

ECOVE ENVIRONMENT CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2017 AND 2016

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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ECOVE ENVIRONMENT CORPORATION

Opinion

We have audited the accompanying non-consolidated balance sheets of ECOVE Environment Corporation (the “Company”) as at December 31, 2017 and 2016, 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, 2017 and 2016, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

The most significant key audit matters in our audit of the financial statements of the current period are as follows:

Investments accounted for using equity method-service revenue

On December 31, 2017, the investments in subsidiaries, ECOVE Wujih Energy Corp., ECOVE Environmental Services Corp., ECOVE Waste Management Corp., ECOVE Miaoli Energy Corp., and SINO GAL-Waste Services Co., Ltd., were accounted for using equity method and amounted to \$3,191,570, representing 68% of total assets and are material to financial statements. Thus, we consider accuracy of service revenue of subsidiaries, as a key audit matter.

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 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.

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 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 judgement 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.



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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.
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.



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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 8, 2018

The accompanying parent company only 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 parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

ECOVE ENVIRONMENT CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 745,686	16	\$ 203,309	4
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		98,073	2	402,362	9
1125	Available-for-sale financial assets	6(3)				
	- current		24,849	1	15,259	-
1200	Other receivables		710	-	521	-
1210	Other receivables - related parties	7	7,974	-	32,128	1
1470	Other current assets		10,000	-	95,948	2
11XX	Current Assets		<u>887,292</u>	<u>19</u>	<u>749,527</u>	<u>16</u>
Non-current assets						
1543	Financial assets carried at cost -	6(4)				
	noncurrent		543	-	556	-
1550	Investments accounted for using	6(5)				
	equity method		3,819,621	81	3,956,490	84
15XX	Non-current assets		<u>3,820,164</u>	<u>81</u>	<u>3,957,046</u>	<u>84</u>
1XXX	Total assets		<u>\$ 4,707,456</u>	<u>100</u>	<u>\$ 4,706,573</u>	<u>100</u>

(Continued)

ECOVE ENVIRONMENT CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
Current liabilities					
2200	Other payables	\$ 19,380	1	\$ 19,717	1
2220	Other payables - related parties	842	-	1,041	-
2230	Current income tax liabilities	1,388	-	100	-
21XX	Current Liabilities	<u>21,610</u>	<u>1</u>	<u>20,858</u>	<u>1</u>
Non-current liabilities					
2640	Accrued pension liabilities	2,207	-	3,658	-
25XX	Non-current liabilities	<u>2,207</u>	<u>-</u>	<u>3,658</u>	<u>-</u>
2XXX	Total Liabilities	<u>23,817</u>	<u>1</u>	<u>24,516</u>	<u>1</u>
Equity					
Share capital					
3110	Common stock	668,106	14	664,614	14
Capital surplus					
3200	Capital surplus	2,161,029	46	2,126,850	45
Retained earnings					
3310	Legal reserve	527,495	11	442,686	9
3320	Special reserve	145	-	145	-
3350	Unappropriated retained earnings	1,359,148	29	1,445,777	31
Other equity interest					
3400	Other equity interest	(32,284)	(1)	1,985	-
3XXX	Total equity	<u>4,683,639</u>	<u>99</u>	<u>4,682,057</u>	<u>99</u>
Significant contingent liabilities					
and unrecognised contract					
commitments					
Significant events after the					
balance sheet date					
3X2X	Total liabilities and equity	<u>\$ 4,707,456</u>	<u>100</u>	<u>\$ 4,706,573</u>	<u>100</u>

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

ECOVE ENVIRONMENT CORPORATION
NON-CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

		Years ended December 31				
Items		2017		2016		
Notes	AMOUNT	%	AMOUNT	%		
4000	Operating revenue	6(5)	\$ 791,864	100	\$ 880,677	100
5900	Gross profit		791,864	100	880,677	100
	Operating expenses					
6200	General & administrative expenses	6(11)(12) and 7	(49,795)	(7)	(48,482)	(6)
6000	Total operating expenses		(49,795)	(7)	(48,482)	(6)
6900	Operating profit		742,069	93	832,195	94
	Non-operating income and expenses					
7010	Other income	7	18,285	2	18,846	2
7020	Other gains and losses		3,638	1	177	-
7000	Total non-operating income and expenses		21,923	3	19,023	2
7900	Profit before income tax		763,992	96	851,218	96
7950	Income tax expense	6(13)	(2,653)	-	(3,121)	-
8200	Profit for the year		\$ 761,339	96	\$ 848,097	96
	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	6(6)	\$ 2,184	-	(\$ 3,096)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(8,170)	(1)	(3,093)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		(33,896)	(4)	(22,755)	(3)
8362	Unrealized loss on valuation of available-for-sale financial assets	6(3)	(710)	-	(4,456)	-
8380	Total share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		337	-	4,187	-
8300	Other comprehensive loss for the year		(\$ 40,255)	(5)	(\$ 29,213)	(3)
8500	Total comprehensive income for the year		\$ 721,084	91	\$ 818,884	93
9750	Basic earnings per share	6(14)	\$ 11.41		\$ 12.80	
9850	Diluted earnings per share	6(14)	\$ 11.39		\$ 12.75	

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

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

	Notes	Years ended December 31	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 763,992	\$ 851,218
Adjustments			
Adjustments to reconcile profit (loss)			
Interest income		(4,362)	(3,840)
Dividend income		(1,145)	(3,389)
Salary expense-employee stock options	6(7)(12)	-	422
Gain on valuation of financial assets	6(2)	(280)	(252)
Share of profit of associates and joint ventures accounted for under equity method	6(5)	(791,864)	(880,677)
Impairment loss	6(4)	13	-
Other income	6(4)	(3,610)	(540)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		304,569	(349,919)
Other receivables		145	112
Other receivables-related parties		(4,859)	(69)
Other current assets		(10,000)	-
Changes in operating liabilities			
Other payables		(337)	5,078
Other payables - related parties		(199)	(33)
Preference share liabilities-non-current		733	196
Cash inflow (outflow) generated from operations		252,796	(381,693)
Interest received		2,226	3,921
Dividends received		801,406	653,215
Income tax paid		(1,365)	(4,919)
Net cash flows from operating activities		1,055,063	270,524
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,816	462
Other current financial assets		95,948	137,895
Increase in investments accounted for using the equity method- subsidiaries	6(5)	(89,474)	-
Proceeds from reduction of capital of investee company	6(5)	176,400	196,000
Proceeds from capital reduction of investee company	6(4)	-	540
Increase in available-for sale financial assets-current		(10,301)	-
Other receivables-related parties		29,000	-
Increase in financial assets carried at cost - noncurrent	6(4)	-	(81)
Decrease in financial assets at cost	6(4)	3,610	-
Net cash flows from investing activities		206,999	334,816
CASH FLOWS FROM FINANCING ACTIVITIES			
Employee stock options exercised		37,488	61,810
Cash dividends paid	6(10)	(757,173)	(639,352)
Net cash flows used in financing activities		(719,685)	(577,542)
Net increase in cash and cash equivalents		542,377	27,798
Cash and cash equivalents at beginning of year		203,309	175,511
Cash and cash equivalents at end of year		\$ 745,686	\$ 203,309

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

ECOVE ENVIRONMENT CORPORATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

- (1) ECOVE Environment Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 13, 1999, and consolidated investee-Chang Ting Corporation in December, 2005.
- (2) The 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 57.57% equity interest in the Company as of December 31, 2017.

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

The financial statements were authorised by the Board of Directors on March 8, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

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

(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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 9, 'Financial instruments'

- A. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present 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.

When adopting the new standards endorsed by the FSC effective from 2018, the Company will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarised below.

In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets and financial assets at cost in the amounts of \$24,849 and \$543, respectively, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$25,392.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

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

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 judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement 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 Company. The Company controls an entity when the Company 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 transactions between 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 associate (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. 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.
- H. 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) Employee share-based payment

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

(14) Income tax

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

(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. The Company has no critical circumstances related to accounting judgements, estimates and assumption uncertainty.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Checking accounts	\$ 555	\$ 562
Demand deposits	11,285	10,235
Time deposits	733,846	192,512
	<u>\$ 745,686</u>	<u>\$ 203,309</u>

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. Cash and cash equivalents amounting to \$10,000 as pledged to others as collateral for tender guarantee, which were classified as other current assets. Please refer to Note (8).

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

<u>Items</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current items		
Financial assets held for trading		
Mutual funds	\$ 97,892	\$ 402,090
Valuation adjustments of financial assets held for trading	181	272
Total	<u>\$ 98,073</u>	<u>\$ 402,362</u>

The Company recognised net gain of \$280 and \$252 on financial assets held for trading for the years ended December 31, 2017 and 2016, respectively.

(3) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Currents items		
Listed stocks	\$ 37,548	\$ 27,247
Valuation adjustment	(12,699)	(11,988)
Total	<u>\$ 24,849</u>	<u>\$ 15,259</u>

- A. The Company recognised \$710 and \$4,456 in other comprehensive loss for fair value change for the years ended December 31, 2017 and 2016, 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, 2017 Book value/ Fair value	December 31, 2016 Book value/ Fair value
Listed stocks	\$ 6,553	\$ 6,319

- (b) The changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income were \$0 and \$234, respectively, for the year ended December 31, 2017, and were \$0 and \$1,411, respectively, for the year ended December 31, 2016.
- (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, 2017	For the year ended December 31, 2016
Listed stocks	\$ 234	\$ 1,411

(4) Financial assets carried at cost

Items	December 31, 2017	December 31, 2016
Non-current items:		
TSC Venture Management, Inc.	\$ -	\$ 2,160
Team Win Opto-Electronics Co., Ltd.	2,261	2,261
Eastern Pacific Energy Sdn. Bhd.	81	81
Less: Accumulated impairment	(1,799)	(3,946)
Total	\$ 543	\$ 556

- 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, 2017 and 2016, 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. In 2017, the Company has provided impairment loss amounting to \$13 due to Eastern Pacific Energy Sdn. Bhd. was assessed impairment against the objective evidences.

D. 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. In June, 2017, the shareholders at their meeting resolve to dissolve and distribute remained properties amounting to \$3,610. The difference is \$3,610 if comparing with its carrying amount of \$0 and is recognised in other income.

(5) Investments accounted for using the equity method

	<u>2017</u>	<u>2016</u>
At January 1	\$ 3,956,490	\$ 3,941,961
Addition of investments accounted for using the equity method	89,474	-
Proceeds from reduction of capital of investee company	(176,400)	(196,000)
Share of profit or loss of investments accounted for using equity method	791,864	880,677
Earnings distribution of investments accounted for using equity method	(800,261)	(649,826)
Changes in capital surplus	183	1,339
Changes in other equity items	(41,729)	(21,661)
At December 31	<u>\$ 3,819,621</u>	<u>\$ 3,956,490</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Subsidiaries:		
ECOVE Wujih Energy Corp.	\$ 1,228,849	\$ 1,367,122
ECOVE Environmental Services Corp.	853,832	946,785
ECOVE Waste Management Corp.	100,974	88,797
ECOVE Miaoli Energy Corp.	1,007,915	1,001,040
Yuan Ding Resources Corp.	23,496	23,470
Associate:		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	293,441	307,197
Joint venture:		
G.D. Development Corp.	311,114	222,079
	<u>\$ 3,819,621</u>	<u>\$ 3,956,490</u>

A. Subsidiaries

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2017	December 31, 2016		
ECOVE Wujih Energy Corp.	Taiwan	98.00%	98.00%	Subsidiaries	Equity method
ECOVE Environmental Services Corp.	"	93.15%	93.15%	"	"
ECOVE Waste Management Corp.	"	100.00%	100.00%	"	"
ECOVE Miaoli 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

	ECOVE Wujih Energy Corp.	
	December 31, 2017	December 31, 2016
Current assets	\$ 487,473	\$ 446,285
Non-current assets	999,428	1,150,220
Current liabilities	(134,991)	(107,506)
Non-current liabilities	(97,982)	(93,977)
Total net assets	<u>\$ 1,253,928</u>	<u>\$ 1,395,022</u>
Share in subsidiary's net assets	\$ 1,228,849	\$ 1,367,122
Carrying amount of the subsidiary	<u>\$ 1,228,849</u>	<u>\$ 1,367,122</u>

	ECOVE Environmental Services Corp.	
	December 31, 2017	December 31, 2016
Current assets	\$ 1,633,911	\$ 1,890,288
Non-current assets	292,559	249,503
Current liabilities	(860,907)	(979,798)
Non-current liabilities	(144,266)	(143,604)
Total net assets	<u>\$ 921,297</u>	<u>\$ 1,016,389</u>
Share in subsidiary's net assets	\$ 858,206	\$ 946,785
Carrying amount of the subsidiary	<u>\$ 853,832</u>	<u>\$ 946,785</u>

ECOVE Waste Management Corp.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets	\$ 400,990	\$ 346,426
Non-current assets	54,066	39,222
Current liabilities	(224,289)	(197,320)
Non-current liabilities	(129,793)	(99,531)
Total net assets	<u>\$ 100,974</u>	<u>\$ 88,797</u>
Share in subsidiary's net assets	<u>\$ 100,974</u>	<u>\$ 88,797</u>
Carrying amount of the subsidiary	<u>\$ 100,974</u>	<u>\$ 88,797</u>

ECOVE Miaoli Energy Corp.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets	\$ 173,463	\$ 233,261
Non-current assets	1,463,676	1,587,043
Current liabilities	(225,856)	(240,728)
Non-current liabilities	(67,372)	(244,832)
Total net assets	<u>\$ 1,343,911</u>	<u>\$ 1,334,744</u>
Share in subsidiary's net assets	<u>\$ 1,007,915</u>	<u>\$ 1,001,040</u>
Carrying amount of the subsidiary	<u>\$ 1,007,915</u>	<u>\$ 1,001,040</u>

Statement of comprehensive income

ECOVE Wujih Energy Corp.

For the years ended December 31,

	<u>2017</u>	<u>2016</u>
Revenue	\$ 727,576	\$ 657,942
Profit for the period from continuing operations	\$ 295,010	\$ 282,563
Other comprehensive (loss) income, net of tax	(1,798)	3,393
Total comprehensive income	<u>\$ 293,212</u>	<u>\$ 285,956</u>
Dividend received from subsidiary	<u>\$ 249,220</u>	<u>\$ 221,392</u>

ECOVE Environmental Services Corp.		
For the years ended December 31,		
	2017	2016
Revenue	\$ 2,929,747	\$ 2,871,714
Profit for the period from continuing operations	\$ 369,656	\$ 489,858
Other comprehensive loss, net of tax	(24,072)	(7,463)
Total comprehensive income	\$ 345,584	\$ 482,395
Dividend received from subsidiary	\$ 410,681	\$ 283,881

ECOVE Waste Management Corp.		
For the years ended December 31,		
	2017	2016
Revenue	\$ 1,157,573	\$ 991,313
Profit for the period from continuing operations	\$ 44,366	\$ 37,634
Other comprehensive income, net of tax	3,486	954
Total comprehensive income	\$ 47,852	\$ 38,588
Dividend received from subsidiary	\$ 35,172	\$ 24,346

ECOVE Miaoli Energy Corp.		
For the years ended December 31,		
	2017	2016
Revenue	\$ 348,186	\$ 360,797
Profit for the period from continuing operations	\$ 150,527	\$ 155,841
Other comprehensive loss, net of tax	(1,107)	(3)
Total comprehensive income	\$ 149,420	\$ 155,838
Dividend received from subsidiary	\$ 105,188	\$ 120,207

B. Associate

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2017	December 31, 2016		
Boretch 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, 2017	December 31, 2016
Current assets	\$ 334,230	\$ 671,333
Non-current assets	747,923	672,862
Current liabilities	(2,673)	(201,038)
Total net assets	<u>\$ 1,079,480</u>	<u>\$ 1,143,157</u>
Share in associate's net assets	<u>\$ 215,896</u>	<u>\$ 228,631</u>
Carrying amount of the associate	<u>\$ 293,441</u>	<u>\$ 307,197</u>

Statement of comprehensive income

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the years ended December 31,	
	2017	2016
Revenue	\$ -	\$ 1,328,848
Loss for the period from continuing operations	(13,126)	(80,300)
Other comprehensive loss, net of tax	(35,701)	(60,888)
Total comprehensive loss	<u>(\$ 48,827)</u>	<u>(\$ 141,188)</u>

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		Nature of relationship	Methods of measurement
		December 31, 2017	December 31, 2016		
G.D. Development Corp.	Taiwan	49.998%	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

	<u>G.D. Development Corp.</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash and cash equivalents	\$ 101,988	\$ 18,271
Other current assets	11,483	51,128
Current assets	113,471	69,399
Non-current assets	1,031,074	875,101
Total assets	<u>\$ 1,144,545</u>	<u>\$ 944,500</u>
Current financial liabilities	\$ 197,049	\$ 160,402
Other current liabilities	51,160	71,867
Current liabilities	248,209	232,269
Non-current liabilities	274,084	268,049
Total liabilities	<u>522,293</u>	<u>500,318</u>
Total net assets	<u>\$ 622,252</u>	<u>\$ 444,182</u>
Share in joint venture's net assets	<u>\$ 311,114</u>	<u>\$ 222,079</u>
Carrying amount of the joint venture	<u>\$ 311,114</u>	<u>\$ 222,079</u>

Statement of comprehensive income

	<u>G.D. Development Corp.</u>	
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Revenue	\$ 59,167	\$ 38,754
Depreciation and amortisation	(\$ 24,060)	(\$ 14,829)
Interest income	\$ 1,153	\$ 920
Interest expense	(\$ 4,694)	(\$ 5,614)
Profit before income tax	\$ 27,601	\$ 26,416
Income tax expense	(2,762)	(2,865)
Profit for the period	24,839	23,551
Other comprehensive loss, net of tax	(25,111)	(7,455)
Total comprehensive (loss) income	<u>(\$ 272)</u>	<u>\$ 16,096</u>

- D. The Company holds 49.998% 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, ECOVE Wujih Energy Corp., has proposed a capital reduction of \$180,000 and \$200,000 in March 2017 and May 2016, and resolved by the stockholders during their meeting in June 2017 and 2016. The Company received proceeds from the capital reduction in proportion to its ownership of \$176,400 and \$196,000, respectively.
- F. In December 31, 2016, the Board of Directors of the Company resolved to increase investment in G.D. Development Corp. of \$89,474 in February 2017.

(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:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of funded defined benefit obligations	\$ 3,248	\$ 5,278
Fair value of plan assets	(1,041)	(1,620)
Net defined benefit liability	<u>\$ 2,207</u>	<u>\$ 3,658</u>

(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, 2017			
At January 1	\$ 5,278	(\$ 1,620)	\$ 3,658
Current service cost	879	-	879
Interest expense (income)	74	(23)	51
	<u>6,231</u>	<u>(1,643)</u>	<u>4,588</u>
Remeasurements:			
Change in financial assumptions	72	-	72
Experience adjustments	(2,263)	7	(2,256)
	<u>(2,191)</u>	<u>7</u>	<u>(2,184)</u>
Pension fund contribution	-	(197)	(197)
Paid pension	(792)	792	-
At December 31	<u>\$ 3,248</u>	<u>(\$ 1,041)</u>	<u>\$ 2,207</u>

	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
	<u>2,194</u>	<u>(1,477)</u>	<u>717</u>
Remeasurements:			
Change in financial assumptions	93	-	93
Experience adjustments	2,991	12	3,003
	<u>3,084</u>	<u>12</u>	<u>3,096</u>
Pension fund contribution	-	(155)	(155)
At December 31	<u>\$ 5,278</u>	<u>(\$ 1,620)</u>	<u>\$ 3,658</u>

(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. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2017	2016
Discount rate	1.00%	1.40%
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, 2017				
Effect on present value of defined benefit obligation	(\$ 46)	\$ 47	\$ 38	(\$ 37)
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 78)	\$ 80	\$ 66	(\$ 64)

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 for the year ending December 31, 2018 amounts to \$167.

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, 2017 and 2016, were \$699 and \$676, respectively.

(7) Share-based payment-employee compensation plan

A. For the years ended December 31, 2017 and 2016, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
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 third plan of employee stock options outstanding as of December 31, 2017 and 2016 are as follows: This plan has been completed.

	For the years ended December 31,			
	2017		2016	
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
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
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	-	NT\$ 67.50
Options exercisable at end of period	-	-	-	NT\$ 67.50

(b) Details of the fourth plan of employee stock options outstanding as of December 31, 2017 and 2016 are set forth below:

	For the years ended December 31,			
	2017		2016	
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	215.25	NT\$ 106.30	413.25	NT\$ 112.30
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	(0.25)	-
Options exercised	(212.25)	NT\$ 106.30	(197.75)	NT\$ 111.30
Options revoked	-	-	-	-
Options outstanding at end of period	<u>3.00</u>	NT\$ 106.30	<u>215.25</u>	NT\$ 106.30
Options exercisable at end of period	<u>3.00</u>	NT\$ 106.30	<u>215.25</u>	NT\$ 106.30

(c) Details of the fifth plan of employee stock options outstanding as of December 31, 2017 and 2016 are as follows:

	For the years ended December 31,			
	2017		2016	
	No. of units (shares in thousand)	Weighted- average exercise price (in dollars)	No. of units (shares in thousand)	Weighted- average exercise price (in dollars)
Stock options				
Options outstanding at beginning of period	435.25	NT\$ 110.00	713.50	NT\$ 116.20
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	(9.00)	-
Options exercised	(137.00)	NT\$ 108.95	(269.25)	NT\$ 114.80
Options revoked	-	-	-	-
Options outstanding at end of period	<u>298.25</u>	NT\$ 103.00	<u>435.25</u>	NT\$ 110.00
Options exercisable at end of period	<u>298.25</u>	NT\$ 103.00	<u>435.25</u>	NT\$ 110.00

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2017 and 2016 was NT\$171.9 and NT\$172.65 (in dollars), respectively.

D. As of December 31, 2017 and 2016, the range of exercise prices of stock options outstanding was NT\$103 ~ NT\$106.3, NT\$67.50 ~ NT\$110.00 and (in dollars), respectively; the weighted-average remaining contractual period was as follows:

Type of arrangement	December 31, 2017	December 31, 2016
Third plan of employee stock options	-	-
Fourth plan of employee stock options	-	0.50 years
Fifth plan of employee stock options	0.50 years	1.50 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
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, 2017	For the year ended December 31, 2016
Equity-settled	\$ -	\$ 422

(8) Share capital

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

	2017	2016
At January 1	66,461,398	65,839,365
Convertible bonds	-	23,283
Employee stock options exercised	349,250	598,750
At December 31	66,810,648	66,461,398

B. As of December 31, 2017, 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 \$668,106 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(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	Others	Total
At January 1, 2017	\$ 1,936,651	\$ 189,886	\$ 313	\$ 2,126,850
Share-based payment transaction	-	183	-	183
Employee stock options exercised	35,318	(1,322)	-	33,996
At December 31, 2017	<u>\$ 1,971,969</u>	<u>\$ 188,747</u>	<u>\$ 313</u>	<u>\$ 2,161,029</u>
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	<u>\$ 1,936,651</u>	<u>\$ 189,886</u>	<u>\$ 313</u>	<u>\$ 2,126,850</u>

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

(10) Retained earnings

As of December 31, 2017 and 2016, the Company's retained earnings are set forth below:

	2017	2016
At January 1	\$ 1,445,777	\$ 1,314,258
Legal reserve	(84,809)	(71,037)
Appropriations of earnings	(757,173)	(639,352)
Profit, attributable to owner of the parent	761,339	848,097
Remeasurement on post employment benefit obligations, net of tax	(5,986)	(6,189)
At December 31	<u>\$ 1,359,148</u>	<u>\$ 1,445,777</u>

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

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

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

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. Special reserve
 - (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. The imputation tax system requires that any undistributed current earnings of the Company are subject to an additional 10% corporate income tax if the earnings are not distributed in the following year.
- F. The Company recognized dividends of \$757,173 (NT \$ 11.37 per share) and \$639,352 (NT \$ 9.69 per share) in 2017 and 2016, respectively. In addition, based on the Board of Directors' meeting in July 7, 2017, outstanding stocks will be influenced by employees' share rights. Thus, the Board of Directors gave the right to adjust the rate of distributed dividends from NT\$11.37 per share to NT\$11.33659144 per share.
- G. The appropriation of 2016 and 2015 earnings had been resolved at the stockholders' meeting on June 26, 2017 and June 21, 2016, respectively.

Details are summarized below:

	2016	2015
Legal reserve	\$ 84,809	\$ 71,037
Cash dividends	757,173	639,352
Total	<u>\$ 841,982</u>	<u>\$ 710,389</u>

- H. The appropriation of 2017 earnings had been proposed by the Board of Directors during their meeting on March 8, 2018. Details are summarized below:

	2017	
	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 76,134	\$ -
Special reserve	32,139	-
Cash dividends	647,313	9.69
Total	<u>\$ 755,586</u>	<u>\$ 9.69</u>

The appropriation of 2017 earnings has not been resolved at the stockholders' meeting as of March 8, 2018.

- 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,	
	2017	2016
Employee benefit expense	\$ 42,417	\$ 39,522
Services	2,341	3,169
Insurances	100	91
Other expenses	4,937	5,700
Total operating expenses	<u>\$ 49,795</u>	<u>\$ 48,482</u>

(12) Employee benefit expense

	For the years ended December 31,	
	2017	2016
Salaries	\$ 33,533	\$ 31,297
Employee stock options	-	422
Labor and health insurance fees	1,329	1,177
Pension costs	1,629	1,027
Other personnel expenses	5,926	5,599
	<u>\$ 42,417</u>	<u>\$ 39,522</u>

As of December 31, 2017 and 2016, the Company has 18 and 19 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, 2017 and 2016, employees' compensation (bonus) was accrued at \$359 and \$475, 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, 2017, 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 for 2016 amounting to \$475 and \$5,200, respectively, as resolved by the meeting of board of directors were in agreement with those amounts recognised in the 2016 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,	
	2017	2016
Current tax:		
Current tax on profits for the period	\$ 2,737	\$ 2,426
Origination and reversal of temporary differences	-	666
Prior year income tax (over) under estimation	(84)	29
Income tax expense	<u>\$ 2,653</u>	<u>\$ 3,121</u>

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

	For the years ended December 31,	
	2017	2016
Income before tax calculated using statutory tax	\$ 129,879	\$ 145,373
Prior year income tax (over) under estimation	(84)	29
Effect of exempt income	(127,142)	(142,281)
Income tax expense	<u>\$ 2,653</u>	<u>\$ 3,121</u>

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)	\$ -

D. As of December 31, 2017, the Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

E. Unappropriated retained earnings:

	December 31, 2017	December 31, 2016
Earnings generated in and after 1998	<u>\$ 1,359,148</u>	<u>\$ 1,445,777</u>

F. As of December 31, 2017 and 2016, the balance of the imputation tax credit account was \$171,860 and \$132,342, respectively. The creditable tax rate was 9.15% for 2016. Under the amendments to the Income Tax Act which were promulgated by the President of the Republic of China on February 7, 2018, the imputation tax system will be abolished and the imputation credit account and its related record, calculation and penal provisions will no longer be applicable beginning January 1, 2018. Therefore, no creditable tax rate is applicable for the appropriation of 2017 earnings.

(14) Earnings per share

	<u>For the year ended December 31, 2017</u>		
	<u>Net income</u>	<u>Weighted-average outstanding shares (in thousands)</u>	<u>Earnings per share</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 761,339	66,739	\$ 11.41
<u>Diluted earnings per share:</u>			
Dilutive effect of common stock equivalents			
Employee stock options	-	110	
Employee bonus	-	3	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 761,339</u>	<u>66,852</u>	<u>\$ 11.39</u>
	<u>For the year ended December 31, 2016</u>		
	<u>Net income</u>	<u>Weighted-average outstanding shares (in thousands)</u>	<u>Earnings per share</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 848,097	66,271	\$ 12.80
<u>Diluted earnings per share:</u>			
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	<u>\$ 848,097</u>	<u>66,515</u>	<u>\$ 12.75</u>

(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 \$965 and \$661 for the years ended December 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Not later than one year	\$ 220	\$ 220

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by CTCI Corporation (incorporated in R.O.C.), which owns 57.57% of the Company's shares. The remaining 42.43% of the shares are widely held.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
CTCI Corp.	The ultimate parent
ECOVE Wujih Energy Corp.	Subsidiaries
ECOVE Environmental Services Corp.	Subsidiaries
ECOVE Waste Management Corp.	Subsidiaries
ECOVE Miaoli Energy Corp.	Subsidiaries
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Associates
G.D. Development Corp.	Joint ventures

(3) Significant transactions and balances with related parties

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

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
ECOVE Wujih Energy Corp.	\$ 2,177	\$ 2,290
ECOVE Environmental Services Corp.	6,250	5,055
Subsidiaries	749	515
	<u>\$ 9,176</u>	<u>\$ 7,860</u>

B. Other revenue/receivables from related parties

(a) Receivables from related parties

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
-Loans to related parties		
G.D. Development Corp.	\$ -	\$ 29,013
-Others		
G.D. Development Corp.	6,745	3,115
Subsidiaries (note)	<u>1,229</u>	<u>-</u>
	<u>\$ 7,974</u>	<u>\$ 32,128</u>

(b) Other revenue

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest revenue		
The ultimate parent	\$ 1,295	\$ -
Joint ventures (Note 1)	<u>508</u>	<u>465</u>
	<u>\$ 1,803</u>	<u>\$ 465</u>
Personnel transfers revenue		
G.D. Development Corp. (Note 2)	\$ 3,458	\$ 2,995
Associates (Note 2)	<u>385</u>	<u>59</u>
	<u>\$ 3,843</u>	<u>\$ 3,054</u>

Note 1: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.8% both for the years ended December 31, 2017 and 2016.

Note 2: For personnel transfers from related parties.

C. Operating expenses/Other payables-related parties

(a) Operating expenses

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
CTCI Corp. (Notes 1 and 2)	\$ 5,068	\$ 4,897
Subsidiaries (Note 2 and 3)	<u>1,269</u>	<u>1,360</u>
	<u>\$ 6,337</u>	<u>\$ 6,257</u>

Note 1: For both of the years ended December 31, 2017 and 2016, 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, 2017 and 2016, the Company has unpaid obligations to related parties as follows: (shown in “other payables”)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
CTCI Corp	\$ 785	\$ 693
Subsidiaries	57	348
	<u>\$ 842</u>	<u>\$ 1,041</u>

D. Endorsements and guarantees for others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
G.D. Development Corp.	\$ 631,253	\$ 667,708

(4) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Salaries and other short-term employee benefits	\$ 22,484	\$ 16,917
Share-based payments	-	73
Total	<u>\$ 22,484</u>	<u>\$ 16,990</u>

8. PLEGGED ASSETS

The Company’s assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31,2017</u>	<u>December 31,2016</u>	
Other current assets			
Restricted cash in banks	\$ 10,000	\$ -	Guaranteed for bid

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Please refer to Note 7(3)D for detailed information.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) The appropriation of 2017 earnings had been proposed at the Board of Directors’ meeting on March 8, 2018, please refer to Note 6(10)H for detailed information.

- (2) The amendments to the Income Tax Act were promulgated by the President of the Republic of China on February 7, 2018 effective from January 1, of which are significant to the Company as follows:
- A. Under the amendments, the Company's applicable income tax rate will be raised from 17% to 20%.
 - B. Under the amendments to the Income Tax Act, the imputation tax system will be abolished and the imputation credit account will be adjusted to zero beginning January 1, 2018.

12. 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:

	<u>December 31, 2017</u>		
	<u>Foreign currency Amount (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 104	\$ 29.848	\$ 3,105

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

- 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, 2017 and 2016 amounted to (\$128) and \$27, respectively.

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

	Year ended December 31, 2017		
	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%	\$ 31	\$ -

	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	\$ -

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, 2017		
	Group 1	Group 2	Group 3
Other receivables	\$ -	\$ -	\$ 710
Other receivables-related parties	-	-	7,974
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,684</u>

	December 31, 2016		
	Group 1	Group 2	Group 3
Other receivables	\$ -	\$ -	\$ 521
Other receivables-related parties	-	-	32,128
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,649</u>

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.

<u>Non-derivative financial liabilities</u>		
December 31, 2017	<u>Up to 1 year</u>	<u>Over 1 year</u>
Other payables (related parties)	\$ 20,222	\$ -

<u>Non-derivative financial liabilities</u>		
December 31, 2016	<u>Up to 1 year</u>	<u>Over 1 year</u>
Other payables (related parties)	\$ 20,758	\$ -

(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 December 31, 2017 and 2016.

December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$ 98,073	\$ -	\$ -	\$ 98,073
Available-for-sale financial assets				
Equity securities	<u>24,849</u>	<u>-</u>	<u>-</u>	<u>24,849</u>
Total	<u>\$ 122,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,922</u>

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

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

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

- D. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- E. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- F. For the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2.
- G. For the years ended December 31, 2017 and 2016, there were no input and output into Level 3.
- H. Specific valuation techniques used to value financial instruments include:
- (a) Quoted market prices or dealer quotes for similar instruments.
 - (b) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

ECOVE ENVIRONMENT CORPORATION
Details of cash and equivalents
December 31, 2017
(Expressed in thousands of New Taiwan dollars)

Item	Summary		Amount
Demand deposits			
—USD	USD\$3	Exchange rate 29.848	\$ 90
—NTD			11,195
			<u>11,285</u>
Checking accounts			<u>555</u>
Time deposits			
—USD	USD\$101	Exchange rate 29.848	3,015
—NTD			730,831
			<u>733,846</u>
			<u>\$ 745,686</u>

ECOVE ENVIRONMENT CORPORATION

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

December 31, 2017

(Expressed in thousands of New Taiwan dollars)

	Number of shares (thousand share)	Par value (in dollars)	Amount	Acquisition costs	Price (in dollars)	Fair value	
						Amount	Note
Financial commodities							
Prudential Financial Money Market Fund	4,327	\$ 15.69	\$ 67,902	\$ 67,902	\$ 15.72	\$ 68,039	-
FSITC Taiwan Money Market Fund	1,975	15.18	29,990	29,990	15.21	30,034	-
			<u>\$ 97,892</u>	<u>\$ 97,892</u>		<u>\$ 98,073</u>	-

ECOVE ENVIRONMENT CORPORATION
Details of available-for-sale financial assets-current
December 31, 2017
(Expressed in thousands of New Taiwan dollars)

Financial Commodities	Summary	Number of Shares	Par value (in dollars)	Amount	Acquisition costs	Accumulated impairment	Fair value		Notes
							Price (in dollars)	Amount	
Taiwan Cement Corp.	Stocks	429,780	\$ 10.0	\$ 4,298	\$ 16,671	\$ -	\$ 36.45	\$ 15,665	-
Gentech Energy Corp.	"	515,941	10.0	5,159	20,877	-	17.80	9,184	-
Less: Valuation adjustment					(12,699)				
					\$ 24,849				

ECOVE ENVIRONMENT CORPORATION

Details of financial assets measured at cost-non-current

December 31, 2017

(Expressed in thousands of New Taiwan dollars)

Name	Beginning of the period		Additions		Reductions		End of the period		Pledged to others as collaterals
	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	
TSC Venture Mangement, Inc.	216,000	\$ 2,160	-	\$ -	(216,000)	(\$ 2,160)	-	\$ -	N/A
Teamwin Opto-Electronics Co., Ltd.	150,000	2,261	-	-	-	-	150,000	2,261	"
Eastern Pacific Energy Sdn.Bhd.	10,000	81	-	-	-	-	10,000	81	"
		4,502		\$ -		(\$ 2,160)		2,342	
Less: Accumulated impairment		(3,946)						(1,799)	
		\$ 556						\$ 543	

ECOVE ENVIRONMENT CORPORATION

Details of investments accounted for using the equity method

For the year ended December 31, 2017

(Expressed in thousands of New Taiwan dollars)

Name	Beginning of the period		Additions (reductions)		Investment		Balance at December 31, 2017		Value per share	Pledged to other as collaterals
	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	(loss)	Number of shares (per share)	interest held %	Amounts		
ECOVE Wujih Energy Corp.	47,040,000	\$ 1,367,122	(17,640,000)	(\$ 427,383)	\$ 289,110	29,400,000	98.00	\$ 1,228,849	\$ 1,228,849	N/A
ECOVE Environmental Services Corp.	14,065,936	946,785	-	(432,921)	339,968	14,065,936	93.15	853,832	864,209	"
ECOVE Waste Management Corp.	2,000,000	88,797	-	(32,189)	44,366	2,000,000	100.00	100,974	100,974	"
ECOVE Miaoli Energy Corp.	56,249,000	1,001,040	-	(106,019)	112,894	56,249,000	74.999	1,007,915	1,007,915	"
Yuan Ding Resources Corp.	2,700,000	23,470	-	-	26	2,700,000	60.00	23,496	23,496	"
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	13,333,333	307,197	-	(7,141)	(6,615)	13,333,333	20.00	293,441	215,896	"
G.D. Development Corp.	20,051,545	222,079	8,218,087	76,920	12,115	28,269,632	49.998	311,114	311,114	"
		<u>\$ 3,956,490</u>		<u>(\$ 928,733)</u>	<u>\$ 791,864</u>			<u>\$ 3,819,621</u>	<u>\$ 3,752,453</u>	

ECOVE ENVIRONMENT CORPORATION
Details of operating expenses
For the year ended December 31, 2017
(Expressed in thousands of New Taiwan dollars)

<u>Accounts</u>	<u>General & Administrative expenses</u>
Salaries	\$ 33,533
Pension costs	1,629
Services	2,341
Other expenses	12,292
	<u>\$ 49,795</u>

ECOVE ENVIRONMENT CORPORATION
Details of employee benefit expenses
For the year ended December 31, 2017
(Expressed in thousands of New Taiwan dollars)

Nature	Function	2017	2016
		Operating expense	Operating expense
Employee benefit expense			
Salaries		\$ 33,533	\$ 31,719
Labor and health insurance fees		1,329	1,177
Pension costs		1,629	1,027
Other personnel expenses		5,926	5,599
Depreciation		-	-
Amortization		-	-

As of December 31, 2017 and 2016, the Company has 18 and 19 employees, respectively.

ECOVE ENVIRONMENT CORPORATION

Loans to others

For the year ended December 31, 2017

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2017 (Note 3)	Balance at December 31, 2017 (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 Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	ECOVE Environment Corp.	G.D. Development Corp.	Other receivables-related parties		30,000	-	-	-	2	-	For operational needs	-	-	468,364	1,873,456	-
0	"	CTCI Corp.	"	"	430,000	430,000	-	-	"	"	"	"	"	468,364	1,873,456	-
1	ECOVE Waste Management Corp.	CTCI Corp.	"	"	14,000	14,000	-	-	"	"	"	"	"	10,097	40,390	-
1	"	CTCI Machinery Corp.	"	"	14,000	14,000	7,000	1.01%	"	"	"	"	"	10,097	40,390	-
1	"	E&C Engineering Corp.	"	"	14,000	14,000	7,000	1.01%	"	"	"	"	"	10,097	40,390	-
2	ECOVE Environmental Services Corp.	CTCI Corp.	"	"	156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-
2	"	CTCI Machinery Corp.	"	"	156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-
2	"	E&C Engineering Corp.	"	"	156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-
2	"	Resources Engineering Services Inc.	"	"	156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-

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, 2017.

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

(1) The Business association is '1'.

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

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

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

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

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

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

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

ECOVE ENVIRONMENT CORPORATION

Provision of endorsements and guarantees to others

For the year ended December 31, 2017

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2017 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2017 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral (Note 3)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company 13.48%	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	ECOVE Environment Corp.	G.D. Development Environment Corp.	6	\$ 9,367,278	\$ 667,708	\$ 631,253	\$ 447,960	\$ -	13.48%	\$ 14,050,917	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 audited by accountant.
- (2) The ceiling on total endorsements and guarantees shall not exceed 300% of the Company's net assets value in last financial statement which was audited by accountant.

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 to the party in Mainland China.

ECOVE ENVIRONMENT CORPORATION

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

December 31, 2017

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by ECOVE Environment Corp.	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	December 31, 2017			Footnote (Note 4)	
	Type	Name			Number of shares/ denominations	Book value (Note 3)	Ownership (%)		Fair value
"	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	1,975,027	\$ 29,990	\$	30,034	-
"	"	Prudential Financial Money Market Fund	"	"	4,327,402	67,902		68,039	-
				Adjustment		181			
"	Common Stock	Taiwan Cement Corp.	"	Available-for-sale financial assets-current	429,780	\$ 16,671	\$	98,073	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	515,941	20,877		9,184	-
				Adjustment		(12,699)			
"	"	Teamwin Opto-Electronics Co., Ltd.	N/A	Financial assets carried at cost-non-current	150,000	\$ 2,261	\$	24,849	-
"	"	Eastern Pacific Energy Sdn. Bhd	The Chairman of the Company is the Board of director	"	10,000	81		475	-
				Less: Accumulated impairment		(1,799)		68	-
						\$ 543	\$	543	
ECOVE Wujih Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	3,749,545	\$ 57,020	\$	57,020	-
"	"	Prudential Financial Money Market Fund	"	"	269,008	4,229		4,229	-
"	Common Stock	Taiwan Cement Corp.	"	Available-for-sale financial assets-current	432,280	15,757		15,757	-

Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)			December 31, 2017			Footnote (Note 4)
Securities held by	Type	Name	General ledger account	Number of shares/denominations	Book value (Note 3)	Ownership (%)	Fair value	
ECOVE Environmental Services Corp.	Fund	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss-current	18,013,095	\$ 185,054	-	\$ 185,054	-
"	Common Stock	CTCI Corp.	Available-for-sale financial assets-current	1,028	46	-	46	-
"	"	Taiwan Cement Corp.	"	1,138,156	41,486	-	41,486	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	642,135	11,430	-	11,430	-
"	Bonds	BP capital PLC	"	6,000,000	27,417	-	27,417	Note 5
ECOVE Waste Management Corp.	Fund	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss-current	2,647,496	41,626	-	41,626	-
"	"	FSITC Taiwan Money Market Fund	"	2,663,263	40,500	-	40,500	-
"	Common Stock	Taiwan Cement Corp.	Available-for-sale financial assets-current	435,310	15,867	-	15,867	-
ECOVE Miaoli Energy Corp.	Fund	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss-current	230,205	3,501	-	3,501	-
"	"	Prudential Financial Money Market Fund	"	445,647	7,007	-	7,007	-

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

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

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

ECOVE ENVIRONMENT CORPORATION

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, 2017

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2017		Addition (Note 3)		Disposal (Note 3)		Balance as at December 31, 2017	
					Number of shares	Amount	Number of shares	Amount	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
ECOVE Environment Corp.	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	10,798,064	\$ 163,520	6,107,815	\$ 92,640	\$ 226,251	\$ 226,170	\$ 81	\$ 29,990
"	FSITC Money Market Fund	"	-	-	1,128,720	199,400	-	-	199,489	199,400	89	-
ECOVE Wujih Energy Corp.	FSITC Taiwan Money Market Fund	"	-	-	2,294,133	34,726	10,469,369	159,000	136,904	136,726	178	57,000
ECOVE Environmental Services Corp.	Jih Sun Money Market Fund	"	-	-	-	-	18,891,919	277,750	277,800	277,750	50	-
"	Yuanta De-Bao Money Market Fund	"	-	-	-	-	19,645,541	234,000	234,018	234,000	18	-
"	Franklin Templeton Sinoam Money Market Fund	"	-	-	25,361,234	259,500	35,071,305	360,000	434,643	434,470	173	185,030

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

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

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NTS300 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 NTS10 per share, the 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

ECOVE ENVIRONMENT CORPORATION

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, 2017

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance			
ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	Affiliate	(Waste disposal revenue)	406,621 (	56%)	30 days quarterly	No significant difference	\$	74,952	25%	-
"	ECOVE Environmental Services Corp.	"	Cost of services	255,219 (	39% )	"	"	(	82,066)	85%	-
ECOVE Environmental Services Corp.	CTCI Corp.	Ultimate parent company	(Operating revenue)	159,287 (	5%)	"	"		48,548	7%	-
"	ECOVE Wujih Energy Corp.	Affiliate	"	255,219 (	9%)	"	"		82,066	12%	-
"	ECOVE Miaoli Energy Corp.	"	"	140,878 (	5%)	"	"		23,149	4%	-
"	ECOVE Waste Management Corp.	"	"	541,683 (	18%)	"	"		98,012	15%	-
"	CTCI Chemicals Corp.	"	Purchase	112,222	5%	"	"	(	21,876)	4%	-
ECOVE Waste Management Corp.	ECOVE Wujih Energy Corp.	"	Waste disposal cost	541,683	50%	"	"	(	98,012)	55%	-
"	ECOVE Environmental Services Corp.	"	"	406,621	37%	"	"	(	74,952)	42%	-
ECOVE Miaoli Energy Corp.	ECOVE Environmental Services Corp.	"	Cost of services	140,878	91%	"	"	(	23,149)	97%	-

ECOVE ENVIRONMENT CORPORATION

Significant inter-company transactions during the reporting period
For the year ended December 31, 2017

Table 6

Expressed in thousands ofNTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	
1	ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	3	Operating revenue	\$ 406,621	9.08%
1	"	"	"	Accounts receivable	74,952	1.06%
2	ECOVE Environmental Services Corp.	ECOVE Wujih Energy Corp.	"	Operating revenue	255,219	5.70%
2	"	ECOVE Miaoli Energy Corp.	"	"	140,878	3.14%
2	"	ECOVE Waste Management Corp.	"	"	541,683	12.09%
2	"	ECOVE Wujih Energy Corp.	"	Accounts receivable	82,066	1.16%
2	"	ECOVE Waste Management Corp.	"	"	98,012	1.39%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

ECOVE ENVIRONMENT CORPORATION

Information on investees

For the year ended December 31, 2017

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	\$	Number of shares	Ownership (%)	Book value			
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	\$ 425,085	\$ 601,485	\$ 1,228,849	29,400,000	98.00%	\$ 1,228,849	295,010	\$ 289,110	A subsidiary
ECOVE Environment Corp.	ECOVE Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance, etc.	339,921	339,921	853,832	14,065,936	93.15%	853,832	369,656	339,968	A subsidiary
ECOVE Environment Corp.	ECOVE Waste Management Corp.	Taiwan	Waste services, equipment and mechanical installation, waste clear, international trade and other environmental services, etc.	20,000	20,000	100,974	2,000,000	100.00%	100,974	44,366	44,366	A subsidiary
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	1,012,483	1,012,483	1,007,915	56,249,000	74.999%	1,007,915	150,527	112,894	A subsidiary
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	27,000	27,000	23,496	2,700,000	60.00%	23,496	45	26	A subsidiary
ECOVE Environment Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Island	Share holding and investment.	309,489	309,489	293,441	13,333,333	20.00%	293,441	(13,126)	(6,615)	An investee under equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016						
				279,465	189,991						
ECOVE Environment Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	279,465	189,991	28,269,632	49.998%	\$ 311,114	24,839	12,115	An investee which has a 50% interest in a joint venture
ECOVE Environmental Services Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	\$ 6,000	\$ 9,600	600,000	2.00%	\$ 25,079	\$ 295,010	\$ 5,900	Affiliate
ECOVE Environmental Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	61,943	57,982	15,601	Affiliate
ECOVE Environmental Services Corp.	ECOVE Miaoli Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	13	13	1,000	0.001%	18	150,527	2	Affiliate
ECOVE Environmental Services Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	8	8	1,096	0.002%	12	24,839	-	Affiliate
ECOVE Environmental Services Corp.	SINO GAL-Waste Services Co., Ltd.	Macau	Management of waste recycling site and maintenance of related mechanical and equipment etc.	4,964	4,964	-	30.00%	63,667	193,550	58,065	A subsidiary
ECOVE Waste Management Corp.	ECOVE Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance, etc.	53	53	1,000	0.01%	61	369,656	25	Affiliate
ECOVE Waste Management Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	18,000	18,000	1,800,000	40.00%	15,664	45	18	Affiliate

ECOVE ENVIRONMENT 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, 2017

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 9

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Interest during the year ended December 31, 2017	Others
	Amount	%	Amount	%	Balance at December 31, 2017	%	Balance at December 31, 2017	Maximum balance during the year ended December 31, 2017	Balance at December 31, 2017	Interest rate		
ECOVE Environment Consulting Corp.	\$ 60,524	2.07%	-	-	\$ 48,603	7.39%	\$ -	\$ -	\$ -	-	\$ -	-