

**ECOVE ENVIRONMENT CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2018 AND 2017**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ECOVE Environment Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of ECOVE Environment Corp. and subsidiaries (the “Group”) as at September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

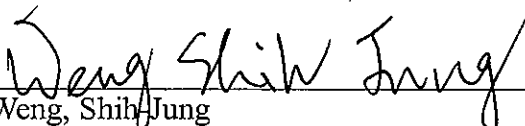
Basis for Qualified Conclusion

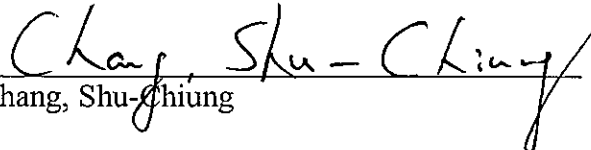
As explained in Note 4(3) B, the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets of NT\$3,562,023 thousand and NT\$1,148,064 thousand, constituting 40% and 17% of the consolidated total assets, and total liabilities of NT\$2,057,582 thousand and NT\$204,492 thousand, constituting 55% and 11% of the consolidated total liabilities as at September

30, 2018 and 2017, and total comprehensive income (including share of profit (loss) of associates and joint ventures accounted for using equity method and share of other comprehensive income of associates and joint ventures accounted for using equity method) of NT\$63,527 thousand, NT\$87,749 thousand, NT\$213,435 thousand and NT\$213,139 thousand, constituting 22%, 32%, 27% and 30% of the consolidated total comprehensive income for the three-month and nine-month periods then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2018 and 2017, and of its consolidated financial performance for the three-month and nine-month periods then ended and of its consolidated cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.


Weng, Shih Jung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

November 2, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Assets	Notes	September 30, 2018		December 31, 2017		September 30, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,480,222	16	\$ 1,657,955	24	\$ 1,530,041	22
1110	Financial assets at fair value	6(2) and						
	through profit or loss - current	12(4)	193,773	2	437,010	6	311,319	5
1120	Total current financial assets at fair	6(3)						
	value through other comprehensive							
	income		148,941	2	-	-	-	-
1125	Available-for-sale financial assets -	12(4)						
	current		-	-	136,852	2	129,753	2
1150	Notes receivable, net		-	-	234	-	262	-
1170	Accounts receivable, net	6(4)	1,162,763	13	947,224	13	1,065,791	15
1180	Accounts receivable - related	7						
	parties, net		15,699	-	8,122	-	50,874	1
1200	Other receivables		6,808	-	2,238	-	4,770	-
1210	Other receivables - related parties	7	24,174	-	61,847	1	134,313	2
130X	Inventories		56,043	1	45,351	1	47,301	1
1410	Prepayments	6(5)	290,691	3	212,829	3	161,988	2
1470	Other current assets	6(6) and 8	231,550	3	195,910	3	85,719	1
11XX	Current Assets		<u>3,610,664</u>	<u>40</u>	<u>3,705,572</u>	<u>53</u>	<u>3,522,131</u>	<u>51</u>
Non-current assets								
1517	Total non-current financial assets	6(3)						
	at fair value through other							
	comprehensive income		543	-	-	-	-	-
1543	Financial assets carried at cost -	12(4)						
	non-current		-	-	543	-	556	-
1550	Investments accounted for under	6(7)						
	equity method		405,008	5	666,510	9	680,939	10
1600	Property, plant and equipment, net	6(8) and 8	1,719,706	19	73,244	1	61,039	1
1780	Intangible assets	6(29)	136,153	2	-	-	-	-
1840	Deferred income tax assets		22,201	-	19,073	-	20,107	-
1900	Other non-current assets	6(9) and 8	3,082,336	34	2,592,187	37	2,581,042	38
15XX	Non-current assets		<u>5,365,947</u>	<u>60</u>	<u>3,351,557</u>	<u>47</u>	<u>3,343,683</u>	<u>49</u>
1XXX	Total assets		<u>\$ 8,976,611</u>	<u>100</u>	<u>\$ 7,057,129</u>	<u>100</u>	<u>\$ 6,865,814</u>	<u>100</u>

(Continued)

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2018		December 31, 2017		September 30, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 110,000	1	\$ -	-	\$ -	-
2130	Current contract liabilities	6(21)	166,631	2	-	-	-	-
2150	Notes payable		835	-	189	-	68	-
2170	Accounts payable	6(11)	599,240	7	619,687	9	665,619	10
2180	Accounts payable - related parties	7	33,607	1	28,082	-	30,772	1
2200	Other payables	6(12)	383,721	4	383,256	6	299,234	4
2220	Other payables - related parties	7	6,979	-	8,905	-	5,531	-
2230	Current income tax liabilities		98,792	1	73,464	1	36,432	1
2300	Other current liabilities	6(13)(14)	290,671	3	212,605	3	234,709	3
21XX	Current Liabilities		<u>1,690,476</u>	<u>19</u>	<u>1,326,188</u>	<u>19</u>	<u>1,272,365</u>	<u>19</u>
Non-current liabilities								
2540	Long-term borrowings	6(14)	1,338,313	15	4,000	-	92,000	1
2570	Deferred income tax liabilities		197,001	2	169,338	2	169,460	3
2600	Other non-current liabilities	6(15)	520,669	6	326,721	5	302,994	4
25XX	Non-current liabilities		<u>2,055,983</u>	<u>23</u>	<u>500,059</u>	<u>7</u>	<u>564,454</u>	<u>8</u>
2XXX	Total Liabilities		<u>3,746,459</u>	<u>42</u>	<u>1,826,247</u>	<u>26</u>	<u>1,836,819</u>	<u>27</u>
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(18)	671,051	7	668,106	9	668,044	10
Capital surplus								
3200	Capital surplus	6(19)	2,190,941	24	2,161,029	31	2,160,382	32
Retained earnings								
3310	Legal reserve	6(20)	603,629	7	527,495	7	527,495	8
3320	Special reserve		32,284	-	145	-	145	-
3350	Unappropriated retained earnings		1,250,986	14	1,359,148	19	1,195,122	17
Other equity interest								
3400	Other equity interest		(24,795)	-	(32,284)	-	(33,930)	(1)
31XX	Equity attributable to owners of the parent		<u>4,724,096</u>	<u>52</u>	<u>4,683,639</u>	<u>66</u>	<u>4,517,258</u>	<u>66</u>
36XX	Non-controlling interest	4(3)	<u>506,056</u>	<u>6</u>	<u>547,243</u>	<u>8</u>	<u>511,737</u>	<u>7</u>
3XXX	Total equity		<u>5,230,152</u>	<u>58</u>	<u>5,230,882</u>	<u>74</u>	<u>5,028,995</u>	<u>73</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		<u>\$ 8,976,611</u>	<u>100</u>	<u>\$ 7,057,129</u>	<u>100</u>	<u>\$ 6,865,814</u>	<u>100</u>

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(21) and 7	\$ 1,246,295	100	\$ 1,200,779	100	\$ 3,641,149	100	\$ 3,375,463	100
5000 Operating costs	6(25)(26) and 7	(886,506)	(71)	(862,988)	(72)	(2,613,676)	(72)	(2,416,840)	(71)
5900 Gross profit		<u>359,789</u>	<u>29</u>	<u>337,791</u>	<u>28</u>	<u>1,027,473</u>	<u>28</u>	<u>958,623</u>	<u>29</u>
Operating expenses	6(25)(26) and 7								
6200 General and administrative expenses		(48,025)	(4)	(50,474)	(4)	(133,703)	(4)	(130,105)	(4)
6000 Total operating expenses		(48,025)	(4)	(50,474)	(4)	(133,703)	(4)	(130,105)	(4)
6900 Operating profit		<u>311,764</u>	<u>25</u>	<u>287,317</u>	<u>24</u>	<u>893,770</u>	<u>24</u>	<u>828,518</u>	<u>25</u>
Non-operating income and expenses									
7010 Other income	6(22)	15,489	1	11,870	1	30,479	1	24,565	1
7020 Other gains and losses	6(23)	28,597	2	167	-	35,247	1	(11,834)	(1)
7050 Finance costs	6(24)	(1,673)	-	(938)	-	(2,800)	-	(3,148)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(7)	<u>9,282</u>	<u>1</u>	<u>60</u>	<u>-</u>	<u>33,485</u>	<u>1</u>	<u>27,612</u>	<u>1</u>
7000 Total non-operating income and expenses		<u>51,695</u>	<u>4</u>	<u>11,159</u>	<u>1</u>	<u>96,411</u>	<u>3</u>	<u>37,195</u>	<u>1</u>
7900 Profit before income tax		<u>363,459</u>	<u>29</u>	<u>298,476</u>	<u>25</u>	<u>990,181</u>	<u>27</u>	<u>865,713</u>	<u>26</u>
7950 Income tax expense	6(27)	(66,043)	(5)	(18,197)	(2)	(208,766)	(5)	(114,253)	(4)
8200 Profit for the period		<u>\$ 297,416</u>	<u>24</u>	<u>\$ 280,279</u>	<u>23</u>	<u>\$ 781,415</u>	<u>22</u>	<u>\$ 751,460</u>	<u>22</u>
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
8316 Total expenses, by nature		\$ 3,979	-	\$ -	-	\$ 13,001	-	\$ -	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-	-	-	729	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Cumulative translation differences of foreign operations		(14,458)	(1)	(1,040)	-	(6,434)	-	(39,558)	(1)
8362 Unrealized loss on valuation of available-for-sale financial assets		-	-	(1,662)	-	-	-	(7,260)	-
8300 Total other comprehensive income (loss) for the period		(\$ 10,479)	(1)	(\$ 2,702)	-	\$ 7,296	-	(\$ 46,818)	(1)
8500 Total comprehensive income for the period		<u>\$ 286,937</u>	<u>23</u>	<u>\$ 277,577</u>	<u>23</u>	<u>\$ 788,711</u>	<u>22</u>	<u>\$ 704,642</u>	<u>21</u>
Profit attributable to:									
8610 Owners of the parent		\$ 253,971	21	\$ 207,546	17	\$ 644,928	18	\$ 591,327	17
8620 Non-controlling interest		43,445	3	72,733	6	136,487	4	160,133	5
Total		<u>\$ 297,416</u>	<u>24</u>	<u>\$ 280,279</u>	<u>23</u>	<u>\$ 781,415</u>	<u>22</u>	<u>\$ 751,460</u>	<u>22</u>
Comprehensive income attributable to:									
8710 Owners of the parent		\$ 243,341	19	\$ 205,672	17	\$ 654,913	18	\$ 555,412	17
8720 Non-controlling interest		43,596	4	71,905	6	133,798	4	149,230	4
Total		<u>\$ 286,937</u>	<u>23</u>	<u>\$ 277,577</u>	<u>23</u>	<u>\$ 788,711</u>	<u>22</u>	<u>\$ 704,642</u>	<u>21</u>
Earnings per share (in dollars):									
9750 Total basic earnings per share	6(28)	<u>\$ 3.78</u>		<u>\$ 3.11</u>		<u>\$ 9.63</u>		<u>\$ 8.86</u>	
9850 Total diluted earnings per share	6(28)	<u>\$ 3.78</u>		<u>\$ 3.10</u>		<u>\$ 9.63</u>		<u>\$ 8.85</u>	

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UnAUDITED)

Notes	Equity attributable to owners of the parent							Total	Non-controlling interest	Total equity	
	Retained earnings			Other equity interest							
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on valuation of available-for-sale financial assets				Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income
For the nine-month period ended September 30, 2017											
Balance at January 1, 2017	\$ 664,614	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	\$ -	\$ -	\$ 4,682,057	\$ 582,717	\$ 5,264,774
Profit for the period	-	-	-	-	591,327	(28,937)	-	-	591,327	160,133	751,460
Other comprehensive loss	-	-	-	-	-	(28,937)	(6,978)	(6,978)	(35,915)	(10,903)	(46,818)
Total comprehensive (loss) income	-	-	-	-	591,327	(28,937)	(6,978)	(6,978)	555,412	149,230	704,642
Appropriation of 2016 earnings	-	-	-	-	(84,809)	-	-	-	-	-	-
Legal reserve	-	-	84,809	-	(84,809)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(757,173)	-	-	-	(757,173)	(220,219)	(977,392)
Employee stock options exercised	3,430	33,532	-	-	(757,173)	-	-	-	36,962	9	36,971
Balance at September 30, 2017	\$ 668,044	\$ 2,160,382	\$ 527,495	\$ 145	\$ 1,195,122	\$ 5,663	\$ -	\$ (39,593)	\$ 4,517,258	\$ 511,737	\$ 5,028,995
For the nine-month period ended September 30, 2018											
Balance at January 1, 2018	\$ 668,106	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	\$ -	\$ (32,988)	\$ 4,683,639	\$ 547,243	\$ 5,230,882
Effect of retrospective application and 12(4) retrospective restatement	-	-	-	-	1,799	-	(34,787)	(34,787)	-	-	-
Balance at 1 January, 2018 after adjustments	668,106	2,161,029	527,495	145	1,360,947	704	(34,787)	(34,787)	4,683,639	547,243	5,230,882
Profit for the period	-	-	-	-	644,928	(3,326)	-	-	644,928	136,487	781,415
Other comprehensive (loss) income	-	-	-	-	697	(3,326)	-	-	9,985	(2,689)	7,296
Total comprehensive (loss) income	-	-	-	-	645,625	(3,326)	-	-	654,913	133,798	788,711
Appropriation of 2017 earnings	-	-	-	-	(76,134)	-	-	-	-	-	-
Legal reserve	-	-	76,134	-	(76,134)	-	-	-	-	-	-
Special reserve	-	-	-	32,139	(32,139)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(647,313)	-	-	-	(647,313)	(183,364)	(830,677)
Share-based payment transactions	-	2,523	-	-	-	-	-	-	2,523	154	2,677
Employee stock options exercised	2,945	27,389	-	-	-	-	-	-	30,334	-	30,334
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	8,225	8,225
Balance at September 30, 2018	\$ 671,051	\$ 2,190,941	\$ 603,629	\$ 32,284	\$ 1,250,986	\$ (2,622)	\$ (22,173)	\$ -	\$ 4,724,096	\$ 506,056	\$ 5,230,152

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the nine-month periods ended September	
		2018	2017
		30	
		2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 990,181	\$ 865,713
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(25)	25,146	12,880
Amortization	6(25)	10,474	8,386
Interest expense	6(24)	2,800	3,148
Interest income	6(22)	(12,969)	(12,603)
Dividend income	6(22)	(3,008)	(4,056)
Salary expense-employee stock options	6(17)(26)	2,344	-
Gain on valuation of financial assets	6(2)	(1,335)	(798)
Gain on disposal of investment	6(23)	(29,403)	-
Share of profit of associates and joint ventures accounted for under equity method	6(7)	(33,485)	(27,612)
Gain on disposal of property, plant and equipment	6(23)	(128)	(1,079)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		247,975	433,439
Notes receivable, net		234	(124)
Accounts Receivable, net		(202,038)	(218,533)
Accounts receivable - related parties, net		(7,577)	33,657
Other receivables		1,328	5,723
Other receivables-related parties		30,667	897
Inventories		(10,692)	4,986
Prepaid expense		(48,035)	(51,016)
Other non-current assets		220,188	184,755
Changes in operating liabilities			
Current contract liabilities		166,631	-
Notes payable		646	68
Accounts payable		(25,693)	(35,322)
Accounts payable - related parties		5,525	3,168
Other payables		(33,186)	(42,881)
Other payables - related parties		(1,926)	3,330
Other current liabilities		(40,586)	21,685
Other non-current liabilities		2,948	(7,122)
Cash inflow generated from operations		1,257,026	1,180,689
Interest received		10,050	8,875
Dividends received		17,005	17,193
Interest paid		(2,602)	(3,261)
Income tax paid		(169,907)	(211,391)
Net cash flows from operating activities		<u>1,111,572</u>	<u>992,105</u>

(Continued)

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the nine-month periods ended September	
		2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in available-for-sale financial assets-current		\$ -	(\$ 37,883)
Decrease in other receivables-related parties		7,000	134,000
Interest received		2,536	3,399
(Increase) decrease in other current assets		(35,640)	323,872
Increase in investments accounted for under equity	6(7)		
method-non-subsidiaries		(77,500)	(89,474)
Acquisition of property, plant and equipment	6(8)	(77,012)	(19,872)
Proceeds from disposal of property, plant and equipment		263	1,195
Decrease (increase) in refundable deposits		1,679	(953)
Net cash flow from acquisition of subsidiaries (net of cash	6(29)		
acquired)		(206,659)	-
Net cash flows (used in) from investing activities		(385,333)	314,284
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term loans		(33,000)	-
Repayment of long-term loans		(90,689)	(88,000)
Increase in deposits received (shown in other non-current			
liabilities)		15,960	22,129
Employee stock options exercised		30,334	36,971
Cash dividends paid		(830,677)	(977,392)
Increase in non-controlling interests		4,100	-
Net cash flows used in financing activities		(903,972)	(1,006,292)
Net (decrease) increase in cash and cash equivalents		(177,733)	300,097
Cash and cash equivalents at beginning of period		1,657,955	1,229,944
Cash and cash equivalents at end of period		\$ 1,480,222	\$ 1,530,041

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANISATION

- (1) ECOVE Environment Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 13, 1999, and consolidated investee-Chang Ting Corporation in December, 2005.
- (2) The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in waste management. The Company’s shares were issued through an initial public offering on December 3, 2007, and have been listed in the Taiwan OTC market since May 27, 2010.
- (3) CTCI Corporation, the Company’s ultimate parent company, holds 57.31% equity interest in the Company as of September 30, 2018.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on November 2, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 9, 'Financial instruments'

- A. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- B. The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- C. The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

In adopting the new standards endorsed by the FSC effective from 2018, the Group applied the new rules under IFRS 9 using the modified restrospective approach from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standard as of January 1, 2018 are summarised below:

In accordance with IFRS 9, the Group reclassifies available-for-sale financial assets and financial assets at cost in the amounts of \$136,852 and \$543, respectively, and makes an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$137,395.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

In adopting IFRS 16 'Lease', the Group has elected not to restate prior period financial statements and classified the effects on the lease contract of lessee to January 1, 2019 in accordance with IFRS 16.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has no material impact to the Group.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparations, basis of consolidation, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, impairment loss on financial assets, employee benefits, income tax and revenue recognition as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements on December 31, 2017 and September 30, 2017 were not restated. The financial statements for the year ended December 31, 2017 and the nine-month period ended September 30, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), and related financial reporting interpretations. Please refer to Note 12(4) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2017.

B. Subsidiaries included in the consolidated financial statements:

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
ECOVE Environment Corp.	ECOVE Waste Management Corp.	Environmental engineering	100.00	100.00	100.00	
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Environmental engineering	74.999	74.999	74.999	
ECOVE Environment Service Corp.			0.001	0.001	0.001	
ECOVE Environment Corp.	ECOVE Environment Service Corp.	Environmental engineering	93.15	93.15	93.15	
ECOVE Waste Management Corp.			0.01	0.01	0.01	
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Environmental engineering	98.00	98.00	98.00	
ECOVE Environment Service Corp.			2.00	2.00	2.00	

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Environmental engineering	60.00	60.00	60.00	Note 2
ECOVE Waste Management Corp.			40.00	40.00	40.00	
ECOVE Environment Service Corp.	SINOGAL-Waste Services Co., Ltd.	Environmental engineering	30.00	30.00	30.00	Notes 1 and 2
ECOVE Environment Service Corp.	ECOVE Environment	Environmental engineering	100.00	100.00	100.00	Note 2
ECOVE Environment Corp.	ECOVE Solvent Recycling Corporation	Environmental engineering	89.99	-	-	Notes 2 and 3
ECOVE Environment Service Corp.			0.01	-	-	
ECOVE Environment Corp.	G.D. Development Corp.	Energy sector	100.00	49.99	49.99	Note 2 and 4
ECOVE Environment Service Corp.			-	0.01	0.01	
G.D. Development Corp.	G.D. Electric Power Corp.	Energy sector	100.00	100.00	100.00	Note 2 and 4
G.D. Development Corp.	G.D. Central Corporation Ltd.	Energy sector	100.00	100.00	100.00	Note 2 and 4
G.D. Development Corp.	G.D. South Corporation Ltd.	Energy sector	100.00	100.00	100.00	Note 2 and 4
G.D. Development Corp.	G.D. International, LLC.	Energy sector	100.00	100.00	100.00	Note 2 and 4
G.D. International, LLC.	Lumberton Solar W2-090, LLC.	Energy sector	100.00	100.00	100.00	Note 2 and 4

Note 1: Included in the consolidated financial statements due to the Company's control of subsidiary's finance, operation and personnel.

Note 2: The financial statements of the entity as of and for the nine-month periods ended September 30, 2018 and 2017 were not reviewed by independent accountants as the entity did not meet the definition of a significant subsidiary.

Note 3: In May 2018, the Company acquired ECOVE Solvent Recycling Corporation by cash, which became a subsidiary whose 90% equity was directly and indirectly held by the Company, and the subsidiary was consolidated into financial statements from the date of acquisition.

Note 4: On September 20, 2018, the Company acquired 50% of the shares of G.D. Development Corp. by cash. The acquired company became a wholly-owned subsidiary and was consolidated from the date on which control was obtained.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of September 30, 2018, December 31, 2017 and September 30, 2017, the non-controlling interest amounted to \$506,056, \$547,243 and \$511,737, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		September 30, 2018		December 31, 2017		September 30, 2017	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
ECOVE Miaoli Energy Corp.	Taiwan	\$ 325,650	25.00%	\$ 335,978	25.00%	\$ 326,731	25.00%
SINOGAL-Waste Services Co., Ltd.	Macau	112,003	70.00%	148,558	70.00%	127,551	70.00%

Summarized financial information of the subsidiaries:

Balance sheets

ECOVE Miaoli Energy Corp.			
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 234,795	\$ 173,463	\$ 213,120
Non-current assets	1,365,799	1,463,676	1,494,764
Current liabilities	(225,479)	(225,856)	(245,053)
Non-current liabilities	(72,515)	(67,372)	(155,906)
Total net assets	\$ 1,302,600	\$ 1,343,911	\$ 1,306,925

SINOGAL-Waste Services Co., Ltd.			
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 361,776	\$ 408,081	\$ 376,606
Non-current assets	6,720	9,969	11,178
Current liabilities	(149,980)	(151,175)	(151,264)
Non-current liabilities	(58,511)	(54,650)	(54,304)
Total net assets	\$ 160,005	\$ 212,225	\$ 182,216

Statements of comprehensive income

<u>ECOVE Miaoli Energy Corp.</u>		
For the three-month periods ended		
September 30,		
	2018	2017
Revenue	\$ 87,883	\$ 95,094
Profit before income tax	45,561	49,537
Income tax expense	(9,112)	(8,418)
Profit for the period	36,449	41,119
Total comprehensive income for the period	\$ 36,449	\$ 41,119
Comprehensive income attributable to non-controlling interest	\$ 9,112	\$ 10,280
Dividends paid to non-controlling interest	\$ 33,592	\$ 35,063

<u>ECOVE Miaoli Energy Corp.</u>		
For the nine-month periods ended		
September 30,		
	2018	2017
Revenue	\$ 256,276	\$ 263,585
Profit before income tax	130,305	135,696
Income tax expense	(37,248)	(23,262)
Profit for the period	93,057	112,434
Other comprehensive loss, net of tax	(37)	-
Total comprehensive income for the period	\$ 93,020	\$ 112,434
Comprehensive income attributable to non-controlling interest	\$ 23,255	\$ 28,109
Dividends paid to non-controlling interest	\$ 33,592	\$ 35,063

<u>SINOGAL-Waste Services Co., Ltd.</u>		
For the three-month periods ended		
September 30,		
	2018	2017
Revenue	\$ 149,550	\$ 172,689
Profit before income tax	40,935	44,815
Income tax (expense) benefit	(176)	32,933
Profit for the period	40,759	77,748
Other comprehensive income (loss), net of tax	63	(1,022)
Total comprehensive income for the period	\$ 40,822	\$ 76,726
Comprehensive income attributable to non-controlling interest	\$ 28,575	\$ 53,708

SINO GAL-Waste Services Co., Ltd.		
For the nine-month periods ended		
September 30,		
	2018	2017
Revenue	\$ 486,562	\$ 529,499
Profit before income tax	134,960	139,358
Income tax (expense) benefit	(515)	21,764
Profit for the period	134,445	161,122
Other comprehensive loss, net of tax	(4,439)	(13,909)
Total comprehensive income for the period	\$ 130,006	\$ 147,213
Comprehensive income attributable to non-controlling interest	\$ 91,004	\$ 103,049
Dividends paid to non-controlling interest	\$ 127,558	\$ 154,993

Statements of cash flows

ECOVE Miaoli Energy Corp.		
For the nine-month periods ended		
September 30,		
	2018	2017
Net cash provided by operating activities	\$ 195,114	\$ 156,850
Net cash used in by investing activities	(73)	66,944
Net cash used in financing activities	(222,368)	(228,253)
Decrease in cash and cash equivalents	(27,327)	(4,459)
Cash and cash equivalents, beginning of period	28,303	5,670
Cash and cash equivalents, end of period	\$ 976	\$ 1,211

SINO GAL-Waste Services Co., Ltd.		
For the nine-month periods ended		
September 30,		
	2018	2017
Net cash provided by operating activities	\$ 207,498	\$ 179,738
Net cash provided by investing activities	116,998	34,056
Net cash used in financing activities	(192,042)	(218,090)
Increase (decrease) in cash and cash equivalents	132,454	(4,296)
Cash and cash equivalents, beginning of period	3,175	88,123
Cash and cash equivalents, end of period	\$ 135,629	\$ 83,827

(4) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial assets at fair value with any gain or loss recognised in profit or loss.

(5) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(6) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(7) Intangible assets

Goodwill arises in a business combination accounted for by applying the acquisition method.

(8) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(9) Employee benefits

A. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

- iii. Past service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation 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. And, the related information is disclosed accordingly.

B. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

C. Employees' compensation directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequent actual distributed amounts is accounted for as a change in estimate.

(10) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures, to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pre-tax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(11) Revenue recognition

A. Service concession arrangements

- (a) The Group contracted with the government (grantor) a service concession arrangement whereby the Group shall provide construction of the government's infrastructure assets for public services and operate those assets during the term of the arrangement, and when the term of the operating period expires, the underlying infrastructure assets will be transferred to the government without consideration. The Group allocates the fair value of the consideration received or receivable in respect of the service concession arrangement between construction services and operating services provided based on their relative fair values, and recognises such allocated amounts as revenue in accordance with IFRS 15, 'Revenue from contracts with customers'.
- (b) Costs incurred on provision of construction services or upgrading services under a service concession arrangement are accounted for in accordance with IFRS 15, 'Revenue from contracts with customers'.
- (c) The consideration received or receivable from the grantor in respect of the service concession arrangement is recognised at its fair value. Such considerations are recognised as a financial asset or an intangible asset based on how the considerations from the grantor to the operator

are made as specified in the arrangement. The Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services, and recognises an intangible asset to the extent that it receives a right (a licence) to charge users of the public service.

B. Other revenue (revenue other than service concession arrangements)

Revenues are recognised when the earning process is substantially completed and is realised or realisable. Costs and expenses are recognised as incurred.

(12) Government grant

The government grant is reasonably convinced that the company will comply with the conditions attached to the government grant and will recognise the grant at fair value. If the nature of the government grant is to compensate the expenses incurred by the Group, the government grant is recognised as current profit and loss on a systematic basis during the period in which the related expenses are incurred.

(13) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates

concerning future events. Judgements and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The Group has no critical accounting judgements, estimates and assumption uncertainty.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash on hand and revolving funds	\$ 10,446	\$ 10,032	\$ 10,037
Checking accounts and demand deposits	563,019	378,457	466,177
Time deposits	906,757	1,269,466	1,053,827
Total	<u>\$ 1,480,222</u>	<u>\$ 1,657,955</u>	<u>\$ 1,530,041</u>

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(2) Financial assets at fair value through profit or loss

<u>Items</u>	<u>September 30, 2018</u>
Currents items	
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ 193,304
Valuation adjustment	469
Total	<u>\$ 193,773</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>For the three-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<u>\$ 258</u>	<u>\$ 1,335</u>

B. Information relating to credit risk is provided in Note 12(2).

C. The information on financial assets at fair value through profit or loss as of December 31, 2017 and September 30, 2017 is provided in Note 12(4).

(3) Financial assets at fair value through other comprehensive income

Items	September 30, 2018
Current items:	
Debt instrument	
Corporate bond	\$ 30,394
Valuation adjustment	(3,813)
Subtotal	26,581
Equity instruments	
Listed stocks	143,111
Valuation adjustment	(20,751)
Subtotal	122,360
Total	\$ 148,941
Non-current items:	
Equity instruments	
Unlisted stocks	\$ 2,342
Valuation adjustment	(1,799)
Subtotal	543
Total	\$ 543

A. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the three-month period ended September 30, 2018	For the nine-month period ended September 30, 2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 3,947	\$ 12,940
<u>Debt instruments at fair value through other comprehensive income</u>		
Exchange gains recognised in profit or loss	(\$ 1,017)	(\$ 897)
Fair value change recognised in other comprehensive income	\$ 32	\$ 61

B. Information relating to credit risk is provided in Note 12(2).

C. The information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 and September 30, 2017 is provided in Note 12(4).

(4) Accounts receivable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts receivable	\$ 886,848	\$ 679,504	\$ 800,685
Long-term accounts receivable - due in one year	275,915	267,720	265,106
	<u>\$ 1,162,763</u>	<u>\$ 947,224</u>	<u>\$ 1,065,791</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current	\$ 962,117	\$ 835,453	\$ 975,799
Up to 120 days	120,214	53,405	54,830
121 to 180 days	50,650	29,667	29,616
Over 181 days	29,782	28,699	5,546
	<u>\$ 1,162,763</u>	<u>\$ 947,224</u>	<u>\$ 1,065,791</u>

B. The above ageing analysis was based on invoice date.

C. For details on the long-term accounts receivable – due in one year, please refer to Note 6(9).

D. Information relating to credit risk of account receivable is provided in Note 12(2).

(5) Prepayments:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Prepayments for material purchases	\$ 195,558	\$ 163,753	\$ 72,732
Prepaid rents	3,825	2,711	2,132
Prepaid insurance premiums	11,757	7,094	8,431
Air pollution fee	-	-	54,267
Others	79,551	39,271	24,426
	<u>\$ 290,691</u>	<u>\$ 212,829</u>	<u>\$ 161,988</u>

Information on air pollution fee is provided in Note 9 (5).

(6) Other current assets

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Restricted bank deposits	\$ 21,624	\$ 10,000	\$ -
Other financial assets (Note)	209,926	185,910	85,719
	<u>\$ 231,550</u>	<u>\$ 195,910</u>	<u>\$ 85,719</u>

Note: The above assets consists of time deposits with maturity over three months.

(7) Investments accounted for under the equity method

	2018	2017
At January 1	\$ 666,510	\$ 594,024
Addition of investments accounted for using the equity method	77,500	89,474
Transformation to a subsidiary	(358,790)	-
Share of profit or loss of investments accounted for using the equity method	33,485	27,612
Earnings distribution of investments accounted for using equity method	(13,997)	(13,137)
Changes in other equity items	300	(17,034)
At September 30	<u>\$ 405,008</u>	<u>\$ 680,939</u>

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Associates:			
CTCI Chemicals Corp.	\$ 61,651	\$ 61,943	\$ 58,427
GranSino Environmental Technology Co., Ltd.	-	-	5,309
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	293,357	293,441	305,872
Ever Ecove Corporation	50,000	-	-
Joint ventures:			
G.D. Development Corp.	-	311,126	311,331
	<u>\$ 405,008</u>	<u>\$ 666,510</u>	<u>\$ 680,939</u>

A. Associates

(a) The basic information of the associates that is material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		September 30, 2018	December 31, 2017	September 30, 2017		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Is.	20.00%	20.00%	20.00%	Associates	Equity method

(b) The summarized financial information of the associate that is material to the Group is as follows:

Balance sheet

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)		
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 979,629	\$ 334,230	\$ 938,240
Non-current assets	406,674	747,923	598,084
Current liabilities	(303,420)	(2,673)	(395,965)
Total net assets	<u>\$ 1,082,883</u>	<u>\$ 1,079,480</u>	<u>\$ 1,140,359</u>
Share in associate's net assets	<u>\$ 216,577</u>	<u>\$ 215,896</u>	<u>\$ 228,072</u>
Carrying amount of the associate	<u>\$ 293,357</u>	<u>\$ 293,441</u>	<u>\$ 305,872</u>

Statement of comprehensive income

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the three-month periods ended September 30,	
	2018	2017
Revenue	\$ 448,205	\$ 294,180
Gain (loss) for the period from continuing operations	11,565	(17,086)
Other comprehensive (loss) gain, net of tax	(54,889)	7,977
Total comprehensive loss	<u>(\$ 43,324)</u>	<u>(\$ 9,109)</u>

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the nine-month periods ended September 30,	
	2018	2017
Revenue	\$ 1,101,682	\$ 950,634
Gain for the period from continuing operations	18,511	34,931
Other comprehensive loss, net of tax	(22,455)	(33,088)
Total comprehensive (loss) income	<u>(\$ 3,944)</u>	<u>\$ 1,843</u>

- (c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of September 30, 2018, December 31, 2017 and September 30, 2017, the carrying amount of the Group's individually immaterial associates amounted to \$111,651, \$61,943 and \$63,736, respectively.

	For the three-month periods ended September 30,	
	2018	2017
Total comprehensive income	\$ 3,458	\$ 3,165

	For the nine-month periods ended September 30,	
	2018	2017
Total comprehensive income	\$ 13,357	\$ 12,011

B. Joint venture

- (a) The basic information of the joint venture that is material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		September 30, 2018	December 31, 2017	September 30, 2017		
G.D. Development Corp.	Taiwan	100%	50%	50%	Joint venture	Equity method

(b) The summarized financial information of the joint venture that is material to the Group is as follows:

Balance sheet

	<u>G.D. Development Corp.</u>	
	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash and cash equivalents	\$ 101,988	\$ 70,271
Other current assets	11,483	204,480
Current assets	<u>113,471</u>	<u>274,751</u>
Non-current assets	1,031,074	761,712
Total assets	<u>\$ 1,144,545</u>	<u>\$ 1,036,463</u>
Current financial liabilities	\$ 197,049	\$ 118,960
Other current liabilities	51,160	29,453
Current liabilities	<u>248,209</u>	<u>148,413</u>
Non-current liabilities	274,084	265,366
Total liabilities	<u>\$ 522,293</u>	<u>\$ 413,779</u>
Total net assets	<u>\$ 622,252</u>	<u>\$ 622,684</u>
Share in joint venture's net assets	<u>\$ 311,126</u>	<u>\$ 311,342</u>
Carrying amount of the joint venture	<u>\$ 311,126</u>	<u>\$ 311,331</u>

Statement of comprehensive income

	<u>G.D. Development Corp.</u>	
	<u>For the three-month periods ended</u>	
	<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Revenue	\$ 12,384	\$ 10,827
Depreciation and amortisation	(5,383)	(4,004)
Interest income	166	227
Interest expense	(2,492)	(1,428)
Profit before income tax	12,729	618
Income tax (expense) benefit	(2,183)	602
Profit for the period	10,546	1,220
Other comprehensive loss, net of tax	(608)	(1,866)
Total comprehensive income (loss)	<u>\$ 9,938</u>	<u>(\$ 646)</u>

		G.D. Development Corp.	
		For the nine-month periods ended	
		September 30,	
		2018	2017
Revenue	\$	41,927	\$ 30,956
Depreciation and amortisation		(16,135)	(11,929)
Interest income		404	930
Interest expense		(5,910)	(4,365)
Profit before income tax		39,676	22,021
Income tax expense		(5,220)	(1,609)
Profit for the period		34,456	20,412
Other comprehensive gain (loss), net of tax		7,930	(20,857)
Total comprehensive income (loss)	\$	42,386	(\$ 445)

C. Explanation of the Group's holding G.D. Development Corp

- (a) The Group and Gintech Energy Corp. established the joint venture - G.D. Development Corp., the main activity of which is energy technology services. The Group held 50% equity of G.D. Development Corp..
- (b) The Board of Directors had resolved to invest in G.D. Development Corp., in March, 2018 and December, 2016. The Group invested in G.D. Development Corp., amounting to \$27,500 and \$89,474 in March, 2018 and February, 2017, respectively.
- (c) On September 20, 2018, the Group acquired 50% of the shares of G.D. Development Corp. by cash. The acquired company became a wholly-owned subsidiary and was consolidated from the date on which control was obtained. Please refer to Note 6(29) for more information.

D. In August 2018, the Group acquired 5% of the shares of EVER ECOVE Corporation for \$50,000 in accordance with the resolution of the Board of Directors adopted in their meeting on July 30, 2018. The Group's ownership in EVER ECOVE Corporation is less than 20%, but the combined ownership of the Group and its ultimate parent in EVER ECOVE Corporation is 30%, therefore this investment is accounted for using the equity method.

E. The liquidation of GranSino Environmental Technology Co., Ltd. has been completed in September, 2017. GranSino Environmental Technology Co., Ltd. returned shares amounting to \$5,127 and recognised loss on disposal of investments in the amount of \$182.

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery	Transportation	Unfinished construction	Others	Total
<u>At January 1, 2018</u>							
Cost	\$ -	\$ -	\$ 87,542	\$ 106,933	\$ -	\$ 7,505	\$ 201,980
Accumulated depreciation	-	-	(52,406)	(73,254)	-	(3,076)	(128,736)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,136</u>	<u>\$ 33,679</u>	<u>\$ -</u>	<u>\$ 4,429</u>	<u>\$ 73,244</u>
<u>Nine-month period ended September 30, 2018</u>							
Opening net book amount	\$ -	\$ -	\$ 35,136	\$ 33,679	\$ -	\$ 4,429	\$ 73,244
Additions	-	-	5,354	760	64,013	6,885	77,012
Acquired from business acquisition	172,038	516	1,429,080	129	-	288	1,602,051
Disposals	-	-	(135)	-	-	-	(135)
Depreciation charge	-	(69)	(16,865)	(6,013)	-	(2,199)	(25,146)
Net exchange differences	(1,003)	-	(6,322)	2	-	3	(7,320)
Closing net book amount	<u>\$ 171,035</u>	<u>\$ 447</u>	<u>\$ 1,446,248</u>	<u>\$ 28,557</u>	<u>\$ 64,013</u>	<u>\$ 9,406</u>	<u>\$ 1,719,706</u>
<u>At September 30, 2018</u>							
Cost	\$ 171,035	\$ 1,163	\$ 1,822,027	\$ 107,647	\$ 64,013	\$ 14,872	\$ 2,180,757
Accumulated depreciation	-	(716)	(375,779)	(79,090)	-	(5,466)	(461,051)
	<u>\$ 171,035</u>	<u>\$ 447</u>	<u>\$ 1,446,248</u>	<u>\$ 28,557</u>	<u>\$ 64,013</u>	<u>\$ 9,406</u>	<u>\$ 1,719,706</u>

	<u>Machinery</u>	<u>Transportation</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2017</u>				
Cost	\$ 82,439	\$ 99,240	\$ 6,115	\$ 187,794
Accumulated depreciation	(48,534)	(81,891)	(2,936)	(133,361)
	<u>\$ 33,905</u>	<u>\$ 17,349</u>	<u>\$ 3,179</u>	<u>\$ 54,433</u>
<u>Nine-month period ended September 30, 2017</u>				
Opening net book amount	\$ 33,905	\$ 17,349	\$ 3,179	\$ 54,433
Additions	8,178	11,368	326	19,872
Disposals	(116)	-	-	(116)
Depreciation charge	(8,014)	(3,942)	(924)	(12,880)
Net exchange differences	(211)	(41)	(18)	(270)
Closing net book amount	<u>\$ 33,742</u>	<u>\$ 24,734</u>	<u>\$ 2,563</u>	<u>\$ 61,039</u>
<u>At September 30, 2017</u>				
Cost	\$ 86,052	\$ 103,315	\$ 6,090	\$ 195,457
Accumulated depreciation	(52,310)	(78,581)	(3,527)	(134,418)
	<u>\$ 33,742</u>	<u>\$ 24,734</u>	<u>\$ 2,563</u>	<u>\$ 61,039</u>

Information about the property plant and equipment that were pledged to others as collateral is provided in Note 8.

(9) Other non-current assets

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Long-term accounts receivable	\$ 2,481,853	\$ 2,682,643	\$ 2,746,958
Less: Current portion	(275,915)	(267,720)	(265,106)
	2,205,938	2,414,923	2,481,852
Long-term prepaid rents	38,815	43,297	44,791
Accrued recovery cost	18,425	24,091	20,423
Refundable deposits	18,198	12,916	12,425
Air pollution fee	54,267	54,267	-
Prepayments for business facilities	716,154	40,500	-
Restricted bank deposits	-	-	10,000
Others	30,539	2,193	11,551
	<u>\$ 3,082,336</u>	<u>\$ 2,592,187</u>	<u>\$ 2,581,042</u>

A. The Group entered into contracts with certain governments (grantors) for service concession arrangements. The consideration received or receivable from the grantor in respect of the service concession arrangement is recognized at its fair value. Such considerations are recognized as a financial asset based on how the considerations from the grantor to the operator are made as specified in the arrangement. Assets that are expected to be realized within twelve months from the balance sheet date are classified as "accounts receivable" (please refer to Note 6(4)); assets that are expected to be realized over twelve months from the balance sheet date are classified as

“long-term accounts receivable”. The other terms of the agreement are as follows:

- (a) The subsidiary, ECOVE Wujih Energy Corp., obtained the operation for the construction of Wujih Refuse Incineration Plant by build - operate - transfer (BOT) mode since April, 2000. In September, 2000, the “Waste incineration, Taichung City commission contract” between ECOVE Wujih Energy Corp. and Taichung City Government had been signed. The operating period is for 20 years starting from September 6, 2004. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended, but not to exceed 50 years. In order to work the “Waste Incineration Taichung City Commission Contract”, ECOVE Wujih Energy Corp. obtained the land-use right of Wujih Refuse Incineration Plant. Therefore, duration of the land-use right has continued for 20 years since the plant began operating.
 - (b) The subsidiary, ECOVE Miaoli Energy Corp., obtained the operation for the construction of Miaoli County Refuse Incineration Plant by build - operate - transfer (BOT) mode since August, 2002. In September, 2002, the “Waste Incineration Commission Contract” between ECOVE Miaoli Energy Corp. and Miaoli County Government had been signed. The operating period is for 20 years starting February 29, 2008. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended. In order to work the “Waste Incineration Miaoli County Commission Contract”, ECOVE Miaoli Energy Corp. obtained the land-use right of Miaoli Refuse Incineration Plant. Therefore, duration of the land-use right is from September 13, 2002 to March 12, 2026.
 - (c) ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. needs to deal with the guarantee tonnage of waste from government according to the contract during construction or operation.
 - (d) Per Service cost is calculated and adjusted based on the “Waste Incineration Commission Contract”, “Index of Average Regular Earnings of Employees–Manufacturing” and “Consumer Price Index”.
- B. Long-term prepaid rents are due to ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. obtaining the land-use right according to the “BOT”. As of September 30, 2018, December 31, 2017 and September 30, 2017, ECOVE Wujih Energy Corp. needs to pay long-term prepaid rent amounting to \$21,709, \$24,461 and \$25,378, respectively. As of September 30, 2018, December 31, 2017 and September 30, 2017, ECOVE Miaoli Energy Corp. needs to pay long-term prepaid rent amounting to \$17,106, \$18,836 and \$19,413, respectively.
- C. Accrued recovery cost are due to the contracts for the operation and maintenance service of refuse incineration plant between the subsidiaries, ECOVE Environment Service Corp. and SINO GAL - Waste Services Co., Ltd., and the grantors, requiring recovery of refuse incineration plant, related machinery and equipment when the contract expires. The Group has estimated the related recovery cost when the service contracts expire and amortizes it over the contract lives.

D. For details of the restricted bank deposits and refundable deposits, please refer to Note 8.

E. Information on air pollution fee is provided in Note 9(5).

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Mega Bank	\$ 22,000	1.10%	-
Far Eastern International Bank	43,000	1.42%	-
Bank SinoPac	45,000	0.96%	-
	<u>\$ 110,000</u>		

(11) Accounts payable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Materials payable	\$ 29,634	\$ 54,641	\$ 32,078
Sub-contract costs payable	43,452	57,627	42,387
Incinerator equipment costs payable	38,842	40,936	54,631
Maintenance costs payable	388,434	338,051	409,037
Others	98,878	128,432	127,486
	<u>\$ 599,240</u>	<u>\$ 619,687</u>	<u>\$ 665,619</u>

(12) Other payables

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accrued payroll	\$ 235,466	\$ 272,125	\$ 216,611
Other payables	148,255	111,131	82,623
	<u>\$ 383,721</u>	<u>\$ 383,256</u>	<u>\$ 299,234</u>

(13) Other current liabilities

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other current liabilities			
Long-term liabilities-current portion	\$ 261,545	\$ 176,000	\$ 176,000
Receipts in advance	29,126	36,605	58,709
	<u>\$ 290,671</u>	<u>\$ 212,605</u>	<u>\$ 234,709</u>

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	Financing amount	Actual spending	September 30, 2018
Subsidiary - ECOVE Miaoli Energy Corporation	From November, 2010 to April, 2019, interest is calculated and paid monthly	1.3875%	Machinery and accessory equipment or construction site facilities	\$ 523,200	\$ 523,200	\$ 92,000
Mega International Commercial Bank secured loans (Notes 1)						
Subsidiary - ECOVE Solvent Recycling Corporation	From September, 2014 to September, 2021, interest is calculated and paid monthly	2.30%	Land and buildings	29,500	29,500	27,300
Chang Hwa Bank secured loans (Note 3)						
Subsidiary - G.D. Development Corp. The Shanghai Commercial&Savings Bank	From June, 2018 to June, 2033, interest is calculated and paid monthly	1.7%	G.D. Development Corp. issued a promissory note in the amount of \$310,000 thousand and the Company acted as guarantor	310,000	310,000	307,324
Secured borrowings						
Subsidiary - G.D. Development Corp.	From May, 2015 to May, 2021, interest is calculated and paid monthly	1.5%	G.D. Development Corp. issued a promissory note in the amount of \$161,690 thousand and the Company acted as guarantor	220,000	214,151	155,688
KGI Bank						
Secured borrowings						
Subsidiary - G.D. Development Corp.	From June, 2016 to August, 2030, interest is calculated and paid monthly	2.10%	Guaranteed by the Company	155,000	154,744	143,743
Chang Hwa Bank						
Secured borrowings						
Subsidiary - G.D. Electric Power Corp. First Commercial Bank	From January, 2014 to December, 2029, interest is calculated and paid monthly	1.7%	G.D. Development Corp. issued a promissory note in the amount of \$81,760 thousand and acted as guarantor	108,000	107,735	79,498
Secured borrowings						
Subsidiary - G.D. Electric Power Corp. Sino Pac Bank	From August, 2014 to August, 2030, interest is calculated and paid monthly	1.6%	G.D. Development Corp. issued a promissory note in the amount of \$124,830 thousand and acted as guarantor	149,800	129,457	121,134
Secured borrowings						

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	Financing amount	Actual spending	September 30, 2018
Subsidiary -G.D. Electric Power Corp.	From August, 2018 to August, 2023, interest is calculated and paid monthly	1.6%	G.D. Development Corp. issued a promissory note in the amount of \$280,000 thousand and acted as guarantor	280,000	140,000	140,000
Sino Pac Bank Secured borrowings						
Subsidiary -G.D. Electric Power Corp.	From June, 2015 to June, 2030, interest is calculated and paid monthly	1.7%	G.D. Development Corp. issued a promissory note in the amount of \$25,650 thousand and acted as guarantor	38,430	26,456	24,951
Hua Nan Commercial Bank Secured borrowings						
Subsidiary -G.D. Electric Power Corp.	From September 2015 to September 2020, principal is paid quarterly and interest is paid monthly	2.0%	G.D. Development Corp. issued a promissory note in the amount of \$27,000 thousand and acted as guarantor	27,000	11,500	5,020
Far Eastern International Bank Secured borrowings						
Subsidiary -G.D. Electric Power Corp.	From November, 2017 to November, 2032, interest is calculated and paid monthly	2.0%	G.D. Development Corp. issued a promissory note in the amount of \$85,000 thousand and acted as guarantor	100,000	85,000	82,570
KGI Bank Secured borrowings						
Subsidiary-LUMBERTON SOLAR	From September, 2017 to August, 2023, interest is calculated and paid monthly	4.9%	G.D. Development Corp. issued a promissory note in the amount of USD \$14,640 thousand and acted as guarantor	446,491	446,491	420,630
Sino Pac Bank Secured borrowings						
Less: Current portion						(261,545)
						\$ 1,338,313

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Financing amount</u>	<u>Actual spending</u>	<u>December 31, 2017</u>
Subsidiary - ECOVE Miaoli Energy Corporation					
Mega International Commercial Bank secured loans (Notes 1)	From November, 2010 to April, 2019, interest is calculated and paid monthly	1.3874%	\$ 523,200	\$ 523,200	\$ 180,000
Less: Current portion					(176,000)
					<u>\$ 4,000</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Financing amount</u>	<u>Actual spending</u>	<u>September 30, 2017</u>
Subsidiary - ECOVE Miaoli Energy Corporation					
Mega International Commercial Bank secured loans (Notes 1 and 2)	From September, 2010 to April, 2019, interest is calculated and paid monthly	1.3877%	\$ 681,600	\$ 681,600	\$ 268,000
Less: Current portion					(176,000)
					<u>\$ 92,000</u>

Note 1. Collateral: Secured by the assets and equity, including machineries and other equipment constructed or acquired, under the Miaoli County Government project of "Miaoli BOT Incinerator Build-operate plan".

Note 2. ECOVE Miaoli Energy Corp. committed to maintain the following financial ratios and criteria during the period of the contract:

- i) Current ratio is above 100%,
- ii) Debt ratio (Total Liabilities/Net Value) is under 190%,
- iii) Time interest earned is above 150%.

Note 3: ECOVE Solvent Recycling Corporation committed that if the construction has finished, ECOVE Solvent Recycling Corporation will complete the registration of ownership on the construction and pledge with the building lot in first priority to Chang Hwa Bank.

(15) Other non-current liabilities

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Net defined benefit liability	\$ 36,830	\$ 36,059	\$ 28,091
Accrued recovery costs	92,365	92,034	98,400
Guaranteed deposits received	184,066	166,555	149,803
Deferred revenue	171,561	-	-
Others	35,847	32,073	26,700
	<u>\$ 520,669</u>	<u>\$ 326,721</u>	<u>\$ 302,994</u>

A. For details of the accrued recovery costs, please refer to Note 6(9) C.

B. The deferred revenue represents cash grants received from the state government of New Jersey for the construction and operation of the Lumberton solar power plant. The construction period for the solar power plant was 15 years.

(16) Pensions

A. Defined benefit pension plan

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standard Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The Group recognized pension expenses of \$1,563, \$2,491, \$4,734 and \$6,103 in the statement of comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to \$5,709.

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2018 and 2017 were \$6,597, \$6,041, \$19,994 and \$18,595, respectively.
- (c) SINO GAL-Waste Services Co., Ltd. has a funded defined contribution plan, covering all regular employees. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the local government are based on employees’ monthly salaries and wages. The pension costs under the defined contribution pension plan for the three-month and nine-month periods ended September 30, 2018 and 2017, were \$2,005, \$2,026, \$5,895 and \$6,030, respectively.

(17) Share-based payment

A. For the nine-month periods ended September 30, 2018 and 2017, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Fourth plan of employee stock options	2011.6.17	1,200 units	6 years	Service of 2 years
Fifth plan of employee stock options	2012.6.28	1,200 units	6 years	Service of 2 years
Sixth plan of employee stock options	2018.7.9	1,500 units	6 years	Service of 2 years

B. The above employee stock options are as follows:

(a) Details of the fourth plan of employee stock options outstanding as of September 30, 2018 and 2017, are as follows:

Stock options	For the nine-month periods ended September 30,			
	2018		2017	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	3.00	NT\$ 106.30	215.25	NT\$ 106.30
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	(3.00)	NT\$ 106.30	-	-
Options exercised	-	-	(212.25)	NT\$ 106.30
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	3.00	NT\$ 106.30
Options exercisable at end of period	-	-	3.00	NT\$ 106.30

(b) Details of the fifth plan of employee stock options outstanding as of September 30, 2018 and 2017, are as follows:

	For the nine-month periods ended September 30,			
	2018		2017	
	No. of units	Weighted-average	No. of units	Weighted-average
	(in thousands)	exercise price	(in thousands)	exercise price
		(in dollars)		(in dollars)
<u>Stock options</u>				
Options outstanding at beginning of period	298.25	NT\$ 103.00	435.25	NT\$ 110.00
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	(3.75)	-	-	-
Options exercised	(294.50)	NT\$ 103.00	(130.75)	NT\$ 103.00
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	<u>304.50</u>	NT\$ 103.00
Options exercisable at end of period	-	-	<u>304.50</u>	NT\$ 103.00

(c) Details of the sixth plan of employee stock options outstanding as of September 30, 2018, are as follows:

	For the nine-month periods ended September 30, 2018	
	No. of units	Weighted-average
	(in thousands)	exercise price
		(in dollars)
<u>Stock options</u>		
Options outstanding at beginning of period	-	-
Options granted	1,500.00	NT\$173.50
Options waived	-	-
Options exercised	-	-
Options revoked	-	-
Options outstanding at end of period	<u>1,500.00</u>	NT\$173.50
Options exercisable at end of period	<u>1,500.00</u>	NT\$173.50

C. The weighted-average stock price of stock options at exercise dates for the nine-month periods ended September 30, 2018 and 2017 was NT\$172.55 and NT\$173.79 (in dollars), respectively.

D. As of September 30, 2018, December 31, 2017 and September 30, 2017, the range of exercise prices of stock options outstanding was NT\$103.0, NT\$103.0~NT\$110.0 and

NT\$103~NT\$106.3 (in dollars), respectively; the weighted-average remaining contractual period was as follows:

Type of arrangement	September 30, 2018	December 31, 2017	September 30, 2017
Fourth plan of employee stock options	-	-	-
Fifth plan of employee stock options	-	0.50 years	0.75 years
Sixth plan of employee stock options	5.75 years	-	-

E. For the stock options granted after January 1, 2008, with compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The information is as follows:

Type of arrangement	Grant date	Market value (Note)	Exercise price	Expected price volatility	Expected duration	Expected dividend yield rate	Risk-free interest rate	Fair value per unit (in dollars)
Fourth plan of employee stock options	2011.6.17	NT\$146.0	NT\$146.0	38.65%	4.50 years	0%	1.05%	NT\$ 48.82
Fifth plan of employee stock options	2012.6.28	NT\$145.0	NT\$145.0	33.63%	4.60 years	0%	1.00%	NT\$ 42.79
Sixth plan of employee stock options	2018.7.9	NT\$173.5	NT\$173.5	11.38%~ 12.71	4~5 years	0%	0.66%~ 0.71%	NT\$ 17.88

Note: The Company had been officially listed in the OTC market on May 27, 2010 whose net value was measured at fair value before being listed in the OTC market and measured at market value after being listed in the OTC market.

F. Expenses incurred on share-based payment transactions are shown below:

	For the three-month periods ended September 30,	
	2018	2017
Equity-settled	\$ 2,344	\$ -
	For the nine-month periods ended September 30,	
	2018	2017
Equity-settled	\$ 2,344	\$ -

(18) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2018	2017
At January 1	66,810,648	66,461,398
Employee stock options exercised	294,500	343,000
At September 30	<u>67,105,148</u>	<u>66,804,398</u>

B. As of September 30, 2018, the Company's authorized capital was \$800,000, consisting of 80,000 thousand shares of ordinary stock (including 6,000 thousand shares reserved for employee stock options), and the paid-in capital was \$671,051 with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.

C. As of September 30, 2018, December 31, 2017 and September 30, 2017, the associate of the Group held 276 thousand shares.

(19) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Changes in capital surplus are as follows:

	Share premium	Employee stock options	Others	Total
At January 1, 2018	\$ 1,971,969	\$ 188,747	\$ 313	\$ 2,161,029
Share-based payment transaction	-	2,523	-	2,523
Employee stock options expired	188,877	(188,564)	(313)	-
Employee stock options exercised	<u>27,389</u>	<u>-</u>	<u>-</u>	<u>27,389</u>
At September 30, 2018	<u>\$ 2,188,235</u>	<u>\$ 2,706</u>	<u>\$ -</u>	<u>\$ 2,190,941</u>
At January 1, 2017	\$ 1,936,651	\$ 189,886	\$ 313	\$ 2,126,850
Employee stock options exercised	<u>34,737</u>	<u>(1,205)</u>	<u>-</u>	<u>33,532</u>
At September 30, 2017	<u>\$ 1,971,388</u>	<u>\$ 188,681</u>	<u>\$ 313</u>	<u>\$ 2,160,382</u>

C. Please refer to Note 6(17) for detailed information about capital surplus from employee stock options.

(20) Retained earnings

	2018	2017
At January 1	\$ 1,359,148	\$ 1,445,777
Effect of retrospective restatement	1,799	-
At January (after restatement)	1,360,947	1,445,777
Profit for the period	644,928	591,327
Distribution of retained earnings	(755,586)	(841,982)
Impact of change in tax rate recognised in other comprehensive income	697	-
At September 30	<u>\$ 1,250,986</u>	<u>\$ 1,195,122</u>

- A. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, upon the resolution of the Board of Directors, distribute at least 0.01% of the income before tax as employees' remuneration, and distribute no more than 2% of the income before tax as directors' remuneration. The remuneration could be in the form of stock or cash, and the employees' remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employees' compensation or the directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.
- B. The Company shall, after all taxes and dues have been paid and its losses have been covered and at the time of allocating surplus profits, first set aside 10% of such profits as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. Furthermore, in accordance with the provisions of laws and regulations and the rules prescribed by the central competent authority, a special reserve shall be set aside. If there is recovery of the balance of special reserve, the recovered amount shall be included in the distribution of the profit for the current year.

The allocable profit for the current year, which is the balance after the profit distribution and covering losses aforementioned in the preceding paragraph, together with the undistributed retained earnings accrued from prior years shall be referred to as accumulated distributable earnings, which shall be distributed as dividends to shareholders according to shareholders' resolutions.

In order to meet the requirements of business expansion and industry growth, fulfilling future operating needs and stabilizing financial structure is the priority of the Company's dividend policy. Thus, the distribution of the accumulated distributable earnings corresponds with the shareholders' resolutions. And, the amount of shareholders' bonus shall not be less than 20% of accumulated distributable earnings of the Company, and in particular cash dividend shall not be less than 5%.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their

share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The imputation tax system requires that any undistributed current earnings of the Company are subject to an additional 10% corporate income tax if the earnings are not distributed in the following year.

F. The Company recognised dividends of \$647,313 (NT\$9.68 per share) and \$757,173 (NT\$11.37 per share) in 2018 and 2017, respectively. In addition, outstanding stocks will be influenced by employees' share rights. Thus, the Board of Directors gave the right to adjust the rate of distributed dividends from NT\$9.68 per share to NT\$9.64624522 per share.

G. The appropriation of 2017 and 2016 earnings had been resolved at the stockholders' meeting on May 31, 2018 and June 26, 2017, respectively.

Details are summarized below:

	2017	2016
Legal reserve	\$ 76,134	\$ 84,809
Special reserve	32,139	-
Cash dividends	647,313	757,173
Total	<u>\$ 755,586</u>	<u>\$ 841,982</u>

H. For information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6 (25).

I. For information relating to effect of retrospective restatement, please refer to Note 12 (4).

J. The Company recognises the effect of the change in tax rate immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity amounting to \$697.

(21) Operating revenue

	For the three-month period ended September 30, 2018	For the nine-month period ended September 30, 2018
Revenue from contracts with customers	\$ 1,087,988	\$ 3,205,736
Others-service concession revenue	158,307	435,413
	<u>\$ 1,246,295</u>	<u>\$ 3,641,149</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical regions:

For the three-month period ended September 30, 2018	Domestic	China	Macau	United States	Total
Total segment revenue	\$1,289,896	\$ 39,950	\$ 197,344	\$ 11,921	\$ 1,539,111
Inter-segment revenue	(426,226)	(14,130)	(10,767)	-	(451,123)
Revenue from external customer contracts	<u>\$ 863,670</u>	<u>\$ 25,820</u>	<u>\$ 186,577</u>	<u>\$ 11,921</u>	<u>\$ 1,087,988</u>
Timing of revenue recognition					
At a point in time	<u>\$ 863,670</u>	<u>\$ 25,820</u>	<u>\$ 186,577</u>	<u>\$ 11,921</u>	<u>\$ 1,087,988</u>
For the nine-month period ended September 30	Domestic	China	Macau	United States	Total
Total segment revenue	\$3,622,655	\$ 120,994	\$ 631,922	\$ 11,921	\$ 4,387,492
Inter-segment revenue	(1,104,155)	(41,749)	(35,852)	-	(1,181,756)
Revenue from external customer contracts	<u>\$2,518,500</u>	<u>\$ 79,245</u>	<u>\$ 596,070</u>	<u>\$ 11,921</u>	<u>\$ 3,205,736</u>
Timing of revenue recognition					
At a point in time	<u>\$2,518,500</u>	<u>\$ 79,245</u>	<u>\$ 596,070</u>	<u>\$ 11,921</u>	<u>\$ 3,205,736</u>

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	<u>September 30, 2018</u>
Contract liabilities:	
Contract liabilities – Advance sales receipts	<u>\$ 166,631</u>

(22) Other income

	For the three-month periods ended September 30,	
	2018	2017
Interest income:		
Interest income from bank deposits	\$ 4,046	\$ 3,468
Other interest income	869	544
Total interest income	4,915	4,012
Dividend revenue	3,008	3,534
Other income, others	7,566	4,324
	<u>\$ 15,489</u>	<u>\$ 11,870</u>

	For the nine-month periods ended September 30,	
	2018	2017
Interest income:		
Interest income from bank deposits	\$ 10,439	\$ 9,302
Other interest income	2,530	3,300
Total interest income	12,969	12,602
Dividend revenue	3,008	4,056
Other income, others	14,502	7,907
	<u>\$ 30,479</u>	<u>\$ 24,565</u>

(23) Other gains and losses

	For the three-month periods ended September 30,	
	2018	2017
(Losses) gains on disposals of property, plant and equipment	(\$ 4)	\$ 1,169
Foreign exchange losses	(1,058)	(1,339)
Gains on financial assets at fair value through profit or loss	258	345
Gain on disposals of investments	29,403	-
Miscellaneous disbursements	(2)	(8)
	<u>\$ 28,597</u>	<u>\$ 167</u>

	For the nine-month periods ended	
	September 30,	
	2018	2017
Gains on disposals of property, plant and equipment	\$ 128	\$ 1,079
Foreign exchange gains (losses)	4,388 (	13,702)
Gains on financial assets at fair value through profit or loss	1,335	798
Gain on disposals of investments	29,403	-
Miscellaneous disbursements	(7)	(9)
	<u>\$ 35,247</u>	<u>(\$ 11,834)</u>

(24) Finance cost

	For the three-month periods ended	
	September 30,	
	2018	2017
Interest expense	\$ 1,673	\$ 938

	For the nine-month periods ended	
	September 30,	
	2018	2017
Interest expense	\$ 2,800	\$ 3,148

(25) Expenses by nature

	For the three-month periods ended	
	September 30,	
	2018	2017
Employee benefit expense	\$ 268,039	\$ 257,599
Depreciation charges on property, plant and equipment	13,850	4,488
Amortisation	3,642	2,173
Incinerator equipment costs	83,946	77,907
Material	207,672	198,450
Sub-contract costs	199,618	173,884
Insurances	7,954	4,369
Other expenses	149,810	194,592
	<u>\$ 934,531</u>	<u>\$ 913,462</u>

	For the nine-month periods ended	
	September 30,	
	2018	2017
Employee benefit expense	\$ 792,379	\$ 747,918
Depreciation charges on property, plant and equipment	25,146	12,880
Amortisation	10,474	8,386
Incinerator equipment costs	229,481	221,286
Material	560,493	510,441
Sub-contract costs	691,280	593,120
Insurances	23,857	22,040
Other expenses	414,269	430,874
	<u>\$ 2,747,379</u>	<u>\$ 2,546,945</u>

(26) Employee benefit expense

	For the three-month periods ended	
	September 30,	
	2018	2017
Salaries	\$ 233,364	\$ 223,594
Employee stock options	2,344	-
Labor and health insurance fees	8,983	12,742
Pension costs	10,165	10,558
Other personnel expenses	13,183	10,705
	<u>\$ 268,039</u>	<u>\$ 257,599</u>

	For the nine-month periods ended	
	September 30,	
	2018	2017
Salaries	\$ 690,196	\$ 650,283
Employee stock options	2,344	-
Labor and health insurance fees	38,604	40,278
Pension costs	30,623	30,728
Other personnel expenses	30,612	26,629
	<u>\$ 792,379</u>	<u>\$ 747,918</u>

- A. As of September 30, 2018 and 2017, the Group had 926 and 904 employees, respectively.
- B. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, upon the resolution of the Board of Directors, distribute at least 0.01% of the income before tax as employees' compensation, and distribute no more than 2% of the income before tax as Directors' remuneration. The remuneration could be in the form of stock or cash, and the employees' compensation could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employees' compensation or the Directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.
- C. For the three-month and nine-month periods ended September 30, 2018 and 2017, employees'

compensation was accrued at \$91, \$125, \$238 and \$272, respectively; directors' and supervisors' remuneration was accrued at \$1,300, \$1,300, \$3,900 and \$3,900, respectively. The aforementioned amounts were recognised in salary and other expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.01% and 2% of distributable profit of current year as of the end of September 30, 2018. The employees' compensation and directors' and supervisors' remuneration has not been resolved by the Board of Directors. The employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2017 amounting to \$359 and \$5,200, respectively, as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2017 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the three-month periods ended	
	September 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 63,813	\$ 37,017
Prior year income tax underestimation (overestimation)	1,121	(21,544)
Total current tax	64,934	15,473
Deferred tax:		
Origination and reversal of temporary differences	959	4,307
Effect of exchange rate changes	150	(1,583)
Income tax expense	<u>\$ 66,043</u>	<u>\$ 18,197</u>

	For the nine-month periods ended	
	September 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 184,714	\$ 142,269
Prior year income tax overestimation	(1,381)	(24,047)
Total current tax	183,333	118,222
Deferred tax:		
Origination and reversal of temporary differences	(1,982)	(3,981)
Impact of change in tax rate	27,246	-
Effect of exchange rate changes	169	12
Income tax expense	\$ 208,766	\$ 114,253

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the nine-month periods ended	
	September 30,	
	2018	2017
Impact of change in tax rate	\$ 729	\$ -

- B. As of September 30, 2018, the Company's and its subsidiaries' income tax returns through 2016 have been assessed and approved by the Tax Authority.
- C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(28) Earnings per share

	<u>For the three-month period ended September 30, 2018</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of</u>	<u>per share</u>
		<u>ordinary shares</u>	<u>(in dollars)</u>
		<u>outstanding</u>	
		<u>(in thousands)</u>	
<u>Basic (diluted) earnings per share:</u>			
Profit attributable to owners of the parent	\$ 253,971	67,105	NT\$ 3.78
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 253,971</u>	<u>67,106</u>	<u>NT\$ 3.78</u>

	<u>For the nine-month period ended September 30, 2018</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of</u>	<u>per share</u>
		<u>ordinary shares</u>	<u>(in dollars)</u>
		<u>outstanding</u>	
		<u>(in thousands)</u>	
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 644,928	66,996	NT\$ 9.63
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	2	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 644,928</u>	<u>66,998</u>	<u>NT\$ 9.63</u>

<u>For the three-month period ended September 30, 2017</u>			
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of</u>	<u>per share</u>
		<u>ordinary shares</u>	<u>(in dollars)</u>
		<u>outstanding</u>	
		<u>(in thousands)</u>	
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 207,546	66,797	NT\$ 3.11
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	108	
Employees' bonus	-	2	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 207,546</u>	<u>66,907</u>	<u>NT\$ 3.10</u>

<u>For the nine-month period ended September 30, 2017</u>			
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of</u>	<u>per share</u>
		<u>ordinary shares</u>	<u>(in dollars)</u>
		<u>outstanding</u>	
		<u>(in thousands)</u>	
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 591,327	66,717	NT\$ 8.86
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	113	
Employees' bonus	-	2	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 591,327</u>	<u>66,832</u>	<u>NT\$ 8.85</u>

(29) Business combinations

A. ECOVE Solvent Recycling Corporation

- (a) On May 10, 2018, the Group acquired a 90% equity interest of ECOVE Solvent Recycling Corporation in the amount of \$49,590 in the form of cash, and had control over ECOVE Solvent Recycling Corporation which is primarily engaged in operating basic chemical industry and manufacture of other chemical products. As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.

- (b) The following table summarises the consideration paid for ECOVE Solvent Recycling Corporation and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>May 10, 2018</u>
Purchase consideration	
Cash paid	\$ 49,590
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>4,126</u>
	<u>53,716</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	150
Prepayments	291
Property, plant and equipment	68,492
Other non-current assets	588
Other payables	(143)
Other current liabilities	(325)
Long-term borrowings	<u>(27,800)</u>
Total identifiable net assets	<u>41,253</u>
Goodwill	<u>\$ 12,463</u>

- (c) The operating revenue included in the consolidated statement of comprehensive income since May 10, 2018 contributed by ECOVE Solvent Recycling Corporation was \$0. ECOVE Solvent Recycling Corporation also contributed loss before income tax of (\$1,891) over the same period. Had ECOVE Solvent Recycling Corporation been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of \$1,485 and loss before income tax of (\$2,834).

B. G.D. Development Corp.

(a) On September 20, 2018, the Group acquired 50% of the shares by cash of NT\$455,384 and obtained control of G.D. Development Corp..

(b) The following table summarises the consideration paid for G.D. Development Corp. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>September 20, 2018</u>
Purchase consideration	
Cash paid	\$ 455,384
Fair value of equity interest in G.D. Development Corp. held before the business combination	<u>388,193</u>
	<u>843,577</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	298,165
Accounts receivable	13,501
Other receivables	5,509
Prepayments	29,536
Property, plant and equipment	1,533,559
Deferred tax assets	1,516
Other non-current assets	721,902
Short-term borrowings	(143,000)
Accounts payable	(5,245)
Current tax liabilities	(8,903)
Other payables	(33,310)
Other current liabilities	(138,880)
Long-term borrowings	(1,376,650)
Deferred tax liabilities	(2,773)
Other non-current liabilities	(<u>175,040</u>)
Total identifiable net assets	<u>719,887</u>
Goodwill	<u>\$ 123,690</u>

F. The operating revenue included in the consolidated statement of comprehensive income since September 20, 2018 contributed by G.D. Development Corp. was \$14,517. G.D. Development Corp. also contributed profit before income tax of \$5,291 over the same period. Had G.D. Development Corp. been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of \$199,161 and profit before income tax of \$48,845.

(30) Operating leases

- A. The Group leases offices and dormitories under non-cancellable operating lease agreements. These leases have terms expiring between 1 year and 16 years. The Group recognised rental expenses of \$10,189, \$11,103, \$31,131 and \$28,833, for these leases for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively.
- B. In order to build the refuse incineration plant, the Group obtained the land-use right amounting to \$114,902. For the three-month and nine-month periods ended September 30, 2018 and 2017, the rent is amortized on a straight-line basis during construction or operation both amounting to \$1,494, \$1,494, \$4,482, and \$4,482, respectively.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Less than one year	\$ 37,130	\$ 23,256	\$ 20,116
More than one year but not less than five years	106,859	18,723	12,939
More than five years	284,106	4,726	5,270
	<u>\$ 428,095</u>	<u>\$ 46,705</u>	<u>\$ 38,325</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by CTCI Corporation (incorporated in R.O.C.), which owns 57.31% of the Company's shares. The remaining 42.69% of the shares are widely held by the public.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
CTCI Corp.	The ultimate parent
CTCI Chemical Corp.	Associates
CTCI Machinery Corp.	Associates
Resources Engineering Services Inc.	Associates
E&C Engineering Corp.	Associates
G.D. Development Corp.	This entity became a subsidiary on September 20, 2018, before which it was a joint venture.

(3) Significant transactions and balances with related parties

A. Operating revenue

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Operating revenue:		
The ultimate parent	<u>\$ 4,268</u>	<u>\$ 17,076</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Operating revenue:		
The ultimate parent	<u>\$ 24,834</u>	<u>\$ 158,274</u>

(a) The prices on the operating, removal and transportation contracts entered into with related parties are set through negotiation by both parties. The collection terms were 30 days and approximately the same as those with third parties.

(b) According to Financial-Supervisory-Securities-Firms No. 0990100279 of the GreTai Securities Market:

Although the Group discloses operating revenues from CTCI as above, the related costs include equipment maintenance cost and employee salary of Ecove Environmental Services Corp. when performing operation service, which are not related party transactions.

B. Purchases of goods and services

	<u>For the three-month periods ended</u> <u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Purchases of goods and services:		
The ultimate parent	<u>\$ 2,196</u>	<u>\$ 1,157</u>
Associates	<u>40,381</u>	<u>33,757</u>
	<u>\$ 42,577</u>	<u>\$ 34,914</u>
	<u>For the nine-month periods ended</u> <u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Purchases of goods and services:		
The ultimate parent	<u>\$ 4,427</u>	<u>\$ 3,985</u>
Associates	<u>126,405</u>	<u>104,826</u>
	<u>\$ 130,832</u>	<u>\$ 108,811</u>

The prices on the purchase of goods and services and operating contracts entered into with related parties are set through negotiation by both parties. The payment terms were 30 days and approximately the same as those with third parties.

C. Period-end balances arising from sales of services

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts receivable:			
The ultimate parent	\$ 15,699	\$ 8,122	\$ 50,874

D. Period-end balances arising from purchases of services

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts payable:			
The ultimate parent	\$ 3,299	\$ 4,426	\$ 3,323
Associates	30,308	23,656	27,449
	<u>\$ 33,607</u>	<u>\$ 28,082</u>	<u>\$ 30,772</u>

E. Other receivables-related parties

(a) Reclassified from accounts receivable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other receivables:			
The ultimate parent	\$ 16,950	\$ 40,426	\$ 14,202

Certain accounts receivable from related parties which are not on regular collection terms, were reclassified to "other receivables-related parties" whose aging is from 121 to 730 days.

(b) Others

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other receivables:			
Associates (Note)	\$ 218	\$ 196	\$ 608
Joint ventures	-	7,213	6,390
	<u>\$ 218</u>	<u>\$ 7,409</u>	<u>\$ 6,998</u>

Note : The receivable is a result of the personnel's transfer from related parties and apportioned office expenses.

F. Loans to related parties

(a) Receivables from related parties

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Associates			
CTCI Machinery Corp.	\$ -	\$ 7,006	\$ 7,006
Resources Engineering Services Inc.	-	-	70,058
E & C Engineering Corp.	7,006	7,006	7,006
Joint ventures	-	-	29,043
	<u>\$ 7,006</u>	<u>\$ 14,012</u>	<u>\$ 113,113</u>

(b) Interest income

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest income		
The ultimate parent (Note 1)	\$ 851	\$ -
Associates (Note 2)	18	413
Joint ventures (Note 3)	-	131
	<u>\$ 869</u>	<u>\$ 544</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest income		
The ultimate parent (Note 1)	\$ 2,471	\$ 1,314
Associates (Note 2)	59	1,596
Joint ventures (Note 3)	-	390
	<u>\$ 2,530</u>	<u>\$ 3,300</u>

Note 1: The terms of lending include interest to be calculated and received monthly, using the annual rate of 0.81% for both the nine-month periods ended September 30, 2018 and 2017.

Note 2: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.01% for both the nine-month periods ended September 30, 2018 and 2017.

Note 3: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.8% for the nine-month period ended September 30, 2017.

G. Other income

	For the three-month periods ended September 30,	
	2018	2017
Personnel's transfer from related parties		
Associates	\$ 1,550	\$ -
Joint ventures	779	-
	<u>\$ 2,329</u>	<u>\$ -</u>

	For the nine-month periods ended September 30,	
	2018	2017
Personnel's transfer from related parties		
Associates	\$ 1,550	\$ -
Joint ventures	2,555	-
	<u>\$ 4,105</u>	<u>\$ -</u>

H. Other payables-related parties

(a) Operating expenses

	For the three-month periods ended September 30,	
	2018	2017
The ultimate parent	\$ 2,348	\$ 2,357
Associates	-	-
	<u>\$ 2,348</u>	<u>\$ 2,357</u>

	For the nine-month periods ended September 30,	
	2018	2017
The ultimate parent	\$ 6,168	\$ 6,693
Associates	25	-
	<u>\$ 6,193</u>	<u>\$ 6,693</u>

This is mainly from personnel transfers from related parties and accrued directors' and supervisors' remuneration.

(b) As of September 30, 2018, December 31, 2017 and September 30, 2017, the unpaid amounts are as follows (shown as other payables):

	September 30, 2018	December 31, 2017	September 30, 2017
The ultimate parent	<u>\$ 6,979</u>	<u>\$ 8,905</u>	<u>\$ 5,531</u>

I. Acquisition of financial assets

	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>For the nine-month period ended September 30, 2018 Consideration</u>
Other related parties	Investments accounted for using equity method	31,622,726	G.D. Development Corp.	<u>\$ 455,384</u>

J. Endorsements and guarantees for others

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Joint ventures	<u>\$ -</u>	<u>\$ 631,253</u>	<u>\$ 636,934</u>

(4) Key management compensation

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	\$ 9,990	\$ 4,582
Post-employment benefits	231	13
Total	<u>\$ 10,221</u>	<u>\$ 4,595</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	\$ 30,261	\$ 29,294
Post-employment benefits	692	80
Total	<u>\$ 30,953</u>	<u>\$ 29,374</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Assets	Book value			Purposes
	September 30, 2018	December 31, 2017	September 30, 2017	
Other current assets				
Restricted bank deposits	\$ 21,624	\$ 10,000	\$ -	Guarantee for bid and performance guarantee
Property, plant and equipment	125,013	-	-	Guarantee for long-term loans
Other non-current assets				
Restricted bank deposits	-	-	10,000	Guarantee for bid
Long-term prepaid rents- land-use	17,106	18,836	19,413	Guarantee for long-term loans
Refundable deposits	18,198	12,916	12,425	Guarantee for rent, performance guarantee, tender bond and staff dormitory
	<u>\$ 181,941</u>	<u>\$ 41,752</u>	<u>\$ 41,838</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those items which have been disclosed in Notes 6(9) and 7(3)J, the significant commitments and contingent liabilities of the Group as of September 30, 2018 were as follows:

- (1) The subsidiaries had entered into lines of credit agreements with several banks for guarantee payments under various service contracts. The subsidiaries had either issued guarantee notes or promissory notes for amounts drawn down under the line of credit agreements. As of September 30, 2018, the total amount of guarantee notes and promissory notes issued amounted to \$3,029,146.
- (2) As of September 30, 2018, for contractual guarantee, performance guarantee and waste collection, the subsidiaries have a performance letter of guarantee issued by the bank amounting to \$918,035.
- (3) As of September 30, 2018, the subsidiaries had outstanding commitments for service contracts amounting to \$64,479.
- (4) As of September 30, 2018, the subsidiaries had unused letters of credit for importing materials and sub-contract amounting to \$27,888.
- (5) On October 28, 2014, the Environmental Protection Bureau New Taipei City Government requested the subsidiary, ECOVE Environmental Service Corp. to pay a substantial amount of air pollution control fee of \$54,267 in accordance with the action stated in Bei-Huan-Kong-Zi Letter No. 1031588875 (the original action) and the judgement rendered by an administrative court of New Taipei City Government. ECOVE Environmental Service Corp., disagreed and filed an appeal for revocation of the original action and administrative decision on July 6, 2015, and was dismissed by

Taiwan High Administrative Court. Therefore, ECOVE Environmental Service Corp., filed an appeal to Supreme Administrative Court. On January 31, 2018, the Supreme Administrative Court reversed the Taiwan High Administrative Court's ruling and remanded the case to the Taiwan High Administrative Court and is currently awaiting judgement.

It is ECOVE Environmental Service Corp.'s appointed lawyers' opinion that the original action is unlawful and ineffective, thus, no loss was accrued.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2017.

The gearing ratios at September 30, 2018, December 31, 2017 and September 30, 2017 were as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Total borrowings	\$ 1,709,858	\$ 180,000	\$ 268,000
Total equity	\$ 5,230,152	\$ 5,230,882	\$ 5,028,995
Gearing ratio	<u>33%</u>	<u>3%</u>	<u>5%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial assets</u>			
Financial assets			
measured at fair value			
through profit or loss			
Financial assets			
mandatorily measured			
at fair value through			
profit or loss	\$ 193,773	\$ -	\$ -
Financial assets held			
for trading	-	437,010	311,319
Financial assets at fair			
value through other			
comprehensive income			
Designation of equity			
instrument	122,903	-	-
Qualifying debt			
instrument	26,581	-	-
Available-for-sale			
financial assets	-	136,852	129,753
Financial assets at cost	-	543	556
	<u>\$ 343,257</u>	<u>\$ 574,405</u>	<u>\$ 441,628</u>
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial assets</u>			
Financial assets at			
amortised cost			
Cash and cash			
equivalents	\$ 1,480,222	\$ 1,657,955	\$ 1,530,041
Notes receivable	-	234	262
Accounts receivable	1,162,763	947,224	1,065,791
Accounts receivable-			
related parties	15,699	8,122	50,874
Other receivables	6,808	2,238	4,770
Other receivables-related			
parties	24,174	61,847	134,313
Refundable deposits paid	18,198	12,916	12,425
Long-term accounts			
receivable	2,205,938	2,414,923	2,481,853
Other financial assets	231,550	195,910	85,719
	<u>\$ 5,145,352</u>	<u>\$ 5,301,369</u>	<u>\$ 5,366,048</u>

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 110,000	\$ -	\$ -
Notes payable	835	189	68
Accounts payable	599,240	619,687	665,619
Accounts payable-related parties	33,607	28,082	30,772
Long-term borrowings (including current portion)	1,599,858	180,000	268,000
Guarantee deposits received	184,066	166,555	149,803
	<u>\$ 2,527,606</u>	<u>\$ 994,513</u>	<u>\$ 1,114,262</u>

B. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group has certain investments in foreign operations, therefore, does not hedge the risk.

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: MOP and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>September 30, 2018</u>		
	<u>Foreign currency</u>		
	amount	Exchange	Book value
	(in thousands)	rate	(NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 6,934	30.505	\$ 211,522
MOP : NTD	54,929	3.782	207,741
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	2,992	3.782	11,316
	<u>December 31, 2017</u>		
	<u>Foreign currency</u>		
	amount	Exchange	Book value
	(in thousands)	rate	(NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 7,589	29.848	\$ 226,516
MOP : NTD	42,918	3.738	160,417
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	13,608	3.738	50,866

September 30, 2017

Foreign currency	amount (in thousands)	Exchange rate	Book value (NTD)
------------------	--------------------------	------------------	---------------------

(Foreign currency : functional currency)

Financial assets

Monetary items

USD : NTD	\$ 7,363	30.239	\$ 222,650
HKD : NTD	329	3.871	1,274
JPY : NTD	5,211	0.268	1,397
MOP : NTD	40,443	3.787	153,158

Financial liabilities

Monetary items

MOP : NTD	6,431	3.787	24,354
-----------	-------	-------	--------

v. The unrealised exchange (gain) loss arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2018 and 2017 amounted to (\$188), \$959, (\$1,144) and \$14,514, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the nine-month period ended September 30, 2018

Sensitivity analysis

Degree of variation	Effect on profit or loss	Effect on other comprehensive income
------------------------	-----------------------------	--

(Foreign currency :
functional currency)

Financial assets

Monetary items

USD : NTD	1.00% \$	2,115 \$	-
MOP : NTD	1.00%	2,077	-

Financial liabilities

Monetary items

MOP : NTD	1.00%	113	-
-----------	-------	-----	---

For the nine-month period ended September 30, 2017

Sensitivity analysis

	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1.00%	\$	2,227	\$ -
HKD : NTD	1.00%		13	-
JPY : NTD	1.00%		14	-
MOP : NTD	1.00%		1,532	-
 <u>Financial liabilities</u>				
<u>Monetary items</u>				
MOP : NTD	1.00%		244	-

Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the nine month periods ended September 30, 2018 and 2017, the Group's borrowings at variable rate were denominated in NTD.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through other comprehensive income.
- ii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2018, the provision matrix is as follows:

	<u>Excellent customers (Note 1)</u>	<u>General customers (Note 2)</u>	<u>Total</u>
<u>At September 30, 2018</u>			
Expected loss rate	0%	0%	
Total book value	\$ 982,274	\$ 180,489	\$ 1,162,763
Loss allowance	\$ -	\$ -	-

Note 1: Government institution, state-owned enterprises and listed companies.

Note 2: Customers who have not been included in Note 1.

- v. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

<u>September 30, 2018</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 110,000	\$ -
Accounts payable	632,847	-
Other payables	390,700	-
Long-term borrowings (including current portion)	268,304	1,641,855
Other non-current liabilities	184,066	-

Non-derivative financial liabilities

<u>December 31, 2017</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 647,769	\$ -
Other payables	392,161	-
Long-term borrowings (including current portion)	178,442	4,074
Other non-current liabilities	166,555	-

Non-derivative financial liabilities

<u>September 30, 2017</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 696,391	\$ -
Other payables	304,765	-
Long-term borrowings (including current portion)	178,444	92,745
Other non-current liabilities	149,803	-

(3) Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in corporate bonds is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

The related information of natures of the assets and liabilities is as follows:

September 30, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 193,773	\$ -	\$ -	\$ 193,773
Financial assets at fair value through other comprehensive income				
Equity securities	122,360	-	543	122,903
Debt securities	-	26,581	-	26,581
Total	<u>\$ 316,133</u>	<u>\$ 26,581</u>	<u>\$ 543</u>	<u>\$ 343,257</u>
December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 437,010	\$ -	\$ -	\$ 437,010
Available-for-sale financial assets				
Equity securities	109,435	-	-	109,435
Bond securities	-	27,417	-	27,417
Total	<u>\$ 546,445</u>	<u>\$ 27,417</u>	<u>\$ -</u>	<u>\$ 573,862</u>

September 30, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets:				
Financial assets at fair				
value through profit or				
loss				
Equity securities	\$ 311,319	\$ -	\$ -	\$ 311,319
Available-for-sale				
financial assets				
Equity securities	102,694	-	-	102,694
Bond securities	-	27,059	-	27,059
Total	<u>\$ 414,013</u>	<u>\$ 27,059</u>	<u>\$ -</u>	<u>\$ 441,072</u>

C. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- D. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- E. For the nine-month periods ended September 30, 2018 and 2017, there were no transfers between Level 1 and Level 2.
- F. For the nine-month periods ended September 30, 2018 and 2017, there were no input and output into Level 3.
- G. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at September 30, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity				
Unlisted shares	\$ 543	Market comparable companies	Price to book ratio multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

(a) Financial assets at fair value through profit or loss

- i. They are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- iii. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Available-for-sale financial assets

- i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using settlement date accounting.
- iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (v) The disappearance of an active market for that financial asset because of financial difficulties;
 - (vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

- (a) Under IAS 39, because the cash flows of debt instruments, which were classified as 'available-for-sale financial assets', amounting to \$27,417, met the condition that it is intended to settle the principal and interest, and the Group holds these assets for the purpose of cash inflow and sale, they were reclassified as "financial assets at fair value through other comprehensive income (debt instruments)" on initial application of IFRS 9.
- (b) Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets and financial assets at cost, amounting to \$109,435 and \$543, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)", increased retained earnings and decreased other equity interest in the amounts of \$1,799 and \$1,799 on initial application of IFRS 9.

C. The significant accounts as of December 31, 2017 and September 30, 2017, are as follows:

(a) Financial assets at fair value through profit or loss

<u>Items</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current items:		
Financial assets held for trading		
Beneficiary certificates	\$ 436,637	\$ 311,092
Valuation adjustment	373	227
	<u>\$ 437,010</u>	<u>\$ 311,319</u>

The Group recognised net profit amounting to \$345 and \$798 on financial assets held for trading for the three-month and nine-month periods ended September 30, 2017, respectively.

(b) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current items:		
Listed stocks	\$ 143,111	\$ 143,111
Bonds	30,394	30,394
Valuation adjustment	(36,653)	(43,752)
	<u>\$ 136,852</u>	<u>\$ 129,753</u>

- i. The Group recognised \$1,662 and \$7,260 in other comprehensive loss for fair value change for the three-month and nine-month periods ended September 30, 2017, respectively.

ii. Due to the global financial crisis in 2008, the Group, in accordance with IAS No. 39, paragraph 50 (c), reclassified certain listed stocks previously classified as financial assets at fair value through profit or loss into available-for-sale financial assets amounting to \$60,304. The detailed information is set forth below:

(i) The above reclassified assets that have not yet been disposed of are as follows:

	December 31, 2017	September 30, 2017
	<u>Book value/fair value</u>	<u>Book value/fair value</u>
Listed stocks	\$ 54,147	\$ 50,211

(ii) The changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income were \$0 and \$(2,005), respectively, for the nine-month period ended September 30, 2017. And, the accumulated total changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive (loss) income before January 1, 2017 were \$0 and (\$8,088), respectively.

(iii) If the above listed stocks had not been reclassified to ‘available-for-sale financial assets’ on July 1, 2008, the gain (loss) from changes in fair value of these assets that should have been recognised in profit or loss is as follows:

	For the nine-month period ended September 30, 2017
	<u>(\$ 2,005)</u>
Listed stocks	

(c) Financial assets measured at cost

Items	December 31, 2017	September 30, 2017
TSC Venture Management, Inc.	\$ -	\$ 2,160
Teamwin Opto-Electronics Co., Ltd.	2,261	2,261
Eastern Pacific Energy Sdn.Bhd.	81	81
Accumulated impairment	(1,799)	(3,946)
	<u>\$ 543</u>	<u>\$ 556</u>

i. According to the Group’s intention, its investments in the above corporation stocks should be classified as ‘available-for-sale financial assets’. However, as above corporation stocks are not traded in active market, and the fair value of the investments in the above corporation stocks cannot be measured reliably. The Group classified those stocks as ‘financial assets measured at cost’.

ii. As of December 31, 2017 and September 30, 2017, no financial assets measured at cost held by the Group were pledged to others.

iii. In 2017, the Group has provided impairment loss amounting to \$13 since Eastern Pacific Energy Sdn. Bhd. was assessed to be impaired based on objective evidences.

iv. In June, 2017, the shareholders of TSC Venture Management, Inc. at their meeting resolved to dissolve and distribute the remaining property amounting to \$3,610. The difference is \$3,610 when compared with its carrying amount of \$0 and is recognised in gains on disposal of investments.

D. Credit risk information as of December 31, 2017 and September 30, 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- (b) As of December 31, 2017 and September 30, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The credit quality information of financial assets that are neither past due nor impaired is as follows:

	December 31, 2017		
	Group 1	Group 2	Group 3
Notes receivable	\$ -	\$ -	\$ 234
Accounts receivable	783,286	1,666	162,272
Accounts receivable-related parties	-	8,122	-
Other receivables	-	-	2,238
Other receivables-related parties	-	-	21,421
Long-term accounts receivable	<u>2,416,858</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,200,144</u>	<u>\$ 9,788</u>	<u>\$ 186,165</u>

	September 30, 2017		
	Group 1	Group 2	Group 3
Notes receivable	\$ -	\$ -	\$ 262
Accounts receivable	906,420	7,042	152,329
Accounts receivable-related parties	-	50,874	-
Other receivables	-	-	4,770
Other receivables-related parties	-	-	120,111
Long-term accounts receivable	2,493,116	-	-
	<u>\$ 3,399,536</u>	<u>\$ 57,916</u>	<u>\$ 277,472</u>

Group 1: Government

Group 2: Listed companies

Group 3: Others

(d) The ageing analysis of financial assets that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Other receivables-related parties</u>		
Up to 30 days	\$ 1,317	\$ 1,706
31 to 90 days	23,958	3,439
91 to 180 days	6,094	4,870
Over 181 days	9,057	4,187
	<u>\$ 40,426</u>	<u>\$ 14,202</u>

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. OPERATING SEGMENT FINANCIAL INFORMATION

(1) General information

The Group's main business is only in a single industry. The Board of Directors, which allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segmental income, assets and liabilities

The segmental financial information provided to the Chief Operating Decision-Maker is as follows:

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Revenue from external customers	\$ 1,246,295	\$ 1,200,779
Inter-segment revenue	451,124	384,663
Total segment revenue	<u>\$ 1,697,419</u>	<u>\$ 1,585,442</u>
Segment income	<u>\$ 311,764</u>	<u>\$ 287,317</u>
Depreciation	<u>\$ 13,850</u>	<u>\$ 4,488</u>
Amortisation	<u>\$ 3,642</u>	<u>\$ 2,173</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Revenue from external customers	\$ 3,641,149	\$ 3,375,463
Inter-segment revenue	1,181,757	1,094,803
Total segment revenue	<u>\$ 4,822,906</u>	<u>\$ 4,470,266</u>
Segment income	<u>\$ 893,770</u>	<u>\$ 828,518</u>
Depreciation	<u>\$ 25,146</u>	<u>\$ 12,880</u>
Amortisation	<u>\$ 10,474</u>	<u>\$ 8,386</u>

(3) Reconciliation information of segmental income

A reconciliation of adjusted EBITDA for reportable segment and income from continuing operations before income tax for the three-month and nine-month periods ended September 30, 2018 and 2017 is provided as follows:

	For the three-month periods ended September 30,	
	2018	2017
Adjusted EBITDA for reportable segment	\$ 311,764	\$ 287,317
Unrealized gain on financial instruments	777 (	15)
Financial cost, net	(1,673) (	938)
Others	52,591	12,112
Income from continuing operations before income tax	<u>\$ 363,459</u>	<u>\$ 298,476</u>

	For the nine-month periods ended September 30,	
	2018	2017
Adjusted EBITDA for reportable segment	\$ 893,770	\$ 828,518
Unrealized gain on financial instruments	287 (	301)
Financial cost, net	(2,800) (	3,148)
Others	98,924	40,644
Income from continuing operations before income tax	<u>\$ 990,181</u>	<u>\$ 865,713</u>

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Loans to others

For the nine-month period ended September 30, 2018

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2018 (Note 3)	Balance at September 30, 2018 (Note 8)	Actual amount drawn down	Interest rate (Note 4)	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	ECOVE Environment Corp.	CTCI Corp.	Other receivables-related parties	Yes	\$ 430,000	\$ 430,000	\$ -	-	2	\$ -	For operational needs	\$ -	-	-	\$ 472,410	\$ 1,889,638	-
1	ECOVE Waste Management Corp.	CTCI Corp.	"	"	14,000	7,000	-	-	"	"	"	"	"	"	10,359	41,437	-
1	"	CTCI Machinery Corp. E&C Engineering Corp.	"	"	14,000	7,000	-	-	"	"	"	"	"	"	10,359	41,437	-
1	"	ECOVE Solvent Recycling Corporation	"	"	14,000	7,000	7,000	1.01%	"	"	"	"	"	"	10,359	41,437	-
2	ECOVE Environment Services Corp.	ECOVE	"	"	20,000	20,000	1,000	1.01%	"	"	"	"	"	"	88,669	354,675	-
2	"	Miaoli Energy	"	"	70,000	70,000	25,500	1.01%	"	"	"	"	"	"	88,669	354,675	-
2	"	CTCI Corp. E&C	"	"	140,000	70,000	-	-	"	"	"	"	"	"	88,669	354,675	-
2	"	Engineering Corp. CTCI	"	"	140,000	70,000	-	-	"	"	"	"	"	"	88,669	354,675	-
2	"	Machinery Corp. Resources	"	"	140,000	35,000	-	-	"	"	"	"	"	"	88,669	354,675	-
2	"	Engineering Services Inc.	"	"	140,000	35,000	-	-	"	"	"	"	"	"	88,669	354,675	-
3	G.D. Development Corp.	G.D. South Corporation Ltd.	"	"	14,000	14,000	14,000	1.71%	"	"	"	"	"	"	62,225	248,901	-
3	"	G.D. Central Corporation Ltd.	"	"	17,000	17,000	17,000	1.71%	"	"	"	"	"	"	62,225	248,901	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the nine-month period ended September 30, 2018.

Note 4: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing':

(1) The Business association is '1'.

(2) The Short-term financing are numbered in order starting from '2'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: The calculation and amount on ceiling of loans are as follows:

(1) The limit on loans granted to a single party shall not exceed 10% of the Company's net assets value.

(2) The ceiling on totals loans shall not exceed 40% of the Company's net assets value.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in installments alments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the nine-month period ended September 30, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2018 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral (Note 6)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	ECOVE Environment Corp. G.D. Corp.	G.D. Development Corp.	2	\$ 9,448,192	\$ 719,622	\$ 673,972	\$ 566,121	\$ -	14.27%	\$ 14,172,288	Y	N	N	-
1	G.D. Development Corp.	G.D. South Corporation Ltd.	2	2,489,007	14,000	14,000	-	-	2.25%	3,733,510	N	N	N	
1	"	G.D. Central Corporation Ltd. G.D. Electric Power Corp.	2	2,489,007	19,790	19,790	1,790	-	3.18%	3,733,510	N	N	N	
1	"	G.D. Electric Power Corp.	2	2,489,007	694,248	694,248	488,363	-	111.57%	3,733,510	N	N	N	
2	G.D. Electric Power Corp.	G.D. Development Corp.	5	794,762	12,420	12,420	12,420	-	6.25%	1,192,143	N	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

(1)The limit on endorsements and guarantees granted to a single party shall not exceed 200% of the Company's net assets value in last financial statement which was audited by accountant.

(2)The ceiling on total endorsements and guarantees shall not exceed 300% of the Company's net assets value in last financial statement which was audited by accountant.

(3)For G.D. Development Corp. and subsidiaries, the limit on total endorsements and guarantees granted to a single party shall not exceed 400% of the Company's net assets value in last financial statement which was audited by accountant.

(4)For G.D. Development Corp. and subsidiaries, the ceiling on total endorsements and guarantees shall not exceed 600% of the Company's net assets value in last financial statement which was audited by accountant.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorized by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing

Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

September 30, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 3

Securities held by ECOVE Environment Corp.	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account Financial assets at fair value through profit or loss-current	Number of shares/ denominations	September 30, 2018		Footnote (Note 4)
	Type	Name				Book value (Note 3)	Ownership (%)		Fair value
"	Fund	FSHC Taiwan Money Market Fund	N/A		588,278	\$ 8,970	\$ 8,975	-
"	"	Franklin Templeton Simoam Money Market Fund	"		3,202,903	33,000	33,015	-
				Adjustment	20			
"	Common Stock	Taiwan Cement Corp.	"	Equity instruments at fair value through other comprehensive income- current	472,758	\$ 16,671	\$ 19,029	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director		515,941	20,877	6,449	-
				Adjustment	(12,070)			
"	"	Teamwin Opto-Electronics Co., Ltd.	N/A	Equity instruments at fair value through other comprehensive income- not-current	150,000	\$ 25,478	\$ 25,478	-
"	"	Eastern Pacific Energy Sdn. Bhd	The Chairman of the Company is the Board of director		10,000	2,261	475	-
				Adjustment	81		68	
				Adjustment	(1,799)			
ECOVE Wujih Energy Corp.	Fund	Franklin Templeton Simoam Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	2,570,008	\$ 26,492	\$ 26,492	-
"	Common Stock	Taiwan Cement Corp.	"	Equity instruments at fair value through other comprehensive income- current	475,508	19,139	19,139	-

Marketable securities (Note 1)			September 30, 2018				Footnote		
Securities held by	Type	Name	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares/denominations	Book value (Note 3)	Ownership (%)	Fair value	(Note 4)
ECOVE Environment Services Corp.	Fund	Franklin Templeton Sinoam Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	3,433,365	\$ 35,391	-	\$ 35,391	-
"	"	Yuanta De-Li Money Market Fund	"	"	1,854,200	30,004	-	30,004	-
"	"	Schroder 2022 Maturity Emerging Market Quality Sovereign Bond Fund	"	"	35,000	10,632	-	10,632	-
"	Common Stock	CTCI Corp.	Ultimate parent company	Equity instruments at fair value through other comprehensive income-current	1,028	51	-	51	-
"	"	Taiwan Cement Corp.	N/A	"	1,251,971	50,392	-	50,392	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	642,135	8,027	-	8,027	-
"	Bonds	BP capital PLC	N/A	"	6,000,000	26,581	-	26,581	Note 5
ECOVE Waste Management Corp.	Fund	Prudential Financial Money Market Fund	"	Financial assets at fair value through profit or loss-current	1,854,480	29,254	-	29,254	-
"	"	FSITC Taiwan Money Market Fund	"	"	1,311,441	20,010	-	20,010	-
"	Common Stock	Taiwan Cement Corp.	"	Equity instruments at fair value through other comprehensive income-current	478,841	19,273	-	19,273	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial Instruments'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Note 5: The book value of bonds and funds are denominated in CNY.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the nine-month period ended September 30, 2018

Table 4
Expressed in thousands of NTTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2018		Addition (Note 3)		Disposal (Note 3)		Balance as at September 30, 2018		
					Number of shares	Amount	Number of shares	Amount	Selling price	Book value	Number of shares	Amount	
ECOVE Environmental Services Corp.	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss	-	-	18,013,095	\$ 185,030	13,613,507	\$ 140,000	28,193,237	\$ 289,977	\$ 289,671	306	\$ 3,433,365
ECOVE Environment Corp.	G.D. Development Corp.	Long-term equity investments	Gintech Energy Corp.	Other related party	28,269,632	311,114	34,975,820	532,213 (Note 5)	-	-	-	63,245,452	843,327
													35,359

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for using the equity method, otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: In September 2018, the Company increased its investment in G.D. Development Corp. in the amount of \$482,884. The investment gain and adjustment to net assets, including the remeasurement of the original shares owned, totaled \$49,329.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$1.00 million or 20% of paid-in capital or more

For the nine-month period ended September 30, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Unit price	Credit term	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
ECOVE Environment Services Corp.	ECOVE Waste Management Corp.	Affiliate	(Operating revenue)	\$ 427,404 (	14%)	No significant difference	30 days quarterly	\$ 107,566	0%	-
"	ECOVE Wujih Energy Corp.	"	"	(156,343 (	5%)	"	"	35,038	0%	-
"	ECOVE Miaoli Energy Corp.	"	"	(108,734 (	4%)	"	"	86,075	0%	-
ECOVE Waste Management Corp.	ECOVE Environment Services Corp.	"	Waste disposal cost	427,404	51%	"	"	(107,566 (	1%)	-
"	ECOVE Wujih Energy Corp.	"	"	292,480	35%	"	"	(75,986 (	0%)	-
ECOVE Wujih Energy Corp.	ECOVE Environment Services Corp.	"	Cost of services	156,343	75%	"	"	(35,038 (	1%)	-
"	ECOVE Waste Management Corp.	"	(Operating revenue)	292,480 (	54%)	"	"	75,986	0%	-
ECOVE Miaoli Energy Corp.	ECOVE Environment Services Corp.	"	Cost of services	108,734	92%	"	"	(86,075 (	1%)	-

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

September 30, 2018

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2018 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
ECOVE Environment Services Corp.	ECOVE Waste Management Corp.	Ultimate parent company	\$ 107,566	5.54	\$ -	\$ -	\$ -	\$ -

Expressed in thousands of NTD
(Except as otherwise indicated)

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the nine-month period ended September 30, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms 30 days quarterly	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
1	ECOVE Environment Services Corp.	ECOVE Waste Management Corp.	3	Operating revenue	\$ 427,404	"	1.17%
1	"	ECOVE Wujih Energy Corp.	"	"	156,343	"	0.43%
1	"	ECOVE Miaoli Energy Corp.	"	"	108,734	"	0.30%
1	"	ECOVE Environment Consulting Corp.	"	"	44,053	"	0.12%
2	ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	"	"	292,480	"	0.80%
3	ECOVE Environment Services Corp.	"	"	Accounts receivable	107,566	"	1.20%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Information on investees

For the nine-month period ended September 30, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2018		Book value	Net profit (loss) of the investee for the nine-month period ended September 30, 2018	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2018	Footnote
				Balance as at September 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)				
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	\$ 425,085	\$ 425,085	29,400,000	98.00%	\$ 1,216,397	\$ 246,955	\$ 242,016	A subsidiary
ECOVE Environment Corp.	ECOVE Environment Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance, etc.	339,921	339,921	14,065,936	93.15%	821,600	281,739	262,455	A subsidiary
ECOVE Environment Corp.	ECOVE Waste Management Corp.	Taiwan	Waste services, equipment and mechanical installation, waste clear, international trade and other environmental services, etc.	20,000	20,000	2,000,000	100.00%	103,592	45,761	45,761	A subsidiary
ECOVE Environment Corp.	ECOVE Miaoh Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	1,012,483	1,012,483	56,249,000	74.999%	976,934	93,057	69,793	A subsidiary
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	27,000	27,000	2,700,000	60.00%	23,541	75	45	A subsidiary

Initial investment amount Shares held as at September 30, 2018

Investor	Investee	Location	Main business activities	Balance as at		Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the nine-month period ended		Footnote
				September 30, 2018	December 31, 2017				September 30, 2018	September 30, 2018	
ECOVE Environment Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Island	Share holding and investment.	\$ 309,489	\$ 309,489	13,333,333	20.00%	\$ 293,357	\$ 18,511	\$ 4,407	An investee under equity method
ECOVE Environment Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	762,349	279,465	63,245,452	100.00%	843,327	34,456	18,733	A subsidiary
ECOVE Environment Corp.	EVER ECOVE Corporation	Taiwan	Waste services, waste clean and co-generation	50,000	-	5,000,000	5.00%	50,000	663	-	An investee under equity method
ECOVE Environment Corp.	ECOVE Solvent Recycling Corporation	Taiwan	Operating basic chemical industry and manufacture of other chemical products	86,480	-	8,099,000	89.99%	84,778	(2,834)	(1,702)	A subsidiary
ECOVE Environment Services Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	6,000	6,000	600,000	2.00%	24,824	246,955	4,939	Affiliate
ECOVE Environment Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	61,651	49,645	13,356	Affiliate
ECOVE Environment Services Corp.	ECOVE Miaoli Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	13	13	1,000	0.001%	17	93,057	-	Affiliate

Initial investment amount

Shares held as at September 30, 2018

Investor	Investee	Location	Main business activities	Initial investment amount		Number of shares	Ownership (%)	Book value	Net profit (loss)		Footnote
				Balance as at September 30, 2018	Balance as at December 31, 2017				of the investee for the nine-month period ended September 30, 2018	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2018	
ECOVE Environment Services Corp.	SINO GAL-Waste Services Co., Ltd.	Macau	Management of waste recycling site and maintenance of related mechanical and equipment etc.	\$ 4,964	\$ 4,964	-	30.00%	\$ 48,001	\$ 134,445	\$ 40,333	A subsidiary
ECOVE Environment Services Corp.	ECOVE Solvent Recycling Corporation	Taiwan	Operating basic chemical industry and manufacture of other chemical products	10	-	1,000	0.01%	10	(2,834)	-	Affiliate
ECOVE Waste Management Corp.	ECOVE Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance, etc.	53	53	1,000	0.01%	39	281,739	-	Affiliate
ECOVE Waste Management Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	18,000	18,000	1,800,000	40.00%	15,694	75	30	Affiliate
G.D. Development Corp.	G.D. Electric Power Corp.	Taiwan	Energy technology services etc.	180,000	180,000	18,000,000	100.00%	210,905	12,215	12,215	A subsidiary
G.D. Development Corp.	G.D. Central Corporation Ltd.	Taiwan	Energy technology services etc.	7,500	7,500	750,000	100.00%	9,339	545	545	A subsidiary
G.D. Development Corp.	G.D. South Corporation Ltd.	Taiwan	Energy technology services etc.	16,500	16,500	1,650,000	100.00%	18,866	817	817	A subsidiary
G.D. Development Corp.	G.D. International LLC.	U.S.A.	Energy technology services etc.	189,197	189,197	-	100.00%	372,279	1,107	1,107	A subsidiary
G.D. International LLC.	Lumberton Solar W2-090, LLC	U.S.A.	Energy technology services etc.	189,197	189,197	-	100.00%	370,567	1,109	1,109	A subsidiary

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the nine-month period ended September 30, 2018

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2018	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee as of September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018 (Note 2)(2)B	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018	Footnote
ECOVE Environment Consulting Corp.	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.	\$ 4,147	1	\$ -	\$ -	\$ 6,278	93.16%	\$ 5,849	\$ 11,693	\$ -	Note 4
Company name		\$ 4,147		\$ -	\$ -	\$ 6,278	93.16%	\$ 5,849	\$ 11,693	\$ -	
ECOVE Environment Corp.		\$ 4,147		\$ -	\$ -	\$ 2,834,457					

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

- A. The financial statements that are reviewed by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- B. Investment income (loss) of non-significant subsidiaries was recognized based on the unreviewed financial statements.
- C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: Invested by ECOVE Environment Services Corp.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the nine-month period ended September 30, 2018

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Interest during the nine-month period ended September 30, 2018
	Amount	%	Amount	%	Balance at September 30, 2018	%	Balance at September 30, 2018	Maximum balance during the nine-month period ended September 30, 2018	Balance at September 30, 2018	Interest rate	
Investee in Mainland China											
ECOVE Environment Consulting Corp.	\$ 44,053	1.48%	-	-	\$ 16,791	1.98%	\$ -	\$ -	\$ -	-	\$ -