

**KD HOLDING CORPORATION AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS**

September 30, 2016 AND 2015

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 September 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report 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, "Engagements to Review 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 in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements 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\$95,637 thousand and NT\$789,117 thousand, constituting 1% and 11% of the respective consolidated total as of September 30, 2016 and 2015. Total liabilities of these subsidiaries amounted to NT\$5,611 thousand and NT\$657,147 thousand, constituting 0.3% and 25% of the respective consolidated total as of September 30, 2016 and 2015; with total comprehensive income amounting to NT\$15,175 thousand, NT\$33,937 thousand, NT\$33,751 thousand and NT\$73,040 thousand for the three-month and nine-month periods ended September 30, 2016 and 2015, constituting 5%, 13%, 3% and 11% of the respective consolidated totals. Additionally, the financial statements include long-term equity investments accounted for under the

~1~



資誠

equity method which were based on their unreviewed financial statements as of and for the three- month and nine-month periods ended September 30, 2016 and 2015. As described in Note 13, these long-term investment balances amounted to NT\$596,842 thousand and NT\$607,682 thousand as of September 30, 2016 and 2015, respectively, and the related investment income recognized for these investee companies were NT\$4,318 thousand, NT\$5,720 thousand, NT\$8,886 thousand and NT\$20,744 thousand for the three-month and nine-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 Standard No. 34 “Interim Financial Reporting”, as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

November 2, 2016

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 September 30, 2016 and 2015 are reviewed, not audited)

Assets	Notes	September 30, 2016		December 31, 2015		September 30, 2015		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,418,182	20	\$ 2,159,130	28	\$ 1,778,720	24
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		345,423	5	320,700	4	192,895	2
1125	Available-for-sale financial assets -	6(3)						
	current		103,582	1	132,388	2	126,015	2
1150	Notes receivable, net		70	-	529	-	195	-
1170	Accounts receivable, net	6(4)	1,083,897	15	906,575	12	1,044,447	14
1180	Accounts receivable, net - related	7						
	parties		265,581	4	138,457	2	232,427	3
1200	Other receivables		7,689	-	11,637	-	8,979	-
1210	Other receivables - related parties	7	288,888	4	47,151	1	75,679	1
130X	Inventories		51,123	1	54,325	1	54,154	1
1410	Prepayments		161,794	2	112,312	1	55,478	1
11XX	Current Assets		<u>3,726,229</u>	<u>52</u>	<u>3,883,204</u>	<u>51</u>	<u>3,568,989</u>	<u>48</u>
Non-current assets								
1543	Financial assets carried at cost -	6(5)						
	non-current		475	-	475	-	632	-
1550	Investments accounted for under	6(6)						
	equity method		596,842	8	618,183	8	607,682	8
1600	Property, plant and equipment, net	6(7)	48,890	1	51,075	1	50,634	1
1840	Deferred income tax assets		15,706	-	15,811	-	14,055	-
1900	Other non-current assets	6(8) and 8	2,835,823	39	3,087,366	40	3,160,524	43
15XX	Non-current assets		<u>3,497,736</u>	<u>48</u>	<u>3,772,910</u>	<u>49</u>	<u>3,833,527</u>	<u>52</u>
1XXX	Total assets		<u>\$ 7,223,965</u>	<u>100</u>	<u>\$ 7,656,114</u>	<u>100</u>	<u>\$ 7,402,516</u>	<u>100</u>

(Continued)

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2016 and 2015 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2016		December 31, 2015		September 30, 2015	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2150	Notes payable		\$ -	-	\$ -	-	\$ 366	-
2170	Accounts payable	6(9)	740,038	10	772,390	10	645,122	9
2180	Accounts payable - related parties	7	54,435	1	27,196	1	28,594	-
2200	Other payables	6(10)	279,750	4	297,973	4	257,804	3
2220	Other payables - related parties	7	2,159	-	2,674	-	1,289	-
2230	Current income tax liabilities		94,765	1	74,794	1	50,481	1
2300	Other current liabilities	6(11)(12)	259,524	4	774,847	10	821,817	11
21XX	Current Liabilities		<u>1,430,671</u>	<u>20</u>	<u>1,949,874</u>	<u>26</u>	<u>1,805,473</u>	<u>24</u>
	Non-current liabilities							
2540	Long-term borrowings	6(12)	268,000	4	364,800	5	444,000	6
2570	Deferred income tax liabilities		167,239	2	161,105	2	165,144	2
2600	Other non-current liabilities	6(13)	281,851	4	268,687	3	254,231	4
25XX	Non-current liabilities		<u>717,090</u>	<u>10</u>	<u>794,592</u>	<u>10</u>	<u>863,375</u>	<u>12</u>
2XXX	Total Liabilities		<u>2,147,761</u>	<u>30</u>	<u>2,744,466</u>	<u>36</u>	<u>2,668,848</u>	<u>36</u>
	Equity attributable to owners of parent							
	Share capital	6(11)(16)						
3110	Common stock		664,354	9	658,394	9	656,501	9
3140	Capital collected in advance		-	-	233	-	1,290	-
	Capital surplus	6(11)(17)						
3200	Capital surplus		2,124,260	30	2,069,266	26	2,060,175	28
	Retained earnings	6(18)(21)						
3310	Legal reserve		442,686	6	371,649	5	371,649	5
3320	Special reserve		145	-	145	-	145	-
3350	Unappropriated retained earnings		1,300,892	18	1,314,258	17	1,190,564	16
	Other equity interest							
3400	Other equity interest		789	-	25,009	1	10,917	-
31XX	Equity attributable to owners of the parent		<u>4,533,126</u>	<u>63</u>	<u>4,438,954</u>	<u>58</u>	<u>4,291,241</u>	<u>58</u>
36XX	Non-controlling interest		<u>543,078</u>	<u>7</u>	<u>472,694</u>	<u>6</u>	<u>442,427</u>	<u>6</u>
3XXX	Total equity		<u>5,076,204</u>	<u>70</u>	<u>4,911,648</u>	<u>64</u>	<u>4,733,668</u>	<u>64</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 7,223,965</u>	<u>100</u>	<u>\$ 7,656,114</u>	<u>100</u>	<u>\$ 7,402,516</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 2, 2016.

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

Items	Notes	Three-month period ended September 30				Nine-month period ended September 30			
		2016		2015		2016		2015	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000		\$ 1,170,000	100	\$ 1,077,455	100	\$ 3,909,329	100	\$ 3,058,892	100
5000									
5900									
6200									
6000									
6900									
7010									
7020									
7050									
7060									
7000									
7900									
7950									
8200									
8361									
8362									
8300									
8500									
8610									
8620									
8710									
8720									
9750									
9850									

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 2, 2016.

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

Notes	Equity attributable to owners of the parent										
	Capital		Retained Earnings				Other equity interest				
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
For the nine-month period ended September 30, 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)	-	-	-	-	-	-	-	-	-
Appropriation of 2014 earnings											
Legal reserve	-	-	-	67,404	-	(67,404)	-	-	-	-	-
Special reserve	-	-	-	-	(617)	617	-	-	-	-	-
Cash dividends	-	-	-	-	-	(607,249)	-	-	(607,249)	(111,214)	(718,463)
Profit for the period	-	-	-	-	-	576,908	-	-	576,908	99,052	675,960
Convertible bonds transferred to common stock	211	1,290	13,914	-	-	-	-	-	15,415	-	15,415
Share-based payment transactions	-	-	7,133	-	-	-	-	-	7,133	425	7,558
Employee stock options exercised	6,425	-	61,694	-	-	-	-	-	68,119	-	68,119
Cumulative translation differences of foreign operations	-	-	-	-	-	-	23,679	-	23,679	1,587	25,266
Unrealized gain or loss on available-for-sale financial assets	-	-	-	-	-	-	-	(24,240)	(24,240)	(738)	(24,978)
Balance at September 30, 2015	<u>\$ 656,501</u>	<u>\$ 1,290</u>	<u>\$ 2,060,175</u>	<u>\$ 371,649</u>	<u>\$ 145</u>	<u>\$ 1,190,564</u>	<u>\$ 51,329</u>	<u>(\$ 40,412)</u>	<u>\$ 4,291,241</u>	<u>\$ 442,427</u>	<u>\$ 4,733,668</u>
For the nine-month period ended September 30, 2016											
Balance at January 1, 2016	\$ 658,394	\$ 233	\$ 2,069,266	\$ 371,649	\$ 145	\$ 1,314,258	\$ 57,355	(\$ 32,346)	\$ 4,438,954	\$ 472,694	\$ 4,911,648
Capital collected in advance transferred to common stock	233	(233)	-	-	-	-	-	-	-	-	-
Appropriation of 2015 earnings											
Legal reserve	-	-	-	71,037	-	(71,037)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(639,352)	-	-	(639,352)	(470,202)	(1,109,554)
Profit for the period	-	-	-	-	-	697,023	-	-	697,023	549,666	1,246,689
Share-based payment transactions	-	-	1,761	-	-	-	-	-	1,761	102	1,863
Employee stock options exercised	5,727	-	53,233	-	-	-	-	-	58,960	-	58,960
Cumulative translation differences of foreign operations	-	-	-	-	-	-	(27,280)	-	(27,280)	(9,128)	(36,408)
Unrealized gain or loss on available-for-sale financial assets	-	-	-	-	-	-	-	3,060	3,060	(54)	3,006
Balance at September 30, 2016	<u>\$ 664,354</u>	<u>\$ -</u>	<u>\$ 2,124,260</u>	<u>\$ 442,686</u>	<u>\$ 145</u>	<u>\$ 1,300,892</u>	<u>\$ 30,075</u>	<u>(\$ 29,286)</u>	<u>\$ 4,533,126</u>	<u>\$ 543,078</u>	<u>\$ 5,076,204</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 2, 2016.

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

	Notes	Nine-month periods ended September 30	
		2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax for the period		\$ 1,428,808	\$ 783,178
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation		12,148	12,629
Amortization		10,473	8,012
Interest expense		4,516	7,113
Interest income	(	14,041)	(23,360)
Dividend income	(	5,128)	(15,823)
Salary expense-employee stock options		1,863	7,558
Gain on valuation of financial assets	(	676)	(1,264)
Loss on disposal of investment		129	-
Share of profit of associates and joint ventures accounted for under equity method	(	8,886)	(20,744)
Loss on disposal of property, plant and equipment	(	2,175)	264
Discount on convertible bonds recognized as interest expense		-	176
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss	(	44,809)	59,628
Notes receivable, net		459	495
Accounts receivable, net	(	177,322)	(221,109)
Accounts receivable, net - related parties	(	127,124)	(113,685)
Other receivables		3	369
Other receivables-related parties	(	12,008)	(31,285)
Inventories		3,202	(9,896)
Prepayments	(	49,482)	(2,972)
Other non-current assets		243,520	179,156
Changes in operating liabilities			
Notes payable		-	366
Accounts payable	(	32,352)	43,180
Accounts payable - related parties		27,239	(1,339)
Other payables	(	17,319)	(32,015)
Other payables - related parties	(	515)	(2,369)
Other current liabilities	(	532,923)	193,770
Other non-current liabilities		214	13,299
Cash inflow generated from operations		707,814	833,332
Interest received		16,079	25,415
Dividends received		16,842	40,753
Interest paid	(	5,420)	(7,239)
Income tax paid	(	154,156)	(121,946)
Net cash flows from operating activities		581,159	770,315

(Continued)

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

	<u>Notes</u>	<u>Nine-month periods ended September 30</u>	
		<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in available-for-sale financial assets-current		\$ 29,771	\$ -
Other receivables-related parties		(229,500)	-
Increase in investments accounted for under equity method-non-subsidiaries		-	(94,500)
Interest received		1,678	327
Acquisition of property, plant and equipment		(10,898)	(5,066)
Proceeds from disposal of property, plant and equipment		2,836	163
Increase in refundable deposits		(2,450)	(6,797)
Net cash flows used in investing activities		(208,563)	(105,873)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of long-term loans		(79,200)	(79,200)
Increase in deposits received (shown in other non-current liabilities)		16,250	13,771
Employee stock options exercised		58,960	68,119
Cash dividends paid		(1,109,554)	(718,463)
Net cash flows used in financing activities		(1,113,544)	(715,773)
Net decrease in cash and cash equivalents		(740,948)	(51,331)
Cash and cash equivalents at beginning of period		2,159,130	1,830,051
Cash and cash equivalents at end of period		<u>\$ 1,418,182</u>	<u>\$ 1,778,720</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 2, 2016.

KD HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

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 57.99% equity interest in the Company as of September 30, 2016.
- 4) As of September 30, 2016, the Company and its subsidiaries (collectively referred herein as the “Group”) had 900 employees.

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

These consolidated financial statements were reported to the Board of Directors on November 2, 2016.

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”)

None.

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

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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
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
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

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

Amendments to IAS 1, 'Disclosure initiative'

This amendment clarifies the presentation of materiality, aggregation and subtotals, the framework of financial report, and the guide for accounting disclosure.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
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)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2008
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017

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

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11 'Construction contracts', IAS18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

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

E. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is effective from January 1, 2017.

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

- A) The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim Financial Reporting' as endorsed by the FSC.
- B) These consolidated financial statements of the Group are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2015.

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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3) Basis of consolidation

A) Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements of the Group was consistent with those of the year ended December 31, 2015.

B) Subsidiaries included in the consolidated financial statements:

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)			Note
			September 30, 2016	December 31, 2015	September 30, 2015	
KD Holding Corp.	HD Resources Management Corp.	Environmental engineering	100.00	100.00	100.00	
KD Holding Corp.	Fortune Energy Corp.	Environmental engineering	74.999	74.999	74.999	
Sino Environmental Service Corp.			0.001	0.001	0.001	
KD Holding Corp.	Sino Environmental Service Corp.	Environmental engineering	93.15	93.15	93.15	
HD Resources Management Corp.			0.01	0.01	0.01	
KD Holding Corp.	Leading Energy Corp.	Environmental engineering	98.00	98.00	98.00	
Sino Environmental Service Corp.			2.00	2.00	2.00	
KD Holding Corp.	Yuan Ding Resources Corp.	Environmental engineering	60.00	60.00	60.00	2
HD Resources Management Corp.			40.00	40.00	40.00	
Sino Environmental Service Corp.	SINOGAL-Waste Services Co., Ltd.	Environmental engineering	30.00	30.00	30.00	1, 3
Sino Environmental Service Corp.	Xiang Ding Environmental Consultant (Shanghai) Corp.	Environmental engineering	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 nine-month periods ended September 30, 2016 and 2015 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

3: The financial statements of the entity as of and for the nine-month periods ended September 30, 2015 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary. The financial statements of the entity as of and for the nine-month periods ended September 30, 2016 were reviewed by independent accountants as it had a material effect on the consolidated financial

statements.

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

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

E) Significant restrictions: None.

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

As of September 30, 2016, December 31, 2015 and September 30, 2015, the non-controlling interest amounted to \$543,078, \$472,694 and \$442,427, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		September 30, 2016		December 31, 2015		September 30, 2015	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
Fortune Energy Corp.	Taiwan	\$324,200	25.00%	\$334,774	25.00%	\$324,177	25.00%
SINO GAL-Waste Services Co., Ltd.	Macau	155,133	70.00%	80,617	70.00%	65,577	70.00%

Summarized financial information of the subsidiaries:

Balance sheets

	Fortune Energy Corp.		
	September 30, 2016	December 31, 2015	September 30, 2015
Current assets	\$ 309,647	\$ 214,693	\$ 300,181
Non-current assets	1,617,411	1,754,572	1,781,717
Current liabilities	(297,335)	(200,280)	(274,960)
Non-current liabilities	(332,919)	(429,890)	(510,229)
Total net assets	\$ 1,296,804	\$ 1,339,095	\$ 1,296,709

	SINO GAL-Waste Services Co., Ltd.		
	September 30, 2016	December 31, 2015	September 30, 2015
Current assets	\$ 399,902	\$ 805,743	\$ 730,595
Non-current assets	16,549	21,818	23,248
Current liabilities	(142,833)	(661,228)	(610,703)
Non-current liabilities	(51,999)	(51,166)	(49,459)
Total net assets	\$ 221,619	\$ 115,167	\$ 93,681

Statements of comprehensive income

	<u>Fortune Energy Corp.</u>	
	<u>Three-month period ended September 30, 2016</u>	<u>Three-month period ended September 30, 2015</u>
Revenue	\$ 94,487	\$ 96,961
Profit before income tax	47,347	45,586
Income tax expense	(8,044)	(299)
Profit for the period	39,303	45,287
Total comprehensive income for the period	<u>\$ 39,303</u>	<u>\$ 45,287</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 9,825</u>	<u>\$ 11,322</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

	<u>Fortune Energy Corp.</u>	
	<u>Nine-month period ended September, 2016</u>	<u>Nine-month period ended September, 2015</u>
Revenue	\$ 271,736	\$ 278,793
Profit before income tax	142,350	138,815
Income tax expense	(24,452)	(1,012)
Profit for the period	117,898	137,803
Total comprehensive income for the period	<u>\$ 117,898</u>	<u>\$ 137,803</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 29,474</u>	<u>\$ 34,451</u>
Dividends paid to non-controlling interest	<u>\$ 40,072</u>	<u>\$ 41,113</u>

	<u>SINOGAL-Waste Services Co., Ltd.</u>	
	<u>Three-month period ended September 30, 2016</u>	<u>Three-month period ended September 30, 2015</u>
Revenue	\$ 180,811	\$ 138,068
Profit before income tax	46,496	21,685
Income tax benefit	66,040	6,196
Profit for the period	112,536	27,881
Other comprehensive income (loss), net of tax	(579)	5,187
Total comprehensive income for the period	<u>\$ 111,957</u>	<u>\$ 33,068</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 78,370</u>	<u>\$ 23,147</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

	SINO GAL-Waste Services Co., Ltd.	
	Nine-month period ended September 30, 2016	Nine-month period ended September 30, 2015
Revenue	\$ 1,120,460	\$ 420,384
Profit before income tax	718,947	65,202
Income tax (expense) benefit	(15,740)	895
Profit for the period	703,207	66,097
Other comprehensive income (loss), net of tax	(12,097)	1,970
Total comprehensive income for the period	\$ 691,110	\$ 68,067
Comprehensive income attributable to non-controlling interest	\$ 483,777	\$ 47,646
Dividends paid to non-controlling interest	\$ 409,261	\$ 50,694

Statements of cash flows

	Fortune Energy Corp.	
	Nine-month period ended September 30, 2016	Nine-month period ended September 30, 2015
Net cash provided by operating activities	\$ 193,374	\$ 204,220
Net cash used in investing activities	(74)	(153)
Net cash used in financing activities	(239,487)	(243,643)
Decrease in cash and cash equivalents	(46,187)	(39,576)
Cash and cash equivalents, beginning of period	58,431	120,861
Cash and cash equivalents, end of period	\$ 12,244	\$ 81,285

	SINO GAL-Waste Services Co., Ltd.	
	Nine-month period ended September 30, 2016	Nine-month period ended September 30, 2015
Net cash provided by operating activities	\$ 209,794	\$ 180,332
Net cash used in investing activities	(297)	(1,534)
Net cash used in financing activities	(568,491)	(77,760)
Increase(decrease) in cash and cash equivalents	(358,994)	101,038
Cash and cash equivalents, beginning of period	518,886	350,439
Cash and cash equivalents, end of period	\$ 159,892	\$ 451,477

4) 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) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).

ii) Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii) Past service costs are recognised immediately in profit or loss.

iv) Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

B) Termination benefits

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

C) Employees' compensation directors' and supervisors' remuneration

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

5) Income tax

- A) The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B) The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C) Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.
- D) Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F) A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures, to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G) The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Cash on hand and petty cash	\$ 9,339	\$ 9,408	\$ 9,106
Checking accounts and savings accounts	267,977	221,308	201,309
Time deposits	<u>1,140,866</u>	<u>1,928,414</u>	<u>1,568,305</u>
	<u>\$ 1,418,182</u>	<u>\$ 2,159,130</u>	<u>\$ 1,778,720</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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Current items			
Financial assets held for trading			
Mutual funds	\$ 345,060	\$ 320,368	\$ 192,629
Valuation adjustments of financial assets held for trading	363	332	243
Derivatives financial assets	-	-	23
Total	<u>\$ 345,423</u>	<u>\$ 320,700</u>	<u>\$ 192,895</u>

A) The Group recognized net gain of \$259, \$793, \$676 and \$1,322 on financial assets held for trading for the three-month and nine -month periods ended September 30, 2016 and 2015, respectively.

B) The Group recognized net loss of \$0, (\$4), \$0 and (\$58) on financial assets designated as at fair value through profit or loss-initial recognition for the three-month and nine-month periods ended September 30, 2016 and 2015, 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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Currents items			
Listed stocks	\$ 105,228	\$ 105,228	\$ 105,228
Bonds	30,394	60,294	60,294
Valuation adjustment	(32,040)	(33,134)	(39,507)
Total	<u>\$ 103,582</u>	<u>\$ 132,388</u>	<u>\$ 126,015</u>

A) The Group recognized changes in fair value in other comprehensive income (loss) amounting to \$552, (\$15,694), \$3,006 and (\$24,978), respectively, for the three-month and nine-month periods ended September 30, 2016 and 2015.

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:

	September 30, 2016	December 31, 2015	September 30, 2015
	<u>Book value/Fair value</u>	<u>Book value/Fair value</u>	<u>Book value/Fair value</u>
Listed stocks	\$ 52,959	\$ 40,555	\$ 49,542

b) The changes in fair value of the above listed stocks that were recognized in profit or loss and other comprehensive income (loss) were \$0 and \$12,404, respectively, for the nine-month period ended September 30, 2016, and were \$0 and (\$14,929), respectively, for the nine-month period ended September 30, 2015. 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, 2015 were \$0 and \$4,167, 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 nine-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Listed stocks	\$ 12,404	(\$ 14,929)

4) Accounts receivable

	September 30, 2016	December 31, 2015	September 30, 2015
Accounts receivable	\$ 829,134	\$ 659,318	\$ 799,584
Long-term accounts receivable - due in one year	<u>254,763</u>	<u>247,257</u>	<u>244,863</u>
	<u>\$ 1,083,897</u>	<u>\$ 906,575</u>	<u>\$ 1,044,447</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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Non-current items:			
-TSC Venture Management, Inc.	\$ 2,160	\$ 2,700	\$ 2,700
-Team Win Opto-Electronics Co., Ltd.	2,261	2,261	2,261
Less: Accumulated impairment	(3,946)	(4,486)	(4,329)
Total	<u>\$ 475</u>	<u>\$ 475</u>	<u>\$ 632</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 September 30, 2016, December 31, 2015 and September 30, 2015, no financial assets carried at cost held by the Group were pledged to others.
- C) TSC Venture Management, Inc. has resolved at the stockholders' meeting in June, 2016 to reduce the capital and return the money of \$540. The difference with book value of \$0 is \$540, which is shown in other income.

6) Investments accounted for under the equity method

	2016	2015
At January 1	\$ 618,183	\$ 497,296
Addition of investments accounted for using the equity method	-	94,500
Share of profit or loss of investments accounted for using the equity method	8,886	20,744
Earnings distribution of investments accounted for using the equity method	(11,714)	(24,930)
Changes in other equity items	(18,513)	20,072
At September 30	<u>\$ 596,842</u>	<u>\$ 607,682</u>
	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Associates:		<u>September 30, 2015</u>
CTCI Chemicals Corp.	\$ 56,737	\$ 53,147
GranSino Environmental Technology Co., Ltd.	6,448	10,316
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	322,866	334,999
Joint ventures:		
G.D. Development Corp.	210,791	209,220
	<u>\$ 596,842</u>	<u>\$ 607,682</u>

A) Associates

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		September 30, 2016	December 31, 2015	September 30, 2015		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Is.	20.00%	20.00%	20.00%	Associates	Equity method

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

Balance sheet

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)		
	September 30, 2016	December 31, 2015	September 30, 2015
Current assets	\$ 810,325	\$ 602,129	\$ 1,022,197
Non-current assets	706,334	748,886	670,917
Current liabilities	(311,892)	(57,546)	(299,382)
Total net assets	<u>\$ 1,204,767</u>	<u>\$ 1,293,469</u>	<u>\$ 1,393,732</u>
Share in associate's net assets	<u>\$ 240,953</u>	<u>\$ 258,694</u>	<u>\$ 278,746</u>
Carrying amount of the associate	<u>\$ 322,866</u>	<u>\$ 341,371</u>	<u>\$ 334,999</u>

Statement of comprehensive income

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the three-month periods ended September 30,	
	2016	2015
Revenue	\$ 320,892	\$ 305,731
Total comprehensive loss	<u>(\$ 5,655)</u>	<u>(\$ 19,499)</u>

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the nine-month periods ended September 30,	
	2016	2015
Revenue	\$ 823,905	\$ 848,900
Total comprehensive loss	<u>(\$ 30,283)</u>	<u>(\$ 6,739)</u>

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

As of September 30, 2016 and 2015, the carrying amount of the Group's individually immaterial associates amounted to \$222,752 and \$219,905, respectively.

	Nine-month period ended September 30, 2016	Nine-month period ended September 30, 2015
Total comprehensive income	\$ 45,627	\$ 63,160

B) Joint venture

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		September 30, 2016	December 31, 2015	September 30, 2015		
G.D. Development Corp.	Taiwan	50%	50%	50%	Joint venture	Equity method

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

Balance sheet

	<u>G.D. Development Corp.</u>		
	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Cash and cash equivalents	\$ 35,110	\$ 26,151	\$ 20,182
Other current assets	70,209	44,725	97,073
Current assets	105,319	70,876	117,255
Non-current assets	830,792	782,366	735,308
Total assets	<u>\$ 936,111</u>	<u>\$ 853,242</u>	<u>\$ 852,563</u>
Current financial liabilities	\$ 222,073	\$ 128,006	\$ 186,167
Other current liabilities	22,604	70,684	16,036
Current liabilities	\$ 244,677	\$ 198,690	\$ 202,203
Non-current liabilities	269,829	226,466	231,918
Total liabilities	<u>514,506</u>	<u>425,156</u>	<u>434,121</u>
Total net assets	<u>\$ 421,605</u>	<u>\$ 428,086</u>	<u>\$ 418,442</u>
Share in joint venture's net assets	<u>\$ 210,803</u>	<u>\$ 214,043</u>	<u>\$ 209,221</u>
Carrying amount of the joint venture	<u>\$ 210,791</u>	<u>\$ 214,043</u>	<u>\$ 209,220</u>

Statement of comprehensive income

G.D. Development Corp.			
For the three-month periods ended September 30,			
	2016		2015
Revenue	\$ 10,933	\$	8,941
Depreciation and amortisation	(\$ 3,707)	(\$	3,161)
Interest income	\$ 327	\$	316
Interest expense	(\$ 1,723)	(\$	1,656)
Profit before income tax	\$ 4,478		3,849
Income tax expense	-		-
Profit for the period	4,478		3,849
Other comprehensive income (loss) - net of tax	(9,676)		21,374
Total comprehensive (loss) income	(\$ 5,198)	\$	25,223
Dividends received from joint venture	\$ -	\$	2,474

G.D. Development Corp.			
For the nine-month periods ended September 30,			
	2016		2015
Revenue	\$ 30,536	\$	27,891
Depreciation and amortisation	(\$ 11,116)	(\$	9,529)
Interest income	\$ 794	\$	658
Interest expense	(\$ 4,576)	(\$	4,699)
Profit before income tax	\$ 9,701		13,464
Income tax expense	-		31
Profit for the period	9,701		13,495
Other comprehensive income (loss)- net of tax	(16,182)		14,207
Total comprehensive (loss) income	(\$ 6,481)	\$	27,702
Dividends received from joint venture	\$ 10,530	\$	2,474

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 G.D. Development Corp., in December, 2014. The Group invested in G.D. Development Corp., amounting to \$94,500 in January, 2015.

E) The financial statements of subsidiaries under equity method were not reviewed by the independent accountants for the nine-month periods ended September 30, 2016 and 2015.

7) Property, plant and equipment

	<u>Machinery</u>	<u>Transportation</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>				
Cost	\$ 86,199	\$ 104,058	\$ 5,048	\$ 195,305
Accumulated depreciation	(48,787)	(91,521)	(3,922)	(144,230)
	<u>\$ 37,412</u>	<u>\$ 12,537</u>	<u>\$ 1,126</u>	<u>\$ 51,075</u>
<u>Nine-month period ended September 30, 2016</u>				
Opening net book amount	\$ 37,412	\$ 12,537	\$ 1,126	\$ 51,075
Additions	5,107	5,656	135	10,898
Disposals	(161)	(500)	-	(661)
Depreciation charge	(8,754)	(2,986)	(408)	(12,148)
Net exchange differences	(216)	(39)	(19)	(274)
Closing net book amount	<u>\$ 33,388</u>	<u>\$ 14,668</u>	<u>\$ 834</u>	<u>\$ 48,890</u>
<u>At September 30, 2016</u>				
Cost	\$ 82,386	\$ 95,267	\$ 4,681	\$ 182,334
Accumulated depreciation	(48,998)	(80,599)	(3,847)	(133,444)
	<u>\$ 33,388</u>	<u>\$ 14,668</u>	<u>\$ 834</u>	<u>\$ 48,890</u>
	<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>Nine-month period ended September 30, 2015</u>				
Opening net book amount	\$ 42,489	\$ 17,239	\$ 1,187	\$ 60,915
Additions	4,280	27	759	5,066
Disposals	(2,770)	-	(157)	(2,927)
Depreciation charge	(7,799)	(4,160)	(670)	(12,629)
Net exchange differences	154	43	12	209
Closing net book amount	<u>\$ 36,354</u>	<u>\$ 13,149</u>	<u>\$ 1,131</u>	<u>\$ 50,634</u>
<u>At September 30, 2015</u>				
Cost	\$ 83,682	\$ 103,631	\$ 4,953	\$ 192,266
Accumulated depreciation	(47,328)	(90,482)	(3,822)	(141,632)
	<u>\$ 36,354</u>	<u>\$ 13,149</u>	<u>\$ 1,131</u>	<u>\$ 50,634</u>

8) Other non-current assets

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Long-term accounts receivable	\$ 3,001,721	\$ 3,187,165	\$ 3,246,584
Less: current portion	(254,763)	(247,257)	(244,863)
	2,746,958	2,939,908	3,001,721
Long-term prepaid rents	50,767	55,249	56,743
Restricted bank deposits	-	50,000	50,000
Accrued recovery cost	27,461	34,022	35,858
Refundable deposits	10,637	8,187	12,645
Others	-	-	3,557
	<u>\$ 2,835,823</u>	<u>\$ 3,087,366</u>	<u>\$ 3,160,524</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 September 30, 2016, December 31, 2015 and September 30, 2015, Leading Energy Corp needs to pay long-term prepaid rent amounting to \$29,047, \$31,800 and \$32,717, respectively. As of September 30, 2016, December 31, 2015 and September 30, 2015, Fortune Energy Corp. needs to pay long-term prepaid rent amounting to \$21,720, \$23,449 and \$24,026, 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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Materials payable	\$ 28,037	\$ 35,716	\$ 22,764
Sub-contract costs payable	35,968	110,471	31,824
Incinerator equipment costs payable	44,373	43,519	37,944
Maintenance costs payable	544,532	540,243	486,376
Others	87,128	42,441	66,214
	<u>\$ 740,038</u>	<u>\$ 772,390</u>	<u>\$ 645,122</u>

10) Other payables

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Accrued payroll	\$ 200,328	\$ 232,721	\$ 197,690
Others	79,422	65,252	60,114
	<u>\$ 279,750</u>	<u>\$ 297,973</u>	<u>\$ 257,804</u>

11) Other current liabilities / Bonds payable

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Other current liabilities			
Long-term liabilities-current portion	\$ 176,000	\$ 158,400	\$ 158,400
Receipts in advance	83,524	36,111	121,435
Adjustments of electricity sales	-	580,336	538,093
	<u>259,524</u>	<u>774,847</u>	<u>817,928</u>
Unsecured convertible bonds	-	-	3,900
Less: Discount of bonds payable	-	-	(11)
	<u>\$ 259,524</u>	<u>\$ 774,847</u>	<u>\$ 821,817</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.

- a) Conversion right and objectives: The bond shall be converted to common stock of the Company using the conversion price at the conversion time.
- b) Conversion periods: The bond is convertible at any time from December 15, 2010 to November 5, 2015.
- c) 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 November 5, 2015, the conversion price of the bond is adjusted to NT\$103.06 (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 15, 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 December 31, 2015 and September 30, 2015, 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 \$0 and \$23, respectively.
- C) As of December 31, 2015, the bonds at par value amounting to \$498,500 have been converted to 4,163,398 shares of common stock. The abovementioned bond conversion transaction resulted in “capital reserve-common stock” amounting to \$469,833 and “capital reserve-stock warrants” and “financial assets at fair value through profit or loss-current” have been reversed amounting to \$38,528 and \$4,851, respectively. As of November 15, 2015, the Company redeemed the bonds at maturity at par value amounting to \$1,500, resulted in loss on disposals of investments amounting to \$2.
- 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.. As of March, 2016, SINO GAL – Waste Service Co., Ltd. has clarified to the owners and the price calculation has been approved. All adjustments of electricity sales recorded in other current liabilities were reclassified to operating revenue.

12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Financing amount	Actual spending	September 30, 2016	December 31, 2015	September 30, 2015
Mega International Commercial Bank secured loans	From September, 2010 to April, 2019, interest is calculated and paid monthly	1.3856%	\$ 681,600	\$681,600	\$ 444,000	\$ 523,200	\$ 602,400
Less: current portion					(176,000)	(158,400)	(158,400)
					<u>\$ 268,000</u>	<u>\$ 364,800</u>	<u>\$ 444,000</u>

- a) 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”.

b) 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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Accrued pension liabilities	\$ 20,352	\$ 20,867	\$ 11,602
Accrued recovery costs	106,167	110,895	110,521
Deposits received	131,866	115,616	112,096
Others	23,466	21,309	20,012
	<u>\$ 281,851</u>	<u>\$ 268,687</u>	<u>\$ 254,231</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 defined benefit pension plan in accordance with the Labor Standard Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.
- b) The Group recognized pension expenses of \$1,804, \$1,784, \$5,361 and \$6,769 in the statement of comprehensive income for the three-month and nine-month periods ended September 30, 2016 and 2015, respectively.
- c) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2017 amounts to \$14,519.

B) Defined contribution pension plan

- a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- b) The pension costs under defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2016 and 2015 were \$6,394, \$5,950, \$19,281 and \$16,854, respectively.
- c) SINO GAL-Waste Services Co., Ltd. has a funded defined contribution plan, covering all regular employees. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the local government are based on employees' monthly salaries and wages. The pension costs under the defined contribution pension plan for the three-month and nine-month periods ended September 30, 2016 and 2015, were \$913, \$1,044, \$2,822 and \$2,793, respectively.

15) Share-based payment-employee compensation plan

A) For the nine-month periods ended September 30, 2016 and 2015, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
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 second plan of employee stock options outstanding as of September 30, 2016 and 2015, are as follows: it had been completed.

Stock options	For the nine-month periods ended September 30,			
	2016		2015	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	-	NT\$ -	75.75	NT\$ 53.90
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	-	-
Options exercised	-	-	(75.75)	53.90
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	-	53.90
Options exercisable at end of period	-	-	-	53.90

- b) Details of the third plan of employee stock options outstanding as of September 30, 2016 and 2015, are as follows: it had been completed.

Stock options	For the nine-month periods ended September 30,			
	2016		2015	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	131.75	NT\$ 67.50	220.75	NT\$ 71.40
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	-	-
Options exercised	(131.75)	67.50	(82.00)	71.10
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	<u>138.75</u>	67.50
Options exercisable at end of period	-	-	<u>138.75</u>	67.50

- c) Details of the fourth plan of employee stock options outstanding as of September 30, 2016 and 2015, are as follows:

Stock options	For the nine-month periods ended September 30,			
	2016		2015	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	413.25	NT\$ 112.30	699.00	NT\$ 118.70
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	(0.25)	-	(1.50)	-
Options exercised	(195.00)	111.40	(251.75)	118.20
Options revoked	-	-	-	-
Options outstanding at end of period	<u>218.00</u>	106.30	<u>445.75</u>	112.30
Options exercisable at end of period	<u>218.00</u>	106.30	<u>445.75</u>	112.30

- d) Details of the fifth plan of employee stock options outstanding as of September 30, 2016 and 2015, are as follows:

Stock options	For the nine-month periods ended September 30,			
	2016		2015	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	713.50	NT\$ 116.20	974.00	NT\$ 122.80
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	(9.00)	-	(6.75)	-
Options exercised	(246.00)	115.30	(233.00)	122.10
Options revoked	-	-	-	-
Options outstanding at end of period	<u>458.50</u>	110.00	<u>734.25</u>	116.20
Options exercisable at end of period	<u>458.50</u>	110.00	<u>300.75</u>	116.20

- C) The weighted-average stock price of stock options at exercise dates for the nine-month periods ended September 30, 2016 and 2015 was NT\$171.82 and NT\$167.22 (in dollars), respectively.
- D) As of September 30, 2016, December 31, 2015 and September 30, 2015, the range of exercise prices of stock options outstanding was NT\$67.5~NT\$110, NT\$53.9~NT\$116.2 and NT\$53.9~NT\$122.8 (in dollars), respectively; the weighted-average remaining contractual period was as follows:

Type of arrangement	September 30, 2016	December 31, 2015	September 30, 2015
Second plan of employee stock options	-	-	-
Third plan of employee stock options	-	0.50 years	0.75 years
Fourth plan of employee stock options	-	1.50 years	1.75 years
Fifth plan of employee stock options	-	2.50 years	2.75 years

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

Type of arrangement	Grant date	Market value (Note)	Exercise price	Expected price volatility	Expected duration	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
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 periods ended September 30,	
	2016	2015
Equity-settled	\$ -	\$ 1,032
	Nine-month periods ended September 30,	
	2016	2015
Equity-settled	\$ 1,863	\$ 7,558

16) Share capital

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

	<u>2016</u>	<u>2015</u>
At January 1	65,839,365	64,870,750
Convertible bonds	23,283	136,817
Employee stock options exercised	<u>572,750</u>	<u>642,500</u>
At September 30	<u><u>66,435,398</u></u>	<u><u>65,650,067</u></u>

B) As of September 30, 2016, 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 \$664,354 with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.

C) As of September 30, 2016, December 31, 2015 and September 30, 2015, 0 shares, 23,283 shares and 129,048 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.

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, 2016	\$ 1,877,736	\$ 191,217	\$ -	\$ 313	\$ 2,069,266
Share-based payment transaction	-	1,761	-	-	1,761
Employee stock options exercised	56,089	(2,856)	-	-	53,233
At September 30, 2016	<u>\$ 1,933,825</u>	<u>\$ 190,122</u>	<u>\$ -</u>	<u>\$ 313</u>	<u>\$ 2,124,260</u>
At January 1, 2015	\$ 1,782,815	\$ 192,914	\$ 1,507	\$ 198	\$ 1,977,434
Convertible bonds transferred to common stock	15,120	-	(1,206)	-	13,914
Share-based payment transaction	-	7,133	-	-	7,133
Employee stock options exercised	71,614	(9,920)	-	-	61,694
At September 30, 2015	<u>\$ 1,869,549</u>	<u>\$ 190,127</u>	<u>\$ 301</u>	<u>\$ 198</u>	<u>\$ 2,060,175</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 September 30, 2016 and 2015, the Company's retained earnings are set forth below:

	2016	2015
At January 1	\$ 1,314,258	\$ 1,287,692
Profit for the period	697,023	576,908
Legal reserve	(71,037)	(67,404)
Reversal of special reserve	-	617
Appropriation of earnings	(639,352)	(607,249)
At September 30	<u>\$ 1,300,892</u>	<u>\$ 1,190,564</u>

A) When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, with the resolution of the board of directors, distribute at least 0.01% of the income before tax to pay to the employees as remuneration, and distribute no more than 2% of the income before tax to pay to the board of directors as remuneration. The remuneration could be stock or cash, and the employee remuneration could be distributed to the employees of subsidiaries of the Company under

certain conditions. A report of the distribution of employee remuneration or the board of directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.

- B) The Company shall, after all taxes and dues have been paid and its losses have been covered and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. Furthermore, in accordance with the provisions of laws and regulations and the rules prescribed by the central competent authority, a special reserve shall be set aside. If there is recovery of the balance of special reserve, the recovered amount shall be included in the distribution of the profit for the current year.

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

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

- C) Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D) Special reserve

- a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

- E) The imputation tax system requires that any undistributed current earnings of the Company are subject to an additional 10% corporate income tax if the earnings are not distributed in the following year.
- F) The Company recognized dividends of \$639,352 (NT \$ 9.6934 per share) and \$607,249 (NT \$ 9.257 per share) in 2016 and 2015, respectively. In addition, based on the Board of Directors' meeting in July 7, 2016, outstanding stocks will be influenced by convertible bonds and employees' share rights. Thus, the Board of Directors gave the right to adjust the rate of distributed dividends from NT\$9.6934 per share to NT\$9.63352407 per share.
- G) The appropriation of 2015 and 2014 earnings had been resolved at the stockholders' meeting on June 21, 2016 and June 22, 2015, respectively.

Details are summarized below:

	2015	2014
Legal reserve	\$ 71,037	\$ 67,404
Reversal of special reserve	-	(617)
Cash dividends	639,352	607,249
Total	\$ 710,389	\$ 674,036

- H) For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6 (20).

19) Expenses by nature

	Three-month periods ended September 30,	
	2016	2015
Employee benefit expense	\$ 241,382	\$ 227,972
Depreciation charges on property, plant and equipment	4,479	3,950
Amortisation	3,469	2,558
Incinerator equipment costs	74,653	84,788
Material	199,749	194,724
Sub-contract costs	161,232	109,787
Insurances	8,894	9,576
Other expenses	185,796	199,878
Total cost of operating and operating expenses	\$ 879,654	\$ 833,233

	Nine-month periods ended September 30,	
	2016	2015
Employee benefit expense	\$ 729,873	\$ 659,575
Depreciation charges on property, plant and equipment	12,148	12,629
Amortisation	10,473	8,012
Incinerator equipment costs	233,721	259,900
Material	566,293	505,635
Sub-contract costs	484,828	447,187
Insurances	27,334	25,456
Other expenses	439,623	423,176
Total cost of operating and operating expenses	<u>\$ 2,504,293</u>	<u>\$ 2,341,570</u>

20) Employee benefit expense

	Three-month periods ended September 30,	
	2016	2015
Salaries	\$ 209,979	\$ 196,943
Employee stock options	-	1,032
Labor and health insurance fees	12,473	12,615
Pension costs	9,111	8,778
Other personnel expenses	9,819	8,604
	<u>\$ 241,382</u>	<u>\$ 227,972</u>

	Nine-month periods ended September 30,	
	2016	2015
Salaries	\$ 632,699	\$ 564,291
Employee stock options	1,863	7,558
Labor and health insurance fees	41,132	39,474
Pension costs	27,464	26,416
Other personnel expenses	26,715	21,836
	<u>\$ 729,873</u>	<u>\$ 659,575</u>

- A) According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 0.01% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.

- B) For the three-month and nine-month periods ended September 30, 2016 and 2015, employees' compensation (bonus) was accrued at \$114, \$(26), \$233 and \$166, respectively; directors' and supervisors' remuneration was accrued at \$1,300, \$1,300, \$3,900 and \$3,900, respectively. The aforementioned amounts were recognized in salary expenses.

For the nine-month period ended September 30, 2016, employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.01% and 2% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved by the meeting of board of directors were in agreement with those amounts recognised in the 2015 financial statements.

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

21) Income tax

A) Components of income tax (benefit) expense

	<u>Three-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current tax on profits for the period	(\$ 11,937)	\$ 38,355
Prior year income tax overestimation	(6,778)	(10,021)
Total current tax	(18,715)	28,334
Deferred tax:		
Change in deferred income tax assets and liabilities	5,938	4,519
Foreign exchange adjustments	(1,593)	-
Income tax (benefit) expense	<u>(\$ 14,370)</u>	<u>\$ 32,853</u>

	Nine-month periods ended September 30,	
	2016	2015
Current tax:		
Current tax on profits for the period	\$ 180,226	\$ 114,410
Prior year income tax overestimation	(4,624)	(8,938)
Total current tax	175,602	105,472
Deferred tax:		
Change in deferred income tax assets and liabilities	6,239	1,746
Foreign exchange adjustments	278	-
Income tax expense	<u>\$ 182,119</u>	<u>\$ 107,218</u>

B) As of September 30, 2016, the Company's and its subsidiaries' income tax returns through 2014 have been assessed and approved by the Tax Authority except for Sino Environmental Services Corporation which have been assessed and approved by the Tax Authority through 2013.

C) Unappropriated retained earnings:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Earnings generated in and after 1998	<u>\$ 1,300,892</u>	<u>\$ 1,314,258</u>	<u>\$ 1,190,564</u>

D) As of September 30, 2016, December 31, 2015 and September 30, 2015, the balance of the imputation tax credit account was \$127,994, \$81,228 and \$79,799, respectively. The creditable tax rate was 6.38% for 2014 and is estimated to be 9.84% for 2015.

22) Earnings per share

<u>Three-month period ended September 30, 2016</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	\$ 215,820	66,406	NT\$ 3.25
<u>Diluted earnings per share:</u>			
Dilutive effect of common stock equivalents			
Employee stock options	-	265	
Employee bonus	-	1	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 215,820</u>	<u>66,672</u>	NT\$ 3.24

<u>Nine-month period ended September 30, 2016</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	\$ 697,023	66,209	NT\$ 10.53
<u>Diluted earnings per share:</u>			
Dilutive effect of common stock equivalents			
Employee stock options	-	248	
Employee bonus	-	1	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 697,023</u>	<u>66,458</u>	NT\$ 10.49

<u>Three-month period ended September 30, 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	\$ 209,891	65,628	NT\$ 3.20
<u>Diluted earnings per share:</u>			
Dilutive effect of common stock equivalents			
Convertible bonds	27	82	
Employee stock options	-	427	
Employee bonus	-	-	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 209,918</u>	<u>66,137</u>	<u>NT\$ 3.17</u>

<u>Nine-month period ended September 30, 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	\$ 576,908	65,422	NT\$ 8.82
<u>Diluted earnings per share:</u>			
Dilutive effect of common stock equivalents			
Convertible bonds	123	139	
Employee stock options	-	453	
Employee bonus	-	1	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 577,031</u>	<u>66,015</u>	<u>NT\$ 8.74</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 \$10,677, \$5,152, \$26,598 and \$22,952, for these leases for the three-month and nine-month periods ended September 30, 2016 and 2015, respectively.

- B) In order to build the refuse incineration plant, the Group obtained the land-use right amounting to \$114,902. For the three-month and nine-month periods ended September 30, 2016 and 2015, the rent is amortized on a straight-line basis during construction or operation both amounting to \$1,494 and \$4,482, respectively.

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Less than one year	\$ 6,617	\$ 8,717	\$ 9,456
More than one year but not less than five years	11,392	10,264	11,331
More than five years	<u>7,162</u>	<u>8,582</u>	<u>9,723</u>
	<u>\$ 25,171</u>	<u>\$ 27,563</u>	<u>\$ 30,510</u>

7. RELATED PARTY TRANSACTIONS

1) Parent and ultimate controlling party

The Company is controlled by CTCI Corporation (incorporated in R.O.C.), which owns 57.99% of the Company's shares. The remaining 42.01% of the shares are widely held by the public.

2) Significant transactions and balances with related parties

A) Sales of services

	<u>Three-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
The ultimate parent	\$ 120,673	\$ 127,196
Associates	1,667	200
	<u>\$ 122,340</u>	<u>\$ 127,396</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
The ultimate parent	\$ 357,902	\$ 342,385
Associates	1,993	386
	<u>\$ 359,895</u>	<u>\$ 342,771</u>

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

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

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

B) Purchases of services

	Three-month periods ended September 30,	
	2016	2015
The ultimate parent	\$ 2,989	\$ 1,831
Associates	57,348	37,266
	<u>\$ 60,337</u>	<u>\$ 39,097</u>

	Nine-month periods ended September 30,	
	2016	2015
The ultimate parent	\$ 7,565	\$ 6,219
Associates	125,113	107,413
	<u>\$ 132,678</u>	<u>\$ 113,632</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 30 days and approximately the same as those with third parties.

C) Period-end balances arising from sales of services

	September 30, 2016	December 31, 2015	September 30, 2015
The ultimate parent	\$ 265,581	\$ 138,428	\$ 232,356
Associates	-	29	71
	<u>\$ 265,581</u>	<u>\$ 138,457</u>	<u>\$ 232,427</u>

D) Period-end balances arising from purchases of services

	September 30, 2016	December 31, 2015	September 30, 2015
The ultimate parent	\$ 3,724	\$ 3,830	\$ 2,836
Associates	50,711	23,366	25,758
	<u>\$ 54,435</u>	<u>\$ 27,196</u>	<u>\$ 28,594</u>

E) Other receivables-related parties

a) Reclassified from accounts receivable

	September 30, 2016	December 31, 2015	September 30, 2015
The ultimate parent	<u>\$ 26,212</u>	<u>\$ 14,598</u>	<u>\$ 43,792</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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Associates (Note)	\$ 1,073	\$ 542	\$ 375
Joint ventures (Note)	2,864	3,001	2,474
	<u>\$ 3,937</u>	<u>\$ 3,543</u>	<u>\$ 2,849</u>

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

F) Loans to related parties

a) Receivables from related parties

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Associates	\$ 229,701	\$ -	\$ -
Joint ventures	29,038	29,010	29,038
	<u>\$ 258,739</u>	<u>\$ 29,010</u>	<u>\$ 29,038</u>

b) Interest income

	<u>Three-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
The ultimate parent (Note 1)	\$ 30	\$ -
Associates (Note 2)	606	-
Joint ventures (Note 3)	117	117
	<u>\$ 753</u>	<u>\$ 117</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
The ultimate parent (Note 1)	\$ 215	\$ -
Associates (Note 2)	1,344	-
Joint ventures (Note 3)	348	347
	<u>\$ 1,907</u>	<u>\$ 347</u>

Note 1: The terms of lending include interest to be calculated and received monthly, using the annual rate of 0.87% for the nine -month period ended September 30, 2016.

Note 2: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.01%~1.09% for the nine-month period ended September 30, 2016.

Note 3: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.6% for both the nine -month periods ended September 30, 2016 and 2015.

G) Other payables-related parties

a) Others

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
The ultimate parent (Note)	\$ 2,159	\$ 2,408	\$ 1,289
Associates (Note)	-	266	-
	<u>\$ 2,159</u>	<u>\$ 2,674</u>	<u>\$ 1,289</u>

Note: The payable is due to the personnel transfers from related parties, estimated directors' and supervisors' remuneration for the three-month and nine-month periods ended September 30, 2016 and 2015, and the related expenses amounted to \$2,325, \$2,895, \$5,268 and \$4,794, respectively.

H) Endorsements and guarantees for others

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Joint ventures	\$ 661,366	\$ 629,076	\$ 616,826

3) Key management compensation

	<u>Three-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	\$ 6,554	\$ 10,212
Post-employment benefits	101	132
Share-based payments	-	297
Total	<u>\$ 6,655</u>	<u>\$ 10,641</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	\$ 30,362	\$ 32,064
Post-employment benefits	302	395
Share-based payments	327	2,171
Total	<u>\$ 30,991</u>	<u>\$ 34,630</u>

8. PLEGDED ASSETS

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

Assets	Book value			Purposes
	September 30, 2016	December 31, 2015	September 30, 2015	
Other financial assets - non-current				
Restricted bank deposits	\$ -	\$ 50,000	\$ 50,000	Guarantee for long-term loans
Long-term prepaid rents- land-use right	21,720	23,449	24,026	Guarantee for long-term loans
Refundable deposits	10,637	8,187	12,645	Guarantee for rent, service contracts and tender bond
	<u>\$ 32,357</u>	<u>\$ 81,636</u>	<u>\$ 86,671</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those items which have been disclosed in Notes 6(8), (12), (23), and 7(2)H, the significant commitments and contingent liabilities of the Group as of September 30, 2016 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 \$1,415,312.
- 2) As of September 30, 2016, the subsidiaries had outstanding commitments for service contracts amounting to \$111,781.
- 3) As of September 30, 2016, the subsidiaries had unused letters of credit for importing materials and sub-contract amounting to \$3,791.
- 4) On October 28, 2014, the Environmental Protection Bureau New Taipei City Government requested the subsidiary, Sino Environmental Services Corp. (Sino), to pay a substantial amount of air pollution control fee of \$54,267 in accordance with the action stated in Bei-Huan-Kong-Zi Letter No. 1031588875 (the original action) and the judgement rendered by an administrative court of New Taipei City Government. The subsidiary, Sino, disagreed and filed an appeal for revocation of the original action and administrative decision on July 6, 2015. The case is under the judgement of Taiwan High Administrative Court.

Sino's appointed lawyers believed that the original action is unlawful and ineffective, thus, no expense was accrued.

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 September 30, 2016, December 31, 2015 and September 30, 2015 were as follows:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Total borrowings	\$ 444,000	\$ 523,200	\$ 606,289
Total equity	\$ 5,076,204	\$ 4,911,648	\$ 4,733,668
Gearing ratio	9%	11%	13%

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 current portion of long-term borrowings) are 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 CNY. 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:

	<u>September 30, 2016</u>		
	Foreign Currency		
	<u>Amount</u>	<u>Exchange</u>	<u>Book value</u>
	<u>(in thousands)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 6,190	31.374	\$ 194,205
HKD : NTD	3	4.045	12
JPY : NTD	115	0.310	36
EUR : NTD	7	35.188	246
GBP : NTD	2	40.669	81
CNY : NTD	2	4.697	9
MOP : NTD	33,888	3.929	133,146
 <u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1,015	3.929	3,988

December 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	\$ 4,332	32.895	\$ 142,501
HKD : NTD	3	4.244	13
JPY : NTD	497	0.273	136
EUR : NTD	10	35.938	359
GBP : NTD	2	48.741	97
CNY : NTD	253	4.995	1,264
MOP : NTD	15,630	4.119	64,380
<u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	569	4.119	2,344

September 30, 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	\$ 5,077	32.920	\$ 167,135
HKD : NTD	457	4.258	1,946
JPY : NTD	469	0.274	129
EUR : NTD	1	36.880	37
GBP : NTD	1	50.180	50
CNY : NTD	32,377	5.174	167,519
MOP : NTD	13,268	4.070	54,001

- v) The unrealised exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2016 and 2015 amounted to (\$2,946), \$13,825, (\$4,979) and \$2,441, respectively.

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

<u>For the nine-month period ended September 30, 2016</u>				
<u>Sensitivity analysis</u>				
<u>Extent of variation</u>		<u>Effect on profit or loss</u>		<u>Effect on equity</u>
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1.00%	\$ 1,942	\$	-
EUR : NTD	1.00%	2		-
GBP : NTD	1.00%	1		-
MOP : NTD	1.00%	1,331		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
MOP : NTD	1.00%	40		-

<u>For the nine-month period ended September 30, 2015</u>				
<u>Sensitivity analysis</u>				
<u>Extent of variation</u>		<u>Effect on profit or loss</u>		<u>Effect on equity</u>
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1.00%	\$ 1,671	\$	-
HKD : NTD	1.00%	19		-
JPY : NTD	1.00%	1		-
GBP : NTD	1.00%	1		-
CNY : NTD	1.00%	1,675		-
MOP : NTD	1.00%	540		-

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 nine-month periods ended September 30, 2016 and 2015, 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:

	September 30, 2016		
	Group 1	Group 2	Group 3
Notes receivable	\$ -	\$ -	\$ 70
Accounts receivable	888,400	7,459	188,038
Accounts receivable-related parties	-	265,581	-
Other receivables	-	-	7,689
Other receivables-related parties	-	-	262,676
Long-term other receivables	2,746,958	-	-
	<u>\$ 3,635,358</u>	<u>\$ 273,040</u>	<u>\$ 458,473</u>

	December 31, 2015		
	Group 1	Group 2	Group 3
Notes receivable	\$ -	\$ -	\$ 529
Accounts receivable	787,699	1,532	117,344
Accounts receivable-related parties	-	138,428	29
Other receivables	-	-	11,637
Other receivables-related parties	-	-	32,553
Long-term other receivables	2,939,908	-	-
	<u>\$ 3,727,607</u>	<u>\$ 139,960</u>	<u>\$ 162,092</u>

	September 30, 2015		
	Group 1	Group 2	Group 3
Notes receivable	\$ -	\$ -	\$ 195
Accounts receivable	881,498	4,001	158,948
Accounts receivable-related parties	-	232,356	71
Other receivables	-	-	8,979
Other receivables-related parties	-	-	31,887
Long-term other receivables	3,001,721	-	-
	<u>\$ 3,883,219</u>	<u>\$ 236,357</u>	<u>\$ 200,080</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:

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Other receivables</u>			
<u>-related parties</u>			
Up to 30 days	\$ 5,504	\$ 4,555	\$ 17,767
31 to 90 days	6,176	5,901	24,457
91 to 180 days	8,157	2,574	1,568
Over 181 days	6,375	1,568	-
	<u>\$ 26,212</u>	<u>\$ 14,598</u>	<u>\$ 43,792</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>		
September 30, 2016	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 794,473	\$ -
Other payables	281,909	-
Long-term borrowings (including current portion)	176,000	268,000
Other non-current liabilities	131,866	-
<u>Non-derivative financial liabilities</u>		
December 31, 2015	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 799,586	\$ -
Other payables	300,647	-
Other current liabilities	580,336	-
Long-term borrowings (including current portion)	158,400	364,800
Other non-current liabilities	115,616	-
<u>Non-derivative financial liabilities</u>		
September 30, 2015	<u>Up to 1 year</u>	<u>Over 1 year</u>
Notes payable	\$ 366	\$ -
Accounts payable	673,716	-
Other payables	259,093	-
Bonds payable	3,889	-
Long-term borrowings (including current portion)	158,400	444,000
Other non-current liabilities	112,096	-

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 has no investments in any financial instruments belonging to level 3.

The following table presents the Group's financial assets and liabilities that are measured at fair value at September 30, 2016, December 31, 2015 and September 30, 2015:

September 30, 2016	<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	\$ 345,423	\$ 345,423	\$ -	\$ -	\$ 345,423
Available-for-sale financial assets					
Equity securities	75,301	75,301	-	-	75,301
Bond securities	<u>28,281</u>	<u>-</u>	<u>28,281</u>	<u>-</u>	<u>28,281</u>
Total	<u>\$ 449,005</u>	<u>\$ 420,724</u>	<u>\$ 28,281</u>	<u>\$ -</u>	<u>\$ 449,005</u>

December 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	\$ 320,700	\$ 320,700	\$ -	\$ -	\$ 320,700
Available-for-sale financial assets					
Equity securities	73,827	73,827	-	-	73,827
Bond securities	58,561	-	58,561	-	58,561
Total	<u>\$ 453,088</u>	<u>\$ 394,527</u>	<u>\$ 58,561</u>	<u>\$ -</u>	<u>\$ 453,088</u>

September 30, 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	\$ 192,872	\$ 192,872	\$ -	\$ -	\$ 192,872
Derivative financial assets	23	-	23	-	23
Available-for-sale financial assets					
Equity securities	65,242	65,242	-	-	65,242
Bond securities	60,773	-	60,773	-	60,773
Total	<u>\$ 318,910</u>	<u>\$ 258,114</u>	<u>\$ 60,796</u>	<u>\$ -</u>	<u>\$ 318,910</u>

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

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

- D) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- E) 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 nine-month periods ended September 30, 2016 and 2015, there were no transfers between Level 1 and Level 2.
- G) For the nine-month periods ended September 30, 2016 and 2015, 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. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. OPERATING SEGMENT FINANCIAL INFORMATION

1) General information

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

2) Segmental income, assets and liabilities of segments

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

	<u>Environmental Resource Department</u>	
	<u>Three-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Revenue from external customers	\$ 1,170,000	\$ 1,077,455
Inter-segment revenue	328,785	296,976
Total segment revenue	<u>\$ 1,498,785</u>	<u>\$ 1,374,431</u>
Segment income	<u>\$ 290,346</u>	<u>\$ 244,222</u>
Depreciation	<u>\$ 4,479</u>	<u>\$ 3,950</u>
Amortisation	<u>\$ 3,469</u>	<u>\$ 2,558</u>

	<u>Environmental Resource Department</u>	
	<u>Nine-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Revenue from external customers	\$ 3,909,329	\$ 3,058,892
Inter-segment revenue	949,109	859,242
Total segment revenue	<u>\$ 4,858,438</u>	<u>\$ 3,918,134</u>
Segment income	<u>\$ 1,405,036</u>	<u>\$ 717,322</u>
Depreciation	<u>\$ 12,148</u>	<u>\$ 12,629</u>
Amortisation	<u>\$ 10,473</u>	<u>\$ 8,012</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:

	<u>Three-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Adjusted EBITDA for reportable segment	\$ 290,346	\$ 244,222
Unrealized gain on financial instruments	(126)	(37)
Financial cost, net	(1,579)	(2,322)
Others	<u>9,145</u>	<u>39,044</u>
Income from continuing operations before income tax	<u>\$ 297,786</u>	<u>\$ 280,907</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Adjusted EBITDA for reportable segment	\$ 1,405,036	\$ 717,322
Unrealized gain on financial instruments	30	64
Financial cost, net	(4,516)	(7,289)
Others	<u>28,258</u>	<u>73,081</u>
Income from continuing operations before income tax	<u>\$ 1,428,808</u>	<u>\$ 783,178</u>

KD HOLDING CORPORATION AND SUBSIDIARIES

Loans to others

For the nine-month period ended September 30, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2016 (Note 3)	Balance at September 30, 2016 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	KD Holding Corp.	G.D. Development Corp.	Other receivables-related parties	Yes	\$ 30,000	\$ 30,000	\$ 29,000	1.60%	2	\$ -	For operational needs	\$ -	-	\$ -	\$ 453,313	\$ 1,813,250	-
1	HD Resources Management Corp.	CTCI Corp.	"	"	7,000	7,000	-	-	"	"	"	"	"	"	8,387	33,548	"
1	"	CTCI Machinery Corp.	"	"	7,000	7,000	7,000	1.09%	"	"	"	"	"	"	8,387	33,548	"
1	"	E&C Engineering Corp.	"	"	7,000	7,000	7,000	1.09%	"	"	"	"	"	"	8,387	33,548	"
2	Sino Environmental Service Corp.	CTCI Corp.	"	"	78,000	78,000	-	-	"	"	"	"	"	"	93,197	372,789	"
2	"	Resources Engineering Services Inc.	"	"	78,000	78,000	59,500	1.01~1.09%	"	"	"	"	"	"	93,197	372,789	"
2	"	CTCI Machinery Corp.	"	"	78,000	78,000	78,000	1.07~1.09%	"	"	"	"	"	"	93,197	372,789	"
2	"	E&C Engineering Corp.	"	"	78,000	78,000	78,000	1.07~1.09%	"	"	"	"	"	"	93,197	372,789	"

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

(1)The Company is '0'.

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

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

Note 3: Fill in the maximum outstanding balance of loans to others during the nine-month period ended September 30, 2016.

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.

KD HOLDING CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the nine-month period ended September 30, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed 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 September 30, 2016 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2016 (Note 5)	Actual amount drawn down (Note 6)	Amount of guarantees/ secured with collateral	Ratio of accumulated endorsement/ guarantee asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	KD Holding Corp.	G.D. Development Corp.	6	\$ 9,066,252	\$ 703,726	\$ 661,366	\$ 510,418	\$ -	14.59%	\$ 13,599,378	N	N	N	-

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

(1)The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following 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.

KD HOLDING CORPORATION AND SUBSIDIARIES

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

September 30, 2016

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Marketable securities (Note 1)				September 30, 2016					
Securities held by	Type	Name	Relationship with the securities issuer (Note 2)	General ledger account	Shares/ denominations (thousand share)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
KD Holding Corp.	Fund	Capital Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	343	\$ 5,445	-	\$ 5,486	-
"	"	FSITC Taiwan Money Market Fund	"	"	2,516	38,080	-	38,088	-
"	"	Nomura Taiwan Money Market Fund	"	"	441	7,089	-	7,119	-
"	"	CTBC Hua Win Money Market Fund	"	"	2,449	26,636	-	26,710	-
				Adjustment		153		77,403	
						<u>\$ 77,403</u>			
"	Common Stock	Taiwan Cement Corp.	The Chairman is CTCI Corp.'s director	Available-for-sale financial assets-current	180	\$ 7,298	-	\$ 6,409	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	462	19,949	-	9,933	-
				Adjustment		(10,905)		16,342	
						<u>\$ 16,342</u>			
"	"	TSC Venture Management, Inc.	The Company is the Board of director	Financial assets carried at cost-non-current	216	\$ 2,160	5.88%	\$ -	-
"	"	Teamwin Opto-Electronics Co., Ltd.	N/A	"	150	2,261	2.46%	475	-
		Less: Accumulated impairment				(3,946)		475	
						<u>\$ 475</u>			
Leading Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	4,341	\$ 65,710	-	\$ 65,710	-
"	"	Mega Diamond Money Market Fund	"	"	4,272	53,009	-	53,009	-
"	Common Stock	Taiwan Cement Corp.	The Chairman is CTCI Corp.'s director	Available-for-sale financial assets-current	432	15,411	-	15,411	-

Marketable securities (Note 1)			September 30, 2016						
Securities held by	Type	Name	Relationship with the securities issuer (Note 2)	General ledger account	Shares/ denominations (thousand share)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Sino Environmental Services Corp.	Fund	Mega Diamond Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	1,820	\$ 22,587	-	\$ 22,587	-
"	"	Franklin Templeton Sinoam Money Market Fund	"	"	2,445	25,001	-	25,001	-
"	Common Stock	CTCI Corp.	Ultimate parent company	Available-for-sale financial assets-current	1	47	-	47	-
"	"	Taiwan Cement Corp.	The Chairman is CTCI Corp.'s director	"	438	15,620	-	15,620	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	575	12,362	-	12,362	-
"	Bonds	BP capital PLC	N/A	"	6,000	28,281	-	28,281	Note 5
HD Resources Management Corp.	Fund	Jih Sun Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	412	6,039	-	6,039	-
"	"	Mega Diamond Money Market Fund	"	"	1,705	21,159	-	21,159	-
"	"	Prudential Financial Money Market	"	"	512	8,009	-	8,009	-
"	Common Stock	Taiwan Cement Corp.	The Chairman is CTCI Corp.'s director	Available-for-sale financial assets-current	435	15,519	-	15,519	-
Fortune Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	1,916	29,001	-	29,001	-
"	"	Mega Diamond Money Market Fund	"	"	3,022	37,505	-	37,505	-

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 and funds are denominated in CNY.

KD HOLDING CORPORATION AND SUBSIDIARIES

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

For the nine-month period ended September 30, 2016

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2016		Addition (Note 3)		Number of shares (thousand share)	Disposal (Note 3)		Gain (loss) on disposal	Balance as at September 30, 2016	
					Number of shares (thousand share)	Amount	Number of shares (thousand share)	Amount		Selling price	Book value		Number of shares (thousand share)	Amount
Sino Environmental Services Corp.	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	7,048	\$ 103,000	5,126	\$ 75,000	12,174	\$ 178,128	\$ 178,000	\$ 128	-	\$ -
"	Mega Diamond Money Market Fund	"	-	-	407	5,031	12,258	152,000	10,845	134,502	134,453	49	1,820	22,578
"	Franklin Templeton Sinoam Money Market Fund	"	-	-	-	-	18,151	185,500	15,706	160,540	160,500	40	2,445	25,000
Leading Energy Corp.	Taishin Ta-Chong Money Market	"	-	-	-	-	9,657	135,700	9,657	135,733	135,700	33	-	-
Fortune Energy Corp.	FSITC Taiwan Money Market Fund	"	-	-	233	3,507	8,858	134,000	7,175	108,525	108,507	18	1,916	29,000

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

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

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

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

KD HOLDING CORPORATION AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the nine-month period ended September 30, 2016

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Leading Energy Corp.	HD Resources Management Corp.	Affiliate	(Operating revenue)	(\$ 245,561)	(49%)	30 days quarterly	No significant difference	\$ 58,491	20%	-
"	Sino Environmental Service Corp.	"	Service cost	160,211	71%	"	"	(35,530)	(91%)	-
Sino Environmental Service Corp.	CTCI Corp.	Ultimate parent company	(Operating revenue)	(342,483)	(16%)	"	"	285,246	31%	-
"	Leading Energy Corp.	Affiliate	"	(160,211)	(7%)	"	"	35,530	4%	-
"	Fortune Energy Corp.	"	"	(109,701)	(5%)	"	"	53,935	6%	-
"	HD Resources Management Corp.	"	"	(336,024)	(16%)	"	"	73,743	8%	-
"	CTCI Chemicals Corp.	"	Purchase	112,932	6%	"	"	(49,030)	(7%)	-
HD Resources Management Corp.	Sino Environmental Service Corp.	"	Waste disposal cost	336,024	47%	"	"	(73,743)	(46%)	-
"	Leading Energy Corp.	"	"	245,561	35%	"	"	(58,491)	(36%)	-
Fortune Energy Corp.	Sino Environmental Service Corp.	"	Service cost	109,701	92%	"	"	(53,935)	(100%)	-

KD HOLDING CORPORATION AND SUBSIDIARIES

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

September 30, 2016

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2016	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	\$ 285,246	2.34	\$ 26,212	Active collection	\$ 132,592	\$ -
KD Holding Corp.	Leading Energy Corp.	Subsidiary	196,000	Note	-	"	-	-

Note: The receivable is a result of cash refund capital reduction.

KD HOLDING CORPORATION AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the nine-month period ended September 30, 2016

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	KD Holding Corp.	Leading Energy Corp.	1	Other receivables	\$ 196,000	30 days quarterly	2.71%
1	Sino Environmental Service Corp.	HD Resources Management Corp.	3	Sales revenue	336,024	"	8.60%
1	"	Leading Energy Corp.	"	"	160,211	"	4.10%
1	"	Fortune Energy Corp.	"	"	109,701	"	2.81%
1	"	HD Resources Management Corp.	"	Accounts receivable	73,743	"	1.02%
2	Leading Energy Corp.	HD Resources Management Corp.	"	Sales revenue	245,561	"	6.28%

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.

KD HOLDING CORPORATION AND SUBSIDIARIES

Information on investees

For the nine-month period ended September 30, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2016			Net profit (loss) of the investee for the nine-month period ended September 30, 2016	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2016	Footnote
				Balance as at September 30, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
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%	\$ 83,869	\$ 30,036	\$ 30,036	A subsidiary
KD Holding Corp.	Leading Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	601,485	797,485	47,040,000	98.00%	1,309,549	223,599	219,127	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%	868,183	408,578	380,631	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%	972,588	117,898	88,424	A subsidiary
KD Holding Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	189,991	189,991	20,051,545	49.997%	210,791	9,701	4,851	An investee which has a 50% interest in a joint venture

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2016			Net profit (loss) of the investee for the nine-month period ended September 30, 2016	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2016	Footnote
				Balance as at September 30, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
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%	\$ 23,465	\$ 110	\$ 66	A subsidiary
KD Holding Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Island	Share holding and investment.	309,489	309,489	13,333,333	20.00%	322,866 (	30,283) (	8,450)	An investee under equity method
Sino Environmental Services Corp.	Leading Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	9,600	13,600	960,000	2.00%	26,725	223,599	4,472	Affiliate
Sino Environmental Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	56,737	44,680	12,021	Affiliate
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%	16	117,898	-	Affiliate
Sino Environmental Services Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	8	8	1,055	0.003%	11	9,701	-	Affiliate
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%	66,486	703,207	210,962	A subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2016			Net profit (loss) of the investee for the nine-month period ended September 30, 2016	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2016	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value			
				September 30, 2016	December 31, 2015						
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%	\$ 35	\$ 408,578	\$ -	Affiliate
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%	15,643	110	44	Affiliate

KD HOLDING CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the nine-month period ended September 30, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2016	Net income of investee as of September 30, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2016 (Note 2) 2.(2)B	Book value of investments in Mainland China as of September 30, 2016	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
GranSino Environmental Technology Co., Ltd.	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	\$ -	\$ -	\$ 10,874	\$ 947	45.65%	\$ 432	\$ 6,448	\$ 3,377	Note 4
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	5,167	93.16%	4,814	12,530	-	"

<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2016</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>
KD Holding Corp.	\$ 15,021	\$ 15,021	\$ 2,719,876

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

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

Note 2: In the 'Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2016' 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.

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

Note 4: Invested by Sino Environmental Service Corp.

KD HOLDING CORPORATION AND SUBSIDIARIES

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

For the nine-month period ended September 30, 2016

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at September 30, 2016	%	Balance at September 30, 2016	Purpose	Maximum balance during the nine-month period ended September 30, 2016	Balance at September 30, 2016	Interest rate	Interest during the nine-month period ended September 30, 2016	
Xiang Ding Environmental Consultant (Shanghai) Co., Ltd.	\$ 28,474	1.32%	\$ -	\$ -	\$ 38,389	4.20%	\$ -	-	\$ -	\$ -	-	\$ -	-