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http://www.kdhc.com.tw

2016 Annual Report

KD HOLDING CORPORATION

Printed on April 30, 2017

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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Title: President
Tel: 886-2-21621689
E-mail: Spokesman@kdhc.com.tw

Deputy Spokesperson
Name: Yao, Tanching
Title: Accounting Manager
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Headquarters and Branches
Headquarters
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Branch
None

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Website: http://www.kgieworld.com.tw/
Tel: 886-2-2389-2999

Auditors
PriceWaterHouseCoopers
Auditors: Shyh-Rong Ueng, Shu-Chiung Chang
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Corporate Website
http://www.kdhc.com.tw

Contents

I. LETTER TO SHAREHOLDERS

Dear Shareholders,

Thank you for taking the time to attend the Company's 2017 regular shareholder meeting. The Company's performance, revenue, and profits in the past year have been kept at a considerable level due to the teamwork and diligence of all colleagues. The Company's 2016 business overview, summary of the 2017 business plan, and future development strategies are stated below.

1. 2016 Business Overview

(1) Operating Results

The consolidated operating revenue in 2016 was NT$4,955,565,000 (values with unspecified currency hereafter are also NTD), which was an $876,812,000 (21.50%) increase from the consolidated operating revenue in 2015. The consolidated operating expense was $173,229,000, non-operating income and expenditure was $30,943,000 and consolidated net profit after tax was $848,097,000, an increase of $137,727,000 from the consolidated net profit after tax in 2015. The Company's earnings per share was $12.80, an increase of $1.96 from the earnings per share of $10.84 in 2015.

(2) Business Performance

The hard work of all employees paid off and allowed the Company to continue its stable growth and achieve satisfying results in an environment where uncertainties prevailed despite a recovery in the global economy. Looking back on 2016, we not only maintained our existing waste management businesses and steadily increased revenue in the operations of our processing facilities, we also actively expanded our scope of services and successfully obtained more business opportunities to provide an ongoing increase in operating revenue. In new opportunities related to incineration plants and mechanical and electrical engineering, the Company continued to obtain related equipment maintenance, replacement, and annual overhaul projects in other plants, universities, and medical facilities. The Company also expanded its operations and management experience to China to pursue the operations, management, and consultancy services of several local incineration plants and monitor the operations and management of incineration plants under the jurisdiction of the local government on their behalf. In new opportunities in the circular economy sector, the PET bottle recycling business operated by our subsidiary Boretech Environmental Engineering continues to expand its production of turnkey high-volume bottle washing equipment; it also transforms polyester into functional fiber to serve the niche market. In the new energy sector, our joint venture with G.D. Development Corporation actively pursued the investment, development, construction, and operations of solar photovoltaic plants. G.D. Development also completed construction, grid connection, and electricity sales for several domestic photovoltaic plants and has obtained development rights for several more plants which are currently under active development in 2016. The development project in New Jersey, United States has been successfully connected to the grid and is generating electricity.

2. Overview of the 2017 Business Plan

Recycling resources has become a global trend. Protecting the Earth's environment is our mission in life and we plan to intensify our development in the three core industries of EfW and waste management, photovoltaic power, and circular economy to lead the recycling of resources in Taiwan.

(1) EfW and Waste Management

The Company shall continue to pursue tenders for large-scale comprehensive processing facilities and business opportunities in revamping existing Energy-from-Waste plants or outsourced operations in Taiwan. In foreign locations, the Company plans to forge strong partnerships with local companies to advance development and select appropriate targets to duplicate its successful model of public-private partnership (PPP) in BOT projects for Energy-from-Waste plants and sophisticated O&M capabilities overseas as it advances into ASEAN, India, and mainland China.

(2) Photovoltaic Power

The Company follows the development of technologies in the industry and selects high quality equipment to increase operating efficiency. The Company will continue our careful selection of targets in the domestic photovoltaic power market and expand from rooftop PV to ground-level PV. We also follow the government's green energy policy to expand the scale of operations. In foreign markets, the Company will use our successful experience in the United States project to actively develop suitable projects in other areas.

(3) Circular Economy

In addition to our existing polyester recycling for the production of fibers effort, the Company will evaluate the current leaders in Taiwan's circular economy sector and look for opportunities for collaboration. For instance, the Company’s engineering capabilities can be leveraged in sectors such as biomass power generation to commercialize equipment. In addition to creating opportunities in the domestic market, the Company shall also focus on the international market.

Future Development

Looking ahead, the Company is working to become the most reliable provider of industry-leading resources cycling services and will initiate a brand renewal program to help achieve that goal. The Company's mission shall apply technical knowhow to advance efficiencies in resource cycling while maintaining a corporate culture of professionalism, integrity, teamwork, and innovation to establish KD Holding as the leader of resource recycling in Taiwan. We hope to adopt an all new brand image that embraces this mission while we continue to provide comprehensive services to the world, society, and the environment in order to satisfy customer requirements and expectations with sustainable development and achieve new heights in growth!

Finally, I wish you all health and prosperity.
Chairman

II. Company Profile

2.1 Date of Incorporation: Dec. 13, 1999

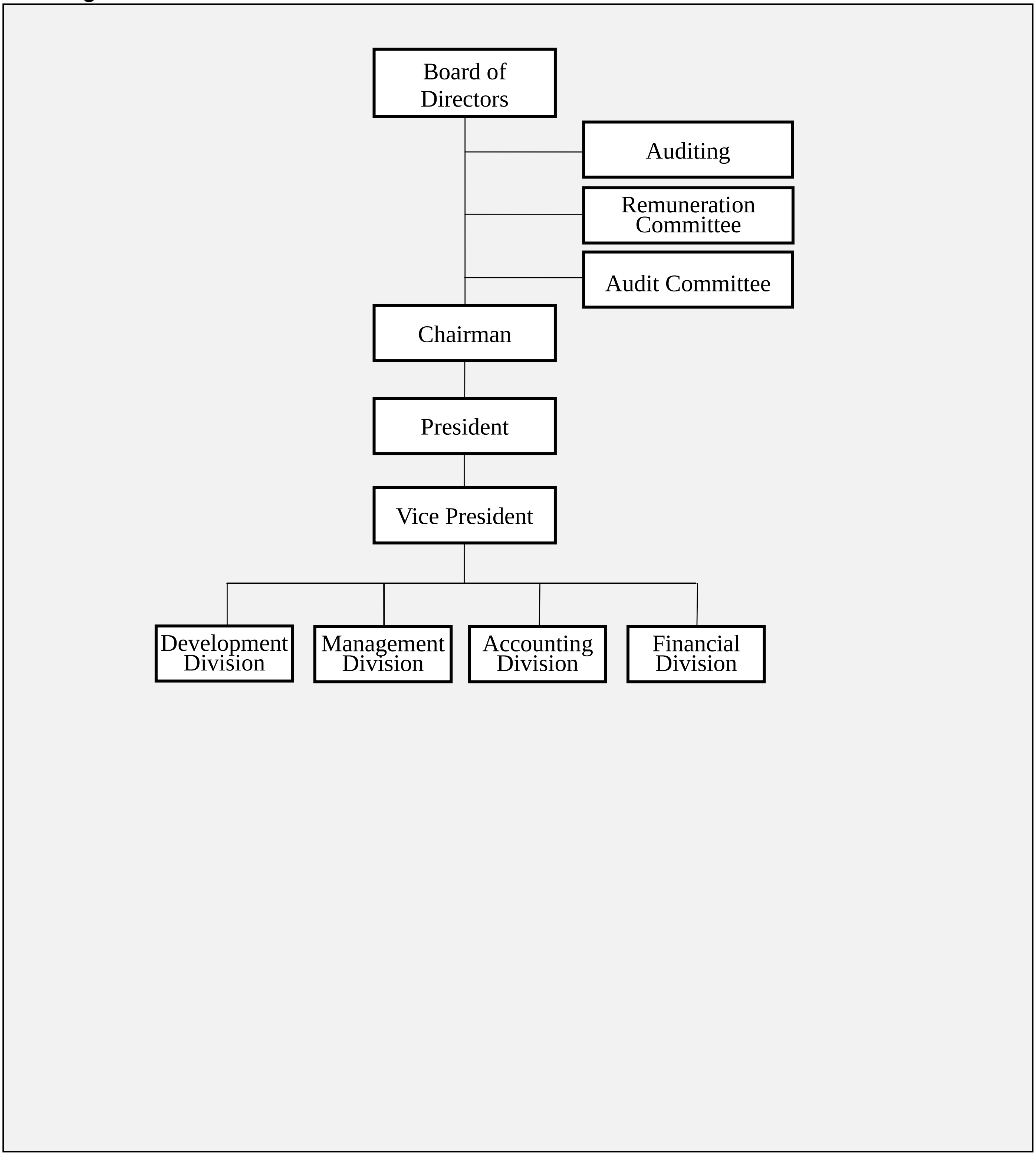
2.2 Company History

2016.04	KD Holding Corporation Evaluated as Top 5% in the "The Second Corporate Governance Evaluation System".
2016.05	In terms of the overall ranking in the Top 2000 Service Enterprises by CommonWealth Magazine 2016, KD ranked as 285th, and also ranked as 8th in Holding Companies.
2016.05	Sino Environmental Services was awarded "2015 Labor Safety Award for Outstanding Independent Management Unit" by Taipei City Government
2016.06	KD Holding's general shareholder meeting passed a proposal to fully implement the candidate nomination system for the election of Directors.
2016.06	KD Holding's general shareholder meeting voted to allow shareholders to exercise their voting rights electronically.
2016.08	KD Holding ranked the 3rd in the categories of "mid-size enterprise" respectively in Corporate Social Responsibility" by CommonWealth Magazine in 2016.
2016.09	The Miaoli Energy-from-Waste Plant operated by Fortune Energy was awarded "2015 Refuse Energy-from-Waste Plant Inspection Excellence Award".
2016.10	Sino Environmental Services was awarded the "2016 Corporate Standardization Award in the National Standardization Award" by the Ministry of Economic Affairs of the Executive Yuan.
2016.11	KD Holding recognized by the Taiwan Institute for Sustainable Energy with "Bronze Award" of services industry respectively under the Taiwan Top 50 Corporate Sustainability Report Award， also granted the honors of "Transparency and Integrity Awards".
2016.11	Sino Environmental Services was awarded the "Top Enterprise Award in the 2016 National Occupational Safety and Health category" presented by the Ministry of Labor, Executive Yuan.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Operations and functions of the various departments

Department	Operations & Functions
Auditing Office	● Determines whether protective measures for the security of assets are appropriate. ● Determines whether accounting and business information is reliable, updated, and transparent. ● Determines if various resources are being used efficiently. ● Determines whether various business activities have been implemented in accordance with existing plans and reached expected goals. ● Determines whether operations are carried out in accordance with relevant regulations and rules. ● Determines whether internal controls continue to operate effectively and provides recommendations for improvements.
Executive Management Operations (EMO)	● Provides general administration and management. ● Supervises and manages operations and business of subsidiary companies. ● Integrates and coordinates application of resources of subsidiary companies. ● Supports the investment development businesses.
Marketing Development Dept.	● Produces investment and development plans. ● Conducts investment risk assessments.
Finance Dept.	● Oversees regular payment, fund collection, and capital management. ● Makes transactions with financial institutions. ● Provides interest rate analysis and hedging plans. ● Conducts long-term fundraising and obtains short-term financing. ● Supports project financial analyses and financial risk assessments.
Accounting Dept.	● Provides regular reimbursement for accounts receivable and payable. ● Prepares accounting and budgetary statements. ● Prepares routine taxation filing and deduction operations. ● Submits applications for investment tax credits. ● Establishes and improves accounting system.

3.2 Directors and Management Team

3.2.1 Directors

April 30th, 2017

Title	Nationality	Name	Male/ Female	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Rep. of juridical person)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C.	John H. Lin (Rep. of CTCI Corporation)	Male	Jun. 23, 2014	3	Jun. 26, 2009	38,457,105 (0)	57.58 (0.00)	38,457,105 (0)	57.58 (0.00)	0	0	0	0	-MBA, EMBA program in International Business Management, National Taiwan University -B.S., Mechanical Engineering, National Cheng Kung University - Senior Vice President / Executive Vice President / President, CTCI Corporation	-Vice Chairman, CTCI Corporation -Deputy Chairman, CTCI Overseas Corp., Ltd. -Chairman, CTCI Investment Corporation -Director, CTCI Education Foundation	-	-	-
Director	R.O.C.	Michael Yang (Rep. of CTCI Corporation)	Male	Jun. 23, 2014	3	Jun. 23, 2014	38,457,105 (0)	57.58 (0.00)	38,457,105 (0)	57.58 (0.00)	0	0	0	0	-EMBA, Business Administration, National Taiwan University of Science and Technology -M.S., Mechanical Engineering, National Taiwan University -B.S., Mechanical engineering, Tatung University -Senior Vice President/ Executive Vice President, CTCI Corporation	-Director & President, CTCI Corporation -Chairman, CTCI Overseas Corp., Ltd. -Chairman, Crown Asia 2 Investment Limited -Director, CTCI Education Foundation -Director, CTCI Americas, Inc. -Director, MIE Industrial Sdn. Bhd.	-	-	-
Director	R.O.C.	Ming-Cheng Hsiao (Rep. of CTCI Corporation)	Male	Jun. 1, 2015	2.1	Jun. 1, 2015	38,457,105 (0)	57.58 (0.00)	38,457,105 (0)	57.58 (0.00)	0	0	0	0	-Ph.D., Chemical Engineering, National Tsin Hua University -MBA, EMBA Program in Accounting, National Taiwan University -M.S., Chemical Engineering, National Tsin Hua University -B.S., Chemical Engineering Tamkang University -President, Unisurpass	-Chairman, CTCI Engineering & Construction Sdn. Bhd. -Director, CTCI Americas, Inc. -Chairman, Universal Engineering BVI Corp. -Chairman, CIPEC Construction Inc. -Director, Crown Asia 2 Investment Limited -Chairman, Accuracy International Inc.	-	-	-

															Technology Co., Ltd -President, Uniplus Electronics Co., Ltd. -Senior Vice President, CTCI Corporation	-Director, Powertec Energy Corporation -Director, Unisurpass Technology Co., Ltd -Director, Unimighty Co., Ltd.			
Director	R.O.C.	Kuan Shen Wang (Rep. of Parkwell Investment Corp.)	Male	Jun. 23, 2014	3	Jun. 23, 2014	1,060,000 (0)	1.59 (0.00)	1,060,000 (0)	1.59 (0.00)	0	0	0	0	-Master in Management, S.M. of MIT Sloan School -Managing Director of United Capital Management	-Independent Director of Quanta Storage Inc. -Director of Gintech Energy Corporation -Supervisor of Chime Ball Technology Co., Ltd.	-	-	-
Director	R.O.C	Yangming Liu	Male	Jun. 23, 2014	3	Sep. 30, 2009	0	0	0	0	0	0	0	0	-Attorney at-law in Taiwan -EMBA National Taiwan University -L.L.B. Fujen Catholic University	-Senior Partner, LIU & Co. Law Offices -Director, Sunshine Social Welfare Foundation -Chief Legal Counsel for Beijing DHH Law Firm - Asian-Pacific Region -Director, Association of Cross-Strait Legal Exchange	-	-	-
Director	R.O.C.	Wen Whe Pan	Male	Jun. 23, 2014	3	Jun. 17, 2011	0	0	0	0	0	0	0	0	-PhD. Polymer Fiber, North Carolina State University -Vice Chairman, So Yang Co. Enterprises, Ltd. -Supervisor, Board of Director, Unimicron Corporation -Engineering Leader, Laboratory Supervisor, Sumitomo Electric Industries Ltd.	-President and COO, Gintech Energy Corporation -Board of Director, Chung Wei Investment Co., Ltd -Board of Director, Utech Solar Corporation -Board of Director,G.D. Development Corp.	-	-	-
Independent Director	R.O.C.	Hsin Huai Chow	Male	Jun. 23, 2014	3	Jun. 25, 2008	0	0	0	0	0	0	0	0	-B.Sc degree from National Cheng Kung university -Ph.D degree from Vanderbilt university of the U. S. A. -President of USI corp. and Taita Chemical Co., Ltd. -Chairman of Plastics Industry Development Center -Chairman of Taiwan Petrochemical Industry	-Director of USI Corp. -Independent Director & Remuneration committee of UPC Technology Corp. -Remuneration Committee of LCY Chemical Corp. -Remuneration Committee of LCY Technology Corp.	-	-	-

															Association				
Independent Director	R.O.C.	Shean Bii Chiu	Male	Jun. 23, 2014	3	Sep. 30, 2009	0	0	0	0	0	0	0	0	-PH. D in Finance, University of Washington (Seattle) U.S.A. -MBA, University of Washington (Seattle) U.S.A. -Chairman of Department of Finance, National Taiwan University -Chairman of Pension Fund Association, R.O.C.	-Professor, Department of Finance, National Taiwan University -Independent Director of Airmate (Cayman) International Co. Limited -Independent Director of Long Chen Paper Co., Ltd.	-	-	-
Independent Director	R.O.C.	Eugene Chien	Male	Jun. 22, 2015	3	Jun. 22, 2015	0	0	0	0	0	0	0	0	-Ph. D. Aeronautics and Astronautics, New York University, USA -Minister of Foreign Affairs/Minister of Transportation and Communications -Minister of the Environmental Protection Administration -Representative, Taipei Representative Office in the U.K./Legislator, Legislative Yuan (Parliament) -Professor and Dean, College of Engineering, Tamkang University	-Chairman, Taiwan Institute for Sustainable Energy(TAISE) -Independent Director of EVA Airways Corp. -Independent Director of Far Eastern Department Stores Ltd. -Chairman, CTCI Education Foundation	-	-	-

3.2.2 Major shareholders of the institutional shareholders

April 30th, 2017

Name of institutional shareholders	Major shareholders of the institutional shareholders
CTCI Corporation	CTBC BANK CO., LTD.(CTCI Corporation Employee Stock Ownership Trust)(9.23%)、CTCI Foundation(7.97%)、Fubon Life Insurance Co., Ltd.(6.96%)、Blackrock Global Funds-Asian Growth Leaders(3.78%)、American Funds Developing World Growth and Income Fund(2.18%)、Eastspring Investments - Emerging Asia Equity Fund(2.16%)、Chunghwa Post Co., Ltd.(2.00%)、USI Corporation(1.99%)、Shin Kong Life Insurance Co., Ltd.(1.95%)、Asia Polymer Corporation(1.90%)
Parkwell Investment Corp.	Hong Kong Parkwell Investment Corp. (99.97%)

3.2.3 Major shareholders of the major shareholders that are juridical persons

April 30th, 2017

Name of juridical persons	Major shareholders of the juridical persons
CTBC BANK CO., LTD.(CTCI Corporation Employee Stock Ownership Trust)(9.23%)	N/A
CTCI Foundation(7.97%)	N/A
Fubon Life Insurance Co., Ltd.(6.96%)	Fubon Financial Holding Co., Ltd.(100%)
Blackrock Global Funds-Asian Growth Leaders(3.78%)	N/A
American Funds Developing World Growth and Income Fund(2.18%)	N/A
Eastspring Investments - Emerging Asia Equity Fund(2.16%)	N/A
Chunghwa Post Co., Ltd.(2.00%)	Ministry of Transportation and Communications(100%)
USI Corporation(1.99%)	Hong Kong Business Cheng Lee Properties Limited(25.28%)、Asia Polymer Corporation(8.53%)、HSBC (Taiwan) Commercial Bank Co., Ltd. entrusted custody KGI agent (Hong Kong) Limited investment special account(3.67%)、Guangdong Xinghua Investment Co., Ltd(1.73%)、Citigroup (Taiwan) Commercial Bank is entrusted to custody of the Norwegian central bank(1.70%)、Lin Su Shan Shan (1.67%)、Taita Chemical Co., Ltd.(1.27%)、Cathay Life Insurance Company Limited(1.22%)、Wu Shou-Song(1.12%)、US JP Morgan Chase Bank Taipei Branch entrusted custody of the advanced star fund company series of funds advanced total international stock index fund investment special account(0.90%)
Shin Kong Life Insurance Co., Ltd.(1.95%)	Shin Kong Financial Holding Co.,Ltd.(100%)
Asia Polymer Corporation(1.90%)	Joint International Investment Co., Ltd(36.08%)、Taiwan International Investment Co., Ltd(3.78%)、Cathay Life

	Insurance Company Limited(1.48%)、Global Life Insurance Company Limited(1.36%)、Standard Chartered International Commercial Bank Dunbei Branch entrusted custody iShares core MSCI emerging market ETF investment account(0.97%)、China Yun Storage Industry Co., Ltd(0.89%)、US JP Morgan Chase Bank Taipei Branch entrusted custody of the advanced star fund company series of funds advanced total international stock index fund investment special account(0.89%)、Standard Chartered International Commercial Bank Sales Department Fighting Vatican Group Company Manager Van Gogh Emerging Markets Stock Index Fund Investment Special Account(0.82%)、Citigroup (Taiwan) Commercial Bank entrusted custody of the emerging market assessment fund investment account(0.79%)、Citigroup (Taiwan) Commercial Bank is entrusted to custody of the Norwegian central bank(0.62%)
Hong Kong Parkwell Investment Corp. (99.97%)	LAM YIN TO(50%)、NG SIU PANG(50%)

Professional qualifications and independence analysis of directors and supervisors

April 30th, 2017

Criteria / Name/Gender	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
John H. Lin/Male	-	-	✓	-	-	✓	✓	-	-	✓	✓	✓	-	0
Michael Yang/Male	-	-	✓	-	-	✓	✓	-	-	✓	✓	✓	-	0
Ming-Cheng Hsiao /Male	-	-	✓	-	-	✓	✓	-	-	✓	✓	✓	-	0
Kuan-Shen Wang /Male	-	-	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-	1
Yangming Liu/Male	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wen-Whe Pan/Male	-	-	✓	✓	-	✓	-	✓	-	✓	✓	✓	✓	0
Hsin Huai Chow/Male	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Shean-Bii Chiu/Male	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Eugene Chien/Male	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company's affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the

remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM.

8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.4 Management Team

April 30th, 2017

Title	Nationa-lity	Name	Male/ Female	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C.	J. J. Liao	Male	Aug. 20 , 2014	59,500	0.09	250	0.0004	0	0	-MBA, EMBA Program in Finance, National Taiwan University -Master of Civil Engineering, National Central University -Executive Vice President of KD Holding Corp. -President of SESC	-Chairman of SESC -Chairman of Leading Energy Corp. -Chairman of Fortune Energy Corp. -Chairman of HD Resource Management Corp. -Chairman of Yuan Ding Resources Management Corp. -Managing Director of Xing Ding Corp. -Director of SINOGAL-Waste Services Co., Ltd. -Chairman of G.D. Development Corp. -Vice Chairman of BORETECH Resource Recovery Engineering Co., Ltd. (Cayman)	-	-	-
Vice President	R.O.C.	F. H. Lee (Note 1)	Male	Jun. 22, 2016	52,422	0.08	0	0	0	0	-M.S., Civil Engineering, National Cheng Kung University -EMBA, National Chengchi University -President of Fortune Energy Corp. -President of BORETECH Resource Recovery Engineering Co., Ltd. (Zhejiang)	-Direction of Yuan Ding Resources Management Corp.	-	-	-
Vice President	R.O.C.	Y. P. Shih	Male	Jun. 22, 2016	25,000	0.04	0	0	0	0	-M.S., Civil Engineering, University of Washington -Environmental Engineering, National Chung Hsing University, Taiwan -Leader, Environmental Protection Administration, EY -Technical Specialist, Environmental Protection Administration, EY	-President of HD Resource Management Corp. -President of Yuan Ding Resources Management Corp. -Director of BORETECH Resource Recovery Engineering Co., Ltd. (Cayman)	-	-	-
Financial Officer	R.O.C.	Melissa Liu	Female	Jan.1, 2014	0	0	0	0	0	0	-Bachelor of International Business, National Taiwan University -Section leader of Far Eastern International Bank -Deputy Manager of Finance Dept., CTCI Corporation	-Financial Officer of G.D. Development Corp.	-	-	-
Accounting Officer	R.O.C.	Tanching Yao	Female	Nov. 3, 2015	0	0	0	0	0	0	-LYIT Department of International Trade -CTCI Accountant	-Accounting Officer of Fortune Energy Corp. -Accounting Officer of G.D. Development Corp.	-	-	-

Note1: VP F. H. Lee retired on April 30, 2017.

3.3 Remuneration of Directors, President, and Vice President in the most recent years

3.3.1 Remuneration of Directors

December 31st, 2016; Unit: NT$ thousands

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration</th><th rowspan="2" colspan="2">Ratio of total remuneration (A+B+C+D) to net income(%)</th><th colspan="8">Relevant remuneration received by directors who are also employees</th><th rowspan="2" colspan="2">Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)</th><th rowspan="4">Compensation paid to directors from an invested company other than the company’s subsidiary</th></tr>
<tr><th colspan="2">Base Compensation(A)</th><th colspan="2">Pension Fund(B)</th><th colspan="2">Compensation of directors (C)</th><th colspan="2">Allowances(D)</th><th colspan="2">Salary, Bonuses, and Allowances (E)</th><th colspan="2">Pension Fund (F)</th><th colspan="4">Compensation of employees (G)</th></tr>
<tr><th rowspan="2">KD</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">KD</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">KD</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">KD</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">KD</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">KD</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">KD</th><th rowspan="2">All Consolidated Entities</th><th colspan="2">KD</th><th colspan="2">All Consolidated Entities</th><th rowspan="2">KD</th><th rowspan="2">All Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>John H. Lin (Rep. of CTCI Corporation)</td><td rowspan="9">5,600</td><td rowspan="9">5,600</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">5,200</td><td rowspan="9">5,200</td><td rowspan="9">972</td><td rowspan="9">972</td><td rowspan="9">1.39</td><td rowspan="9">1.39</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">1.39</td><td rowspan="9">1.39</td><td rowspan="9">None</td></tr>
<tr><td>Director</td><td>Michael Yang(Rep. of CTCI Corporation)</td></tr>
<tr><td>Director</td><td>Ming Cheng Hsiao(Rep. of CTCI Corporation)</td></tr>
<tr><td>Director</td><td>Yangming Liu</td></tr>
<tr><td>Director</td><td>Wen Whe Pan</td></tr>
<tr><td>Director</td><td>Kuan Shen Wang(Rep. of Parkwell Investment Corp.)</td></tr>
<tr><td>Independent director</td><td>Hsin Huai Chow</td></tr>
<tr><td>Independent director</td><td>Shean Bii Chiu</td></tr>
<tr><td>Independent director</td><td>Eugene Chien</td></tr>
</table>

Remuneration class

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	KD	All Consolidated Entities	KD	All Consolidated Entities
Under NT$ 2,000,000	John H. Lin, Michael Yang, and Ming Cheng Hsiao(Rep. of CTCI Corporation) Yangming Liu Wen Whe Pan Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Hsin Huai Chow Shean Bii Chiu Eugene Chien	John H. Lin, Michael Yang, and Ming Cheng Hsiao(Rep. of CTCI Corporation) Yangming Liu Wen Whe Pan Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Hsin Huai Chow Shean Bii Chiu Eugene Chien	John H. Lin, Michael Yang, and Ming Cheng Hsiao(Rep. of CTCI Corporation) Yangming Liu Wen Whe Pan Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Hsin Huai Chow Shean Bii Chiu Eugene Chien	John H. Lin, Michael Yang, and Ming Cheng Hsiao(Rep. of CTCI Corporation) Yangming Liu Wen Whe Pan Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Hsin Huai Chow Shean Bii Chiu Eugene Chien
NT$2,000,000 ~ NT$5,000,000	-	-	-	-
NT$5,000,000 ~ NT$10,000,000	-	-	-	-
NT$10,000,000 ~ NT$15,000,000	-	-	-	-
NT$15,000,000 ~ NT$30,000,000	-	-	-	-
NT$30,000,000 ~ NT$50,000,000	-	-	-	-
NT$50,000,000 ~ NT$100,000,000	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	John H. Lin, Michael Yang, and Ming Cheng Hsiao(Rep. of CTCI Corporation) Yangming Liu Wen Whe Pan Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Hsin Huai Chow Shean Bii Chiu Eugene Chien	John H. Lin, Michael Yang, and Ming Cheng Hsiao(Rep. of CTCI Corporation) Yangming Liu Wen Whe Pan Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Hsin Huai Chow Shean Bii Chiu Eugene Chien	John H. Lin, Michael Yang, and Ming Cheng Hsiao(Rep. of CTCI Corporation) Yangming Liu Wen Whe Pan Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Hsin Huai Chow Shean Bii Chiu Eugene Chien	John H. Lin, Michael Yang, and Ming Cheng Hsiao(Rep. of CTCI Corporation) Yangming Liu Wen Whe Pan Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Hsin Huai Chow Shean Bii Chiu Eugene Chien

3.3.2 Compensation of President and Executive Vice President

December 31st, 2016; Unit: NT$ thousands; thousand shares

Title	Name	Salary(A)		Pension Fund (B) (Note 1)		Bonuses and Allowances (C)		Compensation of employees (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the president and executive vice president from an invested company other than the company's subsidiary
		KD	All Consolidated Entities	KD	All Consolidated Entities	KD	All Consolidated Entities	KD		All Consolidated Entities		KD	All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	J.J Liao	4,887	6,207	486	557	2,803	4,745	56	0	125	0	0.97	1.37	None
Vice President	F.H. Lee													
Vice President	Yun-Peng Shih													

Note 1：The pension cost depends on the actuarial report and the Board of Directors.

Remuneration class

Bracket	Name of President and Executive Vice President	
	KD	All Consolidated Entities
Under NT$ 2,000,000	F.H. Lee、Yun-Peng Shih	F.H. Lee
NT$2,000,000 ~ NT$5,000,000	-	Yun-Peng Shih
NT$5,000,000 ~ NT$10,000,000	J.J Liao	J.J Liao
NT$10,000,000 ~ NT$15,000,000	-	-
NT$15,000,000 ~ NT$30,000,000	-	-
NT$30,000,000 ~ NT$50,000,000	-	-
NT$50,000,000 ~ NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	J.J Liao、F.H. Lee、Yun-Peng Shih	J.J Liao、F.H. Lee、Yun-Peng Shih

Compensation of employees to Management Team

December 31st, 2016 Unit: NT$ thousands

	Title	Name	Compensation of employees - in Stock (Fair Market Value)	Compensation of employees - in Cash	Total	Ratio of Total Amount to Net Income（%）
Executive Officers	President	J.J Liao	0	336	336	0.04
	Vice President	F.H. Lee				
	Vice President	Yun-Peng Shih				
	Finance Manager	Melissa Liu				
	Accounting Manager	Chiu-Yueh Yeh				
	Accounting Manager	Tan-Ching Yao				

Note: The distributed amount is based on the total amount approved by Board of Directors and calculated accordingly to each executive officers' on-job days in the previous year.

3.3.3 Comparison of Remuneration for Directors, Supervisors, Presidents and Executive Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Executive Vice Presidents

Unit: NT$ thousands

Title	2016		2015	
	KD	All Consolidated Entities	KD	All Consolidated Entities
	Ratio to net income (%)	Ratio to net income (%)	Ratio to net income (%)	Ratio to net income (%)
Directors	1.39	1.39	1.58	1.58
Presidents and Executive Vice President	0.97	1.37	0.81	0.81

1. The compensation of Directors

   Directors are paid Directors remuneration, traveling allowance and Committee remuneration annually. The traveling allowance is stipulated with reference to other public listed companies and companies within the similar industry field. The remuneration is stipulated per the section of profit allocation in Articles of Incorporation. The payment of directors' remuneration shall be determined in accordance with the standards of the same industry and the contribution of the individual and passed by the board of directors. The Director’s fee (applicable to all affiliates) is at a fixed number with reference to the average level of the companies within the similar industry field.

2. The compensation of President and Executive Vice Presidents

   The annual compensation includes payroll, awards, bonus and Director’s fee. Payroll is stipulated with the approval of the Personnel Committee, Remuneration Committee and the Board of Directors referring to the Company operation, budgeted increase rate and personal key performance. Awards are stipulated with the approval of the Personnel Committee, Remuneration Committee and the Board of Directors referring to the Company operation, budgeted increase rate and personal key performance. Bonus is stipulated per the section of profit allocation in Article of Incorporation.

3. Future risk association

   The standard, structure and system of the compensation of Directors, President and Executive Vice Presidents will be adjusted per future risk factor and will not encourage Directors, President and Executive Vice Presidents to risk danger in desperation for pursuit of rewards in order to avoid the Company loss suffering even after the compensation payment.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 7 meetings of the board of directors were held in the previous period, Directors' attendance was as follows: (As of March 31, 2017)

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	John H. Lin (Rep. of CTCI Corporation)	7	0	100	None
Director	Michael Yang (Rep. of CTCI Corporation)	5	2	71	None
Director	Ming Cheng Hsiao (Rep. of CTCI Corporation)	7	0	100	None
Director	Kuan Shen Wang (Rep. of Parkwell Investment Corp.)	7	0	100	None
Director	Yangming Liu	7	0	100	None
Director	Wen Whe Pan	6	1	86	None
Independent Director	Hsin Huai Chow	6	1	86	None
Independent Director	Shean Bii Chiu	7	0	100	None
Independent Director	Eugene Chien	7	0	100	None

Other mentionable items:

1. If there are the following matters, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified:
   (1) Article 14-3 of Securities and Exchange Act.：KD already set up the Audit Committee.
   (2) In addition to the opening of the matter, the resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing：None.
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:
   (1) Directors' Names: John H. Lin, Wen Whe Pan
   Contents of motion: The 14th meeting of the 6th term Board of Directors (2016.05.03): Admit of the endorsement of external guarantees.
   Causes for avoidance and voting should be specified: Chairman John H. Lin and Director Wen Whe Pan recused himself during discussion of and voting on this item because of the interested party relationship.
   (2) Directors' Names: Wen Whe Pan
   Contents of motion: The 18th meeting of the 6th term Board of Directors (2016.12.12): Admit of the endorsement of external guarantees.
   Causes for avoidance and voting should be specified: Director Wen Whe Pan recused himself during discussion of and voting on this item because of the interested party relationship.
   (3) Directors' Names: Wen Whe Pan
   Contents of motion: The 18th meeting of the 6th term Board of Directors (2016.12.12): Approval of the loans to subsidiaries (G.D. Development Corp.) for working capital requirement granted by the Company .
   Causes for avoidance and voting should be specified: Director Wen Whe Pan recused himself during discussion of and voting on this item because of the interested party relationship.
   (4) Directors' Names: John H. Lin, Michael Yang and Ming Cheng Hsiao

Contents of motion: The 18th meeting of the 6th term Board of Directors (2016.12.12): Approval of the loans to CTCI Corp. for working capital requirement granted by the Company .

Causes for avoidance and voting should be specified: Chairman John H. Lin, Directors Michael Yang and Ming Cheng Hsiao recused themselves during discussion of and voting on this item because of the interested party relationship.

(5) Directors’ Names: Wen Whe Pan

Contents of motion: The 18th meeting of the 6th term Board of Directors (2016.12.12): Approval of participate in the subsidiary (G.D. Development Corp.) cash increase case.

Causes for avoidance and voting should be specified: Director Wen Whe Pan recused himself during discussion of and voting on this item because of the interested party relationship.

(6) Directors’ Names: Wen Whe Pan

Contents of motion: The 19th meeting of the 6th term Board of Directors (2017.03.15): Admit of the endorsement of external guarantees.

Causes for avoidance and voting should be specified: Director Wen Whe Pan recused himself during discussion of and voting on this item because of the interested party relationship.

3. Measures taken to strengthen the functionality of the Board:

(1) The 2016 General Shareholder Meeting passed a proposal for full implementation of the candidate nomination system for the election of Directors.

(2) The Company invited Independent Directors to communicate with CPAs and the auditing unit face-to-face on the auditing plan for financial statements and the auditing and inspection plan on November 14, 2016 in order to strengthen interactions between the Independent Directors and the CPA and to exert control over the internal control system.

(3) The 17th meeting of the 6th Board of Directors on November 2, 2016 passed the amendment of certain provisions of the Company's Corporate Governance Guidelines and established diversity requirements for the composition of the Company's Board of Directors.

(4) The 18th meeting of the 6th Board of Directors on December 12, 2016 established Performance Evaluation Guidelines for the Company's Board of Directors.

3.4.2 The State of operations of the Audit Committee or the State of participation in board meetings by the supervisors

(1) The Audit Committee Operations

The Company has elected three independent directors and established the Audit Committee in lieu of supervisors on June 23, 2014.A total of 6 meetings of the Audit Committee were held in the previous period. Independent Directors' attendance was as follows: (As of March 31, 2017)

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Independent Director	Hsin Huai Chow	5	1	83	-
Independent Director	Shean Bii Chiu	6	0	100	-
Independent Director	Eugene Chien	6	0	100	-

Other mentionable items:

1. If there are the following matters, the dates of meetings, sessions, contents of motions, the Audit Committee' resolutions and the Company's response to the Audit Committee's opinion should be specified:
   (1) The matter referred to in Article 14-5 of Securities and Exchange Act.
   (2) The resolution that was not approved by the Audit Committee but be undertaken upon the consent of two-thirds or more of all directors.

   As at the date of publication of the annual report, the Company did not have any of the above (1). The matters listed in Article 14.5 of the Securities and Futures Act are as follows:

Board of Directors	Sessions, contents of motions/ the Audit Committee' resolutions and the Company's response to the Audit Committee's opinion	The matter referred to in Article 14-5 of Securities and Exchange Act	Resolution that was not approved by the Audit Committee but be undertaken upon the consent of two-thirds or more of all directors
The 13th meeting of the 6th of the Board 2016.03.16	1.Approval of the distribution plan of the 2015 directors' and employees' remuneration.	V	X
	2.Approval of the fiscal 2015 business report, financial reports and consolidated reports.	V	X
	3.Approval of the distribution plan of Fiscal 2015 earnings.	V	X
	4.Approval of "Statement of Internal Control System for the Year 2015"	V	X
	5.Approval of the update of the Company's paid-in capital registration.	V	X
	The Audit Committee' resolutions (2016.03.16, The 11th meeting of the 1st term)：All members of the Audit Committee agreed 1.～5.		
	The Company's response to the Audit Committee's opinion：All present members of the board adopted the resolution.		

	The 14th meeting of the 6th of the Board 2016.05.03	1.Approval of the aggregate amount of the guarantees provided by the Company.	V	X	
		2.Approval of the update of the Company's paid-in capital registration.	V	X	
		The Audit Committee' resolutions (2016.05.03, The 12th meeting of the 1st term)：All members of the Audit Committee agreed 1.～2.			
		The Company's response to the Audit Committee's opinion：All present members of the board adopted the resolution.			
	The 16th meeting of the 6th of the Board 2016.08.03	1.The Consolidated financial reports as of June 30, 2016.	V	X	
		2.Approval of the update of the Company's paid-in capital registration.	V	X	
		3.Approval of the amendment to the Company's "Internal Control Systems" and "The Internal Rules.	V	X	
		The Audit Committee' resolutions (2016.08.03, The 13th meeting of the 1st term)：All members of the Audit Committee agreed 1.～3.			
		The Company's response to the Audit Committee's opinion：All present members of the board adopted the resolution.			
	The 17th meeting of the 6th of the Board 2016.11.02	1.Approval of the update of the Company's paid-in capital registration.	V	X	
		2.Approval of the amendment to the Company's "Procedures for Verification and Disclosure of Material Information of Company".	V	X	
		The Audit Committee' resolutions (2016.11.02, The 14th meeting of the 1st term)：All members of the Audit Committee agreed 1.～2.			
		The Company's response to the Audit Committee's opinion：All present members of the board adopted the resolution.			
	The 18th meeting of the 6th of the Board 2016.12.12	1.Grant approval of the aggregate amount of the guarantees provided by the Company.	V	X	
		2.Approval of the budget of 2017.	V	X	
		3.Approval of the Year 2017 Audit Plan.	V	X	
		4.Approval of the loans to subsidiaries for working capital requirement granted by the Company.	V	X	
		5.Approval of the equity participation on capital injection of the G.D. International Corp.	V	X	
		The Audit Committee' resolutions (2016.12.12, The 15th meeting of the 1st term)：All members of the Audit Committee agreed 1.～5.			
		The Company's response to the Audit Committee's opinion：All present members of the board adopted the resolution.			
	The 19th meeting of the 6th of the Board 2017.03.15	1. Grant approval of the aggregate amount of the guarantees provided by the Company.	V	X	
		2. Approval of the distribution plan of the 2016 directors' and employees' remuneration.	V	X	
		3. Approval of the fiscal 2016 business report, financial reports and consolidated reports.	V	X	
		4.Approval of tThe distribution plan of Fiscal 2016	V	X	

		earnings.		
		5. Approval of the ”Statement of Internal Control System for the Year 2016”	V	X
		6.Approval of the amendment to the “Rules Governing Procedure for Loaning of Funds” ，“Rules Governing Procedure for Relational Transaction” and “Internal Audit Systems” of the Company.	V	X
		7. Approval of the update of the Company’s paid-in capital registration.	V	X
		8.Approval of the amendment to the “Rules Governing Procedure for Loaning of Funds” of subsidiaries.	V	X
		The Audit Committee’ resolutions (2017.03.15, The 16th meeting of the 1st term)：All members of the Audit Committee agreed 1.～8.		
		The Company’s response to the Audit Committee’s opinion：All present members of the board adopted the resolution.		

2. If there is Independent Directors’ avoidance of motions in conflict of interest, the Independent Directors’ names, contents of motions, causes for avoidance and voting should be specified: None
3. Communications between Independent Directors and the Company's Internal Audit officer and CPA
   A. After having presented the audit and follow-up reports to the Chairman, the Internal Audit officer submits the same reports via e-mail for review by the Independent Directors on a monthly basis. The Internal Audit officer communicates with the Independent Directors in person quarterly. There was no further issue after responding their comments in 2016.
   B. The Internal Audit officer presents the findings of audit reports in the meetings of the Audit Committee and the Board of Directors. All the Independent Directors have adequate access to how audit performs. During 2015, the communication channel between Independent Directors and the Internal Audit officer functioned well.
   C. The CPAs present audit reports and findings to the Independent Directors. Finance manager, Accounting manager and Internal Audit officer attend the Audit Committee meetings and reply to Independent Directors immediately if they have any questions. During 2016, the communication channel between Independent Directors and CPAs functioned well.

(2) The State of participation in board meetings by the supervisors:
None

3.4.3 Corporate Governance and Operation, Differences from the Corporate Governance Best Practice Principles for the TWSE/TPEx Listed Companies and Reasons

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
1. Does the Company establish and disclose the Corporate Governance Practice Principals in accordance with the Corporate Governance Best Practice Principles for the TWSE/ GTSM Listed Companies?	V		The Company has established "Corporate Governance Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and disclosed them on the Market Observation Post System (MOPS) and company website.	None
2. Ownership structure and shareholder's equity (1) Does the Company set up the internal standard operation procedure to handle issues such as shareholder's advices, questions, disputes and accusations for implementation accordingly? (2) Does the Company have control over the major shareholders, who control the Company and have the name list of the major shareholders who have the ultimate control over the Company?	V V		(1) The Company has the procedures for processing shareholder suggestions, questions, disputes, and litigation and processes related matters accordingly. (2) The Company requires its internal personnel (directors, supervisors, managers, and shareholders holding more than 10% of the shares of the Company's capital) to report changes in their shares every month and disclose these changes on MOPS in accordance with Article 25 of the Securities and Exchange Act. In the event that the Company has acquired a list of shareholders due to regulations for the cessation of stock transactions, it shall also investigate the main shareholders of the Company and the ultimate owners of those major shareholders and disclose them in the annual report or on the Company's website.	None

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
(3) Does the Company set up and implement the risk control and firewall mechanism with the subsidiaries and affiliates?	V		(3) The Company has established "Subsidiary Supervision and Management Procedures" in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" established by the Financial Supervisory Commission and the "Procedures Governing Transactions with Group Enterprises, Specific Companies, and Related Parties" as the basis for auditing. Additionally, he Company organizes periodic meetings with related enterprises and takes part in Board of Directors meetings and shareholder meetings of subsidiaries in order to promptly learn about decisions and changes of related enterprises for the purpose of establishing corporate risk management and firewall mechanisms.	
(4) Does the Company stipulate internal regulation, prohibiting the insiders of the company to make use of the unpublished information for the trading of securities?	V		(4) The Company has established "Procedures for the Prevention of Insider Trading" to prevent the Company's insiders from using information that has not been disclosed on the market to purchase and sell securities.	
3. Composition and Responsibilities of the Board of Directors (1) Is there establishment of the diversification and thorough implementation about the composition of the board of directors?	 V		 (1) Article 20 of the Company's "Corporate Governance Practice Principles" explicitly stated that the composition of the Board of Directors should take into consideration the policy of diversity. Directors who serve concurrently as the Company's managers should not exceed one third of all Directors and appropriate diversification guidelines have been established based on company operations, business model, and development requirements. These guidelines stipulate that Directors should be	 None

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
			assessed by standards including but not limited to the following two aspects: 1. basic qualifications and value and 2. professional knowledge and skills. The following measures have been taken by the Company to implement diversification of the members of the Board of Directors: The Company is an investment holding company. In accordance with requirements for "general investment" in the Company's operations, the members of the Board of Directors include professors in finance and economics, practicing attorneys, and business personnel in related fields. The Company's implementation of the board member diversity policy is shown below:	
(2) In addition to the establishment of	V		(2) The Company has established the Remuneration Committee and Audit Committee but no other functional committees.	

Core Item / Name of Director	Business Management	Legal	Financial Accounting	Industrial Knowledge
John H. Lin	V			V
Michael Yang	V			V
Ming-Cheng Hsiao	V			V
Hsin-Huai Chou	V			V
Shean Bii Chiu			V	
Eugene Chien	V			V
Kuan-Sheng Wang	V			
Wen Whe Pan	V			V
Yang-Ming Liu		V		

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
the Remuneration Committee and Audit Committee, does the Company have other functional committees?				
(3) Is there performance appraisal of the board of directors, which is carried out annually?	V		(3) The Company established the "Board of Directors Performance Evaluation Guidelines" at the 18th meeting of the 6th Board of Directors on December 12, 2016. Related regulations are as follows: Article 3 (Frequency and length of evaluation) The Company's Board of Directors shall conduct at least one internal Board of Directors performance evaluation every year. The internal Board of Directors performance evaluation shall be conducted at the end of each year in accordance with the evaluation procedures and standards set forth in the Guidelines to evaluate the performance of the preceding year. The Company shall appoint external professional and independent institutions or an external team of experts and scholars at least once every three years to evaluate the performance of the Board of Directors. The performance evaluation shall be conducted at the end of the year. Article 4 (Scope and methods of evaluation) The scope of the performance evaluation of the Company's Board of Directors is the performance of the entire Board. The methods of evaluation include self-evaluation of the Board, self-evaluation of the members of the Board, or other appropriate methods.	
(4) Is there regular assessment of the	V		(4) To fulfill Corporate Governance, the Company has established	

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
independence of the certified public accountant every year?			"Evaluation of engaged Certified Public Accountant Regulation" in the 8th meeting of the 5th board of director on December 18, 2012. According to this regulation, the Company exams and evaluates CPA's independence and capability annually, and submit a report to the Audit Committee and Board of Directors. The report was approved by the Audit Committee in the 16th meeting of the 1st on March 15, 2017 and by the Board of Directors in the 19th meeting of the 6th on March 15, 2017, the evaluation items please refer to the【note 1】. After assessed, CPAs Shih-Jung Weng and Shu-Chiung Chang from PricewaterhouseCoopers were qualified. Both CPAs do not have any direct interest relationship with either the Board of Directors or the Company, and believed to have more than sufficient capabilities on auditing, taxation and time cost efficiency.	
4. Has the TWSE-listed or TPEx-listed company established a dedicated or part-time corporate governance unit, or personnel responsible for corporate governance affairs (including but not limited to providing information required for Directors and Supervisors to carry out their tasks, organize meetings of the Board of Directors and shareholder meetings, implement company registration and changes, compile meeting minutes for the Board of Directors meetings and shareholder meetings, etc.)?	V		The EMO is responsible for affairs related to "corporate governance".	None

Evaluation Item	Operation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary Statement	
5. Does the Company establish communication channel for stakeholders(Including but not limited to shareholders, employees, customers and suppliers), set up a dedicated section in its corporate website for stakeholders, and properly respond to CSR-related issues concerned by stakeholders?	V		The Company has established a stakeholder section on the company website to respond properly to inquiries from stakeholders (including but not limited to important corporate social responsibility issues).	None
6. Does the Company entrust the professional stock affair agency for the shareholder affairs?	V		The Company has appointed the Stock Transfer Agency Department of KGI Securities to process affairs related to shareholder meetings.	None
7. Information Disclosure (1) Does the Company set up a website to disclose information regarding the Company’s finance, business and corporate governance status? (2) Is there any other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)?	V V		(1) The company has established a website to disclose information regarding the company's financial, business, and corporate governance status. The Company's website: www.kdhc.com.tw (2) The Company has established a Chinese and English website and assigned dedicated personnel for the collection and disclosure of company information. The Company also established a spokespersons mailbox on the company website to implement the spokesperson system, and published Chinese and English presentation materials and recordings of investor conferences, shareholder meeting information in Chinese and English, annual reports, etc.	None
8. Is there other important information, which helps to understand the governance and operation of the	V		(1) The Company does not discriminate between gender, race, nationality, etc. in the recruitment and appointment of employees. Each employee shall enjoy labor insurance, national health	None

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
company, which includes but not limited to the rights and interest of the staff, cares for the employees, investor relations, relation with the suppliers, rights of the stakeholders, trainings received by the directors and supervisors, the implementation of the risk management policy and risk assessment criteria, the liability insurance policies taken out for the directors and supervisors…etc?			insurance, appropriation of statuary pension fund, and the subsidiaries set up a common employee welfare committee. (2) The Company has provided the directors with information on related advanced study courses and appointed external professional institutions to open courses. (3) The Company has enhanced financial risk management and reviews the financial structure at all times. In terms of internal control, the Company has established full-time auditing personnel to periodically or sporadically conduct audits on the internal control system of the Company and file reports. (4) The Company has purchased liability insurance policies for the directors and managers for the purpose of compensation in the event that a director or important employee causes damage to the Company or any third parties during the performance of duties. (5) The Company complies with laws and regulations in all contracts signed with customers to safeguard the rights and obligations of both parties.	
9. Please describe the improvement status and provide the items and measures that should be prioritized for improvement with regard to the corporate governance evaluation results issued by the Corporate	V		(1) The Company has improved corporate governance evaluation items as summarized below: a) A nomination system has been adopted for the election of all Directors. (The Company has established an Auditing Committee and therefore no longer appoints Supervisors.) b) Electronic voting has been adopted for shareholder meetings.	None

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
Governance Center of Taiwan Stock Exchange in the most recent year.			c) The Company has established "Board of Directors Performance Evaluation Guidelines" and expressly requires external evaluations at least once every three years. d) Each director has logged at least 6 hours of continuing studies in 2016. (2) Among the corporate governance evaluation items for which the Company has not yet made improvements, the prioritized item to be completed first is organizing a shareholder meeting before the end of May.	

[Note 1] Assessments on the Independence of CPA

Assessed Item		Assessment Results	Independence Criteria
Item	Description		
1	The CPA is required to recuse him/herself if his/her service or he/she has a direct or material indirect relationship with or interest in the matter concerned that may affect his/her fairness and independence and may not take part in the process.	Yes	Yes
2	The purpose of the audit or review of the financial statements is to provide a medium to high probability but not absolute verification for the potential users of the statements. In addition to maintaining independence in form, the CPA's actual independence is even more significant. Therefore, members of the audit service team, other CPAs, the firm, and the affiliate enterprises of the firm are required to remain independent from the Company.	Yes	Yes
3	The CPAs appointed by the Company maintain the following conditions: (1) Integrity: The CPAs shall provide professional services in an honest and solemn manner. (2) Fair and objective: The CPAs maintain a fair and objective attitude when providing professional services and prevent conflicts of interest from affecting their independence. (3) Independence: The CPAs remain independent in form and in substance when auditing or reviewing financial statements and express their opinions in a fair manner.	Yes	Yes
4	The independence, honesty, fairness, and objectivity of the CPSs are closely related. The CPAs do not lack or lose the independence that may affect the integrity, fairness, and objectivity that they had when they were appointed.	Yes	Yes
5	The independence of the CPAs has not been influenced by self-interest, self-evaluation, defense in court, familiarity, or coercion.	Yes	Yes
6	The influence of self-interest on the independence of the CPAs refers to the financial benefits obtained from the Company or other relations that may cause conflicts of interest with the Company. The following conditions have not occurred: (1) Direct or indirect material financial interests with the Company. (2) Financing or endorsements with the Company or its Directors or Supervisors. (3) The possibility of losing the Company as a client. (4) Intensive business relations with the Company. (5) Potential employment relations with the Company. (6) All official expenses in relations with the audit of the Company.	Yes	Yes
7	The influence of self-evaluation on the independence of the CPAs refers to reports or judgments submitted by the CPAs for non-auditing services which constitute an important basis in	Yes	Yes

	the audit or review process of financial information; or if a member of the audit service team had once served as the Company's Director, Supervisor, or a position in the Company with significant influence over the audited case. The following conditions have not occurred: (1) A member of the audit service team currently serves or had served as the Company's Director, Supervisor, or other position that could seriously impact the audit in the most recent two years. (2) Non-auditing services provided to the Company directly impact critical items in the audit.		
8	The influence of defense in court on the independence of the CPAs refers to the defense provided by a member of the audit service team to the Company's stature or opinion that causes its objectivity to be questioned. The following conditions have not occurred: (1) Promotion or intermediary for the stocks or other securities issued by the Company. (2) A member of the audit service team served as the Company's defense counsel or represents the Company in mediating conflicts with third parties.	Yes	Yes
9	The influence of familiarity on the independence of the CPAs refers to the close relations with the Company's Directors, Supervisors, or managers that would cause the CPAs or members of the audit service team to pay overt attention to or sympathize with the Company's interests. The following conditions have not occurred: (1) A member of the audit service team is a family member or relative of the Company's Director, Supervisor, or other individuals in positions that could seriously impact the audit. (2) A member of the audit service team is a family member or relative of the Company's Director, Supervisor, or other individuals in positions that could seriously impact the audit. (3) A member of the audit service team has accepted valuable gifts or presents from the Company or its Director or Supervisor.	Yes	Yes
10	The influence of coercion on the independence of the CPAs refers to the threat from the Company suffered or felt by a member of the audit service team that causes the member to be unable to maintain objectivity and clarify professional doubts. The following conditions have not occurred: (1) The Company requested the CPAs to accept inappropriate choices requested by the management or provide inappropriate disclosure in financial statements. (2) The Company exerted pressure on the CPAs to inappropriately reduce mandatory auditing tasks to lower expenses.	Yes	Yes

3.4.4 The Remunerate committee's composition, responsibilities and operation:

1. Remuneration Committee members' information

Identity (Note1)	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of Remuneration Committee	Remark (Note 3)
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Hsin Huai Chow	-	-	V	V	V	V	V	V	V	V	V	2	N/A
Independent Director	Shean Bii Chiu	V	-	V	V	V	V	V	V	V	V	V	1	N/A
Independent Director	Eugene Chien	-	-	V	V	V	V	V	V	V	V	V	1	N/A

Note 1: Please fill out director, independent director, or other.

Note 2:

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not been a person of any conditions defined in Article 30 of the Company Law.

2. The state of operations of the Remuneration Committee

a. This committee is comprised of 3 members.

b. The term of current committee members is from June 26, 2014 to June 22, 2017:

A total of 3 meetings of the Remuneration Committee were held in the previous period: (As of April 30, 2017)

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Convener	Hsin Huai Chow	3	0	100	-
Member	Shean Bii Chiu	3	0	100	-
Member	Eugene Chien	3	0	100	-

Other mentionable items:

1. If the board of directors declined to adopt, or modified, a recommendation of the remuneration committee, the dates of meetings, sessions, contents of motions, resolutions of the Board Meeting and the Company's response to remuneration committee' opinion should be specified(If the remuneration passed by the board of directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None
2. If there are objections or reservations to any discussion matters or extraordinary motions expressed by any member of the Committee, recorded or provided in written forms, the dates of meetings, sessions, contents of motions, all members' opinion and the Company's response to members' opinion should be specified: None

3.4.5 Corporate Social Responsibility (CSR)

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TEPX Listed Companies" and reasons
	Yes	No	Summary Statement	
1. Corporate Management Practices (1) Does the Company formulate CSR policy or systems and review the implementation status? (2) Does the Company arrange CSR trainings regularly? (3) Does the Company establish exclusively (or concurrently) dedicated units with senior management authorized by the Board to be in charge of CSR Promotion and report to the Board?	V		(1) The Company established the "CSR Promotion and CSR Report Publication Procedure" in November 2009 to define the organizational framework, responsibility and authority of the CSR Committee, and to specify the cautions and rules for promoting CSR within the Company. When setting issues to be promoted within the Company, these issues are considered in accordance with the Global Reporting Initiatives (GRI) G4 Guidelines in terms of corporate governance, environmental protection and social participation as well as AA1000 International Standards, including the concern for stakeholders and impacts on the Company; and systematic procedures for determining such have been established. (2) The Company holds environmental education courses irregularly, and promotes the concept of corporate social responsibilities through various approaches, such as trainings, public announcement and activities held. (3) In order to strengthen the importance of corporate social responsibility, CSR Committee and working groups of the company were set up. The CSR Committee shall report to the Board on a regular basis. (4) The Company has established self-disciplinary regulations including Corporate Management	None

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TEPX Listed Companies" and reasons
	Yes	No	Summary Statement	
(4) Does the Company make a reasonable remuneration policy; combine performance assessment of employees with CSR policy; and regulate an explicit and effective system of reward and punishment?			Practice Principles, KD Holding Corporation Ethical Corporate Management Best Practice Principles, KD Holding Corporation Code of Business Conduct and Ethics for the Board of Directors and Managers, KD Holding Corporation Code of employees Ethics and Conduct, and Related Party Transaction Management Procedures. The work rules also include specific performance evaluation guidelines and detail the reward and punishment system. The Company has established performance management regulations and related reward and punishment regulations. Employee performance is thoroughly reflected in the year-end bonus to encourage employees with outstanding performance. Supervisors may provide appropriate assistance for improving performance or rotations to change the content of work for employees with poor performance ratings based on actual conditions and reasons for the poor performance.	
2. Sustainable Environment Development (1) Does the company dedicate itself to improve the efficiency of all kinds of resources and use the renewable materials that impact on the environment less? (2) Does the company set up an environmental management system that suits the nature of industry?	V		(1) As a member of the society, KD shall spare no pain to save energy and reduce carbon emissions. In terms of engineering expertise, the company has been making continuous innovation of engineering technologies to reduce energy consumption and reduce pollution. For routine affairs, the company urges employees to save energy and resources and emphasize the importance of saving paper, electricity, and water consumption. (2) With regard to pollution prevention, the Energy-from-Waste plants operated by the Company have established quality and environmental management systems (ISO 9001 and ISO 14001). With regard to resource recycling, statistics from 2016 shows that the plants have sold 908.2 million kilowatt-hours of electricity back to Taiwan Power Company. In terms of the greenhouse emission for power-generating units, the volume of emission is equivalent	None

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TEPX Listed Companies" and reasons
	Yes	No	Summary Statement	
(3) Does the Company pay attention to the impact of climate change on its operations; carry out the investigation of greenhouse gas inventory; and make strategies of energy efficiency, carbon and greenhouse gas reduction for the company?			of a reduction of 480,000 metric tons of CO_2 emissions from power generation enterprises. The Company processed a total of 2,104,247 metric tons of waste in Energy-from-Waste plants operated by the Company. Among the processed waste, general waste accounted for 1,632,035 metric tons and general industrial waste accounted for 472,212 metric tons, which is equivalent to processing waste generated by approximately 5.16 million people in a year. (3) With regard to greenhouse gas, with the exception of Miaoli and Shulin Plants, which were inspected by third parties, all other plants were self-inspected. The Energy-from-Waste plants operated by the Company emitted a total of 792,634.5 metric tons of CO_2. The Company's Wurih Plant has obtained ISO 14064-1 verification of greenhouse gas emissions. Miaoli Plant and Tainan Plant have obtained PAS 2050 certification and submitted carbon emission reduction plans for main sources of emissions in order to effectively reduce greenhouse gas emissions. To lower power consumption, the Company has installed variable frequency converters, switched to T5 or LED lighting equipment, implemented separate lighting management, installed automatic lighting devices, managed air-conditioning temperature settings, and reset rotating equipment from continuous operations to controlled start-up and shut-down at optimal times or temperature-automated start-up and shut-down. With regard to water resource management, the waste water of Energy-from-Waste plants under the Company's management, including waste water from the boiler, production process, cleaning, general waste water, or vehicle-washing waste water, is 100% recycled and reused through the waste water recycling system in the plants to achieve the goal of zero waste water discharge.	
3. Social Welfare Protection (1) Does the company formulate management policies and	V		(1) The Company does not have restrictions for gender, age, race, political inclinations, or religious beliefs with regard to appointments and promotions. All individuals are equal and	None

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TEPX Listed Companies” and reasons
	Yes	No	Summary Statement	
procedures in accordance with relevant regulations as well as International Covenant on Human Rights?			have equal rights and opportunities as long as they are capable and qualified for the positions. Appointed personnel are required to be older than the age of child workers stipulated by the Labor Standards Act. The Company has not employed any child workers.	
(2) Does the company create a mechanism and channel for employees’ complaint and settle it properly?			(2) The Company has established sexual harassment prevention and processing regulations with clear complaint methods and channels to promptly process related complaints.	
(3) Does the company provide employees with a safe and healthy working environment as well as the regular tutorials regarding the knowledge of safety and health?			(3) The Company establishes safety and health education training plans each year and implemented programs in accordance with the plans. The Company also organizes Occupational Safety Week and Health Week events to establish a culture of safety through participation by all employees.	
(4) Does the company create a mechanism of regular communication for employees and notify them of any significant operational changes that might impact on them?			(4) The Company organizes labor-management meetings and appoints committee members from labor and management to convene regular committee meetings in accordance with regulations. The meetings are used to regulate and improve labor-management relations. The Company organizes regular employee discussions between high-level management and all departments each year. Labor and management are able to conduct face-to-face communication to promptly and resolutely improve and resolve problems. Employees can	

Evaluation Item	Implementation Status: Yes	No	Summary Statement	Deviations from "Corporate Governance Best-Practice Principles for TWSE/TEPX Listed Companies" and reasons
			also express their opinions regularly through internal channels.	
(5) Does the company draw up workable plans of vocational skills development for employees?			(5) The Company implements general and professional training to increase employees' qualities and work skills. It also provides subsidies for on-the-job training for employees to establish an excellent corporate culture through education and training.	
(6) Does the company formulate policies and a complaint procedure regarding consumer rights protection based on the workflow of R&D, procurement, production, operation and service?			(6) The Company has established a quality management system based on ISO 9001 international standards and implements the system effectively to ensure that operations and performance meet quality targets.	
(7) Does the Company abide by relevant regulations and international standards in the marketing and labeling of their products and services?			(7) The Company ensures that product and service quality are in accordance with related government and industry regulations. The Company adheres to related regulations and international standards for product and service marketing and labeling. The Company does not engage in any activities involving deceptive or misleading behaviors, frauds, or other actions which may diminish the trust of consumers or damage consumer interest.	
(8) Does the Company check if the			(8) The Company requires all of its suppliers to fully comply with local laws and regulations	

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TEPX Listed Companies" and reasons
	Yes	No	Summary Statement	
suppliers had any record of affecting environment and society in the past before doing business with them? (9) Do the contracts signed between the Company and suppliers contain the terms that the contract can be terminated or canceled at any time if the supplier violate against its policy of CSR and has significant impact on environment and society?			when performing services for the company. In addition, the Company has established a set of supplier/contractor social responsibility principles and requests them to bear related social responsibilities. (9) The contracts between the Company and its major suppliers include terms where the Company may terminate or rescind the contract at any time if the said supplier has violated the Company's corporate social responsibility policy and have caused significant impact upon the environment and society.	
4. Information Disclosure Enhancement (1) Does the Company disclose any relevant and reliable information regarding CSR on its official website and Market Observatory Post System?	V		(1) The Company has published a Corporate Social Responsibility Report (CSR) since 2010 and will continue to do so to demonstrate the Company's ideals and policies for corporate social responsibilities as well as its hard work and performance in customer care, employee welfare, environmental protection, and social welfare. Please refer to the Company's website for complete information on the Corporate Social Responsibility Report compiled by the Company.	None
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please describe any discrepancy between the principles and their implementation: The Company has established Corporate Social Responsibility Implementation Principles in accordance with Corporate Social Responsibility Best Practice				

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TEPX Listed Companies” and reasons
	Yes	No	Summary Statement	
Principles for TWSE/TPEx Listed Companies for all employees, managers, and members of the board to follow.				
6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices (1) Rebranding and resource recycling: The Company completed rebranding in 2017 to increase its influence on the market and its visibility on the global market. It also actively invested in the resource recycling economy. Resource recycling refers to the cycled use of waste through regenerative processes. The Company hopes to reduce consumption of the Earth's resources through active participation in the recycling industry and create a beautiful and clean environment. (2) Embrace challenge and triumph through innovation: The Company and its subsidiaries have actively pursued international markets in recent years. In terms of talent cultivation, it has enhanced its expertise and international exposure and encouraged employees to advance their studies in internal or external training to increase their capabilities. In 2015, there were 566 instances of employee participation in external training and 10,552 instances of internal training. The Company invested a total of NT$2.116 million on training, which demonstrated the Company's emphasis on education and training. In addition, the Company introduced a global education platform "CTCI Academy" (GTS) that allows employees to take video courses at anytime from anywhere, regardless of whether they are off duty or on business trips. (3) Implement safety and sanitation: KD Holding has established risk management, complied with regulations, conducted communication and training, and adopted a policy for continuous improvement by prioritizing safety and health. Its subsidiary Sino Environmental Services (since 2009), the head office, and all Energy-from-Waste plants operated by the Group (a total of 10 certification points including Keelung Plant, Hsintien Plant, Shulin Plant, South Taoyuan Plant, Miaoli Plant, Houli Plant, Wurih Plant, Tainan Plant, Southern Taiwan Science Park Plant, and the head office) have obtained OHSAS 18001 and TOSHMS certification. The Group also responded to the policy of the Ministry of Labor in 2011 by fully converting TOSHMS standards to CNS 15506 in order to continue building a comprehensive management system and a secure work environment, provide employees with healthy and safe work environment to fully implement and formulate a culture for safety. (4) Promote social welfare: The Company actively participates in social welfare services such as events for communities near Energy-from-Waste plants, hosting environmental protection activities, promoting resource recycling and reuse etc. We also teamed up with external public welfare groups in 2016 and donated magazines to 14 elementary schools in extremely remote areas of Keelung, Miaoli, Taichung, and Tainan and published two journal papers. The Group also worked with schools to give lectures and uses its activism to contribute to education and caring to provide environmental education to schoolchildren in remote areas which exceeds the value of "book donations".				

Evaluation Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TEPX Listed Companies" and reasons
	Yes	No	Summary Statement	

(5) We also actively integrate the promotion of environmental education with the geography, culture, and natural features of each plant. The Company continues to invest in the promotion of environmental education. We organized the environmental education tours, environmental protection mini-courses, environmental education writing classes, environmental education camps, training of environmental education volunteers, and training camps for the environmental protection instructors for Environmental Protection Bureaus of county and city governments. We organized a total of 158 educational and interactive events with approximately 6,300 total participants.

(6) KD Holding actively promotes green life and teaches employees to reduce their carbon footprint in their daily lives. Only by the implementation of personal efforts can we create a sustainable environment and instill the effects and influence of our green commitment into everyone's heart.

7. If the corporate social responsibility reports have received assurance from external institutions, they should state so below:

(1) Inspection standards for passage of CSR reports:

The "KD Holding 2014 CSR Report" was completed in 2015 to disclose the Company's implementation of corporate social responsibility policies. An external entity, the BSI Group, was appointed to independently certify the CSR Report in accordance with AA 1000 standards.

(2) KD Holding and its subsidiaries have acquired the following certifications for quality, safety, health, and environmental management:

- All Energy-from-Waste plants operated by Sino Environmental Services have acquired ISO 9001: 2008 quality management system certification.
- All Energy-from-Waste plants operated by Sino Environmental Services have acquired ISO 14001: 2004 environmental management system certification.
- Sino Environmental Services and all Energy-from-Waste plants it operates have acquired OHSAS 18001: 2007 occupational health and safety management system certification.
- Sino Environmental Services and all Energy-from-Waste plants it operates have acquired CNS 15506: 2011 Taiwan Occupational Safety & Health Management System certification.
- Tainan Energy-from-Waste Plant, operated by Sino Environmental Services, has acquired the product carbon footprint certification.
- Shulin, Miaoli, and Southern Taiwan Science Park Energy-from-Waste Plants, operated by Sino Environmental Services, have acquired the PAS 2050 carbon footprint certification.
- The Southern Taiwan Science Park Energy-from-Waste Plant operated by Sino Environmental Services has acquired ISO 5001 energy management

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “Corporate Governance Best-Practice Principles for TWSE/TEPX Listed Companies” and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Statement</th></tr>
<tr><td colspan="5">system certification.
• The Keelung and Southern Taoyuan Energy-from-Waste Plants operated by Sino Environmental Services have acquired ISO 9001: 2015 quality management system certification.
• The Keelung and Southern Taoyuan Energy-from-Waste Plants operated by Sino Environmental Services have acquired ISO 14001: 2015 environmental management system certification.
• HD Resource Management has acquired ISO 9001: 2008 quality management system certification.
• HD Resource Management has acquired ISO 14001: 2004 environmental management system certification.
• HD Resource Management has acquired OHSAS 18001: 2007 occupational health and safety management system certification.
• The Miaoli Plant, operated by Sino Environmental Services, has assisted the Environmental Protection Administration (EPA) in developing regulations on carbon footprint product classification for "waste processing services" and has obtained product carbon footprint certification from the EPA.</td></tr>
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3.4.6 The Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEx -Listed Companies" and reasons
	Yes	No	Summary Statement	
1. Establishment of ethical corporate management policies and programs (1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		(1) The Company has established self-disciplinary regulations including Corporate Management Practice Principles, KD Holding Corporation Ethical Corporate Management Best Practice Principles, KD Holding Corporation Code of Business Conduct and Ethics for the Board of Directors and Managers, KD Holding Corporation Code of employees Ethics and Conduct, and KD Holding Corporation Accusation Management Regulations etc. The "Business Conduct and Ethics for the Board of Directors and Managers" established clear ethical standards and conduct regulations for the Company's directors and managers in the performance of their duties. The"Employees' Code of Ethical Conduct"established clear ethical standards and conduct regulations for employees in the performance of their duties.	None
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(2) The Company has established plans for the prevention of unethical conduct in the "Ethical Corporate Management Best Practice Principles" and it also established "Enforcement Rules of Employee Ethical Conduct", "Report Management Regulations", and "Employee Reward and Punishment Regulations" etc. as the basis for implementing the "prevention of unethical conduct".	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for	V		(3) The Company has established effective accounting systems and internal control systems for business activities with higher risk of involvement in unethical conducts and conducts regular reviews to ensure that the design and enforcement of the systems remain effective. The Company's internal audit personnel shall periodically review the status of the Company's	

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEx -Listed Companies" and reasons
	Yes	No	Summary Statement	
TWSE/TPEx Listed Companies?			compliance with the foregoing provisions and prepare audit reports for submission to the board of directors.If unethical corporate management incidents are discovered, they may be reported. The Company shall keep the identity of the informants and the content strictly confidential.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V V		(1) The Company carefully evaluates the past records regarding the ethics of transaction counterparties and it also requests suppliers (or contractors) to sign a statement that includes the ethical requirements such as "abide by domestic regulations and regulations of related countries involved the transaction" and "no bribery and illegal donations" when signing a contract.	None
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(2) The Company's Administration Division (not under the Board of Directors) is responsible for ethical corporate management and it reports to the Board of Directors once every year on the status of the "implementation of ethical corporate management". The latest report to the Board of Directors was conducted on December 12, 2016.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The company has established policies to prevent conflict of interests, provide appropriate channels for filing related complaints and implement the policies accordingly. Related regulations are provided in the Company's "Enforcement Rules of Ethical Conduct" (published in the annual report) under "5.2 Prevention of Conflicts of Interest", "5.5	

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEx -Listed Companies" and reasons
	Yes	No	Summary Statement	
			Procedures for Determining Unethical Conduct", and "5.6 Report and Punishment Measures for Violation of the Enforcement Rules".	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?			(4) The Company has established effective accounting policies and internal control systems and employs information processing to manage anomalies. The Company also established a dedicated independent audit unit to carry out various auditing operations in the annual audit plan and to deliver auditing reports and follow-up reports to independent directors. If they have opinions on the review, they communicate through face-to-face consultation, telephone, or email and attend the meetings of the audit committee and board of directors to make reports. They also supervise related units to take appropriate improvement measures for the defects in the internal control system and anomalies discovered in audits and follow-up on the improvement measures until they have been improved.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?			(5) The Company educates new employees on the ideals of "ethical governance" and organizes legal courses from time to time to enhance the promotion of ethical corporate management.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an	V		(1) The Company has established "Report Management Regulations" to be implemented along with the "Employee Reward and Punishment Regulations". The "Report Management Regulations" have established	None

Evaluation Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/ TPEx -Listed Companies” and reasons
	Yes	No	Summary Statement	
appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	 V V		clear reporting channels and assigned dedicated personnel to investigate the reported misconducts. (2) The Company has established investigation procedures for reported cases and related confidentiality mechanisms in the "Report Management Regulations" (published in the annual report). E.g. the provision of a third-party report platform to provide employees and external parties a channel to report unethical conduct under their names or anonymously. (3) The Company requires "all related personnel who have knowledge of the reported case shall be obligated to maintain the confidentiality of the reporter."	
a. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	V		The Company has disclosed information related to "ethical corporate management policies" in the annual report, the company website and MOPS.	None
b. If the company has established its own ethical corporate principles based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies”, please describe the difference between operation practice and the ethical corporate principles: According to the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEx--Listed Companies”, the Company has obtained the approval of the “Ethical Corporate Management Best Practice Principles” (the “Principle”) in the 6th meeting of the 6th term Board of Directors in December 16th, 2014. The all employees, officers and board members should comply with the Principle.				
c. Other important information to facilitate understanding of the company’s good faith management implementation.(e.g. To announce the company’s determination to implement good faith management to business vendors, to invite vendors to participate in related education, and to review and revise the company’s ethical corporate management best practice principles): The Company strictly observed “Company Act”,” Securities and Exchange Act”, related rules for TWSE/ TPEx -Listed Companies and other commerce ordinances to implement the good faith management. Review and revise the Company’s internal management principles including “Corporate Governance				

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEx -Listed Companies" and reasons
	Yes	No	Summary Statement	
Principles", "Ethical Corporate Management Best Practice Principles", "Code of Ethics for Directors and Managers", "Employee Code of Ethics and Conduct", and based on the development of ethical corporate management principles.				

3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the MOPS website at http://mops.twse.com.tw or KD's website at www.kdhc.com.tw.

3.4.8 Other Important Information Regarding Corporate Governance

(1) Training program for directors

Title	Name	Study period		Sponsoring Organization	Course	Training hours
		From	To			
Chairman	John Lin	2016/05/06	2016/05/06	Taiwan Corporate Governance Association	Corporate governance trends -2016 Board of Directors six major issues of concern	3.0
		2016/06/16	2016/06/16	Securities & Futures Institute	The second corporate governance evaluation awards ceremony and special trophies	3.0
		2016/08/05	2016/08/05	Taiwan Corporate Governance Association	How to deal with modern white - collar crime	3.0
Director	Michael Yang	2016/05/06	2016/05/06	Taiwan Corporate Governance Association	Corporate governance trends -2016 Board of Directors six major issues of concern	3.0
		2016/06/16	2016/06/16	Securities & Futures Institute	The second corporate governance evaluation awards ceremony and special trophies	3.0
Director	Kuan Shen Wang	2016/05/06	2016/05/06	Taiwan Corporate Governance Association	Corporate governance trends -2016 Board of Directors six major issues of concern	3.0
		2016/08/05	2016/08/05	Taiwan Corporate Governance Association	How to deal with modern white - collar crime	3.0
Director	Wen Whe Pan	2016/08/05	2016/08/05	Taiwan Corporate Governance Association	How to deal with modern white - collar crime	3.0
		2016/08/10	2016/08/10	Taiwan Academy of Banking and Finance	Integrity management, corporate governance and corporate social responsibility of the three codes and practical cases	3.0
Director	Minyang Liu	2016/07/23	2016/07/23	Taipei Lawyers Association	The Development Trend and Dispute of Merger and Acquisition Law	3.0
		2016/08/05	2016/08/05	Taiwan Corporate Governance Association	How to deal with modern white - collar crime	3.0
Independent Director	Hsin Huai Chow	2016/05/06	2016/05/06	Taiwan Corporate Governance Association	Corporate governance trends -2016 Board of Directors six major issues of concern	3.0

		2016/06/16	2016/06/16	Securities & Futures Institute	The second corporate governance evaluation awards ceremony and special trophies	3.0
Independent Director	Shean Bii Chiu	2016/09/30	2016/09/30	Securities & Futures Institute	Directors and supervisors (including independent) practical advanced seminar - how to avoid insider trading by supervisors	3.0
		2016/09/30	2016/09/30	Securities & Futures Institute	Directors and supervisors (including independent) practical advanced seminar - Dong Zhan earnings false legal liability and risk control	3.0
Independent Director	Eugene Chien	2016/03/25	2016/03/25	Taiwan Corporate Governance Association	By the care of people, loyalty of things On the Concrete Connotation of the Trustee 's Obligations	3.0
		2016/04/28	2016/04/28	Taiwan Institute for Sustainable Energy(TAISE)	Expand overseas markets, implement corporate social responsibility	3.0
		2016/07/28	2016/07/28	Taiwan Institute for Sustainable Energy(TAISE)	Corporate Governance	3.0
Director	Ming-Cheng Hsiao	2016/05/06	2016/05/06	Taiwan Corporate Governance Association	Corporate governance trends -2016 Board of Directors six major issues of concern	3.0
		2016/06/16	2016/06/16	Securities & Futures Institute	The second corporate governance evaluation awards ceremony and special trophies	3.0
		2016/08/05	2016/08/05	Taiwan Corporate Governance Association	How to deal with modern white - collar crime	3.0

(2) Internal Material Information Disclosure Procedure

According to the letter of Financial Supervisory Commission dated March 16^{th}, 2009 and consulting with “Internal Material Information Disclosure Procedure” which is announced by Taiwan Stock Exchange Corporation (TWSE), the Company has foumulated the “Regulations Governing Prevention of Insider Trading” (the “Regulation”). The Regulation is the code of conduct for Directors, Supervisors, Managerial personnel, and the persons regulated under the Regulation and it includes the scope of Internal Material Information, and the laws, regulations, orders that people forenamed should comply with. The Company has provided the Regulation to all Directors and Supervisors, and also disseminates all employees.

(3) Code of Ethical Corporate Management Best Practice Principles

KD Holding Corporation
Ethical Corporate Management Best Practice Principles

Amended on Dec. 16, 2014

Article 1 (Purpose and scope)

The Ethical Corporate Management Best Practice Principles ("Principles") is promulgated to foster a corporate culture of ethical management and sound development.

The Principles are applicable to subsidiaries of KD Holding Corporation (“the Company”), and other institutions or juridical persons which are substantially controlled by the Company ("Business Group").

Article 2 (Prevention of unethical conduct)

When engaging in commercial activities, directors, supervisors, managers, employees of the Company, the mandataries, or persons having substantial control over it ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other interested parties.

Article 3 (The forms of benefits)

"Benefits" in the Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4 (Compliance with laws and regulations)

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM-listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5 (Policies)

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

Article 6 (Prevention program)

The Company is advised to, in accordance with the operational philosophies and policies prescribed in the preceding article, establishes in its own ethical corporate management best practice principle comprehensive programs to forestall unethical conduct ("prevention program"), including operational procedures, guidelines, and training.

The Company is advised to establish its own ethical corporate management best practice principle policies specifying clearly the detailed practice of ethical management as well as the unethical conduct prevention program ("prevention program"), including operational procedures, guidelines, and training.

When establishing the prevention program, the Company shall comply with relevant laws and regulations of the territory where the company and its Business Group are operating.

Article 7 (Scope of prevention program)

When establishing the prevention program, the Company shall analyze which business activities within their business scope which may be at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.

The prevention program established by the Company shall at least include preventive measures against the following:

1. Offering and acceptance of bribes.
2. Illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
5. Infringement of trade secrets, ownership of trademarks, patent rights, copyrights, and other types of intellectual property rights.
6. Engagement of unfair competitions
7. Direct or indirect infringement of the rights, health and safety of consumers or other interested parties during the process of research & development, procurement, fabrication, supply and selling for products or services.

Article 8 (Undertaking and enforcement)

The Company and its respective Business Group shall clearly specify ethical corporate management policies and the commitment of the management level for a rigorous and thorough enforcement of such policies in their rules and external documents for internal management and commercial activities.

Article 9 (Ethical engagement in commercial activities)

The Company shall engage in commercial activities in a fair and transparent manner based on the ethical corporate management policies.

Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients or other trading counterparties, and their records of unethical conduct, if any of such conduct is involved. Any dealings with persons who may be involved in any records of unethical conduct should be avoided.

When entering into contracts with the agents, suppliers, clients or other trade parties in business interactions, the Company should include in such contracts provisions demanding ethical corporate management policy compliance and that in the event the trading counterparties are suspected of involving in unethical conduct, the Company may at any time terminate or cancel the contracts.

Article 10 (Prevention of benefits offering and accepting)

When conducting business, the Company and its directors, supervisors, managers, employees, mandataries and substantial controllers shall not directly or indirectly offer, promise to offer, request or accept any improper benefits to or from clients, agents, contractors, suppliers, public servants, or other interested parties.

Article 11 (Prevention of unauthorized political donations)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, supervisors, managers, employees, mandataries and substantial controllers, shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 (Prevention of improper donations and sponsorship)

When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees, mandataries and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13 (Prevention of unreasonable presents, hospitality or other improper benefits)

The Company and its directors, supervisors, managers, employees, mandataries and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

Article 14 (Prevention for Infringement of Intellectual Property Right)

The Company and its directors, supervisors, managers, employees, mandataries and substantial controllers shall abide by the laws related to intellectual property rights, internal corporate operational procedures and contractual requirements. Without the prior consent of the owners, no using, disclosing, handling, damaging or other acts infringing the intellectual property is allowed.

Article 15 (Unfair Competition Prevention)

The Company shall conduct business activities based on related laws governing business competitions and shall not engage in unfair practices, including price fixing, bid rigging, production and quotas restricting or sharing customers, suppliers, operation regions and types of business for market sharing and dividing.

Article 16 (Prevention for Rights Violation Caused by Products or Services for Interested Parties)

The Company and its directors, supervisors, managers, employees, mandataries and substantial controllers shall abide by related laws and international norms to ensure information transparency and safety of products and services provided during the whole process of research & development, procurement, fabrication, supply or sales, regulate and expose protection acts for consumers and other interested parties with such practices carried out in operation activities so as to prevent from directly or indirectly violating the rights, health and safety of consumers and other interested parties. Products or Services, which may endanger consumers or other interested parties or pose health risk according to the known facts, should in principle recalled or suspended.

Article 17 (Organization and responsibility)

The board of directors, supervisors, managers, employees, mandataries and substantial controllers of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company may form a dedicated unit under the board of directors to be in charge of establishing and enforcing the ethical corporate management policies and prevention program and its detailed responsibilities are as follows:

1. To assist in incorporating the ethical and moral values into corporate management strategies, and stipulating preventive measures against corruption based on the related laws and regulations to ensure ethical management.
2. To regulate prevention programs for unethical conducts, within which related standard operating procedures and behavioral guidelines are specified.
3. To plan internal organization, structures, and duties; to establish a supervisory mechanism for check and balance for operating activities which may at a higher risk of being involved in an unethical conduct within the scope of business.
4. To implement and coordinate related training for ethical policies advocacy.
5. To plan reporting mechanism of unethical conducts and to ensure the effective execution.
6. To assist the board of directors and the management level in checking and assessing if the preventive measures established for ethical corporate management work effectively. To regularly appraise the regulatory compliance according to related business process and to make reports.

Article 18 (Compliance with laws and regulations for business conducting)

The Company and its directors, supervisors, managers, employees, mandataries and substantial controllers shall comply with laws and regulations and the prevention program when conducting business.

Article 19 (Prevention of interests conflicts)

The Company shall promulgate policies for preventing conflicts of interests to thereby distinguish, supervise and manage risks of unethical conducts which may be caused by interests conflicts and offer appropriate means for directors, supervisors, managers, and other interested parties who are either required or optional attendees of the board of directors to voluntarily explain whether their interests would potentially conflict with those of the Company.

The Company's directors, supervisors, managers, and other interested parties who are either required or optional attendees of the board of directors shall detail the immediate or vital interests in the board meeting where he/she or the juristic person that he/she represents is an interested party, and such participation is likely to prejudice the interests of the company. He/she is prohibited from participating in discussion of or voting on any proposal; neither shall he/she vote on such proposal as a proxy of another director in such circumstances. The directors shall practice self-discipline and must not support one another in improper dealings.

The Company's directors, supervisors, managers, mandataries and substantial controller shall not take advantage of their positions in the Company or their power to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20 (Accounting and internal control systems)

The Company shall establish effective accounting systems and internal control systems for business activities which may at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

Internal auditory units of the Company shall periodically examine the company's compliance with the foregoing and prepare audit reports and submit the same to the board of directors; accountants may be commissioned to conduct auditing and if necessary, professionals may be consulted.

Article 21 (Operational procedures and guidelines)

The Company shall establish prevention program in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, mandataries, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Handling procedures for violations of the Principles.

8. Disciplinary measures on offenders.

Article 22 (Training and performance appraisal system)

The Chairman, President, or top managements of the Company shall periodically convey the importance of ethical values to the directors, employees and mandataries.

The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the company's resolve to implement ethical corporate management, the related policies, prevention program and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 23 (Unethical conducts reporting system)

The Company shall stipulate a formal reporting system for unethical conduct and enforce strictly; the scope of reporting shall at least covers the following:

1. To establish and expose independent internal reporting mailbox or dedicated hotline or to commission an independent external agency to provide such channels to internal and external personnel.
2. To assign persons or unit in charge of reporting unethical conducts; to submit such report to an independent director if the situations reported involve directors or top management, with the type of violations and standard operating procedures for investigation specified.
3. To record and keep files of the report acceptance, investigation process and results, and related documents.
4. To maintain secrecy regarding the informant’s identity and the activity reported.
5. To protect the informant from subjecting to improper treatment for the act of report.
6. To draw up reward measures for the informant.

Upon investigation by the internal persons/unit in charge of reporting unethical conducts, if significant unlawful acts or situations that may cause material damages to the Company are detected, a report shall be made right away and a written notice shall be submitted to the independent director.

Article 24

The Company shall establish a well-defined disciplinary and complaint system to handle violation of the ethical corporate management rules, and immediately disclose on the company's internal website the offender's job title, name, date the violation was committed, violating act and how the matter was handled.

Article 25 (Information disclosure)

The Company shall establish quantifiable data for the promotion of ethical corporate management to continuously analyze the effectiveness of related policy implementation, and disclose the measures adopted, status of fulfillment, the aforementioned data and effectiveness of its own ethical corporate management best practice principles on its company website, annual report and prospectus and disclose the content of its Ethical Corporate Management Best Practice Principles on the Market Observation Post System.

Article 26 (Review and improvement in ethical corporate management policies and measures)

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management, and encourage directors, supervisors, managers and employees to make suggestions so as to review and improve its ethical corporate management policies and implementation measures and achieve better results from fulfilling them.

Article 27 (Implementation)

The Principles shall be implemented after the board of directors grants the approval, and shall be reported at a shareholders' meeting. The same procedure shall be followed when the Principles have been amended.

The Company shall fully consider opinions of the independent directors when submitting the Ethical Corporate Management Best Practice Principles for the director of board’s approval as per the aforementioned requirement; any opposition or reservation of the directors shall be recorded in the *Certificate of Board Resolution.* In case that the independent director cannot personally state opposition or reservation in the board meeting, except when there is a justifiable reason, he/she shall provide written comments beforehand and state in the Certificate of Board Resolution.

The regulation governing supervisors in the Principle shall apply mutatis mutandis to an audit committee.

(4) Code of Business Conduct and Ethics for the Board of Directors and Managers

KD HOLDING Corporation
Code of Business Conduct and Ethics for the Board of Directors and Managers

Amended on August 7th, 2014

Article 1 (Objectives & Basis)

This Code is formulated and approved by the Board of Directors pursuant to Article 6 of the Company's Regulations on Corporate Governance in the greatest interest of the Company and for its sustained development, as well as to allow parties with interest in the company understand the ethical and behavioral standards for the Board of Directors and Managers.

Article 2 (Scope)

Managers herein shall refer to all officers with the rank of Vice President and above, and Heads of the Finance and Accounting Departments.

Article 3 (Duty of Care)

Directors and Managers shall comply with the law and provisions of this Code and shall lead by example in promoting the implementation of this Code and pursuing the highest ethical and behavioral standards.

Directors and Managers shall have a duty of care during the performance of their duties; furthermore they shall not harm the rights and interests of the company for the benefit of any specific individual or organization, but shall aim to pursue the Company's overall interest. All shareholders shall be treated equally during the exercise of their duties by the aforesaid.

Article 4 (Prevention of Conflict of Interest)

Where the motions/issues tabled in the Board of Directors' meetings are related to the interest of a Director which may pose a risk to the interest of the company, the said Director shall recuse himself from voting; furthermore he shall not represent other Directors in the exercise of their voting rights.

Directors and Managers who enter into sale and purchase deals or loans or engage in other legal actions for themselves or on behalf of others should reveal the relevant items and issues and provide explanations to the Board of Directors.

Article 5 (Prohibition of Business Competition)

Directors engaging in businesses which are in competition with those of the Company shall give prior report to the Shareholders' Assembly and obtain approval in accordance with the provisions of the Company Law; Managers engaging in businesses which are in competition with those of the Company shall give prior report to the Board of Directors and obtain prior approval in accordance with the provisions of the Company Law.

Article 6 (Prevention of Personal Benefits)

Any information obtained by Directors and Managers during the execution of their duties in relation to procurement, supply, business cooperation, strategic alliance or other business opportunities or other opportunities of profits shall be provided to the company as a matter of priority so as to maintain the interests of the company; the same shall not be used for personal or third-party gains.

Article 7 (Fair Trading)

Directors and Managers should treat all counterparties and its workers fairly. They are prohibited from obtaining information through manipulation, non-disclosure and abuse of powers and from making false representations or from undertaking other unfair trading practice to obtain irregular benefits.

Article 8 (Insider Trading)

Directors and Managers who in the course of work have access to information which may have a serious impact on the Company’s share price, shall maintain strict confidentiality of the said information prior to its public disclosure in accordance with the Securities Trading Act; utilization of the said information for insider trading is strictly prohibited.

Article 9 (Duty of Confidentiality)

Directors and Managers who in the course of work have access to confidential information shall maintain the same. Save where the said confidential information has been publicly disclosed or provided on a need-to-know basis in the execution of work, they shall not disclose the said confidential information to anyone or use the same for any non work-related purposes. The duty of confidentiality shall continue to apply after the termination of the service of the Directors, Supervisors and Managers.

Information which should be kept confidential includes all staff and customer information, inventions, trade secrets, technical information, product designs, specialized manufacturing knowledge, financial and accounting information, intellectual property rights and other relevant undisclosed information which may be useful to competitors or which may cause harm to the Company or its customers upon the disclosure of the same.

Article 10 (Protection and Appropriate Use of Company Assets)

Directors and Managers shall have the duty to protect the Company’s assets and shall ensure the appropriate and lawful use of such assets in the Company’s business to prevent affecting the profitability of the business.

Article 11 (Compliance with the Law)

Directors and Mangers shall comply with the law and the relevant Company policies and rules.

Article 12 (Political Donations and Activities)

Directors and Managers shall in every way avoid influencing company staff in respect of political donations, supporting specific political parties and/or candidates or their participation in other political activities.

Article 13 (Internal Propagation and Encouraging Reporting on Illegal or Unethical Activities)

The company should strengthen internal propagation of work ethics and encourage employees to report any cases of violations and the person(s) involved. The identity of the reporter shall be protected and kept confidential by the company to prevent any possible threats.

Article 14 (Violations)

Directors and Managers shall refer all violations to the Board of Directors.

Article 15 (Procedures for Waiver)

Directors and Managers may be exempted from being subjected to the regulations as stated herein, if they have valid reasons, subject to the approval by the Board.

Article 16 (Implementation and Disclosure Methods)

The Code shall be implemented after the board of directors grants the approval. The same procedure shall be followed when the Code has been amended.

(5) Code of Corporate Social Responsibility Best Practice Principles

KD Holding Corporation
Corporate Social Responsibility Best Practice Principles

Amended on Dec. 16, 2014

Article 1 To fulfill corporate social responsibility ("CSR") initiatives and to promote economic, social and environmental balance and sustainable development, KD Holding Corporation ("The Company") draws up "Corporate Social Responsibility Best Practice Principles" in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" by Gre Tai Securities Market based on the business scope and the entire operations of the Company.

Article 2 Fulfilling CSR has been a vital scheme of the Company; with continuous concern of relevant issues, the Company monitors at all times the development of domestic and international CSR framework and the change of business environment so as to examine and improve its established CSR framework and to obtain better results from the implementation of the CSR policy. In fulfilling CSR initiatives, the Company gives due consideration to the social mores and the rights and interests of the interested parties and, while pursuing sustainable operations and profits, also gives due consideration to the environment, society and corporate governance for its materializations in operation strategies and daily activities.

Article 3 To implement CSR initiatives, the Company follows the principles below:

1. Exercise corporate governance.
2. Foster a sustainable environment.
3. Preserve public welfare.
4. Enhance disclosure of CSR information.

Article 4 The board of directors of the Company exercises the due care of good administrators to urge the company to perform its CSR initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its CSR policies and the disclosure of relevant information.

Article 5 For the purpose of managing CSR initiatives, the Company establishes a CSR Committee to be in charge of proposing and enforcing the CSR policies or systems of the company and to report the same to the board of directors on a periodic basis.

Article 6 The Company respects the rights and interests of the interested parties, identifies and understands the reasonable expectations and demands of such parties through proper communication and allowing their participation, and adequately responds to the important CSR issues which such parties are concerned about.

Article 7 The Company establishes effective corporate governance framework and relevant ethical standards so as to enhance corporate governance.

Article 8 The Company follows relevant environmental laws and regulations and international standards to properly protect the environment and endeavors to promote a sustainable environment when engaging in business activities.

Article 9 To utilize water resources more efficiently, the Company properly and sustainably utilizes water resource, and adopts relevant management measures.

Article 10 The Company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, respects internationally recognized principles of the labor force's human rights. The human resources policies of the Company are founded on the principles of the labor force's human rights and contain appropriate management methods and procedures.

The Company ensures that its employment policies do not contain differential treatments based on gender, race, age, marital and family status, and achieves equality in terms of compensation, employment conditions, and training and promotion opportunities.

Article 11 The Company provides information for its employees so that the employees have knowledge of their rights under the labor laws of the countries where the company has business operations.

Article 12 The Company provides safe and healthful work environments for its employees, including necessary health and first-aid facilities and endeavors to curb dangers to employees for safety and health and to prevent occupational accidents. Also, the Company organizes training on safety and health for its employees on a regular basis.

Article 13 The Company creates an environment conducive to the development of its employees' careers and establishes effective training programs to foster career skills.

Article 14 The Company establishes a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information and express their opinions on the Company's operations, management and decisions. The Company respects the employee representatives' rights to bargain for the working conditions, and provides the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

The Company, by reasonable means, informs employees of operation changes that might have material impacts.

Article 15 The Company provides a clear and effective procedure for accepting client complaints and handles the complaints fairly and timely, complies with relevant laws and regulations for protecting information provided by clients.

Article 16 The Company assesses the impact its suppliers have on society as well as the environment in terms of production and manufacturing process, and, if necessary, cooperates with its suppliers to jointly foster a stronger sense of CSR.

Article 17 The Company discloses information according to relevant laws and regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and fully disclose relevant and reliable information relating to its CSR initiatives to improve information transparency.

Relevant information relating to CSR which it discloses includes:

1. The management scheme, strategy, policy and management guidelines for CSR initiatives resolved by the board of directors.
2. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
3. Goals and measures for realizing the CSR initiatives established by the Company.
4. Result of implementing CSR initiatives.
5. Other information relating to CSR initiatives.

Article 18 The Company produces CSR reports disclosing the status of its implementation of the CSR policy. The reports include:

1. The framework, policy and proposal of implementing CSR initiatives.
2. Major interested parties and their concerns.
3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment and preservation of public welfare.
4. Future improvements and goals.

Article 19 The Company monitors at all times the development of domestic and international CSR framework and the change of business environment so as to examine and improve its established CSR framework and to obtain better results from the implementation of the CSR policy.

Article 20 The Principles shall be implemented after the board of directors grants the approval. The same procedure shall be followed when the Principles have been amended.

(6) Code of Ethics and Conduct

KD Holding Corporation
Code of Ethics and Conduct

1.0 Purpose

Guidelines for ethical conduct ("the Guidelines") are adopted to assist KD Holding Corp. to foster a corporate culture of ethical management, preventing employees taking advantage of their positions in exchange for improper benefits.

2.0 Scope

These Guidelines are applicable to KD Holding Corp. employees, subsidiaries, and other institutions or juridical persons which are substantially controlled by KD Holding Corp. ("business group").

3.0 Definition

3.1 Vendor: Including suppliers, third parties and subcontractors.

3.2 Family: Employee and their spouse and relatives within three degrees of consanguinity.

3.3 Confidential information: Including all KD methods, techniques, processes, programs, or other information that can be used for production, sale or business operation.

3.4 Intellectual property: Including all KD Holding Corp. patents, trademarks, copyrights and trade secrets.

4.0 Responsibility

4.1 Human Resource Department: Establish guidelines of ethical conduct and accept accusations.

5.0 Operation Procedure

5.1 Prohibition of bribes offering and acceptance, and blackmailing

5.1.1 KD employees shall not take advantage of their positions or influence in the companies to directly or indirectly request, obtain or accept any gifts, fees, rewards or other improper benefits for themselves, their families or colleagues.

5.1.2 The term “indirectly” stated in 5.1.1 refers to improper activities conducted through a third party.

5.2 Preventing conflicts of interest

KD employees are allowed to conduct personal investments and other business activities under the limitation of following requirements, in order to avoid conflicts of interest between employee and KD, which may further affects the loyalty of such employee：

5.2.1 Avoid personal gain during business operations：

- KD employees shall not participate in business operations if business relationship appears between KD and their family.
- KD employees shall not directly or indirectly accept any improper benefits when conducting business operation.

5.2.2 Avoid part-time job and/or competing with KD：

- KD employees shall not accept other company’s employment during tenure.
- Direct or indirect relationship with competitors shall be avoid, including part-time/full-time employment and contractor of companies in the same business, KD’s clients or vendors, KD’s competitors and its supplier.
- Effects on KD clients and/or vendors lead to disadvantage of KD shall not occur.

5.2.3 The measures of relatives’ employment of related industries：

- To avoid disadvantaging KD and conflicting with interests of KD, KD employees shall not sharing confidential information with their relatives who is employed by a company in the related industries, and their companies as well.
- KD employees shall proactively submit to Human Resource Department in written form if his/her relatives hold a business relationship with KD.

5.2.4 KD employees shall submit to Executive Management Office in advance if he/she is a director of the board, supervisor or consultant of a company in the related industries, excluding those of KD affiliates.

5.3 Protection of business confidentiality and intellectual property rights

5.3.1 All types of documents and information shall not be altered or modified by KD employees.

5.3.2 KD employees shall not discuss their work with non-KD employees and leak confidential information which has not been revealed by KD to others.

The article above is still valid after resigning or retiring.

5.3.3 Before KD patent or confidential information is revealed, KD employees shall not disclose it in any ways, including disclosing it in KD.

The disclosure in KD should be authorized or assigned, and the disclosure out of KD should be done after subscribing the contract of confidentiality.

5.4 Fair trade with vendors

5.4.1 Vendor selection

- Vendors shall be fairly selected based on the technical specification, quality, duration and business requirements with the most competitive price. KD employees shall not choose vendors with preference and ignore KD's interests.
- Employees participating in vendor selection shall avoid doing any activity that might be seen as the cause for vendor selection result.
- Employees participating in vendor selection shall not provide any information relating to the contract or proposal to irrelevant third parties.
- KD's goals in procurement are "Best price, suitable quality, and prompt delivery". KD employees should assist our vendors to accomplish the quality and quantity of their products or services.

5.4.2 Dealing with vendors

- KD employees should treat all vendors in positivity, fairness, and politeness.
- KD employees shall not disclose confidential information to vendors.
- KD employees should avoid contacting vendors due to

non-business-related affairs.

5.5 Steps to determine the ethicalness of behavior

5.5.1 Ethical Decision Making

When KD employees have concerns about their own acts, or find anyone has suspected unethical behavior within KD, employees should take the following steps：

- Assess that if there is any adverse effect to KD, other people, and yourself, due to the behaviors, according to the section 5.5.2 in Guideline.
- Taking action after assessing the above statement ,and should be noted the following principles：
  - The action plan shall comply with laws and regulations.
  - The action plan shall meet KD's policies.
  - KD's employees may consult ethic-responsible department before deciding to take the action.

5.5.2 Questions to consider)

When KD employees are faced with a situation not stated in this Guideline, the following questions may help them decide the right course of action:

- Am I personally uncomfortable about the course of action?
- Would I be unwilling or embarrassed to tell my family, friends, or coworkers?
- Could someone's life, health, safety, or reputation be endangered by my action?
- Would such action damage KD's reputation if it appears on the news?
- Would I be regret of such action?

5.6 Reporting and disciplinary procedures for violation

5.6.1 Disciplinary system

- KD employees shall acknowledge the rules and their obligations. Employee violates the Codes of Ethical Conduct shall be reviewed by the Rewards and Punishment Committee, and penalized according to "KD Employees Reward and Punishment Regulations". Employees who are in significant violation of this Conduct may be subject to disciplinary action up to and including termination of the labor contract.

- Apart from being penalized according to the KD internal rewards and punishment related policies, KD may conduct civil or criminal lawsuit based on the severity of violation.

5.6.2 Reporting system

- KD employees who discover any violation of this Conduct or other unethical activities shall report under their real name or anonymously according to “Accusation Management Regulations”.

- Reporter shall provide specific descriptions and relevant evidences on the concerned person, matter, time, place and object for further investigation. Reporting channels including: Online reporting (https://www.reportnow.com.tw/ctci) and email (ctci@reportnow.com.tw).

- The reporting channel stated above is run by an independent third-party service provider to ensure the unethical activities being reported is conveyed truthfully. KD promise to keep the confidentiality of reporters’ identity, protecting reporters from inappropriate disciplinary actions due to their whistle-blowing.

- KD may not conduct investigation or further action if reporters could not provide descriptions and relevant evidences on the concerned person involved. Such reporters may be penalized for malicious complaints.

6.0 Reference Document

KCP-174 KD Employees Reward and Punishment Regulations

KCP-173 Accusation Management Regulations

(7) Code of Accusation Management Regulations

KD HOLDING Corporation
Accusation Management Regulations

1.0 Purpose

This regulation is specially formulated in order to effectively control the accusation case of the company and establish smooth accusation channel and fair investigation procedure, so as to prevent blackmail and correct possible undue behavior.

2.0 Scope

2.1 Accuser

Including official, contracted and dispatched in-service employee of the company, however, if external personnel of the company finds any significant malpractice, such personnel can be included as accuser.

2.2 Scope of accusation

Accusation may be proposed if the accused object violates laws and decrees, rules and regulations of the company, or has other undue behaviors affecting the rights and interests of the company.

3.0 Definition

3.1 Individual accusation

A employee proposes real-name accusation independently in his/her own name.

3.2 Joint accusation

Two (inclusive) or more employees propose real-name accusation jointly.

3.3 Blackmail

The accusation letter proposed anonymously.

4.0 Responsibility

4.1 Human Resources Unit

Responsible for accepting accusation case and proposing suggestion on preliminary examination, sending the case for Management Division for hearing, and handing subsequent matters thereof according to hearing result.

4.2 Investigation Group

The trans-department group formed by the members as approved by Management Division, which will be responsible for investigating whether the accusation contents are true and proposing investigation report.

4.3 Management Division

Responsible for hearing the accusation case preliminary examination proposal and accusation case investigation report, and proposing suggestions on punishment.

4.4 Each Division

Relevant personnel of each division shall coordinate to assist investigation group to execute relevant investigation works.

5.0 Operation context

5.1 Operation procedure

Subject to Attachment 1 - Flow Chart of this Regulation.

5.2 Accusation

The accuser shall provide specific descriptions and relevant evidences on the concerned person, matter, time, place and object etc, (the accusation matter must conform to the scope as prescribed in Article 2.2 hereof), on accusation website (https://www.reportnow.com.tw/ctci) or submit such information to the special accusation e-mail box(ctci@reportnow.com.tw). When accepting joint accusation, it will be handled as single case, and representative shall be elected upon accusation for the convenience of contact.

When the accusation case comes from outside the company, the unit or employee that receiving the accusation materials shall submit the complete accusation materials to Human Resources at first time for subsequent handling, if the affiliated department of accused object has any concealment or delay that causing impact on the handling time and affecting the rights and interests of the company, it shall be punished according to relevant regulations of the company.

5.3 Case acceptance

After Human Resources Unit has accepted the accusation case, if necessary, it may ask the accuser to supplement relevant descriptions or evidences, conduct preliminary examination according to relevant contents of accusation materials, propose suggestions on whether or not to establish trans-department investigation group for investigation, fill in "Accusation Preliminary Examination Proposal" (Attachment 2) ans submit it to Management Division together with other case materials for review and approve whether or not to open a case for investigation. If it is not belong to the scope of accusation or the evidences proposed by accuser are not detailed and true, Human Resources Department shall ask the accuser for supplement. If the accusation case is blackmail, Human Resources Department may not handle it.

5.4 Investigation

If the Management Division decides to open a case for investigation, it shall designate relevant unit representatives to form investigation group and assign group convenor to start investigation according to the situation of accusation case. In the course of investigation, Human Resources Unit shall inform relevant units that shall cooperate to assist in investigation according to the investigation plan of the investigation group. When necessary, investigation group may interview relevant personnel or ask relevant personnel to provide relevant materials to assist in investigation. After the completion of investigation, investigation group shall submit investigation report to Human Resources Unit.

5.5 Punishment

After Human Resources Unit has received the investigation report, it shall convene the meeting pursuant to "KD Employees Reward and Punishment Regulations" to hear the accusation case, and propose punishment suggestions according to the preceding

Regulation. Then Human Resources Unit will submit the complete report contents to the Chairman for review and decision.

5.6 Response

For any accusation case, Human Resources Unit shall respond to the accuser in writing on the handling result thereof. For false accusation or fling abuses, the responding content shall include the reminder on relevant legal responsibility.

5.7 Confidentiality obligation

Responsible employee of Human Resources Unit and all members of Management Division and investigation group shall bear confidentiality obligation for the materials of accuser.

6.0 Reference document

KCP-174 Employees Reward and Punishment Regulations

7.0 Attachment

Attachment 1 Work Flow

Attachment 2 Accusation Preliminary Examination Proposal

3.4.9 Internal Control System

(1) Statement of Internal Control System

KD HOLDING CORPORATION
Statement of Internal Control System

Date: March 15, 2017

KD HOLDING CORPORATION (KD) states the following with regard to its internal control system during fiscal year 2016, based on the findings of a self-assessment:

1. KD is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. KD has established such a system aimed at providing reasonable assurance of the achievement of the following objectives：
   (1) Effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security).
   (2) Reliability, timeliness, transparency, and regulatory compliance of reporting.
   (3) Compliance with applicable laws, regulations, and bylaws.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes in environment or circumstances. The internal control system of KD contains self-monitoring mechanisms, however, and KD takes immediate remedial actions in response to any identified deficiencies.

3. KD judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations divide internal control into five elements based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each element further contains several items. Please refer to the Regulations for details.

4. KD has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, KD believes that, as of December 31, 2016, its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for (1) knowing about the achievement degree of operational effectiveness and efficiency, (2) reliability timeliness, transparency, and regulatory compliance of reporting, and (3) compliance with applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.

6. This Statement will be a major part of KD's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

7. This Statement has been passed by the Board of Directors Meeting of KD held on March 15, 2017, the nine attending directors all affirmed the content of this Statement.

KD HOLDING CORPORATION

Chairman (John Lin)： (signature)

President (J.J.Liao)： J. J. Liao (signature)

(2) Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report:
None

3.4.10 In Recent Years until the Annual Report being Published, Violation of Internal Control Policies by Employees：None

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Major resolutions of Shareholders' Meeting of Year 2016

(1) Approval of amendment to the "Articles of Incorporation" of the Company.
Action Arisen：The resolution has been made and implemented.

(2) Approval of the amendment to the "Rules Governing the Election of Directors" of the Company.
Action Arisen：The resolution has been made and implemented.

(3) Adoption of the Company's 2015 Business Report, Financial Statements and Consolidated Financial Statements.
Action Arisen：The resolution has been made and implemented.

(4) Adoption of the Company's distribution plan of 2015 earnings
Action Arisen：The ex-dividend date was on August 1rd, 2016, and cash dividend was paid on August 17st, 2016. In accordance with the total amount of common shares outstanding, the cash dividend per share had been adjusted to NT$ 9.63352407 actually.

2. Major resolutions of the Board Meeting in recent years until the annual report being published:

2016.03.16 Approval of the distribution plan of the 2015 directors' and employees' remuneration.
Approval of the Fiscal 2015 business report, financial reports and consolidated reports.
Approval of the distribution plan of Fiscal 2015 earnings.
Approval of "Statement of Internal Control System for the Year 2015".
Approval of the amendment to the "Articles of Incorporation" and "Rules Governing the Election of Directors" of the Company
Approval of the convening of the 2016 Annual General Meeting.
Approval of the update of the Company's paid-in capital registration.

2016.05.03 Report on Consolidated financial reports as of March 31, 2016.
Approval of the update of the Company's paid-in capital registration.

2016.06.21 Approval of the ex-dividend record date of 2015.
Approval of the adjustment of a managerial officer of the Company.
Approval of the removing the non-competition restrictions on a new managerial officer.

2016.08.03 Report on Consolidated financial reports as of June 30, 2016
Approval of the update of the Company's paid-in capital registration.
Approval of the amendment to the Company's "Internal Control Systems" and the internal rules.

2016.11.02 Report on Consolidated financial reports as of September 30, 2016
Approval of the update of the Company's paid-in capital registration.
Approval of amendment to the "Procedures for Verification and Disclosure of Material Information of Company" and "Corporate Governance Best Practice Principles" of the Company.

2016.12.12 Approval of the budget of 2017.

Approval of the Year 2017 Audit Plan.
Approval on loans to subsidiaries for working capital requirement granted by the Company.
Approval of equity participation on capital injection of the G.D. International Corp.
Approval of the prescription to the Company's "formulate rules and procedures for board of directors performance assessments" .
Approval of the average salary increase rate of 2017.
Approval of the remuneration of the management officers of the Company.

2017.03.15 Approval of the distribution plan of the 2016 directors' and employees' remuneration.
Approval of the Fiscal 2016 business report, financial reports and consolidated reports.
Approval of the distribution plan of Fiscal 2016 earnings.
Approval of "Statement of Internal Control System for the Year 2016".
Approval of amendment to the "Rules Governing Procedure for Loaning of Funds" and "Rules Governing Procedure for Relational transaction" of the Company.
Approval of amendment to the "Internal Audit Systems"
Approval of the election of board directors for the 7th term.
Approval of the removing the non-competition restrictions on board directors newly-elected.
Approval of the convening of the 2017 Annual General Meeting.
Approval of the update of the Company's paid-in capital registration.

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D

None

3.5 Professional fee of CPA

3.5.1 Information of CPA

Accounting Firm	Name of CPA		Audit Period	Note
PriceWaterHouseCoopers	Shyu-Rong Ueng	Shu-Chiung Chang	2016.01.01-2016.12.31	-

3.5.2 Public Expenses of CPA

Unit: NT$ thousands

	Item / Amount (NTD)	Audit Fee	Non-audit Fee	Total
1	Less than 2,000,000	1,480	1,123	2,603
2	2,000,000 ~ 4,000,000 (inclusive of 2,000,000)			
3	4,000,000 ~ 6,000,000 (inclusive of 4,000,000)			
4	6,000,000 ~ 8,000,000 (inclusive of 6,000,000)			
5	8,000,000 ~ 10,000,000 (inclusive of 8,000,000)			
6	More than 10,000,000 (inclusive of 10,000,000)			

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Note
			System Design	Registration	Human Resource	Other	Total		
PriceWaterHouseCoopers	Shyu-Rong Ueng	1,480	0	120	0	1,003	1,123	2016.01.01-2016.12.31	Note1
	Shu-Chiung Chang							2016.01.01-2016.12.31	

Note1: When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed：Translation fee of financial reports NT$560 thousand, employee stock option issuance report service fee NT$120 thousand, advance money for another NT$13 thousand, and the consultant fee of Consolidated Financial Report Template NT$430 thousand.

Note2: In the event that the CPA firm is changed and the audit fees paid by the company in the concurrent year are lower than the preceding year: None

Note3: In the event that the audit fees paid by the company are reduced by 15% compared to the preceding year: None

3.6 Information on replacement of CPA : None

3.7 The Company's Chairman, President and Managers Responsible for Finance or Accounting who have Held a Post in the CPA Office or its Affiliated within the Latest Year : None

3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

3.8.1

Unit: Share

Title	Name	2016		As of April 30, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	CTCI Corporation(Note 1)	0	0	0	0
	Representative: John H. Lin (Chairman)	0	0	0	0
	Representative: Michael Yang	0	0	0	0
	Representative: Ming Cheng Hsiao	0	0	0	0
Director	Parkwell Investment Corp.	0	0	0	0
	Representative: Kuan Shen Wang	0	0	0	0
Director	Yangming Liu	0	0	0	0
Director	Wen Whe Pan	0	0	0	0
Independent Director	Hsin Huai Chow	0	0	0	0
Independent Director	Shean Bii Chiu	0	0	0	0
Independent Director	Eugene Chien	0	0	0	0
Managerial Officer	J. J. Liao	500	0	59,000	0
Managerial Officer	F. H. Lee(Note 2)	0	0	0	0
Managerial Officer	Y. P. Shih(Note 3)	0	0	25,000	0
Financial Officer	Melissa Liu	0	0	0	0
Accounting Officer	Tanching Yao	0	0	0	0

Note1: Major shareholder.
Note2: June 22, 2016 as Managerial Officer, and April 30, 2017 Retired.
Note3: June 22, 2016 as Managerial Officer.

3.8.2 Shares Trading with Related Parties:

None

3.8.3 Shares Pledge with Related Parties:

None

3.9 Information Disclosing the Relationship between any of the Company's Top Ten Shareholders

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
CTCI Corporation	38,457,105	57.58	0	0	0	0	GRQ Investment Corporation	The same enterprise group	-
Rep.：John T. Yu	0	0	0	0	0	0	GRQ Investment Corporation	Chairman of GRQ Investment Corporation	-
Fubon Life Insurance Co., Ltd.	4,567,507	6.84	0	0	0	0	Fubon Financial Holding Venture Capital Corp.	The same enterprise group	-
Rep.：M. H. Tsai	0	0	0	0	0	0	Fubon Financial Holding Venture Capital Corp.	Director of Fubon Financial Holding Venture Capital Corp.	-
Nan Shan Life Insurance Co., Ltd.	2,178,000	3.26	0	0	0	0	None	None	-
Rep.：Y. C. Du	0	0	0	0	0	0	None	None	-
Parkwell Investment Corp.	1,060,000	1.59	0	0	0	0	None	None	-
Rep.：S. J. Chiu	0	0	0	0	0	0	None	None	-
Julius Baer Multipartner	483,000	0.72	0	0	0	0	None	None	-
Fubon Financial Holding Venture Capital Corp.	469,856	0.70	0	0	0	0	Fubon Life Insurance Co., Ltd.	The same enterprise group	-
Rep.：F. H. Lin	0	0	0	0	0	0	Fubon Life Insurance Co., Ltd.	Vice Chairman of Fubon Life Insurance Co., Ltd.	-
Wang Ze Hang	414,000	0.62	0	0	0	0	None	None	-
Taiwan Life Insurance Co, Ltd.	337,774	0.51	0	0	0	0	None	None	-
Rep.：H. K. Huang	0	0	0	0	0	0	None	None	-
GRQ Investment Corporation	243,918	0.37	0	0	0	0	CTCI Corporation	The same enterprise group	-
Rep.：John T. Yu	0	0	0	0	0	0	CTCI Corporation	Chairman of CTCI Corporation	-
Wang Sheng Song	242,284	0.36	0	0	0	0	None	None	-

3.10 Shareholdings of the Company Directors, Supervisors, Managements, and Direct and Indirect Investments of the Company in Affiliated Companies

As of April 30, 2017

Affiliated Company	Investment of the Company		Directors, Managements Direct and Indirect Investment of the Company		Total Investment	
	Share	%	Share	%	Share	%
Sino Environmental Services Corporation	14,065,936	93.15	1,000	0.01	14,066,936	93.16
Leading Energy Corporation	47,040,000	98.00	960,000	2.00	48,000,000	100.00
HD Resource Management Corporation	2,000,000	100.00	0	0.00	2,000,000	100.00
Fortune Energy Corporation	56,249,000	74.999	1,000	0.001	56,250,000	75.00
G.D. Development Corporation	27,209,465	49.998	1,055	0.002	27,210,520	50.00
Yuan Ding Resources Corporation	2,700,000	60.00	1,800,000	40.00	4,500,000	100.00
Boretech Resource Recovery Engineering Company Limited (Cayman)*	13,333,333	20.00	6,666,667	10.00	20,000,000	30.00

*Under equity method.

IV. Capital Overview
4.1 Capital and Shares
4.1.1 Source of Capital
(1) Issued Shares

As of April 30, 2017

Year /Month	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2014.03	10	80,000,000	800,000,000	63,959,468	639,594,680	CB & ESOP	None	Note 1
2014.05	10	80,000,000	800,000,000	64,068,968	640,689,680	ESOP	None	Note 2
2014.08	10	80,000,000	800,000,000	64,386,968	643,869,680	ESOP	None	Note 3
2014.11	10	80,000,000	800,000,000	64,825,000	648,250,000	CB & ESOP	None	Note 4
2015.03	10	80,000,000	800,000,000	64,986,449	649,864,490	CB & ESOP	None	Note 5
2015.06	10	80,000,000	800,000,000	65,397,149	653,971,490	CB & ESOP	None	Note 6
2015.08	10	80,000,000	800,000,000	65,522,567	655,225,670	CB & ESOP	None	Note 6
2015.11	10	80,000,000	800,000,000	65,779,115	657,791,150	CB & ESOP	None	Note 8
2016.04	10	80,000,000	800,000,000	65,862,648	658,626,480	ESOP	None	Note 9
2016.07	10	80,000,000	800,000,000	66,064,898	660,648,980	ESOP	None	Note 10
2016.11	10	80,000,000	800,000,000	66,435,398	664,353,980	ESOP	None	Note 11
2017.04	10	80,000,000	800,000,000	66,461,398	664,613,980	ESOP	None	Note 12

Note 1: 2014.04.15 MOEA Ruling Ref.No. 10301064930
Note 2: 2014.06.04 MOEA Ruling Ref.No. 10301099890
Note 3: 2014.09.05 MOEA Ruling Ref.No. 10301181770
Note 4: 2014.11.28 MOEA Ruling Ref.No. 10301246650
Note 5: 2015.03.31 MOEA Ruling Ref.No. 10401055110
Note 6: 2015.06.01 MOEA Ruling Ref.No. 10401095880
Note 7: 2015.08.26 MOEA Ruling Ref.No. 10401178670
Note 8: 2015.11.26 MOEA Ruling Ref.No. 10401246910
Note 9: 2016.04.12 MOEA Ruling Ref.No. 10501064000
Note 10: 2016.07.14 MOEA Ruling Ref.No. 10501133770
Note 11: 2016.11.29 MOEA Ruling Ref.No. 10501271530
Note 12: 2017.03.31 MOEA Ruling Ref.No. 10601041590

Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	66,783,648	13,216,352	80,000,000	OTC stock

4.1.2 Status of Shareholders

As of April 28, 2017

Item	Government Agencies	Financial Institutions	Other Juridical Person	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	5	59	4,986	63	5,113
Shareholding (shares)	0	7,273,281	41,736,639	15,845,808	1,927,920	66,783,648
Percentage (%)	0.00	10.89	62.49	23.73	2.89	100.00

4.1.3 Shareholding Distribution Status

(1) Common Shares (The par value for each share is NT$10)

As of April 28, 2017

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	1,035	181,896	0.27
1,000 ~ 5,000	3,470	6,141,376	9.20
5,001 ~ 10,000	316	2,402,778	3.60
10,001 ~ 15,000	97	1,237,545	1.85
15,001 ~ 20,000	50	930,981	1.39
20,001 ~ 30,000	49	1,257,171	1.88
30,001 ~ 50,000	44	1,733,456	2.59
50,001 ~ 100,000	25	1,598,212	2.39
100,001 ~ 200,000	13	1,915,043	2.87
200,001 ~ 400,000	7	1,755,722	2.63
400,001 ~ 600,000	3	1,366,856	2.05
600,001 ~ 800,000	0	0	0.00
800,001 ~ 1,000,000	0	0	0.00
1,000,001 or over	4	46,262,612	69.28
Total	5,113	66,783,648	100.00

(2) Special Shares:
None

4.1.4 List of Major Shareholders

As of April 28, 2017

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
CTCI Corporation	38,457,105	57.58
Fubon Life Insurance Co., Ltd.	4,567,507	6.84
Nan Shan Life Insurance Co., Ltd.	2,178,000	3.26
Parkwell Investment Corporation	1,060,000	1.59
Julius Baer Multipartner	483,000	0.72
Fubon Financial Holding Venture Capital Corp.	469,856	0.70
Wang Ze Hang	414,000	0.62
Taiwan Life Insurance Co, Ltd.	337,774	0.51
GRQ Investment Corporation	243,918	0.37
Wang Sheng Song	242,284	0.36

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Item \ Year	2015	2016(Note 1)	As of March 31, 2017(Note 2)
Market Price per Share			
Highest Market Price	178.50	193.50	183.00
Lowest Market Price	151.50	153.00	173.50
Average Market Price	165.13	176.49	177.59
Net Worth per Share			
Before Distribution	67.40	70.45	72.71
After Distribution	57.69	59.06	N/A
Earnings per Share			
Weighted Average Shares	65,510	66,271	66,566
Diluted Earnings Per Share	10.84	12.80	2.67
Dividends per Share			
Cash Dividends	9.63	11.37	N/A
Stock Dividends			
• Dividends from Retained Earnings	0	0	0
• Dividends from Capital Surplus	0	0	0
Accumulated Undistributed Dividends	0	0	0
Return on Investment			
Price / Earnings Ratio	15.23	13.79	66.51
Price / Dividend Ratio	17.15	15.52	N/A
Cash Dividend Yield Rate	5.83	6.44	N/A

Note 1: The Board of Directors has approved the 2016 earnings distribution and has not been resolved by the Shareholder's Resolution in 2017.

Note 2: As of the date of publication, financial Report was unreviewed by CPA in March 31, 2017.

4.1.6 Dividend Policy and Implementation Status

(1) Dividend Policies under Articles of Incorporation

Article 29

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

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

Article 30

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

balance of special reserve, the recovered amount shall be included in the distribution of the profit for the current year.
The allocable profit for the current year, which is the balance after the profit distribution and covering losses aforementioned as 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 in 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 accords to 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%.

(2) Proposed Distribution of Dividend: Due to the board of directors resolution on 15 March 2017, the Company has decided to distribute the cash dividends NT$ 757,172 thousand (NT$ 11.37 per share) to common shareholders.

(3) The Company adopts a dividend policy of high earnings appropriation rate, and stipulates that at least 80% of total attributable earnings should be appropriated as dividends. In recent years, the Company distributes all of its dividends in the form of cash. Historical information about dividends distribution is available on the Company's website.

4.1.7 Impact of Stock Dividend Distribution on Business Performance, EPS and Return on Investment: Not Applicable.

4.1.8 Employee and Directors' Remuneration

(1) Dividend Policies under Articles of Incorporation
Article 29
When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, with the resolution of the board of directors, distribute at least 0.01% of the income before tax to pay to the employees as remuneration, and distribute no more than 2% of the income before tax to pay to the board of directors as remuneration. The remuneration could be stock or cash, and the employee remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions.

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

(2) The estimation basis on remuneration to Employees and Directors, the calculating basis on the number of shares for share bonus and accounting treatment for the differences between the actual distributing amounts and estimations:

a. Employee and Directors' Remuneration: Estimation of employee and Directors' remuneration is based on prior experience and is recognized as current expenses.

b. Stock Compensation: None.

c. If the amount remains variable at the date of Shareholders' meeting in the following year, it shall be recorded in the following year as change in accounting estimation.

(3) Profit Distribution of Year 2016 Approved in Board of Directors Meeting for Employee and Directors' Remuneration:

a. The appropriarion of 2016 earings had been proposed by the Board of Directors during their meeting on March 15, 2017. The Board of Directors approved NT$ 5,200 thousands for the directors' remuneration and NT$ 475 thousands for the employees' remuneration respectively, and this will be distributed by cash. Employees' compensation and directors' and supervisors' remuneration of 2016 as resolved by the meeting of board of directors were in agreement with those amounts recognised in the 2016 financial statements.

b. Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: None

c. Recounted EPS after Recommended Distribution of Employee and Directors' and Supervisors' Remuneration: NT$12.80 per share.

(4) Information of 2015 Earnings Set Aside to Employee Bonus and Directors' and Supervisors' Remuneration:

Unit: NT$ thousands

	Actual Distribution (A)	Recognized Estimated Amount (B)	Variance (C=A-B)
Remuneration for Employees (Cash)	228	228	0
Remuneration for Directors (Cash)	5,200	5,200	0

The actual distribution of employee Remuneration and Directors compensation in 2015 is based on Shareholders' Resolution and corresponds to actual reserve.

(5) The Information of Top Ten Recipients of Employee Bonuses in 2015:

Name	Title	Amount(NT$)
J.J Liao	President	227,914
B.J Liang	Special Assistant of President	
Mike Chiu	Manager	
Chia-Lin Chan	Audit Manager	
Melissa Liu	Finance Manager	
Chiu-Yueh Yeh	Accounting Manager	
Tan-Ching Yao	Accounting Manager	
C.N Jiang	Stock Affair Specialist	
C.T Lee	Executive Specialist	

4.1.9 Issuance of Corporate Bonds:
None

4.2 Issuance of Corporate Bonds
None

4.3 Preferred Shares
None

4.4 Issuance of Depository Receipt
None

4.5 Employee Stock Options

4.5.1 Issuance of Employee Stock Options

As of April 30, 2017

Type of Stock Option	3rd Tranche (Expired on 2016/6/16)(Note1)	4th Tranche (Note2)	5th Tranche
Effective Date by Regulatory Agency	2010/06/07	2011/05/27	2012/06/12
Issue date	2010/06/18	2011/06/17	2012/06/28
Units issued	1,200 units	1,200 units	1,200 units
Option shares to be issued as a percentage of outstanding shares (%)	1.81	1.81	1.81
Duration	The duration for options is 6 years, during which employees may not transfer, pledge, or gift their options except to heirs. Upon the expiration of the grant period, unexercised options are deemed forfeited and the subscribers may no longer claim right to exercise the option and purchase those shares.		
Conversion measures	issue new share		
Conditional conversion periods and percentages	Subscribers may exercise their options by the following schedule and proportion: The availability period / The ceiling of option exercisable (accumulate): Regular / Reward Less than 2 years: 0% / 0% In 2 years after the grant: 50% / 25% In 3 years after the grant: 75% / 50% In 4 years after the grant: 100% / 100%		
Converted shares	1,130,250 Shares	1,134,500 Shares	820,000 Shares
Exercised amount	NT$85,775,475	NT$133,209,000	NT$97,466,610
Number of shares yet to be converted	0 Share	0 Share	380,000 Shares
Adjusted exercise price for those who have yet to exercise their rights	N/A	N/A	NT$110
Unexercised shares as a percentage of total issued shares (%)	0	0	0.5718%
Impact on possible dilution of shareholdings	Dilution to Shareholders' Equity is limited.		

Note1: The expiration date of the3th Tranche Employee Stock Options is Jun 17th 2016. The exercise date is rescheduled to April 22nd 2016 due to 2016 shareholders' meeting.

Note2: The expiration date of the 4th Tranche Employee Stock Options is Jun 16th 2017. The exercise date is rescheduled to April 28nd 2017 due to 2017 shareholders' meeting.

4.5.2 List of Executives Receiving Employee Stock Options and the Top 10 Employees

As of April 30, 2017

Title	Name	No. of Option Shares (thousand shares)	Option Shares as a Percentage of Shares issued (%)	Exercised				Unexercised			
				No. of Shares Converted (thousand shares)	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares issued (%)	No. of Shares Converted (thousand shares)	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares issued (%)
President	J. J. Liao	478,000	0.7192	343,000	(Note	33,481	0.5161	135,000	110	14,850	0.2031
Executive Vice President	F. H. Lee(Note 1)										
Executive Vice President	S. Y. Shih(Note 2)										
Senior Manager	B. J. Liang										
Manager	Mike Chiou										
Commissioner(Employee)	C. N. Jiang										
Commissioner(Employee)	C. T. Lee										

Note1: Be newly appointed on June 22, 2016, and Retirement on April 30, 2017.

Note2: Be newly appointed on June 22, 2016.

Note3: The change of the stock price of the employee stock option certificate

Price Change Date	3rd Tranche Employee Stock Option Certificate(2011) Strike Price (NT$)	4rd Tranche Employee Stock Option Certificate(2011) Strike Price (NT$)	5rd Tranche Employee Stock Option Certificate(2011) Strike Price (NT$)
2010.8.2	87.8	-	-
2011.8.1	84.2	140.1	-
2012.8.3	79.4	132.1	136.7
2013.7.30	75.2	125.1	129.4
2014.7.30	71.4	118.7	122.8
2015.812	67.5	112.3	116.2
2016.7	Right End	106.3	110

Note 4：The 1st~3rd Tranche Employee Stock Option already expiated. The Strike Price of The 5th Tranche Employee Stock Options.
The expiration date of the 4th Tranche Employee Stock Options is Jun 16th 2017.

The exercise date is rescheduled to April 28nd 2017 due to 2017 shareholders' meeting.

Note 5：The employees and managers in the Company are nine during the period of disclosure.
Note 6：According to the March 31, 2017 the Ministry of Economic Affairs to change the number of shares issued has 66,461,398 shares.

4.6 Status of New Restricted Employee Shares

None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

4.8 Financing Plans and Implementation

None

V. Operations Overview

The Company is dedicated to professional investment and operation services in the resource recycling industry and aims to develop circular economy such as renewable energy, renewable materials and reclaimed water. The Company is an integration of related environmental resources companies which form an investment holding company; the current four main invested companies include Sino Environmental Services Corp., Leading Energy Corporation, HD Resource Management Corporation, and Fortune Energy Corporation. The operations of KD Holding Corporation and its main investments are summarized below.

5.1 Business content

5.1.1 Business Scope:

(1) KD Holding Corporation and Subsidiaries

a. Revenue distribution

Unit: NT$ thousands

Year / Item	2015		2016	
	Amount	%	Amount	%
Waste Treatment	1,253,246	30.72	1,352,508	27.29
Electricity	1,295,926	31.77	1,939,443	39.14
Concession Service	611,354	14.99	604,171	12.19
Waste Collection	120,487	2.96	123,040	2.49
Others	797,740	19.56	936,403	18.89
Total	4,078,753	100.00	4,955,565	100.00

(2) KD Holding Corporation: General investment.

(3) Sino Environmental Services Corp.

a. Main Businesses

Operations, maintenance, commissioning, annual inspections, upgrades and improvements, operational supervision and other technical services for the following items:

i. Waste Energy-from-Waste plants, integrated waste processing centers, sewage and reclaimed water treatment plants.

ii. Cogeneration power plants and public facilities.

iii. Transportation tracks and stations.

b. Revenue distribution

Unit: NT$ thousands

Year / Item	2015		2016	
	Amount	%	Amount	%
Energy-from-Waste plant related income	2,110,139	75.93	2,077,255	72.34
Others	668,894	24.07	794,459	27.66
Total	2,779,033	100.00	2,871,714	100.00

c. The Company's Current Products and Services

i. Repairs, maintenance and technical consulting services for facilities such as water, electricity and environmental control for transportation tracks, fire-fighting, signs and automatic payment systems.

ii. Repairs, maintenance and power conservation planning for water and electricity supply for public facilities (e.g. hospitals and airports), fire-fighting equipment, air-conditioning and mechanical and electric equipment.

iii. Operations, management, supervision, annual overhauls and maintenance for environmental and pollution prevention processing plants and power plants.

iv. Updates and upgrades for hardware and software and automation control systems in mechanical and electrical equipment systems.

v. Sales, installation, training and technical consulting services for maintenance and management information systems (MMIS).

d. New Products and Services Under Development

i. Intelligent management technologies (such as electronic inspection systems and operation performance systems etc.) and thermal sludge drying technologies for Energy-from-Waste plants.

ii. Energy-saving waste solvent assisted combustion technologies for hazardous and medical waste in Energy-from-Waste furnaces and the use of high performance sodium bicarbonate dry spray exhaust treatment system technologies.

(4) Leading Energy Corporation

a. Main Businesses

i. Cogeneration power plant.

ii. Waste disposal.

b. Revenue distribution

Unit: NT$ thousands

Year / Item	2015		2016	
	Amount	%	Amount	%
Electricity	96,558	15.35	85,643	13.02
Waste Treatment	287,941	45.77	328,926	49.99
Concession Service	244,633	38.88	243,373	36.99
Total	629,132	100.00	657,942	100.00

c. The Company's Current Products and Services

i. General waste disposal.

ii. Industrial waste disposal.

iii. Cogeneration power sales.

d. New Products and Services Under Development

Not applicable.

(5) HD Resource Management Corporation

a. Main Businesses

i. Waste disposal and processing.

ii. Waste resource recycling and reuse.

b. Revenue distribution

Unit: NT$ thousands

Year / Item	2015		2016	
	Amount	%	Amount	%
Waste Treatment	731,418	83.09	830,700	83.80
Waste Collection	141,876	16.12	153,414	15.48
Comprehensive planning to clean up revenue	7,015	0.79	7,199	0.72
Total	880,309	100.00	991,313	100.00

c. The Company's Current Products and Services

i. Waste acceptance and management: Management services consist mainly of the acceptance, reporting, coordination and commissioned processing of general waste and general industrial waste.

ii. General waste disposal: Includes the disposal and transshipment of waste and ashes from various municipalities, Energy-from-Waste plants, science and industrial parks, various institutions and schools.

d. New Products and Services Under Development

Resource recycling and reuse

(6) Fortune Energy Corporation

a. Main Businesses

i. Cogeneration power plant.

ii. Waste disposal.

b. Revenue distribution

Unit: NT$ thousands

Year / Item	2015		2016	
	Amount	%	Amount	%
Concession Service	366,722	100.00	360,797	100.00
Total	366,722	100.00	360,797	100.00

c. The Company's Current Products and Services

i. General waste disposal.

ii. Industrial waste disposal.

iii. Cogeneration power sales.

d. New Products and Services Under Development

Not applicable.

5.1.2 Industry Overview

The Company is the first investment holding company in Taiwan to specialize in resource recycling as the main business scope. We hope the investment holding business organization can provide more effective management of environmental services and make the most effective use of funding for maximum investment value.

(1) Current State and Development of the Industry

The 24 Energy-from-Waste plants in Taiwan processed a total of 6,441,999 metric tons of waste in 2016. The waste accepted by Energy-from-Waste plants operated by Sino Environmental Services amounted to 2,104,247 metric tons and the total processed waste amounted to 2,069,894 metric tons. General waste constituted 1,632,035 metric tons of processed waste and general industrial waste amounted to 472,212 metric tons. Sino Environmental Services processed the equivalent of waste produced by 5.16 million people in a year. HD Resource Management accepted a total of 319,162 metric tons of waste, which constituted around 14.60%. At the same time, we also own the only two BOT Energy-from-Waste plants in Taiwan and we hold a unique position in the domestic waste disposal market.

(2) Correlation with Upstream, Midstream, and Downstream Sections of the Industry

Upstream		Midstream (HD Resource Management)		Downstream (Sino Environmental Services, Leading Energy, Fortune Energy Corporation)
Standalone residences and apartment buildings Factories, department stores, hypermarkets, company, commercial offices, restaurants, eateries etc.	→	Cleaning Teams of Township Offices, Waste disposal agencies	→	Large-scale urban waste recycling (Energy-from-Waste) plants, waste processing agencies, recycling agencies, offshore disposal agencies

(3) Business Development Trends:

a. Operations and management of Energy-from-Waste plants

i. The accepted processing volume of domestic general waste has stabilized after years of government implementation of charging by the bag and resource recycling regulations.

ii. The government's current environmental policy is to suspend the construction of domestic large-scale urban Energy-from-Waste plants. Regional cooperation is planned to deal with waste in municipalities that have no waste recycling (Energy-from-Waste plant) facilities.

iii. According to the regulations that are clearly established in the policies of the Environmental Protection Administration of the Executive Yuan, daily waste can no longer be buried in sanitary landfills starting in 2007. Therefore the waste that would have been delivered to local landfills shall be delivered to Energy-from-Waste plants in accordance with Energy-from-Waste procedures before they can be delivered to landfills to be buried.

iv. In foreign regions such as Mainland China and Southeast Asia, the processing of general waste has gradually shifted from landfills to Energy-from-Waste plant. Development in urban Energy-from-Waste facilities have expanded rapidly in recent years and demand for related expertise in operations and management will grow with the development.

b. Acceptance and management of general industrial waste

The following factors have caused the oversupply of general industrial waste:

i. The government has ordered that starting on January 1, 2007, combustible waste shall not be accepted at all public landfills and the policy caused large quantities of combustible waste to be transferred to Energy-from-Waste plants.

ii. Large-scale waste disposal projects (e.g. landfill reclamation) have led to an increase in waste.

iii. The gradual completion of the Waste Disposal Act and strict investigations on illegal disposals have caused an increase in the demand for waste processing as producers and disposal operators seek normal channels for waste processing.

c. Waste Disposal

With the arrival of the circular economy and changes in waste disposal and processing, resource processing and recycling have significantly replaced the simple mid-stream processing (e.g. Energy-from-Waste plant). Therefore, in addition to working with major electronics manufacturers to process their general industrial waste and hazardous industrial waste, the waste disposal business shall also progress in the direction of working with recycling agencies in order to obtain more profitable businesses and more diversified opportunities for disposing waste.

d. Resource Recycling and Reuse

Due to the shortage of resources, awareness for resource recycling and reuse has grown and the circular economy has become a trend. In the future, the Company shall continue to make use of business opportunities in the waste resource sector and conduct R&D on related subjects for important business development in the future.

(4) Competition:

a. As we look ahead to the contracted operations and management services for waste resource recycling plants in the domestic market, the Company's subsidiary Sino Environmental Services shall actively participate in the market for contract renewal for operations and management of Energy-from-Waste plants across Taiwan to expand our market share in Taiwan and provide services to more people in Taiwan.

b. The Wurih Plant of Leading Energy Corporation and the Miaoli Plant of Fortune Energy Corporation are both large-scale urban waste Energy-from-Waste plants that were built and operated in BOT investment projects. We have a special twenty-year operation permit and there are no issues of competition within the duration of the special permit.

c. HD Resource Management controls the domestic mid-stream and downstream market for resource waste disposal and is one of the very few operators in Taiwan that could provide one-stop services for waste disposal. With regard to the general waste disposal market in Taiwan, HD Resource Management manages a substantial amount of the total domestic industrial waste. Conditions are stable.

5.1.3 Overview of Technologies and R&D

(1) Integrate new external technologies and develop new technologies in related fields including Energy-from-Waste plant, resource recycling, and solar power required by the Group in order to optimize the final disposal of waste (such as increasing the power generation efficiency of the Energy-from-Waste plants and integration of new Energy-from-Waste technologies etc.), increase reuse rates of waste resources (such as recycled water, sorting and selection of waste, purification of waste solvents, biomass and biogas fuel centers etc.), increase the added value of resources from waste (such as purification of waste motor oil to base stock), and increase energy production efficiency (such as increasing the efficiency of solar panels and the survey and adoption of generators with optimal power generation efficiency etc.).

(2) In response to the Industry 4.0 trends in global technology, we shall actively develop and incorporate more advanced management tools, integrate big data from various plants, and implement mobile network technologies so that the critical information of the operations and management of each plant can be readily available through mobile devices. Any irregularity shall be promptly processed to increase the performance of operations and management. As of now,

we have acquired a total of 21 domestic patents and 11 patents in Mainland China.

a. Research and Development: Sino Environmental Services Corp. as of now the annual investment in research and development costs are as follows:

i. Research and Development Expenses in Past Two Years

Unit: NT$ thousands

Item/Year	2015	2016
Operating Revenue	2,779,033	2,871,714
R&D Expense	1,563	2,658
R&D Expense as percentage of Operating Revenue (%)	0.06	0.09

The above Research and Development expenses are related to the expenditure incurred by the Research and Development Center for the development of new technologies and new systems. The cost of the use of new technologies or new systems or the integration of other project systems is absorbed by the relevant project.

ii. Successfully developed technologies and products in recent years

Year	Research and development achievements
2014	a. Application for the "automatic processing system for material packaging process" patent in Taiwan b. Application for the "automatic processing system for material packaging process" patent in China c. Preparation for the application of the "sodium bicarbonate deacidification technology and facilities" patent in Asia
2015	a. Application and acquisition of the "Sodium bicarbonate on-line milling and flue gas de-acidification system" patent in Taiwan b. Application and acquisition of the " Sodium bicarbonate on-line milling and flue gas de-acidification system" patent in China c. Application for the approval of the "high-performance unsymmetrical distribution and combustion oxygen supply jet system" patent in Taiwan d. Application for the approval of the "Combustion control system for stabilizing the production of steam of incineration plants" patent in Taiwan e. Application for the approval of the "cleaning tool for high-pressure boiler discharge valves" patent in Taiwan f. Application for the approval of the "automated bubbling fluidized bed Energy-from-Waste" patent in Taiwan g. Applied for the "distributed air-flow fluidized air dispersion design" patent in Taiwan h. Applied for the "automated bubbling fluidized bed Energy-from-Waste" patent in China i. Applied for the "distributed air-flow fluidized air dispersion design" patent in China j. Application and acquisition of the " Sodium bicarbonate- on-line milling and flue gas de-acidification system" patent in Macau k. Application for the approval of the "high-performance unsymmetrical distribution and combustion oxygen supply jet

Year	Research and development achievements
	system" patent in Macau l. Preparation for the application of the "production line calcium hydroxide selection" patent in Asia
2016	a. Acquisition of the "high-performance unsymmetrical distribution and combustion oxygen supply jet system" patent in Taiwan b. Acquisition of the approval of the "automated bubbling fluidized bed Energy-from-Waste" patent in Taiwan c. Acquisition of the approval of the "automated bubbling fluidized bed Energy-from-Waste" patent in China d. Acquisition of the "distributed air-flow fluidized air dispersion design" patent in Taiwan e. Acquisition of the "distributed air-flow fluidized air dispersion design" patent in China f. Acquisition of the "two-phase production line calcium hydroxide selection waste gas deacidification system" patent in Taiwan g. Application for the "two-phase production line calcium hydroxide selection waste gas deacidification system" patent in China h. Application for the " Process for eliminate iodine contented pink smog from incinerator flue gas." patent in Taiwan

iii. Significant achievements of self-imposed improvement for mechanical and electrical systems in the plant

Project Plant	Project
Southern Taoyuan	Improvement of the circuit breaker control logic on the primary side of the main transformer (GCB101) to reduce low amounts of electricity usage and lower electricity bills
Southern Taoyuan	Installation of a dry calcium hydroxide injection system in the waste gas processing system to increase the efficiency of waste gas processing.
Southern Taoyuan	Reduced the minimum operating speed of the IDF by 300rpm to reduce the amount of fuel required for ignition.
Wurih	Installation of a sodium hydroxide injection system in the flue gas processing system to increase the efficiency of flue gas processing.
Wurih	Modified the ammonia solution control from the original motor control to variable frequency control to lower expenditure on consumables.
Wurih	Improve the first-stage ejection supply and control model to reduce the ratio of low-pressure steam required for the deaerator from the high-pressure steam supply and increase power generation efficiency.
Wurih	Use the original chilling system to create a simple cooling room to cooling the control panels and cease the usage of onsite air-conditioning units to save energy.
Wurih	Wurih plant improved the water discharge valves of the soot blower to lower the number of boiler shut down caused by

Project Plant	Project
	superheater tube failure.
Wurih	Increased the durability of the dryer in the CEMS sampling system.
Wurih	Converted the water supply pipe of the boiler from 1½" to 3" and improved the tube diameter issues while saving close to 2/3 hours in the water pressure test for supplying water to the boiler.
Wurih	Adding more hydrogen chloride emission control points of the DCS for semi-dry system. Effectively control the injection volume of lime milk and reduce excessive use of lime.
Shulin	Converted the fan blades on the air-cooling condenser to light weight material (FRP) to increase air volume and save energy on the reduced weight of the fan blades.
Shulin	Adding cross-over pipes in the vehicle washing system to reduce the number of required water supply pumps to conserve power and drastically reduce the frequency of spare part replacement for pumps and maintenance cost.
Shulin	Improved the OP minimum volume limitation for the calcium hydroxide table feeder.
Shulin	Upgraded the PLCs and variable frequency converters of the garbage cranes and ash cranes.
Tainan	Reevaluated and analyzed the distribution of the air-conditioning system of the plant and increased the temperature of the chiller by 2 degrees. Installed split air-conditioners in areas with low usage efficiency to reduce the load of the chiller and optimize the air-conditioning system for power conservation.
Tainan	Upgraded the PLC of the steam turbine.
Tainan	Upgraded the PLC of the bag filter.
Miaoli	Improved the retainer ring on the limit switch of the rotating soot blower in the boiler.
Miaoli	Replaced the regular A/C power supply to key motor controls with uninterruptible power supply to prevent trips from sudden drops in voltage and insufficient suction of the magnetic switch.
Miaoli	Adding a three-axle vibration sensor on the vibrating conveyor to monitor the ash bridging status.
Miaoli	Converted the variable frequency controls on the secondary air fan to save energy and resolve current issues of remaining secondary air flow to the storage pit.
Miaoli	Adjusted the settings for SAH temperature restricted by the valve discharge pressure that in response to changes in the calorific value of waste. The settings could not be lowered to the minimum design value and a pump was added on the discharge pipe extending from the bottom of the surge tank to the first stage SAH for the water discharge pressure to meet the original design requirements and for the SAH temperature to be lowered to the original design value in order to resolve the issue of overheated boiler bed.
Houli	Adopted cooling water temperature control for the operations of the cooling water fan.
Houli	Upgrading the PLC, variable frequency converter and HMI of the PLC in Houli Plant.

Project Plant	Project
Hsintien /Shulin	Established regulations in 2007 for the maintenance of batteries of the UPS and charging and discharging capacity experiments to extend the life of the batteries.
Hsintien /Shulin	Hsintien and Shulin Plants converted to T5 energy efficient lighting equipment in 2007 and saved approximately NT$100,000 on electricity charges each year. The conversion has been expanded to other plants.

5.1.4 Short & Long Term Development Plans

(1) KD Holding Corporation

The Company's subsidiaries Leading Energy, HD Resource Management, Sino Environmental Services and Fortune Energy Corporation have achieved leading positions in terms of expertise and scale in the domestic environmental protection and waste management sectors. The long-term and short-term development plans are described in the following paragraph.

a. In other invested companies (non-shareholding), the "G.D. Development Corporation", established jointly with the international leading solar panel manufacturer Gintech Energy Corporation, has maintained stable operations in the recent investment project in the United States, and shall dedicate its effort to domestic expansion under the assistance of government policies and global green energy development trends while integrating the Group's overseas resources to expand into new areas. The subsidiary "Boretech", which specializes in recycling PET bottles, will continue to enhance the system technologies of the entire plant and the competitiveness of supply and sales. It shall also improve the production line to achieve food grade standards, diversification and customized specifications and further expand the mature technology into recycling for other polyester materials.

b. KD Holding remains focused on resource recycling businesses and complies with related government policies to develop investment in the circular economy. In addition to EfW (including industrial waste processing) and photovoltaics power in the development of green energy, KD Holding also plans to invest in biogas power etc. In terms of material resources, in addition to PET bottles and other polyester, KD Holding also plans to recycle precious metals and other valued substances etc. Water resource projects include sewage and waste water treatment, sewage pipe networks and reclaimed water etc. The overall development principle shall integrate the Group's corporate resources and provide subsidiaries with related professional services while incorporating competitive technologies and suitable strategic partners in order to increase the feasibility of business development and to diversify different investment targets while providing suitable risk management.

(2) Sino Environmental Services Corp.

a. Short-Term Business Plans

i. Taiwan

(a) Actively pursue ROT or OT projects in Energy-from-Waste plants in Taiwan with expiring operation contracts and provide upgrade, maintenance and other technical services for the mechanical and electric equipment in old Energy-from-Waste plants.

(b) Maintain and intensify current services for mechanical and electric equipment

at Taoyuan International Airport to open up more opportunities for services.

(c) Actively pursue T&C service opportunities in routes that are near completion in response to the continued construction and plans for urban (New Taipei City, Taoyuan and Taichung) MRT systems while pursuing maintenance work for general mechanical and electric equipment (mechanical and electric equipment/fire-fighting/

air-conditioning).

(d) Comply with government policies to actively promote reclaimed water and sewage system construction and use mergers or participation of the Group in tenders for development.

ii. Overseas:

(a) Sino Environmental Services has won the tender for the operations and management of the Energy-from-Waste power generation plant and special and hazardous waste processing station in Macao. These will be used as the base for pursuing design or improvement projects in related environmental protection sectors of the Macao government.

(b) Mainland China has introduced the idea of employing professional third-party agencies to implement supervision. In recent years, we have obtained 8 third-party supervision projects at the Shanghai Laogang and Jinshan waste disposal plants and the Northern Plant in Zhongshan, Guangdong Province. We shall continue to expand such business opportunities.

(c) Biogas energy is a green energy industry in the carbon cycle and it is an industry that enjoys substantial policy support in foreign regions. We shall provide manpower and management services in the preliminary stages to assess the business opportunities for operations and investment in the industry.

(d) Participate in the development of the Energy-from-Waste market in Southeast Asia along with the Group.

b. Long-Term Business Plans

The long-term business plans will be based on short-term business plans and they involve expanding the pursuit for business opportunities such as operations, equipment repair and refurbishment as well as technical consulting in related domestic and overseas industries.

(3) Leading Energy Corporation

a. With regard to short-term business plans, we shall at least satisfy the city governments' annual requirement for processing 186,000 metric tons of waste and the general industrial waste of 300 metric tons/day collected independently by the Company as well as creating maximum profits in power sales as a principle.
b. Achieve high efficiency in power generation through the mid to long-term target of maintaining average waste acceptance and stable mechanical operation rates.

(4) HD Resource Management Corporation

a. With regard to the short-term business plans, we shall seek to satisfy, as a principle, the current pledged volume of the four Energy-from-Waste plants in Keelung, Houli, Wurih and Miaoli that independently collect or are contracted to collect general industrial waste.
b. The mid to long-term business plan involve expanding cooperation with waste resource recycling and reuse plants to expand the scope for waste disposal businesses.

(5) Fortune Energy Corporation

a. With regard to the short-term business plans, we shall seek to satisfy, as a principle, the minimum annual processing volume of 155,125 metric tons of the county government and maximize profits from power sales.
b. Achieve high efficiency in power generation through the mid to long-term target of maintaining average waste acceptance and stable mechanical operation rates.

5.2 Market and Sales Overview
5.2.1 Market Analysis

(1) KD Holding: The Company is an investment holding company and it is not applicable as a single industry.

A. KD Holding Corporation and Subsidiaries

i. By Major business Categories

Unit: NT$ thousands

Area \ Year	2015		2016	
	Amount	%	Amount	%
Taiwan	3,419,223	83.83	3,623,152	73.11
Macau	655,086	16.06	1,330,841	26.86
China	4,444	0.11	1,572	0.03
Total	4,078,753	100.00	4,955,565	100.00

ii. KD Holding: The Company is an investment holding company and it is not applicable as a single industry.

B. Sino Environmental Services Corp.

i. By Major business Categories

Unit: NT$ thousands

Area \ Year	2015		2016	
	Amount	%	Amount	%
Taiwan	2,656,179	95.58	2,721,624	94.77
Macau	104,455	3.76	107,214	3.73
China	18,399	0.66	42,876	1.50
Total	2,779,033	100.00	2,871,714	100.00

ii. Market Share

The main business of Sino Environmental Services is the operations and maintenance services for environmental protection and related facilities. It has been ranked in the top 500 service industries by the CommonWealth magazine since 2008 and it has consistently achieved top rankings in the top 500 service industries. It is evident that Sino Environmental Services has achieved a significant position in Taiwan's environmental protection sector.

a. There are currently 24 large-scale waste resource recycling plants in Taiwan and the designed capacity of the ones operated and maintained by Sino Environmental Services has reached a market share of 26.4% compared with the total designed capacity in Taiwan; it is the largest in Taiwan.

b. There are a total of 8 third-party supervision projects for Energy-from-Waste plants in China and the total designed capacity amounts to 12,350 metric tons/day. We are the leader in the industry in China.

iii. Future Supply, Demand and Growth of the Market

a. With regard to domestic Energy-from-Waste plants, the contracts for private operations are expiring and as government policy has suspended the construction of new waste Energy-from-Waste plants, the service of the old plants are expected to be extended and tenders will be reopened. Sino Environmental Services will continue to consolidate contracts at current operating plants while also actively pursuing the new tenders for other plants.
b. There are currently over 200 Energy-from-Waste plants in operation in China and there is a shortage in manpower and expertise of the supervising competent authority. Therefore, the market for third-party supervision still has tremendous potential for growth.
c. A large quantity of Energy-from-Waste plants will be built in Southeast Asia and China and we expect our overseas market scale to exceed the market scale in Taiwan. Sino Environmental Services is now actively pursuing related businesses.
d. Due to the government's promotion of reclaimed water and sewage system projects, the market for operation services is expected to grow. Sino Environmental Services will actively pursue the opportunities.

iv. Competitive Niches

Sino Environmental Services has been in the domestic Energy-from-Waste industry for over 20 years and it is the most experienced operations and manage company for Energy-from-Waste plants. Moreover, its parent company CTCI is the largest professional designer and builder of Energy-from-Waste plants in Taiwan. Sino Environmental Services retains resources and capabilities for integration and improvement of technologies and it will be beneficial to future pursuits of reopened tenders for the operations and management of Energy-from-Waste plants.

Sino Environmental Services has developed technologies and management capabilities through its experience in the operation and maintenance of Energy-from-Waste plants. It can also provide the clients with superior and more comprehensive services in water resource industries, track industries and mechanical and electrical engineering technologies.

v. The Favorable factors and Unfavorable Factors of the Development Prospect and Countermeasures

a. Favorable Factors

・Starting from 2018, the contracts for operations and management of Energy-from-Waste plants across Taiwan will expire one after another. As Taiwan's most professional and experienced operator, we shall be in a position to expand our market share.

・We can provide clients with more diversified services and increase the quality of services through technical and experience exchanges between various subsidiaries.

b. Unfavorable Factors and Countermeasures

・The government's policy on domestic urban waste resource recycling plants is not to build new plants.

Countermeasure: Actively pursue expansion overseas and expand horizontally into related core expertise such as the repairs and operations of transportation industries, operations in water resource industries, plant management and mechanical and electrical equipment maintenance etc.

・The public's environmental awareness is on the rise and protests against environmental pollutions have become more common.

Countermeasure: Fully abide by related laws and regulations in the operation and maintenance of various plants in order to prevent pollutions from occurring; conduct good-neighborly relations tasks regularly.

C. Leading Energy Corp.

i. By Major business Categories

Unit: NT$ thousands

Year / Area	2015		2016	
	Amount	%	Amount	%
Taiwan	629,132	100.00	657,942	100.00

ii. Market Share

Leading Energy is a dedicated BOT project company and it operates an Energy-from-Waste plant with a daily capacity of 900 metric tons to process the waste delivered by Taichung City Government (600mt/day) and the general industrial waste it independently collects (300mt/day) in 20 years of operation period. According to statistics of the Environmental Protection Administration of the Executive Yuan in 2016, current domestic medium to large-scale urban Energy-from-Waste plants in operations process a total of approximately 6.39 million metric tons of waste a year. The annual processing capacity of Wurih Plant is approximately 298,000 metric tons and it constitutes 4.66% of the total processing capacity of the 24 Energy-from-Waste plants in Taiwan. In terms of the volume of electricity sales, the total amount electricity sold by Energy-from-Waste plants in an entire year amounts to approximately 2.54 billion kilowatt/hours while the Wurih Plant sells approximately 142 million kilowatt/hours per year, constituting 5.59% of the total amount of electricity sold. In terms of power generation, the annual power generated amounts to approximately 177 million kilowatt/hours, which is 5.45% of the 3.25 billion kilowatt/hours generated by the 24 Energy-from-Waste plants in a year.

iii. Future Supply, Demand and Growth of the Market

Taichung City Government follows the policy of regional cooperation for waste disposal and provides support to nearby municipalities for processing waste. Therefore the current status of supply and demand remains stable.

iv. Competitive Niches

The Company's partnered team - Sino Environmental Services - is a professional operator of Energy-from-Waste plants and it operates a total seven domestic large-scale urban Energy-from-Waste plants. Therefore its integration of operation technologies and improvement in managing production of Energy-from-Waste plants shall improve the performance of resource integration of KD Holding.

v. The Favorable factors and Unfavorable Factors of the Development Prospect and Countermeasures

a. Favorable Factors

- The other Energy-from-Waste plants operated by Sino Environmental Services are able to provide more diversified services such as assistance in dispatching waste disposal services to prevent waste from piling up due to an overhaul at a single Energy-from-Waste plant. On the other hand, it can also increase the number of clients.

- The supply of general waste is guaranteed by the Taichung City Government and the source of industrial waste independently collected by the plant is controlled by HD Resource Management. The arrangements maintain the stability of the processed volume and power generation at the plant.

b. Unfavorable Factors and Countermeasures

- Equipment degradation lowers Energy-from-Waste processing efficiency

Countermeasure: The designed capacity of the Wurih Plant is 900mt/day and the actual operation rate (operating hours/ (annual hours-suspension hours)) in the most recent 3-4 years has been kept at approximately 91% (exceeding the 85% required in the contract). Therefore the operations of the Energy-from-Waste plant continue to be stable. Fully implement the preventive maintenance tasks of related facilities in the plant as well as actively implement energy and resources-saving and carbon reduction measures.

D. HD Resources Management Corp.

i. By Major business Categories

Unit: NT$ thousands

Year / Area	2015		2016	
	Amount	%	Amount	%
Taiwan	880,309	100.00	991,313	100.00

ii. Market Share

HD Resource Management is a company dedicated to industrial waste clearance and disposal. Its national market share in industrial waste collection and processing services is approximately 14.60%.

iii. Future Supply, Demand and Growth of the Market

New processing facilities in Taiwan are in development and the current processing capacity is lower than the production of waste.

iv. Competitive Niches

Based on the core values in 15 years of waste collection, management and disposal operations, HD Resource Management independently developed a waste management information system and allowed waste disposal operators who enter the plants to jointly use the system online in order to improve management efficiency and competitiveness.

HD Resource Management also plans to use its abundance experience as a stepping stone to expand to waste resources recycling operations in order to provide waste generating entities or disposal operators with more comprehensive services.

v. The Favorable factors and Unfavorable Factors of the Development Prospect and Countermeasures

a. Favorable Factors

- Advantages in integration

The Company has capabilities for the management, disposal, and market development of waste and is able to satisfy customers' requirements for waste disposal.

- Brand Advantages

  Our performance always meet client demands and we enjoy a favorable reputation in the industry which reassures clients that they can safely allow the Company to dispose of their waste.

- Low Financial Risks

  Our clients have all undergone extensive evaluation by the Company to ensure the health of their financial status and therefore the risks of bad debts is low.

b. Unfavorable Factors and Countermeasures

- High Dependence on Policy

  The Company's business would be affected if the government becomes lax in amendments and execution of environmental protection laws.

  Countermeasure: Stay abreast of government policies as well as the regulations and execution of related laws in order to make flexible adjustments in business operations to comply with policies and regulations.

E. Fortune Energy Corp.

i. By Major business Categories

Unit；NT$ thousands

Year / Area	2015		2016	
	Amount	%	Amount	%
Taiwan	366,722	100.00	360,797	100.00

ii. Market Share

Fortune Energy is a dedicated BOT project company and it operates an Energy-from-Waste plant with a daily capacity of 500 metric tons to process the waste delivered by Miaoli County Government (500mt/day, including general industrial waste independently collected by Miaoli County Government) in 20 years of operation period. According to statistics of the Environmental Protection Administration of the Executive Yuan in 2016, current domestic medium to large-scale urban Energy-from-Waste plants in operations process a total of approximately 6.39 million metric tons of waste a year. The annual processing capacity of Miaoli Plant is approximately 168,000 metric tons and it constitutes 2.63% of the total processing capacity of the 24 Energy-from-Waste plants in Taiwan. In terms of the volume of electricity sales, the total amount electricity sold by Energy-from-Waste plants in an entire year amounts to approximately 2.54 billion kilowatt/hours while Miaoli Plant sells approximately 74 million kilowatt-hours per year, constituting 2.92% of the total amount of electricity sold. In terms of power generation, the annual power generated amounts to approximately 94.77 million kilowatt-hours, which is 2.92% of the 3.245 billion kilowatt/hours generated by the 24 Energy-from-Waste plants in a year.

iii. Future Supply, Demand and Growth of the Market

Miaoli County Government ensures delivery of 155,125 ton/ year. In addition to the previous plans for waste disposal, Nantou County has been included in 2017 and the waste processing volume remains at 480 ton /day. There is no shortage of waste delivery to satisfy the total required amount for operations at the Energy-from-Waste plant.

iv. Competitive Niches

The Company's partnered team - Sino Environmental Services - is a professional operator of Energy-from-Waste plants and it operates a total seven domestic large-scale urban Energy-from-Waste plants. Therefore its integration of operation technologies and improvement in managing production of Energy-from-Waste plants shall improve the performance of resource integration of KD Holding.

v. The Favorable factors and Unfavorable Factors of the Development Prospect and Countermeasures

a. Favorable Factors

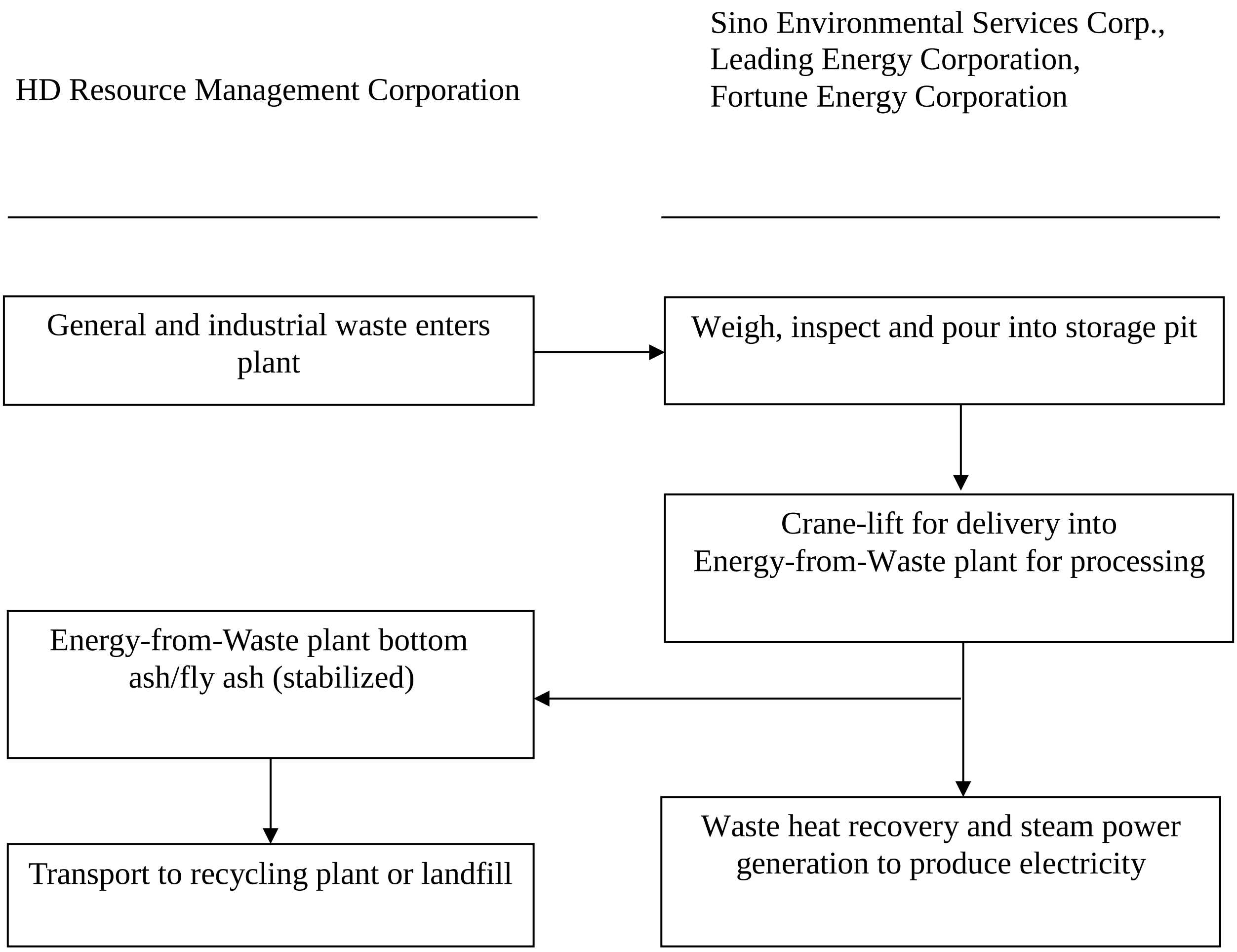
- All supply of waste is guaranteed by the County Government and the arrangements maintain the stability of the processed volume and power generation at the plant.

b. Unfavorable Factors and Countermeasures

- The increase in general industrial waste increases equipment degradation

  Countermeasure: The designed capacity of the Miaoli Plant is 500ton/day and the actual operation rate (operating hours/ (annual hours-suspension hours)) in the most recent 3-4 years has been kept at approximately 94% (exceeding the 85% required in the contract). Therefore the operations of the Energy-from-Waste plant continue to be stable. In response to the increased volume of general industrial waste processed by the plant, the Plant shall continue to enhance inspections of waste upon arrival, actively implement homogenization management of waste to ensure that they are sufficiently mixed, and fully implement the preventive maintenance tasks of related facilities in the plant.

5.2.2 The Company's Main Services Purposes and Service Sequences



(1) KD Holding: The Company is an investment holding company and its main business is general investment; therefore it is not applicable as a single industry.

(2) Sino Environmental Services Corp.

a. Usage of Primary Products (Services)

   i. The Company's main business is to provide operation and management services as well as Energy-from-Waste plant for the disposal of waste to various urban waste resource recycling plants and Energy-from-Waste plants of municipality governments.

   ii. The Company also generates power from the Energy-from-Waste plant of waste to provide power for civilian use.

b. Production Process of Primary Products (Services)

   The Company's main service is to dispose of waste and generate electricity from the Energy-from-Waste plant of waste. Place waste into the Energy-from-Waste plant for Energy-from-Waste and recover the heat generated in the boiler in the process to produce steam. The steam is used to power the turbine generator to generate electricity. The remaining electricity is transmitted into the power grid of Taiwan Power Corporation after deducting the self-use electricity.

(3) Leading Energy Corporation

a. Usage of Primary Products (Services)

   i. The Company operates Wurih Energy-from-Waste Plant by means of a special permit and its main service is the disposal of waste produced by civilians and industrial entities. It is a stable environmental protection service industry that is less affected by economic cycles.

   ii. Electricity is generated in the process of Energy-from-Waste plant of waste. Except for the self-use electricity, all remaining electricity is sold to Taiwan Power Company.

b. Production Process of Primary Products (Services)

   The Company's main service is the disposal of waste delivered by Taichung City Government and general industrial waste collected by waste disposal agencies. The heat generated in the Energy-from-Waste plant the process is transmitted through the heat exchanger to the boiler to produce steam. The steam is used to power the turbine generator to generate electricity. The remaining electricity is transmitted into the power grid of Taiwan Power Corporation after deducting the self-use electricity.

(4) HD Resource Management Corporation

a. Usage of Primary Products (Services)

b. The Company's main service is the disposal/management of general waste and industrial waste in order to provide clean and comfortable life and work environment.

c. Production Process of Primary Products (Services)

   HD Resource Management collects or manages general waste and industrial waste produced in residential buildings and industrial entities to deliver to landfills or Energy-from-Waste plants for disposal. In addition, the Company also transports ash produced by Energy-from-Waste plants to landfills for final disposal or to reuse plants for reuse.

(5) Fortune Energy Corporation

a. Usage of Primary Products (Services)

   i. The Company operates Miaoli Energy-from-Waste Plant by means of a special permit and its main service is the disposal of waste produced by civilians and industrial entities. It is a stable environmental protection service industry that is less affected by economic cycles.

   ii. Electricity is generated in the process of Energy-from-Waste plant of waste. Except for the self-use electricity, all remaining electricity is sold to Taiwan Power Company.

b. Production Process of Primary Products (Services)

   The Company's main service is the disposal of waste delivered by Miaoli County Government and general industrial waste collected by waste disposal agencies. The heat generated in the Energy-from-Waste plant the process is transmitted through the heat exchanger to the boiler to produce steam. The steam is used to power the turbine generator to generate electricity. The remaining electricity is transmitted into the power grid of Taiwan Power Corporation after deducting the self-use electricity.

5.2.3 State of Supply of Main Materials:

KD Holding Corporation is an investment holding company and its subsidiaries Sino Environmental Services, Leading Energy, HD Resource Management and Fortune Energy are all environmental protection services providers. None of them have production activities and this item is therefore not applicable.

5.2.4 Major Suppliers and Clients

(1) Major Suppliers (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years: None

(2) (Major Clients (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years):

A. KD Holding Corporation and Subsidiaries

The information of main sales customer in the last two years

Unit: NT$ thousands

Item	2015				2016				As of March 31, 2017			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Environmental Protection Bureau of Taichung City Government	473,864	11.62	-	Environmental Protection Bureau of Taichung City Government	438,520	8.85	-	Environmental Protection Bureau of Taichung City Government	101,339	9.57	-
2	CTCI Corp.	450,078	11.03	The ultimate parent	CTCI Corp.	436,350	8.81	The ultimate parent	CTCI Corp.	55,924	5.28	The ultimate parent
3	Others	3,154,811	77.35	-	Others	4,080,695	82.34	-	Others	901,618	85.15	-
	Total	4,078,753	100.00		Total	4,955,565	100.00		Total	1,058,881	100.00	

B. Sino Environmental Services Corp.

The information of main sales customer in the last two years

Unit: NT$ thousands

Item	2015				2016				As of March 31, 2017			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	HD Resources Management Corp.	413,198	14.87	A subsidiary	HD Resources Management Corp.	437,334	15.23	A subsidiary	HD Resources Management Corp.	133,008	20.83	A subsidiary
2	CTCI Corp.	413,272	14.87	The ultimate parent	CTCI Corp.	434,634	15.14	The ultimate parent	Hsin Yung Enterprise Corp.	86,063	13.48	-
3	Others	1,952,563	70.26	-	Others	1,999,746	69.63	-	Others	419,418	65.69	-
	Total	2,779,033	100.00		Total	2,871,714	100.00		Total	638,489	100.00	

A. Leading Energy Corp. : None

B. HD Resources Management Corp. : None

C. Fortune Energy Corp. : None

5.2.5 Production over the Last Two Years

None

5.2.6 Shipments and Sales over the Last Two Years

(1) KD Holding Corporation and Subsidiaries

Unit: NT$ thousands

Year / Shipments & Sales / Major Products	2015		2016	
	Local	Export	Local	Export
Waste Treatment	1,253,246	0	1,352,508	0
Electricity	891,439	404,487	821,253	1,118,190
Concession Service	611,354	0	604,171	0
Waste Collection	120,487	0	123,040	0
Others	542,697	255,043	722,180	214,223
Total	3,419,223	659,530	3,623,152	1,332,413

(2) Sino Environmental Services Corp.

Unit: NT$ thousands

Year / Shipments & Sales / Major Products	2015		2016	
	Local	Export	Local	Export
Energy-from-Waste plant related income	2,110,139	0	2,077,255	0
Others	546,040	122,854	644,369	150,090
Total	2,656,179	122,854	2,721,624	150,090

(3) Leading Energy Corp.

Unit: NT$ thousands

Year / Shipments & Sales / Major Plant	2015		2016	
	Local	Export	Local	Export
The plant of Wurih	629,132	0	657,942	0
Total	629,132	0	657,942	0

(4) HD Resources Management Corp.

Unit: NT$ thousands

Year / Shipments & Sales / Major Products	2015		2016	
	Local	Export	Local	Export
Waste Treatment	731,418	0	830,700	0
Waste Collection	141,876	0	153,414	0
Comprehensive planning to clean up revenue	7,015	0	7,199	0
Total	880,309	0	991,313	0

(5) Fortune Energy Corp.

Unit: NT$ thousands

Year / Shipments & Sales / Major Plant	2015		2016	
	Local	Export	Local	Export
The plant of Miaoli	366,722	0	360,797	0
Total	366,722	0	360,797	0

5.3 Human Resources

5.3.1 The information about employees employed for the most recent two fiscal years and up to the date of printing of the annual report

(1) KD Holding Corporation and Subsidiaries

April 30, 2017

Year		2015	2016	As of April 30, 2017
Number of Employees		8	10	10
Average Age		46.42	49.95	50.29
Average service seniority		4.53	4.99	5.33
Ratio of employees at each level of educational degree	Master	37.50	50.00	50.00
	Bachelor	62.50	50.00	50.00
	Senior High School and below	0.00	0.00	0.00

Note: The data in the annual report should be included until the annual publishing.

(2) Sino Environmental Services Corp.

April 30, 2017

Year		2015	2016	As of April 30, 2017
Number of Employees		696	645	656
Average Age		40.76	41.16	41.39
Average service seniority		8.59	9.08	9.26
Ratio of employees at each level of educational degree	Master	11.49	12.56	11.89
	Bachelor	63.51	63.56	64.63
	Senior High School and below	25.00	23.88	23.48

Note: The data in the annual report should be included until the annual publishing.

(3) Leading Energy Corp.

April 30, 2017

Year		2015	2016	As of April 30, 2017
Number of Employees		3	4	4
Average Age		41.05	38.96	39.30
Average service seniority		5.17	2.84	3.17
Ratio of employees at each level of education al degree	Master	100	50	50
	Bachelor	0.00	50	50
	Senior High School and below	0.00	0.00	0.00

Note: The data in the annual report should be included until the annual publishing.

(4) HD Resources Management Corp.

April 30, 2017

Year		2015	2016	As of April 30, 2017
Number of Employees		51	41	40
Average Age		41.27	42.61	42.61
Average service seniority		8.23	9.33	9.77
Ratio of employees at each level of educational degree	Master	7.84	14.63	12.50
	Bachelor	50.98	41.46	42.50
	Senior High School and below	41.18	43.91	45.00

Note: The data in the annual report should be included until the annual publishing.

(5) Fortune Energy Corp.

April 30, 2017

Year		2015	2016	As of April 30, 2017
Number of Employees		5	5	5
Average Age		42.21	42.87	43.21
Average service seniority		5.50	5.58	5.91
Ratio of employees at each level of educational degree	Master	0.00	20.00	20.00
	Bachelor	80.00	80.00	80.00
	Senior High School and below	20.00	0.00	0.00

Note: The data in the annual report should be included until the annual publishing.

5.3.2 Status of licenses required by competent authorities held by personnel of the Company and its subsidiaries involved in the transparency of financial information:

Certification Name	Number of People
International Certified Internal Auditor	1
Qualified in the Basic Proficiency Test on Enterprise Internal Control of the Securities & Futures Institute	1

5.3.2 Safety of the Work Environment and Employees' Personal Safety

(1) Safety, Health and Environmental Policy

- Risk management
- Implement regulations
- Communication training
- Continuous improvement

The Company and its subsidiaries maintain a business philosophy of focusing on quality, environmental protection, health, safety and pollution prevention as well as a spirit of honesty, service, professionalism and excellence with regard to the continuous improvement in quality, environmental protection, safety and health measures. Through the implementation of requirements in CNS 15506 and OHSAS18001:2007 and policy formulation, the Company ensures that the urban Energy-from-Waste plants can effectively manage the potential harm, illnesses, safety and health risk due to changes in the production process, procurement, contractors, property and other items that do not comply with regulations. The purpose is to provide basic guiding principles for an effective and appropriate safety and health management system continue to improve the safety and health performance of the entire organization, and establish the critical points, policies, goals and targets of safety and health management in order to improve the safety and health management system step by step.

(2) Safety, Health and Environmental Organization.

The Company has always maintained a business model of participation of all employees in which the supervisors and staff members in each department conduct effective communication through periodic meetings and training to ensure harmonious labor relations. Monthly meetings are used to conduct safety and health reviews and the occupational safety and health management committee which convenes each quarter allow all employees to participate in the disclosure and supervision of the Company's various quality, safety and health policies as well as the legality, fairness and effectiveness of measures while ensuring that a safe and sanitary work environment for colleagues. The Company has established a Safety and Health Office to promote safety, health and environmental activities for the company, audit the safety, health and environmental management requirements in all operations, and to supervise and measure the Company's performance in safety, health and environmental protection. In addition, dedicated level one safety, health and environmental management units are established for each project to be responsible for the performance and supervision safety, health and environmental protection for each project.

(3) Safety, Health and Environmental Management System

Sino Environmental Services has completed the establishment of the system in December 2009 and has since obtained TOSHMS and OHSAS18001:2007 certification. It was certified again in 2012. The Company maintains the spirit for continuous improvement in the safety, health and environmental management system and actively improves safety and health risk management, incident prevention, energy and resource conservation, employee health and prevention of various hazards. The Company also establishes annual safety, health and environmental targets, in order to provide detailed and feasible improvement plans and executes them to lower potential safety, health and environmental risks.

(4) Safety, Health and Environmental Management Operations

The safety, health and environmental management system of the Company and subsidiaries employ management methods and strategies to resolve safety, health and environmental-related issues through sequential and targeted methodology and use the Deming Management Cycle:

Plan-Do-Check-Action (P-D-C-A) logic to promote a three-tiered auditing and management system. The system employs constant auditing and real-time correction from operation safety observation to achieve real-time education and two-way communication and allow all employees to participate in the establishment a consensus and culture for safety.

(5) Statistical Analysis of Occupational Hazards

The data for statistical analyses of occupational hazards of the Company and subsidiaries are based on the disabling injury frequency rate per million work hour from the Department of Labor and the Company reports online for statistical analyses in accordance with regulations of the Ministry of Labor. It also integrates safety and health performance management KPI to prevent similar incidents from occurring. In addition, reports of false alarms have been discovered in statistical analyses and we should encourage employees to effectively take preventative actions to reduce the occurrences of safety incidents. Therefore the Company has specifically included verification and joint audits of dynamic internal inspections etc. in hopes of discovering issues by using frequent inspections and reports of false alarms or employee counseling to prevent safety incidents, increase awareness for all employees and strive for a common goal. The projects of the Company also incorporate the statistical activity for zero-incident work hours organized by the Ministry of Labor and they have, one by one, been awarded zero-incident work hour certifications. The Shulin Plant, operated by Sino Environmental Services, has participated in the zero-incident work hour activity of the Ministry of Labor, Executive Yuan since 2008. The record for zero-incidents has reached 960,000 work hours. Sino Environmental Services maintains a "human-centric" core value and has invested manpower and resources necessary to create a safe and healthy work environment to protect employee work safety and health.

(6) Awards

The Company continues to work hard for safety, sanitation and employee health and has received awards from related government agencies in 2016. The awards received by the subsidiary company, Sino Environmental Services, are summarized as follows:

- Sino Environmental Services was awarded the National Occupational Safety & Health Award by the Ministry of Labor this year; Tainan Energy-from-Waste Plant was awarded "2015 Excellent Unit Award for the Promotion of Occupational Safety"; Southern Taiwan Science Park Energy-from-Waste Plant was awarded "2015 Outstanding Unit Award for Occupational Safety and Health of Southern Taiwan Science Park". Personal awards include: Chun-Hsien Chang of Keelung Energy-from-Waste Plant was awarded "2015 Technical Award for Outstanding Personnel for the Promotion of Occupational Safety and Sanitation" by the Ministry of Labor; Fang-Yu Wang of Houli Energy-from-Waste Plant was awarded "2015 Technical Award for Outstanding Personnel for the Promotion of Occupational Safety and Sanitation" by the Ministry of Labor; Kai-Meng Lu of Tainan Energy-from-Waste Plant was awarded "2015 Outstanding Personnel Award for the Promotion of Occupational Safety and Sanitation" by Tainan City Government.
- Southern Taiwan Science Park Energy-from-Waste Plant was awarded a certification for 840,000 work hours without incidents by the Industrial Safety and Health Association of the R.O.C., commissioned by the Ministry of Labor; Wurih Energy-from-Waste Plant was awarded a certification for 720,000 work hours without incidents by the Industrial Safety and Health Association of the R.O.C., commissioned by the Ministry of Labor; the Headquarters in Taipei was awarded a certification for 490,000 work hours without incidents by the Industrial Safety and Health Association of the R.O.C., commissioned by the Ministry of Labor and the certification for "Implementation Plan for National Occupational Safety and Health Week Event 2016".

5.4 Environmental Protection Expenditure Information

(1) According to laws and regulations, the Company is required to apply for a permit for installing polluting facilities, or permit for pollution drainage, or to organize and set up an exclusively responsible unit/personnel for environmental protection issues. The status of application and establishment of the Company and subsidiaries are described as follows:

A. KD Holding: Not Applicable.

B. Sino Environmental Services Corp.

i. Permit for Installing Polluting Facilities, Permit for Pollution Drainage

The Company has a total of seven fixed pollutant operation permits, six water pollutant prevention permits, one toxic chemicals approval certification, one Class B Industrial Waste Disposal Permits, and three industrial waste disposal plan.

ii. Establishment of Dedicated Environmental Protection Unit and Personnel

The Company's employees have obtained twenty-two Class A Dedicated Air Pollution Control Specialist certificates, four Class A Wastewater Treatment Technician certificates, two Class B Dedicated Wastewater and Sewage Treatment Specialist certificates and thirteen Waste Disposal Technician certificates.

C. Leading Energy Corporation

i. Permit for Installing Polluting Facilities, Permit for Pollution Drainage

The Company has a total of one fixed pollutant operation permit, one water pollutant prevention permits, one waste disposal permit, and one industrial waste disposal plan.

ii. Establishment of Dedicated Environmental Protection Unit and Personnel (Including dedicated environmental protection personnel at Sino Environmental Services)

One Class A Waste Disposal Technicians, One Class B Waste Disposal Technicians, three Class A Dedicated Air Pollution Control Specialists and one Class B Dedicated Wastewater and Sewage Treatment Specialist.

D. HD Resource Management Corporation

i. Waste Disposal Permits

One Class A Waste Disposal Permit

ii. Establishment of Dedicated Environmental Protection Unit and Personnel

One Class A Waste Disposal Technicians and one Class B Waste Disposal Technician.

E. Fortune Energy Corporation

i. Waste Disposal Permits

The Company has a total of one fixed pollutant operation permit, one water pollutant prevention permits, one waste disposal approval document, and one industrial waste disposal plan approval letter.

ii. Establishment of Dedicated Environmental Protection Unit and Personnel

One Class A Waste Disposal Technicians, three Class A Dedicated Air Pollution Control Specialists and one Class A Dedicated Wastewater and Sewage Treatment Specialist.

(2) Investment and Implementation Status of Primary Equipment for Prevention of

Environmental Pollution

A. KD Holding: Not Applicable.

B. Sino Environmental Services: Not Applicable.

C. Leading Energy Corporation

December 31, 2016; Unit: NT$ thousands

Equipment Name	Quantity	Obtainment Date	Investment Cost	Book Value	Usage and Anticipated Benefit
Incinerator and Related Pollution Prevention Equipment	1	2004.09.06	2,676,799	721,944	Compliance with related laws and regulations on waste incineration, air and wastewater pollution prevention

D. HD Resource Management Corporation

December 31, 2016; Unit: NT$ thousands

Equipment Name	Quantity	Obtainment Date	Investment Cost	Book Value	Usage and Anticipated Benefit
Waste Disposal Trucks Weighing Over 35 Tons	43	2001.08-2016.12	70,344	12,254	Compliance with related environmental protection laws and regulations applicable to waste disposal industries
Waste Disposal Trucks Weighing Under 26 Tons	9	2003.09-2016.01	21,629	4,262	Compliance with related environmental protection laws and regulations applicable to waste disposal industries

E. Fortune Energy Corporation

December 31, 2016; Unit: NT$ thousands

Equipment Name	Quantity	Obtainment Date	Investment Cost	Book Value	Usage and Anticipated Benefit
Incinerator and Related Pollution Prevention Equipment	1	2008.02.29	2,279,910	1,301,014	Compliance with related laws and regulations on waste incineration, air and wastewater pollution prevention

iii. The sum of losses and total fines due to environmental pollution during the most recent year and up to the annual report publication date as well as disclosure of future countermeasures and possible expenditures:

The Company and its subsidiaries have not sustained losses or fines due to pollution of the environment in the past year and up to the date of report.

5.5 Relations between labor and employer

5.5.1 The Company's employee benefits for studying, training, the pension system and its implementation status as well as labor agreements and employee rights maintenance measures:

(1) Employee Welfare

A. Employee Welfare Committee; organize various subsidies for employee weddings and funerals; periodic leisure travel and recreational sports competitions etc. to promote the physical and mental health of employees.

B. In addition to participation in Labor Insurance and the National Health Insurance, the Company also provides coverage with group insurance for employees.

C. On-the-job professional skills training, management and language courses, health seminars etc. for employees.

D. Distribution of three Chinese festival bonuses and birthday gifts.

E. Periodic health examination.

F. Establish employee bonus and share subscription regulations to share the results of the Company's growth with employees in order to increase employee coherence.

(2) Measures for Employee Training

The Company and subsidiaries have established occupational skills training systems in accordance with the Company's vision, mission and long-term business goals and it also developed occupational training plans for each expertise and level. The training methods include courses, online learning, the knowledge base etc. with the goal of enhancing employees' professional knowledge and skills as well as language, computer, management and leadership skills. The training is managed through a Global Training System (GTS) to strengthen online learning functions to allow employees to learn from the occupational training system and development plans from anywhere. In addition, the Company also provides recommendation for outstanding employees to study at domestic or foreign colleges or institutions to further enhance employees' professional skills and allow employees to develop international business capabilities by working with staff from foreign companies. The total annual training fee for the employees of the Company and its subsidiaries was close to NT$2.116 million and the average annual training hours for each employee exceeded 32.89 hours. The man-hours and expenses for various types of training are as follows:

Type	Sessions	Total Participants	Total hours (hour)	Total Expenses (NT$1,000)
Training for New Employees	62	1,206	1,809	12
Professional Skills Training	859	8,022	19,260	1,915
Managerial Training	74	704	1,320	170
Self-Development Training	68	1,186	1,584	19
Total	1,063	11,118	23,973	2,116

A. Training for new hires: New hires are trained in several topics, including the general conditions of the Company, work rules, related regulations on quality, safety, health, and environmental management, and corporate culture.

B. Training of professional skills: Each department provides internal training that includes lectures and hands-on practice for their employees or assigns them to attend external courses and related training on professional subjects in accordance with their job description, company business development requirements, or contractual or regulatory requirements to increase their professional capacities.

C. Training of management skills: The Human Resources Department and the business unit organize management courses in accordance with the status and development requirements of the Company and allow unit supervisors to assign personnel to participate in the courses.

D. Self-improvement training: The company provides English language training courses to improve employees' international communication capabilities and on-the-job training at domestic or foreign institutes to enhance employees' professional knowledge.

Related employee training courses are implemented in accordance with the "Employee Education Management Regulations".

(3) Implementation Status of the Pension System

The "Labor Pension Regulations" of the employee pension system is established in accordance with regulations in the Labor Standards Act. Dedicated labor pension fund accounts are also established to set aside workers' retirement reserve funds each month to be deposited at the dedicated accounts in the Bank of Taiwan.
Starting on July 1, 2005 with the implementation of the new system for labor pension, the Company inquires its employees whether they wish to adopt the new system or the old system. The Company has set aside 6% of the monthly salary for employees who have opted for the new labor pension system and deposited the funds into the employees' personal pension account to safeguard their lives after retirement.

(4) Labor Agreement Status

The Company has always maintained a business model of participation of all employees in which the supervisors and staff members in each department conduct effective communication through periodic meetings and training; periodic labor relation meetings are also conducted in which labor representatives can communicate directly and effectively with management on various rights and benefits to ensure harmonious labor relations.

(5) Employee Benefit Protection Measures

The Company has established the Employees' Welfare Committee and the Supervisory Committees of Workers' Retirement Reserve Funds as well as setting aside employee welfare funds and workers' retirement reserve funds in accordance with regulations.

5.5.2 Losses arising as a result of labor disputes in the recent year up until the publishing date of this annual report and disclosure of potential current and future losses and countermeasures:

In the most recent years and as of date of the publication of the annual report, there are no labor disputes that incurred losses.

5.5.3 Training program related to participate in corporate governance for managers:

Title	Name	Study period	Sponsoring Organization	Course	Training hours
General manager	J.J. Liao	2016.08.05	Taiwan Corporate Governance Association	How to deal with modern white - collar crime	3
Accounting manager	Tan Ching Yao	2016.03.14 ~2016.03.23	Accounting Research and Development Foundation	The first time Refresher classes for accountant supervisor of stock exchange	30
Audit Manager	CHAN CHIA LIN	2016.08.29	The Institute of Internal Auditors	Interpretation of Financial Analysis Index and Prevention of Management Risk	6
		2016.09.20	Securities and Futures Institute	ERP audit practice and application workshop	6

5.6 Important Contracts

KD Holding owns four main subsidiary companies including Sino Environmental Services, Leading Energy, HD Resource Management and Fortune Energy. The important contracts for each individual company are described below:

(1) Sino Environmental Services Corp.

Nature of Contract	Counterparty	Commencement/ Expiration Date	Content	Restrictions
Operations Service Contract	Taichung City Government Environmental Protection Bureau	2001.8.15~2021.8.14	Operations and Management Services for Houli Waste Resource Recycling Plant	None
Operations Service Contract	Leading Energy Corporation	2004.9.10~2024.9.9	Operations and Management Services for Wurih BOT Waste Resource Recycling Plant	None
Operations Service Contract	Keelung City Government Environmental Protection Bureau	2006.3.27~2026.3.26	Operations and Management Services for Keelung Waste Resource Recycling Plant	None
Operations Service Contract	Fortune Energy Corporation	2008.2.29~2028.2.28	Operations and Management Services for Miaoli BOT Energy-from-Waste Plant	None

(2) Leading Energy Corporation

Nature of Contract	Counterparty	Commencement date/expiration date	Content	Restrictions
Waste Resources Recycling Plant Construction and Operations	Taichung City Government	2000.9~2004.9 (Construction) 2004.9.6~2024.9.5 (Operations)	The construction and operations of Wurih BOT Waste Resource Recycling Plant were carried out through private investment and the special operations permit is valid for 20 years starting on the commercial operations date (September 6, 2004)	None
Qualified Cogeneration Power System Electricity Sales	Taiwan Power Company	The annual contract which commenced on August 2, 2004 is automatically renewed each year before its expiry if both parties file no objections.	According to the regulations in the Energy Administration Act, the electricity produced by the qualified cogeneration system at Wurih Plant is sold to Taiwan Power Company	None

Nature of Contract	Counterparty	Commencement date/expiration date	Content	Restrictions
Operations Services	Sino Environmental Services Corp.	2004.9.10~2024.9.9	Operations and management of Wurih BOT Waste Resource Recycling Plant	None

(3) Fortune Energy Corporation

Nature of Contract	Counterparty	Commencement/Expiration Date	Content	Restrictions
Waste Resources Recycling Plant Construction and Operations	Miaoli County Government	2008.2.29~2028.2.28	The construction and operations of Miaoli BOT Energy-from-Waste Plant were carried out through private investment and the special operations permit is valid for 20 years starting on the commercial operations date (February 29, 2008)	None
Qualified Cogeneration Power System Electricity Sales	Taiwan Power Company	The annual contract which commenced on January 4, 2010 is automatically renewed each year before its expiry if both parties have no objections	According to the regulations in the Energy Administration Act, the electricity produced by the qualified cogeneration system at Miaoli Plant is sold to Taiwan Power Company	None
Operations Services	Sino Environmental Services Corp.	2008.2.29~2028.2.28	The operations of Miaoli BOT Energy-from-Waste Plant shall be 20 years starting on the commercial operations date (February 29, 2008)	None

VI. Financial Information

6.1 Condensed Financial Statement for the Recent 5 Years

6.1.1 Condensed Consolidated Balance Sheet

1. Condensed Consolidated Balance Sheet –International Financial Reporting Standards

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary					As of March 31, 2017 (Note 2)
		2012	2013 (adjusted) (Note 1)	2014 (adjusted) (Note 1)	2015	2016	
Current Assets		3,076,914	3,218,309	3,323,216	3,883,204	3,881,133	3,975,864
Property, Plant and Equipment		61,013	52,927	60,915	51,075	54,433	56,392
Intangible Assets		0	0	0	0	0	0
Other Assets		3,955,664	3,767,244	3,851,352	3,721,835	3,385,661	3,390,013
Total Assets		7,093,591	7,038,480	7,235,483	7,656,114	7,321,227	7,422,269
Current Liabilities	Before distribution	1,619,948	1,479,002	1,638,459	1,958,674	1,417,281	1,304,201
	After distribution	2,167,331	2,060,950	2,245,708	2,598,026	（Note 3）	（Note 3）
Non-current Liabilities		1,511,608	1,128,803	912,233	785,792	639,172	653,748
Total Liabilities	Before distribution	3,131,556	2,607,805	2,550,692	2,744,466	2,056,453	1,957,949
	After distribution	3,678,939	3,189,753	3,157,941	3,383,818	（Note 3）	（Note 3）
Equity Attributable to Shareholders of The Parent		3,538,375	3,992,247	4,231,476	4,438,954	4,682,057	4,844,380
Capital Stock		607,221	639,595	649,865	658,627	664,614	666,249
Capital Surplus		1,533,613	1,871,722	1,977,434	2,069,266	2,126,850	2,142,868
Retained Earnings	Before distribution	1,421,964	1,481,692	1,592,699	1,686,052	1,888,608	2,066,527
	After distribution	874,581	899,744	985,450	1,046,700	（Note 3）	（Note 3）
Other Equities		(24,423)	(762)	11,478	25,009	1,985	(31,264)
Treasury Stocks		0	0	0	0	0	0
Non-controlling Interests		423,660	438,428	453,315	472,694	582,717	619,940
Total Equity	Before distribution	3,962,035	4,430,675	4,684,791	4,911,648	5,264,774	5,464,320
	After distribution	3,414,652	3,848,727	4,077,542	4,272,296	（Note 3）	（Note 3）

Note1: The 2014 and 2013 financial statements adopted the “2013 version of IFRS” as endorsed by the Financial Supervisory Commission commencing 2015, and accordingly, the financial statements for the prior periods were retroactively adjusted.
Note2: The 2017 Q 1 consolidated financial statements have been unreviewed by CPA.
Note3: The 2016 earnings distribution has not been resolved by the Shareholder’s Meeting, hence not applicable.

2. Condensed Balance Sheet - International Financial Reporting Standards

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary				
		2012	2013 (adjusted) (Note 1)	2014 (adjusted) (Note 1)	2015	2016
Current Assets		447,166	633,275	331,043	514,494	749,527
Property, Plant and Equipment		174	0	0	0	0
Intangible Assets		0	0	0	0	0
Other Assets		3,410,964	3,416,083	3,942,182	3,943,102	3,957,046
Total Assets		3,858,304	4,049,358	4,273,225	4,457,596	4,706,573
Current Liabilities	Before distribution	317,219	53,266	40,554	18,276	20,858
	After distribution	864,602	635,214	647,803	657,628	（Note 2）
Non-current Liabilities		2,710	3,845	1,195	366	3,658
Total Liabilities	Before distribution	319,929	57,111	41,749	18,642	24,516
	After distribution	867,312	639,059	648,998	657,994	（Note 2）
Equity Attributable to Shareholders of The Parent		3,538,375	3,992,247	4,231,476	4,438,954	4,682,057
Capital Stock		607,221	639,595	649,865	658,627	664,614
Capital Surplus		1,533,613	1,871,722	1,977,434	2,069,266	2,126,850
Retained Earnings	Before distribution	1,421,964	1,481,692	1,592,699	1,686,052	1,888,608
	After distribution	874,581	899,744	985,450	1,046,700	（Note 2）
Other Equities		(24,423)	(762)	11,478	25,009	1,985
Treasury Stocks		0	0	0	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	Before distribution	3,538,375	3,992,247	4,231,476	4,438,954	4,682,057
	After distribution	2,990,992	3,410,299	3,624,227	3,799,602	（Note 2）

Note1: The 2014 and 2013 financial statements adopted the “2013 version of IFRS” as endorsed by the Financial Supervisory Commission commencing 2015, and accordingly, the financial statements for the prior periods were retroactively adjusted.

Note2: The 2016 earnings distribution has not been resolved by the Shareholder’s Meeting, hence not applicable.

3. Condensed Consolidated Balance Sheet - ROC GAAP

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary				
		2012	2013	2014	2015	2016
Current assets		2,852,241	N/A	N/A	N/A	N/A
Funds and Investments		121,367	N/A	N/A	N/A	N/A
Fixed assets		3,260,348	N/A	N/A	N/A	N/A
Intangible Assets		81,635	N/A	N/A	N/A	N/A
Other assets		58,147	N/A	N/A	N/A	N/A
Total assets		6,373,738	N/A	N/A	N/A	N/A
Current liabilities	Before distribution	1,374,675	N/A	N/A	N/A	N/A
	After distribution	1,922,058	N/A	N/A	N/A	N/A
Long-term liabilities		1,499,424	N/A	N/A	N/A	N/A
Other liabilities		212,038	N/A	N/A	N/A	N/A
Total liabilities	Before distribution	3,086,137	N/A	N/A	N/A	N/A
	After distribution	3,633,520	N/A	N/A	N/A	N/A
Capital stock		607,221	N/A	N/A	N/A	N/A
Capital Reserves		1,533,613	N/A	N/A	N/A	N/A
Retained Earnings	Before distribution	813,900	N/A	N/A	N/A	N/A
	After distribution	266,517	N/A	N/A	N/A	N/A
Unrealized gain or loss on financial instruments		(18,684)	N/A	N/A	N/A	N/A
Cumulative translation adjustments		(5,594)	N/A	N/A	N/A	N/A
Unrecognized pension cost		0	N/A	N/A	N/A	N/A
Minority interest		357,145	N/A	N/A	N/A	N/A
Total Shareholders' Equity	Before distribution	3,287,601	N/A	N/A	N/A	N/A
	After distribution	2,740,218	N/A	N/A	N/A	N/A

Note1: The 2012 consolidated financial statements have been audited by CPA.
Note2: Condensed Consolidated Balance Sheet was under IFRS during 2013 to 2016, hence not applicable.

4. Condensed Balance Sheet - ROC GAAP

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary				
		2012	2013	2014	2015	2016
Current assets		447,166	N/A	N/A	N/A	N/A
Funds and Investments		2,802,939	N/A	N/A	N/A	N/A
Fixed assets		174	N/A	N/A	N/A	N/A
Intangible Assets		0	N/A	N/A	N/A	N/A
Other assets		0	N/A	N/A	N/A	N/A
Total assets		3,250,279	N/A	N/A	N/A	N/A
Current liabilities	Before distribution	19,253	N/A	N/A	N/A	N/A
	After distribution	566,636	N/A	N/A	N/A	N/A
Long-term liabilities		297,966	N/A	N/A	N/A	N/A
Other liabilities		2,604	N/A	N/A	N/A	N/A
Total liabilities	Before distribution	319,823	N/A	N/A	N/A	N/A
	After distribution	867,206	N/A	N/A	N/A	N/A
Capital stock		607,221	N/A	N/A	N/A	N/A
Capital Reserves		1,533,613	N/A	N/A	N/A	N/A
Retained Earnings	Before distribution	813,900	N/A	N/A	N/A	N/A
	After distribution	266,517	N/A	N/A	N/A	N/A
Unrealized gain or loss on financial instruments		(18,684)	N/A	N/A	N/A	N/A
Cumulative translation adjustments		(5,594)	N/A	N/A	N/A	N/A
Unrecognized pension cost		0	N/A	N/A	N/A	N/A
Total Shareholders' Equity	Before distribution	2,930,456	N/A	N/A	N/A	N/A
	After distribution	2,383,073	N/A	N/A	N/A	N/A

Note1: The 2012 financial statements have been audited by CPA.
Note2: Condensed Balance Sheet was under IFRS during 2013 to 2016, hence not applicable.

6.1.2 Condensed Statement of Comprehensive Income

1. Condensed Consolidated Income Statement - International Financial Reporting Standards

Unit: NT$ thousands

Item \ Year	Five-Year Financial Summary					As of March 31, 2017 (Note 2)
	2012	2013	2014 (adjusted) (Note 1)	2015	2016	
Operating Revenues	3,537,844	3,750,376	3,925,027	4,078,753	4,955,565	1,058,881
Gross Profit	1,013,478	990,143	1,033,231	1,059,988	1,800,412	324,607
Operating Income	847,663	825,748	862,832	894,114	1,627,183	279,417
Non-Operating Income & Expenses	37,225	23,249	69,663	74,765	30,943	(3,389)
Income Before Income Tax	884,888	848,997	932,495	968,879	1,658,126	276,028
Net Income from continuing operations	751,483	728,819	796,686	838,559	1,430,668	227,200
Net Income(Loss)	751,483	728,819	796,686	838,559	1,430,668	227,200
Other Comprehensive Income (Income after tax)	(12,862)	26,356	33,473	5,678	(31,661)	(45,307)
Total Comprehensive Income	738,621	755,175	830,159	844,237	1,399,007	181,893
Net Income Attributable to Shareholders of The Parent	655,339	620,318	678,857	710,370	848,097	177,919
Net Income Attributable to Non-controlling Interests	96,144	108,501	117,829	128,189	582,571	49,281
Total Comprehensive Income (Loss) Attributable to Shareholders of the Parent	645,606	643,979	705,195	714,133	818,884	144,670
Total Comprehensive Income (Loss) Attributable to Non-controlling Interests	93,015	111,196	124,964	130,104	580,123	37,223
Earnings Per Share (NT$)	11.00	10.06	10.55	10.84	12.80	2.67

Note1: The 2014 financial statements adopted the "2013 version of IFRS" as endorsed by the Financial Supervisory Commission commencing 2015, and accordingly, the financial statements for the prior periods were retroactively adjusted.

Note2: The 2017 1Q consolidated financial statements have been unreviewed by CPA.

2. Condensed Income Statement - International Financial Reporting Standards

Unit: NT$ thousands

Item \ Year	Five-Year Financial Summary				
	2012	2013	2014 (adjusted) (Note 1)	2015	2016
Operating Revenues	695,185	658,217	710,483	731,917	880,677
Gross Profit	695,185	658,217	710,483	731,917	880,677
Operating Income	645,236	607,715	658,495	685,246	832,195
Non-Operating Income & Expenses	11,746	14,627	23,899	27,153	19,023
Income Before Income Tax	656,982	622,342	682,394	712,399	851,218
Net Income from continuing operations	655,339	620,318	678,857	710,370	848,097
Net Income(Loss)	655,339	620,318	678,857	710,370	848,097
Other Comprehensive Income (Income after tax)	(9,733)	23,661	26,338	3,763	(29,213)
Total Comprehensive Income	645,606	643,979	705,195	714,133	818,884
Net Income Attributable to Shareholders of The Parent	655,339	620,318	678,857	710,370	848,097
Net Income Attributable to Non-controlling Interests	0	0	0	0	0
Total Comprehensive Income (Loss) Attributable to Shareholders of the Parent	645,606	643,979	705,195	714,133	818,884
Total Comprehensive Income (Loss) Attributable to Non-controlling Interests	0	0	0	0	0
Earnings Per Share (NT$)	11.00	10.06	10.55	10.84	12.80

Note1: The 2014 financial statements adopted the “2013 version of IFRS” as endorsed by the Financial Supervisory Commission commencing 2015, and accordingly, the financial statements for the prior periods were retroactively adjusted.

3. Condensed Consolidated Income Statement - ROC GAAP

Unit: NT$ thousands

Item \ Year	Five-Year Financial Summary				
	2012	2013	2014	2015	2016
Operating revenues	3,754,532	N/A	N/A	N/A	N/A
Gross profit	966,684	N/A	N/A	N/A	N/A
Operating income	798,972	N/A	N/A	N/A	N/A
Non-operating income	71,205	N/A	N/A	N/A	N/A
Non-operating expenses	(33,728)	N/A	N/A	N/A	N/A
Income from continuing operations before income tax	836,449	N/A	N/A	N/A	N/A
Income from operations of continued segments - after tax	836,449	N/A	N/A	N/A	N/A
Income from discontinued departments	0	N/A	N/A	N/A	N/A
Extraordinary gain or loss	0	N/A	N/A	N/A	N/A
Cumulative effect of accounting principle changes	0	N/A	N/A	N/A	N/A
Equity holders of the Company	619,001	N/A	N/A	N/A	N/A
Earnings Per Share (NT$)	10.39	N/A	N/A	N/A	N/A

Note1: The 2012 consolidated financial statements have been audited by CPA.

Note2: Condensed Consolidated Balance Sheet was under IFRS during 2013 to 2016, hence not applicable.

4. Condensed Income Statement - ROC GAAP

Unit: NT$ thousands

Item \ Year	Five-Year Financial Summary				
	2012	2013	2014	2015	2016
Operating revenues	658,848	N/A	N/A	N/A	N/A
Gross profit	658,848	N/A	N/A	N/A	N/A
Operating income	608,898	N/A	N/A	N/A	N/A
Non-operating income	16,972	N/A	N/A	N/A	N/A
Non-operating expenses	(5,226)	N/A	N/A	N/A	N/A
Income from continuing operations before income tax	620,644	N/A	N/A	N/A	N/A
Income from operations of continued segments - after tax	619,001	N/A	N/A	N/A	N/A
Income from discontinued departments	0	N/A	N/A	N/A	N/A
Extraordinary gain or loss	0	N/A	N/A	N/A	N/A
Cumulative effect of accounting principle changes	0	N/A	N/A	N/A	N/A
Net income	619,001	N/A	N/A	N/A	N/A
Earnings Per Share (NT$)	10.39	N/A	N/A	N/A	N/A

Note1: The 2012 financial statements have been audited by CPA.

Note2: Condensed Balance Sheet was under IFRS during 2013 to 2016, hence not applicable.

6.1.3 Auditors' Opinions in Past Five Years:

CPA Firm/Year	2012	2013	2014	2015	2016
PriceWaterhouseCoopers	Huei-Shyang Wang Eric Wu	Huei-Shyang Wang Shu-Chiung Chang	Huei-Shyang Wang Shu-Chiung Chang	Shyh-Rong Ueng Shu-Chiung Chang	Shyh-Rong Ueng Shu-Chiung Chang
Auditing Opinion	unqualified opinion	unqualified opinion	unqualified opinion	modified unqualified opinion	unqualified opinion

6.2 Financial Analysis for the Recent 5 Years

1. Consolidated Financial Ratio Analysis -International Financial Reporting Standards

Item / Year		Five-Year Financial Summary 2012	2013 (adjusted) (Note 1)	2014 (adjusted) (Note 1)	2015	2016	As of March 31, 2017 (Note 2)
Financial Structure (%)	Debt to Asset Ratio	44.15	37.05	35.25	35.85	28.09	26.38
	Long-term Funds to Properties, Plants and Equipment Ratio	8,830.39	10,504.05	9,188.25	11,155.05	10,846.26	10,849.18
Liquidity (%)	Current ratio	189.94	217.60	202.83	198.26	273.84	304.85
	Quick ratio	184.20	213.42	196.92	189.75	262.32	289.27
	Interest Coverage Ratio	2,943.74	3,835.63	6,581.06	9,679.58	28,575.46	22,743.81
Operating Performance	Accounts Receivable Turnover (times)	4.04	4.17	4.19	4.05	4.93	4.17
	Average Collection Period (days)	90.35	87.53	87.11	90.12	74.03	87.53
	Inventory Turnover (times)	N/A	N/A	N/A	N/A	N/A	N/A
	Accounts Payable Turnover (times)	5.00	5.45	5.06	4.22	4.13	4.13
	Average Inventory Turnover Period (Days)	N/A	N/A	N/A	N/A	N/A	N/A
	Properties, Plant and Equipment Turnover (times)	57.99	65.83	68.96	72.84	93.94	76.44
	Total Assets Turnover (times)	0.50	0.53	0.55	0.55	0.66	0.57
Profitability	Return on Assets (%)	9.55	9.05	9.68	9.65	11.39	9.71
	Return on Equity (%)	19.49	16.47	16.51	16.39	18.60	14.94
	Income before tax to Capital Ratio (%)	146.23	133.60	143.75	147.16	249.49	41.43
	Net Margin (%)	18.52	16.54	17.30	17.42	17.11	16.80
	Earnings per share (NT$)	11.00	10.06	10.55	10.84	12.80	2.67
Cash flow	Cash flow Ratio (%)	99.08	101.73	73.06	62.34	61.68	45.25
	Cash flow adequacy Ratio (%)	244.15	211.78	217.90	223.77	215.38	217.49
	Cash reinvestment Ratio (%)	19.93	16.88	10.76	10.54	3.90	9.47
Leverage	Operating leverage	4.17	4.54	4.55	4.56	3.05	3.79
	Financial leverage	1.04	1.03	1.02	1.01	1.00	1.00

Note1: The 2014 financial statements adopted the “2013 version of IFRS” as endorsed by the Financial Supervisory Commission commencing 2015, and accordingly, the financial statements for the prior periods were retroactively adjusted.

Note2: The 2017 1Q consolidated financial statements have been unreviewed by CPA.

2. Financial Ratio Analysis -International Financial Reporting Standards

Item	Year	2012	2013 (adjusted) (Note 1)	2014 (adjusted) (Note 1)	2015	2016
		Five-Year Financial Summary				
Financial Structure (%)	Debt to Asset Ratio	8.29	1.41	0.98	0.42	0.52
	Long-term Funds to Properties, Plants and Equipment Ratio	2,033,548.85	N/A	N/A	N/A	N/A
Liquidity (%)	Current ratio	140.96	1,188.89	816.30	2,815.13	3,593.47
	Quick ratio	140.92	1,188.86	816.27	2,815.13	3,593.47
	Interest Coverage Ratio	12,705.18	22,414.16	138,797.97	393,690.61	N/A
Operating Performance	Accounts Receivable Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Average Collection Period (days)	N/A	N/A	N/A	N/A	N/A
	Inventory Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Accounts Payable Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Average Inventory Turnover Period (Days)	N/A	N/A	N/A	N/A	N/A
	Properties, Plant and Equipment Turnover (times)	3,995.32	7,565.71	N/A	N/A	N/A
	Total Assets Turnover (times)	0.18	0.16	0.17	0.17	0.19
Profitability	Return on Assets (%)	17.66	15.75	16.32	16.28	18.51
	Return on Equity (%)	19.49	16.47	16.51	16.39	18.60
	Income before tax to Capital Ratio (%)	108.57	97.94	105.19	108.20	128.08
	Net Margin (%)	94.27	94.24	95.55	97.06	96.03
	Earnings per share (NT$)	11.00	10.06	10.55	10.84	12.80
Cash flow	Cash flow Ratio (%)	164.15	1,510.72	1,126.10	3,597.77	1,296.98
	Cash flow adequacy Ratio (%)	111.26	114.32	105.69	110.23	93.86
	Cash reinvestment Ratio (%)	0.75	6.42	(Note 2)	0.77	(Note 2)
Leverage	Operating leverage	1.08	1.08	1.08	1.07	1.06
	Financial leverage	1.01	1.00	1.00	1.00	1.00

Note1: The 2014 financial statements adopted the "2013 version of IFRS" as endorsed by the Financial Supervisory Commission commencing 2015, and accordingly, the financial statements for the prior periods were retroactively adjusted.

Note2: If cash dividends is deducted from net cash flow from operating activities which is negative, the ratio is not applicable.

The formulas for the above table:

1. Financial Structure

(1) Debts to Assets Ratio = Total Liabilities / Total Assets
(2) Long-term Funds to Properties, Plants and Equipment Ratio = (Total Shareholders' Equity plus Noncurrent Liabilities) / Net of Properties, Plants and Equipment

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities
(2) Quick Ratio = (Current Assets - inventory - Prepaid Expense) / Current Liabilities
(3) Interest Coverage Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense

3. Operating Performance

(1) Account Receivable Turnover = Net Sales / Average Accounts Receivable
(2) Average Collection Period = 365/ Accounts Receivable Turnover
(3) Inventory Turnover = Costs of Goods Sold / Average Inventory
(4) Accounts Payable Turnover = Costs of Goods Sold / Average Accounts Payable
(5) Average Inventory Turnover Period = 365 / Inventory Turnover
(6) Properties, Plant and Equipment Turnover = Net Sales / Average of Net Properties, Plants and Equipment.
(7) Total Assets Turnover Ratio = Net Sales / Average of Total Assets

4. Profitability Analysis

(1) Return on Assets =[Net Income +Interest Expense×(1-Tax Rate)] / Average Total Assets
(2) Return on Equity =Net Income / Average Shareholders' Equity
(3) Net Margin = Net Income / Net Sales
(4) Earnings per Share = (Net Income Attribute to Controlling Interest - Preferred Stock Dividend) / Weighed-average Number of Outstanding Shares

5. Cash Flow

(1) Cash Flow Ratio = Cash Flows from Operating Activities / Current Liabilities
(2) Cash Flow adequacy Ratio = Net Cash Flow from Operating Activities for the past 5 years / (Capital Expenditure + Increase in Inventory + Cash Dividends) for the past 5 years
(3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Properties, Plants and Equipment + Long-term Investment + Other Noncurrent Assets + Working Capital)

6. Leverage Ratio

(1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income
(2) Financial Leverage = Operating Income / (Operating Income-Interest Expenses)

3. Consolidated Financial Ratio Analysis - ROC GAAP

Item		Year: Financial analysis in the past five years 2012	2013	2014	2015	2016
Financial structure (%)	Debt to Asset Ratio	48.42	N/A	N/A	N/A	N/A
	Long-term Funds to Fixed Assets Ratio	146.83	N/A	N/A	N/A	N/A
Liquidity (%)	Current ratio	207.48	N/A	N/A	N/A	N/A
	Quick ratio	200.36	N/A	N/A	N/A	N/A
	Interest Coverage Ratio	26.74	N/A	N/A	N/A	N/A
Operating Performance	Accounts Receivable Turnover (times)	5.65	N/A	N/A	N/A	N/A
	Average Collection Period (days)	64.60	N/A	N/A	N/A	N/A
	Inventory Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Accounts Payable Turnover (times)	5.52	N/A	N/A	N/A	N/A
	Average Inventory Turnover Period (Days)	N/A	N/A	N/A	N/A	N/A
	Fixed Assets Turnover (times)	1.15	N/A	N/A	N/A	N/A
	Total Assets Turnover (times)	0.59	N/A	N/A	N/A	N/A
Profitability	Return on Assets (%)	10.06	N/A	N/A	N/A	N/A
	Return on Stockholders' Equity (%)	22.32	N/A	N/A	N/A	N/A
	Ratio to issued capital (%) Operating Income	132.03	N/A	N/A	N/A	N/A
	Ratio to issued capital (%) Pre-tax Income	138.22	N/A	N/A	N/A	N/A
	Net Margin (%)	16.49	N/A	N/A	N/A	N/A
	Earnings per share (NT$)	10.39	N/A	N/A	N/A	N/A
Cash flow	Cash flow Ratio (%)	109.46	N/A	N/A	N/A	N/A
	Cash flow adequacy Ratio (%)	233.07	N/A	N/A	N/A	N/A
	Cash reinvestment Ratio (%)	14.89	N/A	N/A	N/A	N/A
Leverage	Operating leverage	4.70	N/A	N/A	N/A	N/A
	Financial leverage	1.04	N/A	N/A	N/A	N/A

Note1: The 2012 consolidated financial statements have been audited by CPA.
Note2: Consolidated Financial Ratio Analysis was under IFRS during 2013 to 2016, hence not applicable.

4. Financial Ratio Analysis - ROC GAAP

Item			Year: Financial analysis in the past five years 2012	2013	2014	2015	2016
Financial structure (%)	Debt to Asset Ratio		9.84	N/A	N/A	N/A	N/A
	Long-term Funds to Fixed Assets Ratio		1,855,414.94	N/A	N/A	N/A	N/A
Liquidity (%)	Current ratio		2,322.58	N/A	N/A	N/A	N/A
	Quick ratio		2,321.91	N/A	N/A	N/A	N/A
	Interest Coverage Ratio		12,007.98	N/A	N/A	N/A	N/A
Operating Performance	Accounts Receivable Turnover (times)		N/A	N/A	N/A	N/A	N/A
	Average Collection Period (days)		N/A	N/A	N/A	N/A	N/A
	Inventory Turnover (times)		N/A	N/A	N/A	N/A	N/A
	Accounts Payable Turnover (times)		N/A	N/A	N/A	N/A	N/A
	Average Inventory Turnover Period (Days)		N/A	N/A	N/A	N/A	N/A
	Fixed Assets Turnover (times)		3,786.48	N/A	N/A	N/A	N/A
	Total Assets Turnover (times)		0.20	N/A	N/A	N/A	N/A
Profitability	Return on Assets (%)		19.81	N/A	N/A	N/A	N/A
	Return on Stockholders' Equity (%)		22.32	N/A	N/A	N/A	N/A
	Ratio to issued capital (%)	Operating Income	100.28	N/A	N/A	N/A	N/A
		Pre-tax Income	102.21	N/A	N/A	N/A	N/A
	Net Margin (%)		93.95	N/A	N/A	N/A	N/A
	Earnings per share (NT$)		10.39	N/A	N/A	N/A	N/A
Cash flow	Cash flow Ratio (%)		2,809.73	N/A	N/A	N/A	N/A
	Cash flow adequacy Ratio (%)		112.58	N/A	N/A	N/A	N/A
	Cash reinvestment Ratio (%)		1.44	N/A	N/A	N/A	N/A
Leverage	Operating leverage		1.08	N/A	N/A	N/A	N/A
	Financial leverage		1.01	N/A	N/A	N/A	N/A

Note1: The 2012 financial statements have been audited by CPA.
Note2: Financial Ratio Analysis was under IFRS during 2013 to 2016, hence not applicable.

The formulas for the above table:

I. Financial Structure

(1) Debts to Assets Ratio = Total Liabilities / Total Assets

(2) Long-term Funds to Fixed Assets Ratio = (Total Shareholders' Equity plus Long-term Liabilities) / Net Fixed Assets

II. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - inventory - Prepaid Expense) / Current Liabilities

(3) Interest Coverage Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense

III. Operating Performance

(1) Account Receivable Turnover = Net Sales / Average Receivables (including accounts and notes receivable)

(2) Average Collection Period = 365/ Accounts Receivable Turnover

(3) Inventory Turnover = Costs of Goods Sold / Average Inventory

(4) Accounts Payable Turnover = Costs of Goods Sold / Average Payables (including accounts and notes payable)

(5) Average Inventory Turnover Period = 365 / Inventory Turnover

(6) Fixed Assets Turnover = Net Sales / Net Fixed Assets

(7) Total Assets Turnover = Net Sales / Total Assets

IV. Profitability Analysis

(1) Return on Assets =[Net Income +Interest Expense×(1-Tax Rate)] / Average Total Assets

(2) Return on Shareholders' Equity =Net Income / Average Shareholders' Equity

(3) Net Margin = Net Income / Net Sales

(4) Earnings per Share = (Net Income - Preferred Stock Dividend) / Weighed-average Number of Outstanding Shares.

V. Cash Flow

(1) Cash Flow Ratio = Cash Flows from Operating Activities / Current Liabilities

(2) Cash Flow adequacy Ratio = Net Cash Flow from Operating Activities for the past 5 years / (Capital Expenditure + Increase in Inventory + Cash Dividends) for the past 5 years

(3) Cash reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investment + Other Assets + Working Capital)

VI. Leverage Ratio

(1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income-Interest Expenses)

6.3 Audit Committee's Review Report in the Most Recent Year

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements (both consolidated and individual), and proposal for allocation of profits. The CPA firm of PriceWaterhouseCoopers was retained to audit KD Holding Corporation's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of KD Holding Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

KD Holding Corporation.

Chairman of the Audit Committee: Sidney Hsin Huai Chow

Dated March 15th, 2017.

6.4 Consolidated Financial Statements and Independent Auditors' Report in the Most Recent Year: Please refer to the Appendix 1

6.5 Financial Statements and Independent Auditors' Report in the Most Recent Year: Please refer to the Appendix 2

6.6 Impact of the Financial Distress Occurred to the Company and Affiliates in the Recent Years until the Annual Report being published: None

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

7.1.1 Analysis of Financial Status

Unit: NT$ thousands

Year / Item	2015	2016	Difference		Remark (Note 1)
			Amount	%	
Current Assets	3,883,204	3,881,133	(2,071)	(0.05)	
Non-current Assets	3,772,910	3,440,094	(332,816)	(8.82)	
Total Assets	7,656,114	7,321,227	(334,887)	(4.37)	
Current Liabilities	1,958,674	1,417,281	(541,393)	(27.64)	Note 2
Non-current Liabilities	785,792	639,172	(146,620)	(18.66)	
Total Liabilities	2,744,466	2,056,453	(688,013)	(25.07)	
Equity attributable to owners of the parent	4,438,954	4,682,057	243,103	5.48	
Non-controlling interest	472,694	582,717	110,023	23.28	Note 3
Total Equity	4,911,648	5,264,774	353,126	7.19	

Note 1: The analysis is not applicable when the difference percentage does not exceed 20% and is less NT10, 000 thousands.

Note 2: Current Liabilities decreases, mainly due to SINOGAL - Waste Services Co., Ltd. has clarified to the owners and the price calculation has been approved. All adjustments of electricity sales recorded in other current liabilities were reclassified to operating revenue.

Note 3: Non-controlling interest increases, mainly due to the net worth increases from SINOGAL – Waste Service Co., Ltd. and Sino Environmental Services Corp.

7.1.2 The evaluation basis of the balance sheet valuation items

Item	B/S valuation item	Evaluation reference	Evaluation basis
1	Monetary assets denominated in foreign currency	Spot rate on balance sheet date	Compute exchange gain or loss based on the spot rate
2	Financial instruments carried at fair value and available for sales	Fair market value on balance sheet date	Evaluate based on the fair market value
3	Allowances for doubtful accounts	The ageing analysis ,historical records and credit references	1. General customer: a. 2% for over 91 days and less than 120 days. b. 10% for over 121 days and less than 365 days. c. 100% for over 365 days. 2. The accounts receivables from government are not subject for allowances-for-bad-debts, if there is no considerable information to show that a particular receivable is unlikely to recover in the future. 3. The accounts receivables from related parties are not subject for allowances-for-bad-debts.
4	Allowances for obsolescence and market value decline	Lower of aggregate cost or market value	Inventory are comparison of the same category.

7.1.3 The fair value of the financial product (not including stock and depository receipts) depends on buy price or selling price: None

7.1.4 The depreciated and useful lives of property, plant and equipment:

Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

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.

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.

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

7.2 Financial Performance

(1) Analysis of Financial Performance

Unit: NT$ thousands

Item \ Year	2015	2016	Difference		Remark (Note1)
			Amount	%	
Operating Revenue	4,078,753	4,955,565	876,812	21.50	
Less: Sales Returns	0	0	0	0.00	
Net Operating Revenue	4,078,753	4,955,565	876,812	21.50	Note 2
Operating Costs	(3,018,765)	(3,155,153)	136,388	4.52	
Gross Profit	1,059,988	1,800,412	740,424	69.85	
Operating Expenses	(165,874)	(173,229)	7,355	4.43	
Operating Income	894,114	1,627,183	733,069	81.99	
Non-operating Income and expenses	74,765	30,943	(43,822)	(58.61)	Note 3
Profit before Income Tax	968,879	1,658,126	689,247	71.14	
Income Tax Expense	(130,320)	(227,458)	97,138	74.54	Note 4
Non-controlling Interest	(128,189)	(582,571)	454,832	354.46	Note 5
Income attributable to owners of the parent	710,370	848,097	137,727	19.39	

Note 1: The analysis is not applicable when the difference percentage does not exceed 20% and is less NT10,000 thousands.
Note 2: Operating Revenue increases, mainly due to lump sum income from SINOGAL - Waste Services Co., Ltd..
Note 3: Non-operating Income and expenses decreases, mainly due to the Interest income, dividend income and share of profit of associates and joint ventures accounted for under equity method.
Note 4: Income Tax Expense increases, mainly due to lump sum income from SINOGAL - Waste Services Co., Ltd..
Note 5: Non-controlling Interest increases, mainly due to lump sum income from SINOGAL - Waste Services Co., Ltd..

(2) The expected sales and its basis, and the possible impact on the company's future financial operations and response plans for the upcoming year:
The main business scope of the Company and its subsidiaries include resources, energy and engineering services. The Company plans to expand the existing core capabilities in waste disposal and actively expand into overseas markets to maximize value for the Company and shareholders.

7.3 Cash Flow

(1) Cash Flow Analysis for the Past 2 Year

Unit: NT$ thousands

Item \ Year	2015/12/31	2016/12/31	Difference ratio (%)
Cash Flow Ratio (%)	62.34	61.68	(1.06)
Fund Flow Adequacy Ratio (%)	223.77	215.38	(3.75)
Cash Re-investment Ratio (%)	10.54	3.90	(63.00)

Explanation to changes:
1. Cash flow ratio decreased due to net cash used in operating activities.
2. Fund flow adequacy ratio decreased due to cash dividends for the past 5 years.
3. Cash re-investment ratio decreased due to net cash used in operating activities.

(2) Analysis of Cash Liquidity

The cash outflow of Year 2016 is NT$1,603 thousands. The cash balance in the end of the year is NT$1,229,944 thousands. Cash liquidity is fine.

(3) Analysis of Cash Liquidity for the Coming Year

Unit: NT$ thousands

Cash Balance at Beginning for the Year	Expected Net Cash Outflow from Operating Activities	Expected Cash Inflow (Outflow)	Expected Cash Surplus (Deficit)	Leverage of Expected Cash Deficit	
				Investment Plans	Financing Plans
1,229,944	1,209,206	593,568	1,823,512	-	-

1. Analysis of change in cash flow in Year 2017:
   (1) Operating activities: The stable business growth will create net cash inflow.
   (2) Investing activities: The cash outflow is mainly due to new business investment.
   (3) Financing activities: The cash outflow is mainly due to cash dividends distribution.
2. Liquidity analysis and remedial measures against cash deficit: N/A

7.4 Major Capital Expenditure Items:

None

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year:

(1) Reinvestment Policy:

a. Focus on "strategic investments".

b. Prioritize investment targets with supplementary or synergistic effects on the overall business operations.

c. Prioritize projects regarding environmental protection, green energy, energy conservation and carbon reduction, and resource recycling and reuse.

(2) Reinvestment Profits or Losses and Improvement Plans

The Company adopts the equity method for reinvestments based on long-term strategic goals. The profits generated by reinvestments in 2016 amounted to NT$7.093 million based on the equity method. The Company shall continue to conduct prudent assessments of investment projects based on the principle of long-term strategies.

(3) Investment Plans in the Upcoming Year

a. Expand related domestic businesses: such as participating in tenders for photovoltaics power plant and resource recycling and reuse projects etc.

b. Actively pursue overseas businesses such as the investment and operations of EfW plants in China, United States, ASEAN and India.

c. Actively develop new businesses to achieve substantial development performance in new businesses such as resource recycling, renewable energy, energy conservation and carbon reduction, and resource management etc. E.g.: Active investment in the kitchen waste resources industry, photovoltaic power plants (PVPP) and development of related resource recycling and reuse technologies to continue to cultivate and strengthen the development basis for new renewable energy and resource management businesses.

7.6 Review of Financial Conditions, Financial Performance, and Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance and Future Response Measures

(1) Interest rate

Item	2016	2015
Interest Income	17,567	29,196
Interest Expense	5,823	10,114
Investment gain on money market fund	736	1,509
Sales	4,955,565	4,078,753
Net Income before Tax	1,658,126	968,879

Besides equity products and deposits, the Company invests inactive money mainly in money market funds, which highly correlate with market interest rates.
However, the investment gain on money market fund is not credited to interest income but to gain on disposal of investment. Therefore, to analyze the effects of changes in interest rates should consolidate interest income/expense and gain on disposal of money market fund.
For inactive money, the Company will continue to look for higher-yield financial products with safety and proper liquidity to achieve the purpose of earning stable investment profits.

A. KD Holding Corporation

Besides equity products and deposits, the Company invests inactive money mainly in money market funds, interest income/expense and investment gain on money market fund to sales and net income before tax are slight, so the interest rate changes on the company's profitability is limited. However, the Company has formulated the following specific measures based on sound and conservative considerations:

The concrete methods as below,

a. Look into interest rate changes to take appropriate and timely actions.
b. If the interest rate decreases, loans with lower interest rate will be repaid the loans with higher interest rate. If the interest rate increases, the possibility of premium capital increase will be evaluated to decrease dependency on financial institutions.

B. Sino Environment Services Corporation

Besides equity products and deposits, the Company invests inactive money mainly in money market funds, interest income/expense and investment gain on money market fund, there is no demand for borrowing from financial institutions due to good operating conditions. The impact of the company's profit is limited. For inactive money, the Company will continue to look for higher-yield financial products with safety and proper liquidity to achieve the purpose of earning stable investment profits.

C. Leading Energy Corporation

Besides equity products and deposits, the Company invests inactive money mainly in money market funds, interest income/expense and investment gain on money market fund, there is no demand for borrowing from financial institutions due to good operating conditions. The impact of the company's profit is limited. For inactive money, the Company will continue to look for higher-yield financial products with safety and proper liquidity to achieve the purpose of earning stable investment profits.

D. HD Resources Management Corporation

Besides equity products and deposits, the Company invests inactive money mainly in money market funds, interest income/expense and investment gain on money market fund, there is no demand for borrowing from financial institutions due to good operating conditions. The impact of the company's profit is limited. For inactive money, the Company will continue to look for higher-yield financial products with safety and proper liquidity to achieve the purpose of earning stable investment profits.

E. Fortune Energy Corporation

Besides equity products and deposits, the Company invests inactive money mainly in money market funds, interest income/expense and investment gain on money market fund. In addition, the BOT of Miaoli County's Energy-from-Waste plant was raised with the Mega Commercial Bank to raise funds for medium and long term loans projects. As a result, the proportion of interest expenses to net operating expenses decreased year by year. Accounting for only 1.61% of the sales, the interest rate changes on the company's profitability is limited. However, the Company is based on a sound and conservative consideration, the funds deposited in the reputable financial institutions, and with its smooth flow of the pipeline in order to obtain preferential interest rates.

(2) Foreign exchange rates:

None

(3) Assessment of inflation

Item	2015	2016
Consumer price index	103.65	105.10
Consumer Price Index Annual Growth Rate (%)	-0.31	1.4

Source: Directorate General of Budget, Accounting and Statistics, Executive Yuan

The 2016 consumer price index is 105.10, and the annual growth rate is 1.4%, due to global recovery gradually, international oil prices and raw material prices rebounded. The Directorate General of Budget, Accounting and Statistics estimates that the annual consumer price index for the year 2017 will be 1.08%.Taiwan Economic Research Institute believes that due to international oil prices and raw material prices continue to stabilize, Taiwan's foreign trade performance to maintain growth, and the first half of last year was in lower base, will lead higher domestic prices. Because company income mostly from environmental protection industry investment, the inflation influences subsidiary is limited. The Company will reference the changes of domestic and international prices to avoid the major changes in operating costs and erosion of the company profit.

7.6.2 The Policies, Main Causes of profit or loss and response measures for the high risk and high leveraged investment, endorsements or guarantees for others, lending to others and derivative financial instruments :

Risk items	Executable situation	Policy and response measures
Lending to others	The corporation provide lending amount to G.D. Development Corporation	Lending to others deal with 「Lending to others Processing procedures」
Endorsements or guarantees for others	The corporation provide guarantee amount to G.D. Development Corporation	Endorsements or guarantees for others are deal with 「Endorsements or guarantees for others Processing procedures」
Derivative commodity trading	None	None

7.6.3 Future R&D Projects and Estimated R&D Expenditure:

(1) Integrate and search for external new technologies such as gasification technologies for refuse-derived fuel that effectively lowers pollution of gas emissions. Advanced gasification technologies are better options for processing specific waste. Jointly develop incineration technologies, including plasma gasification boilers and fluid-bed gasification boilers, for managing industrial waste.

(2) Integration of technologies to develop smart management, control technologies (such as remote control room, incidents review of emergency repair , high-temperature camera inspection for the boilers, real-time personnel positioning, advanced burning control systems etc.). The integrated operating index (IOI) of various plants can also be viewed on mobile devices (such as case history preloaded for plant inspection electronic assistant, LINE application in IOI platforms etc.) so that anomalies can be promptly controlled instantly and the operations and management efficiency are improved. In addition, it also increases the efficacy of employee training and education (such as VR education and training for 3D models, tours, and educational applications). The amount of investment this year was approximately NT$6 million.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

None

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance

and Sales
None

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures
None

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans
The Company integrates resources of the group to provide subsidiary companies with necessary professional management and assistance to allow them to focus on professional realms where their core competitiveness lies. The Company also integrates related resources in order to achieve optimal efficiency in operations and management to attract top professionals. Enhance the quality and quantity of team work to develop new strategic businesses efficiently.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans
Not Applicable

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration
None

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, or Shareholders with Shareholdings of over 10%
CTCI has the 57.58% stake and Parkwell Investment Corp. has 1.59% stake of the company. CTCI is the biggest shareholder and the only one which take stake over 10%. Both of CTCI and Parkwell Investment Corp. don't plan to sell their stake recently.

7.6.11 Effects of, Risks Relating to and Response to Changes in Control over the Company
None

7.6.12 Litigation or Non-litigation Matters
(1)

a. CTCI Corporation and Mitsubishi Heavy Industries, Ltd. were joint venture in the Kaohsiung Country Ren-Wu Resource Recovery Plant Project. The project completed on February 19, 2000 and accepted by Environmental Protection Administration on May 16, 2000. CTCI claimed for release of the guarantee bond in the amount of NTD 141,690 thousands, Environmental Protection Administration, however, declined the request due to one unsolved dispute between Kaohsiung City Government and O&M Contractor.

After CTCI remitted in NTD 73,253 thousands to bank for exempting from the execution of the guarantee bond and filed a lawsuit to Taiwan Taipei District Court, Environmental Protection Administration returned the amount of NTD 9,299 thousands to CTCI. As a result, CTCI reduced the claim amount to NTD 63,954 thousands, with the interest in the amount of NTD 117 thousands and the liquated damages in the amount of NTD 2,421 thousands. CTCI was then awarded a winning adjudication except for the damages in the amount of NTD 1,708 thousands has been rejected. Afterwards, the Environmental Protection Administration appealed to the Taiwan High Court but failed. Further, the Environmental Protection Administration continued to appeal to the Taiwan Supreme Court. This lawsuit is remanded by Taiwan Supreme Court twice and now is under the trial of Taiwan High Court. The judgment of Taiwan High Court was not in favor of the assertion of Environmental Protection Administration and Environmental Protection Administration appealed to Taiwan Supreme Court for the third time. The judgment of Taiwan Supreme Court remanded this case to Taiwan High Court. This lawsuit now is under the trial of Taiwan High Court. There is no material impact to CTCI’s finance as well as business development so far.

b. CTCI Corporation, Ishikawajima-Harima Heavy Industries Co., Ltd., Resource Engineering Services Inc. and East Construction Industry Co., Ltd were joint venture in the CPC Northern LNG Receiving Terminal Project and entered into a contract on July 23, 2004. CTCI claimed for additional costs, including direct and indirect costs, in the total amount of NTD 82,390 thousands for delay resulted from CPC Corporation’s contractor for another project and filed a lawsuit to Taipei District Court on March 5, 2010. After reviewing related document itself, CTCI reduced the claim amount to NTD 71,448,016 on March 1, 2011. The judgments of Taipei District Court and Taiwan High Court were not awarded to CTCI. CTCI appealed to Taiwan Supreme Court. The judgment of Taiwan Supreme Court sustained CTCI’s appeal and remanded for retrial. This lawsuit now is under the trial of Taiwan High Court. However, Taiwan High Court did not award to CTCI. CTCI appealed to Taiwan Supreme Court again. Finally Taiwan Supreme Court rejected CTCI’s appeal. There is no material impact to CTCI’s finance as well as business development so far.

c. CTCI Corporation, Ishikawajima-Harima Heavy Industries Co., Ltd., Resource Engineering Services Inc. and East Construction Industry Co., Ltd were joint venture in the CPC Northern LNG Receiving Terminal Project and entered into a contract on July 23, 2004. CPC Corporation alleged it has limited budget and cannot pay the compensation of price escalation, so CTCI claimed for compensation of price escalation in the amount of USD 7,983 thousands and NTD 384,159 thousands and filed a lawsuit to Taipei District Court on March 5, 2010. The judgment of Taipei District Court is not awarded to CTCI. CTCI appealed to Taiwan High Court but was overruled. CTCI appealed to Taiwan Supreme Court and Taiwan Supreme Court remanded this case to Taiwan High Court to re-decide. This lawsuit now is under the re-trial of Taiwan High Court. There is no material impact to CTCI’s finance as well as business development so far.

In conclusion, CTCI may be involved in the cases specified above, but these cases only involve CTCI itself and not the Company. CTCI's losses in these cases will not have material impact on the shareholder equity or stock transaction prices of the Company and it shall not constitute violations of the principle of good faith.

(2) Affiliated enterprises:

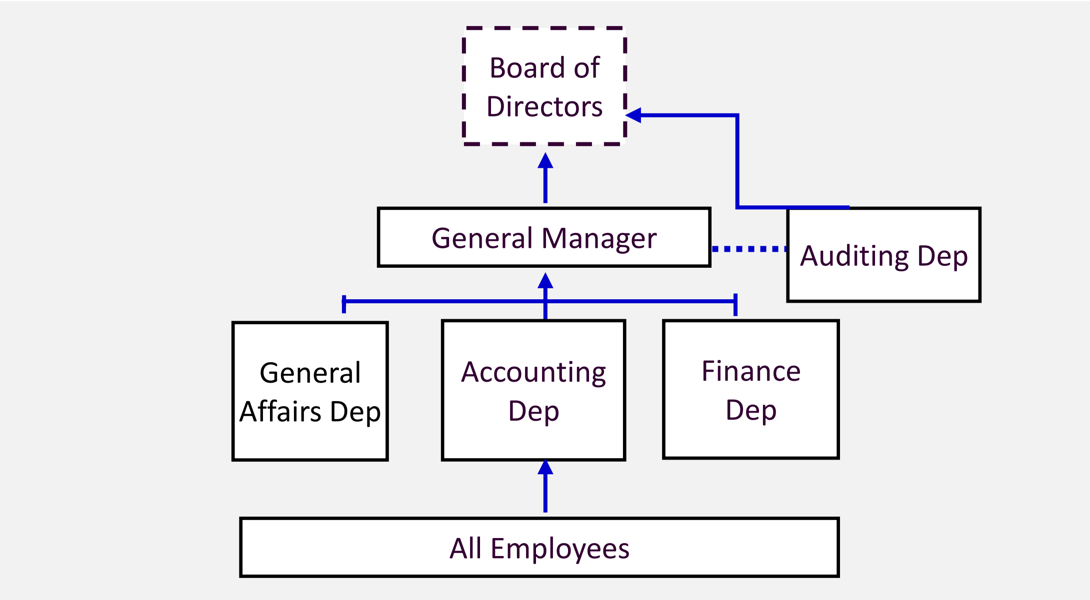
a. Sino Environmental Services Corp. (hereinafter referred to as the Company) received a disposition (the original disposition) in the Bei-Huan-Kong No. 1031588875 Letter from New Taipei City Environmental Protection Department dated October 28, 2014 and the No. 1031041606 Appeal Decision Document from New Taipei City Government which ordered the Company to pay an additional NT$54.267 million in Air Pollution Control Fees. The Company rejected the disposition and filed a petition to cancel the original disposition and appeal document on July 6, 2015. The case is now in progress at the Taipei High Administrative Court. The attorney appointed by the Company determined that the original disposition was illegal and ineffective and therefore the expenses have not been included in the financial statements.

7.6.13 Directors, supervisors, managers and shareholders holding more than 10% shares whether take place that the Article 157 of the securities law and the company is currently handling the situation in the last two years:

None

7.6.14 Risk management organization framework

(1) Organization chart



The Company is an investment holding company and due to operation characteristics, the most crucial task of risk management is the firm control over business guidelines and operating status of invested companies. In order to provide invested companies with clear strategies and detailed guidelines for operations as well as facilitate compliance with the Company's operating requirements, all invested companies have established comprehensive internal control regulations and systems as required by listed companies. The Company also established the "Subsidiary Company Supervision and Management Regulations" to conduct supervision and management over the operations, finances, businesses and audits of subsidiary companies to prevent inappropriate individual decisions by subsidiary companies from affecting the Company's operations.

(2) Responsibility

a. President

The President is responsible for promoting the Company's risk management and leading the supervisors of the Company's departments and management of subsidiary companies in the formulation of risk management policies. The President is also responsible for organizing periodic meetings to review related risk management issues, supervising the implementation of improvement plans and instructing the Management Division to compile monthly "Supervision and Management Report for the Financial and Accounting Reports Subsidiary Companies" which is submitted to the Chairman.

b. Management Division

The Management Division is responsible for the supervision and management of the operations and business of subsidiary companies. It is the main contact window in the risk management system. It is also responsible for compiling risk management files and ensuring the continued effectiveness of the risk management system.

c. Accounting Division

The Accounting Division is responsible for compiling the financial statements of subsidiary companies as well as identifying, evaluating, processing and monitoring the risks associated with each department.

d. Financial Division

The Financial Division is responsible for compiling the related financial statements of subsidiary companies as well as identifying, evaluating, processing and monitoring the risks associated with each department.

e. Auditing Department

The Auditing Department makes and executes annual audit plan in accordance with the result of risk evaluation.

f. All Employees

Comply with company policy, perform duty in accordance with the R&R, implement relevant operations of risk management, and report to the supervisor immediately in case of a risk.

7.6.15 Other Major Risks

(1) Risks Associated with Limited Growth in Operations

A. HD Resource Management Corporation:

To pursue business growth, the HD Resource Management also actively pursues resource recycling opportunities based on collaboration with existing Energy-from-Waste plants. It searches for waste material that can be reused. After hard work from multiple parties, pig excrement and urine as well as ashes from Energy-from-Waste plant were selected and the Company is now actively pursuing technologies to shape future business opportunities. It hopes to use its foundations in Taiwan to expand to markets in China and Southeast Asia to achieve the goal of sustainable development.

B. Leading Energy Corporation:

Taichung City Government delivers a guaranteed amount of processable waste to Wurih Plant in accordance with contract regulations. In addition, Leading Energy is allowed to collect general industrial waste independently for processing at the plant in accordance with the contract and environmental assessment regulations. The total amount of waste delivered by Party A plus the general industrial waste collected by Party B and the operation of the Energy-from-Waste plant have now been balanced but the Company should still note the risks of changes in the volume of waste.

C. Sino Environmental Services Corp.:

Starting in 2018, operations of Energy-from-Waste plants currently not operated by Sino Environmental Services are up for renewed tenders as contracts expire one by one. Sino Environmental Services shall work hard to obtain these contracts to increase operational growth rate. In addition to operating Energy-from-Waste plants, Sino Environmental Services also actively pursues the update and upgrade services for mechanical and electrical equipment, maintenance contracts mechanical and electrical equipment of track MRT systems and operation services for the water resource industry. The aforementioned markets have tremendous potential for development. In addition to the aforementioned domestic businesses, Sino Environmental Services is also actively pursuing opportunities related to Energy-from-Waste plant processing facilities in China and Southeast Asia.

D. Fortune Energy Corporation:

Miaoli County Government delivers a guaranteed amount of processable waste to Miaoli Plant in accordance with contract regulations. However, due to the exceptional performance of waste reduction efforts in Miaoli County, the amount of waste produced by the County cannot satisfy the requirements for daily Energy-from-Waste by the Plant. In recent years, the Miaoli Plant has been allowed to accept general industrial waste for full-load operations of the Energy-from-Waste plant and maximize the profits in the sale of electricity. The current waste delivery and operation of the Energy-from-Waste plant have been balanced but the Company should still note the risk of long-term shortage in the volume of waste.

(2) Risks Associated with Bottom Ash Disposal and Operating Costs

A. Leading Energy Corporation:

a. The source of the bottom ash at Wurih Plant includes the waste delivered by the City Government and the general industrial waste it independently collects. The City Government portion is delivered to designated landfills or other places while the independently collected portion is delivered to approved reuse processing plants in compliance with current environmental protection policies. Therefore there is no risk in the disposal of bottom ash.

b. According to the provisions in the Company's contract with Taichung City Government, the service charge is adjusted by adjustment variables including wholesale price indexes such as salaries, mechanical equipment, chemical materials etc. Therefore, when changes in international trends cause changes in raw material prices and wages, the Company can make adjustments based on changes in the aforementioned wholesale prices indexes in accordance with the contract with the City Government. Therefore changes in raw material prices and wages have limited effects on the Company's operating costs.

B. Sino Environmental Services Corp.:

a. When Sino Environmental Services obtained operations of Energy-from-Waste plants, it had already entered into agreements with various municipal governments or client that the disposal of the bottom ash is not within the service scope of Sino Environmental Services but the Company shall transport the bottom ash to designated places in accordance with the contract. Therefore, there is no risk in the disposal of bottom ash.

b. The agreed price calculation method in the contract regarding the disposal of waste is adjusted according to changes commodity prices and labor salary index. Therefore, changes in international conditions that cause changes in raw material prices and wages have limited effect on operating costs.

C. Fortune Energy Corporation:

a. The bottom ash at Miaoli Plant is delivered to designated landfills or other places. As it is delivered to designated places by Fortune Energy, there is no risk in the disposal of bottom ash.

According to the provisions in the Company's contract with Miaoli County Government, the service charge is adjusted by adjustment variables including wholesale price indexes such as salaries, mechanical equipment, chemical materials etc. Therefore, when changes in international trends cause changes in raw material prices and wages, the Company can make adjustments based on changes in the aforementioned wholesale prices indexes in accordance with the contract with the County Government. Therefore changes in raw material prices and wages have limited effects on the Company's operating costs.

7.7 Other: None

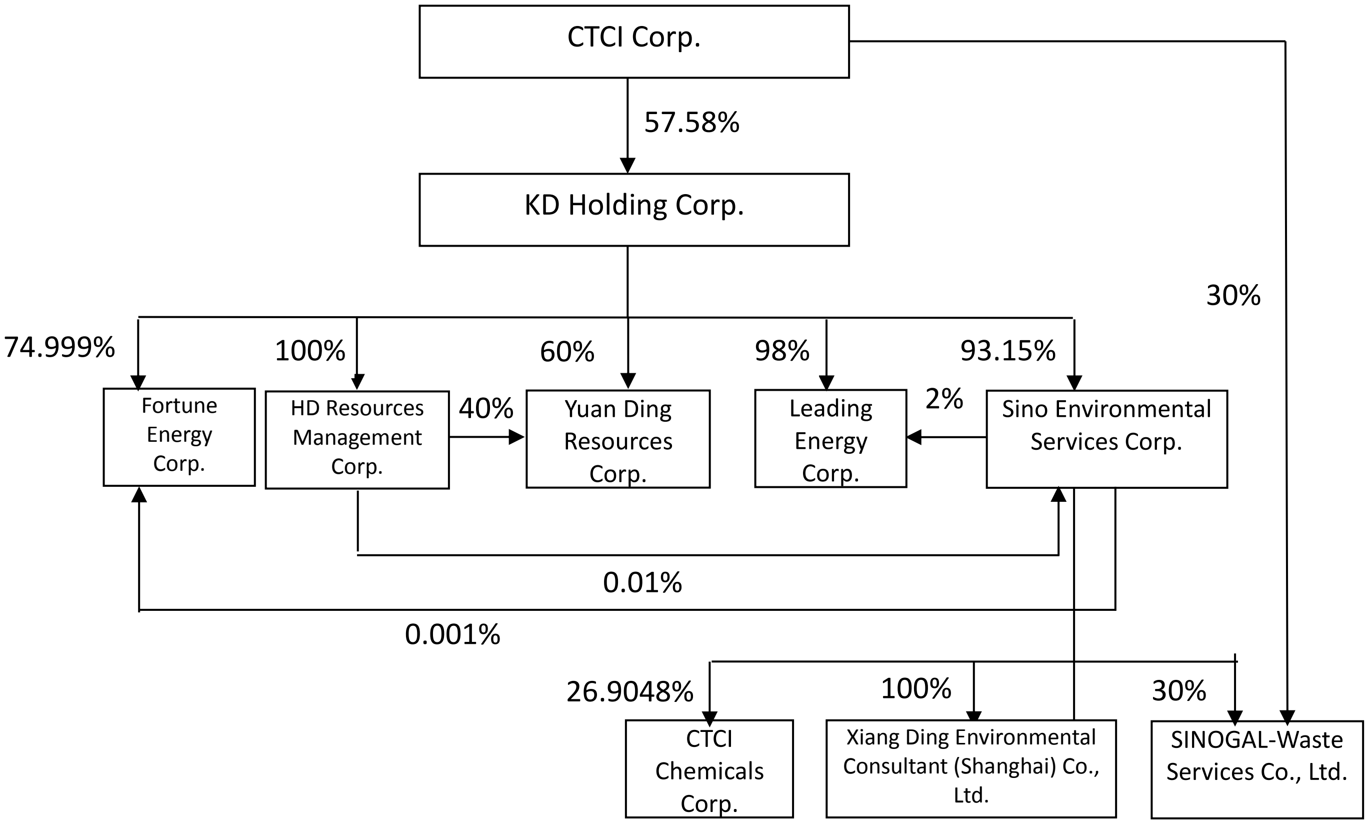
VIII. Special Disclosure

8.1.1 Summary of Affiliated Companies

(1) **Consolidated Business Report of Affiliates**

i. Organizational chart of the affiliates

April 30, 2017



ii. General information of the affiliates:

April 30th, 2017 ; Unit: $Thousands

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
CTCI Corp.	1979.04.06	89, Sec. 6, Zhongshan North Rd., Taipei	NTD 7,632,738	The design, survey, construction and inspection of varuious engineering and construction projects, plants, machinery and eduipment and environmental protection projects.
Sino Environmental Services Corp.	1994.05.24	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 151,000	Refuse Energy-from-Waste plant's operation, machinery and equipment maintenance,etc.
Leading Energy Corp.	2000.05.19	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 480,000	Waste services equipment installation, co-generation, waste services and other environmental services, etc.
HD Resources Management Corp.	2001.06.01	No.69, Ln. 373, Changchun St., Wuri Dist., Taichung City, Taiwan	NTD 20,000	Waste services, equipment and mechanical installation, waste clear, international trade and other environmental services, etc.
CTCI Chemicals Corp.	1999.08.04	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 71,000	Industrial chemicals' wholesale manufacturing and retail.
SINOGAL-Waste Services Co., Ltd.	2009.06.25	Rua Dr. Pedro Jose Lobo, ns 1-3, Edificio Banco Luso Internacional,15 andar, salas 1501 e 1510, em Macau	MOP 4,000	Management of waste recycling site and maintenance of related mechanical and equipment etc.
Fortune Energy Corp.	2002.11.07	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 750,000	Waste services equipment installation, co-generation, waste services and other environmental services, etc.
Xiang Ding Environmental Consultant (Shanghai) Co., Ltd.	2013.10.25	Room 2206-G,NO.89,East Yunling Rd., Putuo District, Shanghai city	USD 140	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.
Yuan Ding Resources Corp.	2013.12.13	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 45,000	Waste services, waste clean, other environmental services, and environmental pollution services, etc.

iii. Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual of Deemed Control: None

iv. Industries covered by the business operated by all affiliates:

The business of the Company and its subsidiaries and affiliates provide include engineering, environmental, and investment.

v. Directors, supervisors, and general managers of the Company and affiliates

April 30th, 2017

Company	Title	Name of Representative	Shareholding	
			Shares	%
HD Resource Management Corporation	Chairman	KD Holding Corporation Representative: J. J. Liao	2,000,000	100.00
	Director	KD Holding Corporation Representative: Y. P. Shih Mike Kuo Jung Yu Han Pei-Feng Chu	2,000,000	100.00
	Supervisor	KD Holding Corporation Representative: K. W. Chang	2,000,000	0.00
	President	Y. P. Shih	0	0.00
Leading Energy Corporation	Chairman	KD Holding Corporation Representative: J. J. Liao	47,040,000	98.00
	Director	KD Holding Corporation Representative: Jimmy Hsueh Cheng Hong Lin	47,040,000	98.00
	Supervisor	Sino Environment Services Corp. Representative: Nicole Ku	960,000	2.00
	President	Jimmy Hsueh	0	0.00
Sino Environment Services Corporation	Chairman	KD Holding Corporation Representative: J. J. Liao	14,065,936	93.15
	Director	KD Holding Corporation Representative: Hsiu Hua Tiao Yu Jen Chen Gsub-I Ting Mike Chiou	14,065,936	93.15
	Supervisor	HD Resource Management Corp. Representative: C. L. Yen	1000	0.01
	President	Hsiu Hua Tiao	0	0.00
Fortune Energy Corporation	Chairman	KD Holding Corporation Representative: J.J. Liao	56,249,000	74.999
	Director	KD Holding Corporation Representative: Alex Chen TOPCO Scientific Corp. Representative: Fa-Hsiang Tan	56,249,000 18,700,000	74.999 24.933
	Supervisor	Sino Environment Services Corp. Representative: Min-Li Lee Topco International Investment Co., Ltd. Representative: Joyce Lu	1,000 50,000	0.001 0.067
	President	Jimmy Hsueh	0	0.00
CTCI Chemical Corporation	Chairman	Innovest Investment Corporation Representative: S. P. Jen	1,657,207	23.34
	Director	Innovest Investment Corporation Representative: M. H. Wang Yu Jen Chen Y. W. Chen	1,657,207	23.34
		Shelly Chou	576,910	8.13

Company	Title	Name of Representative	Shareholding	
			Shares	%
	Supervisor	GRQ Investment Corporation Representative: H.C. Ko	480,661	6.77
	President	Sam Kuo	10,143	0.14
SINOGAL - Waste Services Co., Ltd.	Chairman	Helder Jose Moura Dos Santos	MOP 800,000	20.00
	Director	Pereira Taveira Pinto, Carlos Manuel	MOP 800,000	20.00
		CTCI Corporation	MOP 1,200,000	30.00
		Sino Environmental Services Corporation	MOP 1,200,000	30.00
	Director	J.J. Liao Eric Tiao Patrick Lin		
	President	Jeng-Long Su	0	0.00
Xiang Ding Environmental Consultant (shanghai) Co., Ltd.	Managing Director	Sino Environmental Services Corporation Representative: J.J. Liao	USD 140,000	100.00
	Supervisor	Sino Environmental Services Corporation Representative: Patrick Lin	USD 140,000	100.00
	President	Jin-Yiu Hsueh		
Yuan Ding Resources Management Corp.	Chairman	KD Holding Corporation Representative: J.J. Liao	2,700,000	60.00
	Director	KD Holding Corporation Representative: Y. P. Shih F. H. Lee (Note 1)	2,700,000	60.00
	Supervisor	HD Resource Management Corporation Representative: Patrick Lin	1,800,000	40.00
	President	Y. P. Shih		

Note 1：April 30, 2017 retired.

8.1.2 Operation overview of the Company and affiliates

Operation overview of the Company and affiliates

December 31st, 2016; Unit: NT$ Thousands

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Earnings Per Share (NT$)
Sino Environmental Services Corp.	151,000	2,139,791	1,123,403	1,016,388	2,871,714	341,163	489,858	32.44
HD Resources Management Corp.	20,000	385,648	296,851	88,797	991,313	40,890	37,634	18.82
Leading Energy Corp.	480,000	1,596,506	201,484	1,395,022	657,942	338,393	282,563	5.89
CTCI Chemicals Corp.	71,000	315,629	95,128	220,501	462,689	73,410	54,727	7.71
SINOGAL-Waste Services Co., Ltd.	16,129	438,103	181,679	256,424	1,274,864	744,338	728,696	-
Fortune Energy Corp.	750,000	1,820,303	485,559	1,334,744	360,797	192,606	155,841	2.08
Xiang Ding Environmental Consultant (Shanghai) Co., Ltd.	3,974	67,688	53,292	14,396	80,213	9,459	7,266	-
Yuan Ding Resources Corp.	45,000	39,227	111	39,116	-	(134)	118	0.03

8.1.3 Consolidated Financial Statements of Affiliated Enterprises of the Company: None

(1) The related information on the endorsements or guarantees for others, lending to others and derivative financial instruments of affiliates:

(1) Lending to others: (as of March 31st, 2017)

Unit: NTD thousands

No. (Note.1)	Lender	Borrower	Account item (Note.2)	The highest balance during period (Note.3)	Ending balance as of March 31st,2016 (Note 8)	Interest rate	Nature of Lending (Note.4)	Amount for operation (Note.5)	Reason of short-term financing (Note.6)	Allowance for bad debts	Collateral		Limit on lending for single enterprise (Note.7)	Ceiling for total amount (Note.7) Name
											Name	Value		
1	HD Resource Management Corporation	CTCI Corporation	Accounts receivable-related parties	7,000	7,000	1.01%	2	0	For operational needs	0	NA	0	10,065	40,262
1	HD Resource Management Corporation	CTCI Smart Engineering Corporation	Accounts receivable-related parties	7,000	7,000	1.01%	2	0	For operational needs	0	NA	0	10,065	40,262
1	HD Resource Management Corporation	CTCI Machinery Corporation	Accounts receivable-related parties	7,000	7,000	1.01%	2	0	For operational needs	0	NA	0	10,065	40,262
2	Sino Environmental Services Corporation	CTCI Corporation	Accounts receivable-related parties	78,000	78,000	-	2	0	For operational needs	0	NA	0	107,266	429,065
2	Sino Environmental Services Corporation	CTCI Smart Engineering Corporation	Accounts receivable-related parties	78,000	78,000	1.01%	2	0	For operational needs	0	NA	0	107,266	429,065
2	Sino Environmental Services Corporation	CTCI Machinery Corporation	Accounts receivable-related parties	78,000	78,000	1.01%	2	0	For operational needs	0	NA	0	107,266	429,065
2	Sino Environmental Services Corporation	CTCI Resources Engineering Inc.	Accounts receivable-related parties	78,000	78,000	1.01%	2	0	For operational needs	0	NA	0	107,266	429,065

Note 1： Number for items explain as follows：

■Company：0

■ Subsidiaries：Please fill in the number with a sequence from 1 to 10.

Note 2： This item is for account receivable-related parties, owner's equity, prepayments, temporary payments etc. If any item belong to Lending to others needs to be filled in this column.

Note 3： The highest balance during period

Note 4： Description for Lending to others as follows：

■1：Having business relationship

■2：Operational needs

Note 5： Belongs to item 1, please fill in the amount for operation.

Note 6： Belongs to item 2, please explain the reason and lending purpose of short-term financing. For example, repayment for loans, purchasing equipments, or needs for operations and working capital, etc.

Note 7： Please fill in the limit of amount on lending to single enterprise and total limit of amount on lending to others by the Company, according to the stipulation of the Procedures of Lending to Others, and express the calculation of the aforesaid figures in the column of remarks.

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.

(2) Endorsements or guarantees for others: (as of March 31st, 2017)：None

(3) Derivative Transactions Information: None

8.1.4 Consolidated Financial Statements of Affiliated Enterprises of the Company:

Please refer to Appendix I.

Appendix I:

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015

Appendix II:

Non-Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015

8.2 Private placement of securities in the most recent year and up to the date of annual report publication:

None

8.3. Holding or disposal of this company's shares by a subsidiary company in the last year, up to the publication date of this report:

None

8.4. Other Necessary Supplemental Information:

(1) Key performance index specific to the industry:
The Company is an investment holding company and its four main subsidiary companies including Sino Environmental Services, Leading Energy, HD Resource Management and Fortune Energy are all environmental protection service providers. A key performance index (KPI) for safety and health policy is established based on such characteristics and it is described below:

Definitions	2016 Goal	Actual Achievements	KPI (%)
This year each project participated the Safety and Health Award ≧5	Annual safety and health award more than 5 awards	Southern Taiwan Science Park Energy-from-Waste Plant was awarded "2015 Outstanding Unit Award for Occupational Safety and Health of Southern Taiwan Science Park"、Tainan Energy-from-Waste Plant was awarded "2015 Excellent Unit Award for the Promotion of Occupational Safety"; Kai-Meng Lu of Tainan Energy-from-Waste Plant was awarded "2015 Outstanding Personnel Award for the Promotion of Occupational Safety and Sanitation" by Tainan City Government; Chun-Hsien Chang of Keelung Energy-from-Waste Plant was awarded "2015 Technical Award for Outstanding Personnel for the Promotion of Occupational Safety and Sanitation" by the Ministry of Labor; Fang-Yu Wang of Houli Energy-from-Waste Plant was awarded "2015 Technical Award for Outstanding Personnel for the Promotion of Occupational Safety and Sanitation" by the Ministry of Labor.	100

(2) Pledged Items for Listing:

Pledged Items for Listing	Implementation of Pledged Items
II. The Company pledges to incorporate in the "Operating Procedures on the Asset Acquisition or Disposal" that "the Company may not relinquish future annual capital increases in the three controlled companies, namely, HD Resource Management Corporation (hereinafter referred to as HD Resource Management), Leading Energy Corporation (hereinafter referred to as Leading Energy) and Sino Environmental Services Corp. (hereinafter referred to as Sino Environmental Services); in the event that the Company is required to	The Company had passed amendments "Operating Procedures on the Asset Acquisition or Disposal" in the No. 4-13 Meeting of the Board of Directors and the Shareholders' Meeting on March 24, 2010. The amendment stipulates that the Company may not relinquish future annual capital increases in the three controlled companies; in the event that the Company is required to relinquish capital increase or disposition of the aforementioned companies in the future due to strategic

Pledged Items for Listing	Implementation of Pledged Items
relinquish capital increase or disposition of the aforementioned companies in the future due to strategic alliance considerations or under the approval of Taipei Exchange, a special resolution is required in the Meeting of the Board of Directors of KD Holding Corporation." In addition, in the event of any amendments to the processing regulations, they shall be disclosed on the important information announcements on the Market Observation Post System and reported to the Taipei Exchange for future reference.	alliance considerations or under the approval of Taipei Exchange, a special resolution is required in the Meeting of the Board of Directors of the Company. (Related attachments have been submitted in the 2010 Q2 Application) As of the first quarter of 2016, the Company has never relinquished participation in capital increases or disposed of HD Resource Management, Leading Energy, and Sino Environmental Services.
III. The Company pledges to Taipei Exchange that when necessary, it may require the Company to commission the CPA or institution designated by Taipei Exchange to conduct external professional inspections within the inspection scope designated by Taipei Exchange. The inspection results shall be delivered to the Taipei Exchange and the related expenses shall be borne by the Company.	As of the first quarter of 2016, there were no such occurrences.
V. The Company pledges to disclose operating income that originates from the parent company CTCI Corporation in the notes of the consolidated financial statements of each quarter starting from the 2009 consolidated financial statements. However, the reason of payment operating costs to CTCI Corporation were not indicated; the CPA should be asked to review the aforementioned items in the audit (or review) of financial statements in each quarter.	The Company has operating income from the parent company CTCI Corporation but no related operating costs because the relative cost of such income is the cost of contracting, repairs and procurement paid by Sino Environmental Services Corp. to non-affiliates in the process of providing services as well as the related personnel and administrative expenses from operations. The CPA of PricewaterhouseCoopers Taiwan has been asked to review the aforementioned items and the supplementary description has been provided in the affiliate transaction report in the disclosure items of the consolidated financial statements from 2009 to 2015. Related content shall continue to be disclosed in the upcoming financial statements for the first quarter of 2016.

Note: The Company has completed Item IV and VI of the pledged items for listing.

(3) Material Event Impact on Shareholders' Equity or Share Price in Recent Years until the Annual Report being published

None

Appendix 1

KD HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

pwc 資誠

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of KD HOLDING CORPORATION AND SUBSIDIARIES

Opinion

We have audited the accompanying consolidated balance sheets of KD Holding Corporation and its subsidiaries (the "Group") as at December 31, 2016 and 2015, 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, 2016 and 2015, 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 Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Accuracy of service revenue

A. 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 arise 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 (including waste disposal revenue, part of electricity sales revenue and service concession revenue) was NT$ 2,443,535 thousand for the year ended December 31, 2016, presenting 49% of operating revenue for the year ended December 31, 2016. 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.

Electricity sales adjustment

B. Description

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

SINOGAL-Waste Services Co.,Ltd., which was reinvested by the Company, entered into a contract, "Provision of Services for Operation and Maintenance of the Macao Refuse Incineration Plant", with Região Administrativa Especial de Macau ("referred herein as the owner"). Due to the change in the electricity sales calculation which was specified in the contract, after clarification and approval by the owner, since the result of the calculation formula of adjustment of electricity sales is a loss, the adjustment of electricity sales was transferred from other current liabilities to operating revenue, and the amount is NT$ 569,291, representing 34% of profit before tax. We consider the accuracy of relevant revenue recognition a key audit matter.

How our audit addressed the matter

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

(A) Obtaining and examining contracts, and discussing relevant calculation with management.

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

(C) Obtaining the detail of other current liability, randomly checking and verifying the cash amounts on relevant evidence against with the carrying amounts, and examining the consistence of calculation between original contract and clarification letter.

Other matter – Non-consolidated financial statements

We have audited and expressed an unqualified opinion on the non-consolidated financial statements of KD Holding Corporation as at and for the years ended December 31, 2016 and 2015.

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.

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As part of an audit in accordance with ROC GAAS, we exercise professional judgment 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.

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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

Weng, Shih-Jung　　　Chang, Shu-Chiung

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

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,229,944	17	$ 1,231,547	16
1110	Financial assets at fair value through profit or loss - current	6(2)	767,378	10	320,700	4
1125	Available-for-sale financial assets - current	6(3)	99,660	1	132,388	2
1150	Notes receivable, net		138	-	529	-
1170	Accounts receivable, net	6(4)	847,258	12	906,575	12
1180	Accounts receivable, net - related parties	7	84,531	1	138,457	2
1200	Other receivables		10,066	-	11,637	-
1210	Other receivables - related parties	7	269,308	4	47,151	1
130X	Inventories		52,287	1	54,325	1
1410	Prepayments		110,972	1	112,312	1
1470	Other current assets	6(6)	409,591	6	927,583	12
11XX	**Current Assets**		3,881,133	53	3,883,204	51
	Non-current assets					
1543	Financial assets carried at cost - non-current	6(5)	556	-	475	-
1550	Investments accounted for under equity method	6(7)	594,024	8	618,183	8
1600	Property, plant and equipment, net	6(8)	54,433	1	51,075	1
1840	Deferred income tax assets	6(23)	17,851	-	15,811	-
1900	Other non-current assets	6(9) and 8	2,773,230	38	3,087,366	40
15XX	**Non-current assets**		3,440,094	47	3,772,910	49
1XXX	**Total assets**		$ 7,321,227	100	$ 7,656,114	100

(Continued)

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2170	Accounts payable	6(10)	$ 700,941	9	$ 772,390	10
2180	Accounts payable - related parties	7	27,604	-	27,196	1
2200	Other payables	6(11)	342,228	5	297,973	4
2220	Other payables - related parties	7	2,201	-	2,674	-
2230	Current income tax liabilities		131,283	2	74,794	1
2300	Other current liabilities	6(12)(13)	213,024	3	783,647	10
21XX	**Current Liabilities**		1,417,281	19	1,958,674	26
	Non-current liabilities					
2540	Long-term borrowings	6(13)	180,000	3	356,000	5
2570	Deferred income tax liabilities	6(23)	171,185	2	161,105	2
2600	Other non-current liabilities	6(14)	287,987	4	268,687	3
25XX	**Non-current liabilities**		639,172	9	785,792	10
2XXX	**Total Liabilities**		2,056,453	28	2,744,466	36
	Equity attributable to owners of parent					
	Share capital	6(12)(17)				
3110	Common stock		664,614	9	658,394	9
3140	Capital collected in advance		-	-	233	-
	Capital surplus	6(12)(18)				
3200	Capital surplus		2,126,850	29	2,069,266	26
	Retained earnings	6(19)(23)				
3310	Legal reserve		442,686	6	371,649	5
3320	Special reserve		145	-	145	-
3350	Unappropriated retained earnings		1,445,777	20	1,314,258	17
	Other equity interest					
3400	Other equity interest		1,985	-	25,009	1
31XX	**Equity attributable to owners of the parent**		4,682,057	64	4,438,954	58
36XX	**Non-controlling interest**		582,717	8	472,694	6
3XXX	**Total equity**		5,264,774	72	4,911,648	64
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 7,321,227	100	$ 7,656,114	100

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

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

	Items	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
			Year ended December 31			
4000	**Operating revenue**	6(20) and 7	$ 4,955,565	100	$ 4,078,753	100
5000	**Operating costs**	6(21)(22) and 7	(3,155,153)	(64)	(3,018,765)	(74)
5900	**Gross profit**		1,800,412	36	1,059,988	26
	Operating expenses	6(21)(22)				
6200	General & administrative expenses		(173,229)	(3)	(165,874)	(4)
6000	**Total operating expenses**		(173,229)	(3)	(165,874)	(4)
6900	**Operating profit**		1,627,183	33	894,114	22
	Non-operating income and expenses					
7010	Other income		33,034	1	53,521	1
7020	Other gains and losses		(3,361)	-	6,071	-
7050	Finance costs		(5,823)	-	(10,114)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	7,093	-	25,287	1
7000	**Total non-operating income and expenses**		30,943	1	74,765	2
7900	**Profit before income tax**		1,658,126	34	968,879	24
7950	Income tax expense	6(23)	(227,458)	(5)	(130,320)	(3)
8200	**Profit for the period**		$ 1,430,668	29	$ 838,559	21
	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 on defined benefit plans	6(15)	($ 6,741)	-	($ 13,694)	-
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		(115)	-	969	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	620	-	2,578	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		(24,968)	(1)	32,259	1
8362	Unrealized loss on valuation of available-for-sale financial assets	6(3)	(457)	-	(16,434)	(1)
8300	**Total other comprehensive (loss) income for the year**		($ 31,661)	(1)	$ 5,678	-
8500	**Total comprehensive income for the year**		$ 1,399,007	28	$ 844,237	21
	Profit attributable to:					
8610	Owners of the parent		$ 848,097	17	$ 710,370	18
8620	Non-controlling interest		582,571	12	128,189	3
	Total		$ 1,430,668	29	$ 838,559	21
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 818,884	16	$ 714,133	18
8720	Non-controlling interest		580,123	12	130,104	3
	Total		$ 1,399,007	28	$ 844,237	21
	Earnings per share (in dollars):					
9750	**Total basic earnings per share**	6(24)	$	12.80	$	10.84
9850	**Total diluted earnings per share**	6(24)	$	12.75	$	10.77

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

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

		Equity attributable to owners of the parent										
		Share Capital			Retained Earnings			Other equity interest				
	Notes	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on valuation of available-for-sale financial assets	Total	Non-controlling interest	Total equity
For the year ended December 31, 2015												
Balance at January 1, 2015		$ 648,708	$ 1,157	$ 1,977,434	$ 304,245	$ 762	$ 1,287,692	$ 27,650	($ 16,172)	$ 4,231,476	$ 453,315	$ 4,684,791
Capital collected in advance transferred to common stock		1,157	(1,157)	-	-	-	-	-	-	-	-	-
Appropriation of 2014 earnings	6(19)											
Legal reserve		-	-	-	67,404	-	(67,404)	-	-	-	-	-
Special reserve		-	-	-	-	(617)	617	-	-	-	-	-
Cash dividends		-	-	-	-	-	(607,249)	-	-	(607,249)	(111,214)	(718,463)
Profit for the year		-	-	-	-	-	710,370	-	-	710,370	128,189	838,559
Convertible bonds transferred to common stock	6(17)(18)	1,502	233	16,063	-	-	-	-	-	17,798	-	17,798
Share-based payment transactions	6(16)(18)	-	-	8,224	-	-	-	-	-	8,224	489	8,713
Employee stock options exercised	6(17)(18)	7,027	-	67,624	-	-	-	-	-	74,651	-	74,651
Cumulative translation differences of foreign operations		-	-	-	-	-	-	29,705	-	29,705	2,554	32,259
Unrealized gain or loss on valuation of available-for-sale financial assets	6(3)	-	-	-	-	-	-	-	(16,174)	(16,174)	(260)	(16,434)
Other comprehensive income for the year		-	-	-	-	-	(9,768)	-	-	(9,768)	(379)	(10,147)
Adjustments due to capital transfer of investees		-	-	(79)	-	-	-	-	-	(79)	-	(79)
Balance at December 31, 2015		$ 658,394	$ 233	$ 2,069,266	$ 371,649	$ 145	$ 1,314,258	$ 57,355	($ 32,346)	$ 4,438,954	$ 472,694	$ 4,911,648
For the year ended December 31, 2016												
Balance at January 1, 2016		$ 658,394	$ 233	$ 2,069,266	$ 371,649	$ 145	$ 1,314,258	$ 57,355	($ 32,346)	$ 4,438,954	$ 472,694	$ 4,911,648
Capital collected in advance transferred to common stock		233	(233)	-	-	-	-	-	-	-	-	-
Appropriation of 2015 earnings	6(19)											
Legal reserve		-	-	-	71,037	-	(71,037)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(639,352)	-	-	(639,352)	(470,202)	(1,109,554)
Profit for the year		-	-	-	-	-	848,097	-	-	848,097	582,571	1,430,668
Share-based payment transactions	6(16)(18)	-	-	1,761	-	-	-	-	-	1,761	102	1,863
Employee stock options exercised	6(17)(18)	5,987	-	55,823	-	-	-	-	-	61,810	-	61,810
Cumulative translation differences of foreign operations		-	-	-	-	-	-	(22,755)	-	(22,755)	(2,213)	(24,968)
Unrealized gain or loss on valuation of available-for-sale financial assets	6(3)	-	-	-	-	-	-	-	(269)	(269)	(188)	(457)
Other comprehensive income for the year		-	-	-	-	-	(6,189)	-	-	(6,189)	(47)	(6,236)
Balance at December 31, 2016		$ 664,614	$ -	$ 2,126,850	$ 442,686	$ 145	$ 1,445,777	$ 34,600	($ 32,615)	$ 4,682,057	$ 582,717	$ 5,264,774

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

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

	Notes	Year ended December 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,658,126	$ 968,879
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(21)	15,246	16,470
Amortization	6(21)	13,936	14,274
Interest expense		5,823	9,933
Interest income		(17,567)	(29,196)
Dividend income		(5,128)	(15,823)
Salary expense-employee stock options	6(16)	1,863	8,713
Gain on valuation of financial assets	6(2)	(932)	(1,524)
Loss on disposal of investment		129	-
Share of profit of associates and joint ventures accounted for under equity method	6(7)	(7,093)	(25,287)
(Gain) loss on disposal of property, plant and equipment		(2,607)	286
Discount on convertible bonds recognized as interest expense		-	181
Impairment loss	6(5)	-	157
Other income	6(5)	(540)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(449,335)	(63,344)
Notes receivable, net		391	161
Accounts receivable, net		59,317	(83,237)
Accounts receivable, net - related parties		53,926	(19,715)
Other receivables		(2,820)	(2,335)
Other receivables-related parties		(17,768)	(2,786)
Inventories		2,038	(10,067)
Prepayments		1,340	(59,806)
Other non-current assets		303,485	241,594
Changes in operating liabilities			
Accounts payable		(71,449)	170,448
Accounts payable - related parties		408	(2,737)
Other payables		45,245	7,487
Other payables - related parties		(473)	(984)
Other current liabilities		(579,422)	150,689
Other non-current liabilities		501	10,541
Cash inflow generated from operations		1,006,640	1,282,972
Interest received		19,293	31,189
Dividends received		16,842	40,753
Interest paid		(6,813)	(9,392)
Income tax paid		(161,722)	(124,489)
Net cash flows from operating activities		874,240	1,221,033

(Continued)

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

	Notes	Year ended December 31, 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in available-for-sale financial assets-current		$ 29,771	$ -
Increase in other receivables-related parties		(204,188)	-
Interest received		2,464	464
Decrease (increase) in current assets	6(6)	517,992	(22,053)
Increase in financial assets at cost	6(5)	(81)	-
Proceeds from disposal of investee company	6(5)	540	-
Increase in investments accounted for under equity method-non-subsidiaries	6(7)	-	(94,500)
Acquisition of property, plant and equipment	6(8)	(19,530)	(9,322)
Proceeds from disposal of property, plant and equipment		3,360	164
Increase in refundable deposits		(3,285)	(2,339)
Payments for redemption of bonds payable		-	(1,500)
Net cash flows from (used in) investing activities		327,043	(129,086)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loans		(167,200)	(158,400)
Increase in deposits received (shown in other non-current liabilities)		12,058	17,291
Employee stock options exercised		61,810	74,651
Cash dividends paid		(1,109,554)	(718,463)
Net cash flows used in financing activities		(1,202,886)	(784,921)
Net (decrease) increase in cash and cash equivalents		(1,603)	307,026
Cash and cash equivalents at beginning of year		1,231,547	924,521
Cash and cash equivalents at end of year		$ 1,229,944	$ 1,231,547

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

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

1. HISTORY AND ORGANIZATION

1) KD Holding Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 13, 1999, and consolidated investee-Chang Ting Corporation in December, 2005.
2) The main business activity of the Company was waste management. However, the Board of Directors resolved to change its main activity to investment holding on March 27, 2007. The Company's shares were issued through an initial public offering on December 3, 2007, and have been listed in the Taiwan OTC market since May 27, 2010.
3) CTCI Corporation, the Company's ultimate parent company, holds 57.89% equity interest in the Company as of December 31, 2016.

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

These consolidated financial statements were reported to the Board of Directors on March 15, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

Amendments to IAS 1, 'Disclosure initiative'

This amendment clarifies the presentation of materiality, aggregation and subtotals, the framework of financial report, and the guide for accounting disclosure. The Group will change presentation and disclosures in its financial statements and reports in accordance with the accounting principle.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments'with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A) IFRS 9, 'Financial instruments'

a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

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

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

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

Step 1: Identify contracts with customer
Step 2: Identify separate performance obligations in the contract(s)
Step 3: Determine the transaction price
Step 4: Allocate the transaction price.
Step 5: Recognise revenue when the performance obligation is satisfied.

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

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

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

D) IFRS 16, 'Leases'

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

E) Amendments to IAS 7, 'Disclosure initiative'

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

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, 2016	December 31, 2015	
KD Holding Corp.	HD Resources Management Corp.	Environmental engineering	100.00	100.00	
KD Holding Corp.	Fortune Energy Corp.	Environmental engineering	74.999	74.999	
Sino Environmental Service Corp.			0.001	0.001	
KD Holding Corp.	Sino Environmental Service Corp.	Environmental engineering	93.15	93.15	
HD Resources Management Corp.			0.01	0.01	
KD Holding Corp.	Leading Energy Corp.	Environmental engineering	98.00	98.00	
Sino Environmental Service Corp.			2.00	2.00	
KD Holding Corp.	Yuan Ding Resources Corp.	Environmental engineering	60.00	60.00	
HD Resources Management Corp.			40.00	40.00	
Sino Environmental Service Corp.	SINOGAL-Waste Services Co., Ltd.	Environmental engineering	30.00	30.00	Note
Sino Environmental Service Corp.	Xiang Ding Environmental Consultant (Shanghai) 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, 2016 and 2015, the non-controlling interest amounted to $582,717 and $472,694, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2016		December 31, 2015	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Fortune Energy Corp.	Taiwan	$ 333,686	25.00%	$ 334,774	25.00%
SINOGAL-Waste Services Co., Ltd.	Macau	179,496	70.00%	80,617	70.00%

Summarized financial information of the subsidiaries:

Balance sheets

	Fortune Energy Corp.	
	December 31, 2016	December 31, 2015
Current assets	$ 233,261	$ 214,693
Non-current assets	1,587,043	1,754,572
Current liabilities	(240,728)	(200,280)
Non-current liabilities	(244,832)	(429,890)
Total net assets	$ 1,334,744	$ 1,339,095

	SINOGAL-Waste Services Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 422,535	$ 805,743
Non-current assets	15,569	21,818
Current liabilities	(127,214)	(661,228)
Non-current liabilities	(54,467)	(51,166)
Total net assets	$ 256,423	$ 115,167

Statements of comprehensive income

	Fortune Energy Corp.	
	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	$ 360,797	$ 366,722
Profit before income tax	188,060	179,161
Income tax expense	(32,219)	(1,073)
Profit for the period	155,841	178,088
Other comprehensive (loss) income, net of tax	(3)	2,047
Total comprehensive income for the period	$ 155,838	$ 180,135
Comprehensive income attributable to non-controlling interest	$ 38,959	$ 45,034
Dividends paid to non-controlling interest	$ 40,072	$ 41,113

	SINOGAL-Waste Services Co., Ltd.	
	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	$ 1,274,862	$ 570,227
Profit before income tax	749,154	88,631
Income tax expense	(20,458)	(2,239)
Profit for the period	728,696	86,392
Other comprehensive (loss) income, net of tax	(2,784)	3,176
Total comprehensive income for the period	$ 725,912	$ 89,568
Comprehensive income attributable to non-controlling interest	$ 508,138	$ 62,698
Dividends paid to non-controlling interest	$ 409,260	$ 50,694

Statements of cash flows

	Fortune Energy Corp.	
	Year ended December 31, 2016	Year ended December 31, 2015
Net cash provided by operating activities	$ 341,555	$ 260,565
Net cash used in (provided by) investing activities	(15,837)	43,630
Net cash used in financing activities	(327,479)	(322,843)
Decrease in cash and cash equivalents	(1,761)	(18,648)
Cash and cash equivalents, beginning of period	7,431	26,079
Cash and cash equivalents, end of period	$ 5,670	$ 7,431

	SINOGAL-Waste Services Co., Ltd.	
	Year ended December 31, 2016	Year ended December 31, 2015
Net cash provided by operating activities	$ 278,756	$ 229,789
Net cash provided by (used in) investing activities	99,779	(14,165)
Net cash used in financing activities	(583,438)	(78,712)
(Decrease) increase in cash and cash equivalents	(204,903)	136,912
Cash and cash equivalents, beginning of period	293,026	156,114
Cash and cash equivalents, end of period	$ 88,123	$ 293,026

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

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

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

15) Property, plant and equipment

A) Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B) Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C) Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D) The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

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

Machinery and equipment	3~20 years
Transportation equipment	3~7 years
Other equipment	3~5 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 expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

b) Defined benefit plans

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

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

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

B) Termination benefits

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

C) Employees' compensation directors' and supervisors' remuneration

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

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. And 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 (except for aforementioned)

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

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

None.

2) Critical accounting estimates and assumptions

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and petty cash	$ 9,815	$ 9,408
Checking accounts and demand deposits	516,032	221,308
Time deposits	704,097	1,000,831
Total	$ 1,229,944	$ 1,231,547

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

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

2) Financial assets at fair value through profit or loss

Items	December 31, 2016	December 31, 2015
Current items		
Financial assets held for trading		
Mutual funds	$ 766,850	$ 320,368
Valuation adjustments of financial assets held for trading	528	332
Total	$ 767,378	$ 320,700

A) The Group recognized net gain of $932 and $1,592 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

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

3) Available-for-sale financial assets

Items	December 31, 2016	December 31, 2015
Currents items		
Listed stocks	$ 105,228	$ 105,228
Bonds	30,394	60,294
Valuation adjustment	(35,962)	(33,134)
Total	$ 99,660	$ 132,388

A) The Group recognized changes in fair value in other comprehensive loss amounting to $457 and $16,434, respectively, for the years ended December 31, 2016 and 2015.

B) Due to the global financial crisis in year 2008, listed stocks amounting to $60,304 that were initially classified as 'financial assets at fair value through profit or loss' were reclassified to 'available-for-sale financial assets' on July 1, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:

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

	December 31, 2016 Book value/Fair value	December 31, 2015 Book value/Fair value
Listed stocks	$ 52,216	$ 40,555

b) The changes in fair value of the above listed stocks that were recognized in profit or loss and other comprehensive income (loss) were $0 and $11,661, respectively, for the year ended December 31, 2016, and were $0 and ($23,916), respectively, for the year ended December 31, 2015. The accumulated total changes in fair value of the above listed stocks that were recognized in profit or loss and other comprehensive income before January 1, 2015 were $0 and $4,167, respectively.

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

	For the years ended December 31,	
	2016	2015
Listed stocks	$ 11,661	($ 23,916)

4) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	$ 589,993	$ 659,318
Long-term accounts receivable - due in one year	257,265	247,257
	$ 847,258	$ 906,575

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

A) Based on the 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, 2016 and 2015, no financial assets carried 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.

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

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

6) Other current assets

	December 31, 2016	December 31, 2015
Other financial assets	$ 409,591	$ 927,583

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

7) Investments accounted for under the equity method

	2016	2015
At January 1	$ 618,183	$ 497,296
Addition of investments accounted for using the equity method	-	94,500
Share of profit or loss of investments accounted for using the equity method	7,093	25,287
Earnings distribution of investments accounted for using the equity method	(11,714)	(24,930)
Changes in capital surplus	-	(79)
Changes in other equity items	(19,538)	26,109
At December 31	$ 594,024	$ 618,183

	December 31, 2016	December 31, 2015
Associates:		
CTCI Chemicals Corp.	$ 59,325	$ 56,430
GranSino Environmental Technology Co., Ltd.	5,411	6,339
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	307,197	341,371
Joint ventures:		
G.D. Development Corp.	222,091	214,043
	$ 594,024	$ 618,183

A) Associates

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

		Shareholding ratio			
Company name	Principal place of business	December 31, 2016	December 31, 2015	Nature of relationship	Method of measurement
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

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

Statement of comprehensive income

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

(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, 2016 and 2015, the carrying amount of the Group's individually immaterial associates amounted to $64,736 and $62,769, respectively.

	Year ended December 31, 2016	Year ended December 31, 2015
Total comprehensive income	$ 54,564	$ 64,126

B) Joint venture

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

		Shareholding ratio			
Company name	Principal place of business	December 31, 2016	December 31, 2015	Nature of relationship	Method of measurement
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, 2016	December 31, 2015
Cash and cash equivalents	$ 18,271	$ 26,151
Other current assets	51,128	44,725
Current assets	69,399	70,876
Non-current assets	875,101	782,366
Total assets	$ 944,500	$ 853,242
Current financial liabilities	$ 160,402	$ 128,006
Other current liabilities	71,867	70,684
Current liabilities	$ 232,269	$ 198,690
Non-current liabilities	268,049	226,466
Total liabilities	500,318	425,156
Total net assets	$ 444,182	$ 428,086
Share in joint venture's net assets	$ 222,091	$ 214,043
Carrying amount of the joint venture	$ 222,091	$ 214,043

Statement of comprehensive income

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

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

D) The Board of Directors had resolved to invest in G.D. Development Corp., in December, 2016 and December, 2014. The Group invested in G.D. Development Corp., amounting to $89,474 and $94,500 in February, 2017 and January, 2015, respectively.

8) Property, plant and equipment

	Machinery	Transportation	Others	Total
At January 1, 2016				
Cost	$ 86,383	$ 104,058	$ 4,864	$ 195,305
Accumulated depreciation	(48,929)	(91,521)	(3,780)	(144,230)
	$ 37,454	$ 12,537	$ 1,084	$ 51,075
Year ended December 31, 2016				
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	$ 33,905	$ 17,349	$ 3,179	$ 54,433
At December 31, 2016				
Cost	$ 82,439	$ 99,240	$ 6,115	$ 187,794
Accumulated depreciation	(48,534)	(81,891)	(2,936)	(133,361)
	$ 33,905	$ 17,349	$ 3,179	$ 54,433

	Machinery	Transportation	Others	Total
At January 1, 2015				
Cost	$ 86,500	$ 103,512	$ 4,489	$ 194,501
Accumulated depreciation	(43,940)	(86,273)	(3,373)	(133,586)
	$ 42,560	$ 17,239	$ 1,116	$ 60,915
Year ended December 31, 2015				
Opening net book amount	$ 42,560	$ 17,239	$ 1,116	$ 60,915
Additions	7,926	426	970	9,322
Disposals	(2,793)	-	(157)	(2,950)
Depreciation charge	(10,429)	(5,184)	(857)	(16,470)
Net exchange differences	190	56	12	258
Closing net book amount	$ 37,454	$ 12,537	$ 1,084	$ 51,075
At December 31, 2015				
Cost	$ 86,383	$ 104,058	$ 4,864	$ 195,305
Accumulated depreciation	(48,929)	(91,521)	(3,780)	(144,230)
	$ 37,454	$ 12,537	$ 1,084	$ 51,075

9) Other non-current assets

	December 31, 2016	December 31, 2015
Long-term accounts receivable	$ 2,939,908	$ 3,187,165
Less:current portion	(257,265)	(247,257)
	2,682,643	2,939,908
Long-term prepaid rents	49,273	55,249
Restricted bank deposits	-	50,000
Accrued recovery cost	25,764	34,022
Refundable deposits	11,472	8,187
Others	4,078	-
	$ 2,773,230	$ 3,087,366

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, Leading Energy Corp., obtained the operation for the construction of Wujih Refuse Incineration Plant by build - operate - transfer (BOT) mode since April, 2000. In September, 2000, the "Waste incineration, Taichung City commission contract" between Leading Energy Corp. and Taichung City Government had been signed. The operating period is for 20 years starting from September 6, 2004. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended, but not to exceed 50 years. In order to work the "Waste Incineration Taichung City Commission Contract", Leading Energy Corp. obtained the land-use right of Wujih Refuse Incineration Plant. Therefore, duration of the land-use right has continued for 20 years since the plant began operating.

b) The subsidiary, Fortune Energy Corp., obtained the operation for the construction of Miaoli County Refuse Incineration Plant by build - operate - transfer (BOT) mode since August, 2002. In September, 2002, the "Waste Incineration Commission Contract" between Fortune Energy Corp. and Miaoli County Government had been signed. The operating period is for 20 years starting February 29, 2008. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended. In order to work the "Waste Incineration Miaoli County Commission Contract", Fortune Energy Corp. obtained the land-use right of Miaoli Refuse

Incineration Plant. Therefore, duration of the land-use right is from September 13, 2002 to March 12, 2026.

c) Leading Energy Corp. and Fortune Energy Corp. needs to deal with the guarantee tonnage of waste from government according to the contract during construction or operation.

d) Per Service cost is calculated and adjusted based on the "Waste Incineration Commission Contract", "Index of Average Regular Earnings of Employees–Manufacturing" and "Consumer Price Index".

B) Long-term prepaid rents are due to Leading Energy Corp. and Fortune Energy Corp. obtaining the land-use right according to the "BOT". As of December 31, 2016 and 2015, Leading Energy Corp needs to pay long-term prepaid rent amounting to $28,130 and $31,800, respectively. As of December 31, 2016 and 2015, Fortune Energy Corp. needs to pay long-term prepaid rent amounting to $21,143 and $23,449, respectively.

C) Accrued recovery cost are due to the contracts for the operation and maintenance service of refuse incineration plant between the subsidiaries, Sino Environmental Service Corp. and SINOGAL -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 restricted bank deposits and refundable deposits, please refer to Note 8.

10) Accounts payable

	December 31, 2016	December 31, 2015
Materials payable	$ 62,559	$ 35,716
Sub-contract costs payable	101,738	110,471
Incinerator equipment costs payable	57,672	43,519
Maintenance costs payable	402,384	540,243
Others	76,588	42,441
	$ 700,941	$ 772,390

11) Other payables

	December 31, 2016	December 31, 2015
Accrued payroll	$ 256,035	$ 232,721
Others	86,193	65,252
	$ 342,228	$ 297,973

12) Other current liabilities / Bonds payable

	December 31, 2016	December 31, 2015
Other current liabilities		
Long-term liabilities-current portion	$ 176,000	$ 167,200
Receipts in advance	37,024	36,111
Adjustments of electricity sales	-	580,336
	$ 213,024	$ 783,647

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

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

a) Conversion right and objectives: The bond shall be converted to common stock of the Company using the conversion price at the conversion time.

b) Conversion periods: The bond is convertible at any time from December 15, 2010 to November 5, 2015.

c) Conversion price adjustment: The initial conversion price per share was set at NT$135.58 (in New Taiwan Dollars). After the issuance of the bonds, the conversion price can be adjusted downward based on the terms of the contract. As of November 5, 2015, the conversion price of the bond is adjusted to NT$103.06 (in New Taiwan Dollars).

d) Redemption:

i) Redemption at maturity: The bond will be redeemed at the principal amount.

ii) Redemption at the option of the Company: The Company may redeem the bond, in whole but not in part, on or after December 15, 2010 to October 6, 2015 at the principal amount, provided that the bond may not be so redeemed, unless (i) the closing price of the shares on the Taiwan Over-The-Counter Securities Exchange, for a period of 30 consecutive trading days, is 30% higher than (or equal to) the conversion price or (ii) at least 90% in principal amount of the bond has already been converted, redeemed or purchased and cancelled.

iii) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value upon three years from the issue date.

e) Under the terms of the bond, the rights and obligations of the new shares converted from the bond are the same as the issued and outstanding common stock.

f) The fair value of convertible option is separated from bonds payable, which the related trading costs are recognized by the proportion of original amount of the elements of liability and equity, and the amount recognized in "capital reserve from stock warrants" amounted to $38,643 in accordance with IAS 32 "Financial Instruments: Presentation". The fair value of put options and call options due to market value change of conversion object embedded in bonds payable was separated from bonds payable, and was recognized in "financial assets or liabilities at fair value through profit or loss" in accordance with IAS 39 "Financial Instrument: Presentation and Management ". The effective interest rate of bonds payable was 1.57% after separation.

B) As of December 31, 2015, the fair value of put and call options embedded in bonds payable was recognized in "financial assets at fair value through profit or loss-current" amounting to $0.

C) As of December 31, 2015, the bonds at par value amounting to $498,500 have been converted to 4,163,398 shares of common stock. The abovementioned bond conversion transaction resulted in "capital reserve-common stock" amounting to $469,833 and "capital reserve-stock warrants" and "financial assets at fair value through profit or loss-current" have been reversed amounting to $38,528 and $4,851, respectively. As of November 15, 2015, the Company redeemed the bonds at maturity at par value amounting to $1,500, resulted in loss on disposals of investments amounting to $2.

D) Adjustments of electricity sales is the amount of revenue deduction for electricity sales determined by the project price calculation and the related index under the subcontract of Provision of Services for Operation and Maintenance of the Macao Refuse Incineration Plant to SINOGAL – Waste Service Co., Ltd.. As of March, 2016, SINOGAL – Waste Service Co., Ltd. has clarified to the owners and the price calculation has been approved. All adjustments of electricity sales recorded in other current liabilities were reclassified to operating revenue.

13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Financing amount	Actual spending	December 31, 2016	December 31, 2015
Mega International Commercial Bank secured loans	From September, 2010 to April, 2019, interest is calculated and paid monthly	1.3862%	$ 681,600	$681,600	$ 356,000	$ 523,200
Less: current portion					(176,000)	(167,200)
					$ 180,000	$ 356,000

a) Collateral: Secured by the assets, including machineries and other equipment constructed or acquired, under the Miaoli County Government project of "Miaoli BOT Incinerator Build-operate plan".

b) Fortune Energy Corp. committed to maintain the following financial ratios and criteria during the period of the contract:

i) Current ratio is above 100%,

ii) Debt ratio (Total Liabilities/Net Value) is under 190%,

iii) Time interest earned is above 150%.

14) Other non-current liabilities

	December 31, 2016	December 31, 2015
Accrued pension liabilities	$ 28,248	$ 20,867
Accrued recovery costs	106,942	110,895
Deposits received	127,674	115,616
Others	25,123	21,309
	$ 287,987	$ 268,687

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:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 241,839	$ 242,255
Fair value of plan assets	(213,591)	(221,388)
Net defined benefit liability	$ 28,248	$ 20,867

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2016			
At January 1	$ 242,255	($ 221,388)	$ 20,867
Current service cost	6,858	-	6,858
Interest expense (income)	4,118	(3,763)	355
	253,231	(225,151)	28,080
Remeasurements:			
Change in financial assumptions	5,733	-	5,733
Experience adjustments	(650)	1,658	1,008
	5,083	1,658	6,741
Pension fund contribution	-	(6,573)	(6,573)
Paid pension	(16,475)	16,475	-
At December 31	$ 241,839	($ 213,591)	$ 28,248

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2015			
At January 1	$ 226,917	($ 219,027)	$ 7,890
Current service cost	7,715	-	7,715
Interest expense (income)	4,519	(4,373)	146
	239,151	(223,400)	15,751
Remeasurements:			
Change in financial assumptions	8,095	-	8,095
Experience adjustments	7,006	(1,407)	5,599
	15,101	(1,407)	13,694
Pension fund contribution	-	(7,562)	(7,562)
Paid pension	(11,997)	10,981	(1,016)
At December 31	$ 242,255	($ 221,388)	$ 20,867

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 has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Discount rate	1.30~1.50%	1.70%
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, 2016				
Effect on present value of defined benefit obligation	($ 6,888)	$ 7,170	$ 6,444	($ 6,236)

	Discount rate		Future salary increases	
	Increase 1.00%	Decrease 1.00%	Increase 1.00%	Decrease 1.00%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 25,932)	$ 30,554	$ 27,211	($ 23,745)

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, 2017 amounts to $6,638.

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, 2016 and 2015 were $25,694 and $23,016, 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, 2016 and 2015, were $8,119 and $7,262, respectively.

16) Share-based payment-employee compensation plan

A) For the years ended December 31, 2016 and 2015, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Second plan of employee stock options	2009.7.16	1,200 units	6 years	Service of 2 years
Third plan of employee stock options	2010.6.18	1,200 units	6 years	Service of 2 years
Fourth plan of employee stock options	2011.6.17	1,200 units	6 years	Service of 2 years
Fifth plan of employee stock options	2012.6.28	1,200 units	6 years	Service of 2 years

B) The above employee stock options are as follows:

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

	For the years ended December 31,			
	2016		2015	
Stock options	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	-	NT$ -	75.75	NT$ 53.90
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	-	-
Options exercised	-	-	(75.75)	53.90
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	-	-
Options exercisable at end of period	-	-	-	-

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

	For the years ended December 31,					
	2016			2015		
Stock options	No. of units (in thousands)	Weighted-average exercise price (in dollars)		No. of units (in thousands)	Weighted-average exercise price (in dollars)	
Options outstanding at beginning of period	131.75	NT$	67.50	220.75	NT$	71.40
Options granted	-		-	-		-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-		-	-		-
Options waived	-		-	-		-
Options exercised	(131.75)		67.50	(89.00)		70.90
Options revoked	-		-	-		-
Options outstanding at end of period	-		67.50	131.75		67.50
Options exercisable at end of period	-		67.50	131.75		67.50

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

	For the years ended December 31,					
	2016			2015		
Stock options	No. of units (in thousands)	Weighted-average exercise price (in dollars)		No. of units (in thousands)	Weighted-average exercise price (in dollars)	
Options outstanding at beginning of period	413.25	NT$	112.30	699.00	NT$	118.70
Options granted	-		-	-		-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-		-	-		-
Options waived	(0.25)		-	(1.50)		-
Options exercised	(197.75)		111.30	(284.25)		117.50
Options revoked	-		-	-		-
Options outstanding at end of period	215.25		106.30	413.25		112.30
Options exercisable at end of period	215.25		106.30	413.25		112.30

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

	For the years ended December 31,					
	2016			2015		
Stock options	No. of units (in thousands)	Weighted-average exercise price (in dollars)		No. of units (in thousands)	Weighted-average exercise price (in dollars)	
Options outstanding at beginning of period	713.50	NT$	116.20	974.00	NT$	122.80
Options granted	-		-	-		-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-		-	-		-
Options waived	(9.00)		-	(6.75)		-
Options exercised	(269.25)		114.80	(253.75)		121.60
Options revoked	-		-	-		-
Options outstanding at end of period	435.25		110.00	713.50		116.20
Options exercisable at end of period	435.25		110.00	280.00		116.20

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

D) As of December 31, 2016 and 2015, the range of exercise prices of stock options outstanding was NT$67.5～NT$110 and NT$53.9～NT116.2 (in dollars), respectively; the weighted-average remaining contractual period was as follows:

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

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

Type of arrangement	Grant date	Market value (Note)	Exercise price	Expected price volatility	Expected duration	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
Second plan of employee stock options	2009.7.16	NT$ 91.5	NT$ 71.0	33.68%	3.42 years	0%	0.67%	NT$ 32.56
Third plan of employee stock options	2010.6.18	NT$ 94.0	NT$ 94.0	33.68%	4.50 years	0%	0.93%	NT$ 27.66
Fourth plan of employee stock options	2011.6.17	NT$ 146.0	NT$ 146.0	38.65%	4.50 years	0%	1.05%	NT$ 48.82
Fifth plan of employee stock options	2012.6.28	NT$ 145.0	NT$ 145.0	33.63%	4.60 years	0%	1.00%	NT$ 42.79

Note: The Company had been officially listed in the OTC market on May 27, 2010 whose net value was measured at fair value before being listed in the OTC market and measured at market value after being listed in the OTC market.

F) Expenses incurred on share-based payment transactions are shown below:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Equity-settled	$ 1,863	$ 8,713

17) Share capital

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

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

B) As of December 31, 2016, the Company's authorized capital was $800,000, consisting of 80,000 thousand shares of ordinary stock (including 6,000 thousand shares reserved for employee stock options), and the paid-in capital was $664,614 with a par value of NT$10 (in dollars) per share. All proceeds from shares issued have been collected.

C) As of December 31, 2016 and 2015, 0 shares and 23,283 shares, respectively, of those converted common stock have been shown as "capital collected in advance" because the date of capital increase has not yet been approved by the Board of Directors.

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	Stock warrants	Others	Total
At January 1, 2016	$ 1,877,736	$ 191,217	$ -	$ 313	$ 2,069,266
Share-based payment transaction	-	1,761	-	-	1,761
Employee stock options exercised	58,915	(3,092)	-	-	55,823
At December 31, 2016	$ 1,936,651	$ 189,886	$ -	$ 313	$ 2,126,850
At January 1, 2015	$ 1,782,815	$ 192,914	$ 1,507	$ 198	$ 1,977,434
Convertible bonds transferred to common stock	17,455	-	(1,392)	-	16,063
Expired employee stock options	-	-	(115)	115	-
Share-based payment transaction	-	8,224	-	-	8,224
Employee stock options exercised	77,545	(9,921)	-	-	67,624
Adjustments due to capital transfer of investees	(79)	-	-	-	(79)
At December 31, 2015	$ 1,877,736	$ 191,217	$ -	$ 313	$ 2,069,266

C) Please refer to Note 6(16) for detailed information about capital reserve from employee stock warrants.

19) Retained earnings

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

	2016	2015
At January 1	$ 1,314,258	$ 1,287,692
Profit for the period	848,097	710,370
Legal reserve	(71,037)	(67,404)
Reversal of special reserve	-	617
Appropriation of earnings	(639,352)	(607,249)
Remeasurement on post employment benefit obligations, net of tax	(6,189)	(9,768)
At December 31	$ 1,445,777	$ 1,314,258

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

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

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

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

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

D) Special reserve

a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E) The imputation tax system requires that any undistributed current earnings of the Company are subject to an additional 10% corporate income tax if the earnings are not distributed in the following year.

F) The Company recognized dividends of $639,352 (NT $ 9.6934 per share) and $607,249 (NT $ 9.257 per share) in 2016 and 2015, respectively. In addition, based on the Board of Directors' meeting in July 7, 2016, outstanding stocks will be influenced by convertible bonds and employees' share rights. Thus, the Board of Directors gave the right to adjust the rate of distributed dividends from NT$9.6934 per share to NT$9.63352407 per share.

G) The appropriation of 2015 and 2014 earnings had been resolved at the stockholders' meeting on June 21, 2016 and June 22, 2015, respectively.

Details are summarized below:

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

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

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

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

I) For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6 (22).

20) Operating revenue

	Year ended December 31, 2016	Year ended December 31, 2015
Waste Treatment	$ 1,352,508	$ 1,253,246
Electricity	1,939,443	1,295,926
Concession Service	604,171	611,354
Waste Collection	123,040	120,487
Others	936,403	797,740
Total	$ 4,955,565	$ 4,078,753

21) Expenses by nature

	For the years ended December 31,	
	2016	2015
Employee benefit expense	$ 1,025,145	$ 930,324
Depreciation charges on property, plant and equipment	15,246	16,470
Amortisation	13,936	14,274
Incinerator equipment costs	306,224	340,852
Material	749,618	667,800
Sub-contract costs	698,586	732,921
Insurances	36,594	36,023
Other expenses	483,033	445,975
Total cost of operating and operating expenses	$ 3,328,382	$ 3,184,639

22) Employee benefit expense

	For the years ended December 31,	
	2016	2015
Salaries	$ 874,010	$ 785,245
Employee stock options	1,863	8,713
Labor and health insurance fees	54,196	51,482
Pension costs	41,026	38,139
Other personnel expenses	54,050	46,745
	$ 1,025,145	$ 930,324

A) As of December 31, 2016 and 2015, the Group had 929 and 928 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, with the resolution of the board of directors, distribute at least 0.01% of the income before tax to pay to the employees as remuneration, and distribute no more than 2% of the income before tax to pay to the board of directors as remuneration. The remuneration could be stock or cash, and the employee remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employee remuneration or the board of directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.

C) For the years ended December 31, 2016 and 2015, employees' compensation (bonus) was accrued at $475 and $228, respectively; directors' and supervisors' remuneration was accrued at $5,200 and $5,200, respectively. The aforementioned amounts were recognized in salary 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, 2016. The employees' compensation and directors' and supervisors' remuneration has not been resolved by the Board of Directors and the differences are adjusted in the next year. The employees' compensation will be distributed in the form of cash.

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

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

23) Income tax

A) Components of income tax expense:

	For the years ended December 31, 2016	For the years ended December 31, 2015
Current tax on profits for the period	$ 218,595	$ 140,484
Prior year income tax under (over) estimation	35	(8,669)
Total current tax	218,630	131,815
Deferred tax:		
Change in deferred income tax assets and liabilities	8,660	(1,471)
Foreign exchange adjustments	168	(24)
Income tax expense	$ 227,458	$ 130,320

B) Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2016	Year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	$ 222,382	$ 161,622
Expenses disallowed by tax regulation	(3,619)	(3,953)
Prior year income tax under (over) estimation	35	(8,669)
Tax exempted income by tax regulation	-	(17,209)
Change in deferred tax assets and liabilities	8,660	(1,471)
Income tax expense	$ 227,458	$ 130,320

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

	2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
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	$ 15,811	$ 1,420	$ 620	$ 17,851
－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	($ 161,105)	($ 10,080)	$ -	($ 171,185)
Total	($ 145,294)	($ 8,660)	$ 620	($ 153,334)

	2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unused absences costs	$ 2,905	$ 299	$ -	$ 3,204
Unrealised pension costs	15	(267)	2,578	2,326
Unrealised maintenance costs	9,609	672	-	10,281
Subtotal	$ 12,529	$ 704	$ 2,578	$ 15,811
—Deferred tax liabilities:				
Unrealised exchange gain	($ 1,974)	$ 1,616	$ -	($ 358)
Unrealised foreign investment gain	(7,877)	2,644	-	(5,233)
Unrealised concession arrangements gain	(152,021)	(3,493)	-	(155,514)
Subtotal	($ 161,872)	$ 767	$ -	($ 161,105)
Total	($ 149,343)	$ 1,471	$ 2,578	($ 145,294)

D) As of December 31, 2016, the Company's and its subsidiaries' income tax returns through 2014 have been assessed and approved by the Tax Authority except for Sino Environmental Services Corporation which have been assessed and approved by the Tax Authority through 2013.

E) Unappropriated retained earnings:

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

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

24) Earnings per share

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

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

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 recognized rental expenses of $35,162 and $30,998, for these leases for the years ended December 31, 2016 and 2015, respectively.

B) In order to build the refuse incineration plant, the Group obtained the land-use right amounting to $114,902. For the years ended December 31, 2016 and 2015, the rent is amortized on a straight-line basis during construction or operation both amounting to $5,976 and $5,976, respectively.

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

	December 31, 2016	December 31, 2015
Less than one year	$ 10,907	$ 8,717
More than one year but not less than five years	10,122	10,264
More than five years	6,761	8,582
	$ 27,790	$ 27,563

7. RELATED PARTY TRANSACTIONS

1) Parent and ultimate controlling party

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

2) Significant transactions and balances with related parties

A) Sales of services

	For the years ended December 31, 2016	2015
The ultimate parent	$ 436,350	$ 450,078
Associates	1,994	529
	$ 438,344	$ 450,607

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

b) According to Financial-Supervisory-Securities-Firms No. 0990100279 of the GreTai Securities Market:
Although the Group discloses operating revenues from CTCI as above, the related costs include equipment maintenance cost and employee salary of Sino Environmental Services Corp. when performing operation service, which are not related party transactions.

B) Purchases of services

	For the years ended December 31, 2016	2015
The ultimate parent	$ 14,545	$ 8,800
Associates	133,722	140,231
	$ 148,267	$ 149,031

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

C) Period-end balances arising from sales of services

	December 31, 2016	December 31, 2015
The ultimate parent	$ 84,531	$ 138,428
Associates	-	29
	$ 84,531	$ 138,457

D) Period-end balances arising from purchases of services

	December 31, 2016	December 31, 2015
The ultimate parent	$ 5,126	$ 3,830
Associates	22,478	23,366
	$ 27,604	$ 27,196

E) Other receivables-related parties

a) Reclassified from accounts receivable

	December 31, 2016	December 31, 2015
The ultimate parent	$ 17,886	$ 14,598

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

	December 31, 2016	December 31, 2015
Associates (Note)	$ 792	$ 542
Joint ventures (Note)	3,630	3,001
	$ 4,422	$ 3,543

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

	December 31, 2016	December 31, 2015
Associates	$ 218,000	$ -
Joint ventures	29,000	29,010
	$ 247,000	$ 29,010

b) Interest income

	For the years ended December 31,	
	2016	2015
The ultimate parent (Note 1)	$ 213	$ -
Associates (Note 2)	1,986	-
Joint ventures (Note 3)	465	455
	$ 2,664	$ 455

Note 1: The terms of lending include interest to be calculated and received monthly, using the annual rate of 0.87% for the year ended December 31, 2016.

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

Note 3: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.8% and 1.6% for the years ended December 31, 2016 and 2015, respectively.

G) Other payables-related parties

	December 31, 2016	December 31, 2015
The ultimate parent (Note)	$ 2,193	$ 2,408
Associates (Note)	8	266
	$ 2,201	$ 2,674

Note: The payable is due to the personnel transfers from related parties, estimated directors' and supervisors' remuneration for the years ended December 31, 2016 and 2015, and the related expenses amounted to $8,403 and $8,273, respectively.

H) Endorsements and guarantees for others

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

3) Key management compensation

	For the years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 40,826	$ 42,485
Post-employment benefits	403	499
Share-based payments	327	2,506
Total	$ 41,556	$ 45,490

8. PLEDGED ASSETS

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

	Book value		
Assets	December 31, 2016	December 31, 2015	Purposes
Other financial assets - non-current			
Restricted bank deposits	$ -	$ 50,000	Guarantee for long-term loans
Long-term prepaid rents- land-use right	21,143	23,449	Guarantee for long-term loans
Refundable deposits	11,472	8,187	Guarantee for rent, service contracts and tender bond
	$ 32,615	$ 81,636	

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(2)H, the significant commitments and contingent liabilities of the Group as of December 31, 2016 were as follows:

1) The subsidiaries had entered into lines of credit agreements with several banks for guarantee payments under various service contracts. The subsidiaries had either issued guarantee notes or promissory notes for amounts drawn down under the line of credit agreements. The total amount of guarantee notes and promissory notes issued amounted to $941,416.

2) As of December 31, 2016, the subsidiaries had outstanding commitments for service contracts amounting to $107,031.

3) As of December 31, 2016, the subsidiaries had unused letters of credit for importing materials and sub-contract amounting to $27,891.

4) On October 28, 2014, the Environmental Protection Bureau New Taipei City Government requested the subsidiary, Sino Environmental Services Corp. (Sino), to pay a substantial amount of air pollution control fee of $54,267 in accordance with the action stated in Bei-Huan-Kong-Zi Letter No. 1031588875 (the original action) and the judgement rendered by an administrative court of New Taipei City Government. The subsidiary, Sino, disagreed and filed an appeal for revocation of the original action and administrative decision on July 6, 2015. The case is under the judgement of Taiwan High Administrative Court.

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2016 earnings had been proposed at the Board of Directors' meeting on March 15, 2017, please refer to Note 6(19)H for detailed information.

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, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Total borrowings	$ 356,000	$ 523,200
Total equity	$ 5,264,774	$ 4,911,648
Gearing ratio	7%	11%

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:

	December 31, 2016		
	Foreign Currency Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD：NTD	$ 5,640	32.199	$ 181,602
HKD：NTD	3	4.152	12
JPY：NTD	31,816	0.277	8,813
EUR：NTD	64	33.920	2,171
GBP：NTD	2	39.528	79
CNY：NTD	2	4.622	9
MOP：NTD	33,587	4.032	135,423
Financial Liabilities			
Monetary items			
MOP：NTD	177	4.032	714

	December 31, 2015				
	Foreign Currency Amount (in thousands)		Exchange rate	Book value (NTD)	
(Foreign currency : functional currency)					
Financial assets					
Monetary items					
USD：NTD	$	4,332	32.895	$	142,501
HKD：NTD		3	4.244		13
JPY：NTD		497	0.273		136
EUR：NTD		10	35.938		359
GBP：NTD		2	48.741		97
CNY：NTD		253	4.995		1,264
MOP：NTD		15,630	4.119		64,380
Financial liabilities					
Monetary items					
MOP：NTD		569	4.119		2,344

v) The unrealised exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015 amounted to ($4,026) and $2,105, respectively.

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

	For the year ended December 31, 2016		
	Sensitivity analysis		
	Extent of variation	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD：NTD	1.00%	$ 1,816	$ -
JPY：NTD	1.00%	88	-
EUR：NTD	1.00%	22	-
GBP：NTD	1.00%	1	-
MOP：NTD	1.00%	1,354	-
Financial liabilities			
Monetary items			
MOP：NTD	1.00%	7	-

	For the year ended December 31, 2015		
	Sensitivity analysis		
	Extent of variation	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD：NTD	1.00%	$ 1,425	$ -
JPY：NTD	1.00%	1	-
EUR：NTD	1.00%	4	-
GBP：NTD	1.00%	1	-
CNY：NTD	1.00%	13	-
MOP：NTD	1.00%	644	-
Financial liabilities			
Monetary items			
MOP：NTD	1.00%	23	-

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, 2016 and 2015, the Group's borrowings at variable rate were denominated in NTD.

b) Credit risk

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

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

	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	-	-
	$ 3,358,187	$ 86,032	$ 435,917

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

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, 2016	December 31, 2015
Other receivables -related parties		
Up to 30 days	$ 3,061	$ 4,555
31 to 90 days	9,551	5,901
91 to 180 days	3,600	2,574
Over 181 days	1,674	1,568
	$ 17,886	$ 14,598

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.

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

Non-derivative financial liabilities		
December 31, 2015	Up to 1 year	Over 1 year
Accounts payable	$ 799,586	$ -
Other payables	300,647	-
Other current liabilities	580,336	-
Long-term borrowings (including current portion)	169,708	372,020
Other non-current liabilities	115,616	-

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, 2016 and 2015:

December 31, 2016	Book value	Level 1	Level 2	Level 3	Total
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	27,328	-	27,328	-	27,328
Total	$ 867,038	$ 839,710	$ 27,328	$ -	$ 867,038

December 31, 2015	Book value	Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at fair value through profit or loss					
Equity securities	$ 320,700	$ 320,700	$ -	$ -	$ 320,700
Available-for-sale financial assets					
Equity securities	73,827	73,827	-	-	73,827
Bond securities	58,561	-	58,561	-	58,561
Total	$ 453,088	$ 394,527	$ 58,561	$ -	$ 453,088

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

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

D) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

E) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

F) For the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2.

G) For the years ended December 31, 2016 and 2015, there were no input and output into Level 3.

H) Specific valuation techniques used to value financial instruments include:

a) Quoted market prices or dealer quotes for similar instruments.
b) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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:

	Environmental Resource Department	
	For the years ended December 31,	
	2016	2015
Revenue from external customers	$ 4,955,565	$ 4,078,753
Inter-segment revenue	1,281,276	1,185,882
Total segment revenue	$ 6,236,841	$ 5,264,635
Segment income	$ 1,627,183	$ 894,114
Depreciation	$ 15,246	$ 16,470
Amortisation	$ 13,936	$ 14,274

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,	
	2016	2015
Adjusted EBITDA for reportable segment	$ 1,627,183	$ 894,114
Unrealized gain on financial instruments	195	17
Financial cost, net	(5,823)	(10,114)
Others	36,571	84,862
Income from continuing operations before income tax	$ 1,658,126	$ 968,879

4) Information on products and services

The Company and its associates 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, 2016 and 2015 is as follows:

	2016		2015	
	Operating revenue	Non-current assets	Operating revenue	Non-current assets
Taiwan	$ 3,623,152	$ 2,807,028	$ 3,419,223	$ 3,114,669
Macau	1,330,841	16,076	655,086	22,324
China	1,572	4,559	4,444	1,448
Total	$ 4,955,565	$ 2,827,663	$ 4,078,753	$ 3,138,441

6) Major customer information

Major customer information of the Group for the years ended December 31, 2016 and 2015 is as follows:

	For the years ended December 31,	
	2016	2015
Customer A	$ 252,014	$ 290,554
Customer B	436,350	450,078
Customer C	438,520	473,864
Customer D	360,797	366,722

KD HOLDING CORPORATION AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2016 (Note 3)	Balance at December 31, 2016 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	KD Holding Corp.	G.D. Development Corp.	Other receivables-related parties	Yes	$ 30,000	$ 30,000	$ 29,000	1.80%	2	$ -	For operational needs	$ -	-	$ -	$ 468,206	$ 1,872,823	-
0	"	CTCI Corp.	"	"	430,000	430,000	-	-	"	"	"	"	"	"	468,206	1,872,823	
1	HD Resources Management Corp.	CTCI Corp.	"	"	14,000	14,000	-	-	"	"	"	"	"	"	8,880	35,519	"
1	"	CTCI Machinery Corp.	"	"	14,000	14,000	7,000	1.09%	"	"	"	"	"	"	8,880	35,519	"
1	"	E&C Engineering Corp.	"	"	14,000	14,000	7,000	1.09%	"	"	"	"	"	"	8,880	35,519	"
2	Sino Environmental Service Corp.	CTCI Corp.	"	"	156,000	156,000	-	-	"	"	"	"	"	"	101,639	406,555	"
2	"	CTCI Machinery Corp.	"	"	156,000	156,000	48,000	1.07~1.09%	"	"	"	"	"	"	101,639	406,555	"
2	"	E&C Engineering Corp.	"	"	156,000	156,000	78,000	1.07~1.09%	"	"	"	"	"	"	101,639	406,555	"
2	"	Resources Engineering Services Inc.	"	"	156,000	156,000	78,000	1.01~1.09%	"	"	"	"	"	"	101,639	406,555	"

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

(1)The Company is '0'.

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

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

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2016.

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

(1)The Business association is '1'.

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

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

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

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

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

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

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

KD HOLDING CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

(1)The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1)Having business relationship.

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

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

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

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

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

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

(1)The limit on endorsements and guarantees granted to a single party shall not exceed 200% of the Company's net assets value in last financial statement which was reviewed or audited by accountant.

(2) The ceiling on total endorsements and guarantees shall not exceed 300% of the Company's net assets value in last financial statement which was reviewed or audited by accountant.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

KD HOLDING CORPORATION AND SUBSIDIARIES

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

December 31, 2016

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

	Marketable securities (Note 1)				December 31, 2016				
Securities held by	Type	Name	Relationship with the securities issuer (Note 2)	General ledger account	Shares/ denominations (thousand share)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
KD Holding Corp.	Fund	Capital Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	343	$ 5,489	-	$ 5,489	-
"	"	FSITC Taiwan Money Market Fund	"	"	10,798	163,565	-	163,565	-
"	"	FSITC Money Market Fund	"	"	1,129	199,456	-	199,456	-
"	"	Nomura Taiwan Money Market Fund	"	"	441	7,124	-	7,124	-
"	"	CTBC Hua Win Money Market Fund	"	"	2,449	26,728	-	26,728	-
						$ 402,362		$ 402,362	
"	Common Stock	Taiwan Cement Corp.	"	Available-for-sale financial assets-current	180	$ 7,298	-	$ 6,319	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	462	19,949	-	8,940	-
				Adjustment		(11,988)		$ 15,259	
						$ 15,259			
"	"	TSC Venture Management, Inc.	The Company is the Board of director	Financial assets carried at cost-non-current	216	$ 2,160	5.88%	$ -	-
"	"	Teamwin Opto-Electronics Co., Ltd.	N/A	"	150	2,261	2.46%	475	-
"	"	Eastern Pacific Energy Sdn. Bhd	The General Manager of the Company is the Board of director	"	10	81	10.00%	81	
		Less: Accumulated impairment				(3,946)		$ 556	
						$ 556			
Leading Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	2,294	$ 34,751	-	$ 34,751	-
"	Common Stock	Taiwan Cement Corp.	"	Available-for-sale financial assets-current	432	15,195	-	15,195	-

Securities held by	Marketable securities (Note 1) Type	Name	Relationship with the securities issuer (Note 2)	General ledger account	December 31, 2016 Shares/ denominations (thousand share)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Sino Environmental Services Corp.	Fund	Franklin Templeton Sinoam Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	25,361	$ 259,519	-	$ 259,519	-
〃	Common Stock	CTCI Corp.	Ultimate parent company	Available-for-sale financial assets-current	1	50	-	50	-
〃	〃	Taiwan Cement Corp.	N/A	〃	438	15,401	-	15,401	-
〃	〃	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	〃	575	11,126	-	11,126	-
〃	Bonds	BP capital PLC	N/A	〃	6,000	27,328	-	27,328	Note 5
HD Resources Management Corp.	Fund	Prudential Financial Money Market	N/A	Financial assets at fair value through profit or loss-current	512	8,014	-	8,014	-
〃	〃	FSITC Taiwan Money Market Fund	〃	〃	990	15,002	-	15,002	-
〃	〃	Jih Sun Money Market Fund	〃	〃	412	6,043	-	6,043	-
〃	〃	Mega Diamond Money Market Fund	〃	〃	1,705	21,174	-	21,174	-
〃	Common Stock	Taiwan Cement Corp.	〃	Available-for-sale financial assets-current	435	15,301	-	15,301	-
Fortune Energy Corp.	Fund	FSITC Taiwan Money Market Fund	〃	Financial assets at fair value through profit or loss-current	1,354	20,511	-	20,511	-

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

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

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

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

KD HOLDING CORPORATION 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, 2016

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2016		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2016	
Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Number of shares (thousand share)	Amount	Number of shares (thousand share)	Amount	Number of shares (thousand share)	Selling price	Book value	Gain (loss) on disposal	Number of shares (thousand share)	Amount
KD Holding Corp.	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	$ -	10,798	$ 163,520	-	$ -	$ -	$ -	10,798	$ 163,520
"	FSITC Money Market Fund	"	-	-	-	-	1,129	199,400	-	-	-	-	1,129	199,400
Leading Energy Corp.	Taishin Ta-Chong Money Market	"	-	-	-	-	9,657	135,700	9,657	135,733	135,700	33	-	-
Sino Environmental Services Corp.	Jih Sun Money Market Fund	"	-	-	7,048	103,000	5,126	75,000	12,174	178,128	178,000	128	-	-
"	Mega Diamond Money Market Fund	"	-	-	407	5,031	12,258	152,000	12,665	157,096	157,031	65	-	-
"	Franklin Templeton Sinoam Money Market Fund	"	-	-	-	-	47,912	490,000	22,551	230,561	230,500	61	25,361	259,500
Fortune Energy Corp.	FSITC Taiwan Money Market Fund	"	-	-	233	3,507	11,236	170,000	10,115	153,031	153,003	28	1,354	20,504

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

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

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

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

KD HOLDING CORPORATION 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, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

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

KD HOLDING CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended Decemember 31, 2016

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

KD HOLDING CORPORATION AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
KD Holding Corp.	Leading Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	$ 601,485	$ 797,485	47,040,000	98.00%	$ 1,367,122	$ 282,563	$ 276,911	A subsidiary
KD Holding Corp.	Sino Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance,etc.	339,921	339,921	14,065,936	93.15%	946,785	489,858	456,312	A subsidiary
KD Holding Corp.	HD Resources Management Corp.	Taiwan	Waste services, equipment and mechanical installation, waste clear, international trade and other environmental services, etc.	20,000	20,000	2,000,000	100.00%	88,797	37,634	37,634	A subsidiary
KD Holding Corp.	Fortune Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	1,012,483	1,012,483	56,249,000	74.999%	1,001,040	155,841	116,879	A subsidiary
KD Holding Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	27,000	27,000	2,700,000	60.00%	23,470	118	71	A subsidiary
KD Holding Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Island	Share holding and investment.	309,489	309,489	13,333,333	20.00%	307,197	(80,300)	(18,905)	An investee under equity method

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
KD Holding Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	$ 189,991	$ 189,991	20,051,545	50.00%	$ 222,079	$ 23,551	$ 11,775	An investee which has a 50% interest in a joint venture
Sino Environmental Services Corp.	Leading Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	9,600	13,600	960,000	2.00%	27,900	282,563	5,652	Affiliate
Sino Environmental Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	59,325	54,727	14,724	Affiliate
Sino Environmental Services Corp.	Fortune Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	13	13	1,000	0.001%	18	155,841	2	Affiliate
Sino Environmental Services Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	8	8	1,055	0.003%	12	23,551	1	Affiliate
Sino Environmental Services Corp.	SINOGAL-Waste Services Co., Ltd.	Macau	Management of waste recycling site and maintenance of related mechanical and equipment etc.	4,964	4,964	-	30.00%	76,927	728,696	218,609	A subsidiary
HD Resources Management Corp.	Sino Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance,etc.	53	53	1,000	0.01%	68	489,858	22	Affiliate
HD Resources Management Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	18,000	18,000	1,800,000	40.00%	15,646	118	47	A subsidiary

KD HOLDING CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2) 2.(2)B	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
GranSino Environmental Technology Co., Ltd.	Environmental technical advisory, urban environmental sanitation and processing equipment technology R&D, environmental pollution control equipment maintenance, and construction management, etc.	$ 22,193	1	$ 10,874	$ -	$ -	$ 10,874	$ 263	45.65%	($ 468)	$ 5,411	$ 3,377	Note 4
Xiang Ding Environmental Consultant (Shanghai) Co., Ltd.	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.	4,147	1	4,147	-	-	4,147	7,266	93.16%	6,769	14,398	-	"

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

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

(1)Directly invest in a company in Mainland China.

(2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3)Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2016' column:

(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B. Investment income (loss) of non-significant subsidiaries was recognized based on the audited financial statements.

C. Others.

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

Note 4: Invested by Sino Environmental Service Corp.

KD HOLDING CORPORATION 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, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

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

Appendix 2

KD HOLDING CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of KD HOLDING CORPORATION

Opinion

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

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

Basis for opinion

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

資誠聯合會計師事務所 *PricewaterhouseCoopers Taiwan*
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Key audit matters

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

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

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

<u>A.Description</u>

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

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

<u>How our audit addressed the matter</u>

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

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

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

B.Description

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

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

How our audit addressed the matter

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Weng Shih Jung

Weng, Shih-Jung

Chang, Shu-Chiung

Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2017

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

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

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

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

(Continued)

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

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

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

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

	Items	Notes	Year ended December 31			
			2016		2015	
			AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(5)	$ 880,677	100	$ 731,917	100
5900	**Gross profit**		880,677	100	731,917	100
	Operating expenses					
6200	General & administrative expenses	6(11)(12) and 7	(48,482)	(6)	(46,671)	(7)
6000	**Total operating expenses**		(48,482)	(6)	(46,671)	(7)
6900	**Operating profit**		832,195	94	685,246	93
	Non-operating income and expenses					
7010	Other income	7	18,846	2	27,022	4
7020	Other gains		177	-	312	-
7050	Finance costs		-	-	(181)	-
7000	**Total non-operating income and expenses**		19,023	2	27,153	4
7900	**Profit before income tax**		851,218	96	712,399	97
7950	Income tax expense	6(13)	(3,121)	-	(2,029)	-
8200	**Profit for the year**		$ 848,097	96	$ 710,370	97
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		($ 3,096)	-	$ 1,222	-
8330	Total share of other comprehensive income of associates and joint ventures accounted for using equity method		(3,093)	-	(10,990)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		(22,755)	(3)	29,705	4
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(3)	(4,456)	-	1,194	-
8380	Total share of other comprehensive income of associates and joint ventures accounted for using equity method		4,187	-	(17,368)	(2)
8300	**Other comprehensive (loss) income for the year**		($ 29,213)	(3)	$ 3,763	1
8500	**Total comprehensive income for the year**		$ 818,884	93	$ 714,133	98
9710	**Basic earnings per share**		$	12.80	$	10.84
9810	**Diluted earnings per share**		$	12.75	$	10.77

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

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

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

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

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

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

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

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

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

1. HISTORY AND ORGANIZATION

1) KD Holding Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 13, 1999, and consolidated investee-Chang Ting Corporation in December, 2005.
2) The main business activity of the Company was waste management. However, the Board of Directors resolved to change its main activity to investment holding on March 27, 2007. The Company's shares were issued through an initial public offering on December 3, 2007, and have been listed in the Taiwan OTC market since May 27, 2010.
3) CTCI Corporation, the Company's ultimate parent company, holds 57.89% equity interest in the Company as of December 31, 2016.

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")
None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company
New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

Amendments to IAS 1, 'Disclosure initiative'

This amendment clarifies the presentation of materiality, aggregation and subtotals, the framework of financial report, and the guide for accounting disclosure. The Company will change presentation and disclosures in its financial statements and reports in accordance with the accounting principle.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments'with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 16, 'Leases'

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

C. Amendments to IAS 7, 'Disclosure initiative'

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1) Compliance statement

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

2) Basis of preparation

A) Except for the following items, the non-consolidated financial statements have been prepared under the historical cost convention:

a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

b) Available-for-sale financial assets measured at fair value.

c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

3) Classification of current and non current items

A) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
   a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
   b) Assets held mainly for trading purposes;
   c) Assets that are expected to be realised within twelve months from the balance sheet date;
   d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
   a) Liabilities that are expected to be settled within the normal operating cycle;
   b) Liabilities arising mainly from trading activities;
   c) Liabilities that are to be settled within twelve months from the balance sheet date;
   d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

4) Cash equivalents

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

5) Financial assets at fair value through profit or loss

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

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

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

6) Available-for-sale financial assets

A) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B) On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C) Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

7) Receivables

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

8) Impairment of financial assets

A) The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B) The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

a) Significant financial difficulty of the issuer or debtor;

b) A breach of contract, such as a default or delinquency in interest or principal payments;

c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

e) The disappearance of an active market for that financial asset because of financial difficulties;

f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

a) Financial assets measured at amortised cost

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

b) Financial assets measured at cost

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

c) Available-for-sale financial assets

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

9) Derecognition of financial assets

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

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

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

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

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

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

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

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

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

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

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

11) Impairment of non-financial assets

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

12) Employee benefits

A) Pensions

a) Defined contribution plans

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

b) Defined benefit plans

i) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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

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

B) Employees', directors' and supervisors' remuneration

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

13) Employee share-based payment

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

14) Income tax

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

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

15) Share capital

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

16) Dividends

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

17) Revenue recognition

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

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

The preparation of these non-consolidated financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

None.

2) Critical accounting estimates and assumptions

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

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

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

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

2) Financial assets at fair value through profit or loss

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

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

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

3) Available-for-sale financial assets

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

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

B) Due to the global financial crisis in year 2008, listed stocks amounting to $7,298 that were initially classified as 'financial assets at fair value through profit or loss' were reclassified to 'available-for-sale financial assets' on July 1, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:

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

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

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

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

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

4) Financial assets carried at cost

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

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

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

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

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

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

5) Investments accounted for using the equity method

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

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

A) Subsidiaries

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

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

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

Balance sheets

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

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

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

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

Statement of comprehensive income

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

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

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

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

B) Associate

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

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

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

Balance sheets

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

Statement of comprehensive income

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

C) Joint venture

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

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

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

Balance sheets

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

Statement of comprehensive income

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

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

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

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

6) Pensions

A) Defined benefit pension plan

a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

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

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

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

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

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

e) The principal actuarial assumptions used were as follows:

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

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

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

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

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

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

B) Defined contribution pension plan

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

b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2016 and 2015, were $676 and $536, respectively.

7) Share-based payment-employee compensation plan

A) For the years ended December 31, 2016 and 2015, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Second plan of employee stock options	2009.7.16	1,200 units	6 years	Service of 2 years
Third plan of employee stock options	2010.6.18	1,200 units	6 years	Service of 2 years
Fourth plan of employee stock options	2011.6.17	1,200 units	6 years	Service of 2 years
Fifth plan of employee stock options	2012.6.28	1,200 units	6 years	Service of 2 years

B) The above employee stock options are as follows:

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

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

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

	For the years ended December 31,					
	2016			2015		
Stock options	No. of units (shares in thousand)	Weighted-average exercise price (in dollars)		No. of units (shares in thousand)	Weighted-average exercise price (in dollars)	
Options outstanding at beginning of period	131.75	NT$	67.50	220.75	NT$	71.40
Options granted	-		-	-		-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-		-	-		-
Options waived	-		-	-		-
Options exercised	(131.75)	NT$	67.50	(89.00)	NT$	70.90
Options revoked	-		-	-		-
Options outstanding at end of period	-	NT$	67.50	131.75	NT$	67.50
Options exercisable at end of period	-	NT$	67.50	131.75	NT$	67.50

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

	For the years ended December 31,					
	2016			2015		
Stock options	No. of units (shares in thousand)	Weighted-average exercise price (in dollars)		No. of units (shares in thousand)	Weighted-average exercise price (in dollars)	
Options outstanding at beginning of period	413.25	NT$	112.30	699.00	NT$	118.70
Options granted	-		-	-		-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-		-	-		-
Options waived	(0.25)		-	(1.50)		-
Options exercised	(197.75)	NT$	111.30	(284.25)	NT$	117.50
Options revoked	-		-	-		-
Options outstanding at end of period	215.25	NT$	106.30	413.25	NT$	112.30
Options exercisable at end of period	215.25	NT$	106.30	413.25	NT$	112.30

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

	For the years ended December 31,					
	2016			2015		
Stock options	No. of units (shares in thousand)	Weighted-average exercise price (in dollars)		No. of units (shares in thousand)	Weighted-average exercise price (in dollars)	
Options outstanding at beginning of period	713.50	NT$	116.20	974.00	NT$	122.80
Options granted	-		-	-		-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-		-	-		-
Options waived	(9.00)		-	(6.75)		-
Options exercised	(269.25)	NT$	114.80	(253.75)	NT$	121.60
Options revoked	-		-	-		-
Options outstanding at end of period	435.25	NT$	110.00	713.50	NT$	116.20
Options exercisable at end of period	435.25	NT$	110.00	280.00	NT$	116.20

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

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

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

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

Type of arrangement	Grant date	Market value (Note)	Exercise price	Expected price volatility	Expected duration	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
Second plan of employee stock options	2009.7.16	NT$ 91.5	NT$ 71.0	33.68%	3.42 years	0%	0.67%	NT$ 32.56
Third plan of employee stock options	2010.6.18	NT$ 94.0	NT$ 94.0	33.68%	4.50 years	0%	0.93%	NT$ 27.66
Fourth plan of employee stock options	2011.6.17	NT$ 146.0	NT$ 146.0	38.65%	4.50 years	0%	1.05%	NT$ 48.82
Fifth plan of employee stock options	2012.6.28	NT$ 145.0	NT$ 145.0	33.63%	4.60 years	0%	1.00%	NT$ 42.79

Note: The Company had been officially listed in the OTC market on May 27, 2010 whose net value was measured at fair value before being listed in the OTC market and measured at market value after being listed in the OTC market.

F) Expenses incurred on share-based payment transactions are shown below:

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

8) Share capital

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

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

B) As of December 31, 2016, the Company's authorized capital was $800,000, consisting of 80,000 thousand shares of ordinary stock (including 6,000 thousand shares reserved for employee stock options), and the paid-in capital was $664,614 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

C) As of December 31, 2016 and 2015, 0 shares, and 23,283 shares, respectively, of those converted common stock have been shown as "capital collected in advance" because the date of capital increase has not yet been approved by the Board of Directors.

9) Capital surplus

A) Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B) Changes in capital surplus are as follows:

	Share premium	Employee stock options	Stock options	Others	Total
At January 1, 2016	$ 1,877,736	$ 191,217	$ -	$ 313	$ 2,069,266
Share-based payment transaction	-	1,761	-	-	1,761
Employee stock options exercised	58,915	(3,092)	-	-	55,823
At December 31, 2016	$ 1,936,651	$ 189,886	$ -	$ 313	$ 2,126,850
At January 1, 2015	$ 1,782,815	$ 192,914	$ 1,507	$ 198	$ 1,977,434
Convertible bonds transferred to common stock	17,455	-	(1,392)	-	16,063
Expired employee stock options	-	-	(115)	115	-
Share-based payment transaction	-	8,224	-	-	8,224
Employee stock options exercised	77,545	(9,921)	-	-	67,624
Adjustments due to capital transfer of investees	(79)	-	-	-	(79)
At December 31, 2015	$ 1,877,736	$ 191,217	$ -	$ 313	$ 2,069,266

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

10) Retained earnings

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

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

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

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

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

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

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

D) Special reserve

a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E) The imputation tax system requires that any undistributed current earnings of the Company are subject to an additional 10% corporate income tax if the earnings are not distributed in the following year.

F) The Company recognized dividends of $639,352 (NT $ 9.6934 per share) and $607,249 (NT $ 9.257 per share) in 2016 and 2015, respectively. In addition, based on the Board of Directors' meeting in July 7, 2016, outstanding stocks will be influenced by convertible bonds and employees' share rights. Thus, the Board of Directors gave the right to adjust the rate of distributed dividends from NT$9.6934 per share to NT$9.63352407 per share.

G) The appropriation of 2015 and 2014 earnings had been resolved at the stockholders' meeting on June 21, 2016 and June 22, 2015, respectively.

Details are summarized below:

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

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

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

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

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

11) Expenses by nature

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

12) Employee benefit expense

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

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

A) According to the Articles of Incorporation of the Company, when net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, with the resolution of the board of directors, distribute at least 0.01% of the income before tax to pay to the employees as remuneration, and distribute no more than 2% of the income before tax to pay to the board of directors as remuneration. The remuneration could be stock or cash, and the employee remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employee remuneration or the board of directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.

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

For the year ended December 31, 2016, employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.01% and 2% of distributable profit of current year as of the end of reporting period.

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

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

13) Income tax

A) Components of income tax expense

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

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

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

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

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

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

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

E) Unappropriated retained earnings:

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

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

14) Earnings per share

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

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

15) Operating leases

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

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

7. RELATED PARTY TRANSACTIONS

1) Parent and ultimate controlling party

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

2) Significant transactions and balances with related parties

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

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

B) Other revenue/receivables from related parties

a) Receivables from related parties

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

b) Other revenue

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

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

Note 2: For personnel transfers from related parties.

C) Operating expenses/Other payables-related parties

a) Operating expenses

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

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

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

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

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

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

D) Endorsements and guarantees for others

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

3) Key management compensation

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

8. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

9. SIGNIFICANT DISASTER LOSS

None.

10. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

11. OTHERS

1) Capital risk management

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

2) Financial instruments

A) Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, other receivables and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B) Financial risk management policies

a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C) Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

i) The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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

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

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

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

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

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

Price risk

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

b) Credit risk

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

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

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

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

Group 1: Government.

Group 2: Listed companies.

Group 3: Others.

c) Liquidity risk

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

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

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

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

3) Fair value estimation

A) Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 11(2)A.

B) The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

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

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

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

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

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

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

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

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

D) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

E) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

F) For the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2.

G) For the years ended December 31, 2016 and 2015, there were no input and output into Level 3.

H) Specific valuation techniques used to value financial instruments include:

a) Quoted market prices or dealer quotes for similar instruments.

b) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

12. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

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

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

KD HOLDING CORPORATION
Details of financial assets at fair value through profit or loss-current
December 31, 2016
(Expressed in thousands of New Taiwan dollars)

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

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

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

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

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

KD HOLDING CORPORATION
Details of investments accounted for using the equity method
For the year ended December 31, 2016
(Expressed in thousands of New Taiwan dollars)

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

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

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

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

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

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

KD HOLDING CORPORATION

Loans to others

For the year ended December 31, 2016

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2016 (Note 3)	Balance at December 31, 2016 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	KD Holding Corp.	G.D. Development Corp.	Other receivables-related parties	Yes	$ 30,000	$ 30,000	$ 29,000	1.80%	2	$ -	For operational needs	$ -	-	$ -	$ 468,206	$ 1,872,823	-
0	"	CTCI Corp.	"	"	430,000	430,000	-	-	"	"	"	"	"	"	468,206	1,872,823	
1	HD Resources Management Corp.	CTCI Corp.	"	"	14,000	14,000	-	-	"	"	"	"	"	"	8,880	35,519	"
1	"	CTCI Machinery Corp.	"	"	14,000	14,000	7,000	1.09%	"	"	"	"	"	"	8,880	35,519	"
1	"	E&C Engineering Corp.	"	"	14,000	14,000	7,000	1.09%	"	"	"	"	"	"	8,880	35,519	"
2	Sino Environmental Service Corp.	CTCI Corp.	"	"	156,000	156,000	-	-	"	"	"	"	"	"	101,639	406,555	"
2	"	CTCI Machinery Corp.	"	"	156,000	156,000	48,000	1.07~ 1.09%	"	"	"	"	"	"	101,639	406,555	"
2	"	E&C Engineering Corp.	"	"	156,000	156,000	78,000	1.07~ 1.09%	"	"	"	"	"	"	101,639	406,555	"
2	"	Resources Engineering Services Inc.	"	"	156,000	156,000	78,000	1.01~ 1.09%	"	"	"	"	"	"	101,639	406,555	"

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

(1)The Company is '0'.

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

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

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2016.

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

(1)The Business association is '1'.

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

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

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

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

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

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

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

KD HOLDING CORPORATION

Provision of endorsements and guarantees to others

For the year ended December 31, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

(1)The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1)Having business relationship.

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

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

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

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

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

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

(1)The limit on endorsements and guarantees granted to a single party shall not exceed 200% of the Company's net assets value in last financial statement which was reviewed or audited by accountant.

(2) The ceiling on total endorsements and guarantees shall not exceed 300% of the Company's net assets value in last financial statement which was reviewed or audited by accountant.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

KD HOLDING CORPORATION

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

December 31, 2016

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

	Marketable securities (Note 1)				December 31, 2016				
Securities held by	Type	Name	Relationship with the securities issuer (Note 2)	General ledger account	Shares/ denominations (thousand share)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
KD Holding Corp.	Fund	Capital Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	343	$ 5,489	-	$ 5,489	-
〃	〃	FSITC Taiwan Money Market Fund	〃	〃	10,798	163,565	-	163,565	-
〃	〃	FSITC Money Market Fund	〃	〃	1,129	199,456	-	199,456	-
〃	〃	Nomura Taiwan Money Market Fund	〃	〃	441	7,124	-	7,124	-
〃	〃	CTBC Hua Win Money Market Fund	〃	〃	2,449	26,728	-	26,728	-
						$ 402,362		$ 402,362	
〃	Common Stock	Taiwan Cement Corp.	〃	Available-for-sale financial assets-current	180	$ 7,298	-	$ 6,319	-
〃	〃	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	〃	462	19,949	-	8,940	-
				Adjustment		(11,988)		$ 15,259	
						$ 15,259			
〃	〃	TSC Venture Management, Inc.	The Company is the Board of director	Financial assets carried at cost-non-current	216	$ 2,160	5.88%	$ -	-
〃	〃	Teamwin Opto-Electronics Co., Ltd.	N/A	〃	150	2,261	2.46%	475	-
〃	〃	Eastern Pacific Energy Sdn. Bhd	The General Manager of the Company is the Board of director	〃	10	81	10.00%	81	
		Less: Accumulated impairment				(3,946)		$ 556	
						$ 556			
Leading Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	2,294	$ 34,751	-	$ 34,751	-
〃	Common Stock	Taiwan Cement Corp.	〃	Available-for-sale financial assets-current	432	15,195	-	15,195	-

Securities held by	Marketable securities (Note 1) Type	Name	Relationship with the securities issuer (Note 2)	General ledger account	December 31, 2016 Shares/ denominations (thousand share)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Sino Environmental Services Corp.	Fund	Franklin Templeton Sinoam Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	25,361	$ 259,519	-	$ 259,519	-
"	Common Stock	CTCI Corp.	Ultimate parent company	Available-for-sale financial assets-current	1	50	-	50	-
"	"	Taiwan Cement Corp.	N/A	"	438	15,401	-	15,401	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	575	11,126	-	11,126	-
"	Bonds	BP capital PLC	N/A	"	6,000	27,328	-	27,328	Note 5
HD Resources Management Corp.	Fund	Prudential Financial Money Market	N/A	Financial assets at fair value through profit or loss-current	512	8,014	-	8,014	-
"	"	FSITC Taiwan Money Market Fund	"	"	990	15,002	-	15,002	-
"	"	Jih Sun Money Market Fund	"	"	412	6,043	-	6,043	-
"	"	Mega Diamond Money Market Fund	"	"	1,705	21,174	-	21,174	-
"	Common Stock	Taiwan Cement Corp.	"	Available-for-sale financial assets-current	435	15,301	-	15,301	-
Fortune Energy Corp.	Fund	FSITC Taiwan Money Market Fund	"	Financial assets at fair value through profit or loss-current	1,354	20,511	-	20,511	-

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

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

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

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

KD HOLDING CORPORATION

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

For the year ended December 31, 2016

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2016		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2016	
Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Number of shares (thousand share)	Amount	Number of shares (thousand share)	Amount	Number of shares (thousand share)	Selling price	Book value	Gain (loss) on disposal	Number of shares (thousand share)	Amount
KD Holding Corp.	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	$ -	10,798	$ 163,520	-	$ -	$ -	$ -	10,798	$ 163,520
"	FSITC Money Market Fund	"	-	-	-	-	1,129	199,400	-	-	-	-	1,129	199,400
Leading Energy Corp.	Taishin Ta-Chong Money Market	"	-	-	-	-	9,657	135,700	9,657	135,733	135,700	33	-	-
Sino Environmental Services Corp.	Jih Sun Money Market Fund	"	-	-	7,048	103,000	5,126	75,000	12,174	178,128	178,000	128	-	-
"	Mega Diamond Money Market Fund	"	-	-	407	5,031	12,258	152,000	12,665	157,096	157,031	65	-	-
"	Franklin Templeton Sinoam Money Market Fund	"	-	-	-	-	47,912	490,000	22,551	230,561	230,500	61	25,361	259,500
Fortune Energy Corp.	FSITC Taiwan Money Market Fund	"	-	-	233	3,507	11,236	170,000	10,115	153,031	153,003	28	1,354	20,504

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

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

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

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

KD HOLDING CORPORATION

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

For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

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

KD HOLDING CORPORATION

Significant inter-company transactions during the reporting period

For the year ended Decemember 31, 2016

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

KD HOLDING CORPORATION

Information on investees

For the year ended December 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
KD Holding Corp.	Leading Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	$ 601,485	$ 797,485	47,040,000	98.00%	$ 1,367,122	$ 282,563	$ 276,911	A subsidiary
KD Holding Corp.	Sino Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance,etc.	339,921	339,921	14,065,936	93.15%	946,785	489,858	456,312	A subsidiary
KD Holding Corp.	HD Resources Management Corp.	Taiwan	Waste services, equipment and mechanical installation, waste clear, international trade and other environmental services, etc.	20,000	20,000	2,000,000	100.00%	88,797	37,634	37,634	A subsidiary
KD Holding Corp.	Fortune Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	1,012,483	1,012,483	56,249,000	74.999%	1,001,040	155,841	116,879	A subsidiary
KD Holding Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	27,000	27,000	2,700,000	60.000%	23,470	118	71	A subsidiary
KD Holding Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Island	Share holding and investment.	309,489	309,489	13,333,333	20.00%	307,197	(80,300)	(18,905)	An investee under equity method

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
KD Holding Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	$ 189,991	$ 189,991	20,051,545	49.997%	$ 222,079	$ 23,551	$ 11,775	An investee which has a 50% interest in a joint venture
Sino Environmental Services Corp.	Leading Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	9,600	13,600	960,000	2.00%	27,900	282,563	5,652	Affiliate
Sino Environmental Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	59,325	54,727	14,724	Affiliate
Sino Environmental Services Corp.	Fortune Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	13	13	1,000	0.001%	18	155,841	2	Affiliate
Sino Environmental Services Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	8	8	1,055	0.003%	12	23,551	1	Affiliate
Sino Environmental Services Corp.	SINOGAL-Waste Services Co., Ltd.	Macau	Management of waste recycling site and maintenance of related mechanical and equipment etc.	4,964	4,964	-	30.00%	76,927	728,696	218,609	A subsidiary
HD Resources Management Corp.	Sino Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance,etc.	53	53	1,000	0.01%	68	489,858	22	Affiliate
HD Resources Management Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	18,000	18,000	1,800,000	40.00%	15,646	118	47	A subsidiary

KD HOLDING CORPORATION

Information on investments in Mainland China

For the year ended December 31, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2) 2.(2)B	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
GranSino Environmental Technology Co., Ltd.	Environmental technical advisory, urban environmental sanitation and processing equipment technology R&D, environmental pollution control equipment maintenance, and construction management, etc.	$ 22,193	1	$ 10,874	$ -	$ -	$ 10,874	$ 263	45.65%	($ 468)	$ 5,411	$ 3,377	Note 4
Xiang Ding Environmental Consultant (Shanghai) Co., Ltd.	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.	4,147	1	4,147	-	-	4,147	7,266	93.16%	6,769	14,398	-	"

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

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1)Directly invest in a company in Mainland China.
(2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3)Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2016' column:
(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
B. Investment income (loss) of non-significant subsidiaries was recognized based on the audited financial statements.
C. Others.

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

Note 4: Invested by Sino Environmental Service Corp.

KD HOLDING CORPORATION

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

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

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