

**ECOVE ENVIRONMENT CORPORATION
AND SUBSIDIARIES
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 AND SUBSIDIARIES

Opinion

We have audited the accompanying consolidated balance sheets of ECOVE Environment Corporation and its subsidiaries (the “Group”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the

context of our audit of the 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 consolidated financial statements of the current period are as follows:

Accuracy of service revenue

Description

Please refer to Note 4(26) for accounting policies on operating revenue, and Note 6(20) for details of service revenue.

Operating revenue mainly arises from service revenue and electricity sales revenue. The service revenue mainly arises from contracts entered into with certain governments (grantors) that involve charging for the service per unit in accordance with contracts. The cash amount of service revenue was NT\$ 2,162,853 thousand for the year ended December 31, 2017, presenting 48% of operating revenue for the year ended December 31, 2017. Thus, we consider the accuracy of service revenue a key audit matter.

How our audit addressed the matter

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

- A. Obtained 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 was in agreement with recorded revenue.

Other matter-Non-consolidated financial statements

We have audited and expressed an unqualified opinion on the non-consolidated financial statements of ECOVE Environment Corporation as at and for the years ended December 31, 2017 and 2016.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group 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 Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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:

- A. Identify and assess the risks of material misstatement of the 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.


- B. 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 Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 Group'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 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 Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,657,955	24	\$ 1,229,944	17
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		437,010	6	767,378	10
1125	Available-for-sale financial assets	6(3)				
	- current		136,852	2	99,660	1
1150	Notes receivable, net		234	-	138	-
1170	Accounts receivable, net	6(4)	947,224	13	847,258	12
1180	Accounts receivable, net - related	7				
	parties		8,122	-	84,531	1
1200	Other receivables		2,238	-	10,066	-
1210	Other receivables - related parties	7	61,847	1	269,308	4
130X	Inventories		45,351	1	52,287	1
1410	Prepayments		212,829	3	110,972	1
1470	Other current assets	6(6)	195,910	3	409,591	6
11XX	Current Assets		<u>3,705,572</u>	<u>53</u>	<u>3,881,133</u>	<u>53</u>
Non-current assets						
1543	Financial assets carried at cost -	6(5)				
	non-current		543	-	556	-
1550	Investments accounted for under	6(7)				
	equity method		666,510	9	594,024	8
1600	Property, plant and equipment,	6(8)				
	net		73,244	1	54,433	1
1840	Deferred income tax assets	6(23)	19,073	-	17,851	-
1900	Other non-current assets	6(9) and 8	2,592,187	37	2,773,230	38
15XX	Non-current assets		<u>3,351,557</u>	<u>47</u>	<u>3,440,094</u>	<u>47</u>
1XXX	Total assets		<u>\$ 7,057,129</u>	<u>100</u>	<u>\$ 7,321,227</u>	<u>100</u>

(Continued)

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ 189	-	\$ -	-
2170	Accounts payable	6(10)	619,687	9	700,941	9
2180	Accounts payable - related parties	7	28,082	-	27,604	-
2200	Other payables	6(11)	383,256	6	342,228	5
2220	Other payables - related parties	7	8,905	-	2,201	-
2230	Current income tax liabilities		73,464	1	131,283	2
2300	Other current liabilities	6(12)(13)	212,605	3	213,024	3
21XX	Current Liabilities		<u>1,326,188</u>	<u>19</u>	<u>1,417,281</u>	<u>19</u>
Non-current liabilities						
2540	Long-term borrowings	6(13)	4,000	-	180,000	3
2570	Deferred income tax liabilities	6(23)	169,338	2	171,185	2
2600	Other non-current liabilities	6(14)	326,721	5	287,987	4
25XX	Non-current liabilities		<u>500,059</u>	<u>7</u>	<u>639,172</u>	<u>9</u>
2XXX	Total Liabilities		<u>1,826,247</u>	<u>26</u>	<u>2,056,453</u>	<u>28</u>
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(17)	668,106	9	664,614	9
Capital surplus						
3200	Capital surplus	6(18)	2,161,029	31	2,126,850	29
Retained earnings						
3310	Legal reserve	6(19)	527,495	7	442,686	6
3320	Special reserve		145	-	145	-
3350	Unappropriated retained earnings		1,359,148	19	1,445,777	20
Other equity interest						
3400	Other equity interest		(32,284)	-	1,985	-
31XX	Equity attributable to owners of the parent		<u>4,683,639</u>	<u>66</u>	<u>4,682,057</u>	<u>64</u>
36XX	Non-controlling interest	4(3)	<u>547,243</u>	<u>8</u>	<u>582,717</u>	<u>8</u>
3XXX	Total equity		<u>5,230,882</u>	<u>74</u>	<u>5,264,774</u>	<u>72</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 7,057,129</u>	<u>100</u>	<u>\$ 7,321,227</u>	<u>100</u>

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

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

Items	Notes	Years ended December 31				
		2017		2016		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 4,479,587	100	\$ 4,955,565	100
5000	Operating costs	6(21)(22) and 7	(3,220,330)	(72)	(3,155,153)	(64)
5900	Gross profit		1,259,257	28	1,800,412	36
	Operating expenses	6(21)(22) and 7				
6200	General & administrative expenses		(181,840)	(4)	(173,229)	(3)
6000	Total operating expenses		(181,840)	(4)	(173,229)	(3)
6900	Operating profit		1,077,417	24	1,627,183	33
	Non-operating income and expenses					
7010	Other income		31,779	1	33,034	1
7020	Other gains and losses		(10,113)	-	(3,361)	-
7050	Finance costs		(3,841)	-	(5,823)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	21,101	-	7,093	-
7000	Total non-operating income and expenses		38,926	1	30,943	1
7900	Profit before income tax		1,116,343	25	1,658,126	34
7950	Income tax expense	6(23)	(156,919)	(4)	(227,458)	(5)
8200	Profit for the year		\$ 959,424	21	\$ 1,430,668	29
	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(15)	(\$ 8,601)	-	(\$ 6,741)	-
8320	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		(43)	-	(115)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	1,835	-	620	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		(46,369)	(1)	(24,968)	(1)
8362	Unrealized loss on valuation of available-for-sale financial assets	6(3)	(430)	-	(457)	-
8300	Total other comprehensive loss for the year		(\$ 53,608)	(1)	(\$ 31,661)	(1)
8500	Total comprehensive income for the year		\$ 905,816	20	\$ 1,399,007	28
	Profit attributable to:					
8610	Owners of the parent		\$ 761,339	17	\$ 848,097	17
8620	Non-controlling interest		198,085	4	582,571	12
	Total		\$ 959,424	21	\$ 1,430,668	29
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 721,084	16	\$ 818,884	16
8720	Non-controlling interest		184,732	4	580,123	12
	Total		\$ 905,816	20	\$ 1,399,007	28
	Earnings per share (in dollars):					
9750	Total basic earnings per share	6(24)	\$ 11.41		\$ 12.80	
9850	Total diluted earnings per share	6(24)	\$ 11.39		\$ 12.75	

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

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

Notes	Equity attributable to owners of the parent										Total	Non-controlling interest	Total equity											
	Share Capital		Retained Earnings				Other equity interest																	
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on valuation of available-for-sale financial assets																
	\$	658,394	\$	233	\$	2,069,266	\$	371,649	\$	145	\$	1,314,258	\$	57,355	\$	32,346	\$	4,438,954	\$	472,694	\$	4,911,648		
		233	(	233																				
6(19)		-		-		-	71,037					(	71,037											
6(19)		-		-		-	-					(	639,352											
6(16)(18)		-		-		-	-						848,097											
6(17)(18)		5,987		-		1,761							-											
		-		-		55,823																		
6(3)		-		-		-							(	22,755										
		-		-		-																		
		-		-		-																		
		\$		664,614	\$	2,126,850	\$	442,686	\$	145	\$	1,445,777	\$	34,600	\$	32,615	\$	4,682,057	\$	582,717	\$	5,264,774		
		\$		664,614	\$	2,126,850	\$	442,686	\$	145	\$	1,445,777	\$	34,600	\$	32,615	\$	4,682,057	\$	582,717	\$	5,264,774		
		-		-		-	84,809					(	84,809											
6(19)		-		-		-	-					(	757,173											
6(16)(18)		-		-		-	-						761,339											
6(17)(18)		3,492		-		183							-											
		-		-		33,996																		
6(3)		-		-		-							(	33,896										
		-		-		-																		
		-		-		-																		
		\$		668,106	\$	2,161,029	\$	527,495	\$	145	\$	1,359,148	\$	704	\$	32,988	\$	4,683,639	\$	547,243	\$	5,230,882		

For the year ended December 31, 2016
Balance at January 1, 2016
Capital collected in advance transferred to common stock
Appropriation of 2015 earnings
Legal reserve
Cash dividends
Profit for the year
Share-based payment transactions
Employee stock options exercised
Cumulative translation differences of foreign operations
Unrealized gain or loss on valuation of available-for-sale financial assets
Other comprehensive loss for the year
Balance at December 31, 2016
For the year ended December 31, 2017
Balance at January 1, 2017
Appropriation of 2016 earnings
Legal reserve
Cash dividends
Profit for the year
Share-based payment transactions
Employee stock options exercised
Cumulative translation differences of foreign operations
Unrealized gain or loss on valuation of available-for-sale financial assets
Other comprehensive loss for the year
Balance at December 31, 2017

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

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

	Notes	Years ended December 31	
		2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,116,343	\$ 1,658,126
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(21)	17,820	15,246
Amortization	6(21)	13,082	13,936
Interest expense		3,841	5,823
Interest income		(16,170)	(17,567)
Dividend income		(4,056)	(5,128)
Salary expense-employee stock options	6(16)(22)	-	1,863
Gain on valuation of financial assets	6(2)	(1,127)	(932)
(Gain) loss on disposal of investment		(3,428)	129
Share of profit of associates and joint ventures accounted for under equity method	6(7)	(21,101)	(7,093)
Gain on disposal of property, plant and equipment		(1,917)	(2,607)
Impairment loss	6(5)	13	-
Other income	6(5)	-	(540)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		303,873	(449,335)
Notes receivable, net		(96)	391
Accounts receivable, net		(99,966)	59,317
Accounts receivable, net - related parties		76,409	53,926
Other receivables		7,803	(2,820)
Other receivables-related parties		(25,739)	(17,768)
Inventories		6,936	2,038
Prepaid expense		(156,124)	1,340
Other current assets		(10,000)	-
Other non-current assets		230,027	303,485
Changes in operating liabilities			
Notes payable		189	-
Accounts payable		(81,254)	(71,449)
Accounts payable - related parties		478	408
Other payables		41,235	45,245
Other payables - related parties		6,704	(473)
Other current liabilities		(419)	(579,422)
Other non-current liabilities		(14,748)	501
Cash inflow generated from operations		1,388,608	1,006,640
Interest received		12,614	19,293
Dividends received		17,193	16,842
Interest paid		(4,048)	(6,813)
Income tax paid		(214,358)	(161,722)
Net cash flows from operating activities		<u>1,200,009</u>	<u>874,240</u>

(Continued)

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

	Notes	Years ended December 31	
		2017	2016
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in available-for-sale financial assets-			
current		(\$ 37,883)	\$ 29,771
Decrease (increase) in other receivables-related parties		233,000	(204,188)
Interest received		3,781	2,464
Decrease in current assets		223,681	517,992
Increase in financial assets at cost	6(5)	-	(81)
Proceeds from disposal of investee company	6(5)	-	540
Decrease in financial assets at cost	6(5)	3,610	-
Increase in investments accounted for under equity	6(7)		
method-non-subsidiaries		(89,474)	-
Decrease in investments accounted for under equity	6(7)		
method-non-subsidiaries		5,127	-
Acquisition of property, plant and equipment	6(8)	(37,066)	(19,530)
Proceeds from disposal of property, plant and equipment		2,048	3,360
Increase in refundable deposits		(1,444)	(3,285)
Increase in other non-current assets		(355)	-
Net cash flows from investing activities		<u>305,025</u>	<u>327,043</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of long-term loans		(176,000)	(167,200)
Increase in deposits received (shown in other non-current			
liabilities)		38,881	12,058
Employee stock options exercised		37,488	61,810
Cash dividends paid		(977,392)	(1,109,554)
Net cash flows used in financing activities		(1,077,023)	(1,202,886)
Net increase (decrease) in cash and cash equivalents		428,011	(1,603)
Cash and cash equivalents at beginning of year		<u>1,229,944</u>	<u>1,231,547</u>
Cash and cash equivalents at end of year		<u>\$ 1,657,955</u>	<u>\$ 1,229,944</u>

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED 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 Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in waste management. The Company’s shares were issued through an initial public offering on December 3, 2007, and have been listed in the Taiwan OTC market since May 27, 2010.
- (3) CTCI Corporation, the Company’s ultimate parent company, holds 57.57% equity interest in the Company as of December 31, 2017.

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

These consolidated 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:

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
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 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 Group's financial condition and financial performance based on the Group's assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 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'	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
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

When adopting the new standards endorsed by the FSC effective from 2018, the Group 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 Group expects to reclassify available-for-sale financial assets and financial assets at cost in the amounts of \$136,852 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 \$137,395.

(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:

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

IFRS 16, 'Leases'

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

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

B. Subsidiaries included in the consolidated financial statements:

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)		Note
			December 31, 2017	December 31, 2016	
ECOVE Environment Corp.	ECOVE Waste Management Corp.	Environmental engineering	100.00	100.00	
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Environmental engineering	74.999	74.999	
ECOVE Environment Service Corp.			0.001	0.001	
ECOVE Environment Corp.	ECOVE Environment Service Corp.	Environmental engineering	93.15	93.15	
ECOVE Waste Management Corp.			0.01	0.01	
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Environmental engineering	98.00	98.00	
ECOVE Environment Service Corp.			2.00	2.00	
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Environmental engineering	60.00	60.00	
ECOVE Waste Management Corp.			40.00	40.00	
ECOVE Environment Service Corp.	SINO GAL-Waste Services Co., Ltd.	Environmental engineering	30.00	30.00	Note
ECOVE Environment Service Corp.	ECOVE Environment Consulting Corp.	Environmental engineering	100.00	100.00	

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

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

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

E. Significant restrictions: None.

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

As of December 31, 2017 and 2016, the non-controlling interest amounted to \$547,243 and \$582,717, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2017		December 31, 2016	
		Amount	Ownership (%)	Amount	Ownership (%)
ECOVE Miaoli Energy Corp.	Taiwan	\$ 335,978	25.00%	\$ 333,686	25.00%
SINO GAL-Waste Services Co., Ltd.	Macau	148,558	70.00%	179,496	70.00%

Summarized financial information of the subsidiaries:

Balance sheets

	<u>ECOVE Miaoli Energy Corp.</u>	
	<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>

	<u>SINOGAL-Waste Services Co., Ltd.</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets	\$ 408,081	\$ 422,535
Non-current assets	9,969	15,569
Current liabilities	(151,175)	(127,214)
Non-current liabilities	(54,650)	(54,467)
Total net assets	<u>\$ 212,225</u>	<u>\$ 256,423</u>

Statements of comprehensive income

	<u>ECOVE Miaoli Energy Corp.</u>	
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Revenue	\$ 348,186	\$ 360,797
Profit before income tax	181,563	188,060
Income tax expense	(31,036)	(32,219)
Profit for the year	150,527	155,841
Other comprehensive loss, net of tax	(1,107)	(3)
Total comprehensive income for the year	<u>\$ 149,420</u>	<u>\$ 155,838</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 37,355</u>	<u>\$ 38,959</u>
Dividends paid to non-controlling interest	<u>\$ 35,063</u>	<u>\$ 40,072</u>

<u>SINO GAL-Waste Services Co., Ltd.</u>		
<u>For the years ended December 31,</u>		
	<u>2017</u>	<u>2016</u>
Revenue	\$ 708,712	\$ 1,274,862
Profit before income tax	171,864	749,154
Income tax benefit (expense)	21,686	(20,458)
Profit for the year	193,550	728,696
Other comprehensive loss, net of tax	(16,329)	(2,784)
Total comprehensive income for the year	\$ 177,221	\$ 725,912
Comprehensive income attributable to non-controlling interest	\$ 124,055	\$ 508,138
Dividends paid to non-controlling interest	\$ 154,993	\$ 409,260

Statements of cash flows

<u>ECOVE Miaoli Energy Corp.</u>		
<u>For the years ended December 31,</u>		
	<u>2017</u>	<u>2016</u>
Net cash provided by operating activities	\$ 271,944	\$ 341,555
Net cash provided by (used in) investing activities	66,943	(15,837)
Net cash provided by (used in) financing activities	(316,254)	(327,479)
Increase (decrease) in cash and cash equivalents	22,633	(1,761)
Cash and cash equivalents, beginning of year	5,670	7,431
Cash and cash equivalents, end of year	\$ 28,303	\$ 5,670

<u>SINO GAL-Waste Services Co., Ltd.</u>		
<u>For the years ended December 31,</u>		
	<u>2017</u>	<u>2016</u>
Net cash provided by operating activities	\$ 197,859	\$ 278,756
Net cash (used in) provided by investing activities	(67,533)	99,779
Net cash used in financing activities	(215,274)	(583,438)
Decrease in cash and cash equivalents	(84,948)	(204,903)
Cash and cash equivalents, beginning of year	88,123	293,026
Cash and cash equivalents, end of year	\$ 3,175	\$ 88,123

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional

currency”). The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be 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.

(6) Cash equivalents

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

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

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

(8) Available-for-sale financial assets

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

(9) Receivables

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

(10) Impairment of financial assets

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

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

(a) Financial assets measured at amortised cost

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

(b) Financial assets measured at cost

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

(c) Available-for-sale financial assets

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

(11) Derecognition of financial assets

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

(12) Inventories

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

(13) Investments accounted for under the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in "capital surplus" in proportion to its ownership.
- D. When the Group disposes its investment in an associate, and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

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

The Group accounts for its interest in a joint venture using the equity method. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group

does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(15) Property, plant and equipment

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

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

Machinery and equipment	3~20	years
Transportation equipment	3~7	years
Other equipment	3~5	years

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. 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.

(17) Borrowings

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

effective interest method.

(18) Accounts payable

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

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Provisions for other liabilities

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

(21) Employee benefits

A. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

B. Termination benefits

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

C. Employees' compensation directors' and supervisors' remuneration

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

(22) 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. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

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

(24) Share capital

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

(25) Dividends

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

(26) Revenue recognition

A. Service concession arrangements

- (a) The Group contracted with the government (grantor) a service concession arrangement whereby the Group shall provide construction of the government's infrastructure assets for public services and operate those assets during the term of the arrangement, and when the term of the operating period expires, the underlying infrastructure assets will be transferred

to the government without consideration. The Group allocates the fair value of the consideration received or receivable in respect of the service concession arrangement between construction services and operating services provided based on their relative fair values, and recognises such allocated amounts as revenues in accordance with IAS 11, 'Construction Contracts', and IAS 18, 'Revenue', respectively.

- (b) The consideration received or receivable from the grantor in respect of the service concession arrangement is recognised at its fair value. Such considerations are recognised as a financial asset or an intangible asset based on how the considerations from the grantor to the operator are made as specified in the arrangement. The Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services, and recognised profit or loss the effective interest method in accordance with IAS 39.

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

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

(27) Government grants

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

(28) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Judgements and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The Group has no critical 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>
Cash on hand and petty cash	\$ 10,032	\$ 9,815
Checking accounts and demand deposits	378,457	516,032
Time deposits	1,269,466	704,097
Total	<u>\$ 1,657,955</u>	<u>\$ 1,229,944</u>

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

B. Cash and cash equivalents amounting to \$10,000 are pledged to others as collateral for tender guarantee, and 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	\$ 436,637	\$ 766,850
Valuation adjustments of financial assets held for trading	373	528
Total	<u>\$ 437,010</u>	<u>\$ 767,378</u>

The Group recognized net gain of \$1,127 and \$932 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	\$ 143,111	\$ 105,228
Bonds	30,394	30,394
Valuation adjustment	(36,653)	(35,962)
Total	<u>\$ 136,852</u>	<u>\$ 99,660</u>

A. The Group recognized \$430 and \$457 in other comprehensive loss 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 \$60,304 that were initially classified as ‘financial assets at fair value through profit or loss’ were reclassified to ‘available-for-sale financial assets’ on July 1, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:

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

	December 31, 2017 Book value/ Fair value	December 31, 2016 Book value/ Fair value
Listed stocks	\$ 54,147	\$ 52,216

(b) The changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income (loss) were \$0 and \$1,931, respectively, for the year ended December 31, 2017, and were \$0 and \$11,661, respectively, for the year ended December 31, 2016. The accumulated total changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income before January 1, 2016 were \$0 and (\$19,749), respectively.

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

	For the years ended December 31,	
	2017	2016
Listed stocks	\$ 1,931	\$ 11,661

(4) Accounts receivable

	December 31, 2017	December 31, 2016
Accounts receivable	\$ 679,504	\$ 589,993
Long-term accounts receivable - due in one year	267,720	257,265
	\$ 947,224	\$ 847,258

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

(5) Financial assets carried at cost

Items	December 31, 2017	December 31, 2016
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 Group's intention, its investment in the above stocks should be classified as 'available-for-sale financial assets'. However, as the above stocks are not traded in an active market, and no sufficient industry information of companies similar to above stocks or above stock's financial information can be obtained, the fair value of the investment in above stocks cannot be measured reliably. Thus, the Group classified such stocks as 'financial assets measured at cost'.
- B. As of December 31, 2017 and 2016, no financial assets measured at cost held by the Group were pledged to others.
- C. The Group 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 Group has provided impairment loss amounting to \$13 due to Eastern Pacific Energy Sdn. Bhd. was assessed impairment based on 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 property amounting to \$3,610. The difference is \$3,610 when compared with its carrying amount of \$0 and is recognised in gains on disposal of investments.

(6) Other current assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Restricted bank deposits	\$ 10,000	\$ -
Other financial assets (Note)	185,910	409,591
	<u>\$ 195,910</u>	<u>\$ 409,591</u>

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

(7) Investments accounted for under the equity method

	<u>2017</u>	<u>2016</u>
At January 1	\$ 594,024	\$ 618,183
Addition of investments accounted for using the equity method	89,474	-
Disposal of investments accounted for using the equity method	(5,309)	-
Share of profit or loss of investments accounted for using the equity method	21,101	7,093
Earnings distribution of investments accounted for using the equity method	(13,137)	(11,714)
Changes in capital surplus	196	-
Changes in other equity items	(19,839)	(19,538)
At December 31	<u>\$ 666,510</u>	<u>\$ 594,024</u>

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates:		
CTCI Chemicals Corp.	\$ 61,943	\$ 59,325
GranSino Environmental Technology Co., Ltd.	-	5,411
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	293,441	307,197
Joint ventures:		
G.D. Development Corp.	<u>311,126</u>	<u>222,091</u>
	<u>\$ 666,510</u>	<u>\$ 594,024</u>

A. Associates

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

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2017</u>	<u>December 31, 2016</u>		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Is.	20.00%	20.00%	Associates	Equity method

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

Balance sheet

	<u>Boretech Resource Recovery Engineering Co., Ltd. (Cayman)</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
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	(\$ 48,827)	(\$ 141,188)

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

As of December 31, 2017 and 2016, the carrying amount of the Group's individually immaterial associates amounted to \$61,943 and \$64,736, respectively.

	For the years ended December 31,	
	2017	2016
Total comprehensive income	\$ 15,557	\$ 14,108

B. Joint venture

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2017	December 31, 2016		
G.D. Development Corp.	Taiwan	50%	50%	Joint venture	Equity method

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

Balance sheet

	G.D. Development Corp.	
	December 31, 2017	December 31, 2016
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	\$ 311,126	\$ 222,091
Carrying amount of the joint venture	<u>\$ 311,126</u>	<u>\$ 222,091</u>

Statement of comprehensive income

	G.D. Development Corp.	
	For the years ended December 31,	
	2017	2016
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>

- C. The Group holds 50% equity of the joint venture - G.D. Development Corp., the main activity of which is energy technology services.
- D. The Board of Directors had resolved to invest in G.D. Development Corp., in December, 2016. The Group invested in G.D. Development Corp., amounting to \$89,474 in February, 2017.

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

(8) Property, plant and equipment

	<u>Machinery</u>	<u>Transportation</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2017</u>				
Cost	\$ 82,439	\$ 99,240	\$ 6,115	\$ 187,794
Accumulated depreciation	(48,534)	(81,891)	(2,936)	(133,361)
	<u>\$ 33,905</u>	<u>\$ 17,349</u>	<u>\$ 3,179</u>	<u>\$ 54,433</u>
<u>Year ended December 31, 2017</u>				
Opening net book amount	\$ 33,905	\$ 17,349	\$ 3,179	\$ 54,433
Additions	12,439	22,003	2,624	37,066
Disposals	(131)	-	-	(131)
Depreciation charge	(10,838)	(5,626)	(1,356)	(17,820)
Net exchange differences	(239)	(47)	(18)	(304)
Closing net book amount	<u>\$ 35,136</u>	<u>\$ 33,679</u>	<u>\$ 4,429</u>	<u>\$ 73,244</u>
<u>At December 31, 2017</u>				
Cost	\$ 87,542	\$ 106,933	\$ 7,505	\$ 201,980
Accumulated depreciation	(52,406)	(73,254)	(3,076)	(128,736)
	<u>\$ 35,136</u>	<u>\$ 33,679</u>	<u>\$ 4,429</u>	<u>\$ 73,244</u>

	<u>Machinery</u>	<u>Transportation</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>				
Cost	\$ 86,383	\$ 104,058	\$ 4,864	\$ 195,305
Accumulated depreciation	(48,929)	(91,521)	(3,780)	(144,230)
	<u>\$ 37,454</u>	<u>\$ 12,537</u>	<u>\$ 1,084</u>	<u>\$ 51,075</u>
<u>Year ended December 31, 2016</u>				
Opening net book amount	\$ 37,454	\$ 12,537	\$ 1,084	\$ 51,075
Additions	7,371	9,416	2,743	19,530
Disposals	(249)	(504)	-	(753)
Depreciation charge	(10,534)	(4,079)	(633)	(15,246)
Net exchange differences	(137)	(21)	(15)	(173)
Closing net book amount	<u>\$ 33,905</u>	<u>\$ 17,349</u>	<u>\$ 3,179</u>	<u>\$ 54,433</u>
<u>At December 31, 2016</u>				
Cost	\$ 82,439	\$ 99,240	\$ 6,115	\$ 187,794
Accumulated depreciation	(48,534)	(81,891)	(2,936)	(133,361)
	<u>\$ 33,905</u>	<u>\$ 17,349</u>	<u>\$ 3,179</u>	<u>\$ 54,433</u>

(9) Other non-current assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Long-term accounts receivable	\$ 2,682,643	\$ 2,939,908
Less: Current portion	(267,720)	(257,265)
	2,414,923	2,682,643
Long-term prepaid rents	43,297	49,273
Accrued recovery cost	24,091	25,764
Refundable deposits	12,916	11,472
Air pollution fee	54,267	-
Prepayments for business facilities	40,500	-
Others	2,193	4,078
	<u>\$ 2,592,187</u>	<u>\$ 2,773,230</u>

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

the balance sheet date are classified as “accounts receivable” (please refer to Note 6(4)); assets that are expected to be realized over twelve months from the balance sheet date are classified as “long-term accounts receivable”. The other terms of the agreement is as follows:

- (a) The subsidiary, ECOVE Wujih Energy Corp., obtained the operation for the construction of Wujih Refuse Incineration Plant by build - operate - transfer (BOT) mode since April, 2000. In September, 2000, the “Waste incineration, Taichung City commission contract” between ECOVE Wujih Energy Corp. and Taichung City Government had been signed. The operating period is for 20 years starting from September 6, 2004. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended, but not to exceed 50 years. In order to work the “Waste Incineration Taichung City Commission Contract”, ECOVE Wujih Energy Corp. obtained the land-use right of Wujih Refuse Incineration Plant. Therefore, duration of the land-use right has continued for 20 years since the plant began operating.
 - (b) The subsidiary, ECOVE Miaoli Energy Corp., obtained the operation for the construction of Miaoli County Refuse Incineration Plant by build - operate - transfer (BOT) mode since August, 2002. In September, 2002, the “Waste Incineration Commission Contract” between ECOVE Miaoli Energy Corp. and Miaoli County Government had been signed. The operating period is for 20 years starting February 29, 2008. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended. In order to work the “Waste Incineration Miaoli County Commission Contract”, ECOVE Miaoli Energy Corp. obtained the land-use right of Miaoli Refuse Incineration Plant. Therefore, duration of the land-use right is from September 13, 2002 to March 12, 2026.
 - (c) ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. needs to deal with the guarantee tonnage of waste from government according to the contract during construction or operation.
 - (d) Per Service cost is calculated and adjusted based on the “Waste Incineration Commission Contract”, “Index of Average Regular Earnings of Employees–Manufacturing” and “Consumer Price Index”.
- B. Long-term prepaid rents are due to ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. obtaining the land-use right according to the “BOT”. As of December 31, 2017 and 2016, ECOVE Wujih Energy Corp. needs to pay long-term prepaid rent amounting to \$24,461 and \$28,130, respectively. As of December 31, 2017 and 2016, ECOVE Miaoli Energy Corp. needs to pay long-term prepaid rent amounting to \$18,836 and \$21,143, respectively.
- C. Accrued recovery cost are due to the contracts for the operation and maintenance service of refuse incineration plant between the subsidiaries, ECOVE Environment Service Corp. and SINO GAL - Waste Services Co., Ltd., and the grantors, requiring recovery of refuse incineration plant, related machinery and equipment when the contract expires. The Group has estimated the related recovery cost when the service contracts expire and amortizes it over the contract lives.

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

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

(10) Accounts payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Materials payable	\$ 54,641	\$ 62,559
Sub-contract costs payable	57,627	101,738
Incinerator equipment costs payable	40,936	57,672
Maintenance costs payable	338,051	402,384
Others	128,432	76,588
	<u>\$ 619,687</u>	<u>\$ 700,941</u>

(11) Other payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accrued payroll	\$ 272,125	\$ 256,035
Other payables	111,131	86,193
	<u>\$ 383,256</u>	<u>\$ 342,228</u>

(12) Other current liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other current liabilities		
Long-term liabilities-current portion	\$ 176,000	\$ 176,000
Receipts in advance	36,605	37,024
	<u>\$ 212,605</u>	<u>\$ 213,024</u>

(13) Long-term borrowings

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

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Financing amount</u>	<u>Actual spending</u>	<u>2016 (Note 1, 2)</u>
Mega International Commercial Bank secured loans	From November, 2010 to April, 2019, interest is calculated and paid monthly	1.3862%	\$ 681,000	\$681,000	\$ 356,000
Less: Current portion					(176,000)
					<u>\$ 180,000</u>

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

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

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

(14) Other non-current liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Net defined benefit liability	\$ 36,059	\$ 28,248
Accrued recovery costs	92,034	106,942
Guaranteed deposits received	166,555	127,674
Others	32,073	25,123
	<u>\$ 326,721</u>	<u>\$ 287,987</u>

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

(15) Pensions

A. Defined benefit pension plan

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

pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 240,044	\$ 241,839
Fair value of plan assets	(203,985)	(213,591)
Net defined benefit liability	<u>\$ 36,059</u>	<u>\$ 28,248</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
For the year ended December 31, 2017			
At January 1	\$ 241,839	(\$ 213,591)	\$ 28,248
Current service cost	6,519	-	6,519
Interest expense (income)	<u>3,605</u>	<u>(3,196)</u>	<u>409</u>
	<u>251,963</u>	<u>(216,787)</u>	<u>35,176</u>
Remeasurements:			
Change in financial assumptions	10,354	-	10,354
Experience adjustments	<u>(2,627)</u>	<u>874</u>	<u>(1,753)</u>
	<u>7,727</u>	<u>874</u>	<u>8,601</u>
Pension fund contribution	-	(5,957)	(5,957)
Paid pension	<u>(19,646)</u>	<u>17,885</u>	<u>(1,761)</u>
At December 31	<u>\$ 240,044</u>	<u>(\$ 203,985)</u>	<u>\$ 36,059</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	\$ 242,255	(\$ 221,388)	\$ 20,867
Current service cost	6,858	-	6,858
Interest expense (income)	4,118	(3,763)	355
	<u>253,231</u>	<u>(225,151)</u>	<u>28,080</u>
Remeasurements:			
Change in financial assumptions	5,733	-	5,733
Experience adjustments	(650)	1,658	1,008
	<u>5,083</u>	<u>1,658</u>	<u>6,741</u>
Pension fund contribution	-	(6,573)	(6,573)
Paid pension	(16,475)	16,475	-
At December 31	<u>\$ 241,839</u>	<u>(\$ 213,591)</u>	<u>\$ 28,248</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' 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 and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are 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 announced by the government.

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

	Years ended December 31,	
	2017	2016
Discount rate	0.90%~1.10%	1.30%~1.50%
Future salary increases	2.50%~3.00%	2.50%~3.00%

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

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	<u>(\$ 6,638)</u>	<u>\$ 6,904</u>	<u>\$ 6,162</u>	<u>(\$ 5,968)</u>
December 31, 2016				
Effect on present value of defined benefit obligation	<u>(\$ 6,888)</u>	<u>\$ 7,170</u>	<u>\$ 6,444</u>	<u>(\$ 6,236)</u>

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. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to \$5,709.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were \$24,781 and \$25,694, respectively.
- (c) SINOGAL-Waste Services Co., Ltd. has a funded defined contribution plan, covering all regular employees. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the local government are based on employees' monthly salaries and wages. The pension costs under the defined contribution pension plan for the years ended December 31, 2017 and 2016, were \$7,956 and \$8,119, respectively.

(16) Share-based payment

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

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
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.

Stock options	For the years ended December 31,			
	2017		2016	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	-	NT\$ -	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)	67.50
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	-	67.50
Options exercisable at end of period	-	-	-	67.50

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

Stock options	For the years ended December 31,			
	2017		2016	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	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)	106.30	(197.75)	111.30
Options revoked	-	-	-	-
Options outstanding at end of period	<u>3.00</u>	106.30	<u>215.25</u>	106.30
Options exercisable at end of period	<u>3.00</u>	106.30	<u>215.25</u>	106.30

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

Stock options	For the years ended December 31,			
	2017		2016	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	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)	108.95	(269.25)	114.80
Options revoked	-	-	-	-
Options outstanding at end of period	<u>298.25</u>	103.00	<u>435.25</u>	110.00
Options exercisable at end of period	<u>298.25</u>	103.00	<u>435.25</u>	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\$103.0~NT\$110.0 and NT\$67.5~NT\$110.0 (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 year
Fifth plan of employee stock options	0.50 year	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 years ended December 31,	
	2017	2016
Equity-settled	\$ -	\$ 1,863

(17) 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 NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.

- C. As of December 31, 2017 and 2016, the associate of the Group both held 276 thousand shares.

(18) 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(16) for detailed information about capital reserve from employee stock options.

(19) 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
Profit for the period	761,339	848,097
Legal reserve appropriated	(84,809)	(71,037)
Appropriation of earnings	(757,173)	(639,352)
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, upon the resolution of the Board of Directors, distribute at least 0.01% of the income before tax as employees' remuneration, and distribute no more than 2% of the income before tax as Directors' as remuneration. The remuneration could be in the form of stock or cash, and the employees' remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employees' compensation or the Directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.

- B. The Company shall, after all taxes and dues have been paid and its losses have been covered and at the time of allocating surplus profits, first set aside 10% of such profits as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. Furthermore, in accordance with the provisions of laws and regulations and the rules prescribed by the central competent authority, a special reserve shall be set aside. If there is recovery of the balance of special reserve, the recovered amount shall be included in the distribution of the profit for the current year.

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

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

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

D. Special reserve

- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. The imputation tax system requires that any undistributed current earnings of the Company are subject to an additional 10% corporate income tax if the earnings are not distributed in the following year.
- F. The Company recognised dividends of \$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	<u>757,173</u>	<u>639,352</u>
Total	<u>\$ 841,982</u>	<u>\$ 710,389</u>

H. The appropriation of 2017 earnings had been proposed by 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	<u>647,313</u>	<u>9.69</u>
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' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6 (22).

(20) Operating revenue

	For the years ended December 31,	
	2017	2016
Operating revenue		
Waste Treatment	\$ 1,705,201	\$ 1,352,508
BOT operating revenue	457,652	464,855
Electricity	1,101,068	1,939,443
BOT finance revenue	129,309	139,316
Waste Collection	144,543	123,040
Others	<u>941,814</u>	<u>936,403</u>
Total	<u>\$ 4,479,587</u>	<u>\$ 4,955,565</u>

(21) Expenses by nature

	For the years ended December 31,	
	2017	2016
Employee benefit expense	\$ 1,000,133	\$ 1,025,145
Depreciation charges on property, plant and equipment	17,820	15,246
Amortisation	13,082	13,936
Incinerator equipment costs	283,938	306,224
Material	695,204	749,618
Sub-contract costs	826,312	698,586
Insurances	29,692	36,594
Other expenses	535,989	483,033
	<u>\$ 3,402,170</u>	<u>\$ 3,328,382</u>

(22) Employee benefit expense

	For the years ended December 31,	
	2017	2016
Salaries	\$ 864,374	\$ 874,010
Employee stock options	-	1,863
Labor and health insurance fees	52,290	54,196
Pension costs	39,665	41,026
Other personnel expenses	43,804	54,050
	<u>\$ 1,000,133</u>	<u>\$ 1,025,145</u>

- A. As of December 31, 2017 and 2016, the Group had 912 and 929 employees, respectively.
- B. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, upon the resolution of the board of directors, distribute at least 0.01% of the income before tax as employees' compensation, and distribute no more than 2% of the income before tax as Directors' remuneration. The remuneration could be in the form of stock or cash, and the employees' compensation could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employees' compensation or the Directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.
- C. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at \$359 and \$475, respectively; directors' and supervisors' remuneration was accrued at \$5,200 and \$5,200, respectively. The aforementioned amounts were recognised in salary and other expenses.
- The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.01% and 2% of distributable profit of current year as of the end of December 31, 2017. The employees' compensation and directors' and supervisors' remuneration has not been resolved by the Board of Directors. The employees' compensation will be distributed in the

form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2016 as resolved at the meeting of Board of Directors were \$475 and \$5,200, respectively, in agreement with those amounts recognised in the 2016 financial statements.

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

(23) 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	\$ 182,620	\$ 218,595
Prior year income tax (over) under estimation	(24,081)	35
Total current tax	158,539	218,630
Deferred tax:		
Origination and reversal of temporary differences	(1,234)	8,660
Foreign exchange adjustments	(386)	168
Income tax expense	<u>\$ 156,919</u>	<u>\$ 227,458</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 185,234	\$ 231,042
Expenses disallowed by tax regulation	(4,234)	(3,619)
Prior year income tax (over) under estimation	(24,081)	35
Income tax expense	<u>\$ 156,919</u>	<u>\$ 227,458</u>

Note: The basis for computing the applicable tax rate is the rate applicable in Taiwan.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credit are as follows:

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unused absences costs	\$ 3,232	(\$ 80)	\$ -	\$ 3,152
Unrealised pension costs	2,954	13	1,835	4,802
Unrealised maintenance costs	10,943	(2,639)	-	8,304
Unrealised exchange loss	722	2,093	-	2,815
Subtotal	<u>\$ 17,851</u>	<u>(\$ 613)</u>	<u>\$ 1,835</u>	<u>\$ 19,073</u>
—Deferred tax liabilities:				
Unrealised foreign investment gain	(\$ 14,395)	\$ 1,430	\$ -	(\$ 12,965)
Unrealised concession arrangements gain	(156,790)	417	-	(156,373)
Subtotal	<u>(171,185)</u>	<u>1,847</u>	<u>-</u>	<u>(169,338)</u>
Total	<u>(\$ 153,334)</u>	<u>\$ 1,234</u>	<u>\$ 1,835</u>	<u>(\$ 150,265)</u>

	2016			
	Recognised in other			December 31
	January 1	Recognised in profit or loss			income
Temporary differences:				
— Deferred tax assets:				
Unused absences costs	\$ 3,204	\$ 28	\$ -	\$ 3,232
Unrealised pension costs	2,326	8	620	2,954
Unrealised maintenance costs	10,281	662	-	10,943
Unrealised exchange loss	-	722	-	722
Subtotal	<u>\$ 15,811</u>	<u>\$ 1,420</u>	<u>\$ 620</u>	<u>\$ 17,851</u>
— Deferred tax liabilities:				
Unrealised exchange gain	(\$ 358)	\$ 358	\$ -	\$ -
Unrealised foreign investment gain	(5,233)	(9,162)	-	(14,395)
Unrealised concession arrangements gain	(155,514)	(1,276)	-	(156,790)
Subtotal	<u>(161,105)</u>	<u>(10,080)</u>	<u>-</u>	<u>(171,185)</u>
Total	<u>(\$ 145,294)</u>	<u>(\$ 8,660)</u>	<u>\$ 620</u>	<u>(\$ 153,334)</u>

D. As of December 31, 2017, the Company's and its subsidiaries' 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.

(24) Earnings per share

For the year ended December 31, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 761,339	66,739	NT\$ 11.41
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	110	
Employees' 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>NT\$ 11.39</u>

For the year ended December 31, 2016			
	Amount after tax	Weighted average number of ordinary shares outstanding shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 848,097	66,271	NT\$ 12.80
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	241	
Employees' 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>NT\$ 12.75</u>

(25) Operating leases

- A. The Group leases offices and dormitories under non-cancellable operating lease agreements. These leases have terms expiring between 1 year and 16 years. The Group recognised rental expenses of \$39,701 and \$35,162, for these leases for the years ended December 31, 2017 and 2016, respectively.

B. In order to build the refuse incineration plant, the Group obtained the land-use right amounting to \$114,902. For the years ended December 31, 2017 and 2016, the rent is amortized on a straight-line basis during construction or operation both amounting to \$5,976.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Less than one year	\$ 23,256	\$ 19,654
More than one year but not less than five years	18,723	20,030
More than five years	4,726	6,689
	<u>\$ 46,705</u>	<u>\$ 46,373</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
CTCI Corp.	The ultimate parent
CTCI Machinery Corp.	Associates
Resources Engineering Services Inc.	Associates
E&C Engineering Corp.	Associates
G.D. Development Corp.	Joint ventures

(3) Significant transactions and balances with related parties

A. Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
The ultimate parent	\$ 172,185	\$ 436,350
Associates	-	1,994
	<u>\$ 172,185</u>	<u>\$ 438,344</u>

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

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

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

B. Purchases of goods and services

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
The ultimate parent	\$ 5,143	\$ 14,545
Associates	134,157	133,722
	<u>\$ 139,300</u>	<u>\$ 148,267</u>

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

C. Period-end balances arising from sales of services

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
The ultimate parent	\$ 8,122	\$ 84,531

D. Period-end balances arising from purchases of services

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
The ultimate parent	\$ 4,426	\$ 5,126
Associates	23,656	22,478
	<u>\$ 28,082</u>	<u>\$ 27,604</u>

E. Other receivables-related parties

(a) Reclassified from accounts receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
The ultimate parent	\$ 40,426	\$ 17,886

Certain accounts receivable from related parties which are not on regular collection terms, were reclassified to “other receivables-related parties” whose aging is from 121 to 365 days.

(b) Others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates (Note)	\$ 196	\$ 593
Joint ventures	7,213	3,617
	<u>\$ 7,409</u>	<u>\$ 4,210</u>

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

F. Loans to related parties

(a) Receivables from related parties

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates		
CTCI Machinery Corp.	\$ 7,006	\$ 55,051
Resources Engineering Services Inc.	-	78,070
E & C Engineering Corp.	7,006	85,078
Joint ventures	-	29,013
	<u>\$ 14,012</u>	<u>\$ 247,212</u>

(b) Other income

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest income		
The ultimate parent (Note 1)	\$ 1,295	\$ 213
Associates (Note 2)	1,778	1,986
Joint ventures (Note 3)	508	465
	<u>\$ 3,581</u>	<u>\$ 2,664</u>
Personnel's transfer from related parties	\$ 385	\$ 59
Associates	3,458	2,995
Joint ventures	<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 0.81% and 0.87% for the years ended December 31, 2017 and 2016, respectively.

Note 2: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.01% and 1.01%~1.09% for the years ended December 31, 2017 and 2016, respectively.

Note 3: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.8% for the years ended December 31, 2017 and 2016.

G. Other payables-related parties

(a) Operating expenses

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
The ultimate parent	\$ 12,003	\$ 8,403

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

(b) As of December 31, 2017 and 2016, the unpaid amounts are as follows (shown as other payables):

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
The ultimate parent	\$ 8,905	\$ 2,193
Associates	-	8
	<u>\$ 8,905</u>	<u>\$ 2,201</u>

H. Endorsements and guarantees for others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Joint ventures	\$ 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	\$ 41,326	\$ 40,826
Post-employment benefits	94	403
Share-based payments	-	327
Total	<u>\$ 41,420</u>	<u>\$ 41,556</u>

8. PLEGGED ASSETS

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

Assets	Book value		Purposes
	December 31, 2017	December 31, 2016	
Other current assets			
Restricted bank deposits	\$ 10,000	\$ -	Guarantee for bid
Other non-current assets			
Long-term prepaid rents- land-use right	18,836	21,143	Guarantee for long-term loans
Refundable deposits	12,916	11,472	Guarantee for rent, performance guarantee, tender bond and staff dormitory
	<u>\$ 41,752</u>	<u>\$ 32,615</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those items which have been disclosed in Notes 6(9), (13), (25), and 7(3)H, the significant commitments and contingent liabilities of the Group as of December 31, 2017 were as follows:

- (1) The subsidiaries had entered into lines of credit agreements with several banks for guarantee payments under various service contracts. The subsidiaries had either issued guarantee notes or promissory notes for amounts drawn down under the line of credit agreements. As of December 31, 2017, the total amount of guarantee notes and promissory notes issued amounted to \$1,139,745.
- (2) As of December 31, 2017, for contractual guarantee, performance guarantee and waste collection, the subsidiaries have a performance letter of guarantee issued by the bank amounting to \$880,642.
- (3) As of December 31, 2017, the subsidiaries had outstanding commitments for service contracts amounting to \$99,670.
- (4) As of December 31, 2017, the subsidiaries had unused letters of credit for importing materials and sub-contract amounting to \$35,983.
- (5) On October 28, 2014, the Environmental Protection Bureau New Taipei City Government requested the subsidiary, ECOVE Environmental Service Corp. to pay a substantial amount of air pollution control fee of \$54,267 in accordance with the action stated in Bei-Huan-Kong-Zi Letter No. 1031588875 (the original action) and the judgement rendered by an administrative court of New Taipei City Government. ECOVE Environmental Service Corp., disagreed and filed an appeal for revocation of the original action and administrative decision on July 6, 2015, and was dismissed by Taiwan High Administrative Court. Therefore, ECOVE Environmental Service Corp., filed an appeal to Supreme Administrative Court. On January 31, 2018, the Supreme Administrative Court that reversed the Taiwan High Administrative Court's ruling and remanded the case to the Taiwan High Administrative Court and is currently awaiting judgement.

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

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(19)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% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by 3% and 3%, respectively, as of December 31, 2017, and increase current income tax expense accordingly.
 - 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 Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2017 and 2016 were as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Total borrowings	\$ 180,000	\$ 356,000
Total equity	\$ 5,230,882	\$ 5,264,774
Gearing ratio	<u>3%</u>	<u>7%</u>

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and CNY. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group has certain investments in foreign operations, therefore, does not hedge the risk.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: MOP and CNY. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>December 31, 2017</u>		
	Foreign Currency		
	<u>Amount</u>	<u>Exchange</u>	<u>Book value</u>
	<u>(in thousands)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 7,589	29.848	\$ 226,516
MOP : NTD	42,918	3.738	160,417
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	13,608	3.738	50,866

December 31, 2016			
Foreign Currency			
	Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 5,640	32.199	\$ 181,602
JPY : NTD	31,816	0.277	8,813
MOP : NTD	33,587	4.032	135,423

Financial liabilities

Monetary items

MOP : NTD	177	4.032	714
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- v. The unrealised exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016 amounted to \$16,850, and \$4,026, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2017			
Sensitivity analysis			
	Extent of variation	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1.00%	\$ 2,265	\$ -
MOP : NTD	1.00%	1,604	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1.00%	509	-

For the year ended December 31, 2016

	Sensitivity analysis		
	Extent of variation	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1.00% \$	1,816 \$	-
JPY : NTD	1.00%	88	-
MOP : NTD	1.00%	1,354	-
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1.00%	7	-

Price risk

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

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2017 and 2016, the Group's borrowings at variable rate were denominated in NTD.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

- ii. The credit quality information of financial assets that are neither past due nor impaired is as follows:

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

	December 31, 2016		
	Group 1	Group 2	Group 3
Notes receivable	\$ -	\$ -	\$ 138
Accounts receivable	671,466	1,501	174,291
Accounts receivable-related parties	-	84,531	-
Other receivables	-	-	10,066
Other receivables-related parties	-	-	251,422
Long-term other receivables	2,686,721	-	-
	<u>\$ 3,358,187</u>	<u>\$ 86,032</u>	<u>\$ 435,917</u>

Group 1: Government.

Group 2: Listed companies.

Group 3: Others.

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

	December 31, 2017	December 31, 2016
<u>Other receivables</u>		
<u>-related parties</u>		
Up to 30 days	\$ 1,317	\$ 3,061
31 to 90 days	23,958	9,551
91 to 180 days	6,094	3,600
Over 181 days	9,057	1,674
	<u>\$ 40,426</u>	<u>\$ 17,886</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

<u>Non-derivative financial liabilities</u>		
<u>December 31, 2016</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 728,545	\$ -
Other payables	344,429	-
Long-term borrowings (including current portion)	178,440	184,990
Other non-current liabilities	127,674	-

(3) Fair value estimation

- A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2) A.
- B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Group's investment in listed stocks and beneficiary certificates is included in Level 1.

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

Level 3: Inputs for the asset or liability that are not based on observable market data. The Group has no investments in any financial instruments belonging to level 3.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2017 and 2016:

December 31, 2017	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:					
Financial assets at fair value through profit or loss					
Equity securities	\$ 437,010	\$ 437,010	\$ -	\$ -	\$ 437,010
Available-for-sale financial assets					
Equity securities	109,435	109,435	-	-	109,435
Bond securities	<u>27,417</u>	<u>-</u>	<u>27,417</u>	<u>-</u>	<u>27,417</u>
Total	<u>\$ 573,862</u>	<u>\$ 546,445</u>	<u>\$ 27,417</u>	<u>\$ -</u>	<u>\$ 573,862</u>

December 31, 2016	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:					
Financial assets at fair value through profit or loss					
Equity securities	\$ 767,378	\$ 767,378	\$ -	\$ -	\$ 767,378
Available-for-sale financial assets					
Equity securities	72,332	72,332	-	-	72,332
Bond securities	<u>27,328</u>	<u>-</u>	<u>27,328</u>	<u>-</u>	<u>27,328</u>
Total	<u>\$ 867,038</u>	<u>\$ 839,710</u>	<u>\$ 27,328</u>	<u>\$ -</u>	<u>\$ 867,038</u>

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

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

- D. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- E. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- F. For the 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 Mainland 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.

14. OPERATING SEGMENT FINANCIAL INFORMATION

(1) General information

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

(2) Segmental income, assets and liabilities

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

	For the years ended December 31,	
	2017	2016
Revenue from external customers	\$ 4,479,587	\$ 4,955,565
Inter-segment revenue	1,506,241	1,281,276
Total segment revenue	<u>\$ 5,985,828</u>	<u>\$ 6,236,841</u>
Segment income	<u>\$ 1,077,417</u>	<u>\$ 1,627,183</u>
Depreciation	<u>\$ 17,820</u>	<u>\$ 15,246</u>
Amortisation	<u>\$ 13,082</u>	<u>\$ 13,936</u>

(3) Reconciliation information of segmental income

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

	For the years ended December 31,	
	2017	2016
Adjusted EBITDA for reportable segment	\$ 1,077,417	\$ 1,627,183
Unrealized gain on financial instruments	(155)	195
Financial cost, net	(3,841)	(5,823)
Others	42,922	36,571
Income from continuing operations before income tax	<u>\$ 1,116,343</u>	<u>\$ 1,658,126</u>

(4) Information on products and services

The Company and its subsidiaries are operating in an environmental-friendly industry. In addition, no product information is disclosed.

(5) Geographical information

Geographical information for the years ended December 31, 2017 and 2016 is as follows:

	2017		2016	
	<u>Operating revenue</u>	<u>Non-current assets</u>	<u>Operating revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 3,538,665	\$ 2,643,421	\$ 3,542,940	\$ 2,807,028
Macau	826,888	16,071	1,330,841	16,076
China	114,034	5,939	81,784	4,559
Total	<u>\$ 4,479,587</u>	<u>\$ 2,665,431</u>	<u>\$ 4,955,565</u>	<u>\$ 2,827,663</u>

Non-current assets consists of property, plant and equipment and other non-current assets.

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2017 and 2016 is as follows:

	For the years ended December 31,	
	<u>2017</u>	<u>2016</u>
Customer A	\$ 244,048	\$ 252,014
Customer B	172,185	436,350
Customer C	429,519	438,520
Customer D	348,186	360,797

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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 AND SUBSIDIARIES

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	Company name	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees/ provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 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	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	ECOVE Environment Corp.	G.D. Development 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 by subsidiary to listed parent company, and provision to the party in Mainland China.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

December 31, 2017

Table 3
Marketable securities (Note 1)
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	\$ -	-
"	"	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	\$ 15,665	-
"	"	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	\$ 475	-
"	"	Eastern Pacific Energy Sdn. Bhd	The Chairman of the Company is the Board of director	"	10,000	81	68	-
				Less: Accumulated impairment		(1,799)		
						\$ 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.	"	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 AND SUBSIDIARIES

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

For the 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	Number of shares	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	1,975,027	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	"	-	-	2,294,153	34,726	10,469,369	159,000	136,904	136,726	178	3,749,545	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	18,013,095	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 NT\$300 million or 20% of paid-in capital or more.

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

For the 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.	"	Purchases	112,222	5%	"	"	(	21,876	4%	-
ECOVE Waste Management Corp.	ECOVE Environmental Services Corp.	"	Waste disposal cost	541,683	50%	"	"	(	98,012	55%	-
"	ECOVE Wujih Energy 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 AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2017

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	3	Operating revenue	\$ 406,621	30 days quarterly	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 Misaoi 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 AND SUBSIDIARIES

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	\$	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		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		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		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		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		13,333,333	20.00%	293,441	(13,126)	(6,615)	An investee under equity method

		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
Investor	Investee	Location	Main business activities	Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value	December 31, 2017	December 31, 2017		
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.	SINOGAL-Waste Services Co., Ltd.	Macau	Management of waste recycling site and maintenance of related mechanical and equipment etc.	4,964	4,964	-	30.00%	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 AND SUBSIDIARIES
Information on investments in Mainland China

For the year ended December 31, 2017

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)(2)B	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
GrandSino Environmental Technology Co., Ltd.	Environmental technical advisory, urban environmental sanitation and processing equipment technology R&D, environmental pollution control equipment maintenance, and construction management, etc.	\$ 22,193	I	\$ 10,874	\$ -	\$ 10,874	\$ -	-	\$ -	\$ -	\$ 3,377	Note 4
ECOVE Environment Consulting Corp.	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.		I	4,147	-	4,147	9,135	93.16%	8,510	14,279	-	"
ECOVE Environment Corp.		\$ 4,147										

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

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

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2017' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. Investment income (loss) of non-significant subsidiaries was recognized based on the audited financial statements.
 - C. Others.

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

Note 4: Invested by ECOVE Environmental Services Corp.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

For the year ended December 31, 2017

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

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