded market. For unquoted investment securities, in the event that the market for the unquoted investment securities is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain unquoted investment securities are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs and consequently, the determination of whether there any indication of impairment is subject to a high degree of variability.

Once impairment has been identified, the amount of impairment loss is measured in relation to the fair value of the asset. Any resulting impairment losses could have an impact on the Group's financial results.

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(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Cash and demand deposits	\$ 7,382,547	9,996,533	6,328,629
Time deposits	196,670	132,899	226,443
Cash equivalents	<u>7,004</u>	<u>1,999</u>	<u>2,998</u>
Cash and cash equivalents	7,586,221	10,131,431	6,558,070
Bank overdraft	<u>(84,084)</u>	<u>(66,710)</u>	<u>(18,243)</u>
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 7,502,137</u>	<u>10,064,721</u>	<u>6,539,827</u>

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

(b) Financial instruments

1.Details of financial assets were as follows :

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial assets at fair value through profit or loss			
Held for trading			
Securities of listed companies	\$ 264,083	236,246	240,841
Derivative instruments not used for hedging	<u>486</u>	<u>-</u>	<u>-</u>
Sub-total	<u>264,569</u>	<u>236,246</u>	<u>240,841</u>
Designated as at fair value through profit or loss			
2010 securitization	868,490	950,778	982,590
2011 securitization	<u>831,457</u>	<u>840,780</u>	<u>855,701</u>
Sub-total	<u>1,699,947</u>	<u>1,791,558</u>	<u>1,838,291</u>
	<u>1,964,516</u>	<u>2,027,804</u>	<u>2,079,132</u>
Available-for-sale financial assets			
Emerging stock	1,210,419	644,754	554,117
Private equity	<u>517,685</u>	<u>557,875</u>	<u>531,641</u>
Sub-total	<u>1,728,104</u>	<u>1,202,629</u>	<u>1,085,758</u>
Held-to-maturity financial assets			
Investment in debt securities	<u>5,324,240</u>	<u>2,487,100</u>	<u>280,000</u>
Total	<u>\$ 9,016,860</u>	<u>5,717,533</u>	<u>3,444,890</u>

2.Sensitivity analysis— equity price risk :

If the equity price changes, the sensitivity analysis was based on the same variables except for

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the price index for both period, the impact to other comprehensive income will be as follows:

Equity price at reporting date	For the years ended December 31,			
	2013		2012	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase 7%	\$ <u>121,020</u>	<u>18,486</u>	<u>84,239</u>	<u>16,537</u>
Decrease 7%	\$ <u>(121,020)</u>	<u>(18,486)</u>	<u>(84,239)</u>	<u>(16,537)</u>

Based on the results of the Group's assessment, impairment loss of \$2,877 and \$4,503 were recognized on available-for-sale financial assets for the years ended December 31, 2013 and 2012, respectively.

The Group purchased debt securities issued by real estate trust. These debt securities have maturity dates between 2013 and 2016, and bear effective annual interest rate ranging from 5.64%~8.99%.

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

3.Details of financial liabilities were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial liabilities at fair value through profit or loss			
Held for trading			
Derivative instruments not used for hedging	\$ (42,293)	(5,007)	(757)
Derivative financial liabilities used for hedging	<u>(6,777)</u>	<u>(11,396)</u>	<u>(15,988)</u>
Total	\$ <u>(49,070)</u>	<u>(16,403)</u>	<u>(16,745)</u>

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4. Derivative instrument not used for hedging

Derivative financial instruments are used to manage certain interest risk, arising from the Group's operating, financing and investing activities. As of December 31, 2013, and 2012 and January 1, 2012, derivative financial instruments accounted for as held-for-trading financial liabilities were as follows:

Cross currency swap contract

2013.12.31				
Nominal Amount	Currency	Interest Rate Payable	Interest Rate Receivable	Contract Period
USD 20,000	USD to CNY	3.700%	90 Days LIBOR + 1.8%	2013.04.29~
CNY 123,510				2016.04.29
USD 30,000	USD to CNY	3.800%	90 Days LIBOR + 1.8%	2013.10.21~
CNY 183,300				2016.04.29
USD 20,000	USD to CNY	3.600%	90 Days LIBOR + 1.8%	2013.12.18~
CNY 121,580				2016.04.29

Interest rate swap contract

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

2012.12.31				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
TWD 200,000	2011.03.17~2013.03.18	0.980%	90 Days CP	2 years
TWD 200,000	2011.03.21~2013.03.21	0.975%	90 Days CP	2 years
CNY 300,000	2012.03.20~2015.03.20	2.960%	Interest rate of one-year time deposit	3 years

2012.1.1				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
TWD 200,000	2011.03.17~2013.03.18	0.980%	90 Days CP	2 years
TWD 200,000	2011.03.21~2013.03.21	0.975%	90 Days CP	2 years

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5. Derivative instruments used for hedging

As of December 31, 2013, and 2012 and January 1, 2012, the Group held derivative instruments qualified for hedge accounting as follows:

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

2012.12.31					
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period	
TWD 400,000	2010.11.17~2015.11.17	3%	90 days CP+1.2%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years	

2012.1.1					
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period	
TWD 400,000	2010.11.17~2015.11.17	3%	90 days CP+1.2%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years	

1) Cash flow hedge

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

Item to be Hedged	Hedge Instrument	Fair Value			Expected Cash flow Period	Hedge Period
		2013.12.31	2012.12.31	2012.1.1		
Unsecured corporate bonds	Interest Swap	\$ (6,777)	(11,396)	(15,988)	2010~2016	2010~2016

Item	For the years ended December 31,	
	2013	2012
Adjusted amount charged to other comprehensive income	\$ 4,619	4,592

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2) Hedge of net investment in foreign operation

The fair value of the equity investment in foreign investee, Golden Bridge (B.V.I) Corp., may be influenced by the fluctuation of USD exchange rate. The Company designated its USD borrowings to hedge the exchange rate fluctuation risk from this investment. The details of net investment hedge in foreign operation and designated derivatives as of December 31, 2013, and 2012 and January 1, 2012, were as follows:

<u>Hedged Item</u>	<u>Designated Hedging Instrument</u>			
	<u>Fair Value</u>			
	<u>Hedge Instrument</u>	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Equity investment measured in USD	Foreign currency borrowings	\$ <u>2,562,115</u>	<u>609,855</u>	<u>-</u>

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 years ended December 31, 2013 and 2012.

(c) Financial assets securitization

1. 2011 Securitization

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

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

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Key assumptions at the securitization date:

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

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

1) Key assumptions used in measuring retained interests:

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

	2013.12.31	2012.12.31	2012.1.1
Repayment rate	9.30 %	9.49 %	9.72 %
Expected return rate on securitized financial assets	9.03 %	9.19 %	9.68 %
Weighted-average life (in years)	2.92	3.83	4.75
Expected credit loss rate (Note)	1.85%~6.30%	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %	4.00 %

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2) Sensitivity analysis

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

	2013.12.31	2012.12.31
Carrying amount of retained interests	831,457	840,780
Weighted — average life (in years)	2.92	3.83
Repayment rate	9.30 %	9.49 %
Effect on fair value with 10% adverse change	(19,772)	(21,354)
Effect on fair value with 20% adverse change	(36,796)	(39,453)
Expected credit losses	4.58%	4.58%
Effect on fair value with 10% adverse change	(23,017)	(23,109)
Effect on fair value with 20% adverse change	(46,038)	(46,211)
Discount rate for residual cash flows	4.00 %	4.00 %
Effect on fair value with 10% adverse change	(6,004)	(6,209)
Effect on fair value with 20% adverse change	(11,951)	(12,356)

3) Expected static pool credit losses

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

4) Cash flows

The cash flows received from securitization trusts were as follows:

	For the years ended December 31,	
	2013	2012
Other cash flows received on retained interests	\$ 356,970	360,282
Service fees received	4,760	4,760

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

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2.2010 Securitization

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

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

Key assumptions at the securitization date:

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

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

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1) Key assumptions used in measuring retained interests:

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

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Repayment rate	17.10 %	10.68 %	10.21 %
Expected return rate on securitized financial assets	8.76 %	9.10 %	9.28 %
Weighted-average life (in years)	1.67	2.67	3.58
Expected credit loss rate (Note)	1.85%~6.30%	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %	4.00 %

2) Sensitivity analysis

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

	<u>2013.12.31</u>	<u>2012.12.31</u>
Carrying amount of retained interests	868,490	950,778
Weighted — average life (in years)	1.67	2.67
Repayment rate	17.10 %	10.68 %
Effect on fair value with 10% adverse change	(6,194)	(17,449)
Effect on fair value with 20% adverse change	(11,538)	(32,447)
Expected credit losses	5.20%	4.58%
Effect on fair value with 10% adverse change	(17,031)	(24,351)
Effect on fair value with 20% adverse change	(34,065)	(48,706)
Discount rate for residual cash flows	4.00 %	4.00 %
Effect on fair value with 10% adverse change	(3,230)	(6,159)
Effect on fair value with 20% adverse change	(6,445)	(12,268)

3) Expected static pool credit losses

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

4) Cash flows

The cash flows received from securitization trusts were as follows:

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Other cash flows received on retained interests	\$ 331,897	362,826
Service fees received	4,782	5,022

Note: The securitization of debts is revolving and the expected credit loss rate of retained

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interests is evaluated and adjusted during the issue period.

(d) Accounts receivable, net

	2013.12.31	2012.12.31	2012.1.1
Current			
Accounts receivable	\$ 7,814,469	5,334,099	4,926,958
Less: Allowance for impairment	<u>(512,465)</u>	<u>(255,260)</u>	<u>(216,261)</u>
	<u>7,302,004</u>	<u>5,078,839</u>	<u>4,710,697</u>
Installment sales receivable	53,111,829	43,791,147	35,508,378
Less: Unearned interests	(5,062,691)	(4,529,770)	(3,759,763)
Allowance for impairment	<u>(1,603,860)</u>	<u>(1,403,391)</u>	<u>(1,163,288)</u>
	<u>46,445,278</u>	<u>37,857,986</u>	<u>30,585,327</u>
Leases receivable (included operating leases)	62,561,613	59,881,642	48,477,931
Less: Unearned revenue	(7,170,892)	(7,565,516)	(6,529,206)
Allowance for impairment	<u>(2,062,883)</u>	<u>(1,831,764)</u>	<u>(1,055,102)</u>
	<u>53,327,838</u>	<u>50,484,362</u>	<u>40,893,623</u>
Loans receivable	27,453,995	18,304,227	14,435,949
Less: Allowance for impairment	<u>(810,808)</u>	<u>(755,206)</u>	<u>(786,489)</u>
	<u>26,643,187</u>	<u>17,549,021</u>	<u>13,649,460</u>
Sub-total of current accounts	<u>133,718,307</u>	<u>110,970,208</u>	<u>89,839,107</u>
Non-Current			
Accounts receivable	2,172,940	699,831	471,310
Less: Allowance for impairment	<u>(46,774)</u>	<u>(31,117)</u>	<u>(28,234)</u>
	<u>2,126,166</u>	<u>668,714</u>	<u>443,076</u>
Installment sales receivable	23,306,532	19,019,127	14,411,516
Less: Unearned Interests	(2,182,181)	(1,788,264)	(1,325,569)
Allowance for impairment	<u>(227,778)</u>	<u>(179,331)</u>	<u>(127,054)</u>
	<u>20,896,573</u>	<u>17,051,532</u>	<u>12,958,893</u>
Leases receivable	3,018,968	2,391,575	2,051,881
Less: Unearned revenue	(237,356)	(206,854)	(187,779)
Allowance for impairment	<u>(44,969)</u>	<u>(46,766)</u>	<u>(28,902)</u>
	<u>2,736,643</u>	<u>2,137,955</u>	<u>1,835,200</u>
Loans receivable	2,349,297	2,047,645	2,165,199
Less: Allowance for impairment	<u>(89,233)</u>	<u>(163,423)</u>	<u>(241,415)</u>
	<u>2,260,064</u>	<u>1,884,222</u>	<u>1,923,784</u>
Sub-total of non-current accounts	<u>28,019,446</u>	<u>21,742,423</u>	<u>17,160,953</u>
Total accounts receivable	<u><u>\$ 161,737,753</u></u>	<u><u>132,712,631</u></u>	<u><u>107,000,060</u></u>

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

	For the years ended December 31,	
	2013	2012
Opening balance	\$ 4,666,258	3,646,745
Impairment loss recognized	2,799,882	1,969,313
Amounts written off	(2,189,182)	(874,462)
Foreign exchange gains (losses)	121,812	(75,338)
Ending balance	<u><u>\$ 5,398,770</u></u>	<u><u>4,666,258</u></u>

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

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

	Gross investment in the leases	Unearned revenue	Present value of minimum leases receivable
December 31, 2013			
Within operating cycle	\$ 62,457,079	(7,170,892)	55,286,187
Beyond one operating cycle to 5 years	3,018,968	(237,356)	2,781,612
	<u><u>\$ 65,476,047</u></u>	<u><u>(7,408,248)</u></u>	<u><u>58,067,799</u></u>
December 31, 2012			
Within operating cycle	\$ 59,706,403	(7,565,516)	52,140,887
Beyond one operating cycle to 5 years	2,391,575	(206,854)	2,184,721
	<u><u>\$ 62,097,978</u></u>	<u><u>(7,772,370)</u></u>	<u><u>54,325,608</u></u>
January 1, 2012			
Within operating cycle	\$ 47,978,316	(6,529,206)	41,449,110
Beyond one operating cycle to 5 years	2,051,881	(187,779)	1,864,102
	<u><u>\$ 50,030,197</u></u>	<u><u>(6,716,985)</u></u>	<u><u>43,313,212</u></u>

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

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Within operating cycle	\$ 1,429,788	1,566,557	3,571,986
Beyond one operating cycle to 5 years	1,369,613	1,023,480	309,473
	<u><u>\$ 2,799,401</u></u>	<u><u>2,590,037</u></u>	<u><u>3,881,459</u></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>
December 31, 2013			
Within operating cycle	\$ 53,111,829	(5,062,691)	48,049,138
Beyond one operating cycle to 5 years	23,186,893	(2,178,503)	21,008,390
Over 5 years	<u>119,639</u>	<u>(3,678)</u>	<u>115,961</u>
	<u><u>\$ 76,418,361</u></u>	<u><u>(7,244,872)</u></u>	<u><u>69,173,489</u></u>
December 31, 2012			
Within operating cycle	\$ 43,791,147	(4,529,770)	39,261,377
Beyond one operating cycle to 5 years	17,347,557	(1,707,581)	15,639,976
Over 5 years	<u>1,671,570</u>	<u>(80,683)</u>	<u>1,590,887</u>
	<u><u>\$ 62,810,274</u></u>	<u><u>(6,318,034)</u></u>	<u><u>56,492,240</u></u>
January 1, 2012			
Within operating cycle	\$ 35,508,378	(3,759,763)	31,748,615
Beyond one operating cycle to 5 years	14,306,147	(1,321,611)	12,984,536
Over 5 years	<u>105,369</u>	<u>(3,958)</u>	<u>101,411</u>
	<u><u>\$ 49,919,894</u></u>	<u><u>(5,085,332)</u></u>	<u><u>44,834,562</u></u>

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(e) Inventories and advance real estate receipts

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

1. Inventories

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Construction for sale (Tianmu area)	\$ 543,970	-	-
Consturction in progress (Tianmu area)	-	771,503	616,069
Merchandise inventories	23,782	-	-
Allowance for valuation losses	-	-	-
	<u>\$ 567,752</u>	<u>771,503</u>	<u>616,069</u>

2. Advance real estate receipts

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Tianmu area	<u>\$ 307,563</u>	<u>302,039</u>	<u>173,091</u>

3. The details of construction in progress-capitalized interest

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Interest expense before capitalization	\$ 3,990,026	3,972,730
Capitalized interest	4,251	7,108
Capitalized interest rate	1.51 %	1.65 %

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

(f) Other current assets - others

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Prepayments	\$ 755,373	860,022	430,708
Prepaid expenses	1,338,455	476,868	354,050
Foreclosed assets	75,159	101,817	318,445
Others	<u>154,752</u>	<u>3,660</u>	<u>76,300</u>
	<u>\$ 2,323,739</u>	<u>1,442,367</u>	<u>1,179,503</u>

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As of December 31, 2013, and 2012 and January 1, 2012, foreclosed assets held by the Group were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Foreclosed assets	\$ 92,976	127,097	385,396
Less: Accumulated impairment	<u>(17,817)</u>	<u>(25,280)</u>	<u>(66,951)</u>
	<u>\$ 75,159</u>	<u>101,817</u>	<u>318,445</u>

For the years ended December 31, 2013 and 2012, the Group recognized an impairment loss of \$8,114 and \$3,689, respectively, for foreclosed assets. Certain foreclosed assets were disposed to non-related parties and recognized a disposal gain thereon of \$2,967 and \$143,050 for the years ended December 31, 2013 and 2012, respectively.

(g) Investments accounted under equity method

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Investments in associates	<u>\$ 29,480</u>	<u>7,062</u>	<u>1,243</u>

For the years ended December 31, 2013 and 2012, the Group's share in the profit of associates was as follows:

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
The Group's share in profit of associates	<u>\$ (2,459)</u>	<u>111</u>

The related financial information of associates were as follows (before adjustments to the Group's proportionate share):

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Total assets	<u>\$ 117,747</u>	<u>13,613</u>	<u>13,604</u>
Total liabilities	<u>\$ 60,263</u>	<u>9,224</u>	<u>9,254</u>

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Operating revenue	<u>\$ 39,124</u>	<u>6,082</u>
Profit	<u>\$ (27,645)</u>	<u>389</u>

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

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(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group as of and for the years ended December 31, 2013 and 2012, were as follows:

	Land and buildings	Transportation equipment	Machinery and miscellaneous equipment	Leasehold improvements	Total
Cost:					
Balance at January 1, 2013	\$ 1,442,907	4,350,680	6,925,300	99,431	12,818,318
Additions	1,519,858	2,236,035	199,436	21,795	3,977,124
Reclassification	-	1,249	(3,262)	(232)	(2,245)
Disposals	-	(1,133,798)	(4,486,699)	-	(5,620,497)
Effect of movements in exchange rate	3,150	28,048	357,337	111	388,646
Balance at December 31, 2013	<u>\$ 2,965,915</u>	<u>5,482,214</u>	<u>2,992,112</u>	<u>121,105</u>	<u>11,561,346</u>
Balance at January 1, 2012	\$ 1,379,711	3,421,796	11,833,126	84,818	16,719,451
Additions	63,299	1,865,634	182,205	14,843	2,125,981
Reclassification	-	1,477	-	-	1,477
Disposals	-	(924,919)	(4,738,669)	(38)	(5,663,626)
Effect of movements in exchange rate	(103)	(13,308)	(351,362)	(192)	(364,965)
Balance at December 31, 2012	<u>\$ 1,442,907</u>	<u>4,350,680</u>	<u>6,925,300</u>	<u>99,431</u>	<u>12,818,318</u>
Depreciation and impairment losses:					
Balance at January 1, 2013	\$ 385,366	1,180,325	4,675,224	72,708	6,313,623
Depreciation for the period	33,449	848,418	599,837	9,705	1,491,409
Impairment loss (reversal)	(35,000)	218,181	236,395	-	419,576
Reclassification	-	-	(2,721)	(183)	(2,904)
Disposals	-	(668,225)	(3,438,569)	-	(4,106,794)
Effect of movements in exchange rate	259	7,602	252,113	95	260,069
Balance at December 31, 2013	<u>\$ 384,074</u>	<u>1,586,301</u>	<u>2,322,279</u>	<u>82,325</u>	<u>4,374,979</u>
Balance at January 1, 2012	\$ 370,304	1,013,140	6,546,993	65,404	7,995,841
Depreciation for the period	15,132	631,666	1,149,542	7,495	1,803,835
Impairment loss	-	126,572	750,974	-	877,546
Disposals	-	(587,873)	(3,570,384)	(38)	(4,158,295)
Effect of movements in exchange rate	(70)	(3,180)	(201,901)	(153)	(205,304)
Balance at December 31, 2012	<u>\$ 385,366</u>	<u>1,180,325</u>	<u>4,675,224</u>	<u>72,708</u>	<u>6,313,623</u>
Carrying amounts:					
Balance at December 31, 2013	<u>\$ 2,581,841</u>	<u>3,895,913</u>	<u>669,833</u>	<u>38,780</u>	<u>7,186,367</u>
Balance at December 31, 2012	<u>\$ 1,057,541</u>	<u>3,170,355</u>	<u>2,250,076</u>	<u>26,723</u>	<u>6,504,695</u>
Balance at January 1, 2012	<u>\$ 1,009,407</u>	<u>2,408,656</u>	<u>5,286,133</u>	<u>19,414</u>	<u>8,723,610</u>

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

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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).

(i) Intangible assets

The costs of intangible assets, amortisation, and the impairment loss of the Group as of and for the years ended December 31, 2013 and 2012, were as follows:

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
Cost:			
Balance at January 1, 2013	\$ 3,728	33,370	37,098
Additions	-	2,267	2,267
Reclassification	-	1,547	1,547
Effect of movements in exchange rate	-	(1,277)	(1,277)
Balance at December 31, 2013	\$ <u>3,728</u>	<u>35,907</u>	<u>39,635</u>
Balance at January 1, 2012	\$ 3,728	31,652	35,380
Additions	-	2,061	2,061
Effect of movements in exchange rate	-	(343)	(343)
Balance at December 31, 2012	\$ <u>3,728</u>	<u>33,370</u>	<u>37,098</u>
Amortization and impairment losses:			
Balance at January 1, 2013	\$ -	14,011	14,011
Amortization for the period	-	3,709	3,709
Effect of movements in exchange rate	-	(697)	(697)
Balance at December 31, 2013	\$ <u>-</u>	<u>17,023</u>	<u>17,023</u>
Balance at January 1, 2012	\$ -	10,711	10,711
Amortization for the period	-	3,418	3,418
Effect of movements in exchange rate	-	(118)	(118)
Balance at December 31, 2012	\$ <u>-</u>	<u>14,011</u>	<u>14,011</u>
Carrying amounts:			
Balance at December 31, 2013	\$ <u>3,728</u>	<u>18,884</u>	<u>22,612</u>
Balance at December 31, 2012	\$ <u>3,728</u>	<u>19,359</u>	<u>23,087</u>
Balance at January 1, 2012	\$ <u>3,728</u>	<u>20,941</u>	<u>24,669</u>

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For the years ended December 31, 2013 and 2012, the amortization of intangible assets amounted to \$3,709 and \$3,418, respectively. This amortization was accounted for as operating expense of the statement of profit or loss.

(j) Long-term and short-term borrowings

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

2013.12.31				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.32%~1.65%	2014~2015	\$ 407,865
"	USD	0.68%~4.50%	2014~2030	1,924,673
"	THB	2.92%~4.75%	2014~2017	7,180,110
"	CNY	4.01%~7.68%	2014~2016	6,928,597
"	VND	4.50%~9.50%	2014~2016	884,773
Unsecured bank loans	TWD	1.10%~2.00%	2014~2017	59,295,776
"	USD	1.14%~2.95%	2014~2017	15,915,355
"	EUR	1.38%~1.39%	2014	19,312
"	THB	2.92%~3.45%	2014~2016	4,030,148
"	JPY	1.20%~1.30%	2014~2016	129,173
"	CNY	4.01%~7.68%	2014~2019	19,047,306
Other unsecured loans	THB	2.65%~3.20%	2014	8,244,284
Total				\$ 124,007,372
Current				\$ 97,560,033
Non-current				26,447,339
Total				\$ 124,007,372

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2012.12.31				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.26%~1.92%	2013~2014	\$ 984,244
"	USD	0.62%~3.34%	2013~2030	2,026,706
"	THB	3.42%~4.80%	2013~2015	6,531,475
"	CNY	5.40%~8.18%	2013~2015	5,454,585
"	VND	5.30%~18.50%	2013~2014	657,855
Unsecured bank loans	TWD	1.11%~3.25%	2013~2015	43,472,767
"	USD	1.23%~3.42%	2013~2015	8,761,850
"	EUR	1.42%	2013	20,015
"	THB	3.50%~7.38%	2013	2,839,579
"	JPY	1.23%~1.41%	2013~2016	199,814
"	CNY	6.64%~8.18%	2013~2015	28,075,860
Other unsecured loans	THB	3.05%~3.65%	2013	7,296,712
Total				\$ 106,321,462
Current				\$ 94,390,011
Non-current				11,931,451
Total				\$ 106,321,462

2012.1.1				
	Currency	Interest Rate	Years of Maturity	Amount
Secured loans	TWD	1.26%~1.98%	2012~2014	\$ 1,184,451
"	USD	0.61%~3.50%	2012~2030	1,131,075
"	THB	3.85%~6.13%	2012~2013	7,679,012
"	CNY	5.99%~8.79%	2012~2014	8,318,994
"	VND	16.50%~19.50%	2012~2014	550,263
Unsecured loans	TWD	0.97%~2.30%	2012~2014	33,586,571
"	USD	1.17%~3.95%	2012~2014	9,301,267
"	THB	4.10%~7.50%	2012~2013	2,738,697
"	JPY	1.28%~1.43%	2012~2015	330,015
"	CNY	5.40%~8.31%	2012~2014	25,600,885
Other unsecured loans	THB	3.50%~4.00%	2012	4,119,603
Total				\$ 94,540,833

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	2012.1.1		
	Currency	Interest Rate	Years of Maturity
Current			\$ 77,372,538
Non-current			17,168,295
Total			\$ 94,540,833

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

1. Securities for bank loans

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

2. Financial covenants of significant loans and borrowings

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

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certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio, risk assets to net assets ratio, etc.) Otherwise, the loans are due and payable immediately.

- 8) A subsidiary, Chailease International Corp., entered into several credit/loan agreements with financial institutions. Under these agreements, the Company shall maintain certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio, recovery of account receivable, etc.) Otherwise, the loans are due and payable immediately.
- 9) A subsidiary, Chailease Consumer Finance Co., Ltd., entered into several credit/loan agreements with financial institutions, under which, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. current ratio, interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.

As of December 31, 2013 and 2012 and January 1, 2012, the Group was in compliance with the financial covenants mentioned above.

3. Settlement of long-term debts

	2013.12.31		2012.12.31		2012.1.1	
	Within operating cycle	Beyond operating cycle	Within operating cycle	Beyond operating cycle	Within operating cycle	Beyond operating cycle
Long-term debts	\$ -	-	2,203,851	-	2,533,345	-
Less: Unamortized discount	-	-	(41,851)	-	(89,345)	-
Receivables under capital leases and installment sales (Note)	-	-	(2,162,000)	-	(2,444,000)	-
Net	\$ -	-	-	-	-	-

Note: Net of unearned interest income and guarantee deposits.

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

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On July 10, 2013, Chailease Finance Co., Ltd sold aircrafts to a third party for \$3,080,000 in accordance with the capital lease contract and utilized the entire proceeds to repay the aforesaid bank borrowings.

(k) Bonds payable

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

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Period	Interest Rate	Principal Amount	Repayment Terms	2012.12.31		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.061%~ 2.081%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ -	400,000	None
2011.01.19~ 2016.01.19	1.855%~ 1.891%	50,000	"	-	50,000	"
2011.01.19~ 2016.01.19	1.955%~ 1.991%	50,000	"	-	50,000	"
2011.08.30~ 2014.08.30	1.750%	4,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	4,000,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	-	2,000,000	"
2010.05.14~ 2013.05.14	4.600%	THB 500,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	476,750	-	"
2010.09.23~ 2013.09.23	4.600%	THB 200,000	"	190,700	-	"
2012.11.09~ 2014.11.10	4.550%	THB 1,000,000	"	-	953,500	"
2012.04.05~ 2015.04.05	5.000%	CNY 750,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	3,495,036	"
Bonds payable (Gross)				4,667,450	6,948,536	
Discounts on bonds payable				(208)	(1,769)	"
				<u>\$ 4,667,242</u>	<u>6,946,767</u>	

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Period	Interest Rate	Principal Amount	Repayment Terms	2012.1.1		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	1.824%~ 2.061%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ -	400,000	None
2011.01.19~ 2016.01.19	1.667%~ 1.855%	50,000	"	-	50,000	"
2011.01.19~ 2016.01.19	1.767%~ 1.955%	50,000	"	-	50,000	"
2011.08.30~ 2014.08.30	1.750%	4,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	-	4,000,000	"
2010.05.14~ 2013.05.14	4.600%	THB 500,000	"	-	482,350	"
2010.09.23~ 2013.09.23	4.600%	THB 200,000	"	-	192,940	"
Bonds payable (Gross)				-	5,175,290	
Discounts on bonds payable				-	(661)	"
				<u>\$ -</u>	<u>5,174,629</u>	

Financial covenants of significant loans and borrowings:

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

As of December 31, 2013 and 2012, Chailease Finance Co., Ltd., a subsidiary, was in compliance with the financial covenants mentioned above.

(I) Operating Leases

1. Leases entered into as lessee

Non-cancellable operating lease payables were as follows:

	2013.12.31	2012.12.31	2012.1.1
Within 1 year	\$ 195,278	146,822	143,987
Beyond 1 year but up to 5 years	182,207	112,010	234,590
	<u>\$ 377,485</u>	<u>258,832</u>	<u>378,577</u>

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(m) Employee benefits

1. Defined benefit plans

The Group determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Total present value of benefit obligations	\$ 1,426,182	1,409,178	1,261,848
Fair value of plan assets	<u>(616,982)</u>	<u>(582,399)</u>	<u>(559,075)</u>
Deficit in the plan	<u>809,200</u>	<u>826,779</u>	<u>702,773</u>
Recognized liabilities for defined benefit obligations	<u>\$ 809,200</u>	<u>826,779</u>	<u>702,773</u>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$607,795 as of December 31, 2013. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Defined benefit obligation at January 1	\$ 1,409,178	1,261,848
Benefits paid by the plan assets	(21,325)	(17,837)
Current service costs and interest	81,504	77,131
Actuarial (losses) gains	<u>(43,175)</u>	<u>88,036</u>
Defined benefit obligation at December 31	<u>\$ 1,426,182</u>	<u>1,409,178</u>

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3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	For the years ended December 31,	
	2013	2012
Fair value of plan assets at January 1	\$ 582,399	559,075
Contributions made	51,837	33,360
Benefits paid by the plan assets	(21,325)	(17,252)
Expected return on plan assets	10,503	11,471
Actuarial gains (losses)	(6,432)	(4,255)
Fair value of plan assets at December 31	\$ <u>616,982</u>	<u>582,399</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Group were as follows:

	For the years ended December 31,	
	2013	2012
Current service costs	\$ 55,485	50,999
Interest on obligation	26,019	26,132
Expected return on plan assets	(10,503)	(11,471)
	\$ <u>71,001</u>	<u>65,660</u>
Cost of sales	\$ <u>1,630</u>	<u>1,719</u>
Operating expenses	\$ <u>69,371</u>	<u>63,941</u>
Actual return on assets	\$ <u>4,071</u>	<u>7,216</u>

5) Actuarial gains and losses recognized in other comprehensive income

The Group's actuarial gains and losses recognized in other comprehensive income were as follows:

	For the years ended December 31,	
	2013	2012
Cumulative amount at January 1	\$ (92,291)	-
Recognized during the period	36,743	(92,291)
Cumulative amount at December 31	\$ <u>(55,548)</u>	<u>(92,291)</u>

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6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follow:

	For the years ended December 31,	
	2013	2012
Discount rate at December 31	2.00%~3.70%	1.75%~3.70%
Expected return on plan assets at January 1	2.00%	1.75%
Future salary increases	3.00%~6.00%	3.00%~6.00%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

7) Experience adjustments on historical information

	2013.12.31	2012.12.31	2012.1.1
Present value of defined benefit plans	\$ 1,426,182	1,409,178	1,261,848
Fair value of plan assets	(616,982)	(582,399)	(559,075)
Net liabilities (assets) of defined benefit obligations	<u>\$ 809,200</u>	<u>826,779</u>	<u>702,773</u>
Experience adjustments arising on the present value of defined benefit plans	<u>\$ (21,491)</u>	<u>13,477</u>	<u>-</u>
Experience adjustments arising on the fair value of the plan assets	<u>\$ (6,432)</u>	<u>(6,202)</u>	<u>-</u>

8) When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The Group are expecting \$61,978 worth of contributions shall be paid for its benefit plans within a year after the reporting date of December 31, 2013.

As of December 31, 2013, the Group's accrued pension liabilities were \$809,200. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by \$54,424 or increased by \$57,170, respectively.

2. Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations. Grand Pacific Holding Corp. also allocates pension expense to the labor pension personal account based on the employees' prior year wages at the specific allocating rate.

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The Group's pension costs under the defined contribution method were \$61,824 and \$57,897 for 2013 and 2012, respectively. Payment was made to the Bureau of the Labor Insurance.

(n) Income taxes

1. Income Tax Expense

The components of income tax in the years 2013 and 2012 were as follows:

	For the years ended December 31,	
	2013	2012
Current tax expense		
Current period	\$ 1,787,130	1,630,548
Adjustment for prior periods	15,664	5,149
	<u>1,802,794</u>	<u>1,635,697</u>
Deferred tax expense	<u>565,799</u>	<u>202,546</u>
Income tax expense from continuing operations	<u>\$ 2,368,593</u>	<u>1,838,243</u>

The amount of income tax recognized in other comprehensive income for years 2013 and 2012 was as follows:

	For the years ended December 31,	
	2013	2012
Foreign currency translation differences for foreign operations	\$ (39,275)	43,959
Defined benefit plan actuarial gains (losses)	<u>(5,594)</u>	<u>16,911</u>
	<u>\$ (44,869)</u>	<u>60,870</u>

The income tax calculated on pre-tax financial income was reconciled to income tax expense for 2013 and 2012 is as follows:

	For the years ended December 31,	
	2013	2012
Profit excluding income tax	<u>\$ 8,576,581</u>	<u>5,873,191</u>
Income tax calculated on pre-tax financial income at a statutory tax rate applied by subsidiaries	2,378,940	2,177,401
Reduction in tax rate	(79,431)	(69,628)
Non-deductible expenses	83,663	(105,983)
Change in temporary differences	(30,243)	(168,696)
Under provision in prior periods	<u>15,664</u>	<u>5,149</u>
Income tax expense	<u>\$ 2,368,593</u>	<u>1,838,243</u>

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2. Deferred Tax Assets and Liabilities

1) Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Tax effect of deductible Temporary Differences	\$ 413,964	445,144	1,165,109
Tax losses	<u>1,281,182</u>	<u>1,219,007</u>	<u>1,145,991</u>
	<u>\$ 1,695,146</u>	<u>1,664,151</u>	<u>2,311,100</u>

As of December 31, 2013, the Group did not recognize the prior years' loss carry-forwards as deferred tax assets. The expiry years of those loss carry forward benefits were as follows:

<u>Year of loss</u>	<u>Unused amount</u>	<u>Year of expiry</u>
2008	\$ 89,979	2018
2009	307,134	2019
2010	1,501,980	2020
2011	434,335	2021
2012	238,831	2022
2013	72,248	2023

2) Recognized Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for 2013 and 2012 were as follows:

	<u>Defined Benefit Plans</u>	<u>Loss on uncollectible account</u>	<u>Unrealized gain on investment income</u>	<u>Others</u>	<u>Total</u>
Deferred Tax Liabilities:					
Balance at January 1, 2013	\$ 412	-	925,128	50,550	976,090
Recognized in profit or loss	-	-	402,567	(49,271)	353,296
Recognized in other comprehensive income	440	-	-	-	440
Effect in exchange rate	<u>-</u>	<u>-</u>	<u>14,239</u>	<u>3</u>	<u>14,242</u>
Balance at December 31, 2013	<u>\$ 852</u>	<u>-</u>	<u>1,341,934</u>	<u>1,282</u>	<u>1,344,068</u>

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	Defined Benefit Plans	Loss on uncollectible account	Unrealized gain on investment income	Others	Total
Deferred Tax Liabilities:					
Balance at January 1, 2012	\$ -	-	609,631	831	610,462
Recognized in profit or loss	-	-	331,729	49,719	381,448
Recognized in other comprehensive income	412	-	-	-	412
Effect in exchange rate	-	-	(16,232)	-	(16,232)
Balance at December 31, 2012	<u>\$ 412</u>	<u>-</u>	<u>925,128</u>	<u>50,550</u>	<u>976,090</u>
Deferred Tax Assets:					
Balance at January 1, 2013	\$ 142,871	790,525	-	805,788	1,739,184
Recognized in profit or loss	4,091	161,250	-	(377,844)	(212,503)
Recognized in other comprehensive income	(5,154)	-	-	(39,275)	(44,429)
Effect in exchange rate	(661)	24,099	-	29,819	53,257
Balance at December 31, 2013	<u>\$ 141,147</u>	<u>975,874</u>	<u>-</u>	<u>418,488</u>	<u>1,535,509</u>
Balance at January 1, 2012	\$ 118,213	477,819	-	937,152	1,533,184
Recognized in profit or loss	7,434	322,584	-	(151,116)	178,902
Recognized in other comprehensive income	17,323	-	-	43,959	61,282
Effect in exchange rate	(99)	(9,878)	-	(24,207)	(34,184)
Balance at December 31, 2012	<u>\$ 142,871</u>	<u>790,525</u>	<u>-</u>	<u>805,788</u>	<u>1,739,184</u>

3. The income tax returns of the subsidiaries, Chailease Finance Co., Ltd., Fina Finance & Trading Co., Ltd., Apex Credit Solutions Inc., China Leasing Co., Ltd., Chailease Auto Rental Co., Ltd., Chailease Insurance Brokers Co., Ltd., and Chailease Credit Services Co., Ltd., have been assessed by the Tax Authority through 2011.

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(o) Share capital and other equity accounts

1. Share capital

As of December 31, 2013, and 2012 and January 1, 2012, the Company's authorized capital consisted of 1,500,000 thousand shares and issued shares worth \$9,958,304, \$9,053,004, and \$7,853,004, respectively, with par value of \$10 (NT dollars) per share.

On May 30, 2013, pursuant to the resolutions approved by the stockholders' meeting, the Company increased its capital by \$905,300, divided into 90,530 thousand shares, from unappropriated retained earnings, with September 2, 2013 as the record date. On September 16, 2013, the Company's relevant registration process thereon was completed.

Due to the capital needs for investing in the subsidiaries and repaying bank loans, the board of directors of the Company resolved to increase the Company's capital by issuing common shares of stock through the offering of global depositary shares overseas, and the offering was approved by the Financial Supervisory Commission (FSC) on August 3, 2012. As of October 9, 2012, these global depositary shares were priced at US\$8.59 per unit, and the Company issued 120,000,000 common shares of stock from the conversion of 24,000,000 units of global depositary shares. Each unit of global depositary shares represents 5 common shares of stock. As of December 31, 2013 and December 31, 2012, the Company has listed, 2,763,243 and 6,223,200 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 "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. Capital surplus

The components of capital surplus were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Share capital	\$ 9,387,469	9,387,469	4,623,522
Change in equity of associates and joint ventures accounted for under equity method	24,229	24,302	70,898
	<u>\$ 9,411,698</u>	<u>9,411,771</u>	<u>4,694,420</u>

In 2012, the Company issued 120,000 thousand common shares of stock at a premium through the offering of GDRs, so that the proceeds from issuance of shares in excess of the par value of common stock of \$4,763,947 were credited to capital surplus-additional paid-in capital.

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3. Retained earnings

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

- 1) between 0.01% and 1% of such remaining amount as employees' bonus;
- 2) between 0.01% and 0.1% of such remaining amount as directors' bonus; and
- 3) dividends of at least 20% of such remaining amount of which not be less than 30% of the total amount of dividends shall be in cash.

1) Special reserve

In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the debit balance of unrealized loss on financial instruments in the stockholders' equity, is appropriated from unappropriated retained earnings pursuant to Article No.41 of the Securities and Exchange Act. When appropriating a special reserve for the first time, it is initially appropriated from current earnings and any deficiency is appropriated from the undistributed earnings of prior years. For the second year and years thereafter, the increase or decrease in the balance of unrealized loss on financial instruments in subsequent year, as shown in the statement of changes in stockholders' equity, is either subject to further appropriation for special reserve, or reversed to retained earnings.

2) Earnings distribution

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

Amounts to distributed for employee benefits and the board of directors' remuneration for 2013 are yet to be administered by the board of directors or decided by the meeting of shareholders.

Related information would be available at the Market Observation Post System on the internet after the convening of the meeting of shareholders.

According to management, the difference, if any, between the amounts accrued in the 2013 financial statements and the actual appropriations of the 2013 earnings, shall be accounted for under profit or loss in 2014 when the actual distribution of such earnings are determined by the meeting of shareholders.

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During their meeting on May 30, 2013 and May10, 2012, the stockholders approved to distribute the 2012 and 2011 earnings, respectively, as follows:

	2012		2011	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 2.00	1,810,600	2.30	1,806,191
Stock	1.00	<u>905,300</u>	-	<u>-</u>
Total		<u>\$ 2,715,900</u>		<u>1,806,191</u>

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

4.Other equity accounts

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedges	Hedge of net investment in foreign operations	Others
At January 1, 2013	\$ (138,522)	(234,099)	(11,396)	29,695	75,473
Exchange differences, net of tax:					
The Group	899,032	-	-	-	-
Effective portion of cash flow hedges, net of tax:					
The Group	-	-	(28,523)	-	-
Unrealized gains (losses) on available-for-sale financial assets, net of tax:					
The Group	-	533,829	-	-	-
Effective portion of hedge of net investment in foreign operations, net of tax:					
The Group	-	-	-	(27,080)	-
Others, net of tax :					
The Group	-	-	-	-	(124,614)
At December 31, 2013	<u>\$ 760,510</u>	<u>299,730</u>	<u>(39,919)</u>	<u>2,615</u>	<u>(49,141)</u>

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedges	Hedge of net investment in foreign operations	Others
At January 1, 2012,	\$ 199,047	(360,228)	(15,988)	-	-
Exchange differences, net of tax:					
The Group	(337,569)	-	-	-	-
Effective portion of cash flow hedges, net of tax:					
The Group	-	-	4,592	-	-
Unrealized gains (losses) on available-for- sale financial assets, net of tax:					
The Group	-	126,129	-	-	-
Effective portion of hedge of net investment in foreign operations, net of tax:					
The Group	-	-	-	29,695	-
Others, net of tax :					
The Group	-	-	-	-	75,473
At December 31, 2012	<u>\$ (138,522)</u>	<u>(234,099)</u>	<u>(11,396)</u>	<u>29,695</u>	<u>75,473</u>

(p) Earnings per share

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

	For the years ended December 31,	
	2013	2012
Profit attributable to common stockholders of the Company	\$ <u>5,883,043</u>	<u>3,786,160</u>
Weighted average number of ordinary shares	<u>995,830</u>	<u>891,330</u>
Weighted average number of ordinary shares (Diluted)	<u>995,844</u>	<u>891,342</u>

Note: Potential ordinary shares have no dilutive effects.

(q) Net other income and expenses

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

	For the years ended December 31,	
	2013	2012
Gain on disposal of foreclosed assets	\$ 2,967	143,050
Consulting fees	-	178
Impairment loss of foreclosed assets	(8,114)	(3,689)
Gain on doubtful debt recoveries	157,372	115,919
	<u>\$ 152,225</u>	<u>255,458</u>

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(r) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31,	
	2013	2012
Foreign exchange gains (losses)	\$ (94,337)	(34,805)
Net gain on disposal of properly plant, and equipment	2,348	2,280
Net gains (losses) on disposal of available-for-sale financial assetst	53,627	26,367
Net gains (losses) on valuation of financial assets (liabilities) measured at fair value through profit or loss	(81,398)	(50,606)
Impairment losses on available-for-sale financial assets	(2,877)	(4,503)
Others	497,329	779,133
	\$ 374,692	717,866

(s) Reclassification of other comprehensive income

Details of reclassification of other comprehensive income were as follow:

	For the years ended December 31,	
	2013	2012
Available-for-sale financial assets	\$	
Net change in fair value	552,930	127,245
Net change in fair value reclassified to profit or loss	(19,101)	(1,116)
Net change in fair value recognized in other comprehensive income	\$ 533,829	126,129

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(t) Financial instruments

1. Financial instruments:

Financial assets:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial assets at fair value through profit or loss:			
Held for trading	\$ 264,569	236,246	240,841
Designated as at fair value through profit or loss	1,699,947	1,791,558	1,838,291
sub-total	<u>1,964,516</u>	<u>2,027,804</u>	<u>2,079,132</u>
Available-for-sale financial assets	<u>1,728,104</u>	<u>1,202,629</u>	<u>1,085,758</u>
Held-to-maturity financial assets	<u>5,324,240</u>	<u>2,487,100</u>	<u>280,000</u>
Loans and receivables:			
Cash and cash equivalents	7,586,221	10,131,431	6,558,070
Accounts receivable	161,737,753	132,712,631	107,000,060
Other financial assets	1,747,704	1,233,482	970,945
Refundable deposits	565,340	324,648	211,209
Restricted cash in banks	<u>3,299,295</u>	<u>5,585,177</u>	<u>5,265,429</u>
sub-total	<u>174,936,313</u>	<u>149,987,369</u>	<u>120,005,713</u>
Total	<u><u>\$ 183,953,173</u></u>	<u><u>155,704,902</u></u>	<u><u>123,450,603</u></u>

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Financial liabilities:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial liabilities at fair value through profit or loss:			
Held for trading	\$ 42,293	5,007	757
sub-total	<u>42,293</u>	<u>5,007</u>	<u>757</u>
Derivative financial liabilities for hedging	<u>6,777</u>	<u>11,396</u>	<u>15,988</u>
Financial liabilities are measured at cost:			
Bank overdraft	84,084	66,710	18,243
Secured bank loans	17,326,018	15,654,865	18,863,795
Unsecured bank loans	98,352,986	83,303,175	71,539,192
Other unsecured loans	8,244,284	7,296,712	4,119,603
Bonds payable	14,098,319	11,614,009	5,174,629
Accounts payable	5,899,299	5,047,413	4,543,525
Deposits relating to collateral of customers	18,507,840	16,118,194	12,514,093
sub-total	<u>162,512,830</u>	<u>139,101,078</u>	<u>116,773,080</u>
Total	<u><u>\$ 162,561,900</u></u>	<u><u>139,117,481</u></u>	<u><u>116,789,825</u></u>

2. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group. As of December 31, 2013 and 2012 and January 1, 2012, the maximum exposure to credit risks amounted to \$195,389,382, \$161,797,030 and \$127,021,848, respectively.

The non-performing loans (net of allowance for doubtful accounts) amounted to \$262,361, \$320,817 and \$153,342 as of December 31, 2013 and 2012 and January 1, 2012, respectively.

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

	<u>Taiwan</u>	<u>Thailand</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
December 31, 2013					
Gross loans and receivables:					
Neither past due nor impaired	\$ 79,759,656	23,780,427	51,695,376	3,860,029	159,095,488
Past due	132,092	-	-	270,526	402,618
Impaired	<u>2,115,012</u>	<u>2,045,735</u>	<u>2,744,555</u>	<u>414,887</u>	<u>7,320,189</u>
	<u>\$ 82,006,760</u>	<u>25,826,162</u>	<u>54,439,931</u>	<u>4,545,442</u>	<u>166,818,295</u>
Allowance for impairment					
Collectively assessed	\$ 1,129,054	219,901	1,159,308	387,289	2,895,552
Individually assessed	<u>1,047,058</u>	<u>257,289</u>	<u>919,013</u>	<u>223,991</u>	<u>2,447,351</u>
	<u>\$ 2,176,112</u>	<u>477,190</u>	<u>2,078,321</u>	<u>611,280</u>	<u>5,342,903</u>
December 31, 2012					
Gross loans and receivables:					
Neither past due nor impaired	\$ 60,135,980	20,637,583	47,339,615	3,023,328	131,136,506
Past due	134,707	-	-	485,496	620,203
Impaired	<u>1,482,854</u>	<u>1,304,072</u>	<u>1,856,094</u>	<u>610,496</u>	<u>5,253,516</u>
	<u>\$ 61,753,541</u>	<u>21,941,655</u>	<u>49,195,709</u>	<u>4,119,320</u>	<u>137,010,225</u>
Allowance for impairment					
Collectively assessed	\$ 939,959	163,380	1,197,475	454,460	2,755,274
Individually assessed	<u>843,639</u>	<u>240,412</u>	<u>498,508</u>	<u>280,578</u>	<u>1,863,137</u>
	<u>\$ 1,783,598</u>	<u>403,792</u>	<u>1,695,983</u>	<u>735,038</u>	<u>4,618,411</u>
January 1, 2012					
Gross loans and receivables:					
Neither past due nor impaired	\$ 48,786,851	15,873,833	36,885,714	3,390,611	104,937,009
Past due	99,313	-	-	677,136	776,449
Impaired	<u>1,774,508</u>	<u>1,386,682</u>	<u>882,632</u>	<u>700,638</u>	<u>4,744,460</u>
	<u>\$ 50,660,672</u>	<u>17,260,515</u>	<u>37,768,346</u>	<u>4,768,385</u>	<u>110,457,918</u>
Allowance for impairment					
Collectively assessed	\$ 658,307	136,824	527,080	573,518	1,895,729
Individually assessed	<u>845,864</u>	<u>225,755</u>	<u>338,685</u>	<u>305,167</u>	<u>1,715,471</u>
	<u>\$ 1,504,171</u>	<u>362,579</u>	<u>865,765</u>	<u>878,685</u>	<u>3,611,200</u>

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

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

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

3) Loans and receivables which were past due

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>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Past due up to 30 days	\$ 168,779	362,953	124,212
31 to 90 days	233,839	158,329	477,310
91 to 180 days	-	98,921	86,166
More than 180 days	-	-	88,761
	<u>\$ 402,618</u>	<u>620,203</u>	<u>776,449</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 agreements.

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3. Liquidity risks

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

	Carrying amount	Contractual cash flows	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	On demand
December 31, 2013								
Non-derivative financial liabilities								
Bank overdraft	\$ 84,084	84,084	-	-	-	-	-	84,084
Secured bank loans	17,326,018	18,096,865	3,036,244	1,405,913	4,574,556	8,660,275	419,877	-
Unsecured bank loans	98,352,986	99,316,048	22,079,489	23,357,028	27,811,233	25,572,531	495,767	-
Other unsecured loans	8,244,284	8,293,746	2,194,307	3,706,983	2,392,456	-	-	-
Bonds payables	14,098,319	14,587,944	1,946	136,445	4,176,727	10,272,826	-	-
Other payables	5,899,299	5,914,010	4,316,890	590,516	488,972	329	-	517,303
Deposits relating to collateral of customers	18,507,840	18,515,357	173,537	540,458	4,790,408	12,397,256	1,728	611,970
Derivative financial liabilities								
Derivative instruments not used for hedging	42,293	42,293	-	-	-	42,293	-	-
	\$ 162,555,123	164,850,347	31,802,413	29,737,343	44,234,352	56,945,510	917,372	1,213,357
December 31, 2012								
Non-derivative financial liabilities								
Bank overdraft	\$ 66,710	66,710	-	-	-	-	-	66,710
Secured bank loans	15,654,865	16,001,040	6,533,923	578,281	5,386,891	2,788,877	713,068	-
Unsecured bank loans	83,303,175	83,701,441	51,169,283	11,208,295	5,118,878	16,204,985	-	-
Other unsecured loans	7,296,712	7,340,142	2,521,153	3,167,527	1,651,462	-	-	-
Bonds payables	11,614,009	12,001,338	-	35,720	798,115	11,167,503	-	-
Other payables	5,047,413	5,141,558	3,227,301	635,649	650,491	217,544	-	410,573
Deposits relating to collateral of customers	16,118,194	16,120,370	11,969,830	236,656	1,027,971	2,498,208	-	387,705
Derivative financial liabilities								
Derivative instruments not used for hedging	5,007	5,007	80	-	2,464	2,463	-	-
	\$ 139,106,085	140,377,606	75,421,570	15,862,128	14,636,272	32,879,580	713,068	864,988

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>On demand</u>
January 1, 2012								
Non-derivative financial liabilities								
Bank overdraft	\$ 18,243	18,243	-	-	-	-	-	18,243
Secured bank loans	18,863,795	19,432,304	2,595,682	82,631	6,798,079	8,891,664	1,064,248	-
Unsecured bank loans	71,539,192	71,999,094	17,746,867	9,088,465	16,893,582	28,270,180	-	-
Other unsecured loans	4,119,603	4,155,735	625,126	1,881,937	1,648,672	-	-	-
Bonds payables	5,174,629	5,459,768	1,830	25,425	84,758	5,347,755	-	-
Other payables	4,543,525	4,587,304	935,201	436,424	2,777,903	623	-	437,153
Deposits relating to collateral of customers	12,514,093	12,532,203	51,839	242,481	3,429,811	8,407,085	-	400,987
Derivative financial liabilities								
Derivative instruments not used for hedging	757	757	-	-	379	378	-	-
	<u>\$ 116,773,837</u>	<u>118,185,408</u>	<u>21,956,545</u>	<u>11,757,363</u>	<u>31,633,184</u>	<u>50,917,685</u>	<u>1,064,248</u>	<u>856,383</u>

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

4.Currency risks

1) Exposure to currency risks

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

	2013.12.31			
	<u>Foreign currency (In thousand)</u>	<u>Exchange rate</u>	<u>Functional currency</u>	
Financial assets				
<u>Monetary items</u>				
USD	\$ 3,292.15	USD : TWD 29.8050		98,122
Financial liabilities				
<u>Monetary items</u>				
USD	87,112.72	USD : TWD 29.8050		2,596,395
	5,532.57	USD : VND 21,755		164,898
CNY	750,000.00	CNY : USD 0.1650		3,689,263

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		2012.12.31					
		Foreign currency (In thousand)		Exchange rate		Functional currency	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	47,211.81	USD : TWD	29.0400		1,371,031	
		28,406.35	USD : CNY	6.2318		824,920	
		5,442.91	USD : VND	21,591		158,062	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		83,436.60	USD : TWD	29.0400		2,422,999	
		5,724.82	USD : VND	21,591		166,249	
CNY		750,000.00	CNY : USD	0.1605		3,495,000	
		2012.1.1					
		Foreign currency (In thousand)		Exchange rate		Functional currency	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	2,014.44	USD : TWD	30.2750		60,987	
		1,198.35	USD : CNY	6.2981		36,280	
		2,544.58	USD : VND	21,781		77,037	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		39,071.83	USD : TWD	30.2750		1,182,900	
		5,129.91	USD : VND	21,781		155,308	

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 \$4,971 and \$108,331, for the years ended December 31, 2013 and 2012, respectively. The analysis is performed on the same basis for both years.

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5. Interest analysis

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

Ending balance as of December 31, 2013				Fixed rate			
Financial assets	Effective interest rate	Total	Floating rate	Within 1 year	1-5 years	More than 5 years	Non-interest bearing
Cash and cash equivalents	1.69 %	\$ 7,586,221	6,650,254	203,674	-	-	732,293
Debt securities	6.47 %	7,024,187	1,699,947	51,728	5,272,512	-	-
Total accounts receivables	11.66 %	167,136,523	19,692,077	78,169,622	62,338,257	115,961	6,820,606
Cross currency swap contracts	0.04 %	486	486	-	-	-	-
		181,747,417	28,042,764	78,425,024	67,610,769	115,961	7,552,899
Financial liabilities							
Secured bank loans	5.47 %	17,326,018	11,561,833	283,185	5,481,000	-	-
Unsecured bank loans	2.76 %	98,352,986	73,300,818	19,104,238	5,947,930	-	-
Bonds payables	3.41 %	14,098,319	500,000	5,004,063	8,594,256	-	-
Bank overdraft	7.38 %	84,084	84,084	-	-	-	-
Other unsecured loans	3.16 %	8,244,284	-	8,244,284	-	-	-
Deposits relating to collateral of customers	0.59 %	18,507,840	-	1,604,863	2,435,996	1,728	14,465,253
Interest rate swap contracts	0.963 %	42,293	42,293	-	-	-	-
Cross currency swap contracts	1.36 %	6,777	6,777	-	-	-	-
		156,662,601	85,495,805	34,240,633	22,459,182	1,728	14,465,253
Net exposure		\$ 25,084,816	(57,453,041)	44,184,391	45,151,587	114,233	(6,912,354)
Ending balance as of December 31, 2012				Fixed rate			
Financial assets	Effective interest rate	Total	Floating rate	Within 1 year	1-5 years	More than 5 years	Non-interest bearing
Cash and cash equivalents	0.86 %	\$ 10,131,431	9,378,593	89,812	-	-	663,026
Debt securities	6.41 %	4,278,658	1,791,558	-	2,487,100	-	-
Total accounts receivables	11.89 %	137,378,889	18,067,075	67,346,429	50,678,003	198,687	1,088,695
		151,788,978	29,237,226	67,436,241	53,165,103	198,687	1,751,721
Financial liabilities							
Secured bank loans	5.27 %	15,654,865	3,907,180	10,395,215	1,352,470	-	-
Unsecured bank loans	3.81 %	83,303,175	35,933,274	42,006,820	5,363,081	-	-
Bonds payables	3.25 %	11,614,009	500,000	667,242	10,446,767	-	-
Bank overdraft	7.38 %	66,710	66,710	-	-	-	-
Other unsecured loans	3.56 %	7,296,712	-	7,296,712	-	-	-
Deposits relating to collateral of customers	0.60 %	16,118,194	-	1,902,816	2,233,462	-	11,981,916
Interest rate swap contracts	2.12 %	16,403	16,403	-	-	-	-
		134,070,068	40,423,567	62,268,805	19,395,780	-	11,981,916
Net exposure		\$ 17,718,910	(11,186,341)	5,167,436	33,769,323	198,687	(10,230,195)

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Ending balance as of January 1, 2012							
Financial assets	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1-5 years	More than 5 years	
Cash and cash equivalents	0.92 %	\$ 6,558,070	6,107,470	142,354	-	-	308,246
Debt securities	7.15 %	2,118,291	1,838,291	-	280,000	-	-
Total accounts receivables	12.45 %	110,646,805	17,887,325	52,326,938	39,776,041	509,175	147,326
		<u>119,323,166</u>	<u>25,833,086</u>	<u>52,469,292</u>	<u>40,056,041</u>	<u>509,175</u>	<u>455,572</u>
Financial liabilities							
Secured bank loans	6.32 %	18,863,795	12,220,938	2,062,017	4,580,840	-	-
Unsecured bank loans	4.09 %	71,539,192	55,709,422	12,036,978	3,792,792	-	-
Bonds payables	2.13 %	5,174,629	500,000	-	4,674,629	-	-
Bank overdraft	7.50 %	18,243	18,243	-	-	-	-
Other unsecured loans	3.93 %	4,119,603	-	4,119,603	-	-	-
Deposits relating to collateral of customers	0.70 %	12,514,093	-	1,045,864	1,986,861	-	9,481,368
Interest rate swap contracts	0.81 %	16,745	16,745	-	-	-	-
		<u>112,246,300</u>	<u>68,465,348</u>	<u>19,264,462</u>	<u>15,035,122</u>	<u>-</u>	<u>9,481,368</u>
Net exposure		\$ <u>7,076,866</u>	<u>(42,632,262)</u>	<u>33,204,830</u>	<u>25,020,919</u>	<u>509,175</u>	<u>(9,025,796)</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 \$130,722 and \$93,131 for the years ended 2013 and 2012, respectively. This analysis assumes that all other variables remain constant.

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6. Fair value

1) Fair value and carrying amount

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

	2013.12.31		2012.12.31		2012.1.1	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Accounts receivable	\$ 161,737,753	158,519,447	132,712,631	132,254,910	107,000,060	106,335,945
Financial liabilities:						
Bonds Payable	14,098,319	13,808,705	11,614,010	11,793,838	5,174,629	5,239,394
Deposits relating to collateral of customers	18,057,840	18,466,364	16,118,194	16,118,178	12,514,093	12,518,900
Secured loans	17,326,018	17,304,893	15,654,865	15,620,554	18,863,795	18,824,105
Unsecured loans	106,681,355	106,655,251	90,666,597	90,611,780	75,677,038	75,620,590

2) Interest rates used in fair value determination

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

	As of December 31,	
	2013	2012
Accounts receivable	11.66 %	11.89 %
Long-term debts and short-term debts	3.45 %	4.11 %
Deposits relating to collateral of customers	0.59 %	0.60 %
Bonds payable	3.41 %	3.25 %

3) Fair value hierarchy

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

A. Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

B. Level 2: prices other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2013</u>				
Current financial assets at fair value through profit\$ or loss	264,083	486	-	264,569
Non-current financial assets at fair value through profit or loss	-	-	1,699,947	1,699,947
Non-current available-for-sale financial assets	-	1,210,419	517,685	1,728,104
	<u>264,083</u>	<u>1,210,905</u>	<u>2,217,632</u>	<u>3,692,620</u>
Current financial liabilities at fair value through profit or loss	-	(42,293)	-	(42,293)
Current derivative financial liabilities used for hedging	-	(6,777)	-	(6,777)
	<u>-</u>	<u>(49,070)</u>	<u>-</u>	<u>(49,070)</u>
	<u>\$ 264,083</u>	<u>1,161,835</u>	<u>2,217,632</u>	<u>3,643,550</u>
<u>December 31, 2012</u>				
Current financial assets at fair value through profit\$ or loss	236,246	-	-	236,246
Non-current financial assets at fair value through profit or loss	-	-	1,791,558	1,791,558
Non-current available-for-sale financial assets	-	696,690	505,939	1,202,629
	<u>236,246</u>	<u>696,690</u>	<u>2,297,497</u>	<u>3,230,433</u>
Current financial liabilities at fair value through profit or loss	-	(5,007)	-	(5,007)
Current derivative financial liabilities used for hedging	-	(11,396)	-	(11,396)
	<u>-</u>	<u>(16,403)</u>	<u>-</u>	<u>(16,403)</u>
	<u>\$ 236,246</u>	<u>680,287</u>	<u>2,297,497</u>	<u>3,214,030</u>
<u>January 1, 2012</u>				
Current financial assets at fair value through profit\$ or loss	240,841	-	-	240,841
Non-current financial assets at fair value through profit or loss	-	-	1,838,291	1,838,291
Non-current available-for-sale financial assets	-	580,997	504,761	1,085,758
	<u>240,841</u>	<u>580,997</u>	<u>2,343,052</u>	<u>3,164,890</u>
Current financial liabilities at fair value through profit or loss	-	(757)	-	(757)
Current derivative financial liabilities used for hedging	-	(15,988)	-	(15,988)
	<u>-</u>	<u>(16,745)</u>	<u>-</u>	<u>(16,745)</u>
	<u>\$ 240,841</u>	<u>564,252</u>	<u>2,343,052</u>	<u>3,148,145</u>

There was no transfer between the fair value levels for the years ended December 31, 2013 and 2012.

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The following table shows the movements in Level 3 of the fair value hierarchy for the years ended December 31, 2013 and 2012:

	At fair value through profit or loss Designated at initial recognition	Available-for-sale financial assets Unquoted equity instruments	Total
Opening balance, January 1, 2013	\$ 1,791,558	505,939	2,297,497
Total gains and losses recognized:			-
In profit or loss	(91,611)	(2,877)	(94,488)
In other comprehensive income	-	15,244	15,244
Disposal	-	(621)	(621)
Ending balance, December 31, 2013	<u>\$ 1,699,947</u>	<u>517,685</u>	<u>2,217,632</u>
Opening balance, January 1, 2012	\$ 1,838,291	504,761	2,343,052
Total gains and losses recognized:			
In profit or loss	(46,733)	(3,907)	(50,640)
In other comprehensive income	-	5,405	5,405
Disposal	-	(320)	(320)
Ending balance, December 31, 2012	<u>\$ 1,791,558</u>	<u>505,939</u>	<u>2,297,497</u>

For the years ended December 31, 2013 and 2012, total gains and losses arising from the valuation of investments under Level 3 of the fair value hierarchy that are included in “other gains and losses” and “unrealized gains and losses from available-for-sale financial assets” were as follows:

	For the years ended December 31,	
	2013	2012
Total gains and losses recognized :		
In profit or loss, and included “other gains and losses”	(94,471)	(50,640)
In other comprehensive income, and included “unrealized gains on available-for-sale financial assets ”	15,244	5,405

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(u) Financial risk management

1. Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

2. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's Risk Management Committee based in Taiwan, which reports to the Board of Directors, is responsible for the development of the Group-wide risk management policy and related systems and controls. The Risk Management Committee has established a set of risk management guidelines to which all subsidiaries adhere. With these guidelines, subsidiaries develop their own risk management policies in accordance to individual market conditions, operating environment and business needs. The Risk Management Committee reviews and approves such policies prior to their adoption by the subsidiaries. Subsidiaries are required to submit quarterly risk analysis reports to their respective board of directors and the Risk Management Committee.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Credit risk can also arise from operational failures that result in unauthorized or inappropriate advance, commitment or investment of funds. The Group are exposed to credit risk primarily through its lease contracts, installment sales contracts, international and domestic factoring contracts, direct finance and commercial real estate and mezzanine finance loans, guarantees and other commitments. In the Group's past experiences, the major causes of bad debts in its portfolio include:

- 1) non-payment or delay in payment of customers' downstream accounts
- 2) poor operating and financial performance due to macroeconomic factors
- 3) poor investment decisions made by customers
- 4) poor business management
- 5) high default rate of private loans to small and medium enterprises
- 6) to a lesser extent, other factors, such as misappropriation by employees, malicious bankruptcies, sudden tightening of credit lines from banks, debt burden resulting from guarantee obligations, litigation and major exchange rate losses.

Each operating company in the Group is required to implement credit policies, procedures and lending guidelines that meet local requirements while conforming to Group standards. Each operating company is responsible for the quality and performance of all its credit portfolios and for monitoring and controlling all credit risks in them. This includes managing its own risk concentration by market sector, geography and product. Local systems are in place throughout the Group to control and monitor exposures by customer and product segments.

4. Liquidity risk

Liquidity risk is the risk that the Group do not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. The risk can arise from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required. The Group's primary source of liquidity risk arises from mismatches in cash flow in the maturity periods of the Group's assets and liabilities.

The Group monitor the relative maturities between its assets and liabilities and take necessary steps to maintain an appropriate balance of long-term and short-term funding sources. The Group use a broad range of financial instruments such as bank borrowings from both domestic and foreign banks, corporate bonds, money market instruments, accounts receivable syndication and in both the United States, Thailand and Taiwan, asset securitization, to maintain a diverse and cost efficient funding base. The Group believe it holds sufficient cash to finance long-term funding needs.

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The management of liquidity and funding is primarily carried out locally by the Group operating entities in each country. The Group require its operating entities to maintain strong liquidity positions and to manage its liquidity profiles of their assets, liabilities and commitments with the objective of ensuring that their cash flows are balanced appropriately and that all their anticipated obligations can be met when due. The Group adapt its liquidity and funding risk management framework in response to changes in the mix of business that it undertakes, and to changes in the nature of the markets in which it operates. The Group have continuously monitored the impact of recent market events on the Group's liquidity position and have changed behavioral assumptions where justified. The liquidity and funding risk management framework will continue to evolve as the Group assimilate knowledge from the recent market events.

The Group's liquidity and funding management process includes:

- 1) projecting cash flows under various stress scenarios and considering the level of liquid assets comprising mainly cash and cash equivalents
- 2) maintaining a diverse range of funding sources with back-up facilities
- 3) managing the concentration and profile of debt maturities
- 4) maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises, while minimizing adverse long-term implications for the business.

The Group do not have a funding contingency plan, but manage this risk by engaging in products that have high liquidity and entering into transactions with counterparties that possess sufficient facility, information and capability to conduct the transaction in the relevant market.

The Group use a number of standard projected cash flow scenarios designed to model both Group-specific and market-wide liquidity crisis, in which the rate and timing of receipts and drawdowns on committed lending facilities are varied, and the ability to access funding and to generate funds from assets portfolios is restricted. The appropriateness of the assumptions under each scenario is regularly reviewed. In addition to the Group's standard projected cash flow scenarios, individual entities are required to design their own scenarios tailored to reflect specific local market conditions, products and funding bases. Limit for cumulative net cash flows under stress scenarios are set for each operating entities. Cash flows limits reflect the local market conditions and the diversity of funding sources available. Compliance with entity level limits is monitored centrally by the head office in Taiwan.

5. Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

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1) Management of market risk

The objective of the Group's market risk management is to manage and control market risk exposures in order to optimize return on risk while maintaining a market profile consistent with the Group's status as a provider of financial products and services.

2) Currency risk

The Group are exposed to currency risk through transactions in foreign currencies and through its investment on foreign operations. The Group's main operations are in Taiwan, PRC, and Thailand. The functional currencies of these operations are the New Taiwan Dollars, Renminbi, and Thai Baht respectively.

The Group are not exposed to significant exchange risk since the Group finance a significant proportion of its net investment in foreign operations with borrowings in the same currencies as the relevant measurement currencies to mitigate its currency risk. Further, the Group's subsidiaries in respective countries fund their operations through local funding in the local currency and lend in the same currency in which they borrow money, which creates a natural hedge. The Group have only small portion of assets and liabilities held in currencies other than the relevant measurement currencies in the respective countries.

3) Interest rate risk

Interest rate risk represents exposure to adverse movements in interest rates. The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets, including investment securities, and interest-bearing liabilities mature or reprice at different times or in different amounts. Sensitivity to interest rate movements arise from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. As interest rates and yield curves change over time, the size and nature of these mismatches may result in a loss or gain in earnings. In particular, most of the Group's financing obligations are on short-term and floating rate basis, and any sudden increase in market interest rate will result in a corresponding increase in the Group's debt servicing obligations.

The Group have adopted a series of core indicators for interest rate risk management, standards for interest rate sensitivity gap analysis and guidelines for its interest rate risk management. The analysis of the Group's interest rate risk includes an assessment of the incremental gaps between interest-sensitive assets and liabilities and the results of sensitivity analysis to measure the potential exposures in the Group's investment portfolio as a result of an interest rate change. The Group manage its interest rate risk exposure by adjusting the structure of its assets and liabilities based on an assessment of potential changes in interest rates using gap analysis, which provides a measure of the repricing characteristics of the Group's assets and liabilities. In addition, the Group have entered into interest rate swap contracts with financial institutions that have good credit ratings to manage its interest rate risk.

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4) Other market price risks

The management of the Group monitor the combination of debts and equity securities in its investment portfolio based on market index. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Risk Management Committee.

The primary goal of the Group's investment strategy is to maximize investment returns in order to partially meet the Group's unfunded defined benefit obligations; management is assisted by external advisors in this regards. In accordance with this strategy, certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

(v) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, obtain new borrowings, sell assets to reduce borrowings, or pay or adjust the amount of dividend payment, return capital to shareholders.

The Group use the debt-to-equity ratio to manage capital. The total capital and equity include share capital, capital surplus, retained earnings, other equity and non — controlling interest plus net debt of the Group. The Group's debt to equity ratio at the reporting date was as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Total Liabilities	\$ 165,334,757	141,597,960	118,773,040
Less: cash and cash equivalents	<u>(7,586,221)</u>	<u>(10,131,431)</u>	<u>(6,558,070)</u>
Net debt	157,748,536	131,466,529	112,214,970
Total Equity	30,441,193	25,011,621	16,815,491
Less: amounts accumulated in equity relating to cash flow hedges	(6,777)	(11,396)	(15,988)
Adjusted capital	<u>\$ 188,182,952</u>	<u>156,466,754</u>	<u>129,014,473</u>
Debt to equity ratio	<u>83.83 %</u>	<u>84.02 %</u>	<u>86.98 %</u>

As of December 31, 2013, according to the Company's management, there were no changes in the Group's approach to capital management.

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(7) Related Party Transactions

- (a) The Company is the ultimate controlling party of the Group.
- (b) Significant transactions with related parties

1. Operating leases

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

<u>Rental Revenues</u>	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Affiliates	\$ <u>15,833</u>	<u>22,099</u>

<u>Rental Expenses</u>	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Affiliates	\$ <u>23,809</u>	<u>19,362</u>

2. Capital Leases

<u>2013.12.31</u>	<u>Capital leases receivable</u>		<u>Unearned revenue</u>	
	<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>
Affiliates	\$ <u>738</u>	<u>-</u>	<u>(79)</u>	<u>-</u>

<u>2012.12.31</u>	<u>Capital leases receivable</u>		<u>Unearned revenue</u>	
	<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>
Affiliates	\$ <u>5,727</u>	<u>-</u>	<u>(520)</u>	<u>-</u>

<u>2012.1.1</u>	<u>Capital leases receivable</u>		<u>Unearned revenue</u>	
	<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>
Affiliates	\$ <u>7,009</u>	<u>-</u>	<u>(762)</u>	<u>-</u>

For the years ended December 31, 2013 and 2012, interest revenue from the capital leases with affiliates amounted to \$57 and \$483, respectively.

3. Deposits

	<u>2013.12.31</u>	
	<u>Ending Balance</u>	<u>Interest rate</u>
Affiliates	\$ <u>275,405</u>	0%~1.35%

	<u>2012.12.31</u>	
	<u>Ending Balance</u>	<u>Interest rate</u>
Affiliates	\$ <u>602,857</u>	0%~1.35%

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	2012.1.1	
	Ending Balance	Interest rate
Affiliates	\$ <u><u>495,939</u></u>	0.88%~1.35%

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

For the years ended December 31, 2013 and 2012, interest revenue from the deposits in affiliates amounted to \$787 and \$906, respectively.

4.The Group purchased deferred assets and leasehold improvements from affiliates. The total amount of purchase price were \$13,305 and \$17,877 for the years ended December 31, 2013 and 2012, respectively.

5.Interest bearing borrowings

	2013.12.31		
	Ending balance	Interest rate	Interest payable
Affiliates	\$ <u><u>2,778,909</u></u>	3.08%~7.38%	<u><u>786</u></u>

	2012.12.31		
	Ending balance	Interest rate	Interest payable
Affiliates	\$ <u><u>2,304,678</u></u>	3.42%~7.38%	<u><u>656</u></u>

	2012.1.1		
	Ending balance	Interest rate	Interest payable
Affiliates	\$ <u><u>2,500,445</u></u>	2.43%~7.50%	<u><u>927</u></u>

Note 1 : Interest rates charged by related parties were the same as those charged by unrelated parties.

Note 2 : Interest bearing debts include short-term borrowings, current portion of long-term borrowings and long-term borrowings.

For the years ended December 31, 2013 and 2012, interest expenses from the interest bearing borrowings from affiliates amounted to \$132,335 and \$115,220, respectively.

6.Bonds payable

	2013.12.31		
	Ending balance	Interest rate	Interest payable
Affiliates	\$ <u><u>45,675</u></u>	4.50%	<u><u>28</u></u>

	2012.12.31		
	Ending balance	Interest rate	Interest payable
Affiliates	\$ <u><u>28,605</u></u>	4.60%	<u><u>173</u></u>

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	2012.1.1		
	Ending balance	Interest rate	Interest payable
Affiliates	\$ <u><u>28,941</u></u>	2.60%~4.60%	<u><u>175</u></u>

For the years ended December 31, 2013 and 2012, interest expenses from bonds payable to affiliates amounted to \$1,613 and \$1,323, respectively.

7.Accounts Receivable (Payable)

	<u><u>2013.12.31</u></u>	<u><u>2012.12.31</u></u>	<u><u>2012.1.1</u></u>
1) Accounts Receivable			
Affiliates	\$ <u><u>1,525</u></u>	<u><u>13,250</u></u>	<u><u>75,845</u></u>
2) Other Receivables			
Affiliates	\$ <u><u>807,638</u></u>	<u><u>54,473</u></u>	<u><u>76,470</u></u>

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

	<u><u>2013.12.31</u></u>	<u><u>2012.12.31</u></u>	<u><u>2012.1.1</u></u>
3) Other current financial assets			
Affiliates	\$ <u><u>1,000</u></u>	<u><u>1,000</u></u>	<u><u>1,000</u></u>
4) Other non-current financial assets			
Affiliates	\$ <u><u>5,600</u></u>	<u><u>17,167</u></u>	<u><u>30,200</u></u>
5) Other current financial liabilities			
Affiliates	\$ <u><u>146,285</u></u>	<u><u>22,168</u></u>	<u><u>-</u></u>

8.Others

	For the years ended December 31,	
<u><u>Affiliates</u></u>	<u><u>2013</u></u>	<u><u>2012</u></u>
Other interest revenue	\$ 528	303
Other operating revenue	68,930	99,705
Commission and service costs	(453)	(454)
Other operating costs	<u>(48,620)</u>	<u>(28,043)</u>
	\$ <u><u>20,385</u></u>	<u><u>71,511</u></u>

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1) Loans Receivable

		2013.12.31		
		Ending balance	Interest rate	Interest receivable
Affiliates	\$	<u>343,940</u>	2.26%~4.00%	<u>4,860</u>
		2012.12.31		
		Ending balance	Interest rate	Interest receivable
Affiliates	\$	<u>335,105</u>	2.26%~4.00%	<u>1,040</u>
		2012.1.1		
		Ending balance	Interest rate	Interest receivable
Affiliates	\$	<u>1,015,605</u>	2.29%~3.49%	<u>2,730</u>

Note : The ending balance was accounted for as accounts receivable, and the interest receivable was accounted for as other financial assets.

For the years ended December 31, 2013 and 2012, interest revenue from the loans receivable from affiliates amounted to \$11,919 and \$27,715, respectively.

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

3) Endorsements and guarantees with related parties

Bank	Ending Balance	Bank Facilities	Beginning Date	Ending Date	Guarantee to	Remarks
2012.12.31						
Kaohsiung Bank	TWD 419,500		2012.06.05	2013.06.11	Affiliates	Real estate mortgage guarantee
Kaohsiung Bank	TWD 100,000		2012.06.05	2014.06.30	"	Real estate mortgage guarantee
	<u>TWD 519,500</u>	<u>TWD 743,400</u>				

(c) Key management personnel compensation

		For the years ended December 31,	
		2013	2012
Short-term employee benefits	\$	223,538	207,888
Post-employment benefits		2,266	29,442
	\$	<u>225,804</u>	<u>237,330</u>

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(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2013.12.31	2012.12.31	2012.1.1
Restricted cash in banks				
Restricted account for loans repayment (demand deposits)	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	\$ 3,297,140	5,449,536	1,168,852
Time deposits	Alliance contract guarantee	1,900	1,900	194,480
Inventories	As guarantee for short-term and long-term borrowings	-	771,503	616,069
Property and equipment, and assets held for lease	As guarantee for short-term and long-term borrowings	3,649,672	1,110,404	1,123,173
Equity securities	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	1,190,724	738,479	636,667
Refundable deposits	Provincial court seizure etc.	310,348	183,411	154,490
Notes receivable	Issuance of short-term bills, corporate bonds and as guarantee for short-term and long-term borrowings	21,128,592	22,849,773	24,907,418
Accounts receivable and loans	As guarantee for short-term and long-term borrowings	45,484,808	48,534,425	41,599,888
Total		<u><u>\$ 75,063,184</u></u>	<u><u>79,639,431</u></u>	<u><u>70,401,037</u></u>

(9) Commitments and Contingencies

- (a) The Group entered into alliances with several commercial banks for which the banks will provide direct financing loans to the Group's corporate and individual customers. Should these corporate and individual customers default on their payments, the Group are required to assume their loan obligations and pay these loans on behalf of these customers. As of December 31, 2013 and 2012 and January 1, 2012, the balance of unexpired payments from these alliance transactions amounted to \$11,481,602, \$5,384,047 and \$2,773,922, respectively.
- (b) The Group entered into sale and lease-back agreements with third parties, which were financed through long-term bank debts. The third parties pay rentals directly to the Group's lender. For details regarding long-term debts payable, refer to notes (6)(j).

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- (c) In 2012, Chailease Finance Co., Ltd. (CFC) was formally notified by the National Tax Administration (NTA) in which the NTA assessed CFC to pay additional income tax of \$40,930 for 2010, and CFC rejected to accept it. Therefore, CFC applied for administrative remedy and accrued a possible loss of \$6,968 in 2012.
- (d) Chailease Finance Co., Ltd. (CFC), together with third parties/co-facilitators, entered into an agreement with CFC customers for purposes of facilitating the extension of loans to these customers by financial institutions, under which, CFC will share with these co-facilitators in the facilitating fee that they earn from this agreement. If the customers default on their payments, CFC is required to pay to the financial institutions its share of the loans on behalf of these customers. As of December 31, 2013 and 2012 and January 1, 2012, the payable balance from these transactions amounted to \$401,295, \$634,067 and \$693,404, respectively.
- (e) The Group facilitated the extension of financing by financial institutions on behalf of its certain customers under factoring agreements. Such facilitation enables the customers to obtain desired financing from financial institutions. As of December 31, 2013 and 2012 and January 1, 2012, the balance of financing obtained from such facilitation amounted to \$37,138, \$63,227 and \$52,316, respectively.
- (f) As of December 31, 2013, Chailease Finance Co., Ltd. and Chailease Construction & Development Corp. entered into pre-selling building premises construction contracts with customers worth \$3,979,840, and Chailease Finance Co., Ltd. and Chailease Construction & Development Corp. received advance payments of \$2,527,540 for these contracts which were recorded as advanced real estate receipts.

(10) Losses Due to Major Disasters : None.

(11) Subsequent Events : None.

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(12) Other

(a) Liquidity analysis of assets and liabilities :

	2013.12.31		
	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	\$ 7,586,221	-	7,586,221
Current financial assets at fair value through profit or loss	264,569	-	264,569
Current held-to-maturity financial assets	1,500,728	3,337,657	4,838,385
Accounts receivable, net	85,240,004	48,478,303	133,718,307
Inventories	567,752	-	567,752
Other current financial assets	5,000,217	-	5,000,217
Other current assets – others	<u>2,323,739</u>	<u>-</u>	<u>2,323,739</u>
	\$ <u>102,483,230</u>	<u>51,815,960</u>	<u>154,299,190</u>
Current liabilities			
Short-term borrowings	\$ 57,141,701	-	57,141,701
Current financial liabilities at fair value through profit or loss	42,293	-	42,293
Current derivative financial liabilities for hedging	6,777	-	6,777
Accounts and notes payable	2,383,535	-	2,383,535
Current tax payable	618,258	-	618,258
Other current financial liabilities	8,449,271	11,381,508	19,830,779
Advance real estate receipts	307,563	-	307,563
Long-term liabilities – current portion	29,111,158	20,400,500	49,511,658
Other current liabilities – others	<u>869,514</u>	<u>-</u>	<u>869,514</u>
	\$ <u>98,930,070</u>	<u>31,782,008</u>	<u>130,712,078</u>

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	2012.12.31		
	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	\$ 10,131,431	-	10,131,431
Current financial assets at fair value through profit or loss	236,246	-	236,246
Current held-to-maturity financial assets	1,528,100	469,000	1,997,100
Accounts receivable, net	76,035,313	34,934,895	110,970,208
Inventories	771,503	-	771,503
Other current financial assets	6,748,887	-	6,748,887
Other current assets – others	<u>1,442,367</u>	<u>-</u>	<u>1,442,367</u>
	<u>\$ 96,893,847</u>	<u>35,403,895</u>	<u>132,297,742</u>
Current liabilities			
Short-term borrowings	\$ 51,043,587	-	51,043,587
Current financial liabilities at fair value through profit or loss	5,007	-	5,007
Current derivative financial liabilities for hedging	11,396	-	11,396
Accounts and notes payable	1,772,943	-	1,772,943
Current tax payable	675,265	-	675,265
Other current financial liabilities	6,850,531	10,472,696	17,323,227
Advance real estate receipts	302,039	-	302,039
Long-term liabilities – current portion	22,371,391	25,642,275	48,013,666
Other current liabilities – others	<u>1,160,557</u>	<u>-</u>	<u>1,160,557</u>
	<u>\$ 84,192,716</u>	<u>36,114,971</u>	<u>120,307,687</u>

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	2012.1.1		
	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	\$ 6,558,070	-	6,558,070
Current financial assets at fair value through profit or loss	240,841	-	240,841
Current held-to-maturity financial assets	280,000	-	280,000
Accounts receivable, net	58,133,635	31,705,472	89,839,107
Inventories	-	616,069	616,069
Other current financial assets	6,113,565	-	6,113,565
Other current assets – others	1,179,503	-	1,179,503
	\$ 72,505,614	32,321,541	104,827,155
Current liabilities			
Short-term borrowings	\$ 39,831,048	-	39,831,048
Current financial liabilities at fair value through profit or loss	757	-	757
Current derivative financial liabilities for hedging	15,988	-	15,988
Accounts and notes payable	2,312,415	-	2,312,415
Current tax payable	669,271	-	669,271
Other current financial liabilities	5,601,239	7,585,627	13,186,866
Advance real estate receipts	-	173,091	173,091
Long-term liabilities – current portion	17,109,545	20,431,945	37,541,490
Other current liabilities – others	816,093	-	816,093
	\$ 66,356,356	28,190,663	94,547,019

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

By item	For the year ended December 31, 2013			For the year ended December 31, 2012		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	53,094	3,119,566	3,172,660	52,485	2,658,898	2,711,383
Labor and health insurance	3,200	196,182	199,382	3,187	139,340	142,527
Pension	1,630	131,195	132,825	1,719	121,838	123,557
Others	-	218,404	218,404	-	171,200	171,200
Depreciation	1,375,200	116,209	1,491,409	1,718,777	85,058	1,803,835
Amortization	-	87,491	87,491	-	58,928	58,928

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(13) Segment Information

- (a) The Group's reportable segments include operations in Taiwan, China, Thailand and other areas. These segments engage mainly in installment sales and leasing. The Group use net income as the measurement for segment profit and the basis of performance assessment.
- (b) Information about profit or loss and assets and liabilities the report amount is similar to that in the report used by the chief operating decision maker.

Operating segments financial information:

	For the year ended December 31, 2013					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 12,040,798	15,088,912	2,384,604	897,366	-	30,411,680
Intersegment revenues	935,433	353,738	-	-	(1,289,171)	-
Interest revenue	2,852	110,817	496	13,677	-	127,842
Total revenue	\$ 12,979,083	15,553,467	2,385,100	911,043	(1,289,171)	30,539,522
Interest expenses	\$ 1,255,778	1,788,470	819,623	121,904	-	3,985,775
Depreciation and amortization	\$ 803,416	750,925	21,498	3,061	-	1,578,900
Share of profit of equity-accounted investees (associates, and jointly controlled entities)	\$ 111	-	-	(2,570)	-	(2,459)
Reportable segment profit or loss	\$ 3,500,144	2,233,149	622,079	(147,384)	-	6,207,988
Reportable segment assets	\$ 107,486,813	64,716,529	25,925,692	5,555,046	(7,908,130)	195,775,950
Reportable segment liabilities	\$ 92,533,609	48,977,764	22,457,669	8,874,503	(7,508,788)	165,334,757
	For the year ended December 31, 2012					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 8,656,056	10,452,022	1,921,176	383,341	-	21,412,595
Intersegment revenues	940,078	171,893	-	15,464	(1,127,435)	-
Interest revenue	2,107	73,882	708	10,116	-	86,813
Total revenue	\$ 9,598,241	10,697,797	1,921,884	408,921	(1,127,435)	21,499,408
Interest expenses	\$ 1,000,663	2,123,687	697,727	143,545	-	3,965,622
Depreciation and amortization	\$ 619,054	1,220,671	18,477	3,681	-	1,861,883
Share of profit of equity-accounted investees (associates, and jointly controlled entities)	\$ 111	-	-	-	-	111
Reportable segment profit or loss	\$ 2,438,889	1,566,427	472,906	(443,274)	-	4,034,948
Reportable segment assets	\$ 82,588,138	63,655,845	22,085,600	5,742,821	(7,462,823)	166,609,581
Reportable segment liabilities	\$ 71,313,989	52,611,510	18,749,230	6,386,054	(7,462,823)	141,597,960

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(c) Information about the products and services

Revenue from the external customers of the Group was as follows:

<u>Products and services</u>	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Sales revenue	\$ 7,172,933	2,632,479
Installment sales interest revenue	6,005,667	4,643,450
Capital lease interest revenue	7,296,824	6,114,388
Operating lease interest revenue	2,270,196	2,901,738
Loan interest revenue	1,552,638	1,031,198
Other interest revenue	1,126,463	1,355,226
Other operating revenue	4,986,959	2,734,116
Total	<u>\$ 30,411,680</u>	<u>21,412,595</u>

(d) Geographical information

In presenting information is based on the geographical location of customers (Note13(b)).

(e) Information about major customers

The Group does not have more than 10% corporate income from single customer.

(14) First-time Adoption of IFRSs endorsed by FSC

The consolidated financial statements of the Group as of and for the year ended December 31, 2012, were prepared under R.O.C. GAAP ("previous GAAP"). As described in Note (4)(a), the accompanying consolidated financial statements are the Group's first interim consolidated financial statements prepared under IFRSs endorsed by FSC and IFRS 1 First time Adoption of International Financial Reporting Standards endorsed by FSC and in accordance with "Guidelines Governing the Preparation of Financial Reports by Securities Issuers".

The accounting policies described in Note(4) have been adopted for the comparative consolidated financial statements for the year ended December 31, 2012, the consolidated balance sheet as of December 31, 2012, and the initial IFRSs consolidated balance sheet as of January 1, 2012 (the Group's conversion date).

In preparing its opening IFRSs statement of financial position, the Group have adjusted amounts reported previously in financial statements prepared in accordance with R.O.C. GAAP. An explanation of how the transition from previous GAAP to IFRSs has affected the Group's financial position, financial performance and cash flow is set out in the following tables and the notes that accompany the tables.

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(a) Balance sheets GAAP reconciliation

	2012.12.31			2012.1.1		
	Previous GAAP	Effects of transition to IFRS	IFRSs	Previous GAAP	Effects of transition to IFRS	IFRSs
Assets						
Cash and cash equivalents	\$ 10,131,431	-	10,131,431	6,558,070	-	6,558,070
Current financial assets at fair value through profit or loss	236,246	-	236,246	240,841	-	240,841
Current held-to-maturity financial assets	1,997,100	-	1,997,100	280,000	-	280,000
Accounts receivable, net	104,930,204	6,040,004	110,970,208	81,290,375	8,548,732	89,839,107
Construction in progress	970,877	(199,374)	771,503	638,924	(22,855)	616,069
Other current financial assets	5,515,405	1,233,482	6,748,887	5,142,620	970,945	6,113,565
Other current assets — others	<u>3,803,076</u>	<u>(2,360,709)</u>	<u>1,442,367</u>	<u>2,713,402</u>	<u>(1,533,899)</u>	<u>1,179,503</u>
Total current assets	<u>127,584,339</u>	<u>4,713,403</u>	<u>132,297,742</u>	<u>96,864,232</u>	<u>7,962,923</u>	<u>104,827,155</u>
Non-current financial assets at fair value through profit or loss	1,791,558	-	1,791,558	1,838,291	-	1,838,291
Non-current available-for-sale financial assets	-	1,202,629	1,202,629	-	1,085,758	1,085,758
Non-current financial investments carried at cost	1,436,728	(1,436,728)	-	1,445,986	(1,445,986)	-
Non-current held-to-maturity financial assets	490,000	-	490,000	-	-	-
Investments accounted for using equity method	7,062	-	7,062	1,243	-	1,243
Property, plant and equipment	6,333,476	171,219	6,504,695	8,610,284	113,326	8,723,610
Intangible assets	23,087	-	23,087	24,669	-	24,669
Deferred tax assets	782,950	956,234	1,739,184	835,397	697,787	1,533,184
Long-term accounts receivable, net	25,988,488	(4,246,065)	21,742,423	23,904,554	(6,743,601)	17,160,953
Other non-current assets — others	<u>2,355,018</u>	<u>(1,543,817)</u>	<u>811,201</u>	<u>2,193,834</u>	<u>(1,800,166)</u>	<u>393,668</u>
Total non-current assets	<u>39,208,367</u>	<u>(4,896,528)</u>	<u>34,311,839</u>	<u>38,854,258</u>	<u>(8,092,882)</u>	<u>30,761,376</u>
Total assets	<u><u>\$ 166,792,706</u></u>	<u><u>(183,125)</u></u>	<u><u>166,609,581</u></u>	<u><u>135,718,490</u></u>	<u><u>(129,959)</u></u>	<u><u>135,588,531</u></u>

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	2012.12.31			2012.1.1		
	Previous GAAP	Effects of transition to IFRS	IFRSs	Previous GAAP	Effects of transition to IFRS	IFRSs
Liabilities						
Short-term borrowings	\$ 51,043,587	-	51,043,587	39,831,048	-	39,831,048
Current financial liabilities at fair value through profit or loss	5,007	-	5,007	757	-	757
Current derivative financial liabilities for hedging	11,396	-	11,396	15,988	-	15,988
Accounts and notes payable	1,772,933	10	1,772,943	2,312,484	(69)	2,312,415
Current tax liabilities	673,990	1,275	675,265	669,271	-	669,271
Other current financial liabilities	15,656,595	1,666,638	17,323,233	9,894,926	3,291,940	13,186,866
Advance real estate receipts	302,039	-	302,039	173,091	-	173,091
Long term liabilities – current portion	44,748,177	3,265,489	48,013,666	32,367,377	5,174,113	37,541,490
Other current liabilities – others	1,149,487	11,064	1,160,551	815,982	111	816,093
Total current liabilities	115,363,211	4,944,476	120,307,687	86,080,924	8,466,095	94,547,019
Bonds payable	6,948,536	(1,769)	6,946,767	5,175,290	(661)	5,174,629
Long-term borrowings	15,197,148	(3,265,697)	11,931,451	22,342,408	(5,174,113)	17,168,295
Deferred tax liabilities	969,734	6,356	976,090	449,249	161,213	610,462
Other non-current liabilities	2,461,100	(1,025,135)	1,435,965	4,314,200	(3,041,565)	1,272,635
Total non-current liabilities	25,576,518	(4,286,245)	21,290,273	32,281,147	(8,055,126)	24,226,021
Total liabilities	140,939,729	658,231	141,597,960	118,362,071	410,969	118,773,040
Equity attributable to owners of parent						
Share capital	9,053,004	-	9,053,004	7,853,004	-	7,853,004
Capital surplus	9,413,475	(1,704)	9,411,771	4,694,420	-	4,694,420
Unappropriated retained earnings	5,699,285	(616,931)	5,082,354	3,364,429	(186,664)	3,177,765
Other equity	(64,865)	(213,984)	(278,849)	167,014	(344,183)	(177,169)
Total equity attributable to owners of parent	24,100,899	(832,619)	23,268,280	16,078,867	(530,847)	15,548,020
Non-controlling interests	1,752,078	(8,737)	1,743,341	1,277,552	(10,081)	1,267,471
Total equity	25,852,977	(841,356)	25,011,621	17,356,419	(540,928)	16,815,491
TOTAL LIABILITIES AND EQUITY	\$ 166,792,706	(183,125)	166,609,581	135,718,490	(129,959)	135,588,531

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(Amounts Expressed in Thousands of New Taiwan Dollars)

(b) Statements of comprehensive income GAAP reconciliation

	For the year ended December 31, 2012		
	Previous GAAP	Effects of transition to IFRS	IFRSs
Operating revenue	\$ 22,085,258	(672,663)	21,412,595
Operating costs	(9,680,479)	179,225	(9,501,254)
Gross profit from operation	12,404,779	(493,438)	11,911,341
Operating expenses	(7,089,563)	(38,830)	(7,128,393)
Net other income and expenses	-	255,458	255,458
Operating profit	5,315,216	(276,810)	5,038,406
Non-operating income and expenses :			
Interest income	199,269	(82,461)	116,808
Other gains and losses	708,894	8,972	717,866
Share of profit of associates and joint ventures accounted for using equity method	111	-	111
Profit before income tax	6,223,490	(350,299)	5,873,191
Income tax expense	(1,833,981)	(4,262)	(1,838,243)
Profit for the period	4,389,509	(354,561)	4,034,948
Other comprehensive income (loss) :			
Exchange differences on translation of foreign financial statements	-	(388,182)	(388,182)
Unrealized gains on available for sale financial assets	-	126,129	126,129
Gains of effective portion of cash flow hedges	-	4,592	4,592
Gains of effective portion of hedges of net investment in foreign operations	-	29,695	29,695
Defined benefit plans actuarial gains and losses	-	(92,291)	(92,291)
Other comprehensive income — other	-	75,473	75,473
Less: Income tax relating to components of other comprehensive income (loss)	-	(60,870)	(60,870)
Other comprehensive income (losses) for the period, net of tax	-	(183,714)	(183,714)
Total comprehensive income for the period	<u>\$ 4,389,509</u>	<u>(538,275)</u>	<u>3,851,234</u>
Profit attributable to :			
Owners of parent	\$ 4,141,047	(354,887)	3,786,160
Non-controlling interests	248,462	326	248,788
Profit for the period	<u>\$ 4,389,509</u>	<u>(354,561)</u>	<u>4,034,948</u>

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	For the year ended December 31, 2012		
	Previous GAAP	Effects of transition to IFRS	IFRSs
Comprehensive income attributable to :			
Owners of parent	\$ 4,141,047	(531,947)	3,609,100
Non-controlling interests	248,462	(6,328)	242,134
Profit for the period	\$ 4,389,509	(538,275)	3,851,234
Earnings per share			
Basic earnings per share	\$ <u>5.11</u>	<u>(0.86)</u>	<u>4.25</u>

(c) Notes to GAAP reconciliation

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

Under IFRSs as endorsed by FSC, completed-contract method is adopted for the accounting of revenue from long-term construction contracts. Also, advertising and selling expenses are recognized as incurred.

Under IFRSs as endorsed by FSC, the following adjustments are made.

	For the year ended December 31, 2012
Consolidated statements of comprehensive income	
Operating revenue :	
Construction revenue	\$ (556,898)
Operating costs :	
Construction costs	380,379
Operating expenses	<u>31,649</u>
Adjustment before income tax	<u>\$ (144,870)</u>

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	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated statements of		
balance sheet		
Construction in progress	\$ (199,374)	(22,855)
Other current assets	(48,717)	(80,366)
Related tax effect	<u>13,662</u>	<u>13,662</u>
Adjustment to retained earnings	\$ <u><u>(234,429)</u></u>	<u><u>(89,559)</u></u>

2. Under R.O.C. GAAP, gain from sale and leaseback transaction is deferred and amortized over the period of contracts using the straight-line method. Under IFRSs as endorsed by FSC, gain from sale and leaseback transaction is recognized immediately as the risk and reward of ownership are already transferred.

Under IFRSs as endorsed by FSC, the following adjustments are made.

	<u>For the year ended December 31, 2012</u>
Consolidated statements of comprehensive income	
Operating revenue	\$ (126,819)
Operating expenses	<u>(98,984)</u>
Adjustments before income tax	\$ <u><u>(225,803)</u></u>

	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated statements of balance sheet		
Accounts receivable	\$ -	179,228
Property, plant and equipment	-	(60,040)
Other current financial liabilities	-	9,327
Other non-current liabilities—other	167,147	267,436
Other equity	3,001	-
Related tax effect	<u>(3,618)</u>	<u>(3,618)</u>
Adjustment to retained earnings	\$ <u><u>166,530</u></u>	<u><u>392,333</u></u>

3. Under IFRSs, certain land and buildings, which were originally classified as other assets under R.O.C. GAAP, are reclassified to property and equipment depending on the intention of the Group to hold these assets.

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Under IFRS as endorsed by FSC, the following adjustments are made.

	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated statements of balance sheet		
Property, plant and equipment	\$ 174,597	176,783
Other assets	<u>(174,597)</u>	<u>(176,783)</u>
Adjustment to retained earnings	\$ <u>-</u>	<u>-</u>

4. Under IFRSs as endorsed by FSC, all actuarial gains and losses arising from defined benefit plans are recognized in other comprehensive income. Under R.O.C. GAAP, actuarial gains and losses are amortized over the expected average remaining service lives of the participating employees. Under IFRSs as endorsed by FSC, all previously unrecognized cumulative actuarial gains and losses are recognized in retained earnings and reversed in the previous years' statements of comprehensive income.

Under IFRSs as endorsed by FSC, the following adjustments are made.

	<u>For the year ended December 31, 2012</u>
Consolidated statements of comprehensive income	
Operating expenses	\$ <u>21,612</u>
Adjustments before income tax	\$ <u>21,612</u>

	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated statements of balance sheet		
Other current assets – other	\$ 854	(236)
Other non-current liabilities	(636,532)	(568,984)
Capital surplus	1,704	-
Other equity	52,264	(16,045)
Non-controlling interest	8,737	10,081
Other comprehensive income - actuarial losses on defined benefit plans	(75,380)	-
Related tax effect	<u>108,756</u>	<u>93,943</u>
Adjustment to retained earnings	\$ <u>(539,597)</u>	<u>(481,241)</u>

5. Under IFRSs as endorsed by FSC, financial assets designated as available for sale are recognized at fair value. Under R.O.C. GAAP, these assets were previously carried at cost.

Under IFRSs as endorsed by FSC, the fair value of the financial assets designated as available-for-sale financial assets amounted to \$1,085,758 at the date of transition. Under R.O.C. GAAP, their carrying amount was \$1,445,986.

Under IFRSs as endorsed by FSC, the following adjustments are made.

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		<u>For the year ended December 31, 2012</u>
Consolidated statements of comprehensive income		
Unrealized gains or losses on available-for-sale financial assets	\$	126,129
Adjustments before income tax	\$	<u>126,129</u>
	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated statements of balance sheet		
Available-for-sale financial assets	\$	1,202,629
Financial assets carried at cost		(1,436,728)
Other comprehensive income		234,099
Adjustment to retained earnings	\$	<u>-</u>

6. Under IFRSs as endorsed by FSC, the Group have a present legal or constructive obligation on accumulated short-term paid leaves granted as a result of past service provided by the employees; therefore, expected costs of accumulated short-term paid leaves are recognized as liabilities.

Under IFRSs as endorsed by FSC, the following adjustments are made.

		<u>For the years ended December 31, 2012</u>
Consolidated statements of comprehensive income		
Operating expenses	\$	(1,238)
Adjustments before income tax	\$	<u>(1,238)</u>
	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated statements of balance sheet		
Other current financial liabilities	\$	(9,435)
Adjustment to retained earnings	\$	<u>(9,435)</u>

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7. Under IFRSs as endorsed by FSC, the adjustments above increased (decreased) the deferred tax assets (liabilities) as follows:

	2012.12.31	2012.1.1
Construction in progress	\$ 13,662	13,662
Deferred credits	(3,618)	(3,618)
Employee benefits	108,756	93,943
Increase (decrease) in deferred tax assets (liabilities)	\$ 118,800	103,987

Under IFRS as endorsed by FSC, the adjustments above also increased the income tax expense of the statement of comprehensive income by \$4,262 for the year ended December 31, 2012, respectively.

8. Under IFRSs as endorsed by FSC retained earnings decrease (increase) by the changes mentioned above as follows:

	2012.12.31	2012.1.1
Construction in progress	\$ (234,429)	(89,559)
Sale and leaseback	166,530	392,333
Employee benefits—actuarial gains or losses	(539,597)	(481,241)
Employee benefits—paid leaves	(9,435)	(8,197)
Decrease in retained earnings	\$ (616,931)	(186,664)

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

1. The Group elected not to apply IFRS3 retrospectively to past business combinations, acquisitions of subsidiaries, and related parties transactions, which occurred before January 1, 2012.
2. The Group elected to recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.
3. According to the existing facts and situations on December 31, 2011, the Group may determine whether arrangements in existence on the date of transition to IFRSs contain leases by applying paragraphs 6–9 of IFRIC 4 to those arrangements on the basis of facts and circumstances existing on that date.