

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

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Independent Auditors' Review Report

The Board of Directors of Chailease Holding Company Limited :

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

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

Also included in the accompanying 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\$35,589,542 thousand and NT\$23,598,060 thousand constituting 17% and 13%, respectively, of the Company's consolidated total assets; total liabilities of NT\$28,291,214 thousand and NT\$18,968,398 thousand constituting 16% and 12%, respectively, of the Company's consolidated total liabilities as of June 30, 2014 and 2013; comprehensive income of NT\$206,861 thousand, NT\$64,543 thousand, NT\$497,732 thousand and NT\$221,060 thousand constituting 15%, 4%, 17% and 6%, respectively, of the Company's consolidated comprehensive income for the three months and the six months ended June 30, 2014 and 2013.

Long term investments under equity method of NT\$46,019 thousand and NT\$4,029 thousand as of June 30, 2014 and 2013, respectively, and related investment income (loss) thereof amounting to NT \$(2,828) thousand, NT\$(3,043) thousand, NT\$(4,371) thousand and NT\$(3,088) thousand for the three months and the six months ended June 30, 2014 and 2013, respectively, were recognized based upon financial statements prepared by investee companies.

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

We have previously audited the consolidated balance sheets of Chailease Holding Company Limited and its subsidiaries as of December 31, 2013, and the related statements of comprehensive income, change in equity and cash flows for the year then ended in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and auditing standards generally accepted in the Republic of China and we expressed an unqualified opinion on those audited financial statements in our report dated March 27, 2014. In our opinion, the consolidated balance sheets and related disclosures of the Group as of December 31, 2013, are consistent, in all material respects, with the audited consolidated financial statements from which they have been derived.

KPMG

CPA : Wan Wan, Lin
Yi Chun, Chen

Taipei, Taiwan, R.O.C.
August 13, 2014

Note to Readers

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

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

(English Translation of Financial Report Originally Issued in Chinese)

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2014, December 31, 2013, and June 30, 2013

(Amounts Expressed in Thousands of New Taiwan Dollars)

		2014.6.30		2013.12.31		2013.6.30						2014.6.30		2013.12.31		2013.6.30	
		Amount	%	Amount	%	Amount	%					Amount	%	Amount	%	Amount	%
Assets										LIABILITIES AND EQUITY							
Current assets :										Current Liabilities :							
1100	Cash and cash equivalents (Notes (6)(a) and (7))	\$ 7,607,684	4	7,586,221	4	8,230,226	5	2100	Short-term borrowings (Notes (6)(j) , (7) and (8))	\$ 70,942,719	34	57,141,701	29	53,198,835	29		
1110	Current financial assets at fair value through profit or loss (Note (6)(b))	393,120	-	264,569	-	340,143	-	2120	Current financial liabilities at fair value through profit or loss (Note (6)(b))	2,973	-	9,150	-	1,570	-		
1130	Current held-to-maturity financial assets (Note (6)(b))	6,846,483	3	4,838,385	3	2,175,239	1	2125	Current derivative financial liabilities for hedging (Note (6)(b))	1,713	-	39,920	-	5,533	-		
1135	Current derivative financial assets for hedging (Notes (6)(b))	29,998	-	-	-	-	-	2150	Accounts and notes payable	1,310,418	1	2,383,535	1	999,456	1		
1170	Accounts receivable, net (Notes (6)(d), (7) and (8))	144,081,596	68	133,718,307	68	123,030,288	68	2230	Current tax liabilities	781,942	-	618,258	-	501,515	-		
1320	Inventories (Notes (6)(e), (7) and (8))	379	-	567,752	-	887,093	-	2305	Other current financial liabilities (Note (7))	21,823,932	10	19,830,779	10	20,828,802	12		
1476	Other current financial assets (Notes (7) and (8))	5,399,795	3	5,000,217	3	6,003,894	3	2312	Advance real estate receipts (Notes (6)(e) and (7))	349	-	307,563	-	342,280	-		
1479	Other current assets – others (Notes (6)(f) and (7))	<u>2,499,086</u>	<u>1</u>	<u>2,323,739</u>	<u>1</u>	<u>2,632,629</u>	<u>2</u>	2320	Long-term liabilities – current portion	54,118,209	26	49,511,658	25	49,488,415	27		
		<u>166,858,141</u>	<u>79</u>	<u>154,299,190</u>	<u>79</u>	<u>143,299,512</u>	<u>79</u>		(Notes (6)(j), (6)(k), (7) and (8))								
	Non-current assets :							2399	Other current liabilities – others	<u>855,254</u>	<u>-</u>	<u>869,514</u>	<u>-</u>	<u>998,651</u>	<u>1</u>		
1510	Non-current financial assets at fair value through profit or loss (Notes (6)(b) and (6)(c))	1,625,047	1	1,699,947	1	1,746,858	1			<u>149,837,509</u>	<u>71</u>	<u>130,712,078</u>	<u>65</u>	<u>126,365,057</u>	<u>70</u>		
1523	Non-current available-for-sale financial assets (Notes (6)(b) and (8))	1,550,899	1	1,728,104	1	1,153,948	1	2530	Bonds payable (Notes (6)(k), (7) and (8))	6,226,351	3	5,004,993	3	5,076,284	3		
1528	Non-current held-to-maturity financial assets (Note (6)(b))	897,779	-	485,855	-	530,362	-	2540	Long-term borrowings (Notes (6)(j) and (8))	19,926,343	9	26,447,339	14	20,229,435	11		
1550	Investments accounted under equity method (Notes (6)(g) and (8))	46,019	-	29,480	-	4,029	-	2570	Deferred tax liabilities	1,697,469	1	1,344,068	1	978,718	-		
1600	Property, plant and equipment (Notes (6)(h) and (8))	7,320,688	4	7,186,367	4	6,163,250	3	2600	Other non-current liabilities (Note (6)(m))	<u>2,095,486</u>	<u>1</u>	<u>1,826,279</u>	<u>1</u>	<u>1,782,532</u>	<u>1</u>		
1780	Intangible assets (Note (6)(i))	21,058	-	22,612	-	23,562	-			<u>29,945,649</u>	<u>14</u>	<u>34,622,679</u>	<u>19</u>	<u>28,066,969</u>	<u>15</u>		
1840	Deferred tax assets	1,848,458	1	1,535,509	1	1,528,552	1		Total Liabilities	<u>179,783,158</u>	<u>85</u>	<u>165,334,757</u>	<u>84</u>	<u>154,432,026</u>	<u>85</u>		
1930	Long-term accounts receivable, net (Notes (6)(d) , (7) and (8))	30,058,101	14	28,019,446	14	26,158,463	15		Equity attributable to owners of parent : (Note (6)(o))								
1995	Other non-current assets – others(Notes (7) and (8))	<u>846,348</u>	<u>-</u>	<u>769,440</u>	<u>-</u>	<u>573,689</u>	<u>-</u>			9,958,304	6	9,958,304	5	9,053,004	5		
		44,214,397	21	41,476,760	21	37,882,713	21	3110	Share capital								
								3150	Stock dividends to be distributed	995,830	-	-	-	905,300	-		
								3200	Capital surplus	9,411,698	4	9,411,698	5	9,411,771	6		
								3320	Special reserve	-	-	64,865	-	64,865	-		
								3350	Unappropriated retained earnings	8,511,952	4	8,215,781	4	5,170,275	3		
								3400	Other equity items	<u>538,953</u>	<u>-</u>	<u>973,795</u>	<u>1</u>	<u>380,598</u>	<u>-</u>		
									Total equity attributable to owners of parent	29,416,737	14	28,624,443	15	24,985,813	14		
								36XX	Non-controlling interests	<u>1,872,643</u>	<u>1</u>	<u>1,816,750</u>	<u>1</u>	<u>1,764,386</u>	<u>1</u>		
									Total equity	<u>31,289,380</u>	<u>15</u>	<u>30,441,193</u>	<u>16</u>	<u>26,750,199</u>	<u>15</u>		
TOTAL ASSETS		<u>\$ 211,072,538</u>	<u>100</u>	<u>195,775,950</u>	<u>100</u>	<u>181,182,225</u>	<u>100</u>		TOTAL LIABILITIES AND EQUITY	<u>\$ 211,072,538</u>	<u>100</u>	<u>195,775,950</u>	<u>100</u>	<u>181,182,225</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****Consolidated Statements of Comprehensive Income****For the three and the six months ended June 30, 2014 and 2013****(Amounts Expressed in Thousands of New Taiwan Dollars)**

		For the three months ended June 30,				For the six months ended June 30,			
		2014		2013		2014		2013	
		Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue : (Note (7))									
4111	Sales revenue	\$ 2,320,324	28	1,383,673	20	4,181,852	25	2,621,958	19
4810	Interest revenue - installment sales	1,623,233	19	1,462,757	21	3,176,706	19	2,933,423	22
4820	Interest revenue - capital leases	1,800,059	21	1,864,618	27	3,602,845	21	3,652,601	27
4300	Rental revenue - operating leases	456,067	6	628,043	9	907,435	5	1,292,922	10
4230	Interest revenue - loans	500,117	6	356,722	5	990,603	6	675,622	5
4240	Other interest revenue	429,060	5	219,020	3	828,370	5	419,184	3
4830	Building and land sales revenue	-	-	-	-	750,535	5	-	-
4881	Other operating revenue	<u>1,286,247</u>	<u>15</u>	<u>1,084,134</u>	<u>15</u>	<u>2,423,685</u>	<u>14</u>	<u>1,892,087</u>	<u>14</u>
		<u>8,415,107</u>	<u>100</u>	<u>6,998,967</u>	<u>100</u>	<u>16,862,031</u>	<u>100</u>	<u>13,487,797</u>	<u>100</u>
Operating costs : (Note (7))									
5111	Cost of sales	2,019,830	24	1,237,404	18	3,665,591	22	2,339,646	18
5240	Interest expense (Note (6)(e))	1,035,605	13	1,001,287	14	2,051,041	12	2,003,656	15
5300	Cost of rental revenue	352,909	4	459,002	7	685,354	4	968,715	7
5800	Other operating costs	<u>186,340</u>	<u>2</u>	<u>159,835</u>	<u>2</u>	<u>909,196</u>	<u>5</u>	<u>310,041</u>	<u>2</u>
		<u>3,594,684</u>	<u>43</u>	<u>2,857,528</u>	<u>41</u>	<u>7,311,182</u>	<u>43</u>	<u>5,622,058</u>	<u>42</u>
Gross profit from operation		4,820,423	57	4,141,439	59	9,550,849	57	7,865,739	58
6000	Operating expenses (Note (7))	2,796,061	33	2,086,006	30	5,368,986	32	3,968,867	29
6500	Net other income and expenses (Note (6)(q))	<u>35,571</u>	<u>-</u>	<u>48,406</u>	<u>1</u>	<u>71,038</u>	<u>-</u>	<u>82,089</u>	<u>1</u>
Operating profit		<u>2,059,933</u>	<u>24</u>	<u>2,103,839</u>	<u>30</u>	<u>4,252,901</u>	<u>25</u>	<u>3,978,961</u>	<u>30</u>
Non-operating income and expenses :									
7100	Interest income	20,442	-	35,917	-	44,510	-	75,018	1
7130	Dividend revenue	2,853	-	-	-	2,853	-	-	-
7020	Other gains and losses (Note (6)(r))	363,592	5	56,616	1	356,883	3	176,866	1
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note6 (g))	<u>(2,828)</u>	<u>-</u>	<u>(3,133)</u>	<u>-</u>	<u>(4,371)</u>	<u>-</u>	<u>(3,088)</u>	<u>-</u>
		<u>384,059</u>	<u>5</u>	<u>89,400</u>	<u>1</u>	<u>399,875</u>	<u>3</u>	<u>248,796</u>	<u>2</u>
7900	Profit before income tax	2,443,992	29	2,193,239	31	4,652,776	28	4,227,757	32
7950	Less: Income tax expense (Note (6)(n))	<u>704,510</u>	<u>8</u>	<u>625,841</u>	<u>9</u>	<u>1,275,491</u>	<u>8</u>	<u>1,195,484</u>	<u>9</u>
Profit for the period		<u>1,739,482</u>	<u>21</u>	<u>1,567,398</u>	<u>22</u>	<u>3,377,285</u>	<u>20</u>	<u>3,032,273</u>	<u>23</u>
8300	Other comprehensive income (loss) :								
8310	Exchange differences on translation of foreign financial statements	(480,344)	(6)	114,313	2	(299,937)	(2)	936,612	7
8325	Unrealized losses on available-for-sale financial assets	(57,860)	(1)	(84,168)	(1)	(164,466)	(1)	(47,470)	-
8330	Gains of effective portion of cash flow hedges	6,797	-	3,928	-	68,205	1	5,863	-
8340	Gain (Losses) of effective portion of hedges of net investment in foreign operations	45,865	1	66,035	1	(7,150)	-	(10,683)	-
8390	Other comprehensive income (loss) - other	58,329	1	(86,113)	(1)	16,567	-	(136,040)	(1)
8399	Less: Income tax relating to components of other comprehensive income (loss)	<u>(26,997)</u>	<u>-</u>	<u>(5,841)</u>	<u>-</u>	<u>(17,024)</u>	<u>-</u>	<u>47,245</u>	<u>-</u>
8300	Other comprehensive income (loss) for the period, net of tax	<u>(400,216)</u>	<u>(5)</u>	<u>19,836</u>	<u>1</u>	<u>(369,757)</u>	<u>(2)</u>	<u>701,037</u>	<u>6</u>
8500	Total comprehensive income for the period	<u>\$ 1,339,266</u>	<u>16</u>	<u>1,587,234</u>	<u>23</u>	<u>3,007,528</u>	<u>18</u>	<u>3,733,310</u>	<u>29</u>
Profit attributable to :									
8610	Owners of parent	\$ 1,656,976	20	1,482,419	21	3,218,797	19	2,868,686	22
8620	Non-controlling interests	<u>82,506</u>	<u>1</u>	<u>84,979</u>	<u>1</u>	<u>158,488</u>	<u>1</u>	<u>163,587</u>	<u>1</u>
		<u>\$ 1,739,482</u>	<u>21</u>	<u>1,567,398</u>	<u>22</u>	<u>3,377,285</u>	<u>20</u>	<u>3,032,273</u>	<u>23</u>
Comprehensive income attributable to :									
8710	Owners of parent	\$ 1,252,673	15	1,590,307	23	2,783,955	17	3,528,133	27
8720	Non-controlling interests	<u>86,593</u>	<u>1</u>	<u>(3,073)</u>	<u>-</u>	<u>223,573</u>	<u>1</u>	<u>205,177</u>	<u>2</u>
.		<u>\$ 1,339,266</u>	<u>16</u>	<u>1,587,234</u>	<u>23</u>	<u>3,007,528</u>	<u>18</u>	<u>3,733,310</u>	<u>29</u>
9750	Basic earnings per share (NT dollars) (Note (6)(p))	<u>\$ 1.51</u>		<u>1.35</u>		<u>2.94</u>		<u>2.62</u>	

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

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

Consolidated Statements of Changes in Equity
For the six months ended June 30, 2014 and 2013
(Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other equity items					Equity attributable to owners of the parent	Non controlling interests	Total equity
	Share capital	Stock dividend to be distributed	Capital surplus	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) of effective portion of cash flow hedges	Gains (losses) of effective portion of hedge of net investment in foreign operations	Others			
Balance as of January 1, 2013	\$ 9,053,004	-	9,411,771	-	5,082,354	(138,522)	(234,099)	(11,396)	29,695	75,473	23,268,280	1,743,341	25,011,621
Net income for the period	-	-	-	-	2,868,686	-	-	-	-	-	2,868,686	163,587	3,032,273
Other comprehensive income for the period	-	-	-	-	-	847,777	(47,470)	5,863	(10,683)	(136,040)	659,447	41,590	701,037
Total comprehensive income for the period	-	-	-	-	2,868,686	847,777	(47,470)	5,863	(10,683)	(136,040)	3,528,133	205,177	3,733,310
Earnings distribution and appropriation:													
Appropriation for special reserve	-	-	-	64,865	(64,865)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,810,600)	-	-	-	-	-	(1,810,600)	-	(1,810,600)
Stock dividends of ordinary share	-	905,300	-	-	(905,300)	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(184,132)	(184,132)
Balance as of June 30, 2013	\$ 9,053,004	905,300	9,411,771	64,865	5,170,275	709,255	(281,569)	(5,533)	19,012	(60,567)	24,985,813	1,764,386	26,750,199
Balance as of January 1, 2014	\$ 9,958,304	-	9,411,698	64,865	8,215,781	760,510	299,730	(39,919)	2,615	(49,141)	28,624,443	1,816,750	30,441,193
Net income for the period	-	-	-	-	3,218,797	-	-	-	-	-	3,218,797	158,488	3,377,285
Other comprehensive income for the period	-	-	-	-	-	(347,998)	(164,466)	68,205	(7,150)	16,567	(434,842)	65,085	(369,757)
Total comprehensive income for the period	-	-	-	-	3,218,797	(347,998)	(164,466)	68,205	(7,150)	16,567	2,783,955	223,573	3,007,528
Earnings distribution and appropriation:													
Cash dividends of ordinary share	-	-	-	-	(1,991,661)	-	-	-	-	-	(1,991,661)	-	(1,991,661)
Stock dividends of ordinary share	-	995,830	-	-	(995,830)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(64,865)	64,865	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(167,680)	(167,680)
Balance as of June 30, 2014	\$ 9,958,304	995,830	9,411,698	-	8,511,952	412,512	135,264	28,286	(4,535)	(32,574)	29,416,737	1,872,643	31,289,380

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****Consolidated Statements of Cash Flows****For the six months ended June 30, 2014 and 2013****(Amounts Expressed in Thousands of New Taiwan Dollars)**

	For six months ended June 30,	
	2014	2013
Cash flows from operating activities :		
Profit before income tax	\$ 4,652,776	4,227,757
Adjustments :		
Adjustments to reconcile profit before income tax to net cash provided by (used in) operating activities :		
Depreciation expense	660,884	769,043
Amortization expense	34,490	31,910
Loss on financial assets and liabilities at fair value through profit or loss	53,008	43,116
Interest expense	2,051,041	2,003,656
Interest income	(8,643,034)	(7,680,830)
Dividend income	(2,853)	-
Share of profit of associates and joint ventures accounted for using equity method	4,371	3,088
(Gain) loss on disposal of property, plant and equipment	(17,648)	35,643
Gain on disposal of foreclosed assets	-	(2,966)
Gain on disposal of investments	(39,881)	(21,160)
Impairment loss on financial assets	1,750,336	1,080,861
Impairment loss on non-financial assets	114,670	210,527
Total adjustments to reconcile profit (loss)	(4,034,616)	(3,527,112)
Change in operating assets and liabilities :		
Change in operating assets :		
Increase in financial assets held for trading	(116,471)	(105,918)
Increase in accounts receivable	(16,624,403)	(23,253,592)
Proceeds from financial assets securitization	2,472,124	5,697,874
Decrease (increase) in inventories	567,373	(115,590)
(Increase) decrease in other current financial assets	(399,578)	263,436
Decrease (increase) in other current assets	39,737	(1,832,899)
Proceeds from sales of operating lease assets	472,429	225,394
Purchase of operating lease assets	(1,380,473)	(1,231,457)
(Increase) decrease in other non-current assets – others	(84,729)	177,509
Total changes in operating assets	(15,053,991)	(20,175,243)
Changes in operating liabilities :		
Decrease in accounts payable	(1,422,728)	(773,487)
Increase in long-term and short-term debts	79,864,800	67,029,131
Repayment of long-term and short-term debts	(66,770,917)	(58,041,099)
Increase in other current financial liabilities	1,492	3,505,569
Increase in accrued pension liabilities	5,445	23,584
(Decrease) increase in other current liabilities-others	(14,260)	1,202,626
Increase in non-current liabilities-others	269,207	322,983
Total changes in operating liabilities	11,933,039	13,269,307
Total changes in operating assets and liabilities	(3,120,952)	(6,905,936)
Total adjustments	(7,155,568)	(10,433,048)
Cash outflow generated from operation	(2,502,792)	(6,205,291)
Interest received	8,332,210	7,665,942
Dividend received	100	100
Interest paid	(2,010,293)	(2,039,531)
Income taxes paid	(1,105,632)	(1,196,828)
Net cash provided by (used in) operating activities	2,713,593	(1,775,608)
Cash flows from investing activities :		
Acquisition of available-for-sale financial assets	(3,517)	-
Proceeds from disposal of available-for-sale	56,347	24,417
Acquisition of held-to-maturity financial assets	(3,018,591)	(218,501)
Disposal of held-to-maturity financial assets	598,763	-
Acquisition of investments accounted for using equity method	(20,906)	-
Acquisition of property, plant and equipment	(77,559)	(48,221)
Disposal of property, plant and equipment	46,559	502,930
Acquisition of intangible assets	(11)	(283)
Net cash (used in) provided by investing activities	(2,418,915)	260,342
Cash flows from financing activities :		
Changes in non-controlling interests	(167,680)	(184,132)
Net cash used in financing activities	(167,680)	(184,132)
Effect of exchange rate changes on cash and cash equivalents	(118,976)	(299,878)
Net increase (decrease) in cash and cash equivalents	8,022	(1,999,276)
Cash and cash equivalents, net of bank overdraft, beginning of period	7,502,137	10,064,721
Cash and cash equivalents, net of bank overdraft, end of period	\$ 7,510,159	8,065,445

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

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(1) Overview

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

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

As of June 30, 2014 and 2013, the Company had outstanding common stock of \$9,958,304 and \$9,053,004 divided into 995,830,415 shares and 905,300,378 shares, respectively.

(2) Financial Statements Authorization Date and Authorization Process

The condensed interim consolidated financial statements were approved by the Audit Committee and reported to the Board of Directors and issued on August 13, 2014.

(3) New Accounting Standards and Interpretations not yet Adopted

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

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

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

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

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

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

A. IAS 1 Presentation of Financial Statements

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

B. IFRS 12 Disclosure of Interests in Other Entities

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

C. IFRS 13 Fair value measurement

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

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

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

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

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

(4) Significant Accounting Policies

(a) Statement of compliance

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

Except as described in the following paragraphs, the significant accounting policies adopted in the preparation of the accompanying condensed interim consolidated financial statements are applied consistently with those of the consolidated financial statements for the year ended December 31, 2013. For other related information, please refer to Note (4) of the consolidated financial statements for the year ended December 31, 2013.

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(b) Basis of consolidation

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

1. Subsidiaries included in the condensed interim consolidated financial statements

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2014.6.30	2013.12.31	2013.6.30	
The Company	Chailease International Company (Malaysia) Limited	Investment	100.00 %	100.00 %	100.00 %	
"	Golden Bridge (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
"	Chailease International Financial Services Co., Ltd.	Installment sales, leasing overseas and financial consulting	100.00 %	100.00 %	100.00 %	
Golden Bridge (B.V.I.) Corp. and My Leasing (B.V.I.) Corp.	My Leasing (Mauritius) Corp.	Investment	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp.	Chailease International Finance Corporation	Leasing	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp. and Chailease International Finance Corporation	Chailease Finance International Corp.	Leasing	100.00 %	100.00 %	100.00 %	
Chailease International Finance Corporation	Chailease International Corp.	Trading	100.00 %	100.00 %	100.00 %	
"	Jirong Real Estate Co., Ltd.	House property leasing and management	100.00 %	100.00 %	100.00 %	
Chailease International Company (Malaysia) Limited	Chailease Finance Co., Ltd.	Installment sales, leasing, and factoring	100.00 %	100.00 %	100.00 %	
"	Chailease International (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
Chailease Finance Co., Ltd.	Fina Finance & Trading Co., Ltd.	Installment sales, trading, and factoring	99.53 %	99.53 %	99.52 %	
"	China Leasing Co., Ltd.	Installment sales	100.00 %	100.00 %	100.00 %	
"	My Leasing (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2014.6.30	2013.12.31	2013.6.30	
Chailease International Company (Malaysia) Limited and Chailease Finance Co., Ltd.	Asia Sermkij Leasing Public Co., Ltd.	Installment sales of automobiles	48.18 %	48.18 %	48.18 %	The subsidiary was consolidated due to the Company's power to control and govern the financial, operating and personnel policies of the subsidiary, despite its ownership was lower than 50% of the subsidiary's outstanding shares.
Chailease Finance Co., Ltd.	Chailease Finance (B.V.I.) Co., Ltd.	Installment sales, leasing overseas, and financial consulting	100.00 %	100.00 %	100.00 %	
"	Chailease International Leasing Company Limited (Vietnam)	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailease Auto Rental Co., Ltd.	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailease Credit Services Co., Ltd.	Installment sales and leasing	100.00 %	100.00 %	100.00 %	
"	Apex Credit Solutions Inc.	Accounts receivable management, debt management, valuation, trading in financial instruments	100.00 %	100.00 %	100.00 %	
"	Chailease Insurance Brokers Co., Ltd.	Personal and property insurance brokers	100.00 %	100.00 %	100.00 %	
"	Chailease Cloud Service Co., Ltd.	Software of cloud products, leasing, and installment sales	100.00 %	100.00 %	100.00 %	
Fina Finance & Trading Co., Ltd.	Chailease Consumer Finance Co., Ltd.	Factoring and installment sales	100.00 %	100.00 %	100.00 %	
The Company and Chailease Finance Co., Ltd.	Grand Pacific Holdings Corp.	Leasing, real estate, and mortgage	100.00 %	100.00 %	100.00 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2014.6.30	2013.12.31	2013.6.30	
Grand Pacific Holdings Corp.	Grand Pacific Financing Corp. (California)	Financing, leasing and financial consulting	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Main Street Development, Inc.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Warehouse Funding Corp.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Business Loan LLC. 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005.
Grand Pacific Warehouse Funding Corp.	Grand Pacific Warehouse Funding LLC.	Special Purpose Entity	100.00 %	100.00 %	100.00 %	
Grand Pacific Business Loan LLC. 2005-1	Grand Pacific Business Loan Trust 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005.
Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited	Leasing and financing consulting	99.99 %	99.99 %	99.99 %	

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

(c) Income taxes

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

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by management. This is recognized fully as income tax expense for the current period.

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

(d) Employee benefits

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

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

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

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

(6) Explanation to Significant Accounts

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

(a) Cash and cash equivalents

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Cash and demand deposits	\$ 7,555,173	7,382,547	7,874,370
Time deposits	47,498	196,670	342,849
Cash equivalents – RP bills	<u>5,013</u>	<u>7,004</u>	<u>13,007</u>
Cash and cash equivalents	7,607,684	7,586,221	8,230,226
Bank overdraft	<u>(97,525)</u>	<u>(84,084)</u>	<u>(164,781)</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 7,510,159</u>	<u>7,502,137</u>	<u>8,065,445</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>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Financial assets at fair value through profit or loss			
Held for trading			
Securities of listed companies	\$ 392,428	264,083	340,143
Derivative instruments not used for hedging	<u>692</u>	<u>486</u>	<u>-</u>
Sub-total	<u>393,120</u>	<u>264,569</u>	<u>340,143</u>
Designated as at fair value through profit or loss			
2010 securitization	833,230	868,490	907,678
2011 securitization	<u>791,817</u>	<u>831,457</u>	<u>839,180</u>
Sub-total	<u>1,625,047</u>	<u>1,699,947</u>	<u>1,746,858</u>
Derivative financial assets used for hedging	<u>29,998</u>	<u>-</u>	<u>-</u>
	<u>2,048,165</u>	<u>1,964,516</u>	<u>2,087,001</u>
Available-for-sale financial assets			
Securities of listed companies	53,868	-	-
Emerging stock	972,640	1,210,419	545,704
Private equity	<u>524,391</u>	<u>517,685</u>	<u>608,244</u>
Sub-total	<u>1,550,899</u>	<u>1,728,104</u>	<u>1,153,948</u>
Held-to-maturity financial assets			
Investment in debt securities	<u>7,744,262</u>	<u>5,324,240</u>	<u>2,705,601</u>
Total	<u><u>\$ 11,343,326</u></u>	<u><u>9,016,860</u></u>	<u><u>5,946,550</u></u>

2.Sensitivity analysis— equity price risk :

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

Equity price at reporting date	For the six months ended June 30,			
	2014		2013	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase 7%	<u>\$ 108,617</u>	<u>27,470</u>	<u>80,833</u>	<u>23,810</u>
Decrease 7%	<u>\$ (108,617)</u>	<u>(27,470)</u>	<u>(80,833)</u>	<u>(23,810)</u>

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

The Group purchased debt securities issued by real estate trust. These debt securities have maturity dates between 2014 and 2017, and bear effective annual interest rate ranging from 5.64%~8.99%.

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

3. Details of financial liabilities were as follows:

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Financial liabilities at fair value through profit or loss			
Held for trading			
Derivative instruments not used for hedging	\$ (2,973)	(9,150)	(1,570)
Derivative financial liabilities used for hedging	<u>(1,713)</u>	<u>(39,920)</u>	<u>(5,533)</u>
Total	<u>\$ (4,686)</u>	<u>(49,070)</u>	<u>(7,103)</u>

4. Derivative instrument not used for hedging

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

Cross currency swap contract

		<u>2014.6.30</u>			
<u>Nominal Amount</u>	<u>Currency</u>	<u>Interest Rate Payable</u>	<u>Interest Rate Receivable</u>	<u>Contract Period</u>	
USD 20,000	USD to CNY	3.700%	90 Days LIBOR + 1.8%	2013.04.29~	
CNY 123,510				2016.04.29	
USD 30,000	USD to CNY	3.800%	90 Days LIBOR + 1.8%	2013.10.21~	
CNY 183,300				2016.04.29	
USD 20,000	USD to CNY	3.600%	90 Days LIBOR + 1.8%	2013.12.18~	
CNY 121,580				2016.04.29	

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2013.12.31				
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

2013.6.30				
Nominal Amount	Currency	Interest Rate Payable	Interest Rate Receivable	Contract Period
USD 20,000	USD to CNY	3.700%	90 Days LIBOR + 1.8%	2013.04.29~
CNY 123,510				2016.04.29

Interest rate swap contract

2014.6.30				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
CNY 300,000	2012.03.20~2015.03.20	2.960 %	Interest rate of one-year time deposit	3 years

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

2013.6.30				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
CNY 300,000	2012.03.20~2015.03.20	2.960%	Interest rate of one-year time deposit	3 years

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5. Derivative instruments used for hedging

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

2014.6.30					
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period	
TWD 400,000	2010.11.17~2015.11.17	3%	90 days CP+1.2%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years	

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

2013.6.30					
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period	
TWD 400,000	2010.11.17~2015.11.17	3%	90 days CP+1.2%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years	
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years	

1) Cash flow hedge

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

Hedged item	Hedge Instrument	Fair Value			Expected Cash flow Period	Hedge Period
		2014.6.30	2013.12.31	2013.6.30		
Unsecured corporate bonds	Interest Swap	\$ (1,713)	(6,777)	(5,533)	2010~2016	2010~2016
CNY loans receivable	Cross Currency	29,998	(33,143)	-	2013~2016	2013~2016
Swap contract						
Item	For the three months ended June 30,		For the six months ended June 30,			
	2014	2013	2014	2013		
The fair value adjustment to other comprehensive income	\$ 6,797	3,928	68,025	5,863		

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2) Hedge of net investment in foreign operation

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

<u>Hedged Item</u>	<u>Designated Hedging Instrument</u>			
	<u>Hedge Instrument</u>	<u>Fair Value</u>		
		<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Equity investment measured in USD	Foreign currency borrowings	<u>\$ 2,269,740</u>	<u>2,562,115</u>	<u>1,374,185</u>

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

(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 principle repayment	Issue amount /par value	Issue price	Interest rate	Payment frequency
twAAA	1st	3,830,000	3,830,000	2.20 %	Monthly
twA	2nd	324,000	324,000	3.00 %	Monthly
Subordinated	3rd	846,229	991,210	None	Monthly

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Key assumptions at the securitization date:

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

The Group 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.

1) Key assumptions used in measuring retained interests:

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

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Repayment rate	10.26 %	9.30 %	9.11 %
Expected return rate on securitized financial assets	8.80 %	9.03 %	9.17 %
Weighted-average life (in years)	2.42	2.92	3.42
Expected credit loss rate (Note)	1.85%~6.30%	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %	4.00 %

2) Sensitivity analysis

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

	<u>2014.6.30</u>	<u>2013.6.30</u>
Carrying amount of retained interests	791,817	839,180
Weighted — average life (in years)	2.42	3.42
Repayment rate	10.26 %	9.11 %
Effect on fair value with 10% adverse change	(16,876)	(21,412)
Effect on fair value with 20% adverse change	(31,327)	(39,687)

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	2014.6.30	2013.6.30
Expected credit losses	4.58%	4.58%
Effect on fair value with 10% adverse change	(22,932)	(23,059)
Effect on fair value with 20% adverse change	(45,867)	(46,112)
Discount rate for residual cash flows	4.00 %	4.00 %
Effect on fair value with 10% adverse change	(5,180)	(6,323)
Effect on fair value with 20% adverse change	(10,318)	(12,584)

3) Expected static pool credit losses

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

4) Cash flows

The cash flows received from securitization trusts were as follows:

	For the six months ended June 30,	
	2014	2013
Other cash flows received on retained interests	\$ 173,729	175,753
Service fees received	2,380	2,380

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

2. 2010 Securitization

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

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

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Key assumptions at the securitization date:

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

The Group 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.

1) Key assumptions used in measuring retained interests:

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

	2014.6.30	2013.12.31	2013.6.30
Repayment rate	22.98 %	17.10 %	11.93 %
Expected return rate on securitized financial assets	7.94 %	8.76 %	9.09 %
Weighted-average life (in years)	1.17	1.67	2.17
Expected credit loss rate (Note)	1.85%~7.81%	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %	4.00 %

2) Sensitivity analysis

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

	2014.6.30	2013.6.30
Carrying amount of retained interests	833,230	907,678
Weighted — average life (in years)	1.17	2.17
Repayment rate	22.98 %	11.93 %
Effect on fair value with 10% adverse change	(1,331)	(15,050)
Effect on fair value with 20% adverse change	(2,482)	(28,170)

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	2014.6.30	2013.6.30
Expected credit losses	7.81%	4.58%
Effect on fair value with 10% adverse change	(9,594)	(24,226)
Effect on fair value with 20% adverse change	(19,189)	(48,455)
Discount rate for residual cash flows	4.00 %	4.00 %
Effect on fair value with 10% adverse change	(1,260)	(5,249)
Effect on fair value with 20% adverse change	(2,516)	(10,460)

3) Expected static pool credit losses

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

4) Cash flows

The cash flows received from securitization trusts were as follows:

	For the six months ended June 30,	
	2014	2013
Other cash flows received on retained interests	\$ 79,011	173,670
Service fees received	1,130	2,511

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

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(d) Accounts receivable, net

	2014.6.30	2013.12.31	2013.6.30
Current			
Accounts receivable	\$ 8,250,027	7,814,469	6,332,242
Less: Allowance for impairment	<u>(573,042)</u>	<u>(512,465)</u>	<u>(451,252)</u>
	<u>7,676,985</u>	<u>7,302,004</u>	<u>5,880,990</u>
Installment sales receivable	60,329,915	53,111,829	48,483,714
Less: Unearned interests	(5,695,665)	(5,062,691)	(4,922,671)
Allowance for impairment	<u>(1,777,509)</u>	<u>(1,603,860)</u>	<u>(1,375,878)</u>
	<u>52,856,741</u>	<u>46,445,278</u>	<u>42,185,165</u>
Leases receivable (included operating leases)	65,287,706	62,561,613	62,886,639
Less: Unearned revenue	(7,867,389)	(7,170,892)	(7,547,355)
Allowance for impairment	<u>(2,038,826)</u>	<u>(2,062,883)</u>	<u>(1,721,813)</u>
	<u>55,381,491</u>	<u>53,327,838</u>	<u>53,617,471</u>
Loans receivable	28,976,180	27,453,995	22,138,317
Less: Allowance for impairment	<u>(809,801)</u>	<u>(810,808)</u>	<u>(791,655)</u>
	<u>28,166,379</u>	<u>26,643,187</u>	<u>21,346,662</u>
Sub-total of current accounts	<u>144,081,596</u>	<u>133,718,307</u>	<u>123,030,288</u>
Non-Current			
Accounts receivable	2,153,123	2,172,940	1,826,195
Less: Allowance for impairment	<u>(46,914)</u>	<u>(46,774)</u>	<u>(29,931)</u>
	<u>2,106,209</u>	<u>2,126,166</u>	<u>1,796,264</u>
Installment sales receivable	25,340,789	23,306,532	22,058,351
Less: Unearned Interests	(2,338,051)	(2,182,181)	(2,109,781)
Allowance for impairment	<u>(274,925)</u>	<u>(227,778)</u>	<u>(191,924)</u>
	<u>22,727,813</u>	<u>20,896,573</u>	<u>19,756,646</u>
Leases receivable	3,033,837	3,018,968	2,757,044
Less: Unearned revenue	(231,474)	(237,356)	(214,759)
Allowance for impairment	<u>(54,357)</u>	<u>(44,969)</u>	<u>(67,029)</u>
	<u>2,748,006</u>	<u>2,736,643</u>	<u>2,475,256</u>
Loans receivable	2,571,234	2,349,297	2,241,151
Less: Allowance for impairment	<u>(95,161)</u>	<u>(89,233)</u>	<u>(110,854)</u>
	<u>2,476,073</u>	<u>2,260,064</u>	<u>2,130,297</u>
Sub-total of non-current accounts	<u>30,058,101</u>	<u>28,019,446</u>	<u>26,158,463</u>
Total accounts receivable	<u>\$ 174,139,697</u>	<u>161,737,753</u>	<u>149,188,751</u>

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

	For the six months ended June 30,	
	2014	2013
Opening balance	\$ 5,398,770	4,666,258
Impairment loss recognized	1,750,336	1,079,598
Amounts written off	(1,420,661)	(1,123,199)
Foreign exchange gains (losses)	(57,910)	117,679
Ending balance	<u><u>\$ 5,670,535</u></u>	<u><u>4,740,336</u></u>

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

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

	Gross investment in the leases	Unearned revenue	Present value of minimum leases receivable
June 30, 2014			
Within operating cycle	\$ 65,173,313	(7,867,389)	57,305,924
Beyond one operating cycle to 5 years	3,033,837	(231,474)	2,802,363
	<u><u>\$ 68,207,150</u></u>	<u><u>(8,098,863)</u></u>	<u><u>60,108,287</u></u>
December 31, 2013			
Within operating cycle	\$ 62,457,079	(7,170,892)	55,286,187
Beyond one operating cycle to 5 years	3,018,968	(237,356)	2,781,612
	<u><u>\$ 65,476,047</u></u>	<u><u>(7,408,248)</u></u>	<u><u>58,067,799</u></u>
June 30, 2013			
Within operating cycle	\$ 62,718,729	(7,547,355)	55,171,374
Beyond one operating cycle to 5 years	2,757,044	(214,759)	2,542,285
	<u><u>\$ 65,475,773</u></u>	<u><u>(7,762,114)</u></u>	<u><u>57,713,659</u></u>

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

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Within operating cycle	\$ 1,508,730	1,429,788	1,526,265
Beyond one operating cycle to 5 years	1,375,418	1,369,613	1,285,889
Over 5 year	<u>1,135</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 2,885,283</u></u>	<u><u>2,799,401</u></u>	<u><u>2,812,154</u></u>

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

	<u>Gross investment in the installment sales</u>	<u>Unearned interests</u>	<u>Present value of installment sales receivable</u>
June 30, 2014			
Within operating cycle	\$ 60,329,915	(5,695,665)	54,634,250
Beyond one operating cycle to 5 years	25,292,779	(2,336,736)	22,956,043
Over 5 years	<u>48,010</u>	<u>(1,315)</u>	<u>46,695</u>
	<u><u>\$ 85,670,704</u></u>	<u><u>(8,033,716)</u></u>	<u><u>77,636,988</u></u>
December 31, 2013			
Within operating cycle	\$ 53,111,829	(5,062,691)	48,049,138
Beyond one operating cycle to 5 years	23,186,893	(2,178,503)	21,008,390
Over 5 years	<u>119,639</u>	<u>(3,678)</u>	<u>115,961</u>
	<u><u>\$ 76,418,361</u></u>	<u><u>(7,244,872)</u></u>	<u><u>69,173,489</u></u>
June 30, 2013			
Within operating cycle	\$ 48,483,714	(4,922,671)	43,561,043
Beyond one operating cycle to 5 years	21,842,664	(2,101,946)	19,740,718
Over 5 years	<u>215,687</u>	<u>(7,835)</u>	<u>207,852</u>
	<u><u>\$ 70,542,065</u></u>	<u><u>(7,032,452)</u></u>	<u><u>63,509,613</u></u>

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2014 and 2013****(Amounts Expressed in Thousands of New Taiwan Dollars)****(e) Inventories and advance real estate receipts**

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

1. Inventories

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Construction for sale (Tianmu area)	\$ -	543,970	-
Construction in progress (Tianmu area)	-	-	882,208
Merchandise inventories	379	23,782	4,885
Allowance for valuation losses	-	-	-
	<u>\$ 379</u>	<u>567,752</u>	<u>887,093</u>

2. Advance real estate receipts

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Tianmu area	<u>\$ 349</u>	<u>307,563</u>	<u>342,280</u>

3. The details of construction in progress-capitalized interest

	<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>
	<u>2013</u>	<u>2013</u>
Interest expense before capitalization	\$ 1,003,162	2,007,253
Capitalized interest	1,875	3,597
Capitalized interest rate	1.51 %	1.51 %

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

(f) Other current assets - others

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Prepayments	\$ 733,209	755,373	707,714
Prepaid expenses	1,437,855	1,338,455	1,064,684
Foreclosed assets	94,749	75,159	104,172
Others	<u>233,273</u>	<u>154,752</u>	<u>756,059</u>
	<u>\$ 2,499,086</u>	<u>2,323,739</u>	<u>2,632,629</u>

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

	2014.6.30	2013.12.31	2013.6.30
Foreclosed assets	\$ 116,308	92,976	122,366
Less: Accumulated impairment	(21,559)	(17,817)	(18,194)
	\$ 94,749	75,159	104,172

For the three months and the six months ended June 30, 2014 and 2013, the Group recognized an impairment loss of \$4,043, \$2,615, \$3,532 and \$4,491, respectively, for foreclosed assets. Certain foreclosed assets were disposed to non-related parties and a disposal gain of \$2,966 and \$2,966 was recognized thereon for the three months and the six months ended June 30, 2013, respectively.

(g) Investments accounted under equity method

	2014.6.30	2013.12.31	2013.6.30
Investments in associates	\$ 46,019	29,480	4,029

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

(h) Property, plant and equipment

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

	Land and buildings	Transportation equipment	Machinery and miscellaneous equipment	Leasehold improvements	Total
Cost:					
Balance at January 1, 2014	\$ 2,965,915	5,482,214	2,992,112	121,105	11,561,346
Additions	11,755	1,347,487	95,574	3,216	1,458,032
Reclassification	-	1,475	-	-	1,475
Disposals	-	(744,818)	(1,128,162)	-	(1,872,980)
Effect of movements in exchange rate	(34,725)	(12,379)	(54,240)	(40)	(101,384)
Balance at June 30, 2014	\$ 2,942,945	6,073,979	1,905,284	124,281	11,046,489
Balance at January 1, 2013	\$ 1,442,907	4,350,680	6,925,300	99,431	12,818,318
Additions	-	1,181,282	89,960	8,436	1,279,678
Reclassification	-	1,331	(3,098)	(396)	(2,163)
Disposals	-	(545,647)	(2,152,353)	-	(2,698,000)
Effect of movements in exchange rate	3,284	27,839	321,199	123	352,445
Balance at June 30, 2013	\$ 1,446,191	5,015,485	5,181,008	107,594	11,750,278

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	Land and buildings	Transportation equipment	Machinery and miscellaneous equipment	Leasehold improvements	Total
Depreciation and impairment losses:					
Balance at January 1, 2014	\$ 384,074	1,586,301	2,322,279	82,325	4,374,979
Depreciation for the period	25,575	495,170	134,336	5,803	660,884
Impairment loss	-	109,190	1,948	-	111,138
Disposals	-	(470,977)	(900,369)	-	(1,371,346)
Effect of movements in exchange rate	(767)	(5,020)	(44,043)	(24)	(49,854)
Balance at June 30, 2014	<u>\$ 408,882</u>	<u>1,714,664</u>	<u>1,514,151</u>	<u>88,104</u>	<u>3,725,801</u>
Balance at January 1, 2013	\$ 385,366	1,180,325	4,675,224	72,708	6,313,623
Depreciation for the period	8,136	398,939	357,644	4,324	769,043
Impairment loss (reversal)	(35,000)	114,023	129,979	-	209,002
Disposals	-	(309,137)	(1,624,436)	-	(1,933,573)
Effect of movements in exchange rate	244	7,310	221,458	(79)	228,933
Balance at June 30, 2013	<u>\$ 358,746</u>	<u>1,391,460</u>	<u>3,759,869</u>	<u>76,953</u>	<u>5,587,028</u>
Carrying amounts:					
Balance at January 1, 2014	<u>\$ 2,581,841</u>	<u>3,895,913</u>	<u>669,833</u>	<u>38,780</u>	<u>7,186,367</u>
Balance at June 30, 2014	<u>\$ 2,534,063</u>	<u>4,359,315</u>	<u>391,133</u>	<u>36,177</u>	<u>7,320,688</u>
Balance at January 1, 2013	<u>\$ 1,057,541</u>	<u>3,170,355</u>	<u>2,250,076</u>	<u>26,723</u>	<u>6,504,695</u>
Balance at June 30, 2013	<u>\$ 1,087,445</u>	<u>3,624,025</u>	<u>1,421,139</u>	<u>30,641</u>	<u>6,163,250</u>

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

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

(i) Intangible assets

	Goodwill	Software	Total
Carrying amounts:			
Balance at January 1, 2014	<u>\$ 3,728</u>	<u>18,884</u>	<u>22,612</u>
Balance at June 30, 2014	<u>\$ 3,728</u>	<u>17,330</u>	<u>21,058</u>
Balance at January 1, 2013	<u>\$ 3,728</u>	<u>19,359</u>	<u>23,087</u>
Balance at June 30, 2013	<u>\$ 3,728</u>	<u>19,834</u>	<u>23,562</u>

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

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(j) Long-term and short-term borrowings

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

2014.6.30				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.28%~1.33%	2014	\$ 499,853
"	USD	0.71%~4.50%	2014~2030	1,849,015
"	THB	2.67%~4.75%	2014~2017	8,746,920
"	CNY	3.93%~7.69%	2014~2017	10,959,544
"	VND	3.50%~6.50%	2014~2016	853,489
Unsecured bank loans	TWD	0.91%~2.00%	2014~2017	67,276,931
"	USD	1.15%~2.92%	2014~2017	15,921,586
"	EUR	1.39%	2014	12,234
"	THB	2.67%~7.38%	2014~2016	9,752,186
"	JPY	1.20%~1.27%	2014~2016	313,772
"	CNY	3.93%~7.69%	2014~2017	18,490,753
Other unsecured loans	THB	2.88%~3.05%	2014~2015	1,277,507
Total				\$ 135,953,790
Current				\$ 116,027,447
Non-current				19,926,343
Total				\$ 135,953,790

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2013.12.31				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.32%~1.65%	2014	\$ 407,865
"	USD	0.68%~4.50%	2014~2030	1,924,673
"	THB	2.92%~4.75%	2014~2017	7,180,110
"	CNY	4.01%~7.68%	2014~2016	6,928,597
"	VND	4.50%~9.50%	2014~2016	884,773
Unsecured bank loans	TWD	1.10%~2.00%	2014~2017	59,295,776
"	USD	1.14%~2.95%	2014~2017	15,915,355
"	EUR	1.38%~1.39%	2014	19,312
"	THB	2.92%~7.38%	2014~2016	4,030,148
"	JPY	1.20%~1.30%	2014~2016	129,173
"	CNY	4.01%~7.68%	2014~2019	19,047,306
Other unsecured loans	THB	2.65%~3.20%	2014	8,244,284
Total				\$ 124,007,372
Current				\$ 97,560,033
Non-current				26,447,339
Total				\$ 124,007,372

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2013.6.30				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.32%~1.92%	2013~2014	\$ 636,088
"	USD	0.67%~3.34%	2013~2030	1,841,904
"	THB	3.17%~4.80%	2013~2016	5,433,804
"	CNY	5.40%~7.68%	2013~2016	3,869,355
"	VND	4.59%~9.50%	2013~2016	792,705
Unsecured bank loans	TWD	1.10%~2.32%	2013~2016	51,904,207
"	USD	1.14%~2.95%	2013~2016	11,301,279
"	EUR	1.38%~1.39%	2013	34,061
"	THB	3.27%~7.38%	2013~2015	4,361,547
"	JPY	1.20%~1.41%	2013~2017	209,656
"	CNY	5.40%~7.68%	2013~2016	25,506,674
Other unsecured loans	THB	2.80%~3.40%	2013~2014	9,164,750
Total				\$ 115,056,030
Current				\$ 94,826,595
Non-current				20,229,435
Total				\$ 115,056,030

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

1. Securities for bank loans

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

2. Financial covenants of significant loans and borrowings

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

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

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

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3. Settlement of long-term debts

	2013.6.30	
	Within operating cycle	Beyond operating cycle
Long-term debts	\$ 2,041,220	-
Less: Unamortized discount	(20,220)	-
Receivables under capital leases and installment sales (Note)	(2,021,000)	-
Net	<u>\$ -</u>	<u>-</u>

Note: Net of unearned interest income and guarantee deposits.

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

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

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(k) Bonds payable

Period	Interest Rate	Principal Amount	Repayment Terms	2014.6.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.058%~ 2.083%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ 400,000	-	None
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000	"	50,000	-	"
2011.01.19~ 2016.01.19	1.958%~ 1.997%	50,000	"	50,000	-	"
2011.08.30~ 2014.08.30	1.750%	4,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	4,000,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	-	2,000,000	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	-	1,400,000	"
2014.06.16~ 2019.06.16	1.500%	450,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually	-	450,000	"
2012.11.09~ 2014.11.10	4.550%	THB 1,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	925,600	-	"
2013.02.22~ 2015.08.21	4.550%	THB 350,000	"	-	323,960	"
2014.05.09~ 2016.05.16	3.820%	THB 240,000	"	-	222,144	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	-	1,203,280	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	92,560	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	-	194,376	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	-	138,840	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	203,632	"
2012.04.05~ 2015.04.05	5.000%	CNY 750,000	"	3,608,215	-	"
Bonds payable (Gross)				9,033,815	6,228,792	
Discounts on bonds payable				(334)	(2,441)	
				<u>\$ 9,033,481</u>	<u>6,226,351</u>	

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

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Period	Interest Rate	Principal Amount	Repayment Terms	2013.6.30		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.087%~ 2.099%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ -	400,000	None
2011.01.19~ 2016.01.19	1.891%~ 1.899%	50,000	"	-	50,000	"
2011.01.19~ 2016.01.19	1.991%~ 1.999%	50,000	"	-	50,000	"
2011.08.30~ 2014.08.30	1.750%	4,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	4,000,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	-	2,000,000	"
2010.09.23~ 2013.09.23	4.600%	THB 200,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	194,760	-	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	-	1,265,940	"
2012.11.09~ 2014.11.10	4.550%	THB 1,000,000	"	-	973,800	"
2013.02.22~ 2015.08.21	4.550%	THB 350,000	"	-	340,830	"
2012.04.05~ 2015.04.05	5.000%	CNY 750,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	3,665,925	-	"
Bonds payable (Gross)				7,860,685	5,080,570	
Discounts on bonds payable				(30)	(4,286)	
				<u>\$ 7,860,655</u>	<u>5,076,284</u>	

Financial covenants of significant loans and borrowings:

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

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

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(l) Operating Leases

1. Leases entered into as lessee

Non-cancellable operating lease payables were as follows:

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Within 1 year	\$ 144,647	195,278	207,057
Beyond 1 year but up to 5 years	228,667	182,207	154,449
	<u>\$ 373,314</u>	<u>377,485</u>	<u>361,506</u>

(m) Employee benefits

1. Defined benefit plans

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

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating costs	\$ 460	414	891	849
Operating expenses	18,134	30,151	36,671	55,450
Total	<u>\$ 18,594</u>	<u>30,565</u>	<u>37,562</u>	<u>56,299</u>

2. Defined contribution plans

The pension costs incurred from the contributions were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating expenses	<u>\$ 20,656</u>	<u>17,680</u>	<u>40,066</u>	<u>33,646</u>

(n) Income taxes

1. Income Tax Expense

The components of income tax were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Total income tax expense from continuing operations	<u>\$ 704,510</u>	<u>625,841</u>	<u>1,275,491</u>	<u>1,195,484</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Foreign currency translation differences for foreign operations	<u>\$ 26,997</u>	<u>5,841</u>	<u>17,024</u>	<u>(47,245)</u>

2. The income tax returns of the subsidiaries, Chailease Finance Co., Ltd. and Fina Finance & Trading Co., Ltd. have been assessed by the tax Authority through 2011. The income tax returns of the subsidiaries, Apex Credit Solutions Inc., China Leasing Co., Ltd., Chailease Auto Rental Co., Ltd., Chailease Insurance Brokers Co., Ltd., and Chailease Credit Services Co., Ltd. have been assessed by the Tax Authority through 2012.

(o) Share capital and other equity accounts

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

1. Share capital

Due to the capital needs for investing in the subsidiaries and repaying bank loans, the board of directors of the Company resolved to increase the Company's capital by issuing common shares of stock through the offering of global depositary shares overseas, and the offering was approved by the Financial Supervisory Commission (FSC) on August 3, 2012. As of October 9, 2012, these global depositary shares were priced at US\$8.59 per unit, and the Company issued 120,000,000 common shares of stock from the conversion of 24,000,000 units of global depositary shares. Each unit of global depositary shares represents 5 common shares of stock. As of June 30, 2014, December 31, 2013, and June 30, 2013, the Company has listed, 2,707,458, 2,763,243, and 2,714,321 units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. Major terms and conditions for GDRs were as follows:

1) Voting rights exercised

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

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

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

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2. Retained earnings

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

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

1) Earnings distribution

For the three months and the six months ended June 30, 2014 and 2013, the Company accrued employee benefits of \$249, \$202, \$483 and \$287, and the board of directors' remuneration of \$1,325, \$1,618, \$2,575 and \$2,295, respectively. These amounts were estimated from the Company's net profit for the three months and the six months ended June 30, 2014 and 2013, according to the earnings allocation method, priority and factor for employee benefits and the board of directors' remuneration as stated under the Articles of Association. These benefits are charged to profit or loss under operating expense for the three months and the six months ended June 30, 2014 and 2013.

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

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

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

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

3. Other equity accounts

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) of effective portion of cash flow hedges	Gains (losses) of effective portion of hedge of net investment in foreign operations	Others
At January 1, 2014	\$ 760,510	299,730	(39,919)	2,615	(49,141)
Exchange differences, net of tax:					
The Group	(347,998)	-	-	-	-
Effective portion of cash flow hedges, net of tax:					
The Group	-	-	68,205	-	-
Unrealized gains (losses) on available-for-sale financial assets, net of tax:					
The Group	-	(164,466)	-	-	-
Effective portion of hedge of net investment in foreign operations, net of tax:					
The Group	-	-	-	(7,150)	-
Others, net of tax :					
The Group	-	-	-	-	16,567
At June 30, 2014	<u>\$ 412,512</u>	<u>135,264</u>	<u>28,286</u>	<u>(4,535)</u>	<u>(32,574)</u>

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) of effective portion of cash flow hedges	Gains (losses) of effective portion of hedge of net investment in foreign operations	Others
At January 1, 2013	\$ (138,522)	(234,099)	(11,396)	29,695	75,473
Exchange differences, net of tax:					
The Group	847,777	-	-	-	-
Effective portion of cash flow hedges, net of tax:					
The Group	-	-	5,863	-	-
Unrealized gains (losses) on available-for- sale financial assets, net of tax:					
The Group	-	(47,470)	-	-	-
Effective portion of hedge of net investment in foreign operations, net of tax:					
The Group	-	-	-	(10,683)	-
Others, net of tax :					
The Group	-	-	-	-	(136,040)
At June 30, 2013	<u>\$ 709,255</u>	<u>(281,569)</u>	<u>(5,533)</u>	<u>19,012</u>	<u>(60,567)</u>

(p) Earnings per share

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

	For the three months ended June 30,	
	2014	2013
Profit attributable to common stockholders of the Company	<u>\$ 1,656,976</u>	<u>1,482,419</u>
Weighted average number of ordinary shares	<u>1,095,413</u>	<u>1,095,413</u>
Weighted average number of ordinary shares (Diluted)	<u>1,095,431</u>	<u>1,095,421</u>
	For the six months ended June 30,	
	2014	2013
Profit attributable to common stockholders of the Company	<u>\$ 3,218,797</u>	<u>2,868,686</u>
Weighted average number of ordinary shares	<u>1,095,413</u>	<u>1,095,413</u>
Weighted average number of ordinary shares (Diluted)	<u>1,095,431</u>	<u>1,095,421</u>

Note: Potential ordinary shares have no dilutive effects.

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(q) Net other income and expenses

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

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Gains on disposal of foreclosed assets	\$ -	2,966	-	2,966
Impairment loss of foreclosed assets	(4,043)	(2,615)	(3,532)	(4,491)
Gain on doubtful debt recoveries	39,614	48,055	74,570	83,614
	\$ 35,571	48,406	71,038	82,089

(r) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Foreign exchange gains (losses)	\$ (68)	(31,326)	(1,036)	(17,685)
Net gain on disposal of properly plant, and equipment	1,615	860	2,097	2,024
Net gains on disposal of available-for-sale financial assets	29,635	21,160	39,881	21,160
Net gains (losses) on valuation of financial assets (liabilities) measured at fair value through profit or loss	(26,865)	(57,469)	(53,008)	(43,116)
Impairment losses on available-for-sale financial assets	-	(1,263)	-	(1,263)
Others	359,275	124,654	368,949	215,746
	\$ 363,592	56,616	356,883	176,866

(s) Adjustments to other comprehensive income

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Available-for-sale financial assets				
Net change in fair value	\$ (23,591)	(72,691)	(125,926)	(34,803)
Net change in fair value reclassified to profit or loss	(34,269)	(11,477)	(38,540)	(12,667)
Net change in fair value recognized in other comprehensive income	\$ (57,860)	(84,168)	(164,466)	(47,470)

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(t) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group. As of June 30, 2014, December 31, 2013, and June 30, 2013, the maximum exposure to credit risks amounted to \$212,871,609, \$195,389,382 and \$180,181,128, respectively.

The non-performing loans (net of allowance for doubtful accounts) amounted to \$238,189, \$262,361 and \$290,262 as of June 30, 2014, December 31, 2013, and June 30, 2013, respectively.

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

	<u>Taiwan</u>	<u>Thailand</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
<u>June 30, 2014</u>					
Gross loans and receivables:					
Neither past due nor impaired	\$ 88,294,598	24,456,456	54,313,290	3,713,547	170,777,891
Past due	116,522	-	-	161,359	277,881
Impaired	<u>2,447,717</u>	<u>2,631,371</u>	<u>2,866,795</u>	<u>493,374</u>	<u>8,439,257</u>
	<u>\$ 90,858,837</u>	<u>27,087,827</u>	<u>57,180,085</u>	<u>4,368,280</u>	<u>179,495,029</u>
Allowance for impairment					
Collectively assessed	\$ 1,249,383	278,997	1,037,622	322,355	2,888,357
Individually assessed	<u>1,057,864</u>	<u>278,546</u>	<u>1,114,842</u>	<u>253,912</u>	<u>2,705,164</u>
	<u>\$ 2,307,247</u>	<u>557,543</u>	<u>2,152,464</u>	<u>576,267</u>	<u>5,593,521</u>
<u>December 31, 2013</u>					
Gross loans and receivables:					
Neither past due nor impaired	\$ 79,759,656	23,780,427	51,695,376	3,860,029	159,095,488
Past due	132,092	-	-	270,526	402,618
Impaired	<u>2,115,012</u>	<u>2,045,735</u>	<u>2,744,555</u>	<u>414,887</u>	<u>7,320,189</u>
	<u>\$ 82,006,760</u>	<u>25,826,162</u>	<u>54,439,931</u>	<u>4,545,442</u>	<u>166,818,295</u>
Allowance for impairment					
Collectively assessed	\$ 1,129,054	219,901	1,159,308	387,289	2,895,552
Individually assessed	<u>1,047,058</u>	<u>257,289</u>	<u>919,013</u>	<u>223,991</u>	<u>2,447,351</u>
	<u>\$ 2,176,112</u>	<u>477,190</u>	<u>2,078,321</u>	<u>611,280</u>	<u>5,342,903</u>

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	<u>Taiwan</u>	<u>Thailand</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
June 30, 2013					
Gross loans and receivables:					
Neither past due nor impaired	\$ 69,770,870	23,565,106	49,879,661	3,220,980	146,436,617
Past due	133,580	-	-	328,418	461,998
Impaired	<u>1,765,800</u>	<u>1,599,025</u>	<u>2,719,413</u>	<u>607,400</u>	<u>6,691,638</u>
	<u>\$ 71,670,250</u>	<u>25,164,131</u>	<u>52,599,074</u>	<u>4,156,798</u>	<u>153,590,253</u>
Allowance for impairment					
Collectively assessed	\$ 840,066	194,024	906,934	404,392	2,345,416
Individually assessed	<u>1,025,178</u>	<u>268,879</u>	<u>737,248</u>	<u>315,043</u>	<u>2,346,348</u>
	<u>\$ 1,865,244</u>	<u>462,903</u>	<u>1,644,182</u>	<u>719,435</u>	<u>4,691,764</u>

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

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

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

3) Loans and receivables which were past due

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

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

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Past due up to 30 days	\$ 161,687	168,779	349,677
31 to 90 days	<u>116,194</u>	<u>233,839</u>	<u>112,321</u>
	<u>\$ 277,881</u>	<u>402,618</u>	<u>461,998</u>

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4) Impaired loans and receivables

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

2. Liquidity risks

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

	Carrying amount	Contractual cash flows	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	On demand
June 30, 2014								
Non-derivative financial liabilities								
Bank overdraft	\$ 97,525	97,525	-	-	-	-	-	97,525
Secured bank loans	22,908,821	23,619,861	4,271,157	1,822,362	5,715,690	11,006,370	804,282	-
Unsecured bank loans	111,669,937	112,826,138	32,874,086	25,075,215	20,419,882	34,456,955	-	-
Other unsecured loans	1,277,507	1,286,584	286,010	660,879	339,695	-	-	-
Bonds payables	15,259,832	15,746,221	22,400	4,049,275	4,671,981	7,002,565	-	-
Other payables	5,752,966	5,773,116	2,163,572	2,165,096	804,854	313	-	639,281
Deposits relating to collateral of customers	19,516,216	19,558,246	291,282	543,350	14,114,471	3,920,779	432	687,932
Derivative financial liabilities								
Derivative instruments not used for hedging	2,973	2,973	-	-	-	2,973	-	-
	\$ 176,485,777	178,910,664	39,908,507	34,316,177	46,066,573	56,389,955	804,714	1,424,738
December 31, 2013								
Non-derivative financial liabilities								
Bank overdraft	\$ 84,084	84,084	-	-	-	-	-	84,084
Secured bank loans	17,326,018	18,096,865	3,036,244	1,405,913	4,574,556	8,660,275	419,877	-
Unsecured bank loans	98,352,986	99,316,048	22,079,489	23,357,028	27,811,233	25,572,531	495,767	-
Other unsecured loans	8,244,284	8,293,746	2,194,307	3,706,983	2,392,456	-	-	-
Bonds payables	14,098,319	14,587,944	1,946	136,445	4,176,727	10,272,826	-	-
Other payables	5,899,299	5,914,010	4,316,890	590,516	488,972	329	-	517,303
Deposits relating to collateral of customers	18,507,840	18,515,357	173,537	540,458	4,790,408	12,397,256	1,728	611,970
Derivative financial liabilities								
Derivative instruments not used for hedging	9,150	9,150	-	-	-	9,150	-	-
	\$ 162,521,980	164,817,204	31,802,413	29,737,343	44,234,352	56,912,367	917,372	1,213,357

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>On demand</u>
June 30, 2013								
Non-derivative financial liabilities								
Bank overdraft	\$ 164,781	164,781	-	-	-	-	-	164,781
Secured bank loans	12,573,856	13,185,999	1,974,373	2,291,981	2,803,426	5,575,312	540,907	-
Unsecured bank loans	93,152,643	93,774,982	31,051,612	12,201,717	23,945,494	26,576,159	-	-
Other unsecured loans	9,164,750	9,222,952	1,971,064	4,881,659	2,370,229	-	-	-
Bonds payables	12,936,939	13,436,422	-	243,458	179,071	13,013,893	-	-
Other payables	5,894,471	5,895,208	1,499,904	298,045	3,061,840	372,843	-	662,576
Deposits relating to collateral of customers	18,204,371	18,237,205	494,444	546,502	4,093,614	12,659,353	-	443,292
Derivative financial liabilities								
Derivative instruments not used for hedging	1,570	1,570	-	-	588	982	-	-
	<u>\$ 152,093,381</u>	<u>153,919,119</u>	<u>36,991,397</u>	<u>20,463,362</u>	<u>36,454,262</u>	<u>58,198,542</u>	<u>540,907</u>	<u>1,270,649</u>

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

3. Currency risks

1) Exposure to currency risks

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

		2014.6.30		
		Foreign currency (In thousands)	Exchange rate	Functional currency
Financial assets				
Monetary items				
USD	\$	7,837.78	USD : TWD 29.8650	234,075
		7,777.34	USD : VND 21,959	232,270
JPY		143,393.46	JPY : TWD 0.2946	42,833
Financial liabilities				
Monetary items				
USD	\$	76,618.56	USD : TWD 29.8650	2,288,213
		6,367.16	USD : VND 21,959	190,155
CNY		750,000.00	CNY : USD 0.1611	3,608,250

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		2013.12.31		
	Foreign currency (In thousands)	Exchange rate		Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 3,292.15	USD : TWD	29.8050	98,122
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	87,112.72	USD : TWD	29.8050	2,596,395
	5,532.57	USD : VND	21,755	164,898
CNY	750,000.00	CNY : USD	0.1650	3,689,263
		2013.6.30		
	Foreign currency (In thousands)	Exchange rate		Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 42,490.43	USD : TWD	30.0000	1,274,713
	38.09	USD : CNY	6.1375	1,143
	6,417.66	USD : VND	21,897	192,530
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	46,879.30	USD : TWD	30.0000	1,406,379
	4,721.50	USD : VND	21,897	141,645
CNY	750,000.00	CNY : USD	0.1629	3,666,000

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from foreign currency exchange fluctuations on cash and cash equivalents, account receivables, and loans and borrowings. A 5% depreciation or appreciation of the TWD against the USD and CNY on balance sheet date would have decreased or increased the net profit after tax by \$12,999 and \$66,085, for the six months ended June 30, 2014 and 2013, respectively. The analysis is performed on the same basis for both years.

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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 June 30, 2014							
Financial assets	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1~5 years	More than 5 years	
Cash and cash equivalents	1.17 % \$	7,607,684	7,054,062	339,665	-	-	213,957
Debt securities	6.10 %	9,369,309	1,625,047	93,833	7,650,429	-	-
Total accounts receivables	11.44 %	179,810,232	20,920,292	82,281,853	68,414,524	46,695	8,146,868
Cross currency swap contracts	0.96 %	29,998	29,998	-	-	-	-
Interest rate swap contract	0.04 %	692	692	-	-	-	-
		<u>196,817,915</u>	<u>29,630,091</u>	<u>82,715,351</u>	<u>76,064,953</u>	<u>46,695</u>	<u>8,360,825</u>
Financial liabilities							
Secured bank loans	5.39 %	22,908,821	13,610,898	3,033,396	5,813,790	450,737	-
Unsecured bank loans	2.69 %	111,669,937	71,084,369	29,119,159	11,466,409	-	-
Bonds payables	3.38 %	15,259,832	500,000	8,533,481	6,226,351	-	-
Bank overdraft	7.38 %	97,525	97,525	-	-	-	-
Other unsecured loans	2.94 %	1,277,507	-	1,277,507	-	-	-
Deposits relating to collateral of customers	0.87 %	19,516,216	-	2,521,525	2,305,765	432	14,688,494
Cross currency swap contracts	0.96 %	2,973	2,973	-	-	-	-
Interest rate swap contracts	0.95 %	1,713	1,713	-	-	-	-
		<u>170,734,524</u>	<u>85,297,478</u>	<u>44,485,068</u>	<u>25,812,315</u>	<u>451,169</u>	<u>14,688,494</u>
Net exposure		\$ <u>26,083,391</u>	<u>(55,667,387)</u>	<u>38,230,283</u>	<u>50,252,638</u>	<u>(404,474)</u>	<u>(6,327,669)</u>

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Ending balance as of December 31, 2013		Fixed rate					
	Effective interest rate	Total	Floating rate	Within 1 year	1~5 years	More than 5 years	Non-interest bearing
Financial assets							
Cash and cash equivalents	1.69 %	\$ 7,586,221	6,650,254	203,674	-	-	732,293
Debt securities	6.47 %	7,024,187	1,699,947	51,728	5,272,512	-	-
Total accounts receivables	11.66 %	167,136,523	19,692,077	78,169,622	62,338,257	115,961	6,820,606
Interest rate swap contract	0.04 %	486	486	-	-	-	-
		<u>181,747,417</u>	<u>28,042,764</u>	<u>78,425,024</u>	<u>67,610,769</u>	<u>115,961</u>	<u>7,552,899</u>
Financial liabilities							
Secured bank loans	5.47 %	17,326,018	11,561,833	283,185	5,481,000	-	-
Unsecured bank loans	2.76 %	98,352,986	73,300,818	19,104,238	5,947,930	-	-
Bonds payables	3.41 %	14,098,319	500,000	5,004,063	8,594,256	-	-
Bank overdraft	7.38 %	84,084	84,084	-	-	-	-
Other unsecured loans	3.16 %	8,244,284	-	8,244,284	-	-	-
Deposits relating to collateral of customers	0.59 %	18,507,840	-	1,604,863	2,435,996	1,728	14,465,253
Cross currency swap contracts	0.96 %	42,293	42,293	-	-	-	-
Interest rate swap contracts	1.36 %	6,777	6,777	-	-	-	-
		<u>156,662,601</u>	<u>85,495,805</u>	<u>34,240,633</u>	<u>22,459,182</u>	<u>1,728</u>	<u>14,465,253</u>
Net exposure		\$ <u>25,084,816</u>	<u>(57,453,041)</u>	<u>44,184,391</u>	<u>45,151,587</u>	<u>114,233</u>	<u>(6,912,354)</u>
Ending balance as of June 30, 2013		Fixed rate					
	Effective interest rate	Total	Floating rate	Within 1 year	1~5 years	More than 5 years	Non-interest bearing
Financial assets							
Cash and cash equivalents	1.82 %	\$ 8,230,226	6,090,721	1,802,654	-	-	336,851
Debt securities	6.80 %	4,452,459	1,746,858	-	2,705,601	-	-
Total accounts receivables	11.82 %	153,929,087	21,560,352	71,234,906	57,069,803	207,852	3,856,174
		<u>166,611,772</u>	<u>29,397,931</u>	<u>73,037,560</u>	<u>59,775,404</u>	<u>207,852</u>	<u>4,193,025</u>
Financial liabilities							
Secured bank loans	4.81 %	12,573,856	3,660,216	8,168,880	744,760	-	-
Unsecured bank loans	2.99 %	93,152,643	46,795,768	34,164,573	12,192,302	-	-
Bonds payables	3.24 %	12,936,939	500,000	194,730	12,242,209	-	-
Bank overdraft	7.38 %	164,781	164,781	-	-	-	-
Other unsecured loans	3.37 %	9,164,750	-	9,164,750	-	-	-
Deposits relating to collateral of customers	0.57 %	18,204,371	-	5,308,542	10,956,057	-	1,939,772
Interest rate swap contracts	0.27 %	6,363	6,363	-	-	-	-
Cross currency swap contracts	3.70 %	740	740	-	-	-	-
		<u>146,204,443</u>	<u>51,127,868</u>	<u>57,001,475</u>	<u>36,135,328</u>	<u>-</u>	<u>1,939,772</u>
Net exposure		\$ <u>20,407,329</u>	<u>(21,729,937)</u>	<u>16,036,085</u>	<u>23,640,076</u>	<u>207,852</u>	<u>2,253,253</u>

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The Group's sensitivity analysis in interest rates is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group's accounting and financial department reported that the increases or decreases in interest rates and the change in interest rate of 25 basis points has been determined as management's benchmark in assessing the reasonableness of the changes in the interest rates.

If the interest rate increases or decreases by 0.25%, the Group's profit will decrease or increase by \$147,031 and \$112,973 for the six months ended June 30, 2014 and 2013, respectively. This analysis assumes that all other variables remain constant.

5. Fair value

1) Fair value and carrying amount

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

	2014.6.30		2013.12.31		2013.6.30	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Accounts receivable	\$ 174,139,697	173,897,809	161,737,753	158,519,447	149,188,751	149,480,478
Financial liabilities:						
Bonds Payable	15,259,832	15,381,919	14,098,319	13,808,705	12,936,939	12,939,207
Deposits relating to collateral of customers	19,516,216	19,505,636	18,507,840	18,466,364	18,204,371	18,188,783
Secured loans	22,908,821	22,900,670	17,326,018	17,304,893	12,573,856	12,034,635
Unsecured loans	113,044,969	113,039,443	106,681,354	106,655,251	102,482,174	102,482,174

2) Interest rates used in fair value determination

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

	As of June 30,	
	2014	2013
Accounts receivable	11.43 %	11.82 %
Long-term debts and short-term debts	3.50 %	3.23 %
Deposits relating to collateral of customers	0.87 %	0.57 %
Bonds payable	3.38 %	3.24 %

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3) Fair value hierarchy

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2014</u>				
Current financial assets at fair value through profit\$ or loss	392,428	692	-	393,120
Current derivative financial assets used for hedging	-	29,998	-	29,998
Non-current financial assets at fair value through profit or loss	-	-	1,625,047	1,625,047
Non-current available-for-sale financial assets	53,868	972,640	524,391	1,550,899
	<u>446,296</u>	<u>1,003,330</u>	<u>2,149,438</u>	<u>3,599,064</u>
Current financial liabilities at fair value through profit or loss	-	(2,973)	-	(2,973)
Current derivative financial liabilities used for hedging	-	(1,713)	-	(1,713)
	<u>-</u>	<u>(4,686)</u>	<u>-</u>	<u>(4,686)</u>
	<u>\$ 446,296</u>	<u>998,644</u>	<u>2,149,438</u>	<u>3,594,378</u>
<u>December 31, 2013</u>				
Current financial assets at fair value through profit\$ or loss	264,083	486	-	264,569
Non-current financial assets at fair value through profit or loss	-	-	1,699,947	1,699,947
Non-current available-for-sale financial assets	-	1,210,419	517,685	1,728,104
	<u>264,083</u>	<u>1,210,905</u>	<u>2,217,632</u>	<u>3,692,620</u>
Current financial liabilities at fair value through profit or loss	-	(9,150)	-	(9,150)
Current derivative financial liabilities used for hedging	-	(39,920)	-	(39,920)
	<u>-</u>	<u>(49,070)</u>	<u>-</u>	<u>(49,070)</u>
	<u>\$ 264,083</u>	<u>1,161,835</u>	<u>2,217,632</u>	<u>3,643,550</u>

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2013				
Current financial assets at fair value through profit or loss	\$ 340,143	-	-	340,143
Non-current financial assets at fair value through profit or loss	-	-	1,746,858	1,746,858
Non-current available-for-sale financial assets	-	638,859	515,089	1,153,948
	<u>340,143</u>	<u>638,859</u>	<u>2,261,947</u>	<u>3,240,949</u>
Current financial liabilities at fair value through profit or loss	-	(1,570)	-	(1,570)
Current derivative financial liabilities used for hedging	-	(5,533)	-	(5,533)
	<u>-</u>	<u>(7,103)</u>	<u>-</u>	<u>(7,103)</u>
	<u>\$ 340,143</u>	<u>631,756</u>	<u>2,261,947</u>	<u>3,233,846</u>

For the six months ended June 30, 2014, the fair value hierarchy for available-for-sale financial assets of \$53,868 had been changed from level 2 to level 1 because the Group was able to obtain their active market prices periodically. There was no transfer between the fair value levels for the six months ended June 30, 2013.

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

	<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, 2014	\$ 1,699,947	517,685	2,217,632
Total gains and losses recognized:			-
In profit or loss	(74,900)	-	(74,900)
In other comprehensive income	-	6,706	6,706
Ending balance, June 30, 2014	<u>\$ 1,625,047</u>	<u>524,391</u>	<u>2,149,438</u>
Opening balance, January 1, 2013	\$ 1,791,558	505,939	2,297,497
Total gains and losses recognized:			
In profit or loss	(44,700)	(1,263)	(45,963)
In other comprehensive income	-	10,413	10,413
Ending balance, June 30, 2013	<u>\$ 1,746,858</u>	<u>515,089</u>	<u>2,261,947</u>

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For the six months ended June 30, 2014 and 2013, total gains and losses arising from the valuation of investments under Level 3 of the fair value hierarchy that are included in “other gains and losses” and “unrealized gains and losses from available-for-sale financial assets” were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Total gains and losses recognized :				
In profit or loss, and included “other gains and losses”	\$ (55,400)	(36,836)	(74,900)	(45,963)
In other comprehensive income, and included “unrealized gains on available-for-sale financial assets ”	500	8,256	6,706	10,413

(u) Financial risk management

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

(v) Capital Management

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

(7) Related Party Transactions

(a) Related-party transactions

1. Operating revenue

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Affiliates	\$ <u>20,686</u>	<u>15,130</u>	<u>37,075</u>	<u>33,204</u>

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2. Receivables from related parties

Receivables of the Group from related parties were as follows :

Account	Categories of related parties	2014.6.30	2013.12.31	2013.6.30
Capital leases receivable	Affiliates	\$ 568	659	765
Accounts receivable	Affiliates	2,301	1,525	13,164
Other receivables	Affiliates	278,567	807,638	99,323
Other current financial assets	Affiliates	1,000	1,000	1,000
Other non-current financial assets	Affiliates	4,234	5,600	12,500
		\$ 286,670	816,422	126,752

3. Payable to related parties

Payable of the Group from related parties were as follows :

Account	Categories of related parties	2014.6.30	2013.12.31	2013.6.30
Other current financial liabilities	Affiliates	\$ 56,769	146,285	15,980

4. Asset transactions

The Group purchased leasehold improvements from affiliates of \$2,666 and 6,381 for the six months ended June 30, 2014 and 2013, respectively.

5. Related-Party Financing

Financing to related parties was as follows :

	2014.6.30	2013.12.31	2013.6.30
Affiliates	\$ 329,700	343,940	346,191

The loans receivable bear interest at rates ranging from 2.26% to 4.00%. As of June 30, 2014, December 31, 2013, and June 30, 2013, interest receivable from the loans receivable from affiliates amounted to \$6,124, \$4,860 and \$3,589, respectively. For the three months and the six months ended June 30, 2014 and 2013, interest revenue from the loans receivable from affiliates amounted to \$3,948, \$2,992, \$5,926 and \$5,918, respectively.

6. Interest bearing borrowings

Borrowings of the Group from related parties were as follows :

	2014.6.30	2013.12.31	2013.6.30
Affiliates	\$ 2,457,804	2,778,909	3,738,627

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The borrowings from associates bear interest at rates ranging from 2.83% to 7.38%. As of June 30, 2014, December 31, 2013, and June 30, 2013, interest payable from the interest bearing borrowings from affiliates amounted to \$371, \$786 and \$1,199, respectively. For the three months and the six months ended June 30, 2014 and 2013, interest expense from the interest bearing borrowing from affiliates amounted to \$31,051, \$36,641, \$61,019 and \$66,093, respectively.

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

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Affiliates	\$ <u>46,280</u>	<u>45,675</u>	<u>-</u>

The bonds payable bear interest at rates ranging from 4.50% to 4.60% . As of June 30, 2014, December 31, 2013, interest payable from bonds payable to affiliates amounted to \$23 and \$28, respectively. For the three months and the six months ended June 30, 2014 and 2013, interest expenses from bonds payable to affiliates amounted to \$524, \$164, \$1,041 and \$502, respectively.

7. Endorsements and guarantees with related parties

As of June 30, 2013, guarantee and endorsements of bank loans provided by the Group for related parties amounted for \$743,400. The bank loans which related parties have actually obtained amounted to \$599,000.

8. Others

1) As of June 30, 2014, December 31, 2013 and June 30, 2013, bank deposits in financial institutions which are related parties of the Group amounted to \$207,304, \$275,405 and \$433,661, respectively. For the three months and the six months ended June 30, 2014 and 2013, interest revenue from the deposits in affiliates amounted to \$202, \$374, \$228 and \$386, respectively.

2) Other revenue and expense with related parties :

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Affiliates				
Rent expense	\$ 7,463	5,184	14,322	10,247
Commission and service costs	138	73	272	189
Other operating costs	46,308	6,462	52,295	15,786
	<u>\$ 53,909</u>	<u>11,719</u>	<u>66,889</u>	<u>26,222</u>

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

(b) Key management personnel compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Short-term employee benefits	\$ 64,567	69,013	136,433	137,785
Post-employment benefits	433	665	689	1,155
	\$ 65,000	69,678	137,122	138,940

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2014.6.30	2013.12.31	2013.6.30
Restricted cash in banks				
Restricted account for loans repayment (demand deposits)	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	\$ 3,619,718	3,297,140	3,046,780
Time deposits	Alliance contract guarantee	1,900	1,900	2,200
Inventories	As guarantee for short-term and long-term borrowings	-	-	882,208
Property and equipment, and assets held for lease	As guarantee for short-term and long-term borrowings	3,587,181	3,649,672	2,038,370
Equity securities	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	1,093,518	1,190,724	626,737
Refundable deposits	Provincial court seizure etc.	185,284	310,348	147,229
Notes receivable	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	23,184,137	21,128,592	18,953,408
Accounts receivable and loans	As guarantee for short-term and long-term borrowings	44,804,394	45,484,808	40,353,263
Total		\$ 76,476,132	75,063,184	66,050,195

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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 June 30, 2014, December 31, 2013, and June 30, 2013, the balance of unexpired payments from these alliance transactions amounted to \$13,342,805, \$11,481,602 and \$9,837,718, respectively.
- (b) The Group entered into sale and lease-back agreements with third parties, which were financed through long-term bank debts. The third parties pay rentals directly to the Group's lender. For details regarding long-term debts payable, refer to notes (6)(j).
- (c) 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 June 30, 2014, December 31, 2013, and June 30, 2013, the payable balance from these transactions amounted to \$285,453, \$401,295 and \$517,042, respectively.
- (d) The Group facilitated the extension of financing by financial institutions on behalf of its certain customers under factoring agreements. Such facilitation enables the customers to obtain desired financing from financial institutions. As of June 30, 2014, December 31, 2013, and June 30, 2013, the balance of financing obtained from such facilitation amounted to \$86,650, \$37,138 and \$27,098, respectively.

(10) Losses Due to Major Disasters : None.

(11) Subsequent Events

In July 24, 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. 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 principle 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

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(12) Other

(a) Liquidity analysis of assets and liabilities :

		2014.6.30	
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current assets</u>			
Cash and cash equivalents	\$ 7,607,684	-	7,607,684
Current financial assets at fair value through profit or loss	393,120	-	393,120
Current held-to-maturity financial assets	2,764,283	4,082,200	6,846,483
Current derivative financial assets for hedging	29,998	-	29,998
Accounts receivable, net	89,264,759	54,816,837	144,081,596
Inventories	379	-	379
Other current financial assets	5,399,795	-	5,399,795
Other current assets – others	2,499,086	-	2,499,086
	\$ 107,959,104	58,899,037	166,858,141
<u>Current liabilities</u>			
Short-term borrowings	\$ 70,942,719	-	70,942,719
Current financial liabilities at fair value through profit or loss	2,973	-	2,973
Current derivative financial liabilities for hedging	1,713	-	1,713
Accounts and notes payable	1,310,418	-	1,310,418
Current tax payable	781,942	-	781,942
Other current financial liabilities	19,181,950	2,641,982	21,823,932
Advance real estate receipts	349	-	349
Long-term liabilities – current portion	24,097,513	30,020,696	54,118,209
Other current liabilities – others	855,254	-	855,254
	\$ 117,174,831	32,662,678	149,837,509

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	2013.12.31		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current assets</u>			
Cash and cash equivalents	\$ 7,586,221	-	7,586,221
Current financial assets at fair value through profit or loss	264,569	-	264,569
Current held-to-maturity financial assets	1,500,728	3,337,657	4,838,385
Accounts receivable, net	85,240,004	48,478,303	133,718,307
Inventories	567,752	-	567,752
Other current financial assets	5,000,217	-	5,000,217
Other current assets – others	<u>2,323,739</u>	<u>-</u>	<u>2,323,739</u>
	<u>\$ 102,483,230</u>	<u>51,815,960</u>	<u>154,299,190</u>
<u>Current liabilities</u>			
Short-term borrowings	\$ 57,141,701	-	57,141,701
Current financial liabilities at fair value through profit or loss	9,150	-	9,150
Current derivative financial liabilities for hedging	39,920	-	39,920
Accounts and notes payable	2,383,535	-	2,383,535
Current tax payable	618,258	-	618,258
Other current financial liabilities	8,449,271	11,381,508	19,830,779
Advance real estate receipts	307,563	-	307,563
Long-term liabilities – current portion	29,111,158	20,400,500	49,511,658
Other current liabilities – others	<u>869,514</u>	<u>-</u>	<u>869,514</u>
	<u>\$ 98,930,070</u>	<u>31,782,008</u>	<u>130,712,078</u>

(English Translation of Financial Report Originally Issued in Chinese)

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ACCEPTED AUDITING STANDARDS.

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2014 and 2013

(Amounts Expressed in Thousands of New Taiwan Dollars)

	2013.6.30		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current assets</u>			
Cash and cash equivalents	\$ 8,230,226	-	8,230,226
Current financial assets at fair value through profit or loss	340,143	-	340,143
Current held-to-maturity financial assets	1,772,261	402,978	2,175,239
Accounts receivable, net	79,831,598	43,198,690	123,030,288
Inventories	887,093	-	887,093
Other current financial assets	6,003,894	-	6,003,894
Other current assets – others	<u>2,632,629</u>	<u>-</u>	<u>2,632,629</u>
	\$ <u>99,697,844</u>	<u>43,601,668</u>	<u>143,299,512</u>
<u>Current liabilities</u>			
Short-term borrowings	\$ 53,198,835	-	53,198,835
Current financial liabilities at fair value through profit or loss	1,570	-	1,570
Current derivative financial liabilities for hedging	5,533	-	5,533
Accounts and notes payable	999,456	-	999,456
Current tax payable	501,515	-	501,515
Other current financial liabilities	9,099,102	11,729,700	20,828,802
Advance real estate receipts	342,280	-	342,280
Long-term liabilities – current portion	29,637,722	19,850,693	49,488,415
Other current liabilities – others	<u>998,651</u>	<u>-</u>	<u>998,651</u>
	\$ <u>94,784,664</u>	<u>31,580,393</u>	<u>126,365,057</u>

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(Amounts Expressed in Thousands of New Taiwan Dollars)

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

By item	By function	For the three months ended June 30, 2014			For the three months ended June 30, 2013		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		12,536	789,453	801,989	13,429	719,035	732,464
Labor and health insurance		963	51,903	52,866	817	42,740	43,557
Pension		460	38,790	39,250	414	47,831	48,245
Others		-	62,539	62,539	-	59,123	59,123
Depreciation		291,020	35,848	326,868	355,710	23,587	379,297
Amortization		-	17,645	17,645	-	16,204	16,204

By item	By function	For the six months ended June 30, 2014			For the six months ended June 30, 2013		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		25,261	1,677,959	1,703,220	27,227	1,445,227	1,472,454
Labor and health insurance		1,833	107,211	109,044	1,682	92,092	93,774
Pension		891	76,737	77,628	849	89,096	89,945
Others		-	114,521	114,521	-	105,304	105,304
Depreciation		589,767	71,117	660,884	722,044	46,999	769,043
Amortization		-	34,490	34,490	-	31,910	31,910

(c) Seasonality of operation:

The Group's operation is neither seasonal nor cyclical.

(d) Certain accounts in the financial statements as of and for the six months ended June 30, 2013 have been reclassified to be consistent with the financial statements as of and for the six months ended June 30, 2014

(13) Segment Information

Operating segments financial information:

	For the three months ended June 30, 2014					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 3,294,994	4,290,458	625,985	203,670	-	8,415,107
Intersegment revenues	188,976	-	-	-	(188,976)	-
Total revenue	\$ 3,483,970	4,290,458	625,985	203,670	(188,976)	8,415,107
Reportable segment profit or loss	\$ 932,191	742,368	157,457	(92,534)	-	1,739,482

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(Amounts Expressed in Thousands of New Taiwan Dollars)

For the three months ended June 30, 2013						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 2,651,555	3,510,026	602,671	234,715	-	6,998,967
Intersegment revenues	242,773	69,583	-	-	(312,356)	-
Total revenue	\$ 2,894,328	3,579,609	602,671	234,715	(312,356)	6,998,967
Reportable segment profit or loss	\$ 860,995	585,392	162,788	(41,777)	-	1,567,398
For the six months ended June 30, 2014						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 7,276,998	7,939,077	1,234,147	411,809	-	16,862,031
Intersegment revenues	375,220	-	-	-	(375,220)	-
Total revenue	\$ 7,652,218	7,939,077	1,234,147	411,809	(375,220)	16,862,031
Reportable segment profit or loss	\$ 1,997,219	1,271,140	303,076	(194,150)	-	3,377,285
For the six months ended June 30, 2013						
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 5,085,664	6,849,705	1,164,708	387,720	-	13,487,797
Intersegment revenues	517,197	127,307	-	-	(644,504)	-
Total revenue	\$ 5,602,861	6,977,012	1,164,708	387,720	(644,504)	13,487,797
Reportable segment profit or loss	\$ 1,602,443	1,184,053	313,750	(67,973)	-	3,032,273