

**KD HOLDING CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2015 AND 2014**

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 Stockholders of
KD Holding Corporation

We have reviewed the accompanying consolidated balance sheets of KD Holding Corporation and its subsidiaries as of March 31, 2015, and 2014, and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement on Auditing Standards No. 36, "Review of Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statement taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 4(3)B, we did not review the financial statements of certain subsidiaries that are not significant components. Total assets of these subsidiaries amounted to NT\$754,559 thousand and NT\$554,426 thousand, constituting 10% and 8% of the respective consolidated total as of March 31, 2015 and 2014. Total liabilities of these subsidiaries amounted to NT\$582,543 thousand and NT\$425,218 thousand, constituting 23% and 16% of the respective consolidated total as of March 31, 2015 and 2014; with total comprehensive income amounting to NT\$20,124 thousand and NT\$21,624 thousand for the three-month periods ended March 31, 2015 and 2014, constituting 11% and 12% of the respective consolidated totals. Additionally, the financial statements include long-term equity investments accounted for under the equity method which were based on their unreviewed financial statements as of and for the three-month periods ended March 31, 2015 and 2014. As described in



資誠

Note 13, these long-term investment balances amounted to NT\$592,615 thousand and NT\$161,843 thousand as of March 31, 2015 and 2014, respectively, and the related investment income recognized for these investee companies were NT\$1,329 thousand and NT\$5,407 thousand for the three-month periods then ended.

Based on our reviews, except for the effects on the consolidated financial statements of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain subsidiaries and investee companies under the equity method and the information in Note 13 been reviewed by independent accountants as described in the third paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and International Accounting Standards No. 34 “Interim Financial Reporting” .

As described in Note 3(1), KD Holding Corporation and its subsidiaries adopted “the 2013 version of IFRS” as endorsed by the Financial Supervisory Commission (“FSC”) commencing 2015, and accordingly, the financial statements for the prior periods were restroactively adjusted.

PricewaterhouseCoopers, Taiwan

May 6, 2015

Taipei, Taiwan

Republic of China

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.

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2015 and 2014 are reviewed, not audited)

Assets	Notes	March 31, 2015		(adjusted) December 31, 2014		(adjusted) March 31, 2014		(adjusted) January 1, 2014	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets									
Cash and cash equivalents	6(1)	\$ 2,085,725	28	\$ 1,830,051	25	\$ 2,122,450	30	\$ 2,004,685	29
Financial assets at fair value through profit or loss - current	6(2)	177,148	2	247,398	3	150,918	2	90,665	1
Available-for-sale financial assets - current	6(3)	147,423	2	150,109	2	99,732	1	104,013	2
Notes receivable, net		210	-	690	-	1,066	-	1,038	-
Accounts receivable, net	6(4)	827,843	11	823,338	11	800,564	11	788,628	11
Accounts receivable, net - related parties	7	111,756	1	118,742	2	84,245	1	80,886	1
Other receivables		9,927	-	11,750	-	12,333	-	7,588	-
Other receivables - related parties	7	54,922	1	44,374	1	84,770	1	78,974	1
Inventories		47,381	1	44,258	1	35,340	1	32,150	1
Prepayments		62,659	1	52,506	1	55,993	1	29,682	-
Current Assets		3,524,994	47	3,323,216	46	3,447,411	48	3,218,309	46
Non-current assets									
Financial assets carried at cost - non-current	6(5)	632	-	632	-	848	-	848	-
Investments accounted for under equity method	6(6)	592,615	8	497,296	7	161,843	2	154,489	2
Property, plant and equipment, net	6(7)	54,619	1	60,915	1	50,235	1	52,927	1
Deferred income tax assets		15,061	-	12,529	-	18,390	-	19,307	-
Other non-current assets		3,280,411	44	3,340,895	46	3,528,959	49	3,592,600	51
Non-current assets		3,943,338	53	3,912,267	54	3,760,275	52	3,820,171	54
Total assets		\$ 7,468,332	100	\$ 7,235,483	100	\$ 7,207,686	100	\$ 7,038,480	100
Liabilities and Equity									
Current liabilities									
Accounts payable	6(9)	\$ 656,997	9	\$ 601,942	8	\$ 528,104	7	\$ 480,950	7
Accounts payable - related parties	7	39,468	1	29,933	1	30,822	1	30,616	-
Other payables	6(10)	178,898	2	289,945	4	142,116	2	266,211	4
Other payables - related parties	7	1,168	-	6,158	-	2,711	-	4,060	-
Current income tax liabilities		100,464	1	67,100	1	74,563	1	50,062	1
Other current liabilities		649,032	9	643,381	9	670,852	9	647,103	9
Current Liabilities		1,626,027	22	1,638,459	23	1,449,168	20	1,479,002	21
Non-current liabilities									
Long-term borrowings	6(12)	523,200	7	523,200	7	737,147	10	737,147	11
Deferred income tax liabilities		163,234	2	161,872	2	155,918	2	153,876	2
Other non-current liabilities	6(13)	235,383	3	227,161	3	237,275	4	237,780	3
Non-current liabilities		921,817	12	912,233	12	1,130,340	16	1,128,803	16
Total Liabilities		2,547,844	34	2,550,692	35	2,579,508	36	2,607,805	37

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KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2015 and 2014 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2015		(adjusted) December 31, 2014		(adjusted) March 31, 2014		(adjusted) January 1, 2014	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Equity attributable to owners of parent									
Share capital	6(11)(16)								
Common stock		653,770	9	648,708	9	640,690	9	635,464	9
Capital collected in advance		202	-	1,157	-	-	-	4,131	-
Capital surplus	6(11)(17)								
Capital surplus		2,018,734	27	1,977,434	28	1,885,954	27	1,871,722	27
Retained earnings	6(18)(21)								
Legal reserve		304,245	4	304,245	4	242,213	3	242,213	4
Special reserve		762	-	762	-	24,423	-	24,423	-
Unappropriated retained earnings		1,451,236	19	1,287,692	18	1,365,993	19	1,215,056	17
Other equity interest									
Other equity interest		8,131	-	11,478	-	(1,762)	-	(762)	-
Equity attributable to owners of the parent		<u>4,437,080</u>	<u>59</u>	<u>4,231,476</u>	<u>59</u>	<u>4,157,511</u>	<u>58</u>	<u>3,992,247</u>	<u>57</u>
Non-controlling interest		<u>483,408</u>	<u>7</u>	<u>453,315</u>	<u>6</u>	<u>470,667</u>	<u>6</u>	<u>438,428</u>	<u>6</u>
Total equity		<u>4,920,488</u>	<u>66</u>	<u>4,684,791</u>	<u>65</u>	<u>4,628,178</u>	<u>64</u>	<u>4,430,675</u>	<u>63</u>
Significant contingent liabilities and unrecognised contract commitments	9								
Total liabilities and equity		<u>\$ 7,468,332</u>	<u>100</u>	<u>\$ 7,235,483</u>	<u>100</u>	<u>\$ 7,207,686</u>	<u>100</u>	<u>\$ 7,038,480</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 6, 2015.

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Items	Notes	Three months ended March 31			
		2015		2014 (adjusted)	
		AMOUNT	%	AMOUNT	%
Operating revenue	7	\$ 964,024	100	\$ 918,056	100
Operating costs	6(19)(20) and 7	(699,103)	(73)	(678,959)	(74)
Gross profit		<u>264,921</u>	<u>27</u>	<u>239,097</u>	<u>26</u>
Operating expenses	6(19)(20)				
General & administrative expenses		(40,193)	(3)	(41,340)	(5)
Total operating expenses		<u>(40,193)</u>	<u>(3)</u>	<u>(41,340)</u>	<u>(5)</u>
Operating profit		<u>224,728</u>	<u>24</u>	<u>197,757</u>	<u>21</u>
Non-operating income and expenses					
Other income		8,778	1	7,767	1
Other gains and losses		(4,868)	(1)	(1,923)	-
Finance costs		(2,586)	-	(4,014)	(1)
Share of profit of associates and joint ventures accounted for under equity method	6(6)	<u>1,329</u>	<u>(1)</u>	<u>5,407</u>	<u>1</u>
Total non-operating income and expenses		<u>2,653</u>	<u>(1)</u>	<u>7,237</u>	<u>1</u>
Profit before income tax		<u>227,381</u>	<u>23</u>	<u>204,994</u>	<u>22</u>
Income tax expense	6(21)	(32,819)	(3)	(27,205)	(3)
Profit for the period		<u>194,562</u>	<u>20</u>	<u>177,789</u>	<u>19</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Other comprehensive income, before tax, actuarial gains on defined benefit plans		-	-	3,623	-
Components of other comprehensive income that will be reclassified to profit or loss					
Cumulative translation differences of foreign operations		(2,454)	-	4,636	1
Unrealized loss on valuation of available-for-sale financial assets	6(3)	(2,008)	-	(4,281)	-
Total other comprehensive income for the period		<u>(4,462)</u>	<u>-</u>	<u>3,978</u>	<u>1</u>
Total comprehensive income for the period		<u>\$ 190,100</u>	<u>20</u>	<u>\$ 181,767</u>	<u>20</u>
Profit attributable to:					
Owners of the parent		\$ 163,544	17	\$ 147,538	16
Non-controlling interest		<u>31,018</u>	<u>3</u>	<u>30,251</u>	<u>3</u>
Total		<u>\$ 194,562</u>	<u>20</u>	<u>\$ 177,789</u>	<u>19</u>
Comprehensive income attributable to:					
Owners of the parent		\$ 160,197	17	\$ 149,937	17
Non-controlling interest		<u>29,903</u>	<u>3</u>	<u>31,830</u>	<u>3</u>
Total		<u>\$ 190,100</u>	<u>20</u>	<u>\$ 181,767</u>	<u>20</u>
Earning per share (in dollars):					
Total basic earnings per share	6(22)	<u>\$ 2.51</u>	<u>2.51</u>	<u>\$ 2.32</u>	<u>2.32</u>
Total diluted earnings per share	6(22)	<u>\$ 2.49</u>	<u>2.49</u>	<u>\$ 2.27</u>	<u>2.27</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 6, 2015.

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Equity attributable to owners of the parent										Total equity
		Share Capital		Retained Earnings				Other equity interest				
		Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	
For the three-month period ended March 31, 2014												
Balance at January 1, 2014		\$ 635,464	\$ 4,131	\$ 1,871,722	\$ 242,213	\$ 24,423	\$ 1,215,056	\$ 264	(\$ 1,026)	\$ 3,992,247	\$ 438,428	\$ 4,430,675
Capital collected in advance transferred to common stock		4,131	(4,131)	-	-	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	-	147,538	-	-	147,538	30,251	177,789
Share-based payment transactions	6(17)	-	-	6,782	-	-	-	-	-	6,782	409	7,191
Employee stock options exercised	6(17)	1,095	-	7,450	-	-	-	-	-	8,545	-	8,545
Cumulative translation differences of foreign operations		-	-	-	-	-	-	3,099	-	3,099	1,537	4,636
Unrealized gain or loss on available-for-sale financial assets	6(3)	-	-	-	-	-	-	-	(4,099)	(4,099)	(182)	(4,281)
Other comprehensive income for the period		-	-	-	-	-	-	3,399	-	3,399	224	3,623
Balance at March 31, 2014		\$ 640,690	\$ -	\$ 1,885,954	\$ 242,213	\$ 24,423	\$ 1,365,993	\$ 3,363	(\$ 5,125)	\$ 4,157,511	\$ 470,667	\$ 4,628,178
For the three-month period ended March 31, 2015												
Balance at January 1, 2015		\$ 648,708	\$ 1,157	\$ 1,977,434	\$ 304,245	\$ 762	\$ 1,287,692	\$ 27,650	(\$ 16,172)	\$ 4,231,476	\$ 453,315	\$ 4,684,791
Capital collected in advance transferred to common stock		1,157	(1,157)	-	-	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	-	163,544	-	-	163,544	31,018	194,562
Convertible bonds transferred to common stock	6(11)(16)(17)	-	202	1,949	-	-	-	-	-	2,151	-	2,151
Share-based payment transactions	6(15)	-	-	3,181	-	-	-	-	-	3,181	190	3,371
Employee stock options exercised	6(16)(17)	3,905	-	36,170	-	-	-	-	-	40,075	-	40,075
Cumulative translation differences of foreign operations		-	-	-	-	-	-	(1,476)	-	(1,476)	(978)	(2,454)
Unrealized gain or loss on available-for-sale financial assets	6(3)	-	-	-	-	-	-	-	(1,871)	(1,871)	(137)	(2,008)
Balance at March 31, 2015		\$ 653,770	\$ 202	\$ 2,018,734	\$ 304,245	\$ 762	\$ 1,451,236	\$ 26,174	(\$ 18,043)	\$ 4,437,080	\$ 483,408	\$ 4,920,488

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 6, 2015.

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	2015	(adjusted) 2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated profit before tax for the period		\$ 227,381	\$ 204,994
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(19)	4,411	3,742
Amortization	6(19)	2,848	2,773
Interest expense		2,521	3,886
Interest income		(8,010)	(6,134)
Salary expense-employee stock options	6(15)	3,371	7,160
(Gain) loss on valuation of financial assets	6(2)	(235)	156
Share of profit of associates and joint ventures accounted for under equity method	6(6)	(1,329)	(5,407)
Loss on disposal of property, plant and equipment		49	135
Discount on convertible bonds recognized as interest expense		65	128
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		65,411	(53,226)
Notes receivable, net		480	(28)
Accounts receivable, net		(4,505)	(11,936)
Accounts receivable, net - related parties		6,986	(3,359)
Other receivables		989	(1,202)
Other receivables-related parties		(10,526)	(5,796)
Inventories		(3,123)	(3,190)
Prepayments		(10,153)	(26,311)
Other non-current assets		57,879	60,955
Net changes in liabilities relating to operating activities			
Accounts payable		55,055	47,154
Accounts payable - related parties		9,535	206
Other payables		(111,047)	(124,324)
Other payables - related parties		(2,490)	(1,349)
Other current liabilities		11,540	23,622
Other non-current liabilities		5,321	562
Cash generated from operations		302,424	113,211
Interest received		8,729	2,480
Interest paid		(2,521)	(3,657)
Income tax paid		(539)	(655)
Net cash provided by operating activities		308,093	111,379

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KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	2015	(adjusted) 2014
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in investments under equity	6(6)		
method-non-subsidiaries		(\$ 94,500)	\$ -
Interest received		93	111
Acquisition of property, plant and equipment	6(7)	(904)	(1,117)
Proceeds from disposal of property, plant and equipment		159	1
Increase in refundable deposits		(243)	(87)
Net cash used in investing activities		(95,395)	(1,092)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease (increase) in deposits received		2,901	(1,067)
Employee stock options exercised		40,075	8,545
Net cash provided by financing activities		42,976	7,478
Increase in cash and cash equivalents		255,674	117,765
Cash and cash equivalents at beginning of period		1,830,051	2,004,685
Cash and cash equivalents at end of period		<u>\$ 2,085,725</u>	<u>\$ 2,122,450</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 6, 2015.

KD HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

- 1) KD Holding 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 main business activity of the Company was waste management. However, the Board of Directors resolved to change its main activity to investment on March 27, 2007. 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 59.18% equity interest in the Company as of March 31, 2015.
- 4) As of March 31, 2015, the Company and its subsidiaries (collecting referred herein as the “Group”) had approximately 836 employees.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 6, 2015.

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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as “the 2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

Consolidated balance sheet Affected items	2010 version IFRSs amount	Effect of transition	2013 version IFRSs amount	Remark
<u>January 1, 2014</u>				
Investments accounted for using equity method	\$ 154,521	(\$ 32)	\$ 154,489	(2)
Deferred income tax assets	16,526	2,781	19,307	(1)
Others assets	6,864,684	-	6,864,684	
Total assets	<u>\$ 7,035,731</u>	<u>\$ 2,749</u>	<u>\$ 7,038,480</u>	
Other non-current liabilities	\$ 220,970	\$16,810	\$ 237,780	(1)
Other liabilities	2,370,025	-	2,370,025	
Total liabilities	<u>2,590,995</u>	<u>16,810</u>	<u>2,607,805</u>	
Retained earnings	1,228,263	(13,207)	1,215,056	(1)(2)
Non-controlling interests	439,282	(854)	438,428	"
Others	2,777,191	-	2,777,191	
Total equity	<u>4,444,736</u>	<u>(14,061)</u>	<u>4,430,675</u>	
Total liabilities and equity	<u>\$ 7,035,731</u>	<u>\$ 2,749</u>	<u>\$ 7,038,480</u>	
Consolidated balance sheet Affected items	2010 version IFRSs amount	Effect of transition	2013 version IFRSs amount	Remark
<u>March 31, 2014</u>				
Investments accounted for using equity method	\$ 161,735	\$ 108	\$ 161,843	(2)
Deferred income tax assets	16,533	1,857	18,390	(1)
Others assets	7,027,453	-	7,027,453	
Total assets	<u>\$ 7,205,721</u>	<u>\$ 1,965</u>	<u>\$ 7,207,686</u>	
Other non-current liabilities	\$ 226,299	\$10,976	\$ 237,275	(1)
Other liabilities	2,342,233	-	2,342,233	
Total liabilities	<u>2,568,532</u>	<u>10,976</u>	<u>2,579,508</u>	
Retained earnings	1,374,470	(8,477)	1,365,993	(1)(2)
Non-controlling interests	471,201	(534)	470,667	"
Others assets	2,791,518	-	2,791,518	
Total equity	<u>4,637,189</u>	<u>(9,011)</u>	<u>4,628,178</u>	
Total liabilities and equity	<u>\$ 7,205,721</u>	<u>\$ 1,965</u>	<u>\$ 7,207,686</u>	

Consolidated balance sheet Affected items	2010 version IFRSs amount	Effect of transition	2013 version IFRSs amount	Remark
<u>December 31, 2014</u>				
Investments accounted for using equity method	\$ 496,769	\$ 527	\$ 497,296	(2)
Deferred income tax assets	13,443	(914)	12,529	(1)
Others assets	6,725,658	-	6,725,658	
Total assets	<u>\$ 7,235,870</u>	<u>(\$ 387)</u>	<u>\$ 7,235,483</u>	
Other non-current liabilities	\$ 233,685	(\$ 6,524)	\$ 227,161	(1)
Other liabilities	2,323,531	-	2,323,531	
Total liabilities	<u>2,557,216</u>	<u>(6,524)</u>	<u>2,550,692</u>	
Retained earnings	1,281,980	5,712	1,287,692	(1)(2)
Non-controlling interests	452,890	425	453,315	"
Others	2,943,784	-	2,943,784	
Total equity	<u>4,678,654</u>	<u>6,137</u>	<u>4,684,791</u>	
Total liabilities and equity	<u>\$ 7,235,870</u>	<u>(\$ 387)</u>	<u>\$ 7,235,483</u>	

Consolidated statement of comprehensive income Affected items	2010 version IFRSs amount	Effect of transition	2013 version IFRSs amount	Remark
<u>Three-month period ended March 31, 2014</u>				
Operating revenue	\$ 918,056	\$ -	\$ 918,056	
Operating costs	(680,371)	1,412	(678,959)	(1)
Operating expenses	(41,478)	138	(41,340)	"
Non-operating income and expenses	7,097	140	7,237	(2)
Net income before tax	203,304	1,690	204,994	
Income tax expense	(26,942)	(263)	(27,205)	(1)
Profit for the period	176,362	1,427	177,789	
Other comprehensive income, net of tax	355	3,623	3,978	(1)
Total comprehensive income for the period	<u>\$ 176,717</u>	<u>\$ 5,050</u>	<u>\$ 181,767</u>	
Profit attributable to :				
Owners of the parent	<u>\$ 146,207</u>	<u>\$ 1,331</u>	<u>\$ 147,538</u>	(1)(2)
Non-controlling interest	<u>\$ 30,155</u>	<u>\$ 96</u>	<u>\$ 30,251</u>	"
Comprehensive income attributable to :				
Owners of the parent	<u>\$ 145,207</u>	<u>\$ 4,730</u>	<u>\$ 149,937</u>	(1)(2)
Non-controlling interest	<u>\$ 31,510</u>	<u>\$ 320</u>	<u>\$ 31,830</u>	"
Earnings per share (in dollars) :				
Basic	<u>\$ 2.30</u>	<u>\$ 0.02</u>	<u>\$ 2.32</u>	
Diluted	<u>\$ 2.25</u>	<u>\$ 0.02</u>	<u>\$ 2.27</u>	

A.IAS 19 (revised), 'Employee benefits'

- (1) The revised standard makes amendments that net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability, replaces the finance charge and expected return on plan assets. The revised standard eliminates the accounting policy choice that the actuarial gains and losses could be recognised based on corridor approach or recognised in profit or loss. The revised standard requires that the actuarial gains and losses can only be recognised immediately in other comprehensive income when incurred. Past service cost will be recognised immediately in the period incurred and will no longer be amortised using straight-line basis over the average period until the benefits become vested. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs, rather than when the entity is demonstrably committed to a termination. Additional disclosures are required for defined benefit plans.

The Group recognised previously unrecognised past service cost and as a consequence of elimination of the corridor approach to recognise prior unrecognised actuarial losses by increasing accrued pension liabilities by \$16,810 and deferred income tax assets by \$2,781 and decreasing retained earnings by \$13,177 and non-controlling interest by \$852 at January 1, 2014. Decreasing accrued pension liabilities by \$23,334, deferred income tax assets by \$3,695, operating costs by \$5,647 and operating expenses by \$554, and increasing income tax expense by \$1,054, other comprehensive income by \$14,492 at December 31, 2014. Which would increase retained earnings by \$18,398, non-controlling interest by \$894 and profit attributed to non-controlling interest by \$347, respectively at December 31, 2014. Also, decreasing accrued pension liabilities by \$5,834, deferred income tax assets by \$924, operating costs by \$1,412 and operating expenses by \$138, and increasing income tax expense by \$263 and comprehensive income by \$3,623 at March 31, 2014. Which would increase retained earnings by \$4,600, non-controlling interest by \$224 and profit attributed to non-controlling interest by \$86, respectively at March 31, 2014.

The subsidiary, Sino Environmental Service Corporation, used the ownership percentage to recognize the adjustment of the gain or loss of the investment company's pension cost. That will result in a decrease in long-term equity investments accounted for under the equity method by \$32 and also decrease in retained earnings by \$30 and non-controlling interest \$2, at January 1, 2014. Increase in both long-term equity investments accounted for under the equity method and share of profit of associates and joint ventures accounted for under equity method by \$559, and also increase in retained earnings by \$521 and non-controlling interest by \$38, respectively at December 31, 2014. Increase in both long-term equity investments accounted for under the equity method and share of profit of

associates and joint ventures accounted for under equity method by \$140, and also increase in retained earnings by \$130 and non-controlling interest by \$10, respectively at March 31, 2014.

B.IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

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

None.

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 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1) Compliance statement

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 IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

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) 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3) Basis of consolidation

A) Basis for preparation of consolidated financial statements:

- a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this result in the non-controlling interests having a deficit balance.
- d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B) Subsidiaries included in the consolidated financial statements:

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)				Note
			March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014	
KD Holding Corp.	HD Resources Management Corp.	Environmental engineering	100.00	100.00	100.00	100.00	
KD Holding Corp.	Fortune Energy Corp.	Environmental engineering	74.999	74.999	74.999	74.999	
Sino Environmental Service Corp.			0.001	0.001	0.001	0.001	
KD Holding Corp.	Sino Environmental Service Corp.	Environmental engineering	93.15	93.15	93.15	93.15	
HD Resources Management Corp.			0.01	0.01	0.01	0.01	
KD Holding Corp.	Leading Energy Corp.	Environmental engineering	98.00	98.00	98.00	98.00	
Sino Environmental Service Corp.			2.00	2.00	2.00	2.00	
KD Holding Corp.	Yuan Ding Resources Corp.	Environmental engineering	60.00	60.00	60.00	60.00	2
HD Resources Management Corp.			40.00	40.00	40.00	40.00	
Sino Environmental Service Corp.	SINOGAL-Waste Services Co., Ltd.	Environmental engineering	30.00	30.00	30.00	30.00	1 - 2
Sino Environmental Service Corp.	Xiang Ding Environmental Consultant (Shanghai) Corp.	Environmental engineering	100.00	100.00	100.00	100.00	2

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

2: The financial statements of the entity as of and for the three-month periods ended March 31, 2015 and 2014 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

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 March 31, 2015, December 31, 2014 , March 31, 2014, and January 1, 2014, the non-controlling interest amounted to \$483,408, \$453,315, \$470,667 and \$438,428, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	place of business	Non-controlling interest							
		March 31, 2015		December 31, 2014		March 31, 2014		January 1, 2014	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
Sino Environmental Services Corp.	Taiwan	\$58,267	6.84%	\$53,951	6.84%	\$52,981	6.84%	\$48,534	6.84%
Fortune Energy Corp.	Taiwan	343,641	25%	330,731	25%	335,558	25%	322,881	25%
SINO GAL-Waste Services Co., Ltd.	Macau	81,500	70%	68,633	70%	82,128	70%	67,013	70%

Summarized financial information of the subsidiaries:

Balance sheets

	Sino Environmental Services Corp.			
	March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014
Current assets	\$ 1,574,063	\$ 1,586,552	\$ 1,317,966	\$ 1,350,669
Non-current assets	206,202	197,690	221,016	218,510
Current liabilities	(806,965)	(876,470)	(634,468)	(724,120)
Non-current liabilities	(120,035)	(118,045)	(129,943)	(135,490)
Total net assets	\$ 853,265	\$ 789,727	\$ 774,571	\$ 709,569

	Fortune Energy Corp.			
	March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014
Current assets	\$ 340,709	\$ 255,803	\$ 357,230	\$ 259,783
Non-current assets	1,837,528	1,865,072	1,944,359	1,970,783
Current liabilities	(214,318)	(208,755)	(213,207)	(193,301)
Non-current liabilities	(589,356)	(589,128)	(746,150)	(745,739)
Total net assets	\$ 1,374,563	\$ 1,322,992	\$ 1,342,232	\$ 1,291,526

	SINO GAL-Waste Services Co., Ltd.			
	March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014
Current assets	\$ 678,528	\$ 619,841	\$ 546,287	\$ 477,573
Non-current assets	23,788	20,736	18,233	14,341
Current liabilities	(541,015)	(502,757)	(410,990)	(366,031)
Non-current liabilities	(44,873)	(39,772)	(36,139)	(30,085)
Total net assets	\$ 116,428	\$ 98,048	\$ 117,391	\$ 95,798

Statements of comprehensive income

	<u>Sino Environmental Services Corp.</u>	
	<u>Three-month period ended March 31, 2015</u>	<u>Three-month period ended March 31, 2014</u>
Revenue	\$ 611,329	\$ 588,316
Profit before income tax	77,730	70,846
Income tax expense	(13,041)	(12,352)
Profit for the period	64,689	58,494
Other comprehensive income, net of tax	(3,344)	1,634
Total comprehensive income for the period	<u>\$ 61,345</u>	<u>\$ 60,128</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 4,196</u>	<u>\$ 4,110</u>

	<u>Fortune Energy Corp.</u>	
	<u>Three-month period ended March 31, 2015</u>	<u>Three-month period ended March 31, 2014</u>
Revenue	\$ 92,800	\$ 93,777
Profit before income tax	51,701	50,880
Income tax expense	(289)	(478)
Profit for the period	51,412	50,402
Other comprehensive income, net of tax	-	11
Total comprehensive income for the period	<u>\$ 51,412</u>	<u>\$ 50,413</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 12,853</u>	<u>\$ 12,603</u>

	<u>SINOGAL-Waste Services Co., Ltd.</u>	
	<u>Three-month period ended March 31, 2015</u>	<u>Three-month period ended March 31, 2014</u>
Revenue	\$ 150,119	\$ 144,127
Profit before income tax	22,325	19,665
Income tax expense	(2,695)	(168)
Profit for the period	19,630	19,497
Total comprehensive income for the period	<u>\$ 19,630</u>	<u>\$ 19,497</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 13,740</u>	<u>\$ 13,650</u>

Statements of cash flows

	<u>Sino Environmental Services Corp.</u>	
	<u>Three-month period ended March 31, 2015</u>	<u>Three-month period ended March 31, 2014</u>
Net cash provided by (used in) operating activities	\$ 73,076	(\$ 107,574)
Net cash provided by (used in) investing activities	2,307	(434)
Net cash provided by (used in) financing activities	1,732	(829)
Increase (decrease) in cash and cash equivalents	<u>77,115</u>	<u>(108,837)</u>
Cash and cash equivalents, beginning of period	<u>747,548</u>	<u>770,895</u>
Cash and cash equivalents, end of period	<u>\$ 824,663</u>	<u>\$ 662,058</u>

	<u>Fortune Energy Corp.</u>	
	<u>Three-month period ended March 31, 2015</u>	<u>Three-month period ended March 31, 2014</u>
Net cash provided by operating activities	\$ 19,794	\$ 42
Net cash used in investing activities	(153)	-
Increase in cash and cash equivalents	<u>19,641</u>	<u>42</u>
Cash and cash equivalents, beginning of period	<u>120,861</u>	<u>135,951</u>
Cash and cash equivalents, end of period	<u>\$ 140,502</u>	<u>\$ 135,993</u>

	<u>SINOGAL-Waste Services Co., Ltd.</u>	
	<u>Three-month period ended March 31, 2015</u>	<u>Three-month period ended March 31, 2014</u>
Net cash provided by operating activities	\$ 112,001	\$ 151,489
Net cash (used in) provided by investing activities	(8)	41
Increase in cash and cash equivalents	<u>111,993</u>	<u>151,530</u>
Cash and cash equivalents, beginning of period	<u>350,439</u>	<u>166,838</u>
Cash and cash equivalents, end of period	<u>\$ 462,432</u>	<u>\$ 318,368</u>

4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A) Foreign currency transactions and balances

- a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

B) Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- c) All resulting exchange differences are recognised in other comprehensive income.

5) Classification of current and non-current items

- A) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - b) Assets held mainly for trading purposes;
 - c) Assets that are expected to be realised within twelve months from the balance sheet date;

- d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - a) Liabilities that are expected to be paid off within the normal operating cycle;
 - b) Liabilities arising mainly from trading activities;
 - c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

6) Cash and cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

7) Financial assets at fair value through profit or loss

- A) Financial assets at fair value through profit or loss 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.
- B) On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C) 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 assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

8) Available-for-sale financial assets

- A) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B) On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- C) 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'.

9) Receivables

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. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

10) Impairment of financial assets

- A) 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.
- B) The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- a) Significant financial difficulty of the issuer or debtor;
 - b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - c) 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;
 - d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - e) The disappearance of an active market for that financial asset because of financial difficulties;
 - f) 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;
 - g) 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;
 - h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C) 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:

a) Financial assets measured 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 through the use of an impairment allowance account.

b) Financial assets measured 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.

c) 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, then 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.

11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

13) Investments accounted for under the equity method / associates

- A) Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B) The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C) When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in "capital surplus" in proportion to its ownership.
- D) Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

14) Investment accounted for using the equity method- joint ventures

The Group accounts for its interest in a joint venture using the equity method. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

15) Property, plant and equipment

- A) Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B) Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C) Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D) The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	3~20 years
Transportation equipment	3~7 years
Other equipment	3~20 years

16) Impairment of non-financial assets

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. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss.

17) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount 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.

20) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus-stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A) Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- C) Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognised in 'capital surplus-stock warrants' at the residual amount of total issue price less amounts of 'financial assets or

financial liabilities at fair value through profit or loss' and 'bonds payable-net' as stated above. Conversion options are not subsequently remeasured.

- D) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus-stock warrants.

21) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognised at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortisation and the best estimate of the amount required to settle the present obligation on each balance sheet date.

22) Provisions for other liabilities

Provisions-decommissioning are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are not recognised for future operating losses.

23) Employee benefits

A) Pensions

a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses 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) A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years

of service and compensation. 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, together with adjustments for unrecognised past service costs. 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. Also, 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' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

25) 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 charge 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 acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

26) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

28) 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 revenues in accordance with IAS 11, 'Construction Contracts', and IAS 18, 'Revenue', respectively.
- b) 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, costs and expenses

Revenue is recognized when the earning process is substantially completed and is realized or realizable. Costs and expenses are recognized as incurred.

29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

1) Critical judgements in applying the Group's accounting policies

None.

2) Critical accounting estimates and assumptions

Realisability of deferred income tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global

economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets. As of March 31, 2015, the Group recognised deferred tax assets amounting to \$15,061.

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Cash on hand and petty cash	\$ 8,956	\$ 9,116	\$ 9,081	\$ 8,966
Checking accounts and savings accounts	184,791	137,886	182,244	190,991
Time deposits	1,891,978	1,683,049	1,931,125	1,804,728
	<u>\$ 2,085,725</u>	<u>\$ 1,830,051</u>	<u>\$ 2,122,450</u>	<u>\$ 2,004,685</u>

A) 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.

B) Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

2) Financial assets at fair value through profit or loss

<u>Items</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Current items				
Financial assets held for trading				
Mutual funds	\$ 176,740	\$ 246,973	\$ 150,472	\$ 90,000
Valuation adjustments of financial assets held for trading	270	249	(16)	145
Derivatives financial assets	138	176	462	520
Total	<u>\$ 177,148</u>	<u>\$ 247,398</u>	<u>\$ 150,918</u>	<u>\$ 90,665</u>

A) The Group recognized net gain (loss) of \$253 and (\$98) on financial assets held for trading for the three-month periods ended March 31, 2015 and 2014, respectively.

B) The Group recognized net (loss) of (\$18) and (\$58) on financial assets designated as at fair value through profit or loss-initial recognition for the three-month periods ended March 31, 2015 and 2014, respectively.

C) For details on derivative financial assets, please refer to Note 6(11)B.

3) Available-for-sale financial assets

<u>Items</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Currents items				
Listed stocks	\$ 105,228	\$ 105,228	\$ 105,228	\$ 105,228
Bonds	61,092	61,770	-	-
Valuation adjustment	(18,897)	(16,889)	(5,496)	(1,215)
Total	<u>\$ 147,423</u>	<u>\$ 150,109</u>	<u>\$ 99,732</u>	<u>\$ 104,013</u>

- A) The Group recognized changes in fair value in profit or loss to other comprehensive income amounting to (\$2,008) and (\$4,281), respectively, for the three-month periods ended March 31, 2015 and 2014.
- B) Due to the global financial crisis in year 2008, listed stocks amounting to \$60,304 that were initially classified as 'financial assets at fair value through profit or loss' were reclassified to 'available-for-sale financial assets' on July 1, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:
- a) The above reclassified assets that have not yet been disposed of are as follows:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
	<u>Book value/Fair value</u>	<u>Book value/Fair value</u>	<u>Book value/Fair value</u>	<u>Book value/Fair value</u>
Listed stocks	<u>\$ 65,512</u>	<u>\$ 64,471</u>	<u>\$ 69,820</u>	<u>\$ 68,706</u>

- b) The changes in fair value of the above listed stocks that were recognized in profit or loss and other comprehensive income were \$0 and (\$1,041), respectively, for the three-month period ended March 31, 2015, and were \$0 and \$1,114, respectively, for the three-month period ended March 31, 2014. The accumulated total changes in fair value of the above listed stocks that were recognized in profit or loss and other comprehensive income before January 1, 2014 were \$0 and \$8,402, respectively.
- c) 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:

	<u>For the three-month periods ended</u>	
	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Listed stocks	<u>\$ 1,041</u>	<u>\$ 1,114</u>

4) Accounts receivable

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Accounts receivable	\$ 587,770	\$ 585,660	\$ 569,764	\$ 560,121
Long-term accounts receivable - due in one year	<u>240,073</u>	<u>237,678</u>	<u>230,800</u>	<u>228,507</u>
	<u>\$ 827,843</u>	<u>\$ 823,338</u>	<u>\$ 800,564</u>	<u>\$ 788,628</u>

For details on the long-term accounts receivable – due in one year, please refer to Note 6(8).

5) Financial assets carried at cost

<u>Items</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Non-current items:				
-TSC Venture Management, Inc.	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700
-Team Win Opto-Electronics Co., Ltd.	2,261	2,261	2,261	2,261
Less: Accumulated impairment	(4,329)	(4,329)	(4,113)	(4,113)
Total	<u>\$ 632</u>	<u>\$ 632</u>	<u>\$ 848</u>	<u>\$ 848</u>

A) Based on the Group's intention, its investment in the above stocks should be classified as 'available-for-sale financial assets'. However, as the above stocks are not traded in an active market, and no sufficient industry information of companies similar to above stocks or above stock's financial information can be obtained, the fair value of the investment in above stocks cannot be measured reliably. The Group classified such stocks as 'financial assets measured at cost'.

B) As of March 31, 2015, December 31, 2014, March 31, 2014 and January 1, 2014, no financial assets carried at cost held by the Group were pledged to others.

6) Investments accounted for under the equity method

	<u>2015</u>	<u>2014</u>
At January 1	\$ 497,296	\$ 154,489
Addition of investments accounted for using the equity method	94,500	-
Disposal of investments accounted for using the equity method	-	-
Share of profit or loss of investments accounted for using the equity method	1,329	5,407
Earnings distribution of investments accounted for using the equity method	-	-
Changes in capital surplus	-	26
Changes in other equity items	(510)	1,921
At March 31	<u>\$ 592,615</u>	<u>\$ 161,843</u>

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Associates:				
CTCI Chemicals Corp.	\$ 53,053	\$ 49,423	\$ 49,874	\$ 45,463
GranSino Environmental Technology Co., Ltd.	10,150	10,711	18,283	18,007
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	332,874	333,809	-	-
Joint ventures:				
G.D. Development Corp.	<u>196,538</u>	<u>103,353</u>	<u>93,686</u>	<u>91,019</u>
	<u>\$ 592,615</u>	<u>\$ 497,296</u>	<u>\$ 161,843</u>	<u>\$ 154,489</u>

A) Associates

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

Company name	Principal place of business	Shareholding ratio				Nature of relationship	Methods of measurement
		March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014		
CTCI Chemicals Corp.	Taiwan	26.90%	26.90%	26.90%	26.90%	Associates	Equity method
GranSino Environmental Technology Co., Ltd.	China	49.00%	49.00%	49.00%	49.00%	"	"
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Is.	20.00%	20.00%	-	-	"	"

(b) The summarized financial information of the associates that are material to the Group is as below:

Balance sheet

	<u>CTCI Chemicals Corp.</u>			
	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Current assets	\$ 187,464	\$ 173,336	\$ 160,783	\$ 157,397
Non-current assets	84,567	84,135	85,235	87,546
Current liabilities	(61,428)	(63,545)	(49,487)	(61,535)
Non-current liabilities	(13,416)	(10,230)	(11,157)	(14,425)
Total net assets	<u>\$ 197,187</u>	<u>\$ 183,696</u>	<u>\$ 185,374</u>	<u>\$ 168,983</u>
Carrying amount of the associate	<u>\$ 53,053</u>	<u>\$ 49,423</u>	<u>\$ 49,874</u>	<u>\$ 45,463</u>

GranSino Environmental Technology Co., Ltd.

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Current assets	\$ 28,667	\$ 34,036	\$ 71,127	\$ 86,892
Non-current assets	2,492	1,371	1,872	1,970
Current liabilities	(9,128)	(13,548)	(35,686)	(52,110)
Non-current liabilities	-	-	-	(3)
Total net assets	<u>\$ 22,031</u>	<u>\$ 21,859</u>	<u>\$ 37,313</u>	<u>\$ 36,749</u>
Share in associate's net assets	<u>\$ 10,795</u>	<u>\$ 10,711</u>	<u>\$ 18,283</u>	<u>\$ 18,007</u>
Carrying amount of the associate	<u>\$ 10,150</u>	<u>\$ 10,711</u>	<u>\$ 18,283</u>	<u>\$ 18,007</u>

Boretech Resource Recovery Engineering Co., Ltd. (Cayman)

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Current assets	\$ 1,090,132	\$ 1,098,765	\$ -	\$ -
Non-current assets	619,948	633,950	-	-
Current liabilities	(314,935)	(317,271)	-	-
Non-current liabilities	-	(34,037)	-	-
Total net assets	<u>\$ 1,395,145</u>	<u>\$ 1,381,407</u>	<u>\$ -</u>	<u>\$ -</u>
Share in associate's net assets	<u>\$ 279,029</u>	<u>\$ 276,281</u>	<u>\$ -</u>	<u>\$ -</u>
Carrying amount of the associate	<u>\$ 332,874</u>	<u>\$ 333,809</u>	<u>\$ -</u>	<u>\$ -</u>

Statement of comprehensive income

CTCI Chemicals Corp.

	<u>Three-month period ended</u> <u>March 31, 2015</u>	<u>Three-month period ended</u> <u>March 31, 2014</u>
Revenue	<u>\$ 107,586</u>	<u>\$ 100,846</u>
Profit for the period from continuing operations	14,196	16,215
Other comprehensive income, net of tax	-	499
Total comprehensive income	<u>\$ 14,196</u>	<u>\$ 16,714</u>

		GranSino Environmental Technology Co., Ltd.	
		Three-month period ended	Three-month period ended
		March 31, 2015	March 31, 2014
Revenue		\$ -	\$ 9,217
Total comprehensive income		(\$ 1,452)	\$ 786

		Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
		Three-month period ended	Three-month period ended
		March 31, 2015	March 31, 2014
Revenue		\$ 280,610	\$ -
Total comprehensive income		(\$ 9,091)	\$ -

B) Joint venture

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

Company name	Principal place of business	Shareholding ratio				Nature of relationship	Methods of measurement
		March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014		
G.D. Development Corp.	Taiwan	50%	50%	50%	50%	Joint venture	Equity method

(b) The summarized financial information of the joint ventures that are material to the Group is as below:

Balance sheet

	G.D. Development Corp.			
	March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014
Cash and cash equivalents	\$ 15,283	\$ 12,182	\$ 7,743	\$ 5,721
Other current assets	71,123	3,058	52,401	3,562
Current assets	86,406	15,240	60,144	9,283
Non-current assets	691,929	632,222	526,327	571,812
Total assets	<u>\$ 778,335</u>	<u>\$ 647,462</u>	<u>\$ 586,471</u>	<u>\$ 581,095</u>
Current financial liabilities	\$ 180,488	\$ 172,709	\$ 178,458	\$ 115,175
Other current liabilities	3,150	61,451	2,276	60,521
Current liabilities	\$ 183,638	\$ 234,160	\$ 180,734	\$ 175,696
Non-current liabilities	201,620	206,614	218,366	223,361
Total liabilities	385,258	440,774	399,100	399,057
Total net assets	<u>\$ 393,077</u>	<u>\$ 206,688</u>	<u>\$ 187,371</u>	<u>\$ 182,038</u>
Share in joint venture's net assets	<u>\$ 196,538</u>	<u>\$ 103,344</u>	<u>\$ 93,686</u>	<u>\$ 91,019</u>
Carrying amount of the joint venture	<u>\$ 196,538</u>	<u>\$ 103,353</u>	<u>\$ 93,686</u>	<u>\$ 91,019</u>

Statement of comprehensive income

	G.D. Development Corp.	
	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Revenue	\$ 8,318	\$ 8,151
Depreciation and amortisation	(\$ 3,184)	(\$ 3,179)
Interest income	\$ 182	\$ 115
Interest expense	(\$ 1,540)	(\$ 1,701)
Profit before income tax	\$ 447	\$ 1,214
Income tax expense	-	(166)
Profit for the periods	447	1,048
Other comprehensive income - net of tax	(3,057)	3,805
Total comprehensive income	<u>(\$ 2,610)</u>	<u>\$ 4,853</u>

C) The Group holds 50% equity of the joint venture – G.D. Development Corp., the main activity of which is energy technology services.

D) The Board of Directors had resolved to invest in Boretech Resource Recovery Engineering Co., Ltd. (Cayman) in July, 2014. The Group invested and owned 20% equity of the Boretech Resource Recovery Engineering Co., Ltd. (Cayman) amounting to \$ 309,489 (US \$ 10,365 thousands).

E) The Board of Directors had resolved to invest in G.D. Development Corp., in December, 2014. The Group invested in G.D. Development Corp., amounting to \$94,500 in January, 2015.

F) The financial statements of subsidiaries under equity method were not reviewed by the independent accountants for the three-month periods ended March 31, 2015 and 2014.

7) Property, plant and equipment

	<u>Machinery</u>	<u>Transportation</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2015</u>				
Cost	\$ 86,316	\$ 103,512	\$ 4,673	\$ 194,501
Accumulated depreciation	(43,827)	(86,273)	(3,486)	(133,586)
	<u>\$ 42,489</u>	<u>\$ 17,239</u>	<u>\$ 1,187</u>	<u>\$ 60,915</u>
<u>Three-month ended March 31, 2015</u>				
Opening net book amount	\$ 42,489	\$ 17,239	\$ 1,187	\$ 60,915
Additions	514	-	390	904
Disposals	(2,551)	-	(157)	(2,708)
Depreciation charge	(2,673)	(1,526)	(212)	(4,411)
Net exchange differences	(58)	(14)	(9)	(81)
Closing net book amount	<u>\$ 37,721</u>	<u>\$ 15,699</u>	<u>\$ 1,199</u>	<u>\$ 54,619</u>
<u>At March 31, 2015</u>				
Cost	\$ 82,588	\$ 103,488	\$ 4,885	\$ 190,961
Accumulated depreciation	(44,867)	(87,789)	(3,686)	(136,342)
	<u>\$ 37,721</u>	<u>\$ 15,699</u>	<u>\$ 1,199</u>	<u>\$ 54,619</u>

	<u>Machinery</u>	<u>Transportation</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2014</u>				
Cost	\$ 87,354	\$ 90,882	\$ 4,645	\$ 182,881
Accumulated depreciation	(44,384)	(82,819)	(2,751)	(129,954)
	<u>\$ 42,970</u>	<u>\$ 8,063</u>	<u>\$ 1,894</u>	<u>\$ 52,927</u>
<u>Three-month ended March 31, 2014</u>				
Opening net book amount	\$ 42,970	\$ 8,063	\$ 1,894	\$ 52,927
Additions	537	580	-	1,117
Disposals	(136)	-	-	(136)
Depreciation charge	(2,504)	(1,038)	(200)	(3,742)
Net exchange differences	45	11	13	69
Closing net book amount	<u>\$ 40,912</u>	<u>\$ 7,616</u>	<u>\$ 1,707</u>	<u>\$ 50,235</u>
<u>At March 31, 2014</u>				
Cost	\$ 86,819	\$ 91,496	\$ 4,675	\$ 182,990
Accumulated depreciation	(45,907)	(83,880)	(2,968)	(132,755)
	<u>\$ 40,912</u>	<u>\$ 7,616</u>	<u>\$ 1,707</u>	<u>\$ 50,235</u>

8) Other non-current assets

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Long-term accounts receivable	\$ 3,365,423	\$ 3,424,843	\$ 3,596,223	\$ 3,653,350
Less: current portion	(240,073)	(237,678)	(230,800)	(228,507)
	3,125,350	3,187,165	3,365,423	3,424,843
Long-term prepaid rents	59,731	61,225	65,707	67,201
Restricted bank deposits	50,000	50,000	50,000	50,000
Accrued recovery cost	38,990	36,266	40,797	37,564
Refundable deposits	6,091	5,848	5,411	5,324
Others	249	391	1,621	7,668
	<u>\$ 3,280,411</u>	<u>\$ 3,340,895</u>	<u>\$ 3,528,959</u>	<u>\$ 3,592,600</u>

A) The Group entered into a contract with the government (grantor) for a service concession arrangement. 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 is as follows:

- a) The subsidiary, Leading 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 Leading 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”, Leading 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, Fortune 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 Fortune 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”, Fortune 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) Leading Energy Corp. and Fortune 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 Leading Energy Corp. and Fortune Energy Corp. obtaining the land-use right according to the “BOT”. As of March 31, 2015, December 31, 2014, March 31, 2014 and January 1, 2014, Leading Energy Corp needs to pay long-term prepaid rent amounting to \$34,551, \$35,469, \$38,221 and \$39,138, respectively. As of March 31, 2015, December 31, 2014, March 31, 2014 and January 1, 2014, Fortune Energy Corp. needs to pay long-term prepaid rent amounting to \$25,180, \$25,756, \$27,486 and \$28,063, respectively.
- C) Accrued recovery cost are due to the contracts for the operation and maintenance service of refuse incineration plant between the subsidiaries, Sino Environmental Service Corp. and SINO GAL -Waste Services Co., Ltd., and the owners, 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.

9) Accounts payable

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Materials payable	\$ 25,242	\$ 29,620	\$ 42,786	\$ 52,609
Sub-contract costs payable	28,838	73,458	43,032	78,721
Incinerator equipment costs payable	61,383	37,639	31,329	31,436
Maintenance costs payable	462,631	397,927	327,754	278,086
Others	78,903	63,298	83,203	40,098
	<u>\$ 656,997</u>	<u>\$ 601,942</u>	<u>\$ 528,104</u>	<u>\$ 480,950</u>

10) Other payables

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Accrued payroll	\$ 107,916	\$ 215,675	\$ 97,076	\$ 200,101
Others	70,982	74,270	45,040	66,110
	<u>\$ 178,898</u>	<u>\$ 289,945</u>	<u>\$ 142,116</u>	<u>\$ 266,211</u>

11) Other current liabilities / Bonds payable

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Other current liabilities				
Long-term liabilities-current portion	\$ 158,400	\$ 158,400	\$ 313,947	\$ 313,947
Receipts in advance	36,419	53,953	37,092	43,736
Adjustments of electricity sales	437,095	411,804	286,486	256,220
	631,914	624,157	637,525	613,903
Unsecured convertible bonds	17,300	19,500	34,200	34,200
Less: Discount of bonds payable	(182)	(276)	(873)	(1,000)
	<u>\$ 649,032</u>	<u>\$ 643,381</u>	<u>\$ 670,852</u>	<u>\$ 647,103</u>

A) The Group issued the first unsecured domestic convertible bonds in November, 2010. Relevant information is as follows:

The Group issued the first zero-coupon, five-year unsecured convertible bond with the principal amount of \$500,000. The bond is listed on the Taiwan Over-The-Counter Securities Exchange.

- Conversion right and objectives: The bond shall be converted to common stock of the Company using the conversion price at the conversion time.
- Conversion periods: The bond is convertible at any time from December 16, 2010 to November 5, 2015.
- Conversion price adjustment: The initial conversion price per share was set at NT\$135.58 (in New Taiwan Dollars). After the issuance of the bonds, the conversion price can be

adjusted downward based on the terms of the contract. As of March 31, 2015, the conversion price of the bond is adjusted to NT\$108.90 (in New Taiwan Dollars).

- d) Redemption:
- i) Redemption at maturity: The bond will be redeemed at the principal amount.
 - ii) Redemption at the option of the Company: The Company may redeem the bond, in whole but not in part, on or after December 16, 2010 to October 6, 2015 at the principal amount, provided that the bond may not be so redeemed, unless (i) the closing price of the shares on the Taiwan Over-The-Counter Securities Exchange, for a period of 30 consecutive trading days, is 30% higher than (or equal to) the conversion price or (ii) at least 90% in principal amount of the bond has already been converted, redeemed or purchased and cancelled.
 - iii) Redemption at the option of bondholders: The Company will redeem the bond, in whole or in part, at the option of the bondholder of any bond on November 15, 2013.
- e) Under the terms of the bond, the rights and obligations of the new shares converted from the bond are the same as the issued and outstanding common stock.
- f) The fair value of convertible option is separated from bonds payable, which the related trading costs are recognized by the proportion of original amount of the elements of liability and equity, and the amount recognized in “capital reserve from stock warrants” amounted to \$38,643 in accordance with IAS 32 “Financial Instruments: Presentation”. The fair value of put options and call options due to market value change of conversion object embedded in bonds payable was separated from bonds payable, and was recognized in “financial assets or liabilities at fair value through profit or loss” in accordance with IAS 39 “Financial Instrument: Presentation and Management”. The effective interest rate of bonds payable was 1.57% after separation.
- B) As of March 31, 2015, December 31, 2014, March 31, 2014 and January 1, 2014, the fair value of put and call options embedded in bonds payable was recognized in “financial assets at fair value through profit or loss-current” of \$138, \$176, \$462 and \$520, respectively.
- C) For the three-month period ended March 31, 2015, the bonds at par value amounting to \$2,200 have been converted to 20,200 shares of common stock. As a result, “capital reserve-common stock” amounted to \$2,119, “Discount of bonds payable”, “capital reserve-stock warrants” and “financial assets at fair value through profit or loss-current” have been reserved amounting to \$30, \$170 and \$19, respectively, and 20,200 shares of those converted common stock have been shown as “capital collected in advance” because the date of capital increase has not yet been approved by the Board of Directors. As of March 31, 2015, the bonds at par value amounting to \$482,700 have been converted to 4,010,149 shares of common stock. The abovementioned bond conversion transaction resulted in “capital reserve-common stock” amounting to \$454,497 and “capital reserve-stock warrants” and

“financial assets at fair value through profit or loss-current” have been reversed amounting to \$37,306 and \$4,763, respectively.

- D) Adjustments of electricity sales is the amount of revenue deduction for electricity sales determined by the project price calculation and the related index under the subcontract of Provision of Services for Operation and Maintenance of the Macao Refuse Incineration Plant to SINO GAL – Waste Service Co., Ltd.

12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	Financing amount	Actual spending	March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014	Footnote
Mega International Commercial Bank secured loans	From November, 2012 to November, 2015, interest is calculated and paid monthly	1.50%	Note 1	\$ 550,000	\$466,640	\$ -	\$ -	\$211,094	\$ 211,094	2, 3, 4
Mega International Commercial Bank secured loans	From September, 2010 to April, 2019, interest is calculated and paid monthly	1.50%	Note 5	681,600	681,600	681,600	681,600	840,000	840,000	6
Less: current portion						(158,400)	(158,400)	(313,947)	(313,947)	
						<u>\$ 523,200</u>	<u>\$ 523,200</u>	<u>\$737,147</u>	<u>\$ 737,147</u>	

Note 1: Collateral: Secured by the fixed assets, including machineries and other equipment constructed or acquired, under the Taichung City Government project of “Wujih waste-recycling factory”.

Note 2: As of March 31, 2015, the borrowing of Leading Energy Corp. is all repayment.

Note 3: The CTCI Corp. was originally based guarantor borrowings, but Leading Energy Corp. complies with the conditions of Note 4, so lift the CTCI Corp.'s responsibility to ensure that.

Note 4: Leading 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 120%.

Note 5: Collateral: Secured by the assets, including machineries and other equipment constructed or acquired, under the Miaoli County Government project of “Miaoli BOT Incinerator Build-operate plan”. In addition, secured by time deposits amounting to \$50,000 (shown as other financial assets - non - current), please refer to Note 8.

Note 6: Fortune 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%.

13) Other non-current liabilities

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Accrued pension liabilities	\$ 8,142	\$ 7,889	\$ 26,835	\$ 32,292
Accrued recovery costs	108,958	104,406	103,481	98,405
Deposits received	101,226	98,325	93,022	94,089
Others	<u>17,057</u>	<u>16,541</u>	<u>13,937</u>	<u>12,994</u>
	<u>\$ 235,383</u>	<u>\$ 227,161</u>	<u>\$ 237,275</u>	<u>\$ 237,780</u>

For details of the accrued recovery costs, please refer to Note 6(8) C.

14) Pensions

A) Defined benefit pension plan

- a) The Company and its domestic subsidiaries have a non-contributory and funded defined benefit pension plan in accordance with the Labor Standard Law, covering all regular employees. 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 Group contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.
- b) The Group recognized pension expenses of \$3,201 and \$2,483 in the statement of comprehensive income for the three-month periods ended March 31, 2015, and 2014, respectively.
- c) Expected contributions to the defined benefit pension plans of the Group within one year from March 31, 2015 amounts to \$7,861.

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 periods ended March 31, 2015 and 2014, were \$4,843 and \$6,005, 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 periods ended March 31, 2015 and 2014, were \$730 and \$729, respectively.

15) Share-based payment-employee compensation plan

A) For the three-month periods ended March 31, 2015 and 2014, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
First plan of employee stock options	2008.9.12	1,200 units	6 years	Service of 2 years
Second plan of employee stock options	2009.7.16	1,200 units	6 years	Service of 2 years
Third plan of employee stock options	2010.6.18	1,200 units	6 years	Service of 2 years
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

B) The above employee stock options are as follows:

a) Details of the first plan of employee stock options outstanding as of March 31, 2015 and 2014, are as follows:

	Three-month periods ended March 31,			
	2015		2014	
Stock options	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	-	NT\$ -	32.25	NT\$ 33.20
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	-	-
Options exercised	-	-	(25.25)	33.20
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	<u>7.00</u>	33.20
Options exercisable at end of period	-	-	<u>7.00</u>	33.20

- b) Details of the second plan of employee stock options outstanding as of March 31, 2015 and 2014, are as follows:

Stock options	Three-month periods ended March 31,			
	2015		2014	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	75.75	NT\$ 53.90	189.50	NT\$ 56.80
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	-	-
Options exercised	(72.00)	53.90	(21.75)	56.80
Options revoked	-	-	-	-
Options outstanding at end of period	<u>3.75</u>	53.90	<u>167.75</u>	56.80
Options exercisable at end of period	<u>3.75</u>	53.90	<u>167.75</u>	56.80

- c) Details of the third plan of employee stock options outstanding as of March 31, 2015 and 2014, are as follows:

Stock options	Three-month periods ended March 31,			
	2015		2014	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	220.75	NT\$ 71.40	592.25	NT\$ 75.20
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	(9.00)	-
Options exercised	(46.00)	71.40	(27.00)	75.20
Options revoked	-	-	-	-
Options outstanding at end of period	<u>174.75</u>	71.40	<u>556.25</u>	75.20
Options exercisable at end of period	<u>174.75</u>	71.40	<u>137.00</u>	75.20

- d) Details of the fourth plan of employee stock options outstanding as of March 31, 2015 and 2014, are as follows:

Stock options	Three-month periods ended March 31,			
	2015		2014	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	699.00	NT\$ 118.70	911.75	NT\$ 125.10
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	(1.25)	-	(14.75)	-
Options exercised	(134.75)	118.70	(35.50)	125.10
Options revoked	-	-	-	-
Options outstanding at end of period	<u>563.00</u>	118.70	<u>861.50</u>	125.10
Options exercisable at end of period	<u>140.00</u>	118.70	<u>154.75</u>	125.10

- e) Details of the fifth plan of employee stock options outstanding as of March 31, 2015 and 2014, are as follows:

Stock options	Three-month periods ended March 31,			
	2015		2014	
	No. of units	Weighted-average exercise price (in dollars)	No. of units	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	974.00	NT\$ 122.80	1,189.00	NT\$ 129.40
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	(1.50)	-	(26.00)	-
Options exercised	(137.75)	122.80	-	-
Options revoked	-	-	-	-
Options outstanding at end of period	<u>834.75</u>	122.80	<u>1,163.00</u>	129.40
Options exercisable at end of period	<u>109.50</u>	122.80	<u>-</u>	-

C) The weighted-average stock price of stock options at exercise dates for the three-month periods ended March 31, 2015 and 2014 was NT\$166.39 and NT\$185.50 (in dollars), respectively.

D) As of March 31, 2015, December 31, 2014, March 31, 2014 and January 1, 2014, the range of exercise prices of stock options outstanding was NT\$53.9~NT\$122.8, NT\$31.5~NT\$122.8, NT\$33.2~NT\$129.4 and NT\$33.2~NT\$129.4(in dollars), respectively; the weighted-average remaining contractual period was as follows:

Type of arrangement	March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014
First plan of employee stock options	-	-	0.50 years	0.75 years
Second plan of employee stock options	0.33 years	0.58 years	1.33 years	1.58 years
Third plan of employee stock options	1.25 years	1.50 years	2.25 years	2.50 years
Fourth plan of employee stock options	2.25 years	2.50 years	3.25 years	3.50 years
Fifth plan of employee stock options	3.25 years	3.50 years	4.25 years	4.50 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
First plan of employee stock options	2008.9.12	NT\$ 91.5	NT\$ 41.5	33.68%	2.58 years	0%	0.49%	NT\$ 51.50
Second plan of employee stock options	2009.7.16	NT\$ 91.5	NT\$ 71.0	33.68%	3.42 years	0%	0.67%	NT\$ 32.56
Third plan of employee stock options	2010.6.18	NT\$ 94.0	NT\$ 94.0	33.68%	4.50 years	0%	0.93%	NT\$ 27.66
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

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:

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Equity-settled	\$ 3,371	\$ 7,160

16) Share capital

- A) As of March 31, 2015, 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 \$653,770 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B) As of March 31, 2015, December 31, 2014, March 31, 2014 and January 1, 2014, 20,200 shares, 115,699 shares, 0 shares and 413,120 shares, respectively, of those converted common stock have been shown as "capital collected in advance" because the date of capital increase has not yet been approved by the Board of Directors.
- C) Movements in the number of the Company's ordinary shares outstanding are as follows:

	2015	2014
At January 1	64,870,750	63,546,348
Convertible bonds	115,699	413,120
Employee stock options exercised	390,500	109,500
At March 31	<u>65,376,949</u>	<u>64,068,968</u>

17) 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	Stock warrants	Others	Total
At January 1, 2014	\$ 1,782,815	\$ 192,914	\$ 1,507	\$ 198	\$ 1,977,434
Convertible bonds transferred to common stock	2,119	-	(170)	-	1,949
Share-based payment transaction	-	3,181	-	-	3,181
Employee stock options exercised	44,806	(8,636)	-	-	36,170
At March 31, 2015	<u>\$ 1,829,740</u>	<u>\$ 187,459</u>	<u>\$ 1,337</u>	<u>\$ 198</u>	<u>\$ 2,018,734</u>
At January 1, 2014	\$ 1,688,785	\$ 180,096	\$ 2,643	\$ 198	\$ 1,871,722
Employee stock options issued	-	6,782	-	-	6,782
Employee stock options exercised	7,450	-	-	-	7,450
At March 31, 2014	<u>\$ 1,696,235</u>	<u>\$ 186,878</u>	<u>\$ 2,643</u>	<u>\$ 198</u>	<u>\$ 1,885,954</u>

C) Please refer to Note 6(15) for detailed information about capital reserve from employee stock warrants.

D) Please refer to Note 6(11) for detailed information about capital reserve from stock warrants.

18) Retained earnings

As of March 31, 2015 and 2014, the Company's retained earnings are set forth below:

	2015	2014
At January 1	\$ 1,287,692	\$ 1,215,056
Profit for the period	163,544	147,538
Remeasurement on post employment benefit obligations, net of tax	-	3,399
At March 31	<u>\$ 1,451,236</u>	<u>\$ 1,365,993</u>

A) In accordance with the Company's Articles of Incorporation, 10% of the Company's annual net income, after paying all taxes and dues and deducting losses of prior years, if any, should be set aside as legal reserve, except when the legal reserve is over total assets. In addition, any reduction in equity will result in setting aside an equal amount as special reserve. Subsequently, when the reduction in equity is reversed, the Company may return the special reserve to undistributed earnings in the current year. The remaining balance and the

cumulative undistributed earnings from prior years are called disposable cumulative undistributed earnings, which shall be allocated by stockholders' meeting's resolution.

- B) Because of business development and industry growth, the Company's dividend policy is to prioritize operational requirements and financial structure. The disposable cumulative undistributed earnings shall be allocated as follows:
- a) At least 0.5% of the balance as employees' bonus;
 - b) 2% of the balance as remuneration to directors and supervisors; and
 - c) After paying employees' bonus and remuneration to directors and supervisors, the remaining balance may be distributed as stockholders' dividends.
 - d) Stockholders' dividends shall be in the form of cash dividends no less than 20%, or lower to 5% when unexpected important investments cannot be supported by other funds.

The disposable cumulative undistributed earnings shall be suggested by the Board of Directors at their meeting, and allocated by the stockholders through a resolution at the stockholders' meeting.

- 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) For the three-month periods ended March 31, 2015 and 2014, the Company recognized employees' bonus amounting to \$78 and \$112, respectively; and recognized directors' and supervisors' remuneration amounting to \$1,400 and \$1,575, respectively. The difference between employees' bonus as resolved by the stockholders and the amount recognised in the 2014 financial statements will be adjusted in the 2015 statement of comprehensive income. For the year ended December 31, 2014, the employees' bonus and directors' and supervisors' remuneration amounting to \$304 and \$5,721 as resolved by the board of directors' meeting were in agreement with those amounts recognised in the 2014 financial statements, but have not resolved by the stockholders.
- G) The employees' bonus and directors' and supervisors' remuneration of 2013 was resolved by the stockholders, and the amount was the same as the 2013 financial statements. The abovementioned information of the employees' bonus and directors' and supervisors' remuneration will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- H) The Company recognized dividends of \$581,948 (NT \$ 9.085 per share) and \$547,383 (NT \$ 8.86 per share) in 2014 and 2013. In addition, based on the board of directors' meeting in August 7, 2014, outstanding stocks will be influenced by convertible bonds and employees' share rights, thus the board of directors' meeting gave the right to adjust the rate of distributed dividends from NT \$ 9.085 per share to NT \$ 9.014 per share.
- I) The appropriation of 2013 and 2012 earnings had been resolved at the stockholders' meeting on June 23, 2014 and June 25, 2013, respectively.

Details are summarized below:

	2013		
	Legal reserve	Reversal of special reserve	Cash dividends
The Company	\$ 62,032	\$ 23,661	\$ 581,948
	2012		
	Legal reserve	Special reserve	Cash dividends
The Company	\$ 61,901	\$ 9,731	\$ 547,383

J) The appropriation of 2014 earnings had been proposed by Board of Directors during their meeting on March 16, 2015. Details are summarized below:

	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 67,403	\$ -
Reversal of special reserve	(617)	-
Cash dividends	607,250	9.30
Total	<u>\$ 674,036</u>	<u>\$ 9.30</u>

19) Expenses by nature

	Three-month periods ended March 31,	
	2015	2014
Employee benefit expense	\$ 209,376	\$ 229,874
Depreciation charges on property, plant and equipment	4,411	3,742
Amortisation	2,848	2,773
Incinerator equipment costs	82,985	90,403
Material	139,852	148,420
Sub-contract costs	144,898	89,859
Insurances	9,337	10,577
Other expenses	145,589	144,651
Total cost of operating and operating expenses	<u>\$ 739,296</u>	<u>\$ 720,299</u>

20) Employee benefit expense

	Three-month periods ended March 31,	
	2015	2014
Salaries	\$ 177,664	\$ 192,159
Employee stock options	3,371	7,165
Labor and health insurance fees	13,380	14,568
Pension costs	8,774	9,217
Other personnel expenses	6,187	6,765
	<u>\$ 209,376</u>	<u>\$ 229,874</u>

21) Income tax

A) Components of income tax expense

	<u>Three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Current tax on profits for the period	\$ 33,989	\$ 24,246
Change in deferred income tax assets and liabilities	(1,170)	2,959
Income tax expense	<u>\$ 32,819</u>	<u>\$ 27,205</u>

- B) As of March 31, 2015, the Company's and its subsidiaries' income tax returns through 2013 have been assessed and approved by the Tax Authority. HD Resource Management Corp.'s income tax returns through 2012 have been assessed and approved by the Tax Authority.
- C) Subsidiary – HD Resources Management Corp.'s income tax returns through 2012 has been assessed and approved by the Tax Authority. HD Resources Management Corp. disagreed with the current assessment for the year 2012 and requested a re-assessment from the Tax Authority on September, 2014.
- D) Unappropriated retained earnings:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Earnings generated in and after 1998	<u>\$ 1,451,236</u>	<u>\$ 1,287,692</u>	<u>\$ 1,365,993</u>	<u>\$ 1,215,056</u>

- E) As of March 31, 2015, December 31, 2014, March 31, 2014 and January 1, 2014, the balance of the imputation tax credit account was \$91,018, \$91,018, \$82,436 and \$82,436 respectively. The creditable tax rate was 14.52% for 2013 and is estimated to be 12.65% for 2014.

22) Earnings per share

<u>Three-month period ended March 31, 2015</u>			
	<u>Net income</u>	<u>Weighted-average outstanding shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 163,544	65,171	NT\$ 2.51
<u>Diluted earnings per share:</u>			
Dilutive effect of common stock equivalents			
Convertible bonds	54	159	
Employee stock options	-	482	
Employee bonus	-	1	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 163,598</u>	<u>65,813</u>	<u>NT\$ 2.49</u>
<u>Three-month period ended March 31, 2014</u>			
	<u>Net income</u>	<u>Weighted-average outstanding shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 147,538	63,664	NT\$ 2.32
<u>Diluted earnings per share:</u>			
Dilutive effect of common stock equivalents			
Convertible bonds	106	298	
Employee stock options	-	1,085	
Employee bonus	-	1	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 147,644</u>	<u>65,048</u>	<u>NT\$ 2.27</u>

23) 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 recognized rental expenses of \$8,800 and \$6,233, for these leases for the three-month periods ended March 31, 2015 and 2014, respectively.
- B) In order to build the refuse incineration plant, the Group obtained the land-use right amounting to \$114,902. For the years ended March 31, 2015 and 2014, the rent is amortized on a straight-line basis during construction or operation both amounting to \$1,494.

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

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Not later than one year	\$ 14,576	\$ 16,272	\$ 8,675	\$ 10,042
Later than one year but not later than five years	26,627	26,671	12,383	13,117
Later than five years	<u>70,025</u>	<u>71,533</u>	<u>10,669</u>	<u>11,143</u>
	<u>\$ 111,228</u>	<u>\$ 114,476</u>	<u>\$ 31,727</u>	<u>\$ 34,302</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 59.18% of the Company's shares. The remaining 40.82% of the shares are widely held.

2) Significant transactions and balances with related parties

A) Sales of services

	<u>Three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
The ultimate parent	\$ 100,139	\$ 80,638
Associates	71	1,346
	<u>\$ 100,210</u>	<u>\$ 81,984</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 90-120 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 Sino Environmental Services Corp. when performing operation service, which are not related party transactions.

B) Purchases of services

	Three-month periods ended March 31,	
	2015	2014
The ultimate parent	\$ 1,598	\$ 2,786
Associates	39,112	25,644
	<u>\$ 40,710</u>	<u>\$ 28,430</u>

The prices on the purchase and operating contracts entered into with related parties are set through negotiation by both parties. The payment terms were 90-120 days and approximately the same as those with third parties.

C) Period-end balances arising from sales of services

	March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014
The ultimate parent	\$ 111,709	\$ 117,634	\$ 82,863	\$ 77,406
Associates	47	1,108	1,382	3,480
	<u>\$ 111,756</u>	<u>\$ 118,742</u>	<u>\$ 84,245</u>	<u>\$ 80,886</u>

D) Period-end balances arising from purchases of services

	March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014
The ultimate parent	\$ 4,141	\$ 4,467	\$ 7,057	\$ 10,926
Associates	35,327	25,466	23,765	19,690
	<u>\$ 39,468</u>	<u>\$ 29,933</u>	<u>\$ 30,822</u>	<u>\$ 30,616</u>

E) Other receivables-related parties

a) Reclassified from accounts receivable

	March 31, 2015	December 31, 2014	March 31, 2014	January 1, 2014
The ultimate parent	\$ 17,232	\$ 5,837	\$ 26,518	\$ 11,259
Associates	7,951	6,851	29,120	38,199
	<u>\$ 25,183</u>	<u>\$ 12,688</u>	<u>\$ 55,638</u>	<u>\$ 49,458</u>

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 365 days.

b) Others

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Associates	\$ 700	\$ 2,668	\$ 93	\$ 480

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>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Joint ventures	\$ 29,039	\$ 29,018	\$ 29,039	\$ 29,036

b) Interest income

	<u>Three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Joint ventures	\$ 114	\$ 114

The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.6% for both the three-month periods ended March 31, 2015 and 2014.

G) Other payables-related parties

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
The ultimate parent (Note 1)	\$ 1,168	\$ 3,658	\$ 211	\$ 1,560
Associates (Note 2)	-	2,500	2,500	2,500
	<u>\$ 1,168</u>	<u>\$ 6,158</u>	<u>\$ 2,711</u>	<u>\$ 4,060</u>

Note 1: The payable is due to the personnel transfers from related parties, estimated directors' and supervisors' remuneration, for the three-month periods ended March 31, 2015 and 2014, and the related expenses amounted to \$927 and \$575, respectively.

Note 2: The payable is due to purchases of equipment and construction.

H) Endorsements and guarantees for others

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Joint ventures	\$ <u>248,253</u>	\$ <u>248,253</u>	\$ <u>246,870</u>	\$ <u>254,853</u>

3) Key management compensation

	<u>Three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Salaries and other short-term employee benefits	\$ 10,934	\$ 12,368
Post-employment benefits	132	292
Share-based payments	965	2,001
Total	\$ <u>12,031</u>	\$ <u>14,661</u>

8. PLEGDED ASSETS

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

Assets	<u>Book value</u>				Purposes
	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>	
Other financial assets - non-current					
Restricted bank deposits	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	Guarantee for long-term loans
Long-term prepaid rents- land-use right	25,180	25,756	65,707	67,201	Guarantee for long-term loans
Refundable deposits	6,091	5,848	5,411	5,324	Guarantee for rent, service contracts and tender bond
	\$ <u>81,271</u>	\$ <u>81,604</u>	\$ <u>121,118</u>	\$ <u>122,525</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those items which have been disclosed in Notes 6(8), (12), (21), (23), and 7(2)H, the significant commitments and contingent liabilities of the Group as of March 31, 2015 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. The total amount of guarantee notes and promissory notes issued amounted to \$1,771,084.
- 2) As of March 31, 2015, the outstanding commitments for importing raw material and releasing construction contracts amounted to \$16,049.

3) As of March 31, 2015, the subsidiaries had outstanding commitments for service contracts amounting to \$98,153.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at March 31, 2015, December 31, 2014, March 31, 2014 and January 1, 2014 were as follows:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
Total borrowings	<u>\$ 698,718</u>	<u>\$ 700,824</u>	<u>\$ 1,084,421</u>	<u>\$ 1,084,294</u>
Total equity	<u>\$ 4,920,488</u>	<u>\$ 4,684,791</u>	<u>\$ 4,628,178</u>	<u>\$ 4,430,675</u>
Gearing ratio	<u>14%</u>	<u>15%</u>	<u>23%</u>	<u>24%</u>

2) Financial instruments

A) Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, accounts payable, other payables and long-term borrowings that current portion) approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B) Financial 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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.
- 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, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C) Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

- i) The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- 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:

March 31, 2015			
Foreign Currency			
	Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 1,007	31.300	\$ 31,519
HKD : NTD	457	4.039	1,846
JPY : NTD	22,921	0.261	5,982
EUR : NTD	8	33.670	269
GBP : NTD	2	46.260	93
CNY : NTD	50,658	5.045	255,570
MOP : NTD	14,129	3.861	54,552
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	\$ 56	3.861	\$ 215
December 31, 2014			
Foreign Currency			
	Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 1,005	31.620	\$ 31,778
HKD : NTD	457	4.090	1,869
JPY : NTD	3,048	0.265	808
EUR : NTD	17	38.550	655
CNY : NTD	50,246	5.101	256,305
MOP : NTD	6,168	3.905	24,086

March 31, 2014			
Foreign Currency			
	Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 3,483	30.463	\$ 106,103
HKD : NTD	457	3.931	1,796
JPY : NTD	798	0.296	236
EUR : NTD	202	41.950	8,474
CNY : NTD	7,948	4.901	38,953
MOP : NTD	9,055	3.757	34,020
 <u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	\$ 471	3.757	\$ 1,770

January 1, 2014			
Foreign Currency			
	Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 2,989	29.850	\$ 89,222
HKD : NTD	696	3.860	2,687
JPY : NTD	3,086	0.285	880
EUR : NTD	1	41.260	41
CNY : NTD	20,917	4.938	103,288
MOP : NTD	8,564	3.681	31,524

- v) The unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2015 and 2014 amounted (\$5,095) and (\$1,540), respectively.

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

Three-month period ended March 31, 2015				
Sensitivity analysis				
	Extent of variation		Effect on profit or loss	Effect on Equity
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1.00%	\$	315	\$ -
HKD : NTD	1.00%		18	-
JPY : NTD	1.00%		60	-
EUR : NTD	1.00%		3	-
GBP : NTD	1.00%		1	-
CNY : NTD	1.00%		2,556	-
MOP : NTD	1.00%		546	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
MOP : NTD	1.00%		2	-
Three-month period ended March 31, 2014				
Sensitivity analysis				
	Extent of variation		Effect on profit or loss	Effect on Equity
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1.00%	\$	1,061	\$ -
HKD : NTD	1.00%		18	-
JPY : NTD	1.00%		2	-
EUR : NTD	1.00%		85	-
CNY : NTD	1.00%		390	-
MOP : NTD	1.00%		340	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
MOP : NTD	1.00%		18	-

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. 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.

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 three-month periods ended March 31, 2015 and 2014, 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. 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.
- ii) The credit quality information of financial assets that are neither past due nor impaired is as follows:

	March 31, 2015		
	Group 1	Group 2	Group 3
Notes receivable	\$ -	\$ -	\$ 210
Accounts receivable	664,216	1,516	162,111
Accounts receivable-related parties	-	111,709	47
Other receivables	-	-	9,927
Other receivables-related parties	-	-	29,739
Long-term other receivables	3,125,350	-	-
	<u>\$ 3,789,566</u>	<u>\$ 113,225</u>	<u>\$ 202,034</u>

	December 31, 2014		
	Group 1	Group 2	Group 3
Notes receivable	\$ -	\$ -	\$ 690
Accounts receivable	654,390	2,137	166,811
Accounts receivable-related parties	-	117,634	1,108
Other receivables	-	-	11,750
Other receivables-related parties	-	-	31,686
Long-term other receivables	3,187,165	-	-
	<u>\$ 3,841,555</u>	<u>\$ 119,771</u>	<u>\$ 212,045</u>

	March 31, 2014		
	Group 1	Group 2	Group 3
Notes receivable	\$ -	\$ -	\$ 1,066
Accounts receivable	590,858	-	209,706
Accounts receivable-related parties	-	84,245	-
Other receivables	-	-	12,333
Other receivables-related parties	-	-	29,132
Long-term other receivables	3,365,423	-	-
	<u>\$ 3,956,281</u>	<u>\$ 84,245</u>	<u>\$ 252,237</u>

	January 1, 2014		
	Group 1	Group 2	Group 3
Notes receivable	\$ -	\$ -	\$ 1,038
Accounts receivable	674,523	1,646	112,459
Accounts receivable-related parties	-	77,406	3,480
Other receivables	-	-	7,588
Other receivables-related parties	-	-	29,516
Long-term other receivables	3,424,843	-	-
	<u>\$ 4,099,366</u>	<u>\$ 79,052</u>	<u>\$ 154,081</u>

Group 1: Government.

Group 2: Listed companies.

Group 3: Others.

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

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>	<u>January 1, 2014</u>
<u>Other receivables</u>				
<u>-related parties</u>				
Up to 30 days	\$ 13,172	\$ 2,851	\$ 27,020	\$ 14,944
31 to 90 days	4,703	5,817	2,893	9,616
91 to 180 days	3,607	2,720	13,665	9,121
Over 181 days	3,701	1,300	12,060	15,777
	<u>\$ 25,183</u>	<u>\$ 12,688</u>	<u>\$ 55,638</u>	<u>\$ 49,458</u>

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 so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- 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.

<u>Non-derivative financial liabilities</u>		
<u>March 31, 2015</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 696,465	\$ -
Other payables	180,066	-
Bonds payable	17,118	-
Long-term borrowings (including current portion)	158,400	523,200
<u>Non-derivative financial liabilities</u>		
<u>December 31, 2014</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 631,875	\$ -
Other payables	296,103	-
Bonds payable	19,224	-
Long-term borrowings (including current portion)	158,400	523,200

<u>Non-derivative financial liabilities</u>		
March 31, 2014	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 558,926	\$ -
Other payables	144,827	-
Bonds payable	33,327	-
Long-term borrowings (including current portion)	313,947	737,147

<u>Non-derivative financial liabilities</u>		
January 1, 2014	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 511,566	\$ -
Other payables	270,271	-
Bonds payable	33,200	-
Long-term borrowings (including current portion)	313,947	737,147

3) Fair value estimation

A) Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A.

B) 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: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. 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 (that is, as prices) or indirectly (that is, derived from prices). The fair value of the Group's investment in corporate bonds and convertible bonds is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data. The Group hasn't investment in any financial instruments.

The following table presents the Group's financial assets and liabilities that are measured at fair value at March 31, 2015, December 31, 2014, March 31, 2014 and January 1, 2014.

March 31, 2015	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:					
Financial assets at fair value through profit or loss					
Equity securities	\$ 177,010	\$ 177,010	\$ -	\$ -	\$ 177,010
Derivative financial assets	138	-	138	-	138
Available-for-sale financial assets					
Equity securities	87,964	87,964	-	-	87,964
Bond securities	59,459	-	59,459	-	59,459
Total	<u>\$ 324,571</u>	<u>\$ 264,974</u>	<u>\$ 59,597</u>	<u>\$ -</u>	<u>\$ 324,571</u>

December 31, 2014	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:					
Financial assets at fair value through profit or loss					
Equity securities	\$ 247,222	\$ 247,222	\$ -	\$ -	\$ 247,222
Derivative financial assets	176	-	176	-	176
Available-for-sale financial assets					
Equity securities	88,582	88,582	-	-	88,582
Bond securities	61,527	-	61,527	-	61,527
Total	<u>\$ 397,507</u>	<u>\$ 335,804</u>	<u>\$ 61,703</u>	<u>\$ -</u>	<u>\$ 397,507</u>

March 31, 2014	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:					
Financial assets at fair value through profit or loss					
Equity securities	\$ 150,456	\$ 150,456	\$ -	\$ -	\$ 150,456
Derivative financial assets	462	-	462	-	462
Available-for-sale financial assets					
Equity securities	99,732	99,732	-	-	99,732
Total	<u>\$ 250,650</u>	<u>\$ 250,188</u>	<u>\$ 462</u>	<u>\$ -</u>	<u>\$ 250,650</u>

January 1, 2014	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:					
Financial assets at fair value through profit or loss					
Equity securities	\$ 90,145	\$ 90,145	\$ -	\$ -	\$ 90,145
Derivative financial assets	520	-	520	-	520
Available-for-sale financial assets					
Equity securities	104,013	104,013	-	-	104,013
Total	<u>\$ 194,678</u>	<u>\$ 194,158</u>	<u>\$ 520</u>	<u>\$ -</u>	<u>\$ 194,678</u>

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

Market quoted price	Listed shares Closing price	Open-end fund Net asset value
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- 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) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- F) For the three-month periods ended March 31, 2015 and 2014, there were no transfers between Level 1 and Level 2.
- G) For the three-month periods ended March 31, 2015 and 2014, there were no input and output into Level 3.
- H) Specific valuation techniques used to value financial instruments include:
- a) Quoted market prices or dealer quotes for similar instruments.
 - b) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

13. DISCLOSURES OF OTHER INFORMATION

1) Related information of significant transactions

A) Lending to others:

Number (Note 1)	Creditor KD Holding Corp.	Borrower G.D. Development Corp.	General ledger accounts (Note 2) Other receivables- related parties	Is a related party Yes	Maximum outstanding balance during the three-month period ended March 31, 2015 (Note 3)	Balance at March 31, 2015	Actual Spending	Interest rate 1.60%	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason of short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote	
																	\$
0					30,000	30,000	29,000	1.60%	2	\$	For operational needs	\$	-	-	443,708	\$ 1,774,832	

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 three-month period ended March 31, 2015.

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 instalments 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.

B) Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/guarantor	Company name	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 March 31, 2015 (Note 4)	Outstanding endorsement/guarantee amount at March 31, 2015 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsement/guarantee secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company 5.59%	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 the party in Mainland China (Note 7)	Footnote
0	KD Holding Corp.	G.D. Development Corp.	6	\$ 8,874,160 (Note 3)	\$ 248,253 (Note 4)	\$ 248,253 (Note 5)	\$ 137,327 (Note 6)	\$ -	\$ 5.59%	\$ 13,311,240 (Note 3)	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 six categories; fill in the number of category each case belongs to:

(1) Having business relationship.

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

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

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

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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 reviewed or 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 reviewed or 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: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

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.

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

		March 31, 2015							
Securities held by	Type and name of securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger accounts	Shares/ denominations (thousand share)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
	Type	Name							
KD Holding Corp.	Fund	Capital Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	343	\$ 5,453	-	\$ 5,453	-
"	Common Stock	Taiwan Cement Corp.	The Chairman is CTCI Corp.'s director	Available-for-sale financial assets-current	180	\$ 7,298	-	\$ 7,928	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	462	19,949	-	9,979	-
				Adjustment	(9,340)		\$ 17,907	
"	"	TSC Venture Management, Inc.	N/A	Financial assets carried at cost-non-current	270	\$ 4,681	5.88%	\$ -	-
"	"	Teamwin Opto-Electronics Co., Ltd.	"	"	150	2,261	2.46%	632	-
		Less: Accumulated impairment			(6,310)		\$ 632	
Leading Energy Corp.	Fund	Mega Diamond Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	1,461	\$ 18,010	-	\$ 18,010	-
"	Common Stock	Taiwan Cement Corp.	The Chairman is CTCI Corp.'s director	Available-for-sale financial assets-current	432	19,064	-	19,064	-
Sino Environmental Services Corp.	Fund	Allianz Gbl Investors Taiwan Money Mkt.	N/A	Financial assets at fair value through profit or loss-current	3,258	40,141	-	40,141	-
"	"	Franklin Templeton Sinoan Money Market Fund	"	"	6,371	64,691	-	64,691	-

Type and name of securities (Note 1)		March 31, 2015							
Securities held by	Type	Name	Relationship with the securities issuer (Note 2)	General ledger accounts	Shares/ denominations (thousand share)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
	Common Stock	CTCI Corp.	Ultimate parent company	Available-for-sale financial assets-current	1	\$	53	\$	53
Sino Environmental Services Corp.									
"	"	Taiwan Cement Corp.	The Chairman is CTCI Corp.'s director	"	438		19,323		19,323
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	575		12,420		12,420
"	Bonds	BP capital PLC	N/A	"	6,000		29,719		29,719
"	"	BOC Aviation PTE LTD	"	"	6,000		29,740		29,740
HD Resources Management Corp.	Fund	Mega Diamond Money Market Fund	"	Financial assets at fair value through profit or loss-current	1,057		13,032		13,032
"	"	Jih Sun Money Market Fund	"	"	871		12,680		12,680
"	Common Stock	Taiwan Cement Corp.	The Chairman is CTCI Corp.'s director	Available-for-sale financial assets-current	435		19,197		19,197
Fortune Energy Corp.	Fund	Allianz Gbl Investors Taiwan Money Mkt.	N/A	Financial assets at fair value through profit or loss-current	1,867		23,003		23,003

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IAS 39 'Financial instruments : recognition and measurement.'

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 not measured at fair value.

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 is denominated in CNY.

D) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

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: None.

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

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2015	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Sino Environmental Service Corp.	CTCI Corp.	Ultimate parent company	\$ 122,997	3.19	\$ 17,232	Active collection	\$ 15,890	\$ -

I) Derivative financial instruments: Please refer to Note 6(2).

J) Significant inter-company transactions during the three-month period ended March 31, 2015:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General Ledger		Transaction terms 30 days quarterly	Percentage of consolidated total operating revenues or total assets (Note 3)
				Account	Amount		
1	Sino Environmental Service Corp.	HD Resources Management Corp.	3	Sales revenue	\$ 97,861	10%	
1	"	Leading Energy Corp.	"	"	48,102	5%	
1	"	Fortune Energy Corp.	"	"	35,113	4%	
2	Leading Energy Corp.	HD Resources Management Corp.	"	"	69,324	7%	

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.

2) Related information of the investee companies

Information on the investees (not including investees in Mainland China) :

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2015		Book value	Net profit (loss) of the investee for the three-month period ended March 31, 2015	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2015	Footnote
				Balance as at March 31, 2015	Balance as at December 31, 2014	Number of shares	Percentage of ownership				
KD Holding Corp.	HD Resources 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%	\$ 80,612	\$ 5,791	\$ 5,791	A subsidiary
KD Holding Corp.	Leading Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	993,485	993,485	86,240,000	98.00%	1,751,642	73,337	71,870	A subsidiary
KD Holding Corp.	Sino Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance, etc.	339,921	339,921	14,065,936	93.15%	794,890	64,689	60,264	A subsidiary
KD Holding Corp.	Fortune 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%	1,030,922	51,412	38,559	A subsidiary
KD Holding Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	189,991	95,491	18,999,000	49.99%	196,538	447	223	An investee which has a 50% interest in a joint venture
KD Holding 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%	22,534	(412)	(247)	A subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2015			Net profit (loss) of the investee for the three-month period ended March 31, 2015	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2015	Footnote
				Balance as at March 31, 2015	Balance as at December 31, 2014	Number of shares	Percentage of ownership	Book value			
KD Holding Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Island		\$ 309,489	\$ 309,489	13,333,333	20.00%	\$ 332,874	\$ 9,091	2,243	
Sino Environmental Services Corp.	Leading Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	17,600	17,600	1,760,000	2.00%	35,748	73,337	1,467	
Sino Environmental Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	53,053	14,196	3,819	
Sino Environmental Services Corp.	SINOGAL-Waste Services Co., Ltd.	Macau	Management of waste recycling site and maintenance of related mechanical and equipment etc.	4,964	4,964	-	30.00%	34,928	19,628	5,888	
Sino Environmental Services Corp.	Fortune Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	13	13	1,000	0.001%	18	51,412	-	
Sino Environmental Services Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	8	8	1,000	0.01%	10	447	-	
HD Resources Management Corp.	Sino Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance, etc.	53	53	1,000	0.01%	79	64,689	-	
HD Resources 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%	15,023	412	165	

3) Information on investments in Mainland China

A) The related information of investment in Mainland China is as follows:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2015	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three-month period ended March 31, 2015	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2015	Net income of investee as of March 31, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2015 (Note 2(2)B)	Book value of investments in Mainland China as of March 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2015	Footnote
GranSino Environmental Technology Co., Ltd.	Main business activities: Environmental technical advisory, urban environmental sanitation and processing equipment technology R&D, environmental pollution control equipment maintenance, and construction management, etc.	\$ 22,193	1	\$ 10,874	Remitted to Mainland China to Taiwan - \$ -	\$ 10,874	(\$ 1,452)	45.65%	(\$ 438)	\$ 10,150	\$ 3,146	
Xiang Ding Environmental Consultant (Shanghai) Co., Ltd.	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.	4,147	1	4,147	-	4,147	1,326	93.16%	1,235	7,329	-	
				Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA					
				\$ 15,021	\$ 15,021	\$ 15,021	\$ 15,021	\$ 2,662,248				

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 three-month period ended March 31, 2015' 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 audited and attested 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.

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

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Interest during the three-month period ended March 31, 2015	
	Amount	%	Amount	%	Balance at March 31, 2015	%	Balance at March 31, 2015	Purpose	Maximum balance during the three-month period ended March 31, 2015	Balance at March 31, 2015		Interest rate
GranSino Environmental Technology Co., Ltd.	\$ -	-	\$ -	-	\$ 7,951	1.51%	\$ -	-	\$ -	\$ -	-	\$ -

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 of segments

The segmental financial information provided to the chief operating decision-maker is as follows:

	Environmental Resource Department	
	Three-month periods ended March 31,	
	2015	2014
Revenue from external customers	\$ 964,024	\$ 918,056
Inter-segment revenue	274,136	261,594
Total segment revenue	<u>\$ 1,238,160</u>	<u>\$ 1,179,650</u>
Segment income	<u>\$ 224,728</u>	<u>\$ 197,757</u>
Depreciation	<u>\$ 4,411</u>	<u>\$ 3,742</u>
Amortisation	<u>\$ 2,848</u>	<u>\$ 2,773</u>

3) Reconciliation information of segmental income

A reconciliation of adjusted EBITDA for reportable segment and income from continuing operations before income tax is provided as follows:

	Three-month periods ended March 31,	
	2015	2014
Adjusted EBITDA for reportable segment	\$ 224,728	\$ 197,757
Unrealized (loss) gain on financial instruments	3 (218)
Financial cost, net	(2,586)	(4,014)
Others	5,236	11,469
Income from continuing operations before income tax	<u>\$ 227,381</u>	<u>\$ 204,994</u>