

Stock Code : 5871

**(English Translation of Financial Report Originally Issued in Chinese)**  
**CHAILEASE HOLDING COMPANY LIMITED AND ITS**  
**SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
**(With Independent Auditors' Report Thereon)**

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## Independent Auditors' Report

The Board of Directors of Chailease Holding Company Limited :

We have audited the accompanying consolidated balance sheets of Chailease Holding Company Limited and its subsidiaries (the Group) as of December 31, 2015 and 2014, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended. The Company's management is responsible for the preparation and presentation of the consolidated financial statements. Our responsibility is to issue a report on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



In our opinion, based on our audits, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Chailease Holding Company Limited and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in conformity with the related financial accounting standards of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), IFRIC Interpretations and SIC Interpretations which are endorsed by Financial Supervisory Commission R.O.C.

KPMG

CPA : Wan Wan, Lin  
Yi Chun, Chen

Taipei, Taiwan, R.O.C.  
March 17, 2016

Note to Readers

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

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

CHAILLEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014,

(Amounts Expressed in Thousands of New Taiwan Dollars)

	2015.12.31		2014.12.31		2015.12.31		2014.12.31	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
<b>Current assets :</b>								
Cash and cash equivalents (Notes (6)(a) and (7))	\$ 11,097,812	4	8,338,117	4	2100			
Current financial assets at fair value through profit or loss (Note (6)(b))	235,545	-	205,992	-	2120			
Current held-to-maturity financial assets (Note (6)(b))	7,658,388	3	6,723,295	3	2125			
Current derivative financial assets for hedging (Notes (6)(b))	163,416	-	37,759	-	2150			
Accounts receivable, net (Notes (6)(d),(7)and(8))	185,606,083	69	164,933,842	69	2230			
Inventories	207	-	207	-	2305			
Other current financial assets (Notes (7) and (8))	3,513,245	1	3,587,175	2	2320			
Other current assets - others (Notes (6)(c) and (7))	2,720,371	1	3,259,333	1	2399			
	<u>210,995,067</u>	<u>78</u>	<u>187,085,720</u>	<u>79</u>				
<b>Non-current assets :</b>								
Non-current financial assets at fair value through profit or loss (Notes (6)(b) and (6)(g))	693,713	-	710,059	-	2530			
Non-current available-for-sale financial assets (Note (6)(b) and (8))	1,704,727	1	1,569,885	1	2570			
Non-current held-to-maturity financial assets (Note (6)(b))	2,317,394	1	2,408,525	1	2600			
Investments accounted under equity method (Notes (6)(f) and (8))	365,278	-	183,215	-				
Property, plant and equipment (Notes (6)(h) and (8))	9,932,658	4	8,997,856	4				
Intangible assets (Note (6)(i))	45,507	-	35,591	-				
Deferred tax assets (Note (6)(n))	2,949,052	1	2,334,571	1				
Long-term accounts receivable, net (Notes (6)(d) , (7)and(8))	37,073,556	14	33,539,103	14	3100			
Other non-current assets - others (Notes (7) and (8))	1,492,870	1	1,072,032	-	3200			
	56,574,755	22	50,830,837	21	3350			
					3400			
					36XX			
<b>TOTAL ASSETS</b>	<u>\$ 267,569,822</u>	<u>100</u>	<u>237,936,557</u>	<u>100</u>				
<b>LIABILITIES AND EQUITY</b>								
<b>Current Liabilities :</b>								
Short-term borrowings (Notes (6)(j) , (7)and(8))	\$ 78,844,180	29	66,974,084	28				
Current financial liabilities at fair value through profit or loss (Note (6)(b))	-	-	-	-				
Current derivative financial liabilities for hedging (Note (6)(b))	3,235,819	1	2,344,572	1				
Accounts and notes payable	1,295,601	-	1,381,461	1				
Current tax liabilities	26,274,248	10	23,243,396	10				
Other current financial liabilities (Note (7))	74,456,126	28	59,244,773	25				
Long-term liabilities -- current portion (Notes (6)(l) , (6)(k) , (7) and (8))	1,017,178	-	902,357	-				
Other current liabilities - others	185,123,152	68	154,094,232	65				
	<u>9,440,820</u>	<u>4</u>	<u>9,299,257</u>	<u>4</u>				
<b>Non-current Liabilities :</b>								
Bonds payable (Notes (6)(k) and (7))	28,891,972	11	34,252,478	14				
Long-term borrowings (Note (6)(l),(7)and(8))	1,771,018	1	1,574,717	1				
Deferred tax liabilities (Note(6)(n))	2,312,321	1	2,286,792	1				
Other non-current liabilities (Note (6)(m))	42,416,131	17	47,413,244	20				
	227,539,283	85	201,507,476	85				
<b>Total Liabilities</b>								
Equity attributable to owners of parent : (Note (6)(o))								
Share capital	11,392,300	4	10,954,134	4				
Capital surplus	9,407,395	4	9,407,459	4				
Unappropriated retained earnings	15,497,081	6	12,132,818	5				
Other equity items	1,590,265	-	1,844,301	1				
<b>Total equity attributable to owners of parent</b>	37,887,041	14	34,338,712	14				
Non-controlling interests	2,143,498	1	2,090,369	1				
<b>Total equity</b>	40,030,539	15	36,429,081	15				
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 267,569,822</u>	<u>100</u>	<u>237,936,557</u>	<u>100</u>				

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

**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the Years Ended December 31, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars)**

		For the years ended December 31,			
		2015		2014	
		Amount	%	Amount	%
<b>Operating revenue : (Note (7))</b>					
4111	Sales revenue	\$ 8,536,111	23	8,546,786	25
4810	Interest revenue - installment sales	6,818,922	19	6,485,014	19
4820	Interest revenue - capital leases	8,803,788	24	7,732,557	22
4300	Rental revenue - operating leases	2,454,131	7	1,905,331	6
4230	Interest revenue - loans	2,629,435	7	2,122,796	6
4240	Other interest revenue	2,649,382	7	1,819,017	5
4830	Building and land sales revenue	-	-	750,535	2
4800	Other operating revenue	4,936,211	13	5,190,638	15
		<u>36,827,980</u>	<u>100</u>	<u>34,552,674</u>	<u>100</u>
<b>Operating costs : (Note (7))</b>					
5111	Cost of sales	7,526,825	20	7,445,911	21
5240	Interest expense	4,777,085	13	4,357,416	13
5300	Cost of rental revenue	1,752,057	5	1,354,572	4
5800	Other operating costs	826,628	2	1,320,394	4
		<u>14,882,595</u>	<u>40</u>	<u>14,478,293</u>	<u>42</u>
	<b>Gross profit from operation</b>	21,945,385	60	20,074,381	58
6000	<b>Operating expenses (Note (7))</b>	13,181,740	36	11,508,104	33
6500	<b>Net other income and expenses (Note (6)(r))</b>	115,758	-	190,463	-
	<b>Operating profit</b>	<u>8,879,403</u>	<u>24</u>	<u>8,756,740</u>	<u>25</u>
<b>Non-operating income and expenses :</b>					
7100	Interest income	84,281	-	89,186	-
7130	Dividend revenue	69,116	-	33,691	-
7020	Other gains and losses (Notes (6)(s))	573,701	2	808,174	3
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6 (f))	28,309	-	(11,077)	-
		<u>755,407</u>	<u>2</u>	<u>919,974</u>	<u>3</u>
7900	<b>Profit before income tax</b>	9,634,810	26	9,676,714	28
7950	<b>Less: Income tax expense (Note (6)(n))</b>	2,440,877	6	2,521,945	7
	<b>Profit for the year</b>	<u>7,193,933</u>	<u>20</u>	<u>7,154,769</u>	<u>21</u>
<b>Other comprehensive income (loss):</b>					
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Remeasurement from defined benefit plans	7,635	-	17,181	-
8349	Less: Income tax expense related to items that will not be reclassified subsequently	(1,298)	-	(2,921)	-
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>6,337</u>	<u>-</u>	<u>14,260</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(302,151)	(1)	1,228,190	3
8362	Unrealized losses on available-for-sale financial assets	(32,055)	-	(147,405)	-
8363	Gains of effective portion of cash flow hedges	128,477	-	74,858	-
8364	Losses of effective portion of hedges of net investment in foreign operations	(77,281)	-	(163,818)	-
8391	Other comprehensive income (loss) - other	-	-	49,141	-
8399	Income tax relating to items that are or may be reclassified subsequently to profit or loss	(27,992)	-	(60,239)	-
	<b>Total other comprehensive income</b>	<u>(311,002)</u>	<u>(1)</u>	<u>980,727</u>	<u>3</u>
	<b>Other comprehensive income for the year, net of tax</b>	<u>(304,665)</u>	<u>(1)</u>	<u>994,987</u>	<u>3</u>
8500	<b>Total comprehensive income for the year</b>	<u>\$ 6,889,268</u>	<u>19</u>	<u>8,149,756</u>	<u>24</u>
<b>Profit attributable to :</b>					
8610	Owners of parent	\$ 6,863,272	19	6,825,408	20
8620	Non-controlling interests	330,661	1	329,361	1
		<u>\$ 7,193,933</u>	<u>20</u>	<u>7,154,769</u>	<u>21</u>
<b>Comprehensive income attributable to :</b>					
8710	Owners of parent	\$ 6,615,550	18	7,710,169	23
8720	Non-controlling interests	273,718	1	439,587	1
		<u>\$ 6,889,268</u>	<u>19</u>	<u>8,149,756</u>	<u>24</u>
9750	<b>Basic earnings per share (NT dollars) (Note (6)(p))</b>	<u>\$ 6.02</u>		<u>5.99</u>	

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

**CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the Years Ended December 31, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										Total equity		
	Stock	Share capital	Capital surplus	Special reserve	Retained Earnings	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) of effective portion of cash flow hedges	Gains (losses) of effective portion of hedges of net investment in foreign operations		Others	Equity attributable to owners of parent
<b>Balance as of January 1, 2014</b>	\$ 9,958,304	9,411,698	8,215,781	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 year	-	-	6,825,408	-	6,825,408	-	-	-	-	-	6,825,408	329,361	7,154,769
Other comprehensive income for the year	-	-	14,255	-	14,255	1,057,730	(147,405)	74,858	(163,818)	49,141	884,761	110,226	994,987
Total comprehensive income for the year	-	-	6,839,663	-	6,839,663	1,057,730	(147,405)	74,858	(163,818)	49,141	7,710,169	439,587	8,149,756
Earnings distribution and appropriation:													
Cash dividends to ordinary shareholders	-	-	(1,991,661)	-	(1,991,661)	-	-	-	-	-	(1,991,661)	-	(1,991,661)
Stock dividends of ordinary shareholders	995,830	-	(995,830)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	(64,865)	64,865	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	(4,239)	-	-	-	-	-	-	-	(4,239)	-	(4,239)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(165,968)	(165,968)
<b>Balance as December 31, 2014</b>	10,954,134	9,407,459	12,132,818	-	12,132,818	1,818,240	152,325	34,939	(161,203)	-	34,338,712	2,090,369	36,429,081
Net income for the year	-	-	6,863,272	-	6,863,272	-	-	-	-	-	6,863,272	330,661	7,193,933
Other comprehensive income for the year	-	-	6,314	-	6,314	(273,177)	(32,055)	128,477	(77,281)	-	(247,722)	(56,943)	(304,655)
Total comprehensive income for the year	-	-	6,869,586	-	6,869,586	(273,177)	(32,055)	128,477	(77,281)	-	6,615,550	273,718	6,889,268
Earnings distribution and appropriation:													
Cash dividends to ordinary shareholders	-	-	(3,067,157)	-	(3,067,157)	-	-	-	-	-	(3,067,157)	-	(3,067,157)
Stock dividends to ordinary shareholders	438,166	-	(438,166)	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	(64)	-	-	-	-	-	-	-	(64)	-	(64)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(220,589)	(220,589)
<b>Balance as of December 31, 2015</b>	\$ 11,392,300	9,407,395	15,497,081	-	15,497,081	1,545,063	120,270	163,416	(238,484)	-	37,887,041	2,143,498	40,030,539

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

**CHALEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the Years Ended December 31, 2015 and 2014**

**(Amounts Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31,	
	2015	2014
<b>Cash flows from operating activities :</b>		
Profit before income tax	\$ 9,634,810	9,676,714
Adjustments :		
Adjustments to reconcile profit before income tax to net cash provided by operating activities :		
Depreciation expense	1,611,411	1,325,494
Amortization expense	142,602	72,513
Loss on financial assets and liabilities at fair value through profit or loss	39,057	60,735
Interest expense	4,777,085	4,357,416
Interest income	(20,985,808)	(18,248,570)
Dividend income	(69,116)	(33,691)
Share of (profit) loss of associates and joint ventures accounted for using equity method	(28,309)	11,077
Gain on disposal of property, plant and equipment	(4,535)	(107,378)
Loss (gain) on disposal of foreclosed assets	80,258	(70,648)
Gain on disposal of investments	(123,081)	(67,388)
Impairment loss on financial assets	4,947,876	3,972,869
Impairment loss on non-financial assets	269,495	297,167
Total adjustments to reconcile (profit) loss	<u>(9,343,065)</u>	<u>(8,430,404)</u>
Change in operating assets and liabilities :		
Change in operating assets :		
(Increase) Decrease in financial assets held for trading	(53,527)	107,633
Decrease in non-current financial assets at fair value through profit or loss	-	895,104
Increase in accounts receivable	(30,986,582)	(45,103,441)
Proceeds from financial assets securitization	-	4,737,057
Decrease in other current financial assets	131,770	2,603,487
Decrease in inventories	-	567,545
Decrease in other current assets	597,886	50,113
Proceeds from sales of operating lease assets	693,188	1,002,597
Purchase of operating lease assets	(3,385,906)	(4,079,846)
Increase in other non-current assets – others	(559,926)	(318,576)
Total changes in operating assets	<u>(33,563,097)</u>	<u>(39,538,327)</u>
Changes in operating liabilities :		
Increase (decrease) in accounts payable	928,119	(641,650)
Increase in long-term and short-term debts	156,767,451	165,765,553
Repayment of long-term and short-term debts	(133,755,334)	(134,027,158)
Increase in other current financial liabilities	3,378,672	3,412,617
Increase in accrued pension liabilities	17,027	2,864
Increase in other current liabilities-others	116,464	454,183
Increase in non-current liabilities-others	12,407	32,843
Total changes in operating liabilities	<u>27,464,806</u>	<u>34,999,252</u>
Total changes in operating assets and liabilities	<u>(6,098,291)</u>	<u>(4,539,075)</u>
Total adjustments	<u>(15,441,356)</u>	<u>(12,969,479)</u>
Cash outflow generated from operation	(5,806,546)	(3,292,765)
Interest received	20,978,162	17,887,100
Dividend received	69,216	33,791
Interest paid	(4,966,118)	(4,277,275)
Income taxes paid	(2,998,161)	(2,288,378)
Net cash provided by operating activities	<u>7,276,553</u>	<u>8,062,473</u>
<b>Cash flows from investing activities :</b>		
Acquisition of available-for-sale financial assets	(193,928)	-
Proceeds from disposal of available-for-sale financial assets	151,669	56,491
Proceeds from return of capital by available-for-sale financial assets	-	2,062
Acquisition of held-to-maturity financial assets	(5,662,910)	(6,894,322)
Disposal of held-to-maturity financial assets	4,758,138	2,982,157
Acquisition of investments accounted for using equity method	-	(168,745)
Net cash flow from acquisition of subsidiaries(Notes (6)(g))	-	(407,979)
Acquisition of property, plant and equipment	(143,316)	(162,770)
Disposal of property, plant and equipment	2,650	20,057
Acquisition of intangible assets	(11,941)	(4,863)
Net cash used in investing activities	<u>(1,099,638)</u>	<u>(4,577,912)</u>
<b>Cash flows from financing activities :</b>		
Distribution of cash dividend	(3,067,157)	(1,991,661)
Changes in non-controlling interests	(220,653)	(165,968)
Net cash used in financing activities	<u>(3,287,810)</u>	<u>(2,157,629)</u>
Effect of exchange rate changes on cash and cash equivalents	(126,045)	(498,865)
Net increase in cash and cash equivalents	2,763,060	828,067
Cash and cash equivalents, net of bank overdraft, beginning of year	8,330,204	7,502,137
Cash and cash equivalents, net of bank overdraft, end of year (Notes (6)(a))	<u>\$ 11,093,264</u>	<u>8,330,204</u>

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

# CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

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

### (1) Overview

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

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

As of December 31, 2015 and 2014, the Company had outstanding common stock of \$11,392,300 and \$10,954,134 divided into 1,139,229,994 shares and 1,095,413,456 shares, respectively.

### (2) Financial Statements Authorisation Date and Authorisation Process

The consolidated financial statements were reported to and approved for issue by the Board of Directors on March 17, 2016.

### (3) New Accounting Standards and Interpretations

- (a) Effect of new issuances of or amendments to IFRSs as endorsed by the Financial Supervisory Commission ("FSC").

The Group has adopted the 2013 version of IFRS (excluding IFRS 9, 'Financial instruments') as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures - transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
IFRS 10, "Consolidated financial statements"	January 1, 2013 (Investment entities are required to adopt on January 1, 2014)
IFRS 11, "Joint arrangements"	January 1, 2013
IFRS 12, "Disclosure of interests in other entities"	January 1, 2013
IFRS 13, "Fair value measurement"	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012

# CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

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

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
Deferred tax: Recovery of underlying assets (amendment to IAS 12)	January 1, 2012
Employee benefits (as amendment to IAS 19)	January 1, 2013
Separate financial statements (as amendments to IAS 27)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, "Stripping costs in the production phase of a surface mine"	January 1, 2013

Based on the Group's assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except for the following:

### 1. IAS 1 Presentation of Financial Statements

This standard requires that an entity present separately the items of other comprehensive income that would be classified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of other comprehensive income before related tax effects would also have to allocate the aggregate tax amount between these classifications. The Group has adopted the new presentation method prescribed by the standard. Also, the Group's comprehensive income statements for comparative periods are restated but the impact of such restatement is deemed immaterial to the financial statements.

### 2. IFRS 13 Fair Value Measurement

This standard revised the definition of fair value, provides a framework for measuring fair value, and requires disclosures on fair value measurement. The Group has disclosed the information required by the standard (Please refer to note 6(u).) Also, the Group has postponed the application of the new fair value measurement, according to the transitional implementation guidance. As the FSC prescribes the adoption of this standard only after 2015, the Group does not expect any significant influence on its financial condition and performance.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC :

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
IFRS 9, "Financial instruments"	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Not yet endorsed by IASB
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Acquisition for acquisitions of an interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14 "Regulatory deferral accounts"	January 1, 2016
IFRS 15 "Revenue from contracts with customers"	January 1, 2018
IFRS 16 "Lease"	January 1, 2019

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<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Services related contributions from employees or third parties (amendments to IAS 19)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
The Annual Improvements : 2010-2012 & 2011-2013 Cycles	July 1, 2014
The Annual Improvements to IFRS : 2012-2014 Cycles	January 1, 2016
IFRIC 21, "Levies"	January 1, 2014

The Group is assessing the potential impact of these new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

**(4) Significant Accounting Policies**

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

**(a) Statement of compliance**

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by FSC (hereinafter referred to as the IFRSs endorsed by FSC).

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### (b) Basis of preparation

#### 1. Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Available-for-sale financial assets are measured at fair value;
- 3) Derivative financial instruments are measured at fair value;
- 4) The defined net benefit obligation (or asset) is recognized as fair value of plan assets, less the present value of the defined benefit obligation and the maximum amount measurement disclosed in Note 4(1).

#### 2. Functional and presentation currency

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

### (c) Basis of consolidation

#### 1. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

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### 2. Subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio		Note
			2015.12.31	2014.12.31	
The Company	Chalease International Company (Malaysia) Limited	Investment	100.00 %	100.00 %	
"	Golden Bridge (B.V.I.) Corp.	Investment	100.00 %	100.00 %	
"	Chalease International Financial Services Co., Ltd.	Installment sales, leasing overseas and financial consulting	100.00 %	100.00 %	
Golden Bridge (B.V.I.) Corp.	My Leasing (Mauritius) Corp.	Investment	100.00 %	100.00 %	
My Leasing (Mauritius) Corp.	Chalease International Finance Corporation	Leasing	100.00 %	100.00 %	
My Leasing (Mauritius) Corp. and Chalease International Finance Corporation	Chalease Finance International Corp.	Leasing	100.00 %	100.00 %	
Chalease International Finance Corporation	Chalease International Corp.	Trading	100.00 %	100.00 %	
"	Jirong Real Estate Co., Ltd.	House property leasing and management	100.00 %	100.00 %	
Chalease International Company (Malaysia) Limited	Chalease Finance Co., Ltd.	Installment sales, leasing, and factoring	100.00 %	100.00 %	
"	Chalease International (B.V.I.) Corp.	Investment	100.00 %	100.00 %	
"	Chalease International Company (UK) Limited	Solar power business and investment	100.00 %	-	% Funded in March 26, 2015
"	Chalease Berjaya Credit Sdn. Bhd.	Leasing	70.00 %	-	% Funded in September 9, 2015
Chalease International Financial Services Co., Ltd.	Chalease International Financial Services (Liberia) Corp.	Leasing	100.00 %	100.00 %	
Chalease Finance Co., Ltd.	Fina Finance & Trading Co., Ltd.	Installment sales, trading, and factoring	99.55 %	99.54 %	
"	China Leasing Co., Ltd.	Installment sales	100.00 %	100.00 %	
"	My Leasing (B.V.I.) Corp.	Investment	100.00 %	100.00 %	
Chalease International Company (Malaysia) Limited and Chalease Finance Co., Ltd.	Asia Sermkij Leasing Public Co., Ltd.	Installment sales of automobiles	48.18 %	48.18 %	(Note a)

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio		Note
			2015.12.31	2014.12.31	
Chailease Finance Co., Ltd.	Chailease Finance (B.V.I.) Co., Ltd.	Installment sales, leasing overseas, and financial consulting	100.00 %	100.00 %	
"	Chailease International Leasing Company Limited (Vietnam)	Leasing	100.00 %	100.00 %	
"	Chailease Auto Rental Co., Ltd.	Leasing	100.00 %	100.00 %	
"	Chailease Credit Services Co., Ltd.	Installment sales and leasing	100.00 %	100.00 %	
"	Apex Credit Solutions Inc.	Accounts receivable management, debt management, valuation, trading in financial instruments	100.00 %	100.00 %	
"	Chailease Insurance Brokers Co., Ltd.	Personal and property insurance brokers	100.00 %	100.00 %	
"	Chailease Cloud Service Co., Ltd.	Software of cloud products, leasing, and installment sales	100.00 %	100.00 %	
"	Chailease Finance Securitization Trust 2014	Special Purpose Entity	- %	- %	The subsidiary was established on July 24, 2014. (Note b)
"	Yun Tang Inc.	Solar Power business	100.00 %	100.00 %	
"	Chailease Energy Integration Co., Ltd	Solar Power business	100.00 %	- %	Funded in November 4, 2015
Fina Finance & Trading Co., Ltd.	Chailease Consumer Finance Co., Ltd	Factoring and installment sales	100.00 %	100.00 %	
The Company and Chailease Finance Co., Ltd.	Grand Pacific Holdings Corp.	Leasing, real estate, and mortgage	100.00 %	100.00 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio		Note
			2015.12.31	2014.12.31	
Grand Pacific Holdings Corp.	Grand Pacific Financing Corp. (California)	Financing, leasing and financial consulting	100.00 %	100.00 %	
"	Grand Pacific Main Street Development, Inc.	Real estate development	100.00 %	100.00 %	
"	Grand Pacific Warehouse Funding Corp.	Real estate development	100.00 %	100.00 %	
"	Grand Pacific Business Loan LLC. 2005-1	Special Purpose Entity	- %	- %	The subsidiary was established on June 27, 2005. (Note b)
Grand Pacific Warehouse Funding Corp.	Grand Pacific Warehouse Funding LLC.	Special Purpose Entity	100.00 %	100.00 %	
Grand Pacific Business Loan LLC. 2005-1	Grand Pacific Business Loan Trust 2005-1	Special Purpose Entity	- %	- %	The subsidiary was established on June 27, 2005. (Note b)
Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited	Leasing and financing consulting	99.99 %	99.99 %	

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

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

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

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

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

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### (d) Foreign Currency

#### 1. Foreign currency transaction

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

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

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

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

#### 2. Foreign operations

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

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

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

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3.Hedge of a net investment in foreign operation

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

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

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

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

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

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

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

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be recognized as other current and non-current financial assets.

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

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### (g) Financial instruments

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

#### 1. Financial assets

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

##### 1) Financial assets at fair value through profit or loss

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

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

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

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

C. Hybrid contains one or more embedded derivatives

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

##### 2) Available-for sale financial assets

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

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

### 3) Held-to-maturity financial assets

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

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

### 4) Loans and receivables

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

### 5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

### 6) Derecognition of financial assets

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

## 2. Financial liabilities and equity instruments

### 1) Financial liabilities at fair value through profit or loss

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

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

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A. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on different basis;

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

C. Hybrid instrument contains one or more embedded derivatives.

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

### 2) Other financial liabilities

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

### 3. Derivative financial instruments, including hedge accounting

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

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

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

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related.

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

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

### 1) Fair value hedge

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

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

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

### 2) Cash flow hedge

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

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

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

### 3) Hedge of a net investment in a foreign operation

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

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

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### (h) Financial assets securitization

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

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

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

### (i) Investment in associates

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

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

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

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

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

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### (j) Property, plant, and equipment

#### 1. Recognition and measurement

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

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

#### 2. Subsequent cost

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

#### 3. Depreciation

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

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

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

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

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

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

### (k) Leases

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

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

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

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

The electricity procurement agreement entered into by the Group was accounted for under IFRIC4 "Determining Whether an Arrangement Contains a Lease" and accounted for as finance leases.

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### (l) Intangible assets

#### 1. Goodwill

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

#### 2. Other intangible assets

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

### (m) Impairment of non-financial assets

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

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

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

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

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

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

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

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Reversal of an impairment loss for goodwill is prohibited.

(n) Revenue recognition policies for the various businesses activities

1.Sales revenue

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

2.Installment sales revenue

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

3.Leasing business

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

4.Loans receivable

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

5.Accounting for factoring of accounts receivable

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

- 1) When the factoring transfers and surrenders all or part of the control over the financial assets, the factored receivables are deemed to be reasonably collectable with no restrictions.
- 2) Control over transferred accounts receivable is deemed to have been transferred under all of the following conditions:
  - A.The transferred accounts receivable are isolated from the transferor – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership situation.
  - B.Either (1) each transferee obtains the right – free of conditions that prevent the transferee from taking advantage of that right – to pledge or exchange the transferred accounts receivable or (2) the transferee is a qualifying special-purpose entity and the holders of beneficial interests in that entity have the right – free of conditions that prevent them from taking advantage of the right – to pledge or exchange those interests.

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

### 6. Fee and commission

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

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

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

### (o) Employee benefits

#### 1. Defined contribution plans

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

#### 2. Defined benefit plans

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

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

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

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

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

#### (p) Income taxes

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

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

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

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

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

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

- 1.the entity has the legal right to settle tax assets and liabilities on a net basis; and

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2.the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

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

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

(q) Business combination

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

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

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

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

(r) Earnings per share

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

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(s) Operating segments

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

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

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

(a) Financial asset and liability classification

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

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

(b) Securitizations

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

- 1.If the Group, in substance, controls the entity in which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognized in the Group's consolidated balance sheet.
- 2.If the Group has transferred financial assets to another entity, but has not transferred substantially all of the risk and rewards relating to the transferred assets, the assets are recognized in the Group's consolidated balance sheet.

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3.If the Group transfers substantially all the risk and rewards relating to the transferred assets to an entity that it does not control, the assets are derecognized from the Group's consolidated balance sheet.

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

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

(a) Impairment losses on loans and receivables

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

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

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

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

(b) Impairment losses on non-financial assets

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

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

(c) Impairment of available for sale investment securities

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

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

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

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### (d) Valuation Process

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of fair value hierarchy in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs 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).
- Level 3: inputs for the assets or liability that are not based on observable market data.

### (e) Policies for Transferring of Fair Value Hierarchy

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(u) for assumptions used in measuring fair value.

## (6) Explanation to Significant Accounts

### (a) Cash and cash equivalents

	<u>2015.12.31</u>	<u>2014.12.31</u>
Cash and demand deposits	\$ 10,859,886	8,274,421
Time deposits	217,935	42,685
Cash equivalents-RP bills	<u>19,991</u>	<u>21,011</u>
Cash and cash equivalents	11,097,812	8,338,117
Bank overdraft	<u>(4,548)</u>	<u>(7,913)</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 11,093,264</u>	<u>8,330,204</u>

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

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(b) Financial instruments

1.Details of financial assets were as follows :

	<u>2015.12.31</u>	<u>2014.12.31</u>
Financial assets at fair value through profit or loss		
Held for trading		
Securities of listed companies	\$ 213,429	177,256
Derivative instruments not used for hedging	<u>22,116</u>	<u>28,736</u>
Sub-total	<u>235,545</u>	<u>205,992</u>
Designated as at fair value through profit or loss		
2011 securitization	<u>693,713</u>	<u>710,059</u>
	<u>929,258</u>	<u>916,051</u>
Available-for-sale financial assets		
Securities of listed companies	163,350	40,427
Emerging stock	1,035,058	1,012,241
Private equity	<u>506,319</u>	<u>517,217</u>
Sub-total	<u>1,704,727</u>	<u>1,569,885</u>
Held-to-maturity financial assets		
Investment in debt securities	<u>9,975,782</u>	<u>9,131,820</u>
Derivative financial assets used for hedging	<u>163,416</u>	<u>37,759</u>
Total	<u>\$ 12,773,183</u>	<u>11,655,515</u>

2.Sensitivity analysis — equity price risk :

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

	<u>For the years ended December 31,</u>			
	<u>2015</u>		<u>2014</u>	
<u>Equity price at reporting date</u>	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>
Increase 7%	<u>\$ 119,386</u>	<u>14,940</u>	<u>109,948</u>	<u>12,408</u>
Decrease 7%	<u>\$ (119,386)</u>	<u>(14,940)</u>	<u>(109,948)</u>	<u>(12,408)</u>

Based on the results of the Group's assessment, impairment loss of \$2,175 and \$2,325 were recognized on available-for-sale financial assets for the years ended December 31, 2015 and 2014, respectively.

The Group purchased debt securities issued by real estate trust. These debt securities have maturity dates between 2016 and 2018, and bear effective annual interest rate ranging from 5.61%~8.83%.

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

3.Details of financial liabilities were as follows:

	<u>2014.12.31</u>
Financial liabilities at fair value through profit or loss Held for trading	
Derivative instruments not used for hedging	\$ (769)
Derivative financial liabilities used for hedging	<u>(2,820)</u>
Total	<u>\$ (3,589)</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 December 31, 2015 and 2014, derivative financial instruments accounted for as held-for-trading financial liabilities were as follows:

Cross currency swap contracts

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

  

		<u>2014.12.31</u>			
Nominal Amount	Currency	Interest Rate Payable	Interest Rate Receivable	Contract Period	
USD 20,000	USD to CNY	3.700%	90 Days LIBOR + 1.8%	2013.04.29~	
CNY 123,510				2016.04.29	
USD 30,000	USD to CNY	3.800%	90 Days LIBOR + 1.8%	2013.10.21~	
CNY 183,300				2016.04.29	
USD 20,000	USD to CNY	3.600%	90 Days LIBOR + 1.8%	2013.12.18~	
CNY 121,580				2016.04.29	

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Interest rate swap contracts

		2014.12.31			
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	

5. Derivative instruments used for hedging

As of December 31, 2015, and 2014, the Group held derivative instruments qualified for hedge accounting as follows:

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

		2014.12.31			
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	

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
		2015.12.31	2014.12.31		
Unsecured corporate bonds	Interest Swap	\$ 1,385	(2,820)	2010~2016	2010~2016
CNY loans receivable	Cross Currency Swap contract	162,031	37,759	2013~2016	2013~2016

Item	For the years ended December 31,	
	2015	2014
The fair value adjustment to other comprehensive income	\$ 128,477	74,858

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2) Hedge of net investment in foreign operation

The fair value of the equity investment in foreign investee, Golden Bridge (B.V.I) Corp., may be influenced by the fluctuation of USD exchange rate. The Company designated its USD borrowings to hedge the exchange rate fluctuation risk from this investment. The details of net investment hedge in foreign operation and designated derivatives as of December 31, 2015 and 2014, were as follows:

Hedged Item	Hedge Instrument	Designated Hedging Instrument	
		Fair Value	
		2015.12.31	2014.12.31
Equity investment measured in USD	Foreign currency borrowings	\$ 2,432,333	2,152,200

There were no effects of ineffectiveness recognized in profit or loss that arises from hedges of net investments in foreign operation, Golden Bridge (B.V.I) Corp., for the years ended December 31, 2015 and 2014.

(c) Financial assets securitization

1. 2011 Securitization

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

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

Key assumptions at the securitization date:

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

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

1) Key assumptions used in measuring retained interests:

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

	<u>2015.12.31</u>	<u>2014.12.31</u>
Repayment rate	28.06 %	13.85 %
Expected return rate on securitized financial assets	6.57 %	8.63 %
Weighted-average life (in years)	0.92	1.92
Expected credit loss rate (Note)	1.85%~7.88%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %

2) Sensitivity analysis

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

	<u>2015.12.31</u>	<u>2014.12.31</u>
Carrying amount of retained interests	693,713	710,059
Weighted— average life (in years)	0.92	1.92
Repayment rate	28.06 %	13.85 %
Effect on fair value with 10% adverse change	(501)	(11,279)
Effect on fair value with 20% adverse change	(934)	(20,911)
Expected credit losses	7.88%	4.58%
Effect on fair value with 10% adverse change	(6,800)	(20,673)
Effect on fair value with 20% adverse change	(13,601)	(41,336)
Discount rate for residual cash flows	4.00 %	4.00 %
Effect on fair value with 10% adverse change	(795)	(3,670)
Effect on fair value with 20% adverse change	(1,589)	(7,318)

3) Expected static pool credit losses

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

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4) Cash flows

The cash flows received from securitization trusts were as follows:

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Other cash flows received on retained interests	\$ 169,419	334,531
Service fees received	2,434	4,760

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

2.2010 Securitization

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

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

Key assumptions at the securitization date:

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

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

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1) Cash flows

The cash flows received from securitization trusts were as follows:

	<b>For the years ended December 31,</b>
	<b>2014</b>
Other cash flows received on retained interests	96,510
Service fees received	1,395

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

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

(d) Accounts receivable, net

	<b>2015.12.31</b>	<b>2014.12.31</b>
<b>Current</b>		
Accounts receivable	\$ 14,741,271	10,089,740
Less: Allowance for impairment	(539,361)	(624,129)
	14,201,910	9,465,611
Installment sales receivable	71,073,596	64,169,367
Less: Unearned interests	(6,421,195)	(5,907,409)
Allowance for impairment	(2,109,303)	(1,846,027)
	62,543,098	56,415,931
Leases receivable (included operating leases)	83,335,162	78,653,219
Less: Unearned revenue	(9,593,354)	(9,809,078)
Allowance for impairment	(3,222,114)	(2,637,123)
	70,519,694	66,207,018
Loans receivable	39,255,476	33,734,391
Less: Allowance for impairment	(914,095)	(889,109)
	38,341,381	32,845,282
<b>Sub total of current accounts</b>	<b>185,606,083</b>	<b>164,933,842</b>

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	<u>2015.12.31</u>	<u>2014.12.31</u>
<b>Non Current</b>		
Accounts receivable	2,653,946	2,652,563
Less: Allowance for impairment	<u>(52,402)</u>	<u>(53,292)</u>
	<u>2,601,544</u>	<u>2,599,271</u>
Installment sales receivable	26,769,295	26,136,991
Less: Unearned interests	(2,478,530)	(2,296,764)
Allowance for impairment	<u>(350,817)</u>	<u>(304,723)</u>
	<u>23,939,948</u>	<u>23,535,504</u>
Leases receivable	8,684,859	6,232,235
Less: Unearned revenue	(2,308,150)	(1,685,203)
Allowance for impairment	<u>(70,046)</u>	<u>(59,099)</u>
	<u>6,306,663</u>	<u>4,487,933</u>
Loans receivable	4,327,359	2,988,244
Less: Allowance for impairment	<u>(101,958)</u>	<u>(71,849)</u>
	<u>4,225,401</u>	<u>2,916,395</u>
<b>Sub total of non current accounts</b>	<u>37,073,556</u>	<u>33,539,103</u>
<b>Total accounts receivable</b>	<u><u>\$ 222,679,639</u></u>	<u><u>198,472,945</u></u>

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

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Opening balance	\$ 6,485,351	5,398,770
Impairment loss recognized	4,945,701	3,970,544
Amounts written off	(4,001,984)	(3,128,886)
Foreign exchange gains	<u>(68,972)</u>	<u>244,923</u>
Ending balance	<u><u>\$ 7,360,096</u></u>	<u><u>6,485,351</u></u>

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

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

	<u>Gross investment in the leases</u>	<u>Unearned revenue</u>	<u>Present value of minimum leases receivable</u>
December 31, 2015			
Within operating cycle	\$ 83,182,946	(9,593,354)	73,589,592
Beyond one operating cycle to 5 years	5,294,353	(756,927)	4,537,426
Over 5 years	<u>3,390,506</u>	<u>(1,551,223)</u>	<u>1,839,283</u>
	<u><u>\$ 91,867,805</u></u>	<u><u>(11,901,504)</u></u>	<u><u>79,966,301</u></u>
December 31, 2014			
Within operating cycle	\$ 78,562,748	(9,809,078)	68,753,670
Beyond one operating cycle to 5 years	3,959,475	(649,594)	3,309,881
Over 5 years	<u>2,272,760</u>	<u>(1,035,609)</u>	<u>1,237,151</u>
	<u><u>\$ 84,794,983</u></u>	<u><u>(11,494,281)</u></u>	<u><u>73,300,702</u></u>

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

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

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

	<u>2015.12.31</u>	<u>2014.12.31</u>
Within operating cycle	\$ 2,076,579	1,873,886
Beyond one operating cycle to 5 years	2,497,887	2,413,712
Over 5 years	<u>13,147</u>	<u>197,198</u>
	<u><u>\$ 4,587,613</u></u>	<u><u>4,484,796</u></u>

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

	<u>Gross investment in the installment sales</u>	<u>Unearned interests</u>	<u>Present value of installment sales receivable</u>
December 31, 2015			
Within operating cycle	\$ 71,073,596	(6,421,195)	64,652,401
Beyond one operating cycle to 5 years	26,733,062	(2,477,169)	24,255,893
Over 5 years	<u>36,233</u>	<u>(1,361)</u>	<u>34,872</u>
	<u>\$ 97,842,891</u>	<u>(8,899,725)</u>	<u>88,943,166</u>
December 31, 2014			
Within operating cycle	\$ 64,169,367	(5,907,409)	58,261,958
Beyond one operating cycle to 5 years	26,104,458	(2,295,861)	23,808,597
Over 5 years	<u>32,533</u>	<u>(903)</u>	<u>31,630</u>
	<u>\$ 90,306,358</u>	<u>(8,204,173)</u>	<u>82,102,185</u>

6. 2014 Securitization

In 2014, the Group securitized its financial assets, consisting of conditional sales receivable, installment sales receivable, and capital leases receivable, with an aggregate carrying amount of \$6,499,797. Such securitization was made by way of offering the securities in the form of beneficiary certificates, with the Land Bank of Taiwan as the Trustee. Accordingly, the Group received \$5,465,000 in cash from issuing these beneficiary certificates, resulting in a gain of \$87,457 from this asset securitization. Because the Group acquired all of the subordinated beneficiary certificates, the Group had control over the SPEs. The SPEs are classified as "Investments accounted under equity method. The downstream transactions are eliminated by the difference between the following two amounts.

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

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

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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:

<b>Class of beneficiary certificates issued</b>	<b>Order of principal repayment</b>	<b>Issue amount /par value</b>	<b>Issue price</b>	<b>Interest rate</b>	<b>Payment frequency</b>
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

(e) Other current assets - others

	<u>2015.12.31</u>	<u>2014.12.31</u>
Prepayments	\$ 1,316,868	1,383,417
Prepaid expenses	1,357,203	1,493,040
Foreclosed assets	35,914	65,806
Others	<u>10,386</u>	<u>317,070</u>
	<u>\$ 2,720,371</u>	<u>3,259,333</u>

As of December 31, 2015 and 2014, foreclosed assets held by the Group were as follows:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Foreclosed assets	\$ 52,948	107,426
Less: Accumulated impairment	<u>(17,034)</u>	<u>(41,620)</u>
	<u>\$ 35,914</u>	<u>65,806</u>

For the years ended December 31, 2015 and 2014, the Group recognized a gain on reversal of impairment loss (an impairment loss) of \$22,736 and \$(22,086), respectively, for foreclosed assets. Certain foreclosed assets were disposed to non-related parties and a disposal (loss) gain of \$(80,258) and \$70,648 for the years ended December 31, 2015 and 2014, respectively.

(f) Investments accounted under equity method

	<u>2015.12.31</u>	<u>2014.12.31</u>
Investments in associates	\$ <u>365,278</u>	<u>183,215</u>

For the years ended December 31, 2015 and 2014, the Group's share in the profit (loss) of associates was as follows:

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
The Group's share in profit of associates	\$ <u>28,309</u>	<u>(11,077)</u>

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

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### (g) Acquisition of Subsidiaries

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

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

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

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

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

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

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

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

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

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

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5. Consideration paid for business acquisition

Fair value of the consideration transferred	\$ 445,000
Less: Cash at the acquisition date	<u>(37,021)</u>
The cash outflow from acquisition of the subsidiary	<u><u>\$ 407,979</u></u>

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group as of and for the years ended December 31, 2015 and 2014, were as follows:

	Land and buildings	Transportation equipment	Machinery and miscellaneous equipment	Leasehold improvements	Total
Cost:					
Balance at January 1, 2015	\$ 3,060,206	8,055,558	1,098,529	125,923	12,340,216
Additions	38,151	3,027,122	444,565	19,384	3,529,222
Reclassification	-	714	-	-	714
Disposals	-	(1,755,682)	(294,264)	(1,738)	(2,051,684)
Effect of movements in exchange rate	<u>(34,510)</u>	<u>35,834</u>	<u>(15,271)</u>	<u>191</u>	<u>(13,756)</u>
Balance at December 31, 2015	<u><u>\$ 3,063,847</u></u>	<u><u>9,363,546</u></u>	<u><u>1,233,559</u></u>	<u><u>143,760</u></u>	<u><u>13,804,712</u></u>
Balance at January 1, 2014	\$ 2,965,915	5,482,214	2,992,112	121,105	11,561,346
Additions	37,996	4,054,204	145,991	4,425	4,242,616
Reclassification	-	1,991	-	-	1,991
Disposals	-	(1,507,224)	(2,137,722)	-	(3,644,946)
Effect of movements in exchange rate	<u>56,295</u>	<u>24,373</u>	<u>98,148</u>	<u>393</u>	<u>179,209</u>
Balance at December 31, 2014	<u><u>\$ 3,060,206</u></u>	<u><u>8,055,558</u></u>	<u><u>1,098,529</u></u>	<u><u>125,923</u></u>	<u><u>12,340,216</u></u>
Depreciation and impairment losses:					
Balance at January 1, 2015	\$ 438,336	1,966,842	842,851	94,331	3,342,360
Depreciation for the year	54,635	1,411,422	132,647	12,707	1,611,411
Impairment loss	-	292,231	-	-	292,231
Disposals	-	(1,062,686)	(295,957)	(1,738)	(1,360,381)
Effect of movements in exchange rate	<u>(1,853)</u>	<u>(540)</u>	<u>(11,128)</u>	<u>(46)</u>	<u>(13,567)</u>
Balance at December 31, 2015	<u><u>\$ 491,118</u></u>	<u><u>2,607,269</u></u>	<u><u>668,413</u></u>	<u><u>105,254</u></u>	<u><u>3,872,054</u></u>
Balance at January 1, 2014	\$ 384,074	1,586,301	2,322,279	82,325	4,374,979
Depreciation for the year	51,836	1,046,759	215,176	11,723	1,325,494
Impairment loss (reversal)	-	273,125	1,956	-	275,081
Disposals	-	(954,630)	(1,779,431)	-	(2,734,061)
Effect of movements in exchange rate	<u>2,426</u>	<u>15,287</u>	<u>82,871</u>	<u>283</u>	<u>100,867</u>
Balance at December 31, 2014	<u><u>\$ 438,336</u></u>	<u><u>1,966,842</u></u>	<u><u>842,851</u></u>	<u><u>94,331</u></u>	<u><u>3,342,360</u></u>
Carrying amounts:					
Balance at December 31, 2015	<u><u>\$ 2,572,729</u></u>	<u><u>6,756,277</u></u>	<u><u>565,146</u></u>	<u><u>38,506</u></u>	<u><u>9,932,658</u></u>
Balance at December 31, 2014	<u><u>\$ 2,621,870</u></u>	<u><u>6,088,716</u></u>	<u><u>255,678</u></u>	<u><u>31,592</u></u>	<u><u>8,997,856</u></u>

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

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

(i) Intangible assets

The costs of intangible assets, amortization, and the impairment loss of the Group as of and for the years ended December 31, 2015 and 2014, were as follows:

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
Cost:			
Balance at January 1, 2015	\$ 12,680	44,490	57,170
Additions	-	11,941	11,941
Effect of movements in exchange rate	-	1,221	1,221
Balance at December 31, 2015	<u>\$ 12,680</u>	<u>57,652</u>	<u>70,332</u>
Balance at January 1, 2014	\$ 3,728	35,907	39,635
Acquisition from combination	8,952	-	8,952
Additions	-	4,863	4,863
Reclassification	-	1,788	1,788
Effect of movements in exchange rate	-	1,932	1,932
Balance at December 31, 2014	<u>\$ 12,680</u>	<u>44,490</u>	<u>57,170</u>
Amortization and impairment losses:			
Balance at January 1, 2015	\$ -	21,579	21,579
Amortization for the year	-	4,328	4,328
Effect of movements in exchange rate	-	(1,082)	(1,082)
Balance at December 31, 2015	<u>\$ -</u>	<u>24,825</u>	<u>24,825</u>
Balance at January 1, 2014	\$ -	17,023	17,023
Amortization for the year	-	3,599	3,599
Effect of movements in exchange rate	-	957	957
Balance at December 31, 2014	<u>\$ -</u>	<u>21,579</u>	<u>21,579</u>
Carrying amounts:			
Balance at December 31, 2015	<u>\$ 12,680</u>	<u>32,827</u>	<u>45,507</u>
Balance at December 31, 2014	<u>\$ 12,680</u>	<u>22,911</u>	<u>35,591</u>

For the years ended December 31, 2015 and 2014, the amortization of intangible assets amounted to \$4,328 and \$3,599, respectively. This amortization was accounted for as operating expense of the consolidated statement of comprehensive income.

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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:

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

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2014.12.31				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.30%~1.65%	2015~2019	\$ 837,802
"	USD	2.00%~4.00%	2015~2017	1,486,428
"	THB	2.80%~4.75%	2015~2017	8,886,730
"	CNY	3.93%~7.69%	2015~2017	14,476,088
"	VND	3.60%~7.50%	2015~2016	1,320,356
Unsecured bank loans	TWD	0.92%~1.97%	2015~2017	73,316,182
"	USD	1.41%~2.92%	2015~2016	18,587,366
"	EUR	1.37%	2015	100,022
"	THB	2.67%~7.38%	2015~2016	7,588,035
"	JPY	1.20%~1.25%	2015~2016	226,890
"	CNY	3.93%~7.69%	2015~2017	19,697,786
Other unsecured loans	THB	2.90%~3.00%	2015	2,570,343
"	TWD	7.83%	2015	7,541
Notes payable from securitization	TWD	1.85%~2.65%	2019	5,465,000
"	USD	0.71%~0.81%	2030	247,556
Total				<u>\$ 154,814,125</u>
Current				\$ 120,561,647
Non-current				34,252,478
Total				<u>\$ 154,814,125</u>

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

1. Securities for bank loans

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

2. Financial covenants of significant loans and borrowings

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

## CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

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- 2) A subsidiary, Chailease Finance (B.V.I.) Co., Ltd., also entered into several syndicated credit/loan agreements with financial institutions, under which, Chailease Finance Co., Ltd. shall maintain certain financial ratios on balance sheet date. (i.e. equity ratio, interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.
- 3) A subsidiary, Asia Sermkij Leasing Public Co., Ltd., likewise entered into several credit/loan agreements with financial institutions, under which, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio, etc.) Otherwise, the loans are due and payable immediately.
- 4) A subsidiary, Grand Pacific Financing Corp. (California), entered into a syndicated credit agreement with financial institutions, under which, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. interest coverage ratio, tangible net worth, etc.) Otherwise, the loan is due and payable immediately.
- 5) A subsidiary, Fina Finance & Trading Co., Ltd., entered into several syndicated credit/loan agreements with financial institutions, under which, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. current ratio, interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately.
- 6) A subsidiary, Chailease International Finance Corporation entered into several credit/loan agreements with financial institutions. Under these agreements, this subsidiary shall maintain certain financial ratios on balance sheet date. (i.e. liabilities to equity ratio, equity ratio, interest coverage ratio, total risk assets to net assets ratio, overdue leased assets to leased assets ratio, leasing rental recovery ratio, etc.) Otherwise, the loans are due and payable immediately.
- 7) A subsidiary, Chailease Finance International Corp., entered into several credit/loan agreements with financial institutions. Under these agreements, this subsidiary shall maintain 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 December 31, 2015 and 2014, the Group was in compliance with the financial covenants mentioned above.

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(k) Bonds payable

Period	Interest Rate	Principal Amount	Repayment Terms	2015.12.31		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	50,000	-	None
2011.01.19~ 2016.01.19	1.958%~ 1.997%	50,000	"	50,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	2,000,000	-	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	700,000	700,000	"
2014.06.16~ 2019.06.16	1.500%	450,000	"	-	450,000	"
2014.10.30~ 2021.10.30	2.050%	900,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	900,000	"
2014.10.30~ 2024.10.30	2.300%	1,100,000	"	-	1,100,000	"
2015.06.29~ 2020.06.29	1.550%	3,000,000	"	-	3,000,000	"
2014.05.09~ 2016.05.16	3.820%	THB 240,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	219,504	-	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	1,188,980	-	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	91,460	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	-	192,066	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	-	137,190	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	201,212	"
2014.07.17~ 2016.07.11	3.790%	THB 215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	196,639	-	"

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<u>Period</u>	<u>Interest Rate</u>	<u>Principal Amount</u>		<u>Repayment Terms</u>	<u>2015.12.31</u>		<u>Collateral</u>
					<u>Within Operating Cycle</u>	<u>Beyond Operating Cycle</u>	
2014.07.18~ 2017.07.25	4.050%	THB	500,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	457,300	None
2014.07.25~ 2017.08.08	4.050%	THB	320,000	"	-	292,672	"
2014.09.26~ 2017.10.10	3.950%	THB	200,000	"	-	182,920	"
2014.09.26~ 2017.09.25	3.950%	THB	250,000	"	-	228,650	"
2014.09.29~ 2017.09.25	3.950%	THB	100,000	"	-	91,460	"
2014.11.07~ 2016.11.07	3.700%	THB	160,000	"	146,336	-	"
2014.11.10~ 2017.11.10	3.950%	THB	200,000	"	-	182,920	"
2014.11.24~ 2017.12.07	3.850%	THB	130,000	"	-	118,898	"
2014.11.25~ 2016.11.25	3.700%	THB	120,000	"	109,752	-	"
2014.12.03~ 2016.12.07	3.700%	THB	190,000	"	173,774	-	"
2015.01.28~ 2017.01.28	3.600%	THB	300,000	"	-	274,380	"
2015.03.18~ 2018.03.18	3.700%	THB	100,000	"	-	91,460	"
2015.05.14~ 2017.05.15	3.500%	THB	120,000	"	-	109,752	"
2015.06.04~ 2018.06.04	3.400%	THB	300,000	"	-	274,380	"
2015.08.13~ 2018.08.14	3.100%	THB	150,000	"	-	137,190	"
2015.09.03~ 2018.08.28	3.100%	THB	150,000	"	-	137,190	"
2015.12.25~ 2017.11.15	2.680%	THB	100,000	"	-	91,460	"
Bonds payable (Gross)					<u>4,834,985</u>	<u>9,442,560</u>	
Discounts on bonds payable					<u>(698)</u>	<u>(1,740)</u>	
					<u><u>\$ 4,834,287</u></u>	<u><u>9,440,820</u></u>	

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Period	Interest Rate	Principal Amount	Repayment Terms	2014.12.31		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.058%~ 2.088%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ 400,000	-	None
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000	"	50,000	-	"
2011.01.19~ 2016.01.19	1.958%~ 1.997%	50,000	"	50,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	1,000,000	1,000,000	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	-	1,400,000	"
2014.06.16~ 2019.06.16	1.500%	450,000	"	-	450,000	"
2014.10.30~ 2021.10.30	2.050%	900,000	Payable in lump sum. Interest rate is fixed. Interest is payable annually.	-	900,000	"
2014.10.30~ 2024.10.30	2.300%	1,100,000	"	-	1,100,000	"
2013.02.22~ 2015.08.21	4.550%	THB 350,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	338,450	-	"
2014.05.09~ 2016.05.16	3.820%	THB 240,000	"	-	232,080	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	-	1,257,100	"
2014.04.30~ 2017.04.28	4.150%	THB 100,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	96,700	"
2014.05.15~ 2017.06.08	4.100%	THB 210,000	"	-	203,070	"
2014.05.27~ 2017.05.09	4.050%	THB 150,000	"	-	145,050	"
2014.06.27~ 2017.07.10	4.050%	THB 220,000	"	-	212,740	"

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Period	Interest Rate	Principal Amount		Repayment Terms	2014.12.31		Collateral
					Within Operating Cycle	Beyond Operating Cycle	
2014.07.17~ 2016.07.11	3.790%	THB	215,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	-	207,905	None
2014.07.18~ 2017.07.25	4.050%	THB	500,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	483,500	"
2014.07.25~ 2017.08.08	4.050%	THB	320,000	"	-	309,440	"
2014.09.26~ 2017.10.10	3.950%	THB	200,000	"	-	193,400	"
2014.09.26~ 2017.09.25	3.950%	THB	250,000	"	-	241,750	"
2014.09.29~ 2017.09.25	3.950%	THB	100,000	"	-	96,700	"
2014.11.07~ 2016.11.07	3.700%	THB	160,000	"	-	154,720	"
2014.11.10~ 2017.11.10	3.950%	THB	200,000	"	-	193,400	"
2014.11.24~ 2017.12.07	3.850%	THB	130,000	"	-	125,710	"
2014.11.25~ 2016.11.25	3.700%	THB	120,000	"	-	116,040	"
2014.12.03~ 2016.12.07	3.700%	THB	190,000	"	-	183,730	"
2012.04.05~ 2015.04.05	5.000%	CNY	750,000	"	3,818,889	-	"
Bonds payable (Gross)					5,657,339	9,303,035	
Discounts on bonds payable					(129)	(3,778)	
					<u>\$ 5,657,210</u>	<u>9,299,257</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. The bonds have been paid as of April 5, 2015.

As of December 31, 2014, 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>2015.12.31</u>	<u>2014.12.31</u>
Within 1 year	\$ 175,383	241,054
Beyond 1 year but up to 5 years	520,656	661,592
Over 5 years	<u>132,604</u>	<u>142,769</u>
	<u>\$ 828,643</u>	<u>1,045,415</u>

### (m) Employee benefits

#### 1. Defined benefit plans

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

	<u>2015.12.31</u>	<u>2014.12.31</u>
Total present value of benefit obligations	\$ 1,544,508	1,489,673
Fair value of plan assets	<u>(727,012)</u>	<u>(678,300)</u>
Recognized liabilities for defined benefit obligations	<u>\$ 817,496</u>	<u>811,373</u>

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

#### 1) Composition of plan assets

The Group sets aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Fund, Ministry of Labor. Under these Regulations, minimum earnings from these pension funds shall be no less than the earnings from two year time deposits with interest rates normally offered by local banks.

At December 31, 2015, the Group's labor pension reserve account balance with the Bank of Taiwan amounted to \$701,864. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund, Ministry of Labor.

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2) Movements in present value of the defined benefit obligations

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

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Defined benefit obligation at January 1	\$ 1,489,673	1,426,182
Current service costs and interest	83,864	83,467
Remeasurement on the net defined benefit liability		
-- Actuarial loss (gain) arising from changes in financial assumptions	(4,413)	(16,015)
Exchnage differences on translation of foreign plans	3,894	7,253
Benefits paid by the plan assets	(28,510)	(11,214)
Defined benefit obligation at December 31	<u>\$ 1,544,508</u>	<u>1,489,673</u>

3) Movements of defined benefit plan assets

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

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Fair value of plan assets at January 1	\$ 678,300	616,982
Remeasurement on the net defined benefit liability		
-- Return on plan assets (excluding current interest)	14,018	12,822
-- Actuarial gain (loss) arising from changes in financial assumptions	3,222	1,166
Contributions made	51,521	52,000
Benefits paid by the plan assets	(20,049)	(4,670)
Fair value of plan assets at December 31	<u>\$ 727,012</u>	<u>678,300</u>

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4) Expenses recognized in profit or loss

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

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Current service costs	\$ 53,510	53,991
Net interest of net liabilities for defined benefit obligations	16,336	16,654
	<b>\$ 69,846</b>	<b>70,645</b>
Cost of sales	\$ -	1,859
Operating expenses	69,846	68,786
	<b>\$ 69,846</b>	<b>70,645</b>

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

The Group's remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Cumulative amount at January 1	\$ (38,367)	(55,548)
Recognized during the period	7,635	17,181
Cumulative amount at December 31	<b>\$ (30,732)</b>	<b>(38,367)</b>

6) Actuarial assumptions

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

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Discount rate at December 31	1.88%~3.70%	2.00%~3.70%
Future salary increases	2.00%~6.00%	3.00%~6.00%

The Group is expected allocation payment of \$62,057 to the defined plans for the one year period after the reporting date.

The weighted average duration of the defined benefit obligation is 17.15 to 23.84 years.

7) Sensitivity analysis

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

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If the actuarial assumption and changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Influences of defined benefit obligations</b>	
	<b>Increase 0.25%</b>	<b>Decrease 0.25%</b>
December 31, 2015		
Discount rate	(56,187)	53,984
Future salary increases	51,939	(54,031)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for the years ended December 31, 2015 and 2014.

**2. Defined contribution plans**

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

The Group's pension costs under the defined contribution method were \$150,109 and \$116,760 for the years ended December 31, 2015 and 2014, respectively. Payment was made to the Bureau of the Labor Insurance.

**(n) Income taxes**

**1. Income Tax Expense**

The components of income tax for the years ended December 31, 2015 and 2014 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Current tax expense		
Current period	\$ 2,977,129	3,148,851
Adjustment for prior periods	(20,745)	(7,585)
	2,956,384	3,141,266
Deferred tax expense	(515,507)	(619,321)
Income tax expense from continuing operations	\$ 2,440,877	2,521,945

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The amount of income tax recognized in other comprehensive income for the years ended December 31, 2015 and 2014 was as follows:

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Foreign currency translation differences for foreign operations	\$ (27,992)	(60,239)
Defined benefit plan actuarial gains (losses)	(1,298)	(2,921)
	<u>\$ (29,290)</u>	<u>(63,160)</u>

The income tax calculated on pre-tax financial income was reconciled to income tax expense for the years ended December 31, 2015 and 2014 as follows:

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Profit excluding income tax	\$ <u>9,634,810</u>	<u>9,676,714</u>
Income tax calculated on pre-tax financial income at a statutory tax rate applied by subsidiaries	2,913,213	3,163,775
Reduction in tax rate	(18,340)	(21,917)
Non-deductible expenses	(363,410)	(532,490)
Income tax on unappropriated earnings at a rate of 10%	2	-
Change in temporary differences	(69,843)	(79,838)
Under (over) provision in prior periods	(20,745)	(7,585)
Income tax expense	<u>\$ 2,440,877</u>	<u>2,521,945</u>

**2. Deferred Tax Assets and Liabilities.**

**1) Unrecognised Deferred Tax Liabilities**

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2015 and 2014. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognised under deferred tax liabilities. Details are as follows:

Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 9,713,067</u>	<u>9,408,304</u>
Unrecognized deferred tax liabilities	<u>\$ 582,624</u>	<u>542,594</u>

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2) Unrecognized Deferred Tax Assets

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Tax effect of deductible Temporary Differences	\$ 4,329	10,555
Tax losses	1,271,812	1,220,056
	<b>\$ 1,276,141</b>	<b>1,230,611</b>

As of December 31, 2015, the Group did not recognize the prior years' loss carry-forwards as deferred tax assets. The expiry years of those loss carry forward benefits were as follows:

<b>Year of loss</b>	<b>Unused amount</b>	<b>Year of expiry</b>
2008	\$ 84,071	2018&2028
2009	338,249	2019&2029
2010	1,654,163	2020&2030
2011	478,337	2021&2031
2012	263,022	2022&2032
2013	60,358	2023&2033
2014	21,116	2024&2034
2015	1,728	2025&2035

3) Recognized Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2015 and 2014 were as follows:

	<b>Defined Benefit Plans</b>	<b>Loss on uncollectible account</b>	<b>Unrealized gain on investment income</b>	<b>Others</b>	<b>Total</b>
<b>Deferred Tax Liabilities:</b>					
Balance at January 1, 2015	\$ 987	-	1,573,581	149	1,574,717
Recognized in profit or loss	(35)	-	77,694	85,211	162,870
Recognized in other comprehensive income	21	-	-	-	21
Effect in exchange rate	-	-	33,410	-	33,410
Balance at December 31, 2015	<b>\$ 973</b>	<b>-</b>	<b>1,684,685</b>	<b>85,360</b>	<b>1,771,018</b>
Balance at January 1, 2014	\$ 852	-	1,341,934	1,282	1,344,068
Recognized in profit or loss	(703)	-	180,905	(1,141)	179,061
Recognized in other comprehensive income	838	-	-	-	838
Effect in exchange rate	-	-	50,742	8	50,750
Balance at December 31, 2014	<b>\$ 987</b>	<b>-</b>	<b>1,573,581</b>	<b>149</b>	<b>1,574,717</b>

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	Defined Benefit Plans	Loss on uncollectible account	Unrealized gain on investment income	Others	Total
<b>Deferred Tax Assets:</b>					
Balance at January 1, 2015	\$ 142,898	1,983,760	-	207,913	2,334,571
Recognized in profit or loss	4,904	652,982	-	20,491	678,377
Recognized in other comprehensive income	(1,277)	-	-	(27,992)	(29,269)
Effect in exchange rate	(914)	(40,111)	-	6,398	(34,627)
Balance at December 31, 2015	<u>\$ 145,611</u>	<u>2,596,631</u>	<u>-</u>	<u>206,810</u>	<u>2,949,052</u>
Balance at January 1, 2014	\$ 141,147	975,874	-	418,488	1,535,509
Recognized in profit or loss	2,956	948,998	-	(153,572)	798,382
Recognized in other comprehensive income	(2,083)	-	-	(60,239)	(62,322)
Effect in exchange rate	878	58,888	-	3,236	63,002
Balance at December 31, 2014	<u>\$ 142,898</u>	<u>1,983,760</u>	<u>-</u>	<u>207,913</u>	<u>2,334,571</u>

(o) Share capital and other equity accounts

1. Share capital

As of December 31, 2015 and 2014, the Company's authorized capital consisted of 1,500,000 thousand shares and issued shares worth \$11,392,300 and \$10,954,134, respectively, with par value of \$10 (NT dollars) per share.

On May 28, 2015, pursuant to the resolutions approved by the stockholders during their meeting, the Company increased its capital by \$438,166 divided into 43,817 thousand shares, from unappropriated retained earnings, with August 3, 2015 as the record date. On August 17, 2014, the Company's relevant registration process thereon was completed.

On May 30, 2014, pursuant to the resolutions approved by the stockholders during their meeting, the Company increased its capital by \$995,830, divided into 99,583 thousand shares, from unappropriated retained earnings, with August 3, 2014 as the record date. On August 20, 2014, the Company's relevant registration process thereon was completed.

Due to the capital needs for investing in subsidiaries and repaying bank loans, the board of directors of the Company resolved to increase the Company's capital by issuing common shares of stock through the offering of global depositary shares overseas, and the offering was approved by the Financial Supervisory Commission (FSC) on August 3, 2012. As of October 9, 2012, these global depositary shares were priced at US\$8.59 per unit, and the Company issued 120,000,000 common shares of stock from the conversion of 24,000,000 units of global depositary shares. Each unit of global depositary shares represents 5 common shares of stock. As of December 31, 2015 and December 31, 2014, the Company has listed, 1,365,667 and 2,612,562 units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. Major terms and conditions for GDRs were as follows:

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### 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 Depository Shares-Voting Rights," as such provisions may be amended from time to time to comply with applicable ROC law.

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

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

### 2.Capital surplus

The components of capital surplus were as follows:

	<u>2015.12.31</u>	<u>2014.12.31</u>
Share capital	\$ 9,387,469	9,387,469
Change in equity of associates accounted for using equity method	19,926	19,990
	<u>\$ 9,407,395</u>	<u>9,407,459</u>

### 3.Retained earnings

According to the Articles of Association, which was revised through a resolution approved by the stockholders during their 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 .

The Company have amended its Articles of Association which was approved by the board of directors during their meeting on March 3,2016. For further information on the amended Articles, please refer to Note 6(q).

### 1) Special reserve

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

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loss on financial instruments in subsequent year, as shown in the statement of changes in stockholders' equity, is either subject to further appropriation for special reserve, or reversed to retained earnings.

### 2) Earnings distribution

In its financial statements for the year 2014, the Company accrued employee benefits of \$1,024, and the board of directors' remuneration of \$5,460. These amounts were estimated from the Company's net profit of 2014, 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 the year 2014.

During their meetings on May 28, 2015, and May 30, 2014, the stockholders approved to distribute the years 2014 and 2013 earnings, respectively. These earnings were distributed as dividends as follows:

	2014		2013	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 2.80	3,067,157	2.00	1,991,661
Stock	0.40	<u>438,166</u>	1.00	<u>995,830</u>
Total		<u>\$ 3,505,323</u>		<u>2,987,491</u>

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

### (p) Earnings per share

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

	For the years ended December 31,	
	2015	2014
Profit attributable to common stockholders of the Company	<u>\$ 6,863,272</u>	<u>6,825,408</u>
Weighted average number of ordinary shares	<u>1,139,230</u>	<u>1,139,230</u>
Weighted average number of ordinary shares (Diluted)	<u>1,139,259</u>	<u>1,139,250</u>

Note: Potential ordinary shares have no dilutive effects.

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(q) Employee and board of directors compensation

According to the Articles of Association, which was approved by the board of directors but yet to be amended by the stockholders, if there are surplus profits, the annual surplus profits shall be allocated in accordance with the following sequence and manner; however, if the Company has accumulated losses, such accumulated losses shall first be offset against the annual profits:

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

For the year ended December 31, 2015, compensation for employees and the board of directors amounted to \$1,024 and \$4,214, respectively. These amounts were calculated using the Company's profit before tax for the periods described above, and were determined according to the earnings allocation method, priority and factor for employee benefits and the board of directors' remuneration as stated under the Company's Articles of Association. These compensation costs are charged to profit or loss. According to management, the difference between the actual amounts of employee compensation and estimated employee compensation, if any, will be treated as a changes in accounting estimates and adjusted in profit or loss in the following year.

(r) Net other income and expenses

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

	For the years ended December 31,	
	2015	2014
(Losses) gains on disposal of foreclosed assets	\$ (80,258)	70,648
Gains (losses) on reversal of impairment loss of foreclosed assets	22,736	(22,086)
Gains on doubtful debt recoveries	173,174	141,657
Others	106	244
	<u>\$ 115,758</u>	<u>190,463</u>

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(s) Other gains and losses

The details of other gains and losses were as follows:

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Foreign exchange losses	\$ (4,965)	(114,088)
Net gains on disposal of property plant, and equipment	2,009	1,836
Net gains on disposal of available-for-sale financial assets	123,081	67,388
Net losses on valuation of financial assets (liabilities) measured at fair value through profit or loss	(39,057)	(60,735)
Impairment losses on available-for-sale financial assets	(2,175)	(2,325)
Others	<u>494,808</u>	<u>916,098</u>
	<u>\$ 573,701</u>	<u>808,174</u>

(t) Adjustments to other comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Available-for-sale financial assets	\$	
Net change in fair value	(30,272)	(108,865)
Net change in fair value reclassified to profit or loss	(1,783)	(38,540)
Net change in fair value recognized in other comprehensive income	<u>\$ (32,055)</u>	<u>(147,405)</u>

(u) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group. As of December 31, 2015 and 2014, the maximum exposure to credit risks amounted to \$262,748,664 and \$237,672,494, respectively.

The non-performing loans (net of allowance for doubtful accounts) amounted to \$149,905 and \$210,194 as of December 31, 2015 and 2014, respectively.

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

	<u>Taiwan</u>	<u>Thailand</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
<b>December 31, 2015</b>					
<b>Gross loans and receivables:</b>					
Neither past due nor impaired	\$117,467,121	24,370,296	70,501,289	5,852,828	218,191,534
Past due	147,748	-	-	181,061	328,809
Impaired	<u>3,488,715</u>	<u>3,398,415</u>	<u>4,089,842</u>	<u>325,473</u>	<u>11,302,445</u>
	<u>\$121,103,584</u>	<u>27,768,711</u>	<u>74,591,131</u>	<u>6,359,362</u>	<u>229,822,788</u>
<b>Allowance for impairment</b>					
Collectively assessed	\$ 1,325,639	417,484	1,449,065	305,778	3,497,966
Individually assessed	<u>1,438,024</u>	<u>269,634</u>	<u>1,926,341</u>	<u>161,089</u>	<u>3,795,088</u>
	<u>\$ 2,763,663</u>	<u>687,118</u>	<u>3,375,406</u>	<u>466,867</u>	<u>7,293,054</u>
<b>December 31, 2014</b>					
<b>Gross loans and receivables:</b>					
Neither past due nor impaired	\$ 98,780,352	25,084,959	66,283,452	4,384,331	194,533,094
Past due	117,518	-	-	178,836	296,354
Impaired	<u>2,506,388</u>	<u>3,392,786</u>	<u>3,545,628</u>	<u>413,946</u>	<u>9,858,748</u>
	<u>\$101,404,258</u>	<u>28,477,745</u>	<u>69,829,080</u>	<u>4,977,113</u>	<u>204,688,196</u>
<b>Allowance for impairment</b>					
Collectively assessed	\$ 1,151,027	317,347	1,299,025	353,968	3,121,367
Individually assessed	<u>1,347,087</u>	<u>279,503</u>	<u>1,461,598</u>	<u>215,890</u>	<u>3,304,078</u>
	<u>\$ 2,498,114</u>	<u>596,850</u>	<u>2,760,623</u>	<u>569,858</u>	<u>6,425,445</u>

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

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

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

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### 3) Loans and receivables which were past due

When loans and receivables of contractual interest or principal payments are past due, the Group consider that impairment loss has not been incurred because the level of collateral available exceeds the amounts owed to the Group.

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

	<u>2015.12.31</u>	<u>2014.12.31</u>
Past due up to 30 days	\$ 181,037	210,027
31 to 90 days	73,200	86,327
91 to 180 days	<u>74,572</u>	<u>-</u>
	<u>\$ 328,809</u>	<u>296,354</u>

### 4) Impaired loans and receivables

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

## 2. Liquidity risks

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>On demand</u>
<b>December 31, 2015</b>								
<b>Non-derivative financial liabilities</b>								
Bank overdraft	\$ 4,548	4,548	-	-	-	-	-	4,548
Secured bank loans	30,376,592	32,148,711	4,464,274	3,222,045	9,942,150	14,520,242	-	-
Unsecured bank loans	139,790,321	143,397,987	55,853,154	18,216,341	30,549,409	38,779,083	-	-
Other unsecured loans	1,523,738	1,529,211	237,796	985,024	306,391	-	-	-
Notes payable from securitization	5,662,792	6,004,991	8,850	17,699	79,648	5,681,410	217,384	-
Bonds payables	14,275,107	15,244,116	118,105	37,776	3,306,104	9,662,481	2,119,650	-
Other payables	6,932,789	6,935,189	4,467,353	871,553	547,407	347,044	-	701,832
Deposits relating to collateral of customers	<u>25,089,282</u>	<u>25,104,584</u>	<u>228,586</u>	<u>570,606</u>	<u>5,410,706</u>	<u>18,258,444</u>	<u>-</u>	<u>636,242</u>
	<u>\$ 223,655,169</u>	<u>230,369,337</u>	<u>65,378,118</u>	<u>23,921,044</u>	<u>50,141,815</u>	<u>87,248,704</u>	<u>2,337,034</u>	<u>1,342,622</u>

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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>
<b>December 31, 2014</b>								
<b>Non-derivative financial liabilities</b>								
Bank overdraft	\$ 7,913	7,913	-	-	-	-	-	7,913
Secured bank loans	27,007,404	27,589,820	2,963,808	1,548,762	9,486,254	13,590,996	-	-
Unsecured bank loans	119,508,368	120,556,771	35,117,657	22,153,946	26,064,880	37,220,288	-	-
Other unsecured loans	2,577,884	2,593,299	320,165	1,338,505	934,629	-	-	-
Notes payable from securitization	5,712,556	6,161,043	8,850	17,701	79,652	5,785,623	269,217	-
Bonds payables	14,956,467	15,954,622	13,780	36,821	4,815,208	8,925,413	2,163,400	-
Other payables	5,850,340	5,850,978	3,932,919	828,760	592,150	347	-	496,802
Deposits relating to collateral of customers	22,114,780	22,347,787	458,034	739,035	5,663,802	14,868,608	-	618,308
<b>Derivative financial liabilities</b>								
Derivative instruments not used for hedging	769	769	-	-	-	769	-	-
	<u>\$ 197,736,481</u>	<u>201,063,002</u>	<u>42,815,213</u>	<u>26,663,530</u>	<u>47,636,575</u>	<u>80,392,044</u>	<u>2,432,617</u>	<u>1,123,023</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:

	<b>2015.12.31</b>			
	<u>Foreign currency (In thousand)</u>	<u>Exchange rate</u>	<u>Functional currency</u>	
<b>Financial assets</b>				
<u>Monetary items</u>				
USD	\$ 12,519.75	USD : TWD 32.8250		410,961
	8,258.00	USD : VND 23,363		271,069
CNY	6,828.63	CNY : USD 0.1522		34,109
<b>Financial liabilities</b>				
<u>Monetary items</u>				
USD	79,136.00	USD : TWD 32.8250		2,597,639
	5,334.63	USD : VND 23,363		175,109

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	2014.12.31			
	Foreign currency (In thousand)		Exchange rate	Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 3,267.05	USD : TWD	31.6500	103,402
	7,615.68	USD : VND	22,056	241,036
CNY	2,544.70	CNY : USD	0.1609	12,958
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	68,518.56	USD : TWD	31.6500	2,168,612
	6,164.55	USD : VND	22,056	195,108
CNY	750,000.00	CNY : USD	0.1609	3,819,000

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 \$25,570 and \$6,475, for the years ended December 31, 2015 and 2014, respectively. The analysis is performed on the same basis for both years.

3) The foreign currency gain or loss on monetary items

Since the Group uses multiple functional currencies, the amounts for foreign currency gain or loss are consolidated for presentation. For the years ended December 31, 2015 and 2014, the foreign currency loss, including realized and unrealized, amounted to \$4,965 and \$114,088, respectively.

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**4. Interest analysis**

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

Ending balance as of December 31, 2015	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1-5 years	More than 5 years	
<b>Financial assets</b>							
Cash and cash equivalents	0.87 %	\$ 11,097,812	8,351,786	1,052,911	-	-	1,693,115
Debt securities	6.30 %	10,669,495	693,713	6,166,633	3,809,149	-	-
Total accounts receivables	11.37 %	230,039,735	26,689,972	108,703,310	83,340,548	1,240,458	10,065,447
Interest rate swap contracts	1.80 %	1,385	1,385	-	-	-	-
Cross currency swap contracts	1.30 %	184,147	184,147	-	-	-	-
		<u>251,992,574</u>	<u>35,921,003</u>	<u>115,922,854</u>	<u>87,149,697</u>	<u>1,240,458</u>	<u>11,758,562</u>
<b>Financial liabilities</b>							
Secured bank loans	3.74 %	30,376,592	21,754,766	2,949,232	5,672,594	-	-
Unsecured bank loans	2.30 %	139,790,321	78,799,981	45,922,791	15,067,549	-	-
Bonds payables	2.53 %	14,275,107	100,000	3,034,287	9,140,820	2,000,000	-
Bank overdraft	7.38 %	4,548	4,548	-	-	-	-
Other unsecured loans	2.26 %	1,523,738	-	1,523,738	-	-	-
Notes payable from securitization	1.88 %	5,662,792	197,792	-	5,465,000	-	-
Deposits relating to collateral of customers	0.30 %	25,089,282	-	1,995,033	5,080,473	-	18,013,776
		<u>216,722,380</u>	<u>100,857,087</u>	<u>55,425,081</u>	<u>40,426,436</u>	<u>2,000,000</u>	<u>18,013,776</u>
<b>Net exposure</b>		<u>\$ 35,270,194</u>	<u>(64,936,084)</u>	<u>60,497,773</u>	<u>46,723,261</u>	<u>(759,542)</u>	<u>(6,255,214)</u>

Ending balance as of December 31, 2014	Effective interest rate	Total	Floating rate	Fixed rate			Non-interest bearing
				Within 1 year	1-5 years	More than 5 years	
<b>Financial assets</b>							
Cash and cash equivalents	1.69 %	\$ 8,338,117	6,052,982	713,754	-	-	1,571,381
Debt securities	6.19 %	9,841,879	710,059	4,577,469	4,554,351	-	-
Total accounts receivables	10.39 %	204,958,296	23,380,889	97,512,314	73,687,255	1,184,436	9,193,402
Cross currency swap contracts	1.68 %	66,495	66,495	-	-	-	-
		<u>223,204,787</u>	<u>30,210,425</u>	<u>102,803,537</u>	<u>78,241,606</u>	<u>1,184,436</u>	<u>10,764,783</u>
<b>Financial liabilities</b>							
Secured bank loans	5.67 %	27,007,404	17,256,211	4,786,967	4,964,226	-	-
Unsecured bank loans	2.64 %	119,508,368	62,886,707	45,360,961	11,260,700	-	-
Bonds payables	3.71 %	14,956,467	500,000	4,157,210	8,299,257	2,000,000	-
Bank overdraft	7.50 %	7,913	7,913	-	-	-	-
Other unsecured loans	2.93 %	2,577,884	-	2,577,884	-	-	-
Notes payable from securitization	1.86 %	5,712,556	247,556	-	5,465,000	-	-
Deposits relating to collateral of customers	0.64 %	22,114,780	-	2,090,956	3,240,707	-	16,783,117
Interest rate swap contracts	0.94 %	3,589	3,589	-	-	-	-
		<u>191,888,961</u>	<u>80,901,976</u>	<u>58,973,978</u>	<u>33,229,890</u>	<u>2,000,000</u>	<u>16,783,117</u>
<b>Net exposure</b>		<u>\$ 31,315,826</u>	<u>(50,691,551)</u>	<u>43,829,559</u>	<u>45,011,716</u>	<u>(815,564)</u>	<u>(6,018,334)</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 \$146,304 and \$142,284 for the years ended December 31, 2015 and 2014, respectively. This analysis assumes that all other variables remain constant.

### 5. Fair value information

#### 1) The Categories and Fair Values of Financial Instruments

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

	December 31, 2015				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value though profit or loss</b>					
Financial assets held for trading	\$ 235,545	213,429	22,116	-	235,545
Financial assets at fair value though profit or loss	<u>693,713</u>	-	-	693,713	693,713
Sub-total	<u>929,258</u>	<u>213,429</u>	<u>22,116</u>	<u>693,713</u>	<u>929,258</u>
<b>Hedging of derivative financial assets</b>	<u>163,416</u>	-	163,416	-	<u>163,416</u>
<b>Available-for-sale financial assets</b>					
Domestic and foreign market (OTC) stocks	1,198,408	163,350	1,035,058	-	1,198,408
Measure the fair value of unquoted equity instruments	<u>506,319</u>	-	-	506,319	506,319
Sub-total	<u>1,704,727</u>	<u>163,350</u>	<u>1,035,058</u>	<u>506,319</u>	<u>1,704,727</u>
<b>Held-to-maturity investments</b>	<u>9,975,782</u>	-	-	-	-
<b>Loan and receivable</b>					
Cash and cash equivalents	11,097,812	-	-	-	-
Accounts receivable	222,679,639	-	-	-	-
Other financial assets	1,501,466	-	-	-	-
Refundable deposits	972,476	-	-	-	-
Restricted bank deposits	<u>2,090,129</u>	-	-	-	-
Sub-total	<u>238,341,522</u>	-	-	-	-
<b>Total</b>	<u>\$ 251,114,705</u>	<u>376,779</u>	<u>1,220,590</u>	<u>1,200,032</u>	<u>2,797,401</u>

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	<b>December 31, 2015</b>				
	<b>Book value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Measurement of financial liabilities at amortized cost</b>					
Bank overdraft	\$ 4,548	-	-	-	-
Secured bank borrowings	30,376,592	-	-	-	-
Unsecured bank loans	139,790,321	-	-	-	-
Unsecured other loans from financial institutions	1,523,738	-	-	-	-
Notes payable from securitization	5,662,792	-	-	-	-
Bonds payable	14,275,107	-	-	-	-
Accounts payable	6,932,789	-	-	-	-
Guarantee deposits	<u>25,089,282</u>	-	-	-	-
Sub-total	<u>223,655,169</u>	-	-	-	-
Total	<u>\$ 223,655,169</u>	-	-	-	-
	<b>December 31, 2014</b>				
	<b>Book value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value though profit or loss</b>					
Financial assets held for trading	\$ 205,992	177,256	28,736	-	205,992
Financial assets at fair value though profit or loss	<u>710,059</u>	-	-	<u>710,059</u>	<u>710,059</u>
Sub-total	<u>916,051</u>	<u>177,256</u>	<u>28,736</u>	<u>710,059</u>	<u>916,051</u>
<b>Hedging of derivative financial assets</b>	<u>37,759</u>	-	<u>37,759</u>	-	<u>37,759</u>
<b>Available-for-sale financial assets</b>					
Domestic and foreign market (OTC) stocks	1,052,668	40,427	1,012,241	-	1,052,668
Measure the fair value of unquoted equity instruments	<u>517,217</u>	-	-	<u>517,217</u>	<u>517,217</u>
Sub-total	<u>1,569,885</u>	<u>40,427</u>	<u>1,012,241</u>	<u>517,217</u>	<u>1,569,885</u>
<b>Held-to-maturity investments</b>	<u>9,131,820</u>	-	-	-	-
<b>Loan and receivable</b>					
Cash and cash equivalents	8,338,117	-	-	-	-
Accounts receivable	198,472,945	-	-	-	-
Other financial assets	1,458,092	-	-	-	-
Refundable deposits	799,339	-	-	-	-
Restricted bank deposits	<u>2,200,387</u>	-	-	-	-
Sub-total	<u>211,268,880</u>	-	-	-	-
Total	<u>\$ 222,924,395</u>	<u>217,683</u>	<u>1,078,736</u>	<u>1,227,276</u>	<u>2,523,695</u>

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	December 31, 2014				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities fair value though profit or loss</b>					
Financial liabilities held for trading	\$ 769	-	769	-	769
<b>Hedging of derivative financial liabilities</b>	2,820	-	2,820	-	2,820
<b>Measurement of financial liabilities at amortized cost</b>					
Bank overdrafts	7,913	-	-	-	-
Secured bank borrowings	27,007,404	-	-	-	-
Unsecured bank loans	119,508,368	-	-	-	-
Unsecured other loans from financial institutions	2,577,884	-	-	-	-
Notes payable from securitization	5,712,556	-	-	-	-
Bonds payable	14,956,467	-	-	-	-
Accounts payable	5,850,340	-	-	-	-
Guarantee deposits	22,114,780	-	-	-	-
Sub-total	<u>197,735,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>197,739,301</u></b>	<b><u>-</u></b>	<b><u>3,589</u></b>	<b><u>-</u></b>	<b><u>3,589</u></b>

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

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

A. Held-to-Maturity Financial Assets

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

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

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

3) Valuation Techniques for Financial Instruments Measured at Fair Value

A. Non-derivative Financial Instruments

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

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

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

**B. Derivative Financial Instruments**

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

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

	<u>At fair value through profit or loss</u>	<u>Available-for-sale financial assets</u>	
	<u>Designated at initial recognition</u>	<u>Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2015	\$ 710,059	517,217	1,227,276
Total gains and losses recognized:			
In profit or loss	(16,346)	(2,145)	(18,491)
In other comprehensive income	-	(8,753)	(8,753)
Ending balance, December 31, 2015	\$ <u>693,713</u>	<u>506,319</u>	<u>1,200,032</u>
Opening balance, January 1, 2014	\$ 1,699,947	517,685	2,217,632
Total gains and losses recognized:			
In profit or loss	(94,784)	(2,325)	(97,109)
In other comprehensive income	-	1,857	1,857
Disposal	(895,104)	-	(895,104)
Ending balance, December 31, 2014	\$ <u>710,059</u>	<u>517,217</u>	<u>1,227,276</u>

For the years ended December 31, 2015 and 2014, total gains and losses arising from the valuation of investments under Level 3 of the fair value hierarchy that were included in "other gains and losses" and "unrealized gains and losses on available-for-sale financial assets" were as follows:

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Total gains and losses recognized :		
In profit or loss, and included "other gains and losses"	\$ (16,346)	(94,784)
In other comprehensive income, and included "unrealized gains and losses on available-for-sale financial assets"	(8,753)	1,857

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

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

Quantified information of significant unobservable inputs as follows:

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

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

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

	Input	Variation	Impact or Fair Value Change on Net income or loss		Impact of Fair Value Change on Other Comprehensive income or loss	
			Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change
December 31, 2015						
Financial asset at fair value through profit or loss - subordinated beneficiary certificate	Expects Asset Repayment Rate	10%	\$ <u>501</u>	<u>(501)</u>	<u>-</u>	<u>-</u>
"	Expected Loss Given Default Rate	10%	\$ <u>6,800</u>	<u>(6,800)</u>	<u>-</u>	<u>-</u>

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	Input	Variation	Impact or Fair Value Change on Net income or loss		Impact of Fair Value Change on Other Comprehensive income or loss	
			Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change
December 31, 2014						
Financial asset at fair value through profit or loss - subordinated beneficiary certificate	Expects Asset Repayment Rate	10%	\$ 11,279	(11,279)	-	-
"	Expected Loss Given Default Rate	10%	\$ 20,673	(20,673)	-	-

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

(v) Financial risk management

1. Overview

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

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

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

2. Risk management framework

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

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

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

### 3. Credit risk

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

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

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

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### 4. Liquidity risk

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

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

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

The Group's liquidity and funding management process includes:

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

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

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

### 5. Market risk

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

#### 1) Management of market risk

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

#### 2) Currency risk

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

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

#### 3) Interest rate risk

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

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

4) Other market price risks

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

(w) Capital Management

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

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Total Liabilities	\$ 227,539,283	201,507,476
Less: cash and cash equivalents	(11,097,812)	(8,338,117)
Net debt	216,441,471	193,169,359
Total Equity	40,030,539	36,429,081
Amounts accumulated in equity relating to cash flow hedges	(163,416)	(34,939)
Adjusted capital	<b>\$ 256,308,594</b>	<b>229,563,501</b>
Debt to equity ratio	<b>84.45 %</b>	<b>84.15 %</b>

As of December 31, 2015, according to the Company's management, there were no changes in the Group's approach to capital management.

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**(7) Related Party Transactions**

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

(b) Related-party transactions

1. Operating revenue

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

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Affiliates	\$ <u>271,725</u>	<u>77,337</u>

2. Receivables from related parties

Receivables of the Group from related parties were as follows :

<b>Account</b>	<b>Categories of related parties</b>	<b>2015.12.31</b>	<b>2014.12.31</b>
Capital leases receivable	Affiliates	\$ 216	435
Accounts receivable	Affiliates	2,038	6,723
Other receivables	Affiliates	38,763	13,138
Other current financial assets	Affiliates	1,000	1,000
Other non-current financial assets	Affiliates	10,900	5,100
		<u>\$ 52,917</u>	<u>26,396</u>

3. Payable to related parties

Payable of the Group from related parties were as follows :

<b>Account</b>	<b>Categories of related parties</b>	<b>2015.12.31</b>	<b>2014.12.31</b>
Other current financial liabilities	Affiliates	\$ <u>709</u>	<u>3,275</u>

4. Asset transactions

The Group entered into an agreement of Shanghai office building with an affiliate Zhongyou Investment Management Consultants (Shanghai) Co., Ltd. (Zhongyou). Zhongyou is responsible for design, supervision and management consulting jobs for leasehold improvements project. The project expenditure is \$216,748 in 2015, including project consultant fee \$9,215 paid to Zhongyou for the year ended December 31, 2015.

The Group purchased leasehold improvements from affiliates of \$3,904 for the year ended December 31, 2014.

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5. Related-Party Financing

Financing to related parties was as follows :

	<u>2015.12.31</u>	<u>2014.12.31</u>
Affiliates	\$ <u>71,153</u>	<u>349,409</u>

The loans receivable bear interest at rates ranging from 3.23% to 4.00%. As of December 31, 2015 and 2014, interest receivable from the loans receivable from affiliates amounted to \$10,263 and \$7,935, respectively. For the years ended December 31, 2015 and 2014, interest revenue from the loans receivable from affiliates amounted to \$7,394 and \$11,843, respectively.

6. Interest bearing borrowings

Borrowings of the Group from related parties were as follows :

	<u>2015.12.31</u>	<u>2014.12.31</u>
Affiliates	\$ <u>2,839,808</u>	<u>2,493,104</u>

The borrowings from affiliates bear interest at rates ranging from 2.30% to 7.38%. As of December 31, 2015 and 2014, interest payable from the interest bearing borrowings from affiliates amounted to \$379 and \$475, respectively. For the years ended December 31, 2015 and 2014, interest expense from the interest bearing borrowing from affiliates amounted to \$102,528 and \$116,621, respectively.

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

	<u>2015.12.31</u>	<u>2014.12.31</u>
Affiliates	\$ <u>45,730</u>	<u>48,350</u>

The bonds payable bear interest at rate 4.50%~4.60%. As of December 31, 2015 and 2014, interest payable from bonds payable to affiliates amounted to \$28 and \$30, respectively. For the years ended December 31, 2015 and 2014, interest expenses from bonds payable to affiliates amounted to \$2,095 and \$2,111, respectively.

7. Others

1) As of December 31, 2015 and 2014, bank deposits in financial institutions which are related parties of the Group amounted to \$315,004 and \$241,293, respectively. For the years ended December 31, 2015 and 2014, interest revenue from the deposits in affiliates amounted to \$470 and \$496, respectively.

2) Other revenue and expense with related parties :

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
<u>Affiliates</u>		
Rent expense	\$ 30,048	28,954
Commission and service costs and expenses	765	573
Other operating costs and expenses	<u>69,040</u>	<u>69,387</u>
	\$ <u>99,853</u>	<u>98,914</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 Group and Chailease Construction & Development Corp share 18.11%, 40.945% and 40.945%, respectively. The housing units have been sold out as of December 31, 2014.

(c) Key management personnel compensation

	For the years ended December 31,	
	2015	2014
Short-term employee benefits	\$ 171,790	168,711
Post-employment benefits	1,447	1,422
	\$ 173,237	170,133

**(8) Pledged Assets**

The carrying values of pledged assets were as follows:

Pledged assets	Object	2015.12.31	2014.12.31
Restricted cash in banks			
Restricted account for loans repayment (demand deposits)	Issuance of short-term bills and \$ as guarantee for short-term and long-term borrowings(Note)	2,146,875	2,248,866
Property, plant and equipment	As guarantee for short-term and long-term borrowings	4,569,992	4,119,420
Equity securities	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	1,174,967	1,134,360
Refundable deposits	Provincial court seizure etc.	806,718	591,965
Notes receivable	Issuance of short-term bills, corporate bonds and as guarantee for short-term and long-term borrowings	46,531,605	25,904,308
Accounts receivable and loans	As guarantee for short-term and long-term borrowings	48,138,441	61,799,923
Total		\$ 103,368,598	95,798,842

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

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**(9) Commitments and Contingencies**

- (a) The Group entered into alliances with several commercial banks for which the banks will provide direct financing loans to the Group's corporate and individual customers. Should these corporate and individual customers default on their payments, the Group is required to assume their loan obligations and pay these loans on behalf of these customers. As of December 31, 2015 and 2014, the balance of unexpired payments from these alliance transactions amounted to \$11,524,705 and \$14,342,389, respectively.
- (b) Chailease Finance Co., Ltd. (CFC), together with third parties/co-facilitators, entered into an agreement with CFC customers for purposes of facilitating the extension of loans to these customers by financial institutions, under which, CFC will share with these co-facilitators in the facilitating fee that they earn from this agreement. If the customers default on their payments, CFC is required to pay to the financial institutions its share of the loans on behalf of these customers. As of December 31, 2015 and 2014, the payable balance from these transactions amounted to \$11,119 and \$171,396, respectively.
- (c) The Group facilitated the extension of financing by financial institutions on behalf of its certain customers under factoring agreements. Such facilitation enables the customers to obtain desired financing from financial institutions. As of December 31, 2015 and 2014, the balance of financing obtained from such facilitation amounted to \$19,812 and \$50,769, respectively.
- (d) The Group entered into several electricity procurement agreements with Taiwan Power Company and all of these agreements will expire on twenty years after the date the electricity generating sets are launched. Under these agreements, reselling to third parties of electric power from the renewable energy system is prohibited.

**(10) Losses Due to Major Disasters : None.**

**(11) Subsequent Events : None.**

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**(12) Other**

(a) Liquidity analysis of assets and liabilities :

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

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	<b>2014.12.31</b>		<b>Total</b>
	<b>Expected to be collected or paid within 12 months</b>	<b>Expected to be collected or paid after 12 months</b>	
<u>Current assets</u>			
Cash and cash equivalents	\$ 8,338,117	-	8,338,117
Current financial assets at fair value through profit or loss	205,992	-	205,992
Current held-to-maturity financial assets	4,438,860	2,284,435	6,723,295
Current derivative financial assets for hedging	37,759	-	37,759
Accounts receivable, net	104,481,515	60,452,327	164,933,842
Inventories	207	-	207
Other current financial assets	3,587,175	-	3,587,175
Other current assets – others	<u>3,259,333</u>	<u>-</u>	<u>3,259,333</u>
	<u>\$ 124,348,958</u>	<u>62,736,762</u>	<u>187,085,720</u>
<u>Current liabilities</u>			
Short-term borrowings	\$ 66,974,084	-	66,974,084
Current financial liabilities at fair value through profit or loss	769	-	769
Current derivative financial liabilities for hedging	2,820	-	2,820
Accounts and notes payable	2,344,572	-	2,344,572
Current tax liabilities	1,381,461	-	1,381,461
Other current financial liabilities	4,694,368	18,549,028	23,243,396
Long-term liabilities – current portion	35,081,973	24,162,800	59,244,773
Other current liabilities – others	<u>902,357</u>	<u>-</u>	<u>902,357</u>
	<u>\$ 111,382,404</u>	<u>42,711,828</u>	<u>154,094,232</u>

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

By item	By function	For the year ended December 31, 2015			For the year ended December 31, 2014		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		52,114	3,723,268	3,775,382	47,595	3,450,578	3,498,173
Labor and health insurance		4,089	247,058	251,147	3,703	197,978	201,681
Pension		1,990	217,965	219,955	1,859	185,546	187,405
Others		-	260,603	260,603	-	231,049	231,049
Depreciation		1,462,352	149,059	1,611,411	1,185,033	140,461	1,325,494
Amortization		-	142,602	142,602	-	72,513	72,513

**(13) Segment Information**

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

Operating segments financial information:

	For the years ended December 31, 2015					
	Taiwan	China	Thailand	Others	Elimination	Total
<b>Revenue</b>						
Revenue from external customers	\$ 15,977,140	17,505,907	2,533,347	791,586	-	36,807,980
Intersegment revenues	947,681	458,444	-	-	(1,406,125)	-
Interest revenue	4,171	75,366	211	4,533	-	84,281
<b>Total revenue</b>	<u>\$ 16,928,992</u>	<u>18,039,717</u>	<u>2,533,558</u>	<u>796,119</u>	<u>(1,406,125)</u>	<u>36,892,261</u>
Interest expenses	<u>\$ 1,634,552</u>	<u>2,084,115</u>	<u>835,878</u>	<u>222,540</u>	<u>-</u>	<u>4,777,085</u>
Depreciation and amortization	<u>\$ 1,446,327</u>	<u>277,276</u>	<u>25,935</u>	<u>4,475</u>	<u>-</u>	<u>1,754,013</u>
Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>\$ 111</u>	<u>(776)</u>	<u>-</u>	<u>28,974</u>	<u>-</u>	<u>28,309</u>
<b>Reportable segment profit or loss</b>	<u>\$ 4,760,677</u>	<u>2,129,655</u>	<u>633,787</u>	<u>(330,186)</u>	<u>-</u>	<u>7,193,933</u>
Reportable segment assets	<u>\$ 159,768,113</u>	<u>89,146,899</u>	<u>27,666,174</u>	<u>7,009,605</u>	<u>(16,020,969)</u>	<u>267,569,822</u>
Reportable segment liabilities	<u>\$ 136,953,296</u>	<u>71,969,689</u>	<u>23,690,419</u>	<u>10,946,848</u>	<u>(16,020,969)</u>	<u>227,539,283</u>

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	For the year ended December 31, 2014					
	Taiwan	China	Thailand	Others	Elimination	Total
<b>Revenue</b>						
Revenue from external customers	\$ 14,474,324	16,679,819	2,517,284	881,247	-	34,552,674
Intersegment revenues	890,672	-	-	-	(890,672)	-
Interest revenue	3,069	72,345	355	13,417	-	89,186
<b>Total revenue</b>	<b>\$ 15,368,065</b>	<b>16,752,164</b>	<b>2,517,639</b>	<b>894,664</b>	<b>(890,672)</b>	<b>34,641,860</b>
Interest expenses	\$ 1,598,703	1,732,362	863,072	163,279	-	4,357,416
Depreciation and amortization	\$ 1,016,621	355,025	23,514	2,847	-	1,398,007
Share of profit (loss) of associates and joint ventures accounted for using equity method	\$ 111	-	-	(11,188)	-	(11,077)
<b>Reportable segment profit or loss</b>	<b>\$ 4,055,349</b>	<b>2,793,782</b>	<b>629,663</b>	<b>(324,025)</b>	<b>-</b>	<b>7,154,769</b>
<b>Reportable segment assets</b>	<b>\$ 137,257,419</b>	<b>78,802,111</b>	<b>28,493,045</b>	<b>5,527,535</b>	<b>(12,143,553)</b>	<b>237,936,557</b>
<b>Reportable segment liabilities</b>	<b>\$ 120,111,450</b>	<b>62,030,523</b>	<b>24,506,466</b>	<b>7,002,590</b>	<b>(12,143,553)</b>	<b>201,507,476</b>

(c) Information about the products and services

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

Products and services	For the years ended December 31,	
	2015	2014
Sales revenue	\$ 8,536,111	8,546,786
Interest revenue - installment sales	6,818,922	6,485,014
Interest revenue - capital lease	8,803,788	7,732,557
Rental revenue - operating leases	2,454,131	1,905,331
Interest revenue - loans	2,629,435	2,122,796
Other interest revenue	2,649,382	1,819,017
Building and land sales revenue	-	750,535
Other operating revenue	4,936,211	5,190,638
<b>Total</b>	<b>\$ 36,827,980</b>	<b>34,552,674</b>

(d) Geographical information

The Group's reportable segments is based on the geographical location. Please refer to (Note13(b)) for the related information.

(e) Information about major customers

The Group does not have more than 10% revenue generated from a single customer.