

(English Translation of Financial Report Originally Issued in Chinese)
CHAILEASE HOLDING COMPANY LIMITED AND ITS
SUBSIDIARIES
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013
(With Independent Accountants' Review Report Thereon)

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Independent Auditors' Review Report

The Board of Directors of Chailease Holding Company Limited :

We have reviewed the accompanying consolidated balance sheets of Chailease Holding Company Limited (the "Company") and its subsidiaries (the "Group") as of March 31, 2014 and 2013, the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and cash flows for the three months ended March 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

Also included in the accompanying consolidated financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent accountants. These consolidated subsidiaries had total assets of NT\$45,003,481 thousand and NT\$33,736,198 thousand constituting 22% and 19%, respectively, of the Company's consolidated total assets; total liabilities of NT\$39,499,464 thousand and NT\$31,414,436 thousand constituting 23% and 21%, respectively, of the Company's consolidated total liabilities as of March 31, 2014 and 2013; comprehensive income of NT\$290,871 thousand and NT\$126,517 thousand constituting 17% and 6%, respectively, of the Company's consolidated comprehensive income for the three months ended March 31, 2014 and 2013.

Long term investments under equity method of NT\$28,556 thousand and NT\$7,264 thousand as of March 31, 2014 and 2013, respectively, and related investment income (loss) thereof amounting to NT \$(1,543) thousand and NT\$45 thousand for the three months ended March 31, 2014 and 2013, respectively, were recognized based upon financial statements prepared by investee companies.

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

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

KPMG

CPA : Wan Wan, Lin
Yi Chun, Chen

Taipei, Taiwan, R.O.C.
May 12, 2014

Note to Readers

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

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

(English Translation of Financial Report Originally Issued in Chinese)

**AS OF MARCH 31, 2014 AND 2013 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED
AUDITING STANDARDS.**

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2014, December 31, 2013, and March 31, 2013

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets		2014.3.31		2013.12.31		2013.3.31		LIABILITIES AND EQUITY		2014.3.31		2013.12.31		2013.3.31			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets :																	
1100	Cash and cash equivalents (Notes (6)(a) and (7))	\$	7,454,389	4	7,586,221	4	10,649,208	6	2100	Short-term borrowings (Notes (6)(j) , (7) and (8))	\$	68,252,067	33	57,141,701	29	56,866,805	33
1110	Current financial assets at fair value through profit or loss (Note (6)(b))		435,393	-	264,569	-	365,903	-	2120	Current financial liabilities at fair value through profit or loss (Note (6)(b))		4,197	-	42,293	-	-	-
1130	Current held-to-maturity financial assets (Note (6)(b))		6,881,421	3	4,838,385	3	2,814,000	2	2125	Current derivative financial liabilities for hedging (Note (6)(b))		5,033	-	6,777	-	9,461	-
1170	Accounts receivable, net (Notes (6)(d), (7) and (8))		139,216,084	68	133,718,307	68	116,078,419	66	2150	Accounts and notes payable		1,149,814	1	2,383,535	1	873,922	1
1320	Inventories (Notes (6)(e), (7), and (8))		12,960	-	567,752	-	822,449	1	2230	Current tax liabilities		1,104,532	1	618,258	-	708,576	-
1476	Other current financial assets (Notes (7) and (8))		5,016,375	3	5,000,217	3	5,626,338	3	2305	Other current financial liabilities (Note (7))		19,429,086	9	19,830,779	10	17,557,645	10
1479	Other current assets – others (Notes (6)(f) and (7))		2,410,792	1	2,323,739	1	1,686,527	1	2312	Advance real estate receipts (Notes (6)(e) and (7))		5,337	-	307,563	-	302,039	-
									2320	Long-term liabilities – current portion		53,237,487	26	49,511,658	25	48,171,786	28
										(Notes (6)(j), (6)(k), (7) and (8))							
	Non-current assets :								2399	Other current liabilities – others		691,664	-	869,514	-	664,198	-
1510	Non-current financial assets at fair value through profit or loss (Notes (6)(b) and (6)(c))		1,680,447	1	1,699,947	1	1,779,708	1				143,879,217	70	130,712,078	65	125,154,432	72
1523	Non-current available-for-sale financial assets (Notes (6)(b) and (8))		1,615,275	1	1,728,104	1	1,241,293	1	2530	Bonds payable (Notes (6)(k), (7) and (8))		4,955,821	2	5,004,993	3	7,484,333	4
1528	Non-current held-to-maturity financial assets (Note (6)(b))		803,523	-	485,855	-	698,000	-	2540	Long-term borrowings (Notes (6)(j) and (8))		20,781,367	10	26,447,339	14	12,926,556	7
1550	Investments accounted under equity method (Notes (6)(g) and (8))		28,556	-	29,480	-	7,264	-	2570	Deferred tax liabilities		1,561,918	1	1,344,068	1	1,199,599	1
1600	Property, plant and equipment (Notes (6)(h) and (8))		7,170,797	3	7,186,367	4	6,297,413	4	2600	Other non-current liabilities (Note (6)(m))		1,894,002	1	1,826,279	1	1,511,431	1
1780	Intangible assets (Note (6)(i))		22,321	-	22,612	-	25,502	-				29,193,108	14	34,622,679	19	23,121,919	13
1840	Deferred tax assets		1,826,288	1	1,535,509	1	1,584,046	1		Total Liabilities		173,072,325	84	165,334,757	84	148,276,351	85
1930	Long-term accounts receivable, net (Notes (6)(d) , (7) and (8))		29,849,112	15	28,019,446	14	24,936,717	14		Equity attributable to owners of parent : (Note (6)(o))							
1995	Other non-current assets – others(Notes (7) and (8))		758,047	-	769,440	-	821,261	-	3110	Share capital		9,958,304	5	9,958,304	5	9,053,004	5
			43,754,366	21	41,476,760	21	37,391,204	21	3200	Capital surplus		9,411,698	5	9,411,698	5	9,411,771	5
									3320	Special reserve		64,865	-	64,865	-	-	-
									3350	Unappropriated retained earnings		9,777,602	5	8,215,781	4	6,468,621	4
									3400	Other equity items		943,256	-	973,795	1	272,710	-
										Total equity attributable to owners of parent		30,155,725	15	28,624,443	15	25,206,106	14
									36XX	Non-controlling interests		1,953,730	1	1,816,750	1	1,951,591	1
										Total equity		32,109,455	16	30,441,193	16	27,157,697	15
TOTAL ASSETS		\$	205,181,780	100	195,775,950	100	175,434,048	100	TOTAL LIABILITIES AND EQUITY		\$	205,181,780	100	195,775,950	100	175,434,048	100

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

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS.**CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the three months ended March 31, 2014 and 2013****(Amounts Expressed in Thousands of New Taiwan Dollars)**

		For the three months ended March 31,			
		2014		2013	
		Amount	%	Amount	%
	Operating revenue : (Note (7))				
4111	Sales revenue	\$ 1,861,528	22	1,238,285	19
4810	Interest revenue - installment sales	1,553,473	18	1,470,666	23
4820	Interest revenue - capital leases	1,802,786	21	1,787,983	28
4300	Rental revenue - operating leases	451,368	6	664,879	10
4230	Interest revenue - loans	490,486	6	318,900	5
4240	Other interest revenue	399,310	5	200,164	3
4830	Building and land sales revenue	750,591	9	-	-
4881	Other operating revenue	<u>1,137,382</u>	<u>13</u>	<u>807,953</u>	<u>12</u>
		<u>8,446,924</u>	<u>100</u>	<u>6,488,830</u>	<u>100</u>
	Operating costs : (Note (7))				
5111	Cost of sales	1,645,761	19	1,102,242	17
5240	Interest expense (Note (6)(e))	1,015,436	12	1,002,369	15
5300	Cost of rental revenue	332,445	4	509,713	8
5800	Other operating costs	<u>722,856</u>	<u>9</u>	<u>150,206</u>	<u>2</u>
		<u>3,716,498</u>	<u>44</u>	<u>2,764,530</u>	<u>42</u>
	Gross profit from operation	4,730,426	56	3,724,300	58
6000	Operating expenses (Note (7))	2,572,925	30	1,882,861	29
6500	Net other income and expenses (Note (6)(q))	<u>35,467</u>	<u>-</u>	<u>33,683</u>	<u>1</u>
	Operating profit	<u>2,192,968</u>	<u>26</u>	<u>1,875,122</u>	<u>30</u>
	Non-operating income and expenses :				
7100	Interest income	24,068	-	39,101	1
7020	Other gains and losses (Note (6)(r))	(6,709)	-	120,250	1
7060	Share of profit of associates and joint ventures accounted for using equity method (Note 6(g))	<u>(1,543)</u>	<u>-</u>	<u>45</u>	<u>-</u>
		<u>15,816</u>	<u>-</u>	<u>159,396</u>	<u>2</u>
7900	Profit before income tax	2,208,784	26	2,034,518	32
7950	Income tax expense (Note (6)(n))	<u>570,981</u>	<u>7</u>	<u>569,643</u>	<u>9</u>
8200	Profit for the period	<u>1,637,803</u>	<u>19</u>	<u>1,464,875</u>	<u>23</u>
8300	Other comprehensive income (loss) :				
8310	Exchange differences on translation of foreign financial statements	180,407	2	822,299	13
8325	Unrealized gains (losses) on available-for-sale financial assets	(106,606)	(1)	36,698	1
8330	Gains of effective portion of cash flow hedges	61,408	1	1,935	-
8340	Losses of effective portion of hedges of net investment in foreign operations	(53,015)	(1)	(76,718)	(1)
8390	Other comprehensive income (loss) - other	(41,762)	-	(49,927)	(1)
8399	Less: Income tax relating to components of other comprehensive income (loss)	<u>9,973</u>	<u>-</u>	<u>53,086</u>	<u>1</u>
8300	Other comprehensive income (loss) for the period, net of tax	<u>30,459</u>	<u>1</u>	<u>681,201</u>	<u>11</u>
8500	Total comprehensive income for the period	<u>\$ 1,668,262</u>	<u>20</u>	<u>2,146,076</u>	<u>34</u>
	Profit attributable to :				
8610	Owners of parent	\$ 1,561,821	18	1,386,267	22
8620	Non-controlling interests	<u>75,982</u>	<u>1</u>	<u>78,608</u>	<u>1</u>
		<u>\$ 1,637,803</u>	<u>19</u>	<u>1,464,875</u>	<u>23</u>
	Comprehensive income attributable to :				
8710	Owners of parent	\$ 1,531,282	18	1,937,826	31
8720	Non-controlling interests	<u>136,980</u>	<u>2</u>	<u>208,250</u>	<u>3</u>
		<u>\$ 1,668,262</u>	<u>20</u>	<u>2,146,076</u>	<u>34</u>
9750	Basic earnings per share (NT dollars) (Note (6)(p))	<u>\$ 1.57</u>		<u>1.39</u>	

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

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

**Consolidated Statements of Changes in Equity
For the three months ended March 31, 2014 and 2013
(Amounts Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent											
					Other equity items							
	Stock			Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) of effective portion of cash flow hedges	Gains (losses) of effective portion of hedge of net investment in foreign operations	Others	Equity attributable to owners of the parent	Non controlling interests	Total equity
	Share capital	Capital surplus	Special reserve									
Balance as of January 1, 2013	\$ 9,053,004	9,411,771	-	5,082,354	(138,522)	(234,099)	(11,396)	29,695	75,473	23,268,280	1,743,341	25,011,621
Net income for the period	-	-	-	1,386,267	-	-	-	-	-	1,386,267	78,608	1,464,875
Other comprehensive income for the period	-	-	-	-	639,571	36,698	1,935	(76,718)	(49,927)	551,559	129,642	681,201
Total comprehensive income for the period	-	-	-	1,386,267	639,571	36,698	1,935	(76,718)	(49,927)	1,937,826	208,250	2,146,076
Balance as of March 31, 2013	<u>\$ 9,053,004</u>	<u>9,411,771</u>	<u>-</u>	<u>6,468,621</u>	<u>501,049</u>	<u>(197,401)</u>	<u>(9,461)</u>	<u>(47,023)</u>	<u>25,546</u>	<u>25,206,106</u>	<u>1,951,591</u>	<u>27,157,697</u>
Balance as of January 1, 2014	\$ 9,958,304	9,411,698	64,865	8,215,781	760,510	299,730	(39,919)	2,615	(49,141)	28,624,443	1,816,750	30,441,193
Net income for the period	-	-	-	1,561,821	-	-	-	-	-	1,561,821	75,982	1,637,803
Other comprehensive income for the period	-	-	-	-	109,436	(106,606)	61,408	(53,015)	(41,762)	(30,539)	60,998	30,459
Total comprehensive income for the period	-	-	-	1,561,821	109,436	(106,606)	61,408	(53,015)	(41,762)	1,531,282	136,980	1,668,262
Balance as of March 31, 2014	<u>\$ 9,958,304</u>	<u>9,411,698</u>	<u>64,865</u>	<u>9,777,602</u>	<u>869,946</u>	<u>193,124</u>	<u>21,489</u>	<u>(50,400)</u>	<u>(90,903)</u>	<u>30,155,725</u>	<u>1,953,730</u>	<u>32,109,455</u>

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

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

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2014 and 2013

(Amounts Expressed in Thousands of New Taiwan Dollars)

	For three months ended March 31,	
	2014	2013
Cash flows from operating activities :		
Profit before income tax	\$ 2,208,784	2,034,518
Adjustments :		
Adjustments to reconcile profit before income tax to net cash provided by operating activities :		
Depreciation expense	334,016	389,746
Amortization expense	16,845	15,706
Loss (Gain) on financial assets and liabilities at fair value through profit or loss	26,143	(14,353)
Interest expense	1,015,436	1,002,369
Interest income	(4,270,123)	(3,777,713)
Share of loss (profit) of associates and joint ventures accounted for using equity method	1,543	(45)
Gain on disposal of property, plant and equipment	(15,942)	(12,650)
Gain on disposal of investments	(10,246)	(3,143)
Impairment loss on financial assets	765,687	505,811
Impairment loss on non-financial assets	48,647	133,769
Total adjustments to reconcile profit (loss)	(2,087,994)	(1,760,503)
Change in operating assets and liabilities :		
Change in operating assets :		
Increase in financial assets held for trading	(167,515)	(109,522)
Increase in accounts receivable	(9,325,591)	(11,622,037)
Proceeds from financial assets securitization	1,219,976	2,813,720
Decrease (increase) in inventories	554,792	(50,946)
(Increase) decrease in other current financial assets	(491,396)	1,702,350
Decrease (increase) in other current assets	389,395	(642,710)
Proceeds from sales of operating lease assets	264,366	372,456
Purchase of operating lease assets	(589,933)	(595,268)
Decrease (increase) in other non-current assets – others	14,241	(16,807)
Total changes in operating assets	(8,131,665)	(8,148,764)
Changes in operating liabilities :		
Decrease in accounts payable	(1,314,867)	(899,021)
Increase in long-term and short-term debts	61,009,582	45,261,439
Repayment of long-term and short-term debts	(51,973,736)	(37,839,972)
Decrease in other current financial liabilities	(401,693)	(693,039)
Increase in accrued pension liabilities	1,046	13,136
(Decrease) increase in other current liabilities-others	(480,075)	372,525
Increase in non-current liabilities-others	66,677	62,330
Total changes in operating liabilities	6,906,934	6,277,398
Total changes in operating assets and liabilities	(1,224,731)	(1,871,366)
Total adjustments	(3,312,725)	(3,631,869)
Cash outflow generated from operation	(1,103,941)	(1,597,351)
Interest received	4,227,044	3,753,528
Interest paid	(950,737)	(943,321)
Income taxes paid	(164,146)	(184,049)
Net cash provided by operating activities	2,008,220	1,028,807
Cash flows from investing activities :		
Proceeds from disposal of available-for-sale	18,766	3,900
Acquisition of held-to-maturity financial assets	(2,424,886)	(1,024,900)
Proceeds from repayments of held-to-maturity financial assets	67,500	-
Acquisition of property, plant and equipment	(49,669)	(21,253)
Disposal of property, plant and equipment	17,431	1,853
Acquisition of intangible assets	(11)	(2,032)
Net cash used in investing activities	(2,370,869)	(1,042,432)
Cash flows from financing activities :		
Net cash provided by in financing activities	-	-
Effect of exchange rate changes on cash and cash equivalents	147,148	440,967
Net (decrease) increase in cash and cash equivalents	(215,501)	427,342
Cash and cash equivalents, net of bank overdraft, beginning of period	7,502,137	10,064,721
Cash and cash equivalents, net of bank overdraft, end of period	\$ 7,286,636	10,492,063

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

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ACCEPTED AUDITING STANDARDS.**

CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

March 31, 2014 and 2013

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

(1) Overview

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

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

As of March 31, 2014 and 2013, the Company had outstanding common stock of \$9,958,304 and \$9,053,004 divided into 995,830,415 shares and 905,300,378 shares, respectively.

(2) Financial Statements Authorization Date and Authorization Process

The interim consolidated financial statements were reported to and approved by the Board of Directors and issued on May 12, 2014.

(3) New Accounting Standards and Interpretations not yet Adopted

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

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

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

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

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CHAILEASE HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

March 31, 2014 and 2013

(Amounts Expressed in Thousands of New Taiwan Dollars)

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

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

A. IAS 1 Presentation of Financial Statements

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

B. IFRS 12 Disclosure of Interests in Other Entities

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

C. IFRS 13 Fair value measurement

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

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

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

New Standards and amendments	Effective date per IASB
IFRS 9 <i>Financial instruments</i>	Not yet determined
IFRIC 14 Regulatory Deferral Accounts	January 1, 2016
Amended IAS 19 “ <i>Define Benefit Plans: Employee Contributions</i> ”	July 1, 2014
Amended IAS 36 “ <i>Recoverable Amount Disclosures for Non-Financial Assets</i> ”	January 1, 2014
Amended IAS 39 “ <i>Novation of Derivatives and Continuation of Hedge Accounting</i> ”	January 1, 2014
Amended IFRIC 21 “ <i>Levies</i> ”	January 1, 2014

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

(4) Significant Accounting Policies

(a) Statement of compliance

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

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

(b) Basis of consolidation

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

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1. Subsidiaries included in the interim consolidated financial statements

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2014.3.31	2013.12.31	2013.3.31	
The Company	Chailease International Company (Malaysia) Limited	Investment	100.00 %	100.00 %	100.00 %	
"	Golden Bridge (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
"	Chailease International Financial Services Co., Ltd.	Installment sales, leasing overseas and financial consulting	100.00 %	100.00 %	-	% The subsidiary was established on April 2, 2013.
Golden Bridge (B.V.I.) Corp. and My Leasing (B.V.I.) Corp.	My Leasing (Mauritius) Corp.	Investment	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp.	Chailease International Finance Corporation	Leasing	100.00 %	100.00 %	100.00 %	
My Leasing (Mauritius) Corp. and Chailease International Finance Corporation	Chailease Finance International Corp.	Leasing	100.00 %	100.00 %	100.00 %	
Chailease International Finance Corporation	Chailease International Corp.	Trading	100.00 %	100.00 %	100.00 %	
"	Jirong Real Estate Co., Ltd.	House property leasing and management	100.00 %	100.00 %	100.00 %	
Chailease International Company (Malaysia) Limited	Chailease Finance Co., Ltd.	Installment sales, leasing, and factoring	100.00 %	100.00 %	100.00 %	
"	Chailease International (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	
Chailease Finance Co., Ltd.	Fina Finance & Trading Co., Ltd.	Installment sales, trading, and factoring	99.53 %	99.53 %	99.52 %	
"	China Leasing Co., Ltd.	Installment sales	100.00 %	100.00 %	100.00 %	
"	My Leasing (B.V.I.) Corp.	Investment	100.00 %	100.00 %	100.00 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2014.3.31	2013.12.31	2013.3.31	
Chailease International Company (Malaysia) Limited and Chailease Finance Co., Ltd.	Asia Sermkij Leasing Public Co., Ltd.	Installment sales of automobiles	48.18 %	48.18 %	48.18 %	The subsidiary was consolidated due to the Company's power to control and govern the financial, operating and personnel policies of the subsidiary, despite its ownership was lower than 50% of the subsidiary's outstanding shares.
Chailease Finance Co., Ltd.	Chailease Finance (B.V.I.) Co., Ltd.	Installment sales, leasing overseas, and financial consulting	100.00 %	100.00 %	100.00 %	
"	Chailease International Leasing Company Limited (Vietnam)	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailease Auto Rental Co., Ltd.	Leasing	100.00 %	100.00 %	100.00 %	
"	Chailease Credit Services Co., Ltd.	Installment sales and leasing	100.00 %	100.00 %	100.00 %	
"	Apex Credit Solutions Inc.	Accounts receivable management, debt management, valuation, trading in financial instruments	100.00 %	100.00 %	100.00 %	
"	Chailease Insurance Brokers Co., Ltd.	Personal and property insurance brokers	100.00 %	100.00 %	100.00 %	
"	Chailease Cloud Service Co., Ltd.	Software of cloud products, leasing, and installment sales	100.00 %	100.00 %	100.00 %	The subsidiary was established on January 29, 2013.
Fina Finance & Trading Co., Ltd.	Chailease Consumer Finance Co., Ltd.	Factoring and installment sales	100.00 %	100.00 %	100.00 %	
The Company and Chailease Finance Co., Ltd.	Grand Pacific Holdings Corp.	Leasing, real estate, and mortgage	100.00 %	100.00 %	100.00 %	

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Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2014.3.31	2013.12.31	2013.3.31	
Grand Pacific Holdings Corp.	Grand Pacific Financing Corp. (California)	Financing, leasing and financial consulting	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Main Street Development, Inc.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Warehouse Funding Corp.	Real estate development	100.00 %	100.00 %	100.00 %	
"	Grand Pacific Business Loan LLC. 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005.
Grand Pacific Warehouse Funding Corp.	Grand Pacific Warehouse Funding LLC.	Special Purpose Entity	100.00 %	100.00 %	100.00 %	
Grand Pacific Business Loan LLC. 2005-1	Grand Pacific Business Loan Trust 2005-1	Special Purpose Entity	- %	- %	- %	The subsidiary was established on June 27, 2005.
Asia Sermkij Leasing Public Co., Ltd.	Bangkok Grand Pacific Lease Public Company Limited	Leasing and financing consulting	99.99 %	99.99 %	99.99 %	

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

(c) Income taxes

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

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

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

(d) Employee benefits

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

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

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

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

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) of the consolidated financial statements for the year ended of 2013.
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) of the consolidated financial statements for the year ended of 2013.
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) of the consolidated financial statements for the year ended of 2013.

(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, control the entity in which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognized in the Group’s consolidated balance sheet.
2. If the Group have transferred financial assets to another entity, but have not transferred substantially all of the risk and rewards relating to the transferred assets, the assets are recognized in the Group’s consolidated balance sheet.

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

Details of the Group's securitization activities are discussed under the accounting policy disclosure Note 4(h) and Note 6(c) of the consolidated financial statements for the year ended of 2013.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next nine months 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.

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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.

(6) Explanation to Significant Accounts

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

(a) Cash and cash equivalents

	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Cash and demand deposits	\$ 7,363,763	7,382,547	10,178,069
Time deposits	84,632	196,670	459,132
Cash equivalents – RP bills	<u>5,994</u>	<u>7,004</u>	<u>12,007</u>
Cash and cash equivalents	7,454,389	7,586,221	10,649,208
Bank overdraft	<u>(167,753)</u>	<u>(84,084)</u>	<u>(157,145)</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 7,286,636</u>	<u>7,502,137</u>	<u>10,492,063</u>

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

(b) Financial instruments

1.Details of financial assets were as follows :

	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Financial assets at fair value through profit or loss			
Held for trading			
Securities of listed companies	\$ 424,955	264,083	364,578
Derivative instruments not used for hedging	<u>10,438</u>	<u>486</u>	<u>1,325</u>
Sub-total	<u>435,393</u>	<u>264,569</u>	<u>365,903</u>
Designated as at fair value through profit or loss			
2010 securitization	859,910	868,490	941,928
2011 securitization	<u>820,537</u>	<u>831,457</u>	<u>837,780</u>
Sub-total	<u>1,680,447</u>	<u>1,699,947</u>	<u>1,779,708</u>
	<u>2,115,840</u>	<u>1,964,516</u>	<u>2,145,611</u>

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	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Available-for-sale financial assets			
Securities of listed companies	94,324	-	-
Emerging stock	997,060	1,210,419	622,555
Private equity	<u>523,891</u>	<u>517,685</u>	<u>618,738</u>
Sub-total	<u>1,615,275</u>	<u>1,728,104</u>	<u>1,241,293</u>
Held-to-maturity financial assets			
Investment in debt securities	<u>7,684,944</u>	<u>5,324,240</u>	<u>3,512,000</u>
Total	<u>\$ 11,416,059</u>	<u>9,016,860</u>	<u>6,898,904</u>

2. Sensitivity analysis — equity price risk :

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

Equity price at reporting date	For the three months ended March 31,			
	2014		2013	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase 7%	<u>\$ 113,124</u>	<u>29,747</u>	<u>86,950</u>	<u>25,520</u>
Decrease 7%	<u>\$ (113,124)</u>	<u>(29,747)</u>	<u>(86,950)</u>	<u>(25,520)</u>

The Group purchased debt securities issued by real estate trust. These debt securities have maturity dates between 2014 and 2017, and bear effective annual interest rate ranging from 5.64%~9.25%.

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>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Financial liabilities at fair value through profit or loss			
Held for trading			
Derivative instruments not used for hedging	\$ (4,197)	(42,293)	-
Derivative financial liabilities used for hedging	<u>(5,033)</u>	<u>(6,777)</u>	<u>(9,461)</u>
Total	<u>\$ (9,230)</u>	<u>(49,070)</u>	<u>(9,461)</u>

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4. Derivative instrument not used for hedging

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

Cross currency swap contract

2014.3.31					
Nominal Amount	Currency	Interest Rate Payable	Interest Rate Receivable	Contract Period	
USD 20,000	USD to CNY	3.700%	90 Days LIBOR + 1.8%	2013.04.29~	
CNY 123,510				2016.04.29	
USD 30,000	USD to CNY	3.800%	90 Days LIBOR + 1.8%	2013.10.21~	
CNY 183,300				2016.04.29	
USD 20,000	USD to CNY	3.600%	90 Days LIBOR + 1.8%	2013.12.18~	
CNY 121,580				2016.04.29	

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

Interest rate swap contract

2014.3.31					
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period	
CNY 300,000	2012.03.20~2015.03.20	2.960 %	Interest rate of one-year time deposit	3 years	

2013.12.31					
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	

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2013.3.31				
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 March 31, 2014, December 31, 2013, and March 31, 2013, the Group held derivative instruments qualified for hedge accounting as follows:

2014.3.31				
Nominal Amount	Contract Period	Interest Rate Payable	Interest Rate Receivable	Swap Period
TWD 400,000	2010.11.17~2015.11.17	3%	90 days CP+1.2%	5 years
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.1%	5 years
TWD 50,000	2011.01.19~2016.01.19	3%	90 days CP+1.0%	5 years

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

2013.3.31				
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 subsidiary, Chailease Finance Co., Ltd., entered into interest swap contracts with a bank to hedge future cash flow out of unsecured corporate bonds.

Hedged item	Hedge Instrument	Fair Value			Expected Cash flow Period	Hedge Period
		2014.3.31	2013.12.31	2013.3.31		
Unsecured corporate bonds	Interest Swap	\$ (5,033)	(6,777)	(9,461)	2010~2016	2010~2016

Item	For the three months ended March 31,	
	2014	2013
The fair value adjustment to other comprehensive income	\$ 61,408	1,935

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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 March 31, 2014, December 31, 2013, and March 31, 2013, were as follows:

Hedged Item	Designated Hedging Instrument			
	Hedge Instrument	Fair Value		
		2014.3.31	2013.12.31	2013.3.31
Equity investment measured in USD	Foreign currency borrowings	<u>\$ 2,767,065</u>	<u>2,562,115</u>	<u>1,214,885</u>

There were no effects of ineffectiveness recognized in profit or loss that arises from hedges of net investments in foreign operation, Golden Bridge (B.V.I) Corp., for the three months ended March 31, 2014 and 2013.

(c) Financial assets securitization

1. 2011 Securitization

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

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

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Key assumptions at the securitization date:

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

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

1) Key assumptions used in measuring retained interests:

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

	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Repayment rate	9.15 %	9.30 %	9.54 %
Expected return rate on securitized financial assets	8.83 %	9.03 %	9.11 %
Weighted-average life (in years)	2.67	2.92	3.67
Expected credit loss rate (Note)	1.85%~6.30%	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %	4.00 %

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2) Sensitivity analysis

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

	2014.3.31	2013.3.31
Carrying amount of retained interests	820,537	837,780
Weighted — average life (in years)	2.67	3.67
Repayment rate	9.15 %	9.54 %
Effect on fair value with 10% adverse change	(18,811)	(20,750)
Effect on fair value with 20% adverse change	(34,914)	(38,547)
Expected credit losses	4.58%	4.58%
Effect on fair value with 10% adverse change	(22,950)	(23,109)
Effect on fair value with 20% adverse change	(45,895)	(46,181)
Discount rate for residual cash flows	4.00 %	4.00 %
Effect on fair value with 10% adverse change	(5,850)	(6,145)
Effect on fair value with 20% adverse change	(11,646)	(12,230)

3) Expected static pool credit losses

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

4) Cash flows

The cash flows received from securitization trusts were as follows:

	For the three months ended March 31,	
	2014	2013
Other cash flows received on retained interests	\$ 86,608	87,804
Service fees received	1,190	1,190

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

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2. 2010 Securitization

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

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

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

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1) Key assumptions used in measuring retained interests:

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

	2014.3.31	2013.12.31	2013.3.31
Repayment rate	18.70 %	17.10 %	11.26 %
Expected return rate on securitized financial assets	8.45 %	8.76 %	9.11 %
Weighted-average life (in years)	1.42	1.67	2.42
Expected credit loss rate (Note)	1.85%~6.45%	1.85%~6.30%	1.85%~6.30%
Discount rate for residual cash flows	4.00 %	4.00 %	4.00 %

2) Sensitivity analysis

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

	2014.3.31	2013.3.31
Carrying amount of retained interests	859,910	941,928
Weighted — average life (in years)	1.42	2.42
Repayment rate	18.70 %	10.26 %
Effect on fair value with 10% adverse change	(3,244)	(16,412)
Effect on fair value with 20% adverse change	(6,037)	(30,439)
Expected credit losses	6.45%	4.58%
Effect on fair value with 10% adverse change	(13,580)	(24,348)
Effect on fair value with 20% adverse change	(27,374)	(48,695)
Discount rate for residual cash flows	4.00 %	4.00 %
Effect on fair value with 10% adverse change	(2,402)	(5,773)
Effect on fair value with 20% adverse change	(4,794)	(11,503)

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:

	For the three months ended March 31,	
	2014	2013
Other cash flows received on retained interests	\$ 45,693	87,467
Service fees received	684	1,255

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

(d) Accounts receivable, net

	2014.3.31	2013.12.31	2013.3.31
Current			
Accounts receivable	\$ 7,963,449	7,814,469	5,727,173
Less: Allowance for impairment	(563,056)	(512,465)	(292,090)
	<u>7,400,393</u>	<u>7,302,004</u>	<u>5,435,083</u>
Installment sales receivable	57,074,399	53,111,829	47,245,047
Less: Unearned interests	(5,463,408)	(5,062,691)	(4,836,618)
Allowance for impairment	(1,699,597)	(1,603,860)	(1,594,021)
	<u>49,911,394</u>	<u>46,445,278</u>	<u>40,814,408</u>
Leases receivable (included operating leases)	63,030,524	62,561,613	59,866,079
Less: Unearned revenue	(7,222,803)	(7,170,892)	(7,288,111)
Allowance for impairment	(2,039,973)	(2,062,883)	(1,718,589)
	<u>53,767,748</u>	<u>53,327,838</u>	<u>50,859,379</u>
Loans receivable	28,949,450	27,453,995	19,777,545
Less: Allowance for impairment	(812,901)	(810,808)	(807,996)
	<u>28,136,549</u>	<u>26,643,187</u>	<u>18,969,549</u>
Sub-total of current accounts	<u>139,216,084</u>	<u>133,718,307</u>	<u>116,078,419</u>

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	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Non-Current			
Accounts receivable	2,123,586	2,172,940	1,403,985
Less: Allowance for impairment	<u>(47,952)</u>	<u>(46,774)</u>	<u>(32,864)</u>
	<u>2,075,634</u>	<u>2,126,166</u>	<u>1,371,121</u>
Installment sales receivable	25,128,581	23,306,532	21,203,829
Less: Unearned Interests	(2,354,490)	(2,182,181)	(2,034,610)
Allowance for impairment	<u>(270,942)</u>	<u>(227,778)</u>	<u>(193,384)</u>
	<u>22,503,149</u>	<u>20,896,573</u>	<u>18,975,835</u>
Leases receivable	3,019,638	3,018,968	2,670,252
Less: Unearned revenue	(232,234)	(237,356)	(220,961)
Allowance for impairment	<u>(48,825)</u>	<u>(44,969)</u>	<u>(54,259)</u>
	<u>2,738,579</u>	<u>2,736,643</u>	<u>2,395,032</u>
Loans receivable	2,625,444	2,349,297	2,319,894
Less: Allowance for impairment	<u>(93,694)</u>	<u>(89,233)</u>	<u>(125,165)</u>
	<u>2,531,750</u>	<u>2,260,064</u>	<u>2,194,729</u>
Sub-total of non-current accounts	<u>29,849,112</u>	<u>28,019,446</u>	<u>24,936,717</u>
Total accounts receivable	<u>\$ 169,065,196</u>	<u>161,737,753</u>	<u>141,015,136</u>

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

	For the three months ended March 31,	
	<u>2014</u>	<u>2013</u>
Opening balance	\$ 5,398,770	4,666,258
Impairment loss recognized	765,687	505,811
Amounts written off	(607,112)	(464,070)
Foreign exchange gains (losses)	<u>19,595</u>	<u>110,369</u>
Ending balance	<u>\$ 5,576,940</u>	<u>4,818,368</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:

	Gross investment in the leases	Unearned revenue	Present value of minimum leases receivable
March 31, 2014			
Within operating cycle	\$ 62,919,853	(7,222,803)	55,697,050
Beyond one operating cycle to 5 years	3,019,638	(232,234)	2,787,404
	<u>\$ 65,939,491</u>	<u>(7,455,037)</u>	<u>58,484,454</u>
December 31, 2013			
Within operating cycle	\$ 62,457,079	(7,170,892)	55,286,187
Beyond one operating cycle to 5 years	3,018,968	(237,356)	2,781,612
	<u>\$ 65,476,047</u>	<u>(7,408,248)</u>	<u>58,067,799</u>
March 31, 2013			
Within operating cycle	\$ 59,696,039	(7,288,111)	52,407,928
Beyond one operating cycle to 5 years	2,611,729	(216,467)	2,395,262
Over 5 years	58,523	(4,494)	54,029
	<u>\$ 62,366,291</u>	<u>(7,509,072)</u>	<u>54,857,219</u>

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

	2014.3.31	2013.12.31	2013.3.31
Within operating cycle	\$ 1,289,256	1,429,788	1,825,005
Beyond one operating cycle to 5 years	1,227,190	1,369,613	1,302,611
	<u>\$ 2,516,446</u>	<u>2,799,401</u>	<u>3,127,616</u>

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

	Gross investment in the installment sales	Unearned interests	Present value of installment sales receivable
March 31, 2014			
Within operating cycle	\$ 57,074,399	(5,463,408)	51,610,991
Beyond one operating cycle to 5 years	25,052,917	(2,352,475)	22,700,442
Over 5 years	<u>75,664</u>	<u>(2,015)</u>	<u>73,649</u>
	<u>\$ 82,202,980</u>	<u>(7,817,898)</u>	<u>74,385,082</u>
December 31, 2013			
Within operating cycle	\$ 53,111,829	(5,062,691)	48,049,138
Beyond one operating cycle to 5 years	23,186,893	(2,178,503)	21,008,390
Over 5 years	<u>119,639</u>	<u>(3,678)</u>	<u>115,961</u>
	<u>\$ 76,418,361</u>	<u>(7,244,872)</u>	<u>69,173,489</u>
March 31, 2013			
Within operating cycle	\$ 47,245,047	(4,836,618)	42,408,429
Beyond one operating cycle to 5 years	20,972,028	(2,025,852)	18,946,176
Over 5 years	<u>231,801</u>	<u>(8,758)</u>	<u>223,043</u>
	<u>\$ 68,448,876</u>	<u>(6,871,228)</u>	<u>61,577,648</u>

(e) Inventories and advance real estate receipts

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

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1. Inventories

	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Construction for sale (Tianmu area)	\$ -	543,970	-
Construction in progress (Tianmu area)	-	-	817,646
Merchandise inventories	12,960	23,782	4,803
Allowance for valuation losses	-	-	-
	<u>\$ 12,960</u>	<u>567,752</u>	<u>822,449</u>

2. Advance real estate receipts

	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Tianmu area	\$ <u>5,337</u>	<u>307,563</u>	<u>302,039</u>

3. The details of construction in progress-capitalized interest

	<u>For the three months ended March 31, 2013</u>
Interest expense before capitalization	\$ 1,004,091
Capitalized interest	1,722
Capitalized interest rate	1.51 %

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

(f) Other current assets - others

	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Prepayments	\$ 783,590	755,373	685,784
Prepaid expenses	1,357,962	1,338,455	779,880
Foreclosed assets	83,881	75,159	190,467
Others	<u>185,359</u>	<u>154,752</u>	<u>30,396</u>
	<u>\$ 2,410,792</u>	<u>2,323,739</u>	<u>1,686,527</u>

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

	2014.3.31	2013.12.31	2013.3.31
Foreclosed assets	\$ 101,780	92,976	217,623
Less: Accumulated impairment	(17,899)	(17,817)	(27,156)
	\$ 83,881	75,159	190,467

For the three months ended March 31, 2014 and 2013, the Group recognized reversal impairment loss of \$511 and impairment loss of \$1,876, respectively, for foreclosed assets.

(g) Investments accounted under equity method

	2014.3.31	2013.12.31	2013.3.31
Investments in associates	\$ 28,556	29,480	7,264

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

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group as of and for the three months ended March 31, 2014 and 2013, were as follows:

	Land and buildings	Transportation equipment	Machinery and miscellaneous equipment	Leasehold improvements	Total
Cost:					
Balance at January 1, 2014	\$ 2,965,915	5,482,214	2,992,112	121,105	11,561,346
Additions	-	559,933	78,724	945	639,602
Reclassification	-	553	-	-	553
Disposals	-	(337,125)	(753,379)	-	(1,090,504)
Effect of movements in exchange rate	(5,846)	(410)	(5,248)	148	(11,356)
Balance at March 31, 2014	\$ 2,960,069	5,705,165	2,312,209	122,198	11,099,641
Balance at January 1, 2013	\$ 1,442,907	4,350,680	6,925,300	99,431	12,818,318
Additions	-	571,979	42,984	1,558	616,521
Disposals	-	(227,721)	(1,155,406)	-	(1,383,127)
Effect of movements in exchange rate	2,629	21,051	212,386	125	236,191
Balance at March 31, 2013	\$ 1,445,536	4,715,989	6,025,264	101,114	12,287,903

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	Land and buildings	Transportation equipment	Machinery and miscellaneous equipment	Leasehold improvements	Total
Depreciation and impairment losses:					
Balance at January 1, 2014	\$ 384,074	1,586,301	2,322,279	82,325	4,374,979
Depreciation for the period	12,920	242,641	75,590	2,865	334,016
Impairment loss	-	47,181	1,977	-	49,158
Disposals	-	(214,512)	(609,933)	-	(824,445)
Effect of movements in exchange rate	(54)	(59)	(4,844)	93	(4,864)
Balance at March 31, 2014	<u>\$ 396,940</u>	<u>1,661,552</u>	<u>1,785,069</u>	<u>85,283</u>	<u>3,928,844</u>
Balance at January 1, 2013	\$ 385,366	1,180,325	4,675,224	72,708	6,313,623
Depreciation for the period	4,058	193,207	190,461	2,020	389,746
Impairment loss	-	72,142	59,751	-	131,893
Disposals	-	(128,931)	(869,489)	-	(998,420)
Effect of movements in exchange rate	462	6,343	146,739	104	153,648
Balance at March 31, 2013	<u>\$ 389,886</u>	<u>1,323,086</u>	<u>4,202,686</u>	<u>74,832</u>	<u>5,990,490</u>
Carrying amounts:					
Balance at January 1, 2014	<u>\$ 2,581,841</u>	<u>3,895,913</u>	<u>669,833</u>	<u>38,780</u>	<u>7,186,367</u>
Balance at March 31, 2014	<u>\$ 2,563,129</u>	<u>4,043,613</u>	<u>527,140</u>	<u>36,915</u>	<u>7,170,797</u>
Balance at January 1, 2013	<u>\$ 1,057,541</u>	<u>3,170,355</u>	<u>2,250,076</u>	<u>26,723</u>	<u>6,504,695</u>
Balance at March 31, 2013	<u>\$ 1,055,650</u>	<u>3,392,903</u>	<u>1,822,578</u>	<u>26,282</u>	<u>6,297,413</u>

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

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

(i) Intangible assets

	Goodwill	Software	Total
Carrying amounts:			
Balance at January 1, 2014	<u>\$ 3,728</u>	<u>18,884</u>	<u>22,612</u>
Balance at March 31, 2014	<u>\$ 3,728</u>	<u>18,593</u>	<u>22,321</u>
Balance at January 1, 2013	<u>\$ 3,728</u>	<u>19,359</u>	<u>23,087</u>
Balance at March 31, 2013	<u>\$ 3,728</u>	<u>21,774</u>	<u>25,502</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2014 and 2013. Information on amortization for the period is discussed in Note (12)(b). Please refer to Note (6)(i) of the 2013 annual consolidated financial statements for other related information.

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(j) Long-term and short-term borrowings

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

2014.3.31				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.32%~1.65%	2014	\$ 1,081,141
"	USD	0.71%~4.50%	2014~2030	2,008,077
"	THB	2.67%~4.75%	2014~2017	8,176,772
"	CNY	3.93%~7.69%	2014~2017	8,575,862
"	VND	4.50%~5.92%	2014~2016	875,831
Unsecured bank loans	TWD	1.06%~2.00%	2014~2017	64,343,775
"	USD	1.15%~2.52%	2014~2017	17,078,140
"	EUR	1.39%	2014	15,514
"	THB	2.67%~7.38%	2014~2016	8,694,309
"	JPY	1.20%~1.27%	2014~2015	155,875
"	CNY	3.93%~7.69%	2014~2019	18,459,629
Other unsecured loans	THB	2.50%~3.15%	2014	3,687,692
Total				\$ 133,152,617
Current				\$ 112,371,250
Non-current				20,781,367
Total				\$ 133,152,617

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2013.12.31				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.32%~1.65%	2014~2015	\$ 407,865
"	USD	0.68%~4.50%	2014~2030	1,924,673
"	THB	2.92%~4.75%	2014~2017	7,180,110
"	CNY	4.01%~7.68%	2014~2016	6,928,597
"	VND	4.50%~9.50%	2014~2016	884,773
Unsecured bank loans	TWD	1.10%~2.00%	2014~2017	59,295,776
"	USD	1.14%~2.95%	2014~2017	15,915,355
"	EUR	1.38%~1.39%	2014	19,312
"	THB	2.92%~7.38%	2014~2016	4,030,148
"	JPY	1.20%~1.30%	2014~2016	129,173
"	CNY	4.01%~7.68%	2014~2019	19,047,306
Other unsecured loans	THB	2.65%~3.20%	2014	8,244,284
Total				\$ 124,007,372
Current				\$ 97,560,033
Non-current				26,447,339
Total				\$ 124,007,372

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2013.3.31				
	Currency	Interest Rate	Years of Maturity	Amount
Secured bank loans	TWD	1.26%~1.92%	2013~2014	\$ 1,133,787
"	USD	0.62%~3.30%	2013~2030	2,028,108
"	THB	3.42%~4.80%	2013~2015	6,009,119
"	CNY	6.60%~8.51%	2013~2016	4,142,997
"	VND	7.12%	2013~2015	772,922
Unsecured bank loans	TWD	1.11%~3.25%	2013~2016	46,885,220
"	USD	1.20%~3.41%	2013~2015	10,829,708
"	EUR	1.42%	2013	22,938
"	THB	3.50%~7.38%	2013~2015	4,566,891
"	JPY	1.20%~1.36%	2013~2016	181,521
"	CNY	7.74%~8.51%	2013~2016	28,513,769
Other unsecured loans	THB	3.05%~3.65%	2013	8,161,682
Total				\$ 113,248,662
Current				\$ 100,322,106
Non-current				12,926,556
Total				\$ 113,248,662

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

1. Securities for bank loans

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

2. Financial covenants of significant loans and borrowings

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

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

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

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3. Settlement of long-term debts

	2013.3.31	
	Within operating cycle	Beyond operating cycle
Long-term debts	\$ 2,041,220	-
Less: Unamortized discount	(20,220)	-
Receivables under capital leases and installment sales (Note)	(2,021,000)	-
Net	<u>\$ -</u>	<u>-</u>

Note: Net of unearned interest income and guarantee deposits.

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

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

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(k) Bonds payable

Period	Interest Rate	Principal Amount	Repayment Terms	2014.3.31		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.058%~ 2.083%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ 400,000	-	None
2011.01.19~ 2016.01.19	1.858%~ 1.897%	50,000	"	50,000	-	"
2011.01.19~ 2016.01.19	1.958%~ 1.997%	50,000	"	50,000	-	"
2011.08.30~ 2014.08.30	1.750%	4,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	4,000,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	-	2,000,000	"
2013.07.22~ 2018.07.22	1.600%	1,400,000	"	-	1,400,000	"
2012.11.09~ 2014.11.10	4.550%	THB 1,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	944,200	-	"
2013.02.22~ 2015.08.21	4.550%	THB 350,000	"	-	330,470	"
2013.06.27~ 2016.06.27	4.500%	THB 1,300,000	"	-	1,227,460	"
2012.04.05~ 2015.04.05	5.000%	CNY 750,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	3,674,911	-	"
Bonds payable (Gross)				9,119,111	4,957,930	
Discounts on bonds payable				(807)	(2,109)	"
				<u>\$ 9,118,304</u>	<u>4,955,821</u>	

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

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Period	Interest Rate	Principal Amount	Repayment Terms	2013.3.31		Collateral
				Within Operating Cycle	Beyond Operating Cycle	
2010.11.17~ 2015.11.17	2.081%~ 2.094%	400,000	Payable in lump sum. Interest rate is floating. Interest is payable annually.	\$ -	400,000	None
2011.01.19~ 2016.01.19	1.891%~ 1.894%	50,000	"	-	50,000	"
2011.01.19~ 2016.01.19	1.991%~ 1.994%	50,000	"	-	50,000	"
2011.08.30~ 2014.08.30	1.750%	4,000,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	4,000,000	-	"
2012.06.05~ 2017.06.05	1.500%	2,000,000	Principal amount is payable in two equal installments at the end of the fourth and fifth year. Interest rate is fixed. Interest is payable annually.	-	2,000,000	"
2010.05.14~ 2013.05.14	4.600%	THB 500,000	Payable in lump sum. Interest rate is fixed. Interest is payable quarterly.	511,850	-	"
2010.09.23~ 2013.09.23	4.600%	THB 200,000	"	204,740	-	"
2012.11.09~ 2014.11.10	4.550%	THB 1,000,000	"	-	1,023,700	"
2013.02.22~ 2015.08.21	4.550%	THB 350,000	"	-	358,295	"
2012.04.05~ 2015.04.05	5.000%	CNY 750,000	Payable in lump sum. Interest rate is fixed. Interest is payable semi - annually.	-	3,604,500	"
Bonds payable (Gross)				4,716,590	7,486,495	
Discounts on bonds payable				(105)	(2,162)	"
				<u>\$ 4,716,485</u>	<u>7,484,333</u>	

Financial covenants of significant loans and borrowings:

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

As of December 31, 2013, 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:

	2014.3.31	2013.12.31	2013.3.31
Within 1 year	\$ 153,357	195,278	293,124
Beyond 1 year but up to 5 years	199,579	182,207	168,900
	\$ 352,936	377,485	462,024

(m) Employee benefits

1. Defined benefit plans

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

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

	For the three months ended March 31,	
	2014	2013
Operating costs	\$ 431	435
Operating expenses	18,537	25,299
Total	\$ 18,968	25,734

2. Defined contribution plans

The pension costs incurred from the contributions were as follows:

	For the three months ended March 31,	
	2014	2013
Operating expenses	\$ 15,841	13,548

(n) Income taxes

1. Income Tax Expense

The components of income tax were as follows:

	For the three months ended March 31,	
	2014	2013
Total income tax expense from continuing operations	\$ 570,981	569,643

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

	For the three months ended March 31,	
	2014	2013
Foreign currency translation differences for foreign operations	\$ 9,973	53,086

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

(o) Share capital and other equity accounts

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

1. Share capital

Due to the capital needs for investing in the subsidiaries and repaying bank loans, the board of directors of the Company resolved to increase the Company's capital by issuing common shares of stock through the offering of global depositary shares overseas, and the offering was approved by the Financial Supervisory Commission (FSC) on August 3, 2012. As of October 9, 2012, these global depositary shares were priced at US\$8.59 per unit, and the Company issued 120,000,000 common shares of stock from the conversion of 24,000,000 units of global depositary shares. Each unit of global depositary shares represents 5 common shares of stock. As of March 31, 2014, December 31, 2013, and March 31, 2013, the Company has listed, 2,707,458, 2,763,243, and 5,979,930 units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. Major terms and conditions for GDRs were as follows:

1) Voting rights exercised

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

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

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

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2. Retained earnings

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

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

1) Earnings distribution

For the three months ended March 31, 2014 and 2013, the Company accrued employee benefits of \$234 and \$85, and the board of directors' remuneration of \$1,250 and \$677, respectively. These amounts were estimated from the Company's net profit for the three months ended March 31, 2014 and 2013, according to the earnings allocation method, priority and factor for employee benefits and the board of directors' remuneration as stated under the Articles of Association. These benefits are charged to profit or loss under operating expense for the three months ended March 31, 2014 and 2013.

In its financial statements for the years 2013 and 2012, the Company accrued employee benefits of \$882 and \$414, and the board of directors' remuneration of \$4,706 and \$3,313, respectively. There was no difference between the actual distributions of the 2012 earnings in 2013 and those estimated and accrued in the 2012 financial statements. Amounts to be distributed for employee benefits and the board of directors' remuneration for 2013 are yet to be decided by the meeting of shareholders. Related information would be available at the Market Observation Post System after the convening of the meeting of shareholders.

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

On March 27, 2014, the Company's board of directors resolved to appropriate the 2013 earnings. On May 30, 2013, the shareholder's meetings resolved to distribute the 2012 earnings. These earnings were appropriated to distribute earnings as follows:

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

The information on distribution of the Company's 2013 earnings will be announced through the Market Observation Post System on the internet.

3. Other equity accounts

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) of effective portion of cash flow hedges	Gains (losses) of effective portion of hedge of net investment in foreign operations	Others
At January 1, 2014	\$ 760,510	299,730	(39,919)	2,615	(49,141)
Exchange differences, net of tax:					
The Group	109,436	-	-	-	-
Effective portion of cash flow hedges, net of tax:					
The Group	-	-	61,408	-	-
Unrealized gains (losses) on available-for-sale financial assets, net of tax:					
The Group	-	(106,606)	-	-	-
Effective portion of hedge of net investment in foreign operations, net of tax:					
The Group	-	-	-	(53,015)	-
Others, net of tax :					
The Group	-	-	-	-	(41,762)
At March 31, 2014	<u>\$ 869,946</u>	<u>193,124</u>	<u>21,489</u>	<u>(50,400)</u>	<u>(90,903)</u>

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) of effective portion of cash flow hedges	Gains (losses) of effective portion of hedge of net investment in foreign operations	Others
At January 1, 2013	\$ (138,522)	(234,099)	(11,396)	29,695	75,473
Exchange differences, net of tax:					
The Group	639,571	-	-	-	-
Effective portion of cash flow hedges, net of tax:					
The Group	-	-	1,935	-	-
Unrealized gains (losses) on available-for- sale financial assets, net of tax:					
The Group	-	36,698	-	-	-
Effective portion of hedge of net investment in foreign operations, net of tax:					
The Group	-	-	-	(76,718)	-
Others, net of tax :					
The Group	-	-	-	-	(49,927)
At March 31, 2013	<u>\$ 501,049</u>	<u>(197,401)</u>	<u>(9,461)</u>	<u>(47,023)</u>	<u>25,546</u>

(p) Earnings per share

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

	For the three months ended March 31,	
	2014	2013
Profit attributable to common stockholders of the Company	<u>\$ 1,561,821</u>	<u>1,386,267</u>
Weighted average number of ordinary shares	<u>995,830</u>	<u>995,830</u>
Weighted average number of ordinary shares (Diluted)	<u>995,846</u>	<u>995,837</u>

Note: Potential ordinary shares have no dilutive effects.

(q) Net other income and expenses

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

	For the three months ended March 31,	
	2014	2013
Gain on recovery (impairment loss) of foreclosed assets	\$ 511	(1,876)
Gain on doubtful debt recoveries	34,956	35,559
	<u>\$ 35,467</u>	<u>33,683</u>

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(r) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31,	
	2014	2013
Foreign exchange gains (losses)	\$ (968)	13,641
Net gain on disposal of properly plant, and equipment	482	1,164
Net gains on disposal of available-for-sale financial assets	10,246	3,143
Net gains (losses) on valuation of financial assets (liabilities) measured at fair value through profit or loss	(26,143)	14,353
Others	9,674	87,949
	\$ (6,709)	120,250

(s) Reclassification of other comprehensive income

	For the three months ended March 31,	
	2014	2013
Available-for-sale financial assets	\$	
Net change in fair value	(102,335)	37,888
Net change in fair value reclassified to profit or loss	(4,271)	(1,190)
Net change in fair value recognized in other comprehensive income	\$ (106,606)	36,698

(t) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group. As of March 31, 2014, December 31, 2013, and March 31, 2013, the maximum exposure to credit risks amounted to \$206,142,921, \$195,389,382 and \$172,952,807, respectively.

The non-performing loans (net of allowance for doubtful accounts) amounted to \$250,286, \$262,361 and \$299,308 as of March 31, 2014, December 31, 2013, and March 31, 2013, respectively.

The loans and receivables originated by the Group and their related allowance for impairment

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at the reporting date by geographic regions were as follows:

	<u>Taiwan</u>	<u>Thailand</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
<u>March 31, 2014</u>					
Gross loans and receivables:					
Neither past due nor impaired	\$ 85,420,166	24,880,148	51,834,771	3,728,975	165,864,060
Past due	115,154	-	-	331,489	446,643
Impaired	<u>2,303,566</u>	<u>2,390,924</u>	<u>2,847,000</u>	<u>473,092</u>	<u>8,014,582</u>
	<u>\$ 87,838,886</u>	<u>27,271,072</u>	<u>54,681,771</u>	<u>4,533,556</u>	<u>174,325,285</u>
Allowance for impairment					
Collectively assessed	\$ 1,250,465	261,632	1,087,038	371,018	2,970,153
Individually assessed	<u>1,048,672</u>	<u>277,238</u>	<u>992,362</u>	<u>221,950</u>	<u>2,540,222</u>
	<u>\$ 2,299,137</u>	<u>538,870</u>	<u>2,079,400</u>	<u>592,968</u>	<u>5,510,375</u>
<u>December 31, 2013</u>					
Gross loans and receivables:					
Neither past due nor impaired	\$ 79,759,656	23,780,427	51,695,376	3,860,029	159,095,488
Past due	132,092	-	-	270,526	402,618
Impaired	<u>2,115,012</u>	<u>2,045,735</u>	<u>2,744,555</u>	<u>414,887</u>	<u>7,320,189</u>
	<u>\$ 82,006,760</u>	<u>25,826,162</u>	<u>54,439,931</u>	<u>4,545,442</u>	<u>166,818,295</u>
Allowance for impairment					
Collectively assessed	\$ 1,129,054	219,901	1,159,308	387,289	2,895,552
Individually assessed	<u>1,047,058</u>	<u>257,289</u>	<u>919,013</u>	<u>223,991</u>	<u>2,447,351</u>
	<u>\$ 2,176,112</u>	<u>477,190</u>	<u>2,078,321</u>	<u>611,280</u>	<u>5,342,903</u>
<u>March 31, 2013</u>					
Gross loans and receivables:					
Neither past due nor impaired	\$ 64,984,497	23,457,849	47,248,614	3,160,186	138,851,146
Past due	119,456	-	-	280,733	400,189
Impaired	<u>1,768,823</u>	<u>1,464,718</u>	<u>2,396,663</u>	<u>595,654</u>	<u>6,225,858</u>
	<u>\$ 66,872,776</u>	<u>24,922,567</u>	<u>49,645,277</u>	<u>4,036,573</u>	<u>145,477,193</u>
Allowance for impairment					
Collectively assessed	\$ 929,955	272,685	598,996	302,722	2,104,358
Individually assessed	<u>1,053,862</u>	<u>190,846</u>	<u>994,223</u>	<u>418,076</u>	<u>2,657,007</u>
	<u>\$ 1,983,817</u>	<u>463,531</u>	<u>1,593,219</u>	<u>720,798</u>	<u>4,761,365</u>

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

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

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

3) Loans and receivables which were past due

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

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

	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Past due up to 30 days	\$ 173,644	168,779	341,926
31 to 90 days	<u>272,999</u>	<u>233,839</u>	<u>58,263</u>
	<u>\$ 446,643</u>	<u>402,618</u>	<u>400,189</u>

4) Impaired loans and receivables

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

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2. Liquidity risks

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

	<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>
March 31, 2014								
Non-derivative financial liabilities								
Bank overdraft	\$ 167,753	167,753	-	-	-	-	-	167,753
Secured bank loans	20,717,683	21,713,972	4,615,303	2,341,728	5,490,501	8,896,917	369,523	-
Unsecured bank loans	108,579,489	109,291,470	32,999,812	21,417,680	24,800,234	29,565,669	508,075	-
Other unsecured loans	3,687,692	3,703,227	906,507	2,665,476	131,244	-	-	-
Bonds payables	14,074,125	14,613,731	-	868,358	8,048,104	5,697,269	-	-
Other payables	3,401,661	3,422,226	1,925,199	184,720	697,968	313	-	614,026
Deposits relating to collateral of customers	18,954,690	19,021,726	156,522	660,203	5,677,872	11,847,792	1,728	677,609
Derivative financial liabilities								
Derivative instruments not used for hedging	4,197	4,197	-	-	-	4,197	-	-
	<u>\$ 169,587,290</u>	<u>171,938,302</u>	<u>40,603,343</u>	<u>28,138,165</u>	<u>44,845,923</u>	<u>56,012,157</u>	<u>879,326</u>	<u>1,459,388</u>
December 31, 2013								
Non-derivative financial liabilities								
Bank overdraft	\$ 84,084	84,084	-	-	-	-	-	84,084
Secured bank loans	17,326,018	18,096,865	3,036,244	1,405,913	4,574,556	8,660,275	419,877	-
Unsecured bank loans	98,352,986	99,316,048	22,079,489	23,357,028	27,811,233	25,572,531	495,767	-
Other unsecured loans	8,244,284	8,293,746	2,194,307	3,706,983	2,392,456	-	-	-
Bonds payables	14,098,319	14,587,944	1,946	136,445	4,176,727	10,272,826	-	-
Other payables	5,899,299	5,914,010	4,316,890	590,516	488,972	329	-	517,303
Deposits relating to collateral of customers	18,507,840	18,515,357	173,537	540,458	4,790,408	12,397,256	1,728	611,970
Derivative financial liabilities								
Derivative instruments not used for hedging	42,293	42,293	-	-	-	42,293	-	-
	<u>\$ 162,555,123</u>	<u>164,850,347</u>	<u>31,802,413</u>	<u>29,737,343</u>	<u>44,234,352</u>	<u>56,945,510</u>	<u>917,372</u>	<u>1,213,357</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>
March 31, 2013								
Bank overdraft	\$ 157,145	157,145	-	-	-	-	-	157,145
Secured bank loans	14,086,933	14,513,027	2,110,707	4,643,005	3,947,887	3,117,106	694,322	-
Unsecured bank loans	90,842,902	92,710,263	21,889,183	11,433,379	24,761,830	34,625,871	-	-
Other unsecured loans	8,161,682	8,226,556	1,606,288	3,516,410	3,103,858	-	-	-
Bonds payables	12,200,818	12,636,199	-	582,679	316,576	11,736,944	-	-
Other payables	3,017,567	3,021,495	858,416	234,935	848,895	241,702	-	837,547
Deposits relating to collateral of customers	17,046,146	17,765,380	286,184	258,440	3,330,293	12,732,070	-	458,393
	<u>\$ 145,513,193</u>	<u>149,030,065</u>	<u>26,750,778</u>	<u>20,668,848</u>	<u>36,309,339</u>	<u>62,453,693</u>	<u>694,322</u>	<u>1,453,085</u>

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

3. Currency risks

1) Exposure to currency risks

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

2014.3.31				
	<u>Foreign currency (In thousands)</u>		<u>Exchange rate</u>	<u>Functional currency</u>
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 5,374.86	USD : TWD	30.4700	163,772
CNY	19,133.98	CNY : USD	0.1608	93,756
JPY	184,461.13	JPY : TWD	0.2960	54,600
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$ 91,997.55	USD : TWD	30.4700	2,803,166
	7,149.05	USD : VND	21,842	217,832
CNY	750,000.00	CNY : USD	0.1608	3,674,911

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		2013.12.31		
	Foreign currency (In thousands)	Exchange rate		Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 3,292.15	USD : TWD	29.8050	98,122
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	87,112.72	USD : TWD	29.8050	2,596,395
	5,532.57	USD : VND	21,755	164,898
CNY	750,000.00	CNY : USD	0.1650	3,689,263
		2013.3.31		
	Foreign currency (In thousands)	Exchange rate		Functional currency
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 3,326.10	USD : TWD	29.8250	99,201
	31,021.95	USD : CNY	6.2057	925,230
	5,667.66	USD : VND	21,691	169,038
CNY	34,478.53	CNY : USD	0.1611	165,704
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	102,818.39	USD : TWD	29.8250	3,066,558
	5,064.58	USD : VND	21,691	151,051
CNY	750,000.00	CNY : USD	0.1611	3,604,500

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from foreign currency exchange fluctuations on cash and cash equivalents, account receivables, and loans and borrowings. A 5% depreciation or appreciation of the TWD against the USD and CNY on balance sheet date would have decreased or increased the net profit after tax by \$12,602 and \$58,490, for the three months ended March 31, 2014 and 2013, respectively. The analysis is performed on the same basis for both years.

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4. Interest analysis

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

Ending balance as of March 31, 2014		Fixed rate					
	Effective interest rate	Total	Floating rate	Within 1 year	1-5 years	More than 5 years	Non-interest bearing
Financial assets							
Cash and cash equivalents	1.29 % \$	7,454,389	6,809,936	382,870	-	-	261,583
Debt securities	5.99 %	9,365,391	1,680,446	80,779	7,604,166	-	-
Total accounts receivables	11.29 %	174,642,136	20,730,201	83,580,410	63,043,831	73,650	7,214,044
Interest rate swap contract	0.05 %	10,438	10,438	-	-	-	-
		<u>191,472,354</u>	<u>29,231,021</u>	<u>84,044,059</u>	<u>70,647,997</u>	<u>73,650</u>	<u>7,475,627</u>
Financial liabilities							
Secured bank loans	5.33 %	20,717,683	14,089,399	1,293,554	5,334,730	-	-
Unsecured bank loans	2.77 %	108,579,489	69,714,422	29,832,621	8,563,571	468,875	-
Bonds payables	3.24 %	14,074,125	500,000	4,943,393	8,630,732	-	-
Bank overdraft	7.38 %	167,753	167,753	-	-	-	-
Other unsecured loans	3.11 %	3,687,692	-	3,687,692	-	-	-
Deposits relating to collateral of customers	0.87 %	18,954,690	-	2,311,819	2,157,440	1,728	14,483,703
Cross currency swap contracts	0.964 %	4,197	4,197	-	-	-	-
Interest rate swap contracts	1.36 %	5,033	5,033	-	-	-	-
		<u>166,190,662</u>	<u>84,480,804</u>	<u>42,069,079</u>	<u>24,686,473</u>	<u>470,603</u>	<u>14,483,703</u>
Net exposure	\$	<u>25,281,692</u>	<u>(55,249,783)</u>	<u>41,974,980</u>	<u>45,961,524</u>	<u>(396,953)</u>	<u>(7,008,076)</u>

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Ending balance as of December 31, 2013		Fixed rate					
	Effective interest rate	Total	Floating rate	Within 1 year	1~5 years	More than 5 years	Non-interest bearing
Financial assets							
Cash and cash equivalents	1.69 %	\$ 7,586,221	6,650,254	203,674	-	-	732,293
Debt securities	6.47 %	7,024,187	1,699,947	51,728	5,272,512	-	-
Total accounts receivables	11.66 %	167,136,523	19,692,077	78,169,622	62,338,257	115,961	6,820,606
Interest rate swap contract	0.04 %	486	486	-	-	-	-
		<u>181,747,417</u>	<u>28,042,764</u>	<u>78,425,024</u>	<u>67,610,769</u>	<u>115,961</u>	<u>7,552,899</u>
Financial liabilities							
Secured bank loans	5.47 %	17,326,018	11,561,833	283,185	5,481,000	-	-
Unsecured bank loans	2.76 %	98,352,986	73,300,818	19,104,238	5,947,930	-	-
Bonds payables	3.41 %	14,098,319	500,000	5,004,063	8,594,256	-	-
Bank overdraft	7.38 %	84,084	84,084	-	-	-	-
Other unsecured loans	3.16 %	8,244,284	-	8,244,284	-	-	-
Deposits relating to collateral of customers	0.59 %	18,507,840	-	1,604,863	2,435,996	1,728	14,465,253
Cross currency swap contracts	0.96 %	42,293	42,293	-	-	-	-
Interest rate swap contracts	1.36 %	6,777	6,777	-	-	-	-
		<u>156,662,601</u>	<u>85,495,805</u>	<u>34,240,633</u>	<u>22,459,182</u>	<u>1,728</u>	<u>14,465,253</u>
Net exposure		\$ <u>25,084,816</u>	<u>(57,453,041)</u>	<u>44,184,391</u>	<u>45,151,587</u>	<u>114,233</u>	<u>(6,912,354)</u>
Ending balance as of March 31, 2013		Fixed rate					
	Effective interest rate	Total	Floating rate	Within 1 year	1~5 years	More than 5 years	Non-interest bearing
Financial assets							
Cash and cash equivalents	1.47 %	\$ 10,649,208	10,012,343	480,242	-	-	156,623
Debt securities	6.57 %	5,291,708	1,779,708	-	3,512,000	-	-
Total accounts receivables	9.52 %	145,833,504	18,914,537	68,840,237	54,598,730	223,043	3,256,957
Interest rate swap contracts	0.04 %	1,325	1,325	-	-	-	-
		<u>161,775,745</u>	<u>30,707,913</u>	<u>69,320,479</u>	<u>58,110,730</u>	<u>223,043</u>	<u>3,413,580</u>
Financial liabilities							
Secured bank loans	4.68 %	14,086,933	7,237,971	5,555,652	1,293,310	-	-
Unsecured bank loans	3.70 %	90,842,902	69,153,413	19,158,781	2,530,708	-	-
Bonds payables	2.83 %	12,200,818	6,500,000	716,485	4,984,333	-	-
Bank overdraft	7.38 %	157,145	157,145	-	-	-	-
Other unsecured loans	3.44 %	8,161,682	-	8,161,682	-	-	-
Deposits relating to collateral of customers	0.57 %	17,046,146	-	1,555,636	2,845,044	-	12,645,466
Interest rate swap contracts	0.04 %	9,461	9,461	-	-	-	-
		<u>142,505,087</u>	<u>83,057,990</u>	<u>35,148,236</u>	<u>11,653,395</u>	<u>-</u>	<u>12,645,466</u>
Net exposure		\$ <u>19,270,658</u>	<u>(52,350,077)</u>	<u>34,172,243</u>	<u>46,457,335</u>	<u>223,043</u>	<u>(9,231,886)</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 for the next year will decrease or increase by \$130,636 and \$118,211 for the three months ended March 31, 2014 and 2013, respectively. This analysis assumes that all other variables remain constant.

5. Fair value

1) Fair value and carrying amount

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

	2014.3.31		2013.12.31		2013.3.31	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Accounts receivable	\$ 169,065,196	168,747,174	161,737,753	158,519,447	141,015,136	140,982,625
Financial liabilities:						
Bonds Payable	14,074,125	14,093,032	14,098,319	13,808,705	12,200,818	12,200,818
Deposits relating to collateral of customers	18,954,690	18,994,312	18,057,840	18,466,364	17,046,146	17,046,146
Secured loans	20,717,683	20,710,856	17,326,018	17,304,893	14,086,933	14,086,933
Unsecured loans	112,434,934	112,446,624	106,681,355	106,655,251	99,161,729	99,172,742

2) Interest rates used in fair value determination

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

	As of March 31,	
	2014	2013
Accounts receivable	11.29 %	9.52 %
Long-term debts and short-term debts	3.44 %	3.96 %
Deposits relating to collateral of customers	0.87 %	0.57 %
Bonds payable	3.24 %	2.83 %

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3) Fair value hierarchy

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

- A. Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- B. Level 2: prices other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- C. Level 3: prices for the assets or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>March 31, 2014</u>				
Current financial assets at fair value through profit\$ or loss	424,955	10,438	-	435,393
Non-current financial assets at fair value through profit or loss	-	-	1,680,447	1,680,447
Non-current available-for-sale financial assets	<u>94,324</u>	<u>997,060</u>	<u>523,891</u>	<u>1,615,275</u>
	<u>519,279</u>	<u>1,007,498</u>	<u>2,204,338</u>	<u>3,731,115</u>
Current financial liabilities at fair value through profit or loss	-	(4,197)	-	(4,197)
Current derivative financial liabilities used for hedging	-	(5,033)	-	(5,033)
	<u>-</u>	<u>(9,230)</u>	<u>-</u>	<u>(9,230)</u>
	<u>\$ 519,279</u>	<u>998,268</u>	<u>2,204,338</u>	<u>3,721,885</u>
<u>December 31, 2013</u>				
Current financial assets at fair value through profit\$ or loss	264,083	486	-	264,569
Non-current financial assets at fair value through profit or loss	-	-	1,699,947	1,699,947
Non-current available-for-sale financial assets	<u>-</u>	<u>1,210,419</u>	<u>517,685</u>	<u>1,728,104</u>
	<u>264,083</u>	<u>1,210,905</u>	<u>2,217,632</u>	<u>3,692,620</u>
Current financial liabilities at fair value through profit or loss	-	(42,293)	-	(42,293)
Current derivative financial liabilities used for hedging	-	(6,777)	-	(6,777)
	<u>-</u>	<u>(49,070)</u>	<u>-</u>	<u>(49,070)</u>
	<u>\$ 264,083</u>	<u>1,161,835</u>	<u>2,217,632</u>	<u>3,643,550</u>

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
March 31, 2013				
Current financial assets at fair value through profit or loss	364,578	1,325	-	365,903
Non-current financial assets at fair value through profit or loss	-	-	1,779,708	1,779,708
Non-current available-for-sale financial assets	-	730,474	510,819	1,241,293
	<u>364,578</u>	<u>731,799</u>	<u>2,290,527</u>	<u>3,386,904</u>
Current derivative financial liabilities used for hedging	-	(9,461)	-	(9,461)
	<u>\$ 364,578</u>	<u>722,338</u>	<u>2,290,527</u>	<u>3,377,443</u>

For the three months ended March 31, 2014, the fair value hierarchy for available-for-sale financial assets of \$94,324 had been changed from level 2 to level 1 because the Group was able to obtain their active market prices periodically. There was no transfer between the fair value levels for the three months ended March 31, 2013.

The following table shows the movements in Level 3 of the fair value hierarchy for the three months ended March 31, 2014 and 2013:

	<u>At fair value through profit or loss Designated at initial recognition</u>	<u>Available-for-sale financial assets Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2014	\$ 1,699,947	517,685	2,217,632
Total gains and losses recognized:			-
In profit or loss	(19,500)	-	(19,500)
In other comprehensive income	-	6,206	6,206
Ending balance, March 31, 2014	<u>\$ 1,680,447</u>	<u>523,891</u>	<u>2,204,338</u>
Opening balance, January 1, 2013	\$ 1,791,558	505,939	2,297,497
Total gains and losses recognized:			
In profit or loss	(11,850)	2,723	(9,127)
In other comprehensive income	-	2,157	2,157
Ending balance, March 31, 2013	<u>\$ 1,779,708</u>	<u>510,819</u>	<u>2,290,527</u>

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For the three months ended March 31, 2014 and 2013, total gains and losses arising from the valuation of investments under Level 3 of the fair value hierarchy that are included in “other gains and losses” and “unrealized gains and losses from available-for-sale financial assets” were as follows:

	For the three months ended March 31,	
	2014	2013
Total gains and losses recognized :		
In profit or loss, and included “other gains and losses”	(19,500)	(9,127)
In other comprehensive income, and included “unrealized gains on available-for-sale financial assets ”	6,206	2,157

(u) Financial risk management

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

(v) Capital Management

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

(7) Related Party Transactions

(a) Related-party transactions

1. Receivables from related parties

Receivables of the Group from related parties was as follows :

Account	Categories of related parties	2014.3.31	2013.12.31	2013.3.31
Capital leases receivable	Affiliates	\$ 640	659	823
Accounts receivable	Affiliates	1,957	1,525	16,163
Other receivables	Affiliates	299,353	807,638	48,332
Other current financial assets	Affiliates	1,000	1,000	1,000
Other non-current financial assets	Affiliates	2,900	5,600	-
		\$ 305,850	816,422	66,318

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2. Payable to related parties

Payable of the Group from related parties was as follows :

<u>Account</u>	<u>Categories of related parties</u>	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Other current financial liabilities	Affiliates	\$ <u>54,403</u>	<u>146,285</u>	<u>-</u>

3. Asset transactions

The Group purchased leasehold improvements from affiliates of \$380 for the three months ended March 31, 2014.

4. Related-Party Financing

Financing to related parties was as follows :

	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Affiliates	\$ <u>351,614</u>	<u>343,940</u>	<u>344,164</u>

The loans receivable bear interest at rates ranging from 2.26% to 4.00%. As of March 31, 2014, December 31, 2013, and March 31, 2013, interest receivable from the loans receivable from affiliates amounted to \$4,563, \$4,860 and \$2,886, respectively. For the three months ended March 31, 2014 and 2013, interest revenue from the loans receivable from affiliates amounted to \$1,978 and \$2,926, respectively.

5. Interest bearing borrowings

Borrowings of the Group from related parties was as follows :

	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Affiliates	\$ <u>2,962,585</u>	<u>2,778,909</u>	<u>3,663,278</u>

The borrowings from associates bear interest at rates ranging from 2.83% to 7.38%. As of March 31, 2014, December 31, 2013, and March 31, 2013, interest payable from interest the interest bearing borrowings from affiliates amounted to \$461, \$786 and \$1,188 respectively. For the three months ended March 31, 2014 and 2013, interest expense from the interest bearing borrowing from affiliates amounted to \$29,968 and \$29,452, respectively.

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

	<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Affiliates	\$ <u>47,210</u>	<u>45,675</u>	<u>30,711</u>

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The bonds payable bear interest at rates ranging from 4.50% to 4.60%. As of March 31, 2014, December 31, 2013, and March 31, 2013, interest payable from bonds payable to affiliates amounted to \$29, \$28 and \$178 respectively. For the three months ended March 31, 2014 and 2013, interest expenses from bonds payable to affiliates amounted to \$517 and \$338, respectively.

6. Endorsements and guarantees with related parties

As of March 31, 2013, guarantee and endorsements of bank loans provided by the Group for related parties amounted for \$ 743,400. The bank loans which related parties have actually obtained amounted to \$544,500.

7. Others

1) As of March 31, 2014, December 31, 2013, and March 31, 2013, bank deposits in financial institutions which are related parties to the Group amounted to \$245,962, \$275,405 and \$120,023, respectively. For the three months ended March 31, 2014 and 2013, interest revenue from the deposits in affiliates amounted to \$26 and \$12, respectively.

2) Other revenue and expense with related parties :

	For the three months ended March 31,	
	2014	2013
Affiliates		
Rent income	\$ 4,071	4,580
Other interest income	214	157
Commission and service income	11,347	12,979
Other operating revenue	757	342
Rent expense	(6,859)	(5,063)
Commission and service costs	(134)	(116)
Other operating costs	(5,987)	(9,324)
	\$ 3,409	3,555

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

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(b) Key management personnel compensation

	For the three months ended March 31,	
	2014	2013
Short-term employee benefits	\$ 71,866	68,772
Post-employment benefits	256	490
	\$ 72,122	69,262

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2014.3.31	2013.12.31	2013.3.31
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	\$ 3,765,713	3,297,140	4,568,225
Time deposits	Alliance contract guarantee	1,900	1,900	2,200
Inventories	As guarantee for short-term and long-term borrowings	-	-	817,646
Property and equipment, and assets held for lease	As guarantee for short-term and long-term borrowings	3,675,968	3,649,672	2,031,185
Equity securities	Issuance of short-term bills and as guarantee for short-term and long-term borrowings	1,112,977	1,190,724	713,522
Refundable deposits	Provincial court seizure etc.	194,841	310,348	811,553
Notes receivable	Issuance of short-term bills, corporate bonds and as guarantee for short-term and long-term borrowings	21,789,499	21,128,592	18,589,950
Accounts receivable and loans	As guarantee for short-term and long-term borrowings	41,554,756	45,484,808	47,964,756
Total		\$ 72,095,654	75,063,184	75,499,037

(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 March 31, 2014, December 31, 2013, and March 31, 2013, the balance of unexpired payments from these alliance transactions amounted to \$12,258,282, \$11,481,602 and \$7,710,817, respectively.

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- (b) The Group entered into sale and lease-back agreements with third parties, which were financed through long-term bank debts. The third parties pay rentals directly to the Group's lender. For details regarding long-term debts payable, refer to notes (6)(j).
- (c) Chailease Finance Co., Ltd. (CFC), together with third parties/co-facilitators, entered into an agreement with CFC customers for purposes of facilitating the extension of loans to these customers by financial institutions, under which, CFC will share with these co-facilitators in the facilitating fee that they earn from this agreement. If the customers default on their payments, CFC is required to pay to the financial institutions its share of the loans on behalf of these customers. As of March 31, 2014, December 31, 2013, and March 31, 2013, the payable balance from these transactions amounted to \$348,313, \$401,295 and \$586,075, respectively.
- (d) The Group facilitated the extension of financing by financial institutions on behalf of its certain customers under factoring agreements. Such facilitation enables the customers to obtain desired financing from financial institutions. As of March 31, 2014, December 31, 2013, and March 31, 2013, the balance of financing obtained from such facilitation amounted to \$73,926, \$37,138 and \$50,766, respectively.

(10) Losses Due to Major Disasters : None.

(11) Subsequent Events : None.

(12) Other

(a) Liquidity analysis of assets and liabilities :

	2014.3.31		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current assets</u>			
Cash and cash equivalents	\$ 7,454,389	-	7,454,389
Current financial assets at fair value through profit or loss	435,393	-	435,393
Current held-to-maturity financial assets	2,407,229	4,474,192	6,881,421
Accounts receivable, net	90,650,107	48,565,977	139,216,084
Inventories	12,960	-	12,960
Other current financial assets	5,016,375	-	5,016,375
Other current assets – others	2,410,792	-	2,410,792
	\$ 108,387,245	53,040,169	161,427,414

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	2014.3.31		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current liabilities</u>			
Short-term borrowings	\$ 68,252,067	-	68,252,067
Current financial liabilities at fair value through profit or loss	4,197	-	4,197
Current derivative financial liabilities for hedging	5,033	-	5,033
Accounts and notes payable	1,149,814	-	1,149,814
Current tax payable	1,104,532	-	1,104,532
Other current financial liabilities	8,660,066	10,769,020	19,429,086
Advance real estate receipts	5,337	-	5,337
Long-term liabilities – current portion	26,237,672	26,999,815	53,237,487
Other current liabilities – others	691,664	-	691,664
	\$ 106,110,382	37,768,835	143,879,217
	2013.12.31		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current assets</u>			
Cash and cash equivalents	\$ 7,586,221	-	7,586,221
Current financial assets at fair value through profit or loss	264,569	-	264,569
Current held-to-maturity financial assets	1,500,728	3,337,657	4,838,385
Accounts receivable, net	85,240,004	48,478,303	133,718,307
Inventories	567,752	-	567,752
Other current financial assets	5,000,217	-	5,000,217
Other current assets – others	2,323,739	-	2,323,739
	\$ 102,483,230	51,815,960	154,299,190

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	2013.12.31		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current liabilities</u>			
Short-term borrowings	\$ 57,141,701	-	57,141,701
Current financial liabilities at fair value through profit or loss	42,293	-	42,293
Current derivative financial liabilities for hedging	6,777	-	6,777
Accounts and notes payable	2,383,535	-	2,383,535
Current tax payable	618,258	-	618,258
Other current financial liabilities	8,449,271	11,381,508	19,830,779
Advance real estate receipts	307,563	-	307,563
Long-term liabilities – current portion	29,111,158	20,400,500	49,511,658
Other current liabilities – others	869,514	-	869,514
	<u>\$ 98,930,070</u>	<u>31,782,008</u>	<u>130,712,078</u>
	2013.3.31		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current assets</u>			
Cash and cash equivalents	\$ 10,649,208	-	10,649,208
Current financial assets at fair value through profit or loss	365,903	-	365,903
Current held-to-maturity financial assets	2,814,000	-	2,814,000
Accounts receivable, net	75,625,835	40,452,584	116,078,419
Inventories	822,449	-	822,449
Other current financial assets	5,626,338	-	5,626,338
Other current assets – others	1,686,527	-	1,686,527
	<u>\$ 97,590,260</u>	<u>40,452,584</u>	<u>138,042,844</u>

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	2013.3.31		
	Expected to be collected or paid within 12 months	Expected to be collected or paid after 12 months	Total
<u>Current liabilities</u>			
Short-term borrowings	\$ 56,866,805	-	56,866,805
Current derivative financial liabilities for hedging	9,461	-	9,461
Accounts and notes payable	873,922	-	873,922
Current tax payable	708,576	-	708,576
Other current financial liabilities	5,491,484	12,066,161	17,557,645
Advance real estate receipts	302,039	-	302,039
Long-term liabilities – current portion	26,049,221	22,122,565	48,171,786
Other current liabilities – others	664,198	-	664,198
	\$ 90,965,706	34,188,726	125,154,432

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

By item	For the three months ended March 31, 2014			For the three months ended March 31, 2013		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	12,725	888,506	901,231	13,798	726,192	739,990
Labor and health insurance	870	58,877	59,747	865	51,770	52,635
Pension	431	34,378	34,809	435	38,847	39,282
Others	-	51,982	51,982	-	46,181	46,181
Depreciation	298,747	35,269	334,016	366,334	23,412	389,746
Amortization	-	16,845	16,845	-	15,706	15,706

(c) Seasonality of operation:

The Group's operation is neither seasonal nor cyclical.

(d) Certain accounts in the financial statements as of and for the three months ended March 31, 2013 have been reclassified to be consistent with the financial statements as of and for the three months ended March 31, 2014

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(13) Segment Information

Operating segments financial information:

	For the three months ended March 31, 2014					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 3,982,004	3,648,619	608,162	208,139	-	8,446,924
Intersegment revenues	186,244	-	-	-	(186,244)	-
Total revenue	\$ 4,168,248	3,648,619	608,162	208,139	(186,244)	8,446,924
Reportable segment profit or loss	\$ 1,065,028	528,772	145,619	(101,616)	-	1,637,803
	For the three months ended March 31, 2013					
	Taiwan	China	Thailand	Others	Elimination	Total
Revenue						
Revenue from external customers	\$ 2,434,109	3,339,679	562,037	153,005	-	6,488,830
Intersegment revenues	274,424	57,724	-	-	(332,148)	-
Total revenue	\$ 2,708,533	3,397,403	562,037	153,005	(332,148)	6,488,830
Reportable segment profit or loss	\$ 741,448	598,661	150,962	(26,196)	-	1,464,875