KD HOLDING CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 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.

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of KD HOLDING CORPORATION

Opinion

We have audited the accompanying non-consolidated balance sheets of KD HOLDING CORPORATION (the "Company") as at December 31, 2016 and 2015, and the related non-consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2016 and 2015, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

資誠聯合會計師事務所 *PricewaterhouseCoopers Taiwan*
11012 臺北市信義區基隆路一段333號27樓 / 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan
T: +886 (2) 2729 6666, F:+ 886 (2) 2729 6686, www.pwc.tw

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters Investments accounted for using equity method- Leading Energy Corp., Sino Environmental Services Corp., HD Resources Management Corp., Fortune Energy Corp., and SINOGAL-Waste Services Co., Ltd.

On December 31, 2016, the investments in subsidiaries, Leading Energy Corp., Sino Environmental Services Corp., HD Resources Management Corp., Fortune Energy Corp., and SINOGAL-Waste Services Co., Ltd., were accounted for using equity method and amounted to $3,403,744, representing 72% of total assets and are material to financial statements, Thus, we consider the investments accounted for using equity method- service revenue and the accuracy of electricity sales adjustment a key audit matter.

A.Description

Please refer to Note 4(26) for accounting policies on operating revenue.

The operating revenue of subsidiaries mainly arise from service revenue and electricity sales revenue. The service revenue (including waste disposal revenue, part of electricity sales revenue and service concession revenue) arises mainly from contracts entered into with certain governments (grantors) that involves charging for the service per unit in accordance with contracts. As the relevant revenue is the main operating income of each subsidiary and also material to investment income and losses, thus we consider the accuracy of service revenue of subsidiaries a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

(A) Obtained an understanding of the procedures of waste treatment and tested relevant internal controls, including randomly checking the actual amount of disposals that are treated at the waste treatment plant monthly, the consistency of monthly statements that management used in calculating revenue, and the consistency between service fees per unit and contract.

(B) Verified the accuracy of statements that management used in calculating revenue, including the amount of disposals treated and the service fees per unit, recalculating the accuracy of cash amount and ascertained whether it is in agreement with recorded revenue.

B.Description

Please refer to Note 6(12) for details of electricity sales adjustment.

SINOGAL-Waste Services Co.,Ltd., which was reinvested by the Company, entered into a contract, "Provision of Services for Operation and Maintenance of the Macao Refuse Incineration Plant", with Região Administrativa Especial de Macau ("referred herein as the owner"). Due to the change in the electricity sales calculation which was specified in the contract, after clarification and approval by the owner, since the result of the calculation formula of adjustment of electricity sales is a loss, the adjustment of electricity sales was transferred from other current liabilities to operating revenue, and causing the increase in share of profit accounted for using equity method amounted to NT$ 159,105 thousand.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

(A) Obtained and examined contracts, and discussing relevant calculation with management.

(B) Obtained the clarification letter which was replied by the owner about the compensation of "Provision of Services for Operation and Maintenance of the Macao Refuse Incineration Plant" service agreement.

(C) Obtained the details of other current liabilities, randomly checking and verified the cash amounts based on relevant evidence with the carrying amounts, and examined the consistency of calculation between original contract and clarification letter.

Responsibilities of management and those charged with governance for the non-consolidated financial statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Weng, Shih-Jung | Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan
March 15, 2017

The accompanying non-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 non-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
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 203,309	4	$ 175,511	4
1110	Financial assets at fair value through profit or loss - current	6(2)	402,362	9	52,190	1
1125	Available-for-sale financial assets - current	6(3)	15,259	-	19,715	1
1200	Other receivables		521	-	1,179	-
1210	Other receivables - related parties	7	32,128	1	32,056	1
1470	Other current assets		95,948	2	233,843	5
11XX	**Current Assets**		749,527	16	514,494	12
	Non-current assets					
1543	Financial assets carried at cost - noncurrent	6(4)	556	-	475	-
1550	Investments accounted for using equity method	6(5)	3,956,490	84	3,941,961	88
1840	Deferred income tax assets	6(13)	-	-	666	-
15XX	**Non-current assets**		3,957,046	84	3,943,102	88
1XXX	**Total assets**		$ 4,706,573	100	$ 4,457,596	100

(Continued)

KD HOLDING CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2200	Other payables		$ 19,717	1	$ 14,639	-
2220	Other payables - related parties	7	1,041	-	1,074	-
2230	Current income tax liabilities		100	-	2,563	-
21XX	**Current Liabilities**		20,858	1	18,276	-
	Non-current liabilities					
2640	Accrued pension liabilities	6(6)	3,658	-	366	-
25XX	**Non-current liabilities**		3,658	-	366	-
2XXX	**Total Liabilities**		24,516	1	18,642	-
	Equity					
	Share capital	6(8)				
3110	Common stock		664,614	14	658,394	15
3140	Capital collected in advance		-	-	233	-
	Capital surplus	6(7)(9)				
3200	Capital surplus		2,126,850	45	2,069,266	46
	Retained earnings	6(10)(13)				
3310	Legal reserve		442,686	9	371,649	9
3320	Special reserve		145	-	145	-
3350	Unappropriated retained earnings		1,445,777	31	1,314,258	30
	Other equity interest					
3400	Other equity interest		1,985	-	25,009	-
3XXX	**Total equity**		4,682,057	99	4,438,954	100
	Significant contingent liabilities and unrecognised contract commitments	8				
	Significant events after the balance sheet date	10				
3X2X	**Total liabilities and equity**		$ 4,706,573	100	$ 4,457,596	100

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

KD HOLDING CORPORATION
NON-CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars,except earnings per share amounts)

	Items	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
4000	**Operating revenue**	6(5)	$ 880,677	100	$ 731,917	100
5900	**Gross profit**		880,677	100	731,917	100
	Operating expenses					
6200	General & administrative expenses	6(11)(12) and 7	(48,482)	(6)	(46,671)	(7)
6000	**Total operating expenses**		(48,482)	(6)	(46,671)	(7)
6900	**Operating profit**		832,195	94	685,246	93
	Non-operating income and expenses					
7010	Other income	7	18,846	2	27,022	4
7020	Other gains		177	-	312	-
7050	Finance costs		-	-	(181)	-
7000	**Total non-operating income and expenses**		19,023	2	27,153	4
7900	**Profit before income tax**		851,218	96	712,399	97
7950	Income tax expense	6(13)	(3,121)	-	(2,029)	-
8200	**Profit for the year**		$ 848,097	96	$ 710,370	97
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		($ 3,096)	-	$ 1,222	-
8330	Total share of other comprehensive income of associates and joint ventures accounted for using equity method		(3,093)	-	(10,990)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		(22,755)	(3)	29,705	4
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(3)	(4,456)	-	1,194	-
8380	Total share of other comprehensive income of associates and joint ventures accounted for using equity method		4,187	-	(17,368)	(2)
8300	**Other comprehensive (loss) income for the year**		($ 29,213)	(3)	$ 3,763	1
8500	**Total comprehensive income for the year**		$ 818,884	93	$ 714,133	98
9710	**Basic earnings per share**		$ 12.80		$ 10.84	
9810	**Diluted earnings per share**		$ 12.75		$ 10.77	

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

KD HOLDING CORPORATION
NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Share Capital			Retained Earnings			Other equity interest		
	Notes	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total equity
For the year ended December 31, 2015										
Balance at January 1, 2015		$ 648,708	$ 1,157	$ 1,977,434	$ 304,245	$ 762	$ 1,287,692	$ 27,650	($ 16,172)	$ 4,231,476
Capital collected in advance transferred to common stock	6(8)	1,157	(1,157)	-	-	-	-	-	-	-
Appropriation of 2014 earnings (Note 1)	6(10)									
Legal reserve		-	-	-	67,404	-	(67,404)	-	-	-
Special reserve		-	-	-	-	(617)	617	-	-	-
Cash dividends		-	-	-	-	-	(607,249)	-	-	(607,249)
Profit for the year		-	-	-	-	-	710,370	-	-	710,370
Convertible bonds transferred to common stock		1,502	233	16,063	-	-	-	-	-	17,798
Share-based payment transaction	6(9)	-	-	8,224	-	-	-	-	-	8,224
Employee stock options exercised	6(8)(9)	7,027	-	67,624	-	-	-	-	-	74,651
Cumulative translation differences of foreign operations		-	-	-	-	-	-	29,705	-	29,705
Unrealized gain or loss on available-for-sale financial assets		-	-	-	-	-	-	-	(16,174)	(16,174)
Adjustments due to capital transfer of investees		-	-	(79)	-	-	-	-	-	(79)
Other comprehensive loss for the year		-	-	-	-	-	(9,768)	-	-	(9,768)
Balance at December 31, 2015		$ 658,394	$ 233	$ 2,069,266	$ 371,649	$ 145	$ 1,314,258	$ 57,355	($ 32,346)	$ 4,438,954
For the year ended December 31, 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
Capital collected in advance transferred to common stock	6(8)	233	(233)	-	-	-	-	-	-	-
Appropriation of 2015 earnings (Note 2)	6(10)									
Legal reserve		-	-	-	71,037	-	(71,037)	-	-	-
Cash dividends		-	-	-	-	-	(639,352)	-	-	(639,352)
Profit for the year		-	-	-	-	-	848,097	-	-	848,097
Share-based payment transaction	6(9)	-	-	1,761	-	-	-	-	-	1,761
Employee stock options exercised	6(8)(9)	5,987	-	55,823	-	-	-	-	-	61,810
Cumulative translation differences of foreign operations		-	-	-	-	-	-	(22,755)	-	(22,755)
Unrealized gain or loss on available-for-sale financial assets		-	-	-	-	-	-	-	(269)	(269)
Other comprehensive loss for the year		-	-	-	-	-	(6,189)	-	-	(6,189)
Balance at December 31, 2016		$ 664,614	$ -	$ 2,126,850	$ 442,686	$ 145	$ 1,445,777	$ 34,600	($ 32,615)	$ 4,682,057

Note 1:The directors' and supervisors' remuneration of $5,721 and the employees' compensation (bonus) of $304 for the year ended December 31, 2014 has been deducted from the statement of comprehensive income.
Note 2:The directors' and supervisors' remuneration of $5,200 and the employees' compensation (bonus) of $228 for the year ended December 31, 2015 has been deducted from the statement of comprehensive income.

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

KD HOLDING CORPORATION
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 851,218	$ 712,399
Adjustments			
Adjustments to reconcile profit (loss)			
Interest income		(3,840)	(3,246)
Dividend income		(3,389)	(12,570)
Salary expense-employee stock options	6(7)(12)	422	1,842
Gain on valuation of financial assets	6(2)	(252)	(277)
Share of profit of associates and joint ventures accounted for under equity method	6(5)	(880,677)	(731,917)
Discount on convertible bonds recognized as interest expense		-	181
Impairment loss	6(4)	-	157
Other income	6(4)	(540)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(349,919)	28,293
Other receivables		112	(36)
Other receivables-related parties		(69)	(913)
Prepayments		-	11
Changes in operating liabilities			
Other payables		5,078	(3,625)
Other payables - related parties		(33)	21
Net defined benefit liabilities-non-current		196	393
Cash outflow generated from operations		(381,693)	(9,287)
Interest received		3,921	2,651
Dividends received		653,215	650,226
Income tax paid		(4,919)	(2,145)
Net cash flows from operating activities		270,524	641,445
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		462	464
Decrease (increase) in other current financial assets		137,895	(116,510)
Increase in investments accounted for using the equity method-nonsubsidiaries	6(5)	-	(94,500)
Proceeds from reduction of capital of investee company using the equity method	6(5)	196,000	196,000
Proceeds from capital reduction of investee company carried at cost	6(4)	540	-
Increase in financial assets carried at cost - noncurrent	6(4)	(81)	-
Redemption of convertible bonds		-	(1,500)
Net cash flows from (used in) investing activities		334,816	(16,046)
CASH FLOWS FROM FINANCING ACTIVITIES			
Employee stock options exercised		61,810	74,651
Cash dividends paid	6(10)	(639,352)	(607,249)
Net cash flows used in financing activities		(577,542)	(532,598)
Net increase in cash and cash equivalents		27,798	92,801
Cash and cash equivalents at beginning of year		175,511	82,710
Cash and cash equivalents at end of year		$ 203,309	$ 175,511

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

KD HOLDING CORPORATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

1) KD Holding Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 13, 1999, and consolidated investee-Chang Ting Corporation in December, 2005.
2) The main business activity of the Company was waste management. However, the Board of Directors resolved to change its main activity to investment holding 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 57.89% equity interest in the Company as of December 31, 2016.

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

The financial statements were authorized for issuance by the Board of Directors on March 15, 2017.

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 Company

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 Company's financial condition and operating result based on the Company'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. The Company will change presentation and disclosures in its financial statements and reports in accordance with the accounting principle.

(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 are as follows:

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

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

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company'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 recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. 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.

C. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

2) Basis of preparation

A) Except for the following items, the non-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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the non-consolidated financial statements are disclosed in Note 5.

3) Classification of current and non current items

A) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

b) Assets held mainly for trading purposes;

c) Assets that are expected to be realised within twelve months from the balance sheet date;

d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

a) Liabilities that are expected to be settled within the normal operating cycle;

b) Liabilities arising mainly from trading activities;

c) Liabilities that are to be settled within twelve months from the balance sheet date;

d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

4) Cash equivalents

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

5) Financial assets at fair value through profit or loss

A) Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

B) On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C) Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

6) Available-for-sale financial assets

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

7) Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

8) Impairment of financial assets

A) The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
B) The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
   a) Significant financial difficulty of the issuer or debtor;
   b) A breach of contract, such as a default or delinquency in interest or principal payments;
   c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
   d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
   e) The disappearance of an active market for that financial asset because of financial difficulties;

f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

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

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

a) Financial assets measured at amortised cost

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

b) Financial assets measured at cost

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

c) Available-for-sale financial assets

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

9) Derecognition of financial assets

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

10) Investments accounted for using equity method /subsidiaries and associates

A) Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B) Unrealised gains on transations bwetween the Company and its subsidiaries had been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C) The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profits or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the associate, the Company continues recognizing its share of further losses.

D) Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

E) The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the jointly controlled entities (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

F) When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

G) Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

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

I) Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

11) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

12) 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 Company 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 rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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.

B) Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates.

13) <u>Employee share-based payment</u>

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

14) <u>Income tax</u>

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

E) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

15) Share capital

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

16) Dividends

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

17) Revenue recognition

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

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

The preparation of these non-consolidated financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions 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 Company's accounting policies

None.

2) Critical accounting estimates and assumptions

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Checking accounts	$ 562	$ 594
Demand deposits	10,235	11,019
Time deposits	192,512	163,898
	$ 203,309	$ 175,511

A) The Company 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) The Company has no cash and cash equivalents pledged to others.

2) Financial assets at fair value through profit or loss

Items	December 31, 2016	December 31, 2015
Current items		
Financial assets held for trading		
Mutual funds	$ 402,090	$ 52,134
Valuation adjustments of financial assets held for trading	272	56
Total	$ 402,362	$ 52,190

A) The Company recognized net gain of $252 and $345 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

B) The Company recognized net loss of $0 and $68 on derivatives financial assets for the years ended December 31, 2016 and 2015, respectively.

3) Available-for-sale financial assets

Items	December 31, 2016	December 31, 2015
Currents items		
Listed stocks	$ 27,247	$ 27,247
Valuation adjustment	(11,988)	(7,532)
Total	$ 15,259	$ 19,715

A) The Company recognized $(4,456) and $1,194 in other comprehensive income for fair value change for the years ended December 31, 2016 and 2015, respectively.

B) Due to the global financial crisis in year 2008, listed stocks amounting to $7,298 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:

	December 31, 2016 Book value/Fair value	December 31, 2015 Book value/Fair value
Listed stocks	$ 6,319	$ 4,908

b) The changes in fair value of the above listed stocks that were recognized in profit or loss and other comprehensive income were $0 and $1,411, respectively, for the year ended December 31, 2016, and were $0 and ($2,894), respectively, for the year ended December 31, 2015.

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:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Listed stocks	$ 1,411	($ 2,894)

4) Financial assets carried at cost

Items	December 31, 2016	December 31, 2015
Non-current items:		
-TSC Venture Management, Inc.	$ 2,160	$ 2,700
-Team Win Opto-Electronics Co., Ltd.	2,261	2,261
-Eastern Pacific Energy Sdn. Bhd.	81	-
Less: Accumulated impairment	(3,946)	(4,486)
Total	$ 556	$ 475

A) Based on the Company'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. Thus, the Company classified such stocks as 'financial assets carried at cost'.

B) As of December 31, 2016 and 2015, no financial assets measured at cost held by the Company were pledged to others.

C) The Company invested and owned 10% equity of the Eastern Pacific Energy Sdn. Bhd. amounting to $81 (RM$10 thousand) in August 1, 2016.

D) As the Company has assessed that objective evidence of impairment exists for its investment in Team Win Opto-Electronics Co., Ltd., the Company recognized impairment loss of $0 and $157 for the years ended December 31, 2016 and 2015, respectively. Full impairment loss for TSC Venture Management, Inc. has been recognized in the prior year.

E) TSC Venture Management, Inc. has resolved at the stockholders' meeting in June, 2016 to reduce the capital and return the amount of $540. The difference with book value of $0 is $540, which is shown in other income.

5) Investments accounted for using the equity method

	2016	2015
At January 1	$ 3,941,961	$ 3,941,550
Addition of investments accounted for using the equity method	-	94,500
Proceeds from reduction of capital of investee company	(196,000)	(196,000)
Share of profit or loss of investments accounted for using equity method	880,677	731,917
Earnings distribution of investments accounted for using equity method	(649,826)	(637,656)
Changes in capital surplus	1,339	6,303
Changes in other equity items	(21,661)	1,347
At December 31	$ 3,956,490	$ 3,941,961

	December 31, 2016	December 31, 2015
Subsidiaries:		
Leading Energy Corp.	$ 1,367,122	$ 1,504,251
Sino Environmental Services Corp.	946,785	780,216
HD Resources Management Corp.	88,797	74,389
Fortune Energy Corp.	1,001,040	1,004,303
Yuan Ding Resources Corp.	23,470	23,399
Associate:		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	307,197	341,371
Joint venture:		
G.D. Development Corp.	222,079	214,032
	$ 3,956,490	$ 3,941,961

A) Subsidiaries

(i) The basic information of the subsidiaries that are material to the Company is as follows:

	Principal	Shareholding ratio			
Company name	place of business	December 31, 2016	December 31, 2015	Nature of relationship	Methods of measurement
Leading Energy Corp.	Taiwan	98.00%	98.00%	Subsidiaries	Equity method
Sino Environmental Services Corp.	"	93.15%	93.15%	"	"
HD Resources Management Corp.	"	100.00%	100.00%	"	"
Fortune Energy Corp.	"	74.999%	74.999%	"	"

(ii) The summarized financial information of the subsidiaries that are material to the Company is as follows:

Balance sheets

	Leading Energy Corp.	
	December 31, 2016	December 31, 2015
Current assets	$ 446,285	$ 439,969
Non-current assets	1,150,220	1,297,485
Current liabilities	(107,506)	(109,243)
Non-current liabilities	(93,977)	(93,261)
Total net assets	$ 1,395,022	$ 1,534,950
Share in subsidiary's net assets	$ 1,367,122	$ 1,504,251
Carrying amount of the subsidiary	$ 1,367,122	$ 1,504,251

	Sino Environmental Services Corp.	
	December 31, 2016	December 31, 2015
Current assets	$ 1,890,288	$ 1,833,628
Non-current assets	249,503	200,307
Current liabilities	(979,798)	(1,057,970)
Non-current liabilities	(143,604)	(138,391)
Total net assets	$ 1,016,389	$ 837,574
Share in subsidiary's net assets	$ 946,785	$ 780,216
Carrying amount of the subsidiary	$ 946,785	$ 780,216

	HD Resources Management Corp.	
	December 31, 2016	December 31, 2015
Current assets	$ 346,426	$ 296,954
Non-current assets	39,222	32,782
Current liabilities	(197,320)	(170,783)
Non-current liabilities	(99,531)	(84,564)
Total net assets	$ 88,797	$ 74,389
Share in subsidiary's net assets	$ 88,797	$ 74,389
Carrying amount of the subsidiary	$ 88,797	$ 74,389

	Fortune Energy Corp.	
	December 31, 2016	December 31, 2015
Current assets	$ 233,261	$ 214,693
Non-current assets	1,587,043	1,754,572
Current liabilities	(240,728)	(200,280)
Non-current liabilities	(244,832)	(429,890)
Total net assets	$ 1,334,744	$ 1,339,095
Share in subsidiary's net assets	$ 1,001,040	$ 1,004,303
Carrying amount of the subsidiary	$ 1,001,040	$ 1,004,303

Statement of comprehensive income

	Leading Energy Corp.	
	For the years ended December 31,	
	2016	2015
Revenue	$ 657,942	$ 629,132
Profit for the period from continuing operations	$ 282,563	$ 251,011
Other comprehensive income (loss), net of tax	3,393	(6,714)
Total comprehensive income	$ 285,956	$ 244,297
Dividend received from subsidiary	$ 221,392	$ 218,702

	Sino Environmental Services Corp.	
	For the years ended December 31,	
	2016	2015
Revenue	$ 2,871,714	$ 2,779,033
Profit for the period from continuing operations	$ 489,858	$ 338,612
Other comprehensive loss, net of tax	(7,463)	(13,022)
Total comprehensive income	$ 482,395	$ 325,590
Dividend received from subsidiary	$ 283,881	$ 263,987

	HD Resources Management Corp.	
	For the years ended December 31,	
	2016	2015
Revenue	$ 991,313	$ 880,309
Profit for the period from continuing operations	$ 37,634	$ 26,338
Other comprehensive income (loss), net of tax	954	(7,009)
Total comprehensive income	$ 38,588	$ 19,329
Dividend received from subsidiary	$ 24,346	$ 19,255

	Fortune Energy Corp.	
	For the years ended December 31,	
	2016	2015
Revenue	$ 360,797	$ 366,722
Profit for the period from continuing operations	$ 155,841	$ 178,088
Other comprehensive (loss) income, net of tax	(3)	2,047
Total comprehensive income	$ 155,838	$ 180,135
Dividend received from subsidiary	$ 120,207	$ 123,330

B) Associate

(i) The basic information of the associate that is material to the Company is as follows:

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

(ii) The summarized financial information of the subsidiaries that are material to the Company is as follows:

Balance sheets

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	December 31, 2016	December 31, 2015
Current assets	$ 671,333	$ 602,129
Non-current assets	672,862	748,886
Current liabilities	(201,038)	(57,546)
Total net assets	$ 1,143,157	$ 1,293,469
Share in associate's net assets	$ 228,631	$ 258,694
Carrying amount of the associate	$ 307,197	$ 341,371

Statement of comprehensive income

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the years ended December 31,	
	2016	2015
Revenue	1,328,848	1,210,735
Loss for the period from continuing operations	(80,300)	(23,834)
Other comprehensive (loss) income, net of tax	(60,888)	95,925
Total comprehensive (loss) income	($ 141,188)	$ 72,091
Dividend received from associate	$ -	$ 9,908

C) Joint venture

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

Company name	Principal place of business	Shareholding ratio December 31, 2016	Shareholding ratio December 31, 2015	Nature of relationship	Methods of measurement
G.D. Development Corp.	Taiwan	49.997%	49.997%	Joint venture	Equity method

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

Balance sheets

	G.D. Development Corp.	
	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 18,271	$ 26,151
Other current assets	51,128	44,725
Current assets	69,399	70,876
Non-current assets	875,101	782,366
Total assets	$ 944,500	$ 853,242
Current financial liabilities	$ 160,402	$ 128,006
Other current liabilities	71,867	70,684
Current liabilities	232,269	198,690
Non-current liabilities	268,049	226,466
Total liabilities	500,318	425,156
Total net assets	$ 444,182	$ 428,086
Share in joint venture's net assets	$ 222,079	$ 214,032
Carrying amount of the joint venture	$ 222,079	$ 214,032

Statement of comprehensive income

	G.D. Development Corp.	
	For the years ended December 31,	
	2016	2015
Revenue	$ 38,754	$ 43,014
Depreciation and amortisation	($ 14,829)	($ 14,900)
Interest income	$ 920	$ 966
Interest expense	($ 5,614)	($ 5,952)
Profit before income tax	$ 26,416	$ 23,916
Income tax expense	(2,865)	(515)
Profit for the period	23,551	23,401
Other comprehensive (loss) income, net of tax	(7,455)	13,767
Total comprehensive income	$ 16,096	$ 37,168
Dividend received from joint venture	$ -	$ 2,474

D) The Company holds 49.997% equity of the joint venture – G.D. Development Corp., the main activity of which is energy technology services.

E) The Board of Directors of subsidiary, Leading Energy Corp., has proposed a capital reduction of $200,000 and $200,000 in May 2016 and March 2015, and resolved by the stockholders during their meeting in June 2016 and 2015. The Company received proceeds from the capital reduction in proportion to its ownership of $196,000 and $196,000, respectively.

F) In December 31, 2016 and 2014, the Board of Directors of the Company resolved to increase investment in G.D. Development Corp. of $89,474 and $94,500 in February 2017 and January 2015, respectively.

6) Pensions

A) Defined benefit pension plan

a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards 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 amounts recognised in the balance sheet are as follows:

	December 31, 2016	December 31, 2015
Present value of funded defined benefit obligations	$ 5,278	$ 1,818
Fair value of plan assets	(1,620)	(1,452)
Net defined benefit liability	$ 3,658	$ 366

c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2016			
At January 1	$ 1,818	($ 1,452)	$ 366
Current service cost	345	-	345
Interest expense (income)	31	(25)	6
	2,194	(1,477)	717
Remeasurements:			
Change in financial assumptions	93	-	93
Experience adjustments	2,991	12	3,003
	3,084	12	3,096
Pension fund contribution	-	(155)	(155)
At December 31	$ 5,278	($ 1,620)	$ 3,658

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2015			
At January 1	$ 2,384	($ 1,189)	$ 1,195
Current service cost	604	-	604
Interest expense (income)	45	(23)	22
	3,033	(1,212)	1,821
Remeasurements:			
Change in financial assumptions	30	-	30
Experience adjustments	(1,245)	(7)	(1,252)
	(1,215)	(7)	(1,222)
Pension fund contribution	-	(233)	(233)
At December 31	$ 1,818	($ 1,452)	$ 366

d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

e) The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate	1.40%	1.70%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the 5th Taiwan Standard Ordinary Experience Mortality Table.

f) Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 78)	$ 80	$ 66	($ 64)
	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 143)	$ 164	$ 141	($ 127)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

g) Expected contributions to the defined benefit pension plans of the Company within one year from December 31, 2016 amounts to $193.

B) Defined contribution pension plan

a) Effective July 1, 2005, the Company has 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 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 Company for the years ended December 31, 2016 and 2015, were $676 and $536, respectively.

7) Share-based payment-employee compensation plan

A) For the years ended December 31, 2016 and 2015, the Company'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 December 31, 2016 and 2015 are as follows: This plan has been completed.

	For the years ended December 31,				
	2016		2015		
Stock options	No. of units (shares in thousand)	Weighted-average exercise price (in dollars)	No. of units (shares in thousand)	Weighted-average exercise price (in dollars)	
Options outstanding at beginning of period	-	-	75.75	NT$	53.9
Options granted	-	-	-		-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-		-
Options waived	-	-	-		-
Options exercised	-	-	(75.75)	NT$	53.9
Options revoked	-	-	-		-
Options outstanding at end of period	-	-	-		-
Options exercisable at end of period	-	-	-		-

b) Details of the third plan of employee stock options outstanding as of December 31, 2016 and 2015 are as follows: This plan has been completed.

	For the years ended December 31,							
	2016				2015			
Stock options	No. of units (shares in thousand)		Weighted-average exercise price (in dollars)		No. of units (shares in thousand)		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)	NT$	67.50		(89.00)	NT$	70.90	
Options revoked	-		-		-		-	
Options outstanding at end of period	-	NT$	67.50		131.75	NT$	67.50	
Options exercisable at end of period	-	NT$	67.50		131.75	NT$	67.50	

c) Details of the fourth plan of employee stock options outstanding as of December 31, 2016 and 2015 are set forth below:

	For the years ended December 31,					
	2016			2015		
Stock options	No. of units (shares in thousand)	Weighted-average exercise price (in dollars)		No. of units (shares in thousand)	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	(197.75)	NT$	111.30	(284.25)	NT$	117.50
Options revoked	-		-	-		-
Options outstanding at end of period	215.25	NT$	106.30	413.25	NT$	112.30
Options exercisable at end of period	215.25	NT$	106.30	413.25	NT$	112.30

d) Details of the fifth plan of employee stock options outstanding as of December 31, 2016 and 2015 are as follows:

	For the years ended December 31,					
	2016			2015		
Stock options	No. of units (shares in thousand)	Weighted-average exercise price (in dollars)		No. of units (shares in thousand)	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	(269.25)	NT$	114.80	(253.75)	NT$	121.60
Options revoked	-		-	-		-
Options outstanding at end of period	435.25	NT$	110.00	713.50	NT$	116.20
Options exercisable at end of period	435.25	NT$	110.00	280.00	NT$	116.20

C) The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2016 and 2015 was NT$172.65 and NT$165.88 (in dollars), respectively.

D) As of December 31, 2016 and 2015, the range of exercise prices of stock options outstanding was NT$67.5～NT$110.00,and NT$53.9～NT$116.2 (in dollars), respectively; the weighted-average remaining contractual period was as follows:

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

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

Type of arrangement	Grant date	Market value (Note)	Exercise price	Expected price volatility	Expected duration	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
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:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Equity-settled	$ 422	$ 1,842

8) Share capital

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

	2016	2015
At January 1	65,839,365	64,870,750
Convertible bonds	23,283	265,865
Employee stock options exercised	598,750	702,750
At December 31	66,461,398	65,839,365

B) As of December 31, 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 $664,614 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

C) As of December 31, 2016 and 2015, 0 shares, and 23,283 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.

9) 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 options	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	58,915	(3,092)	-	-	55,823
At December 31, 2016	$ 1,936,651	$ 189,886	$ -	$ 313	$ 2,126,850
At January 1, 2015	$ 1,782,815	$ 192,914	$ 1,507	$ 198	$ 1,977,434
Convertible bonds transferred to common stock	17,455	-	(1,392)	-	16,063
Expired employee stock options	-	-	(115)	115	-
Share-based payment transaction	-	8,224	-	-	8,224
Employee stock options exercised	77,545	(9,921)	-	-	67,624
Adjustments due to capital transfer of investees	(79)	-	-	-	(79)
At December 31, 2015	$ 1,877,736	$ 191,217	$ -	$ 313	$ 2,069,266

C) Please refer to Note 6(7) for detailed information about capital reserve from employee stock warrants.

10) Retained earnings

As of December 31, 2016 and 2015, the Company's retained earnings are set forth below:

	2016	2015
At January 1	$ 1,314,258	$ 1,287,692
Appropriations of earnings	(710,389)	(674,036)
Profit, attributable to owner of the parent	848,097	710,370
Remeasurement on post employment benefit obligations, net of tax	(6,189)	(9,768)
At December 31	$ 1,445,777	$ 1,314,258

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) The appropriation of 2016 earnings had been proposed by the Board of Directors during their meeting on March 15, 2017. Details are summarized below:

	2016	
	Amount	Dividends per share (in NT dollars)
Legal reserve	$ 84,810	$ -
Cash dividends	757,172	11.37
Total	$ 841,982	$ 11.37

The appropriation of 2016 earnings has not been resolved at the stockholders' meeting as of March 15, 2017.

I) For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(12).

11) Expenses by nature

	For the years ended Deceember 31,	
	2016	2015
Employee benefit expense	$ 39,522	$ 34,862
Services	3,169	6,909
Insurances	91	82
Other expenses	5,700	4,818
Total operating expenses	$ 48,482	$ 46,671

12) Employee benefit expense

	For the years ended December 31,	
	2016	2015
Salaries	$ 31,297	$ 24,504
Employee stock options	422	1,842
Labor and health insurance fees	1,177	1,137
Pension costs	1,027	1,162
Other personnel expenses	5,599	6,217
	$ 39,522	$ 34,862

As of December 31, 2016 and 2015, the Company has 19 and 17 employees, respectively.

A) According to the Articles of Incorporation of the Company, 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) For the years ended December 31, 2016 and 2015, employees' compensation (bonus) was accrued at $475 and $228, respectively; directors' and supervisors' remuneration was accrued at $5,200 and $5,200, respectively. The aforementioned amounts were recognized in salary expenses and other expense.

For the year ended December 31, 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.

13) Income tax

A) Components of income tax expense

	For the years ended December 31,	
	2016	2015
Current tax:		
Current tax on profits for the period	$ 2,426	$ 2,683
Change in deferred income tax assets and liabilities	666	(666)
Adjustments in respect of prior years	29	12
Income tax expense	$ 3,121	$ 2,029

B) Reconciliation of difference between the financial income and taxable income:

	For the years ended December 31,	
	2016	2015
Income before tax calculated using statutory tax	$ 144,707	$ 119,798
Change in deferred income tax assets and liabilities	666	(666)
Adjustments in respect of prior years	29	12
Effect of exempt income	(142,281)	(117,115)
Income tax expense	$ 3,121	$ 2,029

C) Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

	2016		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Unrealized foreign investment losses	$ 666	($ 666)	$ -

	2015		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Unrealized foreign investment losses	$ -	$ 666	$ 666

D) As of December 31, 2016, the Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

E) Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and after 1998	$ 1,445,777	$ 1,314,258

F) As of December 31, 2016 and 2015, the balance of the imputation tax credit account was $132,344 and $81,228, respectively. The creditable tax rate was 6.38% for 2015 and is estimated to be 9.16% for 2016.

14) Earnings per share

	For the year ended December 31, 2016		
	Net income	Weighted-average outstanding shares (in thousands)	Earnings per share
Basic earnings per share:			
Profit attributable to owners of the parent	$ 848,097	66,271	$ 12.80
Diluted earnings per share:			
Dilutive effect of common stock equivalents			
Employee stock options	-	241	
Employee bonus	-	3	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 848,097	66,515	$ 12.75

	For the year ended December 31, 2015		
	Net income	Weighted-average outstanding shares (in thousands)	Earnings per share
Basic earnings per share:			
Profit attributable to owners of the parent	$ 710,370	65,510	$ 10.84
Diluted earnings per share:			
Dilutive effect of common stock equivalents			
Employee stock options	-	425	
Employee bonus	-	2	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 710,370	65,937	$ 10.77

15) Operating leases

The Company leases offices to others under non-cancellable operating lease agreements. The leases have terms expiring between one and two years. The Company recognized rental expenses of $661 and $593 for the years ended December 31, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 220	$ 181

7. RELATED PARTY TRANSACTIONS

1) Parent and ultimate controlling party

The Company is controlled by CTCI Corporation (incorporated in R.O.C.), which owns 57.89% of the Company's shares. The remaining 42.11% of the shares are widely held.

2) Significant transactions and balances with related parties

A) Directors' and supervisors' remuneration (shown in "other income")

	For the years ended December 31,	
	2016	2015
Subsidiaries	$ 7,860	$ 7,335

B) Other revenue/receivables from related parties

a) Receivables from related parties

	December 31, 2016	December 31, 2015
-Loans to related parties		
Joint ventures	$ 29,013	$ 29,010
-Others		
Joint ventures	3,115	3,001
Associates	-	45
	$ 32,128	$ 32,056

b) Other revenue

	For the years ended December 31,	
	2016	2015
Interest revenue		
Joint ventures (Note 1)	$ 465	$ 455
Personnel transfers revenue		
Joint ventures (Note 2)	$ 2,995	$ 3,001
Associates (Note 2)	59	341
	$ 3,054	$ 3,342

Note 1: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.8% and 1.6%, respectively of the years ended December 31, 2016 and 2015.

Note 2: For personnel transfers from related parties.

C) Operating expenses/Other payables-related parties

a) Operating expenses

	For the years ended December 31,	
	2016	2015
The ultimate parent (Notes 1 and 2)	$ 4,897	$ 4,655
Associates (Note 2 and 3)	1,360	1,287
	$ 6,257	$ 5,942

Note 1: Both years ended December 31, 2016 and 2015, the Company paid directors' and supervisors' remuneration amounting to $2,800.

Note 2: For personnel transfers from related parties, information system service expense and office rent.

Note 3: Amortization of rent and administrative expense of the office in Neihu.

b) As of December 31, 2016 and 2015, the Company has unpaid obligations to related parties as follows: (shown in "other payables")

	December 31, 2016	December 31, 2015
The ultimate parent	$ 693	$ 734
Subsidiaries	348	340
	$ 1,041	$ 1,074

D) Endorsements and guarantees for others

	December 31, 2016	December 31, 2015
Joint ventures	$ 667,708	$ 629,076

3) Key management compensation

	For the years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 16,917	$ 16,583
Share-based payments	73	1,121
Total	$ 16,990	$ 17,704

8. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Please refer to Note 7(2)D for detailed information.

9. SIGNIFICANT DISASTER LOSS

None.

10. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2016 earnings had been proposed at the Board of Directors' meeting on March 15, 2017, please refer to Note 6(10)H for detailed information.

11. OTHERS

1) Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company 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 balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

2) Financial instruments

A) Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, other receivables and other payables) 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 Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company'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 Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2016		
	Foreign currency Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 100	$ 32.199	$ 3,220

	December 31, 2015		
	Foreign currency Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 111	$ 32.90	$ 3,652

ii) The unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2016 and 2015 amounted to $27 and $255, respectively.

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

	Year ended December 31, 2016		
	Sensitivity analysis		
	Extent of variation	Effect on Profit or loss	Effect on Equity
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	1.00%	$ 32	$ -

	Year ended December 31, 2015		
	Sensitivity analysis		
	Extent of variation	Effect on Profit or loss	Effect on Equity
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	1.00%	$ 37	$ -

Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

b) Credit risk

i) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company 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:

	December 31, 2016		
	Group 1	Group 2	Group 3
Other receivables	$ -	$ -	$ 521
Other receivables-related parties	-	-	32,128
	$ -	$ -	$ 32,649

	December 31, 2015		
	Group 1	Group 2	Group 3
Other receivables	$ -	$ -	$ 1,179
Other receivables-related parties	-	-	32,056
	$ -	$ -	$ 33,235

Group 1: Government.

Group 2: Listed companies.

Group 3: Others.

c) Liquidity risk

i) Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

ii) The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities		
December 31, 2016	Up to 1 year	Over 1 year
Other payables	$ 20,758	$ -

Non derivative financial liabilities		
December 31, 2015	Up to 1 year	Over 1 year
Other payables	$ 15,713	$ -

3) Fair value estimation

A) Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 11(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 Company'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 Company'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 Company has no investments in any financial instruments belonging to level 3.

The following table presents the Company's financial assets and liabilities that are measured at fair value at Deceember 31, 2016 and 2015.

December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	$ 402,362	$ -	$ -	$ 402,362
Available-for-sale financial assets				
Equity securities	15,259	-	-	15,259
Total	$ 417,621	$ -	$ -	$ 417,621

December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	$ 52,190	$ -	$ -	$ 52,190
Available-for-sale financial assets				
Equity securities	19,715	-	-	19,715
Total	$ 71,905	$ -	$ -	$ 71,905

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

	Listed shares	Open-end fund
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 years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2.

G) For the years ended December 31, 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.

12. 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: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in ainland China)：Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

KD HOLDING CORPORATION
Details of cash and equivalents
December 31, 2016
(Expressed in thousands of New Taiwan dollars)

Item	Summary		Amount
Demand deposits			
—NTD			$ 10,235
			10,235
Checking accounts			562
Time deposits			
—USD	USD$100	Exchange rate 32.199	3,220
—NTD			189,292
			192,512
			$ 203,309

KD HOLDING CORPORATION

Details of financial assets at fair value through profit or loss-current

December 31, 2016

(Expressed in thousands of New Taiwan dollars)

Financial commodities	Number of shares (thousand share)	Par value (in dollars)	Amount	Acquisition costs	Fair value Price (in dollars)	Fair value Amount	Note
Capital Money Market Fund	343	$ 15.85	$ 5,445	$ 5,445	$ 15.98	$ 5,489	-
Nomura Taiwan Money Market Fund	441	16.09	7,089	7,089	16.16	7,124	-
CTBC Hua Win Money Market Fund	2,449	10.88	26,636	26,636	10.92	26,728	-
FSITC Taiwan Money Market Fund	10,798	15.14	163,520	163,520	15.15	163,565	-
FSITC Money Market	1,129	176.66	199,400	199,400	176.71	199,456	-
			$ 402,090	$ 402,090		$ 402,362	

KD HOLDING CORPORATION
Details of available-for-sale financial assets -current
December 31, 2016
(Expressed in thousands of New Taiwan dollars)

							Fair value		
Financial Commodities	Summary	Number of Shares	Par value (in dollars)	Amount	Acquisition costs	Accumulated impairment	Price (in dollars)	Amount	Notes
Taiwan Cement Corp.	Stocks	179,780	$ 10	$ 1,798	$ 7,298	$ -	$ 35.15	$ 6,319	
Gentech Energy Corp.	"	462,000	10	4,620	19,949	-	19.35	8,940	
Less: Valuation adjustment					(11,988)				
					$ 15,259				

KD HOLDING CORPORATION
Details of financial assets measured at cost-non-current
December 31, 2016
(Expressed in thousands of New Taiwan dollars)

Name	Beginning of the period Number of shares (per share)	Beginning of the period Amounts	Additions Number of shares (per share)	Additions Amounts	Reductions Number of shares (per share)	Reductions Amounts	End of the period Number of shares (per share)	End of the period Amounts	Pledged to others as collaterals
TSC Venture Mangement, Inc.	270,000	$ 2,700	-	$ -	54,000	($ 540)	216,000	$ 2,160	No
Teamwin Opto-Electronics Co., Ltd.	150,000	2,261	-	-	-	-	150,000	2,261	"
Eastern Pacific Energy Sdn.Bhd.		-	10,000	81		-	10,000	81	"
		4,961		$ 81		($ 540)		4,502	
Less: Accumulated impairment		(4,486)						(3,946)	
		$ 475						$ 556	

KD HOLDING CORPORATION

Details of investments accounted for using the equity method

For the year ended December 31, 2016

(Expressed in thousands of New Taiwan dollars)

	Beginning of the period		Additions (reductions)			Balance at December 31, 2016				Pledged to other as collaterals
Name	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	Investment (loss)	Number of shares (per share)	% interest held	Amounts	Value per share	
Leading Energy Corp.	66,640,000	$1,504,251	(19,600,000)	($ 414,040)	$ 276,911	47,040,000	98.00	$ 1,367,122	$ 1,367,122	NA
Sino Environmental Services Corp.	14,065,936	780,216	-	(289,743)	456,312	14,065,936	93.15	946,785	946,785	"
HD Resource Management Corp.	2,000,000	74,389	-	(23,226)	37,634	2,000,000	100.00	88,797	88,797	"
Fortune Energy Corp.	56,249,000	1,004,303	-	(120,142)	116,879	56,249,000	75.00	1,001,040	1,001,040	"
Yuan Ding Resources Corp.	2,700,000	23,399	-	-	71	2,700,000	60.00	23,470	23,470	"
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	13,333,333	341,371	-	(15,269)	(18,905)	13,333,333	20.00	307,197	307,197	"
G.D. Development Corp.	18,999,000	214,032	1,052,545	(3,728)	11,775	20,051,545	49.997	222,079	222,079	"
		$3,941,961		($ 866,148)	$ 880,677			$ 3,956,490	$ 3,956,490	

KD HOLDING CORPORATION
Details of operating expenses
For the year ended December 31, 2016
(Expressed in thousands of New Taiwan dollars)

Accounts	General & Administrative expenses
Salaries	$ 31,719
Pension costs	1,027
Services	3,169
Other expenses	12,567
	$ 48,482

KD HOLDING CORPORATION
Details of employee benefit expenses
For the year ended December 31, 2016
(Expressed in thousands of New Taiwan dollars)

Nature \ Function	2016 Operating expense	2015 Operating expense
Employee benefit expense		
Salaries	$ 31,719	$ 26,346
Labor and health insurance fees	1,177	1,137
Pension costs	1,027	1,162
Other personnel expenses	5,599	6,217
Depreciation	-	-
Amortization	-	-

As of December 31, 2016 and 2015, the Company has 19 and 17 employees, respectively.

KD HOLDING CORPORATION

Loans to others

For the year ended December 31, 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 year ended December 31, 2016 (Note 3)	Balance at December 31, 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 Item	Collateral Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	KD Holding Corp.	G.D. Development Corp.	Other receivables-related parties	Yes	$ 30,000	$ 30,000	$ 29,000	1.80%	2	$ -	For operational needs	$ -	-	$ -	$ 468,206	$ 1,872,823	-
0	"	CTCI Corp.	"	"	430,000	430,000	-	-	"	"	"	"	"	"	468,206	1,872,823	
1	HD Resources Management Corp.	CTCI Corp.	"	"	14,000	14,000	-	-	"	"	"	"	"	"	8,880	35,519	"
1	"	CTCI Machinery Corp.	"	"	14,000	14,000	7,000	1.09%	"	"	"	"	"	"	8,880	35,519	"
1	"	E&C Engineering Corp.	"	"	14,000	14,000	7,000	1.09%	"	"	"	"	"	"	8,880	35,519	"
2	Sino Environmental Service Corp.	CTCI Corp.	"	"	156,000	156,000	-	-	"	"	"	"	"	"	101,639	406,555	"
2	"	CTCI Machinery Corp.	"	"	156,000	156,000	48,000	1.07~1.09%	"	"	"	"	"	"	101,639	406,555	"
2	"	E&C Engineering Corp.	"	"	156,000	156,000	78,000	1.07~1.09%	"	"	"	"	"	"	101,639	406,555	"
2	"	Resources Engineering Services Inc.	"	"	156,000	156,000	78,000	1.01~1.09%	"	"	"	"	"	"	101,639	406,555	"

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 year ended December 31, 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

Provision of endorsements and guarantees to others

For the year ended December 31, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2016 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	KD Holding Corp.	G.D. Development Corp.	6	$ 9,364,114	$ 703,726	$ 667,708	$ 518,823	$ -	14.26%	$ 14,046,171	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

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

December 31, 2016

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1) Type	Name	Relationship with the securities issuer (Note 2)	General ledger account	December 31, 2016 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	$ 5,489	-	$ 5,489	-
〃	〃	FSITC Taiwan Money Market Fund	〃	〃	10,798	163,565	-	163,565	-
〃	〃	FSITC Money Market Fund	〃	〃	1,129	199,456	-	199,456	-
〃	〃	Nomura Taiwan Money Market Fund	〃	〃	441	7,124	-	7,124	-
〃	〃	CTBC Hua Win Money Market Fund	〃	〃	2,449	26,728	-	26,728	-
						$ 402,362		$ 402,362	
〃	Common Stock	Taiwan Cement Corp.	〃	Available-for-sale financial assets-current	180	$ 7,298	-	$ 6,319	-
〃	〃	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	〃	462	19,949	-	8,940	-
				Adjustment		(11,988)		$ 15,259	
						$ 15,259			
〃	〃	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	-
〃	〃	Eastern Pacific Energy Sdn. Bhd	The General Manager of the Company is the Board of director	〃	10	81	10.00%	81	
		Less: Accumulated impairment				(3,946)		$ 556	
						$ 556			
Leading Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	2,294	$ 34,751	-	$ 34,751	-
〃	Common Stock	Taiwan Cement Corp.	〃	Available-for-sale financial assets-current	432	15,195	-	15,195	-

	Marketable securities (Note 1)				December 31, 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	Franklin Templeton Sinoam Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	25,361	$ 259,519	-	$ 259,519	-
"	Common Stock	CTCI Corp.	Ultimate parent company	Available-for-sale financial assets-current	1	50	-	50	-
"	"	Taiwan Cement Corp.	N/A	"	438	15,401	-	15,401	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	575	11,126	-	11,126	-
"	Bonds	BP capital PLC	N/A	"	6,000	27,328	-	27,328	Note 5
HD Resources Management Corp.	Fund	Prudential Financial Money Market	N/A	Financial assets at fair value through profit or loss-current	512	8,014	-	8,014	-
"	"	FSITC Taiwan Money Market Fund	"	"	990	15,002	-	15,002	-
"	"	Jih Sun Money Market Fund	"	"	412	6,043	-	6,043	-
"	"	Mega Diamond Money Market Fund	"	"	1,705	21,174	-	21,174	-
"	Common Stock	Taiwan Cement Corp.	"	Available-for-sale financial assets-current	435	15,301	-	15,301	-
Fortune Energy Corp.	Fund	FSITC Taiwan Money Market Fund	"	Financial assets at fair value through profit or loss-current	1,354	20,511	-	20,511	-

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

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 year ended December 31, 2016

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2016		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2016	
Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Number of shares (thousand share)	Amount	Number of shares (thousand share)	Amount	Number of shares (thousand share)	Selling price	Book value	Gain (loss) on disposal	Number of shares (thousand share)	Amount
KD Holding Corp.	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	$ -	10,798	$ 163,520	-	$ -	$ -	$ -	10,798	$ 163,520
"	FSITC Money Market Fund	"	-	-	-	-	1,129	199,400	-	-	-	-	1,129	199,400
Leading Energy Corp.	Taishin Ta-Chong Money Market	"	-	-	-	-	9,657	135,700	9,657	135,733	135,700	33	-	-
Sino Environmental Services Corp.	Jih Sun Money Market Fund	"	-	-	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	12,665	157,096	157,031	65	-	-
"	Franklin Templeton Sinoam Money Market Fund	"	-	-	-	-	47,912	490,000	22,551	230,561	230,500	61	25,361	259,500
Fortune Energy Corp.	FSITC Taiwan Money Market Fund	"	-	-	233	3,507	11,236	170,000	10,115	153,031	153,003	28	1,354	20,504

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

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

For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Leading Energy Corp.	HD Resources Management Corp.	Affiliate	(Operating revenue)	($ 328,926)	(50%)	30 days quarterly	No significant difference		$ 56,874	23%	-
"	Sino Environmental Service Corp.	"	Service cost	217,825	70%	"	"		(38,776)	(85%)	-
Sino Environmental Service Corp.	CTCI Corp.	Ultimate parent company	(Operating revenue)	(418,637)	(15%)	"	"		98,843	16%	-
"	Leading Energy Corp.	Affiliate	"	(217,825)	(8%)	"	"		38,776	6%	-
"	Fortune Energy Corp.	"	"	(145,547)	(5%)	"	"		24,192	4%	-
"	HD Resources Management Corp.	"	"	(457,541)	(16%)	"	"		95,965	16%	-
"	CTCI Chemicals Corp.	"	Purchase	115,070	5%	"	"		(19,651)	(3%)	-
HD Resources Management Corp.	Sino Environmental Service Corp.	"	Waste disposal cost	457,541	49%	"	"		(95,965)	(61%)	-
"	Leading Energy Corp.	"	"	328,926	35%	"	"		(56,874)	(36%)	-
Fortune Energy Corp.	Sino Environmental Service Corp.	"	Service cost	145,547	91%	"	"		(24,192)	(100%)	-

KD HOLDING CORPORATION

Significant inter-company transactions during the reporting period

For the year ended Decemember 31, 2016

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	Sino Environmental Service Corp.	HD Resources Management Corp.	3	Operating revenue	$ 457,541	30 days quarterly	9.23%
1	"	Leading Energy Corp.	"	"	217,825	"	4.40%
1	"	Fortune Energy Corp.	"	"	145,547	"	2.94%
1	"	HD Resources Management Corp.	"	Accounts receivable	95,965	"	1.31%
2	Leading Energy Corp.	HD Resources Management Corp.	"	Operating revenue	328,926	"	6.64%

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

Information on investees

For the year ended December 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
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%	$ 1,367,122	$ 282,563	$ 276,911	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%	946,785	489,858	456,312	A subsidiary
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%	88,797	37,634	37,634	A subsidiary
KD Holding Corp.	Fortune Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	1,012,483	1,012,483	56,249,000	74.999%	1,001,040	155,841	116,879	A subsidiary
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	60.000%	23,470	118	71	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%	307,197	(80,300)	(18,905)	An investee under equity method

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
KD Holding Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	$ 189,991	$ 189,991	20,051,545	49.997%	$ 222,079	$ 23,551	$ 11,775	An investee which has a 50% interest in a joint venture
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%	27,900	282,563	5,652	Affiliate
Sino Environmental Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	59,325	54,727	14,724	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%	18	155,841	2	Affiliate
Sino Environmental Services Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	8	8	1,055	0.003%	12	23,551	1	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%	76,927	728,696	218,609	A subsidiary
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%	68	489,858	22	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%	15,646	118	47	A subsidiary

KD HOLDING CORPORATION

Information on investments in Mainland China

For the year ended December 31, 2016

Table 8

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 year ended December 31, 2016: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2) 2.(2)B	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
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	$ 263	45.65%	($ 468)	$ 5,411	$ 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	7,266	93.16%	6,769	14,398	-	"

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
KD Holding Corp.	$ 15,021	$ 15,021	$ 2,809,234

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 year ended December 31, 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 audited 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

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

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2016	%	Balance at December 31, 2016	Purpose	Maximum balance during the year ended December 31, 2016	Balance at December 31, 2016	Interest rate	Interest during the the year ended December 31, 2016	Others
Xiang Ding Environmental Consultant (Shanghai) Co., Ltd.	$ 43,395	1.51%	$ -	$ -	$ 55,345	9.05%	$ -	-	$ -	$ -	-	$ -	-