

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

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Independent Accountants' Review Report

The Board of Directors of Chailease Holding Company Limited :

We have reviewed the accompanying condensed consolidated balance sheets of Chailease Holding Company Limited (the "Company") and its subsidiaries (the "Group") as of September 30, 2016 and 2015, the related condensed consolidated statements of comprehensive income for the three month and the nine month periods then ended, and changes in equity and cash flows for the nine months then ended. These condensed consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these condensed consolidated financial statements based on our reviews.

Except as described in paragraphs 3 and 4, we conducted our reviews in accordance with Statement on Auditing Standard 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Company's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Included in the accompanying condensed consolidated financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent accountants. These consolidated subsidiaries had total assets of NT\$110,104,887 thousand and NT\$74,056,519 thousand constituting 39% and 28% of the Company's consolidated total assets as of September 30, 2016 and 2015, respectively; total liabilities of NT\$79,951,911 thousand and NT\$62,176,268 thousand constituting 33% and 28% of the Company's consolidated total liabilities as of September 30, 2016 and 2015, respectively; comprehensive income of NT\$773,249 thousand, NT\$1,606,621 thousand, NT\$1,816,663 thousand and NT\$1,964,482 thousand constituting 76%, 59%, 49% and 35% of the Company's consolidated comprehensive income for the three months and the nine months ended September 30, 2016 and 2015, respectively.

Furthermore, long term investments under equity method of NT\$477,071 thousand and NT\$256,825 thousand as of September 30, 2016 and 2015, respectively, and related investment income (loss) thereof amounting to NT\$2,330 thousand, NT\$(1,917) thousand, NT\$(2,759) thousand and NT\$(10,106) thousand for the three months and the nine months ended September 30, 2016 and 2015, respectively, were recognized based upon financial statements prepared by investee companies.



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

We have previously audited the consolidated balance sheets of Chailease Holding Company Limited and its subsidiaries as of December 31, 2015, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and auditing standards generally accepted in the Republic of China and we expressed an unqualified opinion on those audited financial statements in our report dated March 17, 2016. In our opinion, the accompanying condensed interim consolidated balance sheets and related disclosures of the Group as of December 31, 2015, are consistent, in all material respects, with the audited consolidated financial statements from which they have been derived.

KPMG

CPA : Chung Yi, Chiang
Yi Chun, Chen

Taipei, Taiwan, R.O.C.
November 10, 2016

Note to Readers

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

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

(English Translation of Financial Report Originally Issued in Chinese)
**AS OF SEPTEMBER 30, 2016 AND 2015 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY
ACCEPTED AUDITING STANDARDS.**

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Condensed Consolidated Balance Sheets

September 30, 2016, December 31, 2015, and September 30, 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

	2016.9.30		2015.12.31		2015.9.30	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets :						
Cash and cash equivalents (Notes (6)(a) and (7))	\$ 15,645,810	5	11,097,812	4	10,488,396	4
Current financial assets at fair value through profit or loss (Note (6)(b))	296,920	-	235,545	-	106,649	-
Current held-to-maturity financial assets (Note (6)(b))	7,363,807	3	7,658,388	3	7,194,407	3
Current derivative financial assets for hedging (Notes (6)(b))	-	-	163,416	-	86,511	-
Accounts receivable, net (Notes (6)(d), (7) and (8))	188,345,101	67	185,606,083	69	184,187,633	70
Inventories	207	-	207	-	207	-
Other current financial assets (Notes (7) and (8))	4,230,384	2	3,513,245	1	4,523,063	2
Other current assets - others (Notes (6)(e) and (7))	2,699,339	1	2,720,371	1	3,211,568	1
	<u>218,581,268</u>	<u>78</u>	<u>210,925,067</u>	<u>78</u>	<u>209,298,434</u>	<u>80</u>
Non-current assets :						
Non-current financial assets at fair value through profit or loss (Notes (6)(b) and (6)(c))	-	-	693,713	-	699,443	-
Non-current available-for-sale financial assets (Notes (6)(b) and (8))	1,817,671	1	1,704,727	1	1,723,898	1
Non-current held-to-maturity financial assets (Note (6)(b))	720,839	-	2,317,394	1	2,275,400	1
Investments accounted under equity method (Notes (6)(f) and (8))	477,071	-	365,278	-	256,825	-
Property, plant and equipment (Notes (6)(d) and (8))	10,322,312	4	9,932,658	4	9,891,185	4
Intangible assets (Note (6)(h))	76,839	-	45,507	-	44,206	-
Deferred tax assets	2,961,885	1	2,949,032	1	2,405,542	1
Long-term accounts receivable, net (Notes (6)(d), (7) and (8))	43,873,699	16	37,073,556	14	34,975,896	13
Other non-current assets - others (Notes (7) and (8))	1,354,906	-	1,492,870	-	1,601,610	-
	<u>61,605,242</u>	<u>22</u>	<u>56,574,755</u>	<u>22</u>	<u>53,874,005</u>	<u>20</u>
TOTAL ASSETS	<u>\$ 280,186,810</u>	<u>100</u>	<u>267,569,822</u>	<u>100</u>	<u>263,672,439</u>	<u>100</u>
LIABILITIES AND EQUITY						
Current Liabilities :						
Short-term borrowings (Notes (6)(i), (7) and (8))	\$ 80,889,019	29	78,844,180	29	76,645,164	29
Accounts and notes payable	2,499,447	1	3,235,819	1	2,851,564	1
Current tax liabilities	782,531	-	1,295,601	-	627,738	-
Other current financial liabilities (Note (7))	27,018,549	10	26,274,248	10	26,109,917	10
Long-term liabilities - current portion (Notes (6)(j), (6)(l), (7) and (8))	71,988,638	26	74,456,126	28	74,131,401	28
Other current liabilities - others	1,314,729	-	1,017,178	-	904,213	-
	<u>184,492,913</u>	<u>66</u>	<u>185,123,152</u>	<u>68</u>	<u>181,269,997</u>	<u>68</u>
Non-current Liabilities :						
Bonds payable (Notes (6)(i) and (7))	10,284,903	4	9,440,820	4	9,759,397	4
Long-term borrowings (Notes (6)(i), (7) and (8))	41,093,996	15	28,891,972	11	30,214,655	12
Deferred tax liabilities	1,644,771	-	1,771,018	1	1,520,750	-
Other non-current liabilities	2,740,635	1	2,312,321	1	2,124,548	1
	<u>55,764,305</u>	<u>20</u>	<u>42,416,131</u>	<u>17</u>	<u>43,619,350</u>	<u>17</u>
Total Liabilities	<u>240,257,218</u>	<u>86</u>	<u>227,539,283</u>	<u>85</u>	<u>224,889,347</u>	<u>85</u>
Equity attributable to owners of parent : (Note (6)(o))						
Share capital	11,392,300	4	11,392,300	4	11,392,300	4
Capital surplus	9,348,811	3	9,407,395	4	9,407,341	4
Unappropriated retained earnings	17,416,021	6	15,497,081	6	13,775,620	5
Other equity items (534,037)	-	-	1,590,265	-	2,207,541	-
Total equity attributable to owners of parent	37,803,095	13	37,887,041	14	36,782,802	14
Non-controlling interests	2,126,497	1	2,143,498	1	2,000,290	1
Total equity	39,929,592	14	40,030,539	15	38,783,092	15
TOTAL LIABILITIES AND EQUITY	<u>\$ 280,186,810</u>	<u>100</u>	<u>267,569,822</u>	<u>100</u>	<u>263,672,439</u>	<u>100</u>

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

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

	For the three months ended September 30,				For the nine months ended September 30,			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue : (Note (7))								
4111 Sales revenue	\$ 1,978,277	20	2,125,878	23	5,562,932	20	6,019,174	23
4810 Interest revenue - installment sales	1,844,977	19	1,740,865	19	5,414,866	19	5,098,808	19
4820 Interest revenue - capital leases	2,193,238	23	2,212,982	24	6,674,587	24	6,551,501	24
4300 Rental revenue - operating leases	745,339	8	638,188	7	2,120,712	8	1,790,940	7
4230 Interest revenue - loans	736,964	8	666,532	7	2,206,819	8	1,902,025	7
4240 Other interest revenue	738,594	8	621,153	6	2,099,388	7	1,703,102	6
4881 Other operating revenue	1,405,298	14	1,308,074	14	3,893,895	14	3,843,431	14
	<u>9,642,687</u>	<u>100</u>	<u>9,313,672</u>	<u>100</u>	<u>27,973,199</u>	<u>100</u>	<u>26,908,981</u>	<u>100</u>
Operating costs : (Note (7))								
5111 Cost of sales	1,757,782	18	1,864,860	20	4,940,980	18	5,305,701	20
5240 Interest expense	1,135,820	12	1,198,685	13	3,493,082	13	3,586,386	13
5300 Cost of rental revenue	536,202	6	461,796	5	1,501,204	5	1,287,171	5
5800 Other operating costs	238,106	2	207,486	2	692,340	2	602,909	2
	<u>3,667,910</u>	<u>38</u>	<u>3,732,827</u>	<u>40</u>	<u>10,627,606</u>	<u>38</u>	<u>10,782,167</u>	<u>40</u>
Gross profit from operation	<u>5,974,777</u>	<u>62</u>	<u>5,580,845</u>	<u>60</u>	<u>17,345,593</u>	<u>62</u>	<u>16,126,814</u>	<u>60</u>
6000 Operating expenses (Note (7))	3,714,763	38	3,337,691	36	10,974,852	39	9,607,887	35
6500 Net other income and expenses (Note (6)(q))	<u>30,217</u>	<u>-</u>	<u>11,620</u>	<u>-</u>	<u>97,052</u>	<u>-</u>	<u>76,321</u>	<u>-</u>
Operating profit	<u>2,290,231</u>	<u>24</u>	<u>2,254,774</u>	<u>24</u>	<u>6,467,793</u>	<u>23</u>	<u>6,595,248</u>	<u>25</u>
Non-operating income and expenses :								
7100 Interest income	14,929	-	23,246	-	51,700	-	60,551	-
7130 Dividend revenue	71,689	1	57,533	1	90,113	-	67,418	-
7020 Other gains and losses (Note (6)(r))	205,799	2	95,897	1	1,007,042	4	548,072	2
7060 Share of (loss) profit of associates and joint ventures accounted for using equity method (Note (6)(f))	2,330	-	(1,917)	-	(2,759)	-	(10,106)	-
	<u>294,747</u>	<u>3</u>	<u>174,759</u>	<u>2</u>	<u>1,146,096</u>	<u>4</u>	<u>665,935</u>	<u>2</u>
7900 Profit before income tax	<u>2,584,978</u>	<u>27</u>	<u>2,429,533</u>	<u>26</u>	<u>7,613,889</u>	<u>27</u>	<u>7,261,183</u>	<u>27</u>
7950 Less: Income tax expense (Note (6)(m))	<u>572,626</u>	<u>6</u>	<u>613,322</u>	<u>7</u>	<u>1,903,838</u>	<u>7</u>	<u>1,859,735</u>	<u>7</u>
Profit for the period	<u>2,012,352</u>	<u>21</u>	<u>1,816,211</u>	<u>19</u>	<u>5,710,051</u>	<u>20</u>	<u>5,401,448</u>	<u>20</u>
Other comprehensive income (loss):								
8310 Items that will not be reclassified subsequently to profit or loss								
8311 Remeasurement of defined benefit plans	-	-	-	-	(620)	-	-	-
8349 Income tax related to items that will not be reclassified subsequently (Note (6)(m))	-	-	-	-	123	-	-	-
Total items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(497)</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss								
8361 Exchange differences on translation of foreign financial statements	(1,167,688)	(12)	1,107,207	12	(2,150,491)	(8)	335,136	1
8362 Unrealized gains (losses) on available-for-sale financial assets (Note (6)(s))	(2,260)	-	(38,786)	-	44,577	-	(39,706)	-
8363 Losses (gains) of effective portion of cash flow hedges	-	-	55,322	1	(163,416)	(1)	51,572	-
8364 Gains (losses) of effective portion of hedges of net investment in foreign operations	131,391	1	(135,165)	(2)	196,447	1	(78,457)	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note (6)(f))	1,932	-	-	-	3,325	-	-	-
8399 Income tax relating to items that are or may be reclassified subsequently to profit or loss (Note 6(m))	47,429	-	(73,369)	(1)	77,776	-	(28,173)	-
Total other items that maybe reclassified subsequently to profit or loss	<u>(989,196)</u>	<u>(11)</u>	<u>915,209</u>	<u>10</u>	<u>(1,991,782)</u>	<u>(8)</u>	<u>240,372</u>	<u>1</u>
Other comprehensive income (loss) for the period, net of tax	<u>(989,196)</u>	<u>(11)</u>	<u>915,209</u>	<u>10</u>	<u>(1,992,279)</u>	<u>(8)</u>	<u>240,372</u>	<u>1</u>
8500 Total comprehensive income for the period	<u>\$ 1,023,156</u>	<u>10</u>	<u>2,731,420</u>	<u>29</u>	<u>3,717,772</u>	<u>12</u>	<u>5,641,820</u>	<u>21</u>
Profit attributable to :								
8610 Owners of parent	\$ 1,922,433	20	1,731,694	18	5,450,791	19	5,148,125	19
8620 Non-controlling interests	89,919	1	84,517	1	259,260	1	253,323	1
	<u>\$ 2,012,352</u>	<u>21</u>	<u>1,816,211</u>	<u>19</u>	<u>5,710,051</u>	<u>20</u>	<u>5,401,448</u>	<u>20</u>
Comprehensive income attributable to :								
8710 Owners of parent	\$ 999,291	10	2,665,862	28	3,506,251	12	5,511,365	20
8720 Non-controlling interests	23,865	-	65,558	1	211,521	-	130,455	1
	<u>\$ 1,023,156</u>	<u>10</u>	<u>2,731,420</u>	<u>29</u>	<u>3,717,772</u>	<u>12</u>	<u>5,641,820</u>	<u>21</u>
9750 Basic earnings per share (NT dollars) (Note (6)(o))	<u>\$ 1.68</u>		<u>1.52</u>		<u>4.78</u>		<u>4.52</u>	

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

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CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Condensed Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2016 and 2015
(Amounts Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										Total equity
	Stock	Capital surplus	Retained Earnings, 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	Equity attributable to owners of parent	Non controlling interests	Total equity	
Balance as of January 1, 2015	\$ 10,934,134	9,407,459	12,132,818	1,818,240	152,325	34,939	34,338,712	2,090,369	36,429,081		
Profit for the period	-	-	5,148,125	-	-	-	5,148,125	253,323	5,401,448		
Other comprehensive income (loss) for the period	-	-	-	429,831	(39,706)	51,572	(78,457)	(122,868)	240,372		
Total comprehensive income (loss) for the period	-	-	5,148,125	429,831	(39,706)	51,572	(78,457)	130,455	5,641,820		
Earnings distribution and appropriation:											
Cash dividends to ordinary share	-	-	(3,067,157)	-	-	-	(3,067,157)	-	(3,067,157)		
Stock dividends of ordinary share	438,166	-	(438,166)	-	-	-	-	-	-		
Changes in ownership interests in subsidiaries	-	(118)	-	-	-	-	(118)	-	(118)		
Changes in non-controlling interests	-	-	-	-	-	-	-	(220,534)	(220,534)		
Balance as of September 30, 2015	\$ 11,392,300	9,407,341	13,775,620	2,248,071	112,619	86,511	36,782,802	2,009,290	38,783,092		
Balance as of January 1, 2016	\$ 11,392,300	9,407,395	15,497,081	1,545,063	120,270	163,416	37,887,041	2,143,498	40,030,539		
Profit for the period	-	-	5,450,791	-	-	-	5,450,791	239,260	5,710,051		
Other comprehensive income (loss) for the period	-	-	(238)	(2,021,910)	44,577	(163,416)	(1,944,540)	(47,739)	(1,992,279)		
Total comprehensive income (loss) for the period	-	-	5,450,553	(2,021,910)	44,577	(163,416)	3,506,251	211,521	3,717,772		
Earnings distribution and appropriation:											
Cash dividends of ordinary share	-	-	(3,531,613)	-	-	-	(3,531,613)	-	(3,531,613)		
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(58,584)	-	-	-	-	(58,584)	-	(58,584)		
Changes in non-controlling interests	-	-	-	-	-	-	-	(228,522)	(228,522)		
Balance as of September 30, 2016	\$ 11,392,300	9,348,811	17,416,021	(476,847)	164,847	-	37,803,095	2,126,497	39,929,592		

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

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CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30, 2016 and 2015
(Amounts Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2016	2015
Cash flows from operating activities :		
Profit before income tax	\$ 7,613,889	7,261,183
Adjustments :		
Adjustments to reconcile profit before income tax to net cash provided by operating activities :		
Depreciation expense	1,369,504	1,183,369
Amortization expense	132,138	113,274
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(43,928)	19,203
Interest expense	3,493,066	3,586,386
Interest income	(16,447,360)	(15,315,987)
Dividend income	(90,113)	(67,418)
Share of loss of associates and joint ventures accounted for using equity method	2,759	10,106
Gain on disposal of property, plant and equipment	(7,159)	(7,097)
Loss on disposal of foreclosed assets	49,365	64,166
Gain on disposal of investments	(6,036)	(114,600)
Impairment loss on financial assets	4,444,650	3,482,603
Impairment loss on non-financial assets	254,254	202,660
Total adjustments to reconcile (profit) loss	(6,848,860)	(6,843,335)
Change in operating assets and liabilities :		
Change in operating assets :		
Decrease (increase) in financial assets held for trading	(67,698)	89,404
Decrease in non - current financial assets at fair value through profit or loss	721,807	-
Increase in accounts receivable	(19,914,905)	(23,661,438)
Increase in other current financial assets	(855,587)	(839,595)
Decrease (increase) in other current assets	(62,942)	155,340
Proceeds from sales of operating lease assets	749,970	507,228
Purchase of assets held under operating lease	(2,867,478)	(2,629,482)
Increase in other non-current assets - others	(56,563)	(596,828)
Total changes in operating assets	(22,353,396)	(26,975,371)
Change in operating liabilities :		
Increase (decrease) in accounts payable	(640,832)	479,088
Increase in long-term and short-term debts	136,163,341	133,497,240
Repayment of long-term and short-term debts	(119,597,296)	(112,721,094)
Increase in other current financial liabilities	1,946,634	2,551,867
Increase in accrued pension liabilities	9,714	13,138
Increase (decrease) in other current liabilities-others	321,304	(7,488)
Increase (decrease) in other non-current liabilities	432,398	(168,579)
Total changes in operating liabilities	18,635,263	23,644,172
Total changes in operating assets and liabilities	(3,718,133)	(3,331,199)
Total adjustments	(10,566,993)	(10,174,534)
Cash outflow from operation	(2,953,104)	(2,913,351)
Interest received	16,472,390	15,326,361
Dividend received	90,113	67,518
Interest paid	(3,492,490)	(3,759,250)
Income taxes paid	(2,594,145)	(2,732,453)
Net cash provided by operating activities	7,522,764	5,988,825
Cash flows from investing activities :		
Acquisition of available-for-sale financial assets	(111,617)	(192,180)
Proceeds from disposal of available-for-sale financial assets	40,935	116,889
Proceeds from return of capital of available-for-sale financial assets	3,233	-
Acquisition of hold-to-maturity financial assets	(3,980,374)	(4,333,180)
Disposal of held-to-maturity financial assets	5,865,319	3,932,209
Acquisition of investments accounted under equity method	(169,575)	-
Proceeds from return of capital of investments accounted for using equity method	37,488	-
Acquisition of property, plant and equipment	(68,088)	(106,047)
Disposal of property, plant and equipment	1,263	3,152
Acquisition of intangible assets	(1,908)	(9,150)
Net cash provided by (used in) investing activities	1,616,676	(588,307)
Cash flows from financing activities :		
Changes in non-controlling interests	(228,522)	(220,652)
Distribution of cash dividend	(3,531,613)	(3,067,157)
Net cash used in financing activities	(3,760,135)	(3,287,809)
Effect of exchange rate changes on cash and cash equivalents	(844,403)	45,483
Net increase in cash and cash equivalents	4,534,902	2,158,192
Cash and cash equivalents, net of bank overdraft, beginning of period	11,093,264	8,330,204
Cash and cash equivalents, end of period	\$ 15,628,166	10,488,396

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

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(1) Overview

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

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

As of September 30, 2016 and 2015, the Company had outstanding common stock of both \$11,392,300 divided into 1,139,229,994 shares.

(2) Financial Statements Authorisation Date and Authorisation Process

The condensed interim consolidated financial statements were reported to and approved for issue by the Board of Directors on November 10, 2016.

(3) New Accounting Standards and Interpretations

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
Investment entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisitions of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016

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<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
Clarification of Acceptable Methods of Depreciation and Amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Services related contributions from employees or third parties (amendments to IAS 19)	July 1, 2014
Equity Method in Separate Financial Statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
The Annual Improvements: 2010-2012 and 2011-2013 Cycles	July 1, 2014
The Annual Improvements to IFRS: 2012-2014 Cycles	January 1, 2016
IFRIC 21, 'Levies'	January 1, 2014

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

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

Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value less costs of disposal:

- 1) The level of the fair value hierarchy within which the fair value measurement is categorized;
- 2) The valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

The Group expects the aforementioned amendments will result in a broader disclosure of the recoverable amount for non-financial assets.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	Not yet endorsed by IASB
IFRS 15 'Revenue from contracts with customers'	January 1, 2018
IFRS 16 'Lease'	January 1, 2019
Classification and measurement of share-based payment transaction (amendments to IFRS2)	January 1, 2018
Clarification of IFRS 15 (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017

The relevant impact to the Group are as follows:

<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Main Amendments</u>
May 28, 2014	IFRS 15 "Revenue from Contracts with Customers"	The new standard provides a single model for determining whether an entity recognizes revenue in accordance with the method, timing and amount by applying the five-step model. IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", and the relevant interpretations. In April 12, 2016, the amendments clarify how to identify performance obligations in a contract; determine whether an entity is a principal or an agent; and determine whether the revenue from granting a license should be recognized at a point in time or over time.
April 12, 2016		

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<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Main Amendments</u>
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	<p>The new standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".</p> <p>The key amendments are as follows:</p> <ul style="list-style-type: none">• Clarification and Measurement: The classification of financial assets as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (OCI), and financial assets at fair value through profit or loss is driven by the entity's business model and the contractual cash flow characteristics. The changes in fair value arising from the changes in its credit risk of financial liabilities measured at fair value through profit or loss are recognized in OCI.• Impairment: The new credit loss model is expected to replace the current incurred loss model.• Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Lease"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none">• For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability on the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.• A lessor shall classify a lease as either a finance lease or an operating lease. The accounting treatment remains similar with that of IAS 17 "Leases".

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<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Main Amendments</u>
September 11, 2014	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	The amendments to IFRS 10 and IAS 28 the gain or loss resulting from the sale or contribution to an associate or a joint venture. The main consequence of the amendments is that gain or loss is recognized in full when a transaction involves a business (whether it is housed in a subsidiary or not). Otherwise, if the transaction does not constitute a business as defined, the investor should recognize portion of the gain or loss calculated according to the shareholding ratio.

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

(4) Significant Accounting Policies

(a) Statement of compliance

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

Except as described in the following paragraphs, the significant accounting policies adopted in the preparation of the accompanying condensed interim consolidated financial statements are applied consistently with those of the consolidated financial statements for the year ended December 31, 2015. For other related information, please refer to Note (4) of the consolidated financial statements for the year ended December 31, 2015.

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(b) Basis of consolidation

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

1. Subsidiaries included in the condensed interim consolidated financial statements

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2016.9.30	2015.12.31	2015.9.30	
The Company	Chalease International Company (Malaysia) Limited	Investment	100.00 %	100.00 %	100.00 %	
"	Golden Bridge (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
"	Chalease International Financial Services Co., Ltd.	Installment sales, leasing overseas and financial consulting	100.00 %	100.00 %	100.00 %	
Golden Bridge (B.V.I.) Corp.	My Leasing (Mauritius) Corp.	Investment	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp.	Chalease International Finance Corporation	Leasing	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp. and Chalease International Finance Corporation	Chalease Finance International Corp.	Leasing	100.00 %	100.00 %	100.00 %	
Chalease International Finance Corporation	Chalease International Corp.	Trading	100.00 %	100.00 %	100.00 %	
"	Jirong Real Estate Co., Ltd.	House property leasing and management	100.00 %	100.00 %	100.00 %	
Chalease International Company (Malaysia) Limited	Chalease Finance Co., Ltd.	Installment sales, leasing, and factoring	- %	100.00 %	100.00 %	Chalease International Company (UK) Limited issued common shares in exchange for all the shares of Chalease Finance Co., Ltd. on June 4, 2016.
"	Chalease International (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
"	Chalease International Company (UK) Limited	Solar power business and investment	100.00 %	100.00 %	100.00 %	Funded on March 26, 2015
"	Chalease Berjaya Credit Sdn. Bhd.	Leasing	70.00 %	70.00 %	- %	Funded on September 9, 2015

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2016.9.30	2015.12.31	2015.9.30	
Chailease International Company (UK) Limited	Chailease Finance Co., Ltd.	Installment sales, leasing, and factoring	100.00 %	- %	- %	Chailease International Company (UK) Limited issued common shares in exchange for all the shares of Chailease Finance Co., Ltd. on June 4, 2016.
Chailease International Financial Services Co., Ltd.	Chailease International Financial Services (Liberia) Corp.	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailease International Financial Services (Labuan) Co., Ltd.	Leasing	100.00 %	- %	- %	Funded on January 19, 2016
Chailease Finance Co., Ltd.	Fina Finance & Trading Co., Ltd.	Installment sales, trading, and factoring	100.00 %	99.55 %	99.55 %	
"	China Leasing Co., Ltd.	Installment sales	100.00 %	100.00 %	100.00 %	
"	My Leasing (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
Chailease International Company (Malaysia) Limited and Chailease Finance Co., Ltd.	Asia Sermkij Leasing Public Co., Ltd.	Installment sales of automobiles	48.18 %	48.18 %	48.18 %	(Note a)
Chailease Finance Co., Ltd.	Chailease Finance (B.V.I.) Co., Ltd.	Installment sales, leasing overseas, and financial consulting	100.00 %	100.00 %	100.00 %	
"	Chailease International Leasing Company Limited (Vietnam)	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailease International Trading Company Limited (Vietnam)	Trading	100.00 %	- %	- %	Funded on July 18, 2016
"	Chailease Auto Rental Co., Ltd.	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailease Credit Services Co., Ltd.	Installment sales and leasing	100.00 %	100.00 %	100.00 %	
"	Apex Credit Solutions Inc.	Accounts receivable management, debt management, valuation, trading in financial instruments	100.00 %	100.00 %	100.00 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2016.9.30	2015.12.31	2015.9.30	
Chailease Finance Co., Ltd.	Chailease Insurance Brokers Co., Ltd.	Personal and property insurance brokers	100.00 %	100.00 %	100.00 %	
"	Chailease Cloud Service Co., Ltd.	Software of cloud products, leasing, and installment sales	100.00 %	100.00 %	100.00 %	
"	Chailease Finance Securitization Trust 2014	Special Purpose Entity	- %	- %	- %	The subsidiary was established on July 24, 2014. (Note b)
"	Chailease Finance Securitization Trust 2016	Special Purpose Entity	- %	- %	- %	The subsidiary was established on August 24, 2016. (Note b)
"	Yun Tang Inc.	Solar Power business	100.00 %	100.00 %	100.00 %	
"	Chailease Energy Integration Co., Ltd	Solar Power business	100.00 %	100.00 %	- %	Funded on November 4, 2015
"	Innovation Energy Integration Co., Ltd.	Solar Power business	100.00 %	- %	- %	Funded on June 29, 2016
Fina Finance & Trading Co., Ltd.	Chailease Consumer Finance Co., Ltd	Factoring and installment sales	100.00 %	100.00 %	100.00 %	
The Company and Chailease Finance Co., Ltd.	Grand Pacific Holdings Corp.	Leasing, real estate, and mortgage	100.00 %	100.00 %	100.00 %	
Grand Pacific Holdings Corp.	Grand Pacific Financing Corp. (California)	Financing, leasing and financial consulting	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Main Street Development, Inc.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Warehouse Funding Corp.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Business Loan LLC. 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005. (Note b)
Grand Pacific Warehouse Funding Corp.	Grand Pacific Warehouse Funding LLC.	Special Purpose Entity	100.00 %	100.00 %	100.00 %	
Grand Pacific Business Loan LLC. 2005-1	Grand Pacific Business Loan Trust 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005. (Note b)
Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited	Leasing and financing consulting	99.99 %	99.99 %	99.99 %	

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

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

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

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

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

(c) Income taxes

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

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

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

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(d) Employee benefits

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

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

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

The principles for the preparation of consolidated interim financial statements and the related significant estimates and underlying assumptions are consistent with those disclosed in Note (5) of the consolidated financial statements for the year ended December 31, 2015.

(6) **Explanation to Significant Accounts**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2015. Please refer to Note (6) of the 2015 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Cash and demand deposits	\$ 14,539,770	10,859,886	10,437,873
Time deposits	93,048	217,935	50,523
Cash equivalents – RP bills	<u>1,012,992</u>	<u>19,991</u>	<u>-</u>
Cash and cash equivalents	15,645,810	11,097,812	10,488,396
Bank overdraft	<u>(17,644)</u>	<u>(4,548)</u>	<u>-</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 15,628,166</u>	<u>11,093,264</u>	<u>10,488,396</u>

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

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(b) Financial instruments

1. Details of financial assets were as follows :

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Financial assets at fair value through profit or loss			
Held for trading			
Securities of listed companies	\$ 296,920	213,429	76,119
Derivative instruments not used for hedging	-	22,116	30,530
Sub-total	<u>296,920</u>	<u>235,545</u>	<u>106,649</u>
Designated as at fair value through profit or loss			
2011 securitization	-	693,713	699,443
	<u>296,920</u>	<u>929,258</u>	<u>806,092</u>
Available-for-sale financial assets			
Securities of listed companies	256,475	163,350	182,303
Emerging stock	1,063,635	1,035,058	1,036,130
Private equity	<u>497,561</u>	<u>506,319</u>	<u>505,465</u>
Sub-total	<u>1,817,671</u>	<u>1,704,727</u>	<u>1,723,898</u>
Held-to-maturity financial assets			
Investment in debt securities	<u>8,084,646</u>	<u>9,975,782</u>	<u>9,469,807</u>
Derivative financial assets used for hedging	-	163,416	86,511
Total	<u>\$ 10,199,237</u>	<u>12,773,183</u>	<u>12,086,308</u>

2. Sensitivity analysis— equity price risk :

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

	For the nine months ended September 30,			
	2016		2015	
Equity price at reporting date	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase 7%	\$ <u>127,293</u>	<u>20,784</u>	<u>120,728</u>	<u>5,328</u>
Decrease 7%	\$ <u>(127,293)</u>	<u>(20,784)</u>	<u>(120,728)</u>	<u>(5,328)</u>

The Group purchased debt securities issued by a real estate trust. These debt securities have maturity dates between 2016 and 2018, and bear effective annual interest rate ranging from 5.15%~8.57%.

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

3. Derivative instruments not used for hedging

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

Cross currency swap contracts

		2015.12.31			
Nominal Amount	Currency	Interest Rate Payable	Interest Rate Receivable	Contract Period	
USD 20,000	USD to CNY	3.700%	90 Days LIBOR + 1.8%	2013.04.29~	
CNY 123,510				2016.04.29	
USD 30,000	USD to CNY	3.800%	90 Days LIBOR + 1.8%	2013.10.21~	
CNY 183,300				2016.04.29	
USD 20,000	USD to CNY	3.600%	90 Days LIBOR + 1.8%	2013.12.18~	
CNY 121,580				2016.04.29	

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

4. Derivative instruments used for hedging

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

		2015.12.31			
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years	

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

1) Cash flow hedge

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

Hedged item	Hedge Instrument	Fair Value			Expected Cash flow Period	Hedge Period
		2016.9.30	2015.12.31	2015.9.30		
Unsecured corporate bonds	Interest Swap	\$ -	1,385	6,376	2010~2016	2010~2016
CNY loans receivable	Cross Currency Swap contract	-	162,031	80,135	2013~2016	2013~2016

Item	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
The fair value adjustment to other comprehensive income	\$ -	55,322	(163,416)	51,572

2) Hedge of net investment in foreign operation

The fair value of an equity investment in a foreign investee, Golden Bridge (B.V.I) Corp., may be influenced by the fluctuation of USD exchange rate. The Company designated its USD borrowings to hedge the exchange rate fluctuation risk from this investment. The details of net investment hedge in foreign operation and designated derivatives as of September 30, 2016, December 31, 2015 and September 30, 2015, were as follows:

Hedged Item	Hedge Instrument	Designated Hedging Instrument Fair Value		
		2016.9.30	2015.12.31	2015.9.30
Equity investment measured in USD	Foreign currency borrowings	\$ <u>6,823,936</u>	<u>2,432,333</u>	<u>2,185,855</u>

There were no effects of ineffectiveness recognized in profit or loss that arises from hedges of net investments in foreign operation of Golden Bridge (B.V.I) Corp., for the nine months ended September 30, 2016 and 2015.

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(c) Financial assets securitization

1. 2011 Securitization

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

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

Key assumptions at the securitization date:

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

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

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1) Key assumptions used in measuring retained interests:

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

	<u>2015.12.31</u>	<u>2015.9.30</u>
Repayment rate	28.06 %	21.18 %
Expected return rate on securitized financial assets	6.57 %	7.54 %
Weighted-average life (in years)	0.92	1.17
Expected credit loss rate (Note)	1.85%~7.88%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %

2) Sensitivity analysis

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

	<u>2015.9.30</u>
Carrying amount of retained interests	699,443
Weighted—average life (in years)	1.17
Repayment rate	21.18 %
Effect on fair value with 10% adverse change	(1,428)
Effect on fair value with 20% adverse change	(2,665)
Expected credit losses	5.76%
Effect on fair value with 10% adverse change	(8,035)
Effect on fair value with 20% adverse change	(15,932)
Discount rate for residual cash flows	4.00 %
Effect on fair value with 10% adverse change	(1,540)
Effect on fair value with 20% adverse change	(3,075)

3) Expected static pool credit losses

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

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4) Cash flows

The cash flows received from securitization trusts were as follows:

	<u>For the nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Other cash flows received on retained interests	\$ 5,154	115,274
Service fees received	138	2,130

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

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

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

(d) Accounts receivable, net

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Current			
Accounts receivable	\$ 17,478,417	14,741,271	15,168,076
Less: Allowance for impairment	(552,576)	(539,361)	(605,680)
	<u>16,925,841</u>	<u>14,201,910</u>	<u>14,562,396</u>
Installment sales receivable	74,827,914	71,073,596	70,075,904
Less: Unearned interests	(6,930,726)	(6,421,195)	(6,358,311)
Allowance for impairment	(2,344,269)	(2,109,303)	(1,949,588)
	<u>65,552,919</u>	<u>62,543,098</u>	<u>61,768,005</u>
Leases receivable (included operating leases)	82,506,160	83,335,162	82,827,684
Less: Unearned revenue	(9,502,193)	(9,593,354)	(9,593,644)
Allowance for impairment	(3,316,565)	(3,222,114)	(3,089,364)
	<u>69,687,402</u>	<u>70,519,694</u>	<u>70,144,676</u>
Loans receivable	37,230,224	39,255,476	38,736,682
Less: Allowance for impairment	(1,051,285)	(914,095)	(1,024,126)
	<u>36,178,939</u>	<u>38,341,381</u>	<u>37,712,556</u>
Sub-total of current accounts	<u>188,345,101</u>	<u>185,606,083</u>	<u>184,187,633</u>

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Non-Current			
Accounts receivable	4,593,130	2,653,946	2,436,081
Less: Allowance for impairment	<u>(81,073)</u>	<u>(52,402)</u>	<u>(49,584)</u>
	<u>4,512,057</u>	<u>2,601,544</u>	<u>2,386,497</u>
Installment sales receivable	28,003,091	26,769,295	25,630,805
Less: Unearned interests	(2,565,581)	(2,478,530)	(2,234,338)
Allowance for impairment	<u>(396,181)</u>	<u>(350,817)</u>	<u>(314,393)</u>
	<u>25,041,329</u>	<u>23,939,948</u>	<u>23,082,074</u>
Leases receivable	12,653,723	8,684,859	7,763,405
Less: Unearned revenue	(3,750,399)	(2,308,150)	(2,010,089)
Allowance for impairment	<u>(101,039)</u>	<u>(70,046)</u>	<u>(71,128)</u>
	<u>8,802,285</u>	<u>6,306,663</u>	<u>5,682,188</u>
Loans receivable	5,587,121	4,327,359	3,910,571
Less: Allowance for impairment	<u>(69,093)</u>	<u>(101,958)</u>	<u>(85,434)</u>
	<u>5,518,028</u>	<u>4,225,401</u>	<u>3,825,137</u>
Sub-total of non-current accounts	<u>43,873,699</u>	<u>37,073,556</u>	<u>34,975,896</u>
Total accounts receivable	<u>\$ 232,218,800</u>	<u>222,679,639</u>	<u>219,163,529</u>

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

	<u>For the nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Opening balance	\$ 7,360,096	6,485,351
Impairment loss recognized	4,444,629	3,482,573
Amounts written off	(3,635,335)	(2,826,659)
Effect of movements in exchange rate	<u>(257,309)</u>	<u>48,032</u>
Ending balance	<u>\$ 7,912,081</u>	<u>7,189,297</u>

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

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

	<u>Gross investment in the leases</u>	<u>Unearned revenue</u>	<u>Present value of minimum leases receivable</u>
September 30, 2016			
Within operating cycle	\$ 82,344,481	(9,502,193)	72,842,288
Beyond one operating cycle to 5 years	6,418,690	(804,203)	5,614,487
Over 5 years	<u>6,235,033</u>	<u>(2,946,196)</u>	<u>3,288,837</u>
	<u>\$ 94,998,204</u>	<u>(13,252,592)</u>	<u>81,745,612</u>
December 31, 2015			
Within operating cycle	\$ 83,182,946	(9,593,354)	73,589,592
Beyond one operating cycle to 5 years	5,294,353	(756,927)	4,537,426
Over 5 years	<u>3,390,506</u>	<u>(1,551,223)</u>	<u>1,839,283</u>
	<u>\$ 91,867,805</u>	<u>(11,901,504)</u>	<u>79,966,301</u>
September 30, 2015			
Within operating cycle	\$ 82,648,722	(9,593,644)	73,055,078
Beyond one operating cycle to 5 years	5,537,547	(1,038,118)	4,499,429
Over 5 years	<u>2,225,858</u>	<u>(971,971)</u>	<u>1,253,887</u>
	<u>\$ 90,412,127</u>	<u>(11,603,733)</u>	<u>78,808,394</u>

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

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

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

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Within operating cycle	\$ 2,280,087	2,076,579	2,035,292
Beyond one operating cycle to 5 years	2,345,021	2,497,887	2,550,454
Over 5 years	<u>8,433</u>	<u>13,147</u>	<u>14,317</u>
	<u>\$ 4,633,541</u>	<u>4,587,613</u>	<u>4,600,063</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>
September 30, 2016			
Within operating cycle	\$ 74,827,914	(6,930,726)	67,897,188
Beyond one operating cycle to 5 years	27,959,139	(2,564,231)	25,394,908
Over 5 years	<u>43,952</u>	<u>(1,350)</u>	<u>42,602</u>
	<u>\$ 102,831,005</u>	<u>(9,496,307)</u>	<u>93,334,698</u>
December 31, 2015			
Within operating cycle	\$ 71,073,596	(6,421,195)	64,652,401
Beyond one operating cycle to 5 years	26,733,062	(2,477,169)	24,255,893
Over 5 years	<u>36,233</u>	<u>(1,361)</u>	<u>34,872</u>
	<u>\$ 97,842,891</u>	<u>(8,899,725)</u>	<u>88,943,166</u>
September 30, 2015			
Within operating cycle	\$ 70,075,904	(6,358,311)	63,717,593
Beyond one operating cycle to 5 years	25,609,052	(2,233,764)	23,375,288
Over 5 years	<u>21,753</u>	<u>(574)</u>	<u>21,179</u>
	<u>\$ 95,706,709</u>	<u>(8,592,649)</u>	<u>87,114,060</u>

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6. 2014 Securitization

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

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

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

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

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

7. 2016 Securitization

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

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

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

These beneficiary certificates are redeemable for the period from August 24, 2016 to August 24, 2023. Specific terms and conditions of the beneficiary certificates are as follows:

Class of beneficiary certificates issued	Order of principal repayment	Issue amount /par value	Issue price	Interest rate	Payment frequency
twAAA	1st	3,750,000	3,750,000	1.90 %	Monthly
twA	2nd	343,200	343,200	2.45 %	Monthly
Subordinated	3rd	880,589	1,118,309	None	Monthly

(e) Other current assets - others

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Prepayments	\$ 1,382,383	1,316,868	1,716,305
Prepaid expenses	1,266,304	1,357,203	1,445,491
Foreclosed assets	36,454	35,914	41,763
Others	<u>14,198</u>	<u>10,386</u>	<u>8,009</u>
	<u>\$ 2,699,339</u>	<u>2,720,371</u>	<u>3,211,568</u>

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

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Foreclosed assets	\$ 60,429	52,948	63,233
Less: Accumulated impairment	<u>(23,975)</u>	<u>(17,034)</u>	<u>(21,470)</u>
	<u>\$ 36,454</u>	<u>35,914</u>	<u>41,763</u>

For the three months and the nine months ended September 30, 2016 and 2015, the Group recognized a gain on reversal of impairment loss (an impairment loss) of \$(678), \$(6,232), \$(7,173) and \$18,211, respectively, for foreclosed assets. Certain foreclosed assets were disposed to non-related parties and a disposal loss of \$15,498, \$19,636, \$49,365 and \$64,166 was recognized thereon for the three months and the nine months ended September 30, 2016 and 2015, respectively.

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(f) Investments accounted under equity method

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

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Investments in affiliates	\$ <u>477,071</u>	<u>365,278</u>	<u>256,825</u>
	<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>
			<u>2015</u>
Comprehensive income attributable to the Group			
Gain (loss) for the period	\$ 2,330	(1,917)	(2,759)
Other comprehensive income	<u>1,932</u>	<u>-</u>	<u>3,325</u>
Total comprehensive income	<u>\$ 4,262</u>	<u>(1,917)</u>	<u>566</u>
			<u>(10,106)</u>

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

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group as of and for the nine months ended September 30, 2016 and 2015, were as follows:

	<u>Land and buildings</u>	<u>Transportation equipment</u>	<u>Machinery and miscellaneous equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost:					
Balance at January 1, 2016	\$ 3,063,847	9,363,546	1,233,559	143,760	13,804,712
Additions	-	2,214,159	703,725	17,682	2,935,566
Reclassification	-	-	(38,683)	-	(38,683)
Disposals	-	(1,483,291)	(209,865)	-	(1,693,156)
Effect of movements in exchange rate	<u>(97,950)</u>	<u>(70,909)</u>	<u>(22,564)</u>	<u>(1,570)</u>	<u>(192,993)</u>
Balance at September 30, 2016	<u>\$ 2,965,897</u>	<u>10,023,505</u>	<u>1,666,172</u>	<u>159,872</u>	<u>14,815,446</u>
Balance at January 1, 2015	\$ 3,060,206	8,055,558	1,098,529	125,923	12,340,216
Additions	24,890	2,273,921	418,951	17,767	2,735,529
Reclassification	-	271	-	-	271
Disposals	-	(1,218,078)	(279,752)	(1,721)	(1,499,551)
Effect of movements in exchange rate	<u>23,596</u>	<u>49,036</u>	<u>(4,113)</u>	<u>263</u>	<u>68,782</u>
Balance at September 30, 2015	<u>\$ 3,108,692</u>	<u>9,160,708</u>	<u>1,233,615</u>	<u>142,232</u>	<u>13,645,247</u>

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	<u>Land and buildings</u>	<u>Transportation equipment</u>	<u>Machinery and miscellaneous equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Depreciation and impairment losses:					
Balance at January 1, 2016	\$ 491,118	2,607,269	668,413	105,254	3,872,054
Depreciation for the period	40,918	1,175,533	142,116	10,937	1,369,504
Impairment loss	-	228,518	18,563	-	247,081
Reclassification	-	-	(5,265)	-	(5,265)
Disposals	-	(907,305)	(41,777)	-	(949,082)
Effect of movements in exchange rate	(7,358)	(17,127)	(16,121)	(552)	(41,158)
Balance at September 30, 2016	<u>\$ 524,678</u>	<u>3,086,888</u>	<u>765,929</u>	<u>115,639</u>	<u>4,493,134</u>
Balance at January 1, 2015	\$ 438,336	1,966,842	842,851	94,331	3,342,360
Depreciation for the period	40,778	1,041,913	91,581	9,097	1,183,369
Impairment loss	-	220,871	-	-	220,871
Disposals	-	(733,873)	(260,674)	(1,721)	(996,268)
Effect of movements in exchange rate	1,516	5,773	(3,487)	(72)	3,730
Balance at September 30, 2015	<u>\$ 480,630</u>	<u>2,501,526</u>	<u>670,271</u>	<u>101,635</u>	<u>3,754,062</u>
Carrying amounts:					
Balance at January 1, 2016	<u>\$ 2,572,729</u>	<u>6,756,277</u>	<u>565,146</u>	<u>38,506</u>	<u>9,932,658</u>
Balance at September 30, 2016	<u>\$ 2,441,219</u>	<u>6,936,617</u>	<u>900,243</u>	<u>44,233</u>	<u>10,322,312</u>
Balance at January 1, 2015	<u>\$ 2,621,870</u>	<u>6,088,716</u>	<u>255,678</u>	<u>31,592</u>	<u>8,997,856</u>
Balance at September 30, 2015	<u>\$ 2,628,062</u>	<u>6,659,182</u>	<u>563,344</u>	<u>40,597</u>	<u>9,891,185</u>

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

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

(h) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2016	<u>\$ 12,680</u>	<u>32,827</u>	<u>45,507</u>
Balance at September 30, 2016	<u>\$ 46,508</u>	<u>30,351</u>	<u>76,859</u>
Balance at January 1, 2015	<u>\$ 12,680</u>	<u>22,911</u>	<u>35,591</u>
Balance at September 30, 2015	<u>\$ 12,680</u>	<u>31,526</u>	<u>44,206</u>

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There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2016 and 2015. Information on amortization for the period is discussed in Note (12)(b). Please refer to Note (6)(i) of the 2015 annual consolidated financial statements for other related information.

(i) Long-term and short-term borrowings

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

	2016.9.30			
	Currency	Interest Rate	Year of Maturity	Amount
Secured bank loans	TWD	1.05%~2.11%	2016~2021	\$ 1,259,000
"	USD	1.30%~4.25%	2016~2019	1,745,618
"	THB	2.05%~4.75%	2016~2019	8,766,173
"	CNY	3.91%~4.99%	2016~2019	18,442,101
"	VND	1.80%~4.50%	2016~2017	1,843,840
Unsecured bank loans	TWD	0.79%~1.97%	2016~2021	93,663,344
"	USD	1.50%~3.25%	2016~2019	21,662,955
"	EUR	1.22%~1.35%	2016	217,496
"	THB	2.10%~3.40%	2016~2019	8,850,848
"	JPY	1.15%~1.43%	2016	76,141
"	CNY	3.91%~4.99%	2016~2019	21,808,804
"	HKD	1.65%	2016	76,834
"	MYR	2.70%~2.78%	2016	325,755
Other unsecured loans	THB	2.20%	2016~2017	399,728
Notes payable from securitization	TWD	1.85%~2.65%	2019~2021	9,558,200
"	USD	1.52%~2.71%	2030	160,722
Total				<u>\$ 188,857,559</u>
Current				\$ 147,763,563
Non-current				<u>41,093,996</u>
Total				<u>\$ 188,857,559</u>

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

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

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

1. Securities for bank loans

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

2. Financial covenants of significant loans and borrowings

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

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

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

(j) Bonds payable

Period	Interest Rate	Principal Amount	Repayment Terms	2016.9.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	\$ 1,000,000	-	None
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	1,400,000	-	"
2014.06.16~ 2019.06.16	1.500%	450,000	"	225,000	225,000	"
2014.10.30~ 2021.10.30	2.050%	900,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	900,000	"
2014.10.30~ 2024.10.30	2.300%	1,100,000	"	-	1,100,000	"
2015.06.29~ 2020.06.29	1.550%	3,000,000	"	-	3,000,000	"
2016.06.28~ 2021.06.28	1.000%	1,350,000	"	-	1,350,000	"
2016.06.28~ 2023.06.28	1.250%	300,000	"	-	300,000	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	90,860	-	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	190,806	-	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	136,290	-	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	199,892	-	"

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<u>Period</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Repayment Terms</u>	<u>2016.9.30</u>		<u>Collateral</u>
				<u>Within Operating Cycle</u>	<u>Beyond Operating Cycle</u>	
2014.07.18~ 2017.07.25	4.050%	THB 500,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	454,300	-	None
2014.07.25~ 2017.08.08	4.050%	THB 320,000	"	290,752	-	"
2014.09.26~ 2017.10.10	3.950%	THB 200,000	"	-	181,720	"
2014.09.26~ 2017.09.25	3.950%	THB 250,000	"	227,150	-	"
2014.09.29~ 2017.09.25	3.950%	THB 100,000	"	90,860	-	"
2014.11.07~ 2016.11.07	3.700%	THB 160,000	"	145,376	-	"
2014.11.10~ 2017.11.10	3.950%	THB 200,000	"	-	181,720	"
2014.11.24~ 2017.12.07	3.850%	THB 130,000	"	-	118,118	"
2014.11.25~ 2016.11.25	3.700%	THB 120,000	"	109,032	-	"
2014.12.03~ 2016.12.07	3.700%	THB 190,000	"	172,634	-	"
2015.01.28~ 2017.01.28	3.600%	THB 300,000	"	272,580	-	"
2015.03.18~ 2018.03.18	3.700%	THB 100,000	"	-	90,860	"
2015.05.14~ 2017.05.15	3.500%	THB 120,000	"	109,032	-	"
2015.06.04~ 2018.06.04	3.400%	THB 300,000	"	-	272,580	"
2015.08.13~ 2018.08.14	3.100%	THB 150,000	"	-	136,290	"

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				Within Operating Cycle	Beyond Operating Cycle	
2015.09.03~ 2018.08.28	3.100%	THB 150,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	136,290	None
2015.12.25~ 2017.11.15	2.680%	THB 100,000	"	-	90,860	"
2016.02.02~ 2019.02.02	2.970%	THB 300,000	"	-	272,580	"
2016.02.17~ 2019.02.21	2.970%	THB 100,000	"	-	90,860	"
2016.03.29~ 2019.04.03	2.920%	THB 155,000	"	-	140,833	"
2016.04.27~ 2018.04.27	2.630%	THB 500,000	"	-	454,300	"
2016.06.16~ 2019.06.11	2.930%	THB 100,000	"	-	90,860	"
2016.06.24~ 2019.03.21	2.920%	THB 300,000	"	-	272,580	"
2016.06.28~ 2020.06.29	3.250%	THB 200,000	"	-	181,720	"
2016.07.13~ 2019.03.29	2.920%	THB 190,000	"	-	172,634	"
2016.07.25~ 2019.08.01	2.910%	THB 205,000	"	-	186,263	"
2016.07.28~ 2019.07.30	2.930%	THB 235,000	"	-	213,521	"
2016.07.29~ 2018.07.30	2.630%	THB 140,000	"	-	127,204	"
Bonds payable (Gross)				5,114,564	10,286,793	
Discounts on bonds payable				(470)	(1,890)	
				<u>\$ 5,114,094</u>	<u>10,284,903</u>	

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				Within Operating Cycle	Beyond Operating Cycle	
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	50,000	-	None
2011.01.19~ 2016.01.19	1.958%~ 1.997%	50,000	"	50,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	2,000,000	-	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	700,000	700,000	"
2014.06.16~ 2019.06.16	1.500%	450,000	"	-	450,000	"
2014.10.30~ 2021.10.30	2.050%	900,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	900,000	"
2014.10.30~ 2024.10.30	2.300%	1,100,000	"	-	1,100,000	"
2015.06.29~ 2020.06.29	1.550%	3,000,000	"	-	3,000,000	"
2014.05.09~ 2016.05.16	3.820%	THB 240,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	219,504	-	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	1,188,980	-	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	91,460	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	-	192,066	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	-	137,190	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	201,212	"
2014.07.17~ 2016.07.11	3.790%	THB 215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	196,639	-	"

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					Within Operating Cycle	Beyond Operating Cycle	
2014.07.18~ 2017.07.25	4.050%	THB	500,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	457,300	None
2014.07.25~ 2017.08.08	4.050%	THB	320,000	"	-	292,672	"
2014.09.26~ 2017.10.10	3.950%	THB	200,000	"	-	182,920	"
2014.09.26~ 2017.09.25	3.950%	THB	250,000	"	-	228,650	"
2014.09.29~ 2017.09.25	3.950%	THB	100,000	"	-	91,460	"
2014.11.07~ 2016.11.07	3.700%	THB	160,000	"	146,336	-	"
2014.11.10~ 2017.11.10	3.950%	THB	200,000	"	-	182,920	"
2014.11.24~ 2017.12.07	3.850%	THB	130,000	"	-	118,898	"
2014.11.25~ 2016.11.25	3.700%	THB	120,000	"	109,752	-	"
2014.12.03~ 2016.12.07	3.700%	THB	190,000	"	173,774	-	"
2015.01.28~ 2017.01.28	3.600%	THB	300,000	"	-	274,380	"
2015.03.18~ 2018.03.18	3.700%	THB	100,000	"	-	91,460	"
2015.05.14~ 2017.05.15	3.500%	THB	120,000	"	-	109,752	"
2015.06.04~ 2018.06.04	3.400%	THB	300,000	"	-	274,380	"
2015.08.13~ 2018.08.14	3.100%	THB	150,000	"	-	137,190	"
2015.09.03~ 2018.08.28	3.100%	THB	150,000	"	-	137,190	"
2015.12.25~ 2017.11.15	2.680%	THB	100,000	"	-	91,460	"
Bonds payable (Gross)					4,834,985	9,442,560	
Discounts on bonds payable					(698)	(1,740)	
					<u>\$ 4,834,287</u>	<u>9,440,820</u>	

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				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.058%~ 2.088%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ 400,000	-	None
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000	"	50,000	-	"
2011.01.19~ 2016.01.19	1.958%~ 1.997%	50,000	"	50,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	2,000,000	-	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	700,000	700,000	"
2014.06.16~ 2019.06.16	1.500%	450,000	"	-	450,000	"
2014.10.30~ 2021.10.30	2.050%	900,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	900,000	"
2014.10.30~ 2024.10.30	2.300%	1,100,000	"	-	1,100,000	"
2015.06.29~ 2020.06.29	1.550%	3,000,000	"	-	3,000,000	"
2014.05.09~ 2016.05.16	3.820%	THB 240,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	218,328	-	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	1,182,610	-	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	90,970	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	-	191,037	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	-	136,455	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	200,134	"
2014.07.17~ 2016.07.11	3.790%	THB 215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	195,586	-	"

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

Financial covenants of significant loans and borrowings:

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

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(k) Operating Leases

1. Leases entered into as lessee

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

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Within 1 year	\$ 195,575	175,383	189,221
Beyond 1 year but up to 5 years	458,937	520,656	544,750
Over 5 years	<u>110,716</u>	<u>132,604</u>	<u>124,000</u>
	<u>\$ 765,228</u>	<u>828,643</u>	<u>857,971</u>

(l) Employee benefits

1. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2015 and 2014.

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating expenses	\$ <u>18,758</u>	<u>18,515</u>	<u>56,754</u>	<u>55,664</u>

2. Defined contribution plans

The pension costs incurred from the contributions were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating costs	\$ 552	500	1,556	1,500
Operating expenses	<u>40,479</u>	<u>43,037</u>	<u>115,754</u>	<u>85,203</u>
Total	<u>\$ 41,031</u>	<u>43,537</u>	<u>117,310</u>	<u>86,703</u>

(m) Income taxes

1. Income Tax Expense

The components of income tax were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Total income tax expense from continuing operations	\$ <u>572,626</u>	<u>613,322</u>	<u>1,903,838</u>	<u>1,859,735</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ -	-	123	-
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	\$ 47,429	(73,369)	77,776	(28,173)

(n) Share capital and other equity accounts

Except for the following, there were no significant changes in capital and reserves for the nine months ended September 30, 2016 and 2015. Please refer to Note (6)(o) of the consolidated financial statements for the year ended December 31, 2015 for other related information.

1. Share capital

Due to the capital required for investing in subsidiaries and repaying bank loans, the board of directors of the Company resolved to increase the Company's capital by issuing common shares of stock through the offering of global depository shares overseas, and the offering was approved by the Financial Supervisory Commission (FSC) on August 3, 2012. As of October 9, 2012, these global depository 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 depository shares. Each unit of global depository shares represents 5 common shares of stock. As of September 30, 2016, December 31, 2015 and September 30, 2015, the Company has listed, 38,028, 1,365,667, and 2,572,767 units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. Key terms and conditions for GDRs were as follows:

1) Exercise of voting rights

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

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

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

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2. Retained earnings

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

a) Earnings distribution

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

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

	2015		2014	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 3.10	3,531,613	2.80	3,067,157
Stock	-	-	0.40	438,166
Total		<u>\$ 3,531,613</u>		<u>3,505,323</u>

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

(o) Earnings per share

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Profit attributable to common stockholders of the Company	<u>\$ 1,922,433</u>	<u>1,731,694</u>	<u>5,450,791</u>	<u>5,148,125</u>
Weighted average number of ordinary shares	<u>1,139,230</u>	<u>1,139,230</u>	<u>1,139,230</u>	<u>1,139,230</u>
Weighted average number of ordinary shares (Diluted)	<u>\$ 1,139,250</u>	<u>1,139,256</u>	<u>1,139,250</u>	<u>1,139,256</u>

Note: Potential ordinary shares have no dilutive effects.

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(p) Employee and board of directors compensation

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

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

For the three months and the nine months ended September 30, 2016 and 2015, compensation for employees amounted to \$289, \$256, \$818 and \$772, respectively. For the three months and the nine months ended September 30, 2016 and 2015, compensation for the board of directors amounted to \$1,346, \$1,197, \$3,816, and \$3,604, respectively. These amounts were estimated using the Company's profit before tax before remuneration of employee and the board of directors for the periods described above, and were determined according to the earnings allocation method, priority and factor for employee benefits and the board of directors' remuneration as stated under the Company's Articles of Association. These estimated compensation costs were accrued and charged to profit or loss in the period when the employee service is rendered. According to management, the difference between the actual distribution and estimated amounts of employee as well as the board of directors compensation, if any, will be treated as a change in accounting estimate and adjusted in profit or loss in the following year.

(q) Net other income and expenses

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Losses on disposal of foreclosed assets	\$ (15,498)	(19,636)	(49,365)	(64,166)
(Losses) gains on reversal of impairment loss of foreclosed assets	(678)	(6,232)	(7,173)	18,211
Gains on doubtful debt recoveries	46,394	37,490	153,502	122,170
Others	(1)	(2)	88	106
	<u>\$ 30,217</u>	<u>11,620</u>	<u>97,052</u>	<u>76,321</u>

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(r) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Foreign exchange gains (losses)	\$ 71,541	30,854	294,032	13,507
Net gains on disposal of property, plant, and equipment	126	900	145	2,024
Net gains on disposal of available-for-sale financial assets	4,043	-	6,036	114,600
Net gains on valuation of financial assets (liabilities) measured at fair value through profit or loss	20,797	(16,280)	43,928	(19,203)
Impairment losses of available-for-sale financial assets	-	-	(21)	(30)
Others	109,292	80,423	662,922	437,174
	<u>\$ 205,799</u>	<u>95,897</u>	<u>1,007,042</u>	<u>548,072</u>

(s) Adjustments to other comprehensive income

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Available-for-sale financial assets				
Net change in fair value	\$ (2,260)	(38,786)	44,577	(40,542)
Net change in fair value reclassified to profit or loss	-	-	-	836
Net change in fair value recognized in other comprehensive income	<u>\$ (2,260)</u>	<u>(38,786)</u>	<u>44,577</u>	<u>(39,706)</u>

(t) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group. As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group's maximum exposure to credit risks amounted to \$270,115,403, \$262,748,664 and \$259,013,975, respectively.

The non-performing loans (net of allowance for doubtful accounts) amounted to \$111,829, \$149,905 and \$167,048 as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively.

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

	<u>Taiwan</u>	<u>Thailand</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
September 30, 2016					
Gross loans and receivables:					
Neither past due nor impaired	\$128,091,973	25,062,460	67,020,156	6,502,363	226,676,952
Past due	243,938	-	-	169,425	413,363
Impaired	<u>4,864,153</u>	<u>3,711,207</u>	<u>3,837,820</u>	<u>461,755</u>	<u>12,874,935</u>
	<u>\$133,200,064</u>	<u>28,773,667</u>	<u>70,857,976</u>	<u>7,133,543</u>	<u>239,965,250</u>
Allowance for impairment					
Collectively assessed	\$ 1,370,418	487,636	1,589,785	283,303	3,731,142
Individually assessed	<u>1,827,909</u>	<u>339,477</u>	<u>1,829,875</u>	<u>129,876</u>	<u>4,127,137</u>
	<u>\$ 3,198,327</u>	<u>827,113</u>	<u>3,419,660</u>	<u>413,179</u>	<u>7,858,279</u>
December 31, 2015					
Gross loans and receivables:					
Neither past due nor impaired	\$117,467,121	24,370,296	70,501,289	5,852,828	218,191,534
Past due	147,748	-	-	181,061	328,809
Impaired	<u>3,488,715</u>	<u>3,398,415</u>	<u>4,089,842</u>	<u>325,473</u>	<u>11,302,445</u>
	<u>\$121,103,584</u>	<u>27,768,711</u>	<u>74,591,131</u>	<u>6,359,362</u>	<u>229,822,788</u>
Allowance for impairment					
Collectively assessed	\$ 1,325,639	417,484	1,449,065	305,778	3,497,966
Individually assessed	<u>1,438,024</u>	<u>269,634</u>	<u>1,926,341</u>	<u>161,089</u>	<u>3,795,088</u>
	<u>\$ 2,763,663</u>	<u>687,118</u>	<u>3,375,406</u>	<u>466,867</u>	<u>7,293,054</u>
September 30, 2015					
Gross loans and receivables:					
Neither past due nor impaired	\$114,859,838	23,452,543	70,354,993	5,697,492	214,364,866
Past due	180,983	-	-	291,572	472,555
Impaired	<u>3,163,776</u>	<u>3,582,164</u>	<u>4,101,340</u>	<u>401,908</u>	<u>11,249,188</u>
	<u>\$118,204,597</u>	<u>27,034,707</u>	<u>74,456,333</u>	<u>6,390,972</u>	<u>226,086,609</u>
Allowance for impairment					
Collectively assessed	\$ 1,401,081	370,402	1,476,041	379,969	3,627,493
Individually assessed	<u>1,200,184</u>	<u>297,685</u>	<u>1,736,878</u>	<u>227,888</u>	<u>3,462,635</u>
	<u>\$ 2,601,265</u>	<u>668,087</u>	<u>3,212,919</u>	<u>607,857</u>	<u>7,090,128</u>

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

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

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

3) Loans and receivables which were past due

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

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

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Past due up to 30 days	\$ 363,381	181,037	248,912
Past due up to 31 to 90 days	49,982	73,200	223,643
Past due up to 90 to 180 days	<u>-</u>	<u>74,572</u>	<u>-</u>
	<u>\$ 413,363</u>	<u>328,809</u>	<u>472,555</u>

4) Impaired loans and receivables

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

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2. Liquidity risks

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

	Carrying amount	Contractual cash flows	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	On demand
September 30, 2016								
Non-derivative financial liabilities								
Bank overdraft	\$ 17,644	17,644	-	-	-	-	-	17,644
Secured bank loans	32,056,732	33,347,032	4,412,067	1,954,622	10,870,169	16,110,174	-	-
Unsecured bank loans	146,664,533	148,614,539	46,794,586	18,110,487	34,769,719	48,939,747	-	-
Other unsecured loans	399,728	400,693	199,892	145,376	55,425	-	-	-
Notes payable from securitization	9,718,922	10,283,653	15,673	31,345	141,053	9,896,821	198,761	-
Bonds payables	15,398,997	16,313,729	54,250	469,913	4,001,108	9,417,860	2,370,598	-
Other payables	6,327,956	6,338,085	3,368,559	854,529	679,399	451,429	-	984,169
Deposits relating to collateral of customers	26,418,245	26,428,651	244,335	542,223	5,452,080	19,307,425	-	882,588
	<u>\$ 237,002,757</u>	<u>241,744,026</u>	<u>55,089,362</u>	<u>22,108,495</u>	<u>55,968,953</u>	<u>104,123,456</u>	<u>2,569,359</u>	<u>1,884,401</u>
December 31, 2015								
Non-derivative financial liabilities								
Bank overdraft	\$ 4,548	4,548	-	-	-	-	-	4,548
Secured bank loans	30,376,592	32,148,711	4,464,274	3,222,045	9,942,150	14,520,242	-	-
Unsecured bank loans	139,790,321	143,397,987	55,853,154	18,216,341	30,549,409	38,779,083	-	-
Other unsecured loans	1,523,738	1,529,211	237,796	985,024	306,391	-	-	-
Notes payable from securitization	5,662,792	6,004,991	8,850	17,699	79,648	5,681,410	217,384	-
Bonds payables	14,275,107	15,244,116	118,105	37,776	3,306,104	9,662,481	2,119,650	-
Other payables	6,932,789	6,935,189	4,467,353	871,553	547,407	347,044	-	701,832
Deposits relating to collateral of customers	25,089,282	25,104,584	228,586	570,606	5,410,706	18,258,444	-	636,242
	<u>\$ 223,655,169</u>	<u>230,369,337</u>	<u>65,378,118</u>	<u>23,921,044</u>	<u>50,141,815</u>	<u>87,248,704</u>	<u>2,337,034</u>	<u>1,342,622</u>
September 30, 2015								
Non-derivative financial liabilities								
Secured bank loans	\$ 29,093,364	31,010,355	4,103,693	2,683,582	10,020,421	14,202,659	-	-
Unsecured bank loans	139,528,598	143,044,609	50,341,429	19,237,925	32,271,435	41,193,820	-	-
Other unsecured loans	1,904,430	1,912,942	521,809	874,423	516,710	-	-	-
Notes payable from securitization	5,669,103	6,036,405	8,842	17,684	79,575	5,707,072	223,232	-
Bonds payables	14,555,122	15,620,468	47,522	455,022	2,943,794	10,010,730	2,163,400	-
Other payables	6,189,647	7,674,264	3,975,020	337,919	2,082,351	855,397	-	423,577
Deposits relating to collateral of customers	24,981,097	24,998,483	327,563	604,298	5,321,420	18,108,576	-	636,626
	<u>\$ 221,921,361</u>	<u>230,297,526</u>	<u>59,325,878</u>	<u>24,210,853</u>	<u>53,235,706</u>	<u>90,078,254</u>	<u>2,386,632</u>	<u>1,060,203</u>

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

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from foreign currency exchange fluctuations on cash and cash equivalents, accounts 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 \$15,754 and \$2,512, for the nine months ended September 30, 2016 and 2015, respectively. Such analysis was performed on the same basis for both periods.

3) The Foreign Currency Gain or Loss on Monetary Items

Since the Group uses multiple functional currencies, the amounts for foreign currency gain or loss are consolidated for presentation. For the nine months ended September 30, 2016 and 2015, the foreign currency gain or loss, including realized and unrealized, amounted to \$294,032 and \$13,507, respectively.

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4. Interest analysis

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

Ending balance as of September 30, 2016	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	0.75 %	\$ 15,645,810	12,546,293	1,166,060	-	-	1,933,457
Debt securities	7.14 %	8,084,646	-	3,781,163	4,303,483	-	-
Total accounts receivables	9.69 %	240,130,881	29,454,318	118,106,919	88,764,244	466,920	3,338,480
		<u>263,861,337</u>	<u>42,000,611</u>	<u>123,054,142</u>	<u>93,067,727</u>	<u>466,920</u>	<u>5,271,937</u>
Financial liabilities							
Secured bank loans	4.21 %	32,056,732	21,482,915	5,954,921	4,179,896	439,000	-
Unsecured bank loans	1.95 %	146,664,533	85,622,974	43,609,827	17,431,732	-	-
Bonds payables	2.31 %	15,398,997	-	4,189,094	8,909,903	2,300,000	-
Bank overdraft	7.38 %	17,644	17,644	-	-	-	-
Other unsecured loans	2.21 %	399,728	-	399,728	-	-	-
Notes payable from securitization	1.94 %	9,718,922	160,722	-	9,558,200	-	-
Deposits relating to collateral of customers	0.14 %	26,418,245	-	2,121,974	4,671,335	4,316	19,620,620
		<u>230,674,801</u>	<u>107,284,255</u>	<u>56,275,544</u>	<u>44,751,066</u>	<u>2,743,316</u>	<u>19,620,620</u>
Net exposure		<u>\$ 33,186,536</u>	<u>(65,283,644)</u>	<u>66,778,598</u>	<u>48,316,661</u>	<u>(2,276,396)</u>	<u>(14,348,683)</u>

Ending balance as of December 31, 2015	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	0.87 %	\$ 11,097,812	8,351,786	1,052,911	-	-	1,693,115
Debt securities	6.30 %	10,669,495	693,713	4,117,714	5,858,068	-	-
Total accounts receivables	11.37 %	230,039,735	26,689,972	108,703,310	83,340,548	1,240,458	10,065,447
Interest rate swap contracts	1.80 %	1,385	1,385	-	-	-	-
Cross currency swap contracts	1.30 %	184,147	184,147	-	-	-	-
		<u>251,992,574</u>	<u>35,921,003</u>	<u>113,873,935</u>	<u>89,198,616</u>	<u>1,240,458</u>	<u>11,758,562</u>

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

Ending balance as of September 30, 2015	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1-5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	1.15 %	\$ 10,488,396	8,118,120	750,916	-	-	1,619,360
Debt securities	5.80 %	10,169,250	699,443	3,817,502	5,652,305	-	-
Total accounts receivables	10.12 %	226,352,826	28,352,517	108,368,260	78,454,935	1,238,712	9,938,402
Cross currency swap contracts	1.53 %	110,665	110,665	-	-	-	-
Interest rate swap contract	1.01 %	6,376	6,376	-	-	-	-
		<u>247,127,513</u>	<u>37,287,121</u>	<u>112,936,678</u>	<u>84,107,240</u>	<u>1,238,712</u>	<u>11,557,762</u>
Financial liabilities							
Secured bank loans	4.98 %	29,093,364	17,939,603	5,610,584	5,543,177	-	-
Unsecured bank loans	2.46 %	139,528,598	83,879,724	40,995,241	14,653,633	-	-
Bonds payables	2.52 %	14,555,122	500,000	2,595,725	9,459,397	2,000,000	-
Other unsecured loans	2.37 %	1,904,430	-	1,904,430	-	-	-
Notes payable from securitization	1.87 %	5,669,103	204,103	-	5,465,000	-	-
Deposits relating to collateral of customers	0.28 %	24,981,097	-	2,274,384	4,617,499	-	18,089,214
		<u>215,731,714</u>	<u>102,523,430</u>	<u>53,380,364</u>	<u>39,738,706</u>	<u>2,000,000</u>	<u>18,089,214</u>
Net exposure		\$ 31,395,799	(65,236,309)	59,556,314	44,368,534	(761,288)	(6,531,452)

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 change in interest rate.

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If the interest rate increases or decreases by 0.25%, the Group's net profit will decrease or increase by \$139,378 and \$134,856 for the nine months ended September 30, 2016 and 2015, respectively. This analysis assumes that all other variables remain constant.

5. Fair value information

1) The Categories and Fair Values of Financial Instruments

The following are the carrying amount and the fair value of the Group's financial assets and financial liabilities (including fair value hierarchy information). However, for financial instruments not measured at fair value but whose carrying amount is estimated to be reasonably close to the fair value, and for equity investments that has no quoted prices in active markets and whose fair value cannot be reliably measured, the fair value information need not be disclosed:

	September 30, 2016				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value though profit or loss					
Financial assets held for trading	\$ 296,920	296,920	-	-	296,920
Available-for-sale financial assets					
Domestic and foreign market (OTC) stocks	1,320,110	256,475	1,063,635	-	1,320,110
Measure the fair value of unquoted equity instruments	497,561	-	-	497,561	497,561
Sub-total	1,817,671	256,475	1,063,635	497,561	1,817,671
Held-to-maturity investments	8,084,646	-	-	-	-
Loan and receivable					
Cash and cash equivalents	15,645,810	-	-	-	-
Accounts receivable	232,218,800	-	-	-	-
Other financial assets	1,693,418	-	-	-	-
Refundable deposits	825,359	-	-	-	-
Restricted bank deposits	2,682,543	-	-	-	-
Sub-total	253,065,930	-	-	-	-
Total	\$ 263,265,167	553,395	1,063,635	497,561	2,114,591

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	September 30, 2015				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Loan and receivable					
Cash and cash equivalents	10,488,396	-	-	-	-
Accounts receivable	219,163,529	-	-	-	-
Other financial assets	1,586,081	-	-	-	-
Refundable deposits	943,773	-	-	-	-
Restricted bank deposits	<u>3,103,251</u>	-	-	-	-
Sub-total	<u>235,285,030</u>	-	-	-	-
Total	<u>\$ 247,371,338</u>	<u>258,422</u>	<u>1,153,171</u>	<u>1,204,908</u>	<u>2,616,501</u>
Measurement of financial liabilities at amortized cost					
Secured bank loans	\$ 29,093,364	-	-	-	-
Unsecured bank loans	139,528,598	-	-	-	-
Other unsecured loans	1,904,430	-	-	-	-
Notes payable from securitization	5,669,103	-	-	-	-
Bonds payables	14,555,122	-	-	-	-
Other payables	6,189,647	-	-	-	-
Deposits relating to collateral of customers	<u>24,981,097</u>	-	-	-	-
Sub-total	<u>221,921,361</u>	-	-	-	-
Total	<u>\$ 221,921,361</u>	-	-	-	-

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

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

A. Held-to-Maturity Financial Assets

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

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

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

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3) Valuation Techniques for Financial Instruments Measured at Fair Value

A. Non-derivative Financial Instruments

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

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

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

B. Derivative Financial Instruments

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

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

	<u>At fair value through profit or loss Designated at initial recognition</u>	<u>Available-for-sale financial assets Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2016	\$ 693,713	506,319	1,200,032
Total gains and losses recognized:			
In profit or loss	28,094	-	28,094
In other comprehensive income	-	(5,526)	(5,526)
Disposal	<u>(721,807)</u>	<u>(3,232)</u>	<u>(725,039)</u>
Ending balance, September 30, 2016	<u>\$ -</u>	<u>497,561</u>	<u>497,561</u>
Opening balance, January 1, 2015	\$ 710,059	517,217	1,227,276
Total gains and losses recognized:			
In profit or loss	(10,616)	-	(10,616)
In other comprehensive income	-	(11,752)	(11,752)
Ending balance, September 30, 2015	<u>\$ 699,443</u>	<u>505,465</u>	<u>1,204,908</u>

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For the nine months ended September 30, 2016 and 2015, total gains and losses arising from the valuation of investments under Level 3 of the fair value hierarchy that were included in “other gains and losses” and “unrealized gains and losses on available-for-sale financial assets” were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Total gains and losses recognized :				
In profit or loss, and included “other gains and losses”	\$ -	(3,440)	28,094	(10,616)
In other comprehensive income, and included “unrealized gains and losses on available-for-sale financial assets ”	(3,271)	6,845	(5,526)	(11,752)

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

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

Quantified information of significant unobservable inputs as follows:

Item	Valuation Technique	Significant Non-observable Input	The Relationship between Significant Non-observable Input and Fair Value
Financial assets measured at fair value through profit or loss - subordinated beneficiary certificate	Discounted Cash Flow Method	<ul style="list-style-type: none"> Expected Asset Repayment Rate (As of December 31 and September 30, 2015 the interest rate is 28.06% and 21.18%, respectively) Expected Loss Given Default Rate (As of December 31 and September 30, 2015 the interest rate is 7.88% and 5.76%, respectively) 	<ul style="list-style-type: none"> The higher the expected asset repayment rate, the higher the fair value. The lower the expected loss given default rate, the higher the fair value.
Available-for-sale financial assets-equity investments	Net Asset Value Method	Net Asset Value	Not applicable

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

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

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

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

(u) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note (6)(v) of the consolidated financial statements for the year ended December 31, 2015.

(v) Capital Management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2015. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2015. Please refer to Note (6)(w) of the consolidated financial statements for the year ended December 31, 2015 for further details.

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(7) Related Party Transactions

(a) Related-party transactions

1. Operating revenue

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Affiliates	\$ <u>51,542</u>	<u>53,791</u>	<u>187,066</u>	<u>148,816</u>

2. Receivables from related parties

Receivables of the Group from related parties were as follows :

Account	Category of related party	2016.9.30	2015.12.31	2015.9.30
Capital leases receivable	Affiliates	\$ 182	216	201
Accounts receivable	Affiliates	1,650	2,038	1,497
Other receivables	Affiliates	16,280	38,763	17,037
Other current financial assets	Affiliates	1,000	1,000	1,000
Other non-current financial assets	Affiliates	12,000	10,900	13,100
		<u>\$ 31,112</u>	<u>52,917</u>	<u>32,835</u>

3. Payable to related parties

Payable of the Group from related parties were as follows :

Account	Category of related party	2016.9.30	2015.12.31	2015.9.30
Other current financial liabilities	Affiliates	\$ <u>215</u>	<u>709</u>	<u>581</u>

4. Asset transactions

The Group's subsidiary entered into a decoration agreement with an affiliate Zhongyou Investment Management Consultants (Shanghai) Co., Ltd. (Zhongyou) for the decoration of a Shanghai office building that the subsidiary is currently leasing. Under this agreement, Zhongyou is responsible for the design, supervision and management consulting jobs for subsidiary's leasehold improvements project in Shanghai office building. The project expenditure amounted to \$0, \$106,929, \$4,944 and \$116,224 for the three months and the nine months ended September 30, 2016 and 2015, respectively, including project consultant fee of \$0, \$0, \$124 and \$9,295 paid to Zhongyou for the three months and the nine months ended September 30, 2016 and 2015, respectively.

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5. Related-Party Financing

Financing to related parties was as follows :

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Affiliates	<u>\$ 67,985</u>	<u>71,153</u>	<u>104,121</u>

The loans receivable bear interest at rates ranging from 4.00% to 4.25%. As of September 30, 2016, December 31, 2015 and September 30, 2015, interest receivable from the loans receivable from affiliates amounted to \$12,357, \$10,263 and \$9,565, respectively. For the three months and the nine months ended September 30, 2016 and 2015, interest revenue from the loans receivable from affiliates amounted to \$980, \$1,100, \$2,742 and \$6,641, respectively.

6. Interest bearing borrowings

Borrowings of the Group from related parties were as follows :

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Affiliates	<u>\$ 2,561,724</u>	<u>2,839,808</u>	<u>2,128,698</u>

The borrowings from affiliates bear interest at annual rates ranging from 3.40% to 4.70%. As of September 30, 2016, December 31, 2015 and September 30, 2015, interest payable from the interest bearing borrowings from affiliates amounted to \$230, \$379 and \$262, respectively. For the three months and the nine months ended September 30, 2016 and 2015, interest expense from the interest bearing borrowing from affiliates amounted to \$25,456, \$23,971, \$81,347 and \$76,022, respectively.

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

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Affiliates	<u>\$ -</u>	<u>45,730</u>	<u>45,485</u>

The bonds payable bear interest at annual rates ranging from 4.50% to 4.60%. As of December 31, 2015 and September 30, 2015, interest payable from bonds payable to affiliates amounted to \$28, and \$22, respectively. For the three months and the nine months ended September 30, 2016 and 2015, interest expenses from bonds payable to affiliates amounted to \$0, \$516, \$1,014 and \$1,577, respectively.

7. Others

- 1) As of September 30, 2016, December 31, 2015 and September 30, 2015, bank deposits in financial institutions which are related parties of the Group amounted to \$152,851, \$315,004 and \$310,243, respectively. For the three months and the nine months ended September 30, 2016 and 2015, interest revenue from the deposits in affiliates amounted to \$55, \$52, \$340 and \$189, respectively.

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2) Other expense with related parties :

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
<u>Affiliates</u>				
Rent expense	\$ 7,564	7,613	22,506	22,571
Commission and service costs and expenses	288	200	785	539
Other operating costs and expenses	6,958	14,774	32,991	47,879
	<u>\$ 14,810</u>	<u>22,587</u>	<u>56,282</u>	<u>70,989</u>

(b) Key management personnel compensation

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Short-term employee benefits	\$ 61,824	7,714	185,842	141,743
Post-employment benefits	505	316	1,425	1,084
	<u>\$ 62,329</u>	<u>8,030</u>	<u>187,267</u>	<u>142,827</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2016.9.30	2015.12.31	2015.9.30
Restricted cash in banks				
Restricted account for loans repayment (demand deposits)	Issuance of short-term bills and as guarantee for short-term and long-term borrowings and alliance contract guarantee	\$ 2,883,946	2,146,875	3,137,463
Property, plant and equipment	As guarantee for short-term and long- term borrowings	2,404,127	4,569,992	4,357,905
Equity securities	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	1,062,688	1,174,967	1,170,589
Refundable deposits	Provincial court seizure etc.	630,280	806,718	784,328
Accounts receivable and notes receivable	Issuance of short-term bills, corporate bonds and as guarantee for short-term and long-term borrowings	91,936,145	94,670,046	99,860,910
Total		<u>\$ 98,917,186</u>	<u>103,368,598</u>	<u>109,311,195</u>

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

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(9) Commitments and Contingencies

- (a) The Group entered into alliances with several commercial banks for which the banks will provide direct financing loans to the Group's corporate and individual customers. Should these corporate and individual customers default on their payments, the Group is required to assume their loan obligations and pay these loans on behalf of these customers. As of September 30, 2016, December 31, 2015 and September 30, 2015, the balance of unexpired payments from these alliance transactions amounted to \$8,081,534, \$11,524,705 and \$11,602,509, respectively.
- (b) Chailease Finance Co., Ltd. (CFC), together with third parties/co-facilitators, entered into an agreement with CFC customers for purposes of facilitating the extension of loans to these customers by financial institutions, under which, CFC will share with these co-facilitators in the facilitating fee that they earn from this agreement. If the customers default on their payments, CFC is required to pay to the financial institutions its share of the loans on behalf of these customers. As of December 31, 2015 and September 30, 2015, the payable balance from these transactions amounted to \$11,119 and \$22,269, respectively.
- (c) The Group facilitated the extension of financing by financial institutions on behalf of its certain customers under factoring agreements. Such facilitation enables the customers to obtain desired financing from financial institutions. As of September 30, 2016, December 31, 2015 and September 30, 2015, the balance of financing obtained from such facilitation amounted to \$14,066, \$19,812 and \$42,538, respectively.
- (d) The Group entered into several electricity procurement agreements with Taiwan Power Company and all of these agreements will expire on twenty years after the date the electricity generating sets are launched. Under these agreements, reselling to third parties of electric power from the renewable energy system is prohibited.

(10) Losses Due to Major Disasters : None.

(11) Subsequent Events

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	2015.12.31		Total
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	
<u>Current assets</u>			
Cash and cash equivalents	\$ 11,097,812	-	11,097,812
Current financial assets at fair value through profit or loss	235,545	-	235,545
Current held-to-maturity financial assets	4,117,714	3,540,674	7,658,388
Current derivative financial assets for hedging	163,416	-	163,416
Accounts receivable, net	127,849,388	57,756,695	185,606,083
Inventories	207	-	207
Other current financial assets	3,476,935	36,310	3,513,245
Other current assets – others	<u>2,720,371</u>	<u>-</u>	<u>2,720,371</u>
	<u>\$ 149,661,388</u>	<u>61,333,679</u>	<u>210,995,067</u>
<u>Current liabilities</u>			
Short-term borrowings	\$ 78,844,180	-	78,844,180
Accounts and notes payable	2,749,876	485,943	3,235,819
Current tax payable	1,295,601	-	1,295,601
Other current financial liabilities	10,968,806	15,305,442	26,274,248
Long-term liabilities – current portion	42,547,233	31,908,893	74,456,126
Other current liabilities – others	<u>1,017,178</u>	<u>-</u>	<u>1,017,178</u>
	<u>\$ 137,422,874</u>	<u>47,700,278</u>	<u>185,123,152</u>

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	2015.9.30		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current assets</u>			
Cash and cash equivalents	\$ 10,488,396	-	10,488,396
Current financial assets at fair value through profit or loss	106,649	-	106,649
Current held-to-maturity financial assets	3,817,502	3,376,905	7,194,407
Current derivative financial assets for hedging	86,511	-	86,511
Accounts receivable, net	122,800,827	61,386,806	184,187,633
Inventories	207	-	207
Other current financial assets	4,457,306	65,757	4,523,063
Other current assets – others	<u>3,211,568</u>	<u>-</u>	<u>3,211,568</u>
	<u>\$ 144,968,966</u>	<u>64,829,468</u>	<u>209,798,434</u>
<u>Current liabilities</u>			
Short-term borrowings	\$ 76,645,164	-	76,645,164
Accounts and notes payable	2,352,339	499,225	2,851,564
Current tax payable	627,738	-	627,738
Other current financial liabilities	10,431,318	15,678,599	26,109,917
Long-term liabilities – current portion	41,367,355	32,764,046	74,131,401
Other current liabilities – others	<u>904,213</u>	<u>-</u>	<u>904,213</u>
	<u>\$ 132,328,127</u>	<u>48,941,870</u>	<u>181,269,997</u>

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

By item	By function	For the three months ended September 30, 2016			For the three months ended September 30, 2015		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		13,481	986,250	999,731	12,224	912,234	924,458
Labor and health insurance		1,069	62,835	63,904	988	53,025	54,013
Pension		552	59,237	59,789	500	61,552	62,052
Others		-	69,654	69,654	-	62,832	62,832
Depreciation		447,765	35,762	483,527	377,789	36,467	414,256
Amortization		-	39,337	39,337	-	38,925	38,925

By item	By function	For the nine months ended September 30, 2016			For the nine months ended September 30, 2015		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		42,379	3,112,096	3,154,475	39,473	2,839,544	2,879,017
Labor and health insurance		3,109	195,110	198,219	3,072	205,745	208,817
Pension		1,556	172,508	174,064	1,500	140,867	142,367
Others		-	229,274	229,274	-	200,601	200,601
Depreciation		1,260,574	108,930	1,369,504	1,071,372	111,997	1,183,369
Amortization		-	132,138	132,138	-	113,274	113,274

(c) Seasonality of operation:

The Group's operation is neither seasonal nor cyclical.

(13) Segment Information

Operating segments financial information:

	For the three months ended September 30, 2016					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 4,604,800	4,193,484	651,200	193,203	-	9,642,687
Intersegment revenues	214,852	20,412	-	3,685	(238,949)	-
Total revenue	\$ 4,819,652	4,213,896	651,200	196,888	(238,949)	9,642,687
Reportable segment profit or loss	\$ 1,313,509	474,695	173,560	50,588	-	2,012,352

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	For the three months ended September 30, 2015					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 3,993,891	4,535,022	631,723	153,036	-	9,313,672
Intersegment revenues	<u>203,622</u>	<u>106,576</u>	<u>-</u>	<u>-</u>	<u>(310,198)</u>	<u>-</u>
Total revenue	<u>\$ 4,197,513</u>	<u>4,641,598</u>	<u>631,723</u>	<u>153,036</u>	<u>(310,198)</u>	<u>9,313,672</u>
Reportable segment profit or loss	<u>\$ 1,231,347</u>	<u>553,769</u>	<u>160,701</u>	<u>(129,606)</u>	<u>-</u>	<u>1,816,211</u>
	For the nine months ended September 30, 2016					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 13,270,427	12,216,212	1,939,014	547,546	-	27,973,199
Intersegment revenues	<u>670,400</u>	<u>134,497</u>	<u>-</u>	<u>5,110</u>	<u>(810,007)</u>	<u>-</u>
Total revenue	<u>\$ 13,940,827</u>	<u>12,350,709</u>	<u>1,939,014</u>	<u>552,656</u>	<u>(810,007)</u>	<u>27,973,199</u>
Reportable segment profit or loss	<u>\$ 3,783,007</u>	<u>1,620,983</u>	<u>503,983</u>	<u>(197,922)</u>	<u>-</u>	<u>5,710,051</u>
	For the nine months ended September 30, 2015					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 11,838,034	12,595,967	1,911,335	563,645	-	26,908,981
Intersegment revenues	<u>672,927</u>	<u>359,154</u>	<u>-</u>	<u>-</u>	<u>(1,032,081)</u>	<u>-</u>
Total revenue	<u>\$ 12,510,961</u>	<u>12,955,121</u>	<u>1,911,335</u>	<u>563,645</u>	<u>(1,032,081)</u>	<u>26,908,981</u>
Reportable segment profit or loss	<u>\$ 3,605,171</u>	<u>1,711,746</u>	<u>482,975</u>	<u>(398,444)</u>	<u>-</u>	<u>5,401,448</u>