Stock Code: 8422

Cleanaway Company Limited and Subsidiaries

Consolidated Financial Report and Auditor's Audit Report
2018 and 2017

(若與中文版有差異以中文版為主)
The English report is a translation of the original in Chinese for information purpose only. In case of a discrepancy, the Chinese version will prevail.

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TABLE OF CONTENTS

Declaration of Consolidation of Financial Statements of Affiliates

For 2018 (January 1 to December 31, 2018), affiliated businesses of this Company that shall be included according to the rules prescribed by the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those companies that shall be included into the parent and subsidiary consolidated financial statement as prescribed by the International Financial Reporting Standards No. 10 (IFRS 10). All information to be disclosed in the consolidated financial statements of affiliated enterprises have already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Hence, consolidated financial statements of affiliated enterprises were therefore not generated separately.

It is hereby declared.

Cleanaway Company Limited

Chairman: Ching-Hsiang Yang

March 15, 2019

Independent Auditors' Report

To Cleanaway Company Limited:

Audit Opinion

The consolidated balance sheet of Cleanaway Company Limited and its subsidiaries (hereinafter referred to as Cleanaway and its subsidiaries) as of December 31, 2018 and 2017, and the consolidated statement of profit and loss, consolidated statement of changes in equity, consolidated cash flow statement and consolidated financial statements (including major accounting policies) from January 1 to December 31, 2016 and January 1 to December 31, 2018 and 2017 were reviewed by the CPA.

Per opinions of the firm's CPA, the consolidated financial statements mentioned in paragraph one have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers in all material aspects, and can be reasonably assessed to present the consolidated financial conditions of Cleanaway and its subsidiaries as of December 31, 2018 and 2017, as well as the individual financial performance and individual cash flow from January 1 to December 31, 2018 and 2017.

Basis of Audit Opinions

We have audited the accounts in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our CPA will further explain the responsibilities of auditors during the audit of consolidated financial statements on the principles below. We are independent of Cleanaway and its subsidiaries in accordance with the Codes of Professional Ethics for Certified Public Accountants and we have fulfilled our other responsibilities under the Codes. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of the auditor's opinion.

Key Audit Matters

Key audit items refer to the most critical items in the 2018 consolidated Financial Report statement of Cleanaway and its subsidiaries and its subsidiaries being audited by the accountants when performing their professional judgment. These items have been covered in the auditing process of the overall Consolidated Financial Report and in the audit opinion; hence, the CPA shall not express a separate opinion on these items.

Below are the details of the CPA's verification of the key items in the 2016 Individual Financial Report of Cleanaway and its subsidiaries:

<u>Revenue recognition for solidification</u>

For the accounting policies and income composition of operating income, please refer to Note 4(14) and 18 of the consolidated financial statements, respectively.

Cleanaway provides waste treatment services in Taiwan. The solidification process of the intermediate treatment is subject to a number of steps. There is a lead time from the receipt of the waste to the completion of the disposal, which may result in the appropriateness of the recognition of the time point of the income due to the impact of the manual operation. The recognition time is the key audit item for the year.

The main auditing procedures adopted by the CPA with regard to the issues described above are as follows:

1. To understand and test the effectiveness of internal controls concerning the accuracy of timing for solidification revenue recognition. The control points of Cleanaway and its subsidiaries include the recognized income forms automatically generated by the system based on the completion of the solidification and inspections and the scheduled completion of entry into the landfill. The records are checked one by one by hand to verify that the accounts receivable are consistent with the waste management summary table.
2. Check whether the solidification income policy and accounting treatment of Cleanaway and its subsidiaries are consistent.
3. Perform the cut-off test on revenue recognized before and after the end of year and check the acceptance reports on waste disposal and documents from external environmental agencies to ensure the appropriateness of revenue recognition.

<u>Recognition and measurement of landfill revenue</u>

For the accounting policies and income composition of operating income, please refer to Note 4(14) and 18 of the consolidated financial statements, respectively.

In 2018, Cleanaway's subsidiary company received a license for landfill, with a landfill income of RMB 2,290,691 thousand, accounting for 67% of the consolidated operating income, which is the main source of revenue for Cleanaway and its subsidiaries. Landfill revenue is recognized when the landfill process is completed. The prices and quantities used for the calculation of landfill revenue are stipulated in the contracts or on the weight notes agreed by parties involved. Due to the large number of manufacturers who have commissioned the disposal of wastes, and the types of entrusted treatments and their billing methods are different, the calculation of waste disposal income is not correct and the amount of this has a significant impact on the consolidated financial report. Therefore, the accountant believes that the accuracy of the landfill revenue is a key audit item for the year.

The main auditing procedures adopted by the CPA with regard to the issues described above are as follows:

1. To assess the reasonableness of revenue recognition policies and procedures based on our understanding of the operations and the industry, and ensure their conformity to the appropriate financial reporting framework.
2. Understand the waste collection and burial process, and evaluate the internal control related to the test, including the burying income (contract unit price and weight field) automatically calculated by the system according to the terms of the contract; The business departments of Cleanaway and its subsidiaries manually confirm whether the customer's entrusted handling weight, the weight of the clean-up and transport company, and the weight reported to the external environmental protection authority are consistent with the weights stated in the company's landfill date report.
3. To verify the accuracy of reports used by the management for revenue calculation. Actions taken include taking random inspections on items and weighting details in the reports, verifying them against respective contracts and associated weight notes, checking the accuracy of calculation and confirming that numbers are consistent with revenue booked.

Other notes

Cleanaway Company Limited has compiled individual financial reports for 2018 and 2017 and has issued an unqualified audit report by the accountant for reference.

Responsibility of the Management and the Governing Body for the Consolidated Financial Statement

The management's responsibility is to prepare a consolidated financial report in accordance with the financial issuer's financial reporting standards and approved by the Financial Supervisory Committee and issued the effective international financial reporting standards, international accounting standards, interpretations and interpretations, and maintain and consolidate financial statements. The report prepares the necessary internal controls to ensure that the consolidated financial report does not contain significant misrepresentations resulting from fraud or error.

In preparing the Consolidated Financial Report, the management is also responsible for evaluating the ability of Cleanaway and its subsidiaries to continue its operations, make relevant disclosures, and adopt accounting standards for continuing operations, unless it intends to liquidate Cleanaway and its subsidiaries or cease its operations, or if there are no feasible plans other than liquidation or discontinuation of operations.

The governance bodies of Cleanaway Group (including supervisors) are responsible for supervising the financial reporting process.

Responsibilities of the CPA in Auditing the Consolidated Financial Report

The purpose of the CPA's audit on the Consolidated Financial Statements is to obtain reasonable certainty for whether the Statements contain material misstatement due to fraud or error, and to provide an auditing report. While every care is taken for "reasonable certainty" of data with high levels of credibility, our auditing work, carried out in accordance with GAAP, may not guarantee that material misstatements will be detected in the Consolidated Financial Statements. False expressions may be due to fraud or obvious errors. If any misstated individual amounts or aggregated sums could affect the financial decisions made by the readers of the Consolidated Financial Statements, it will be deemed as material.

We have exercised professional judgment and maintained professional skepticism while abiding by GAAS in our audit. The CPA has also executed the following tasks: We have also executed the following tasks:

1. Identified and evaluated the risk of material misstatement due to fraud or error in the Consolidated Financial Statements; designed and carried out appropriate countermeasures for the evaluated risks; obtained sufficient and appropriate evidence as the basis for their audit opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cleanaway Group's internal control.
3. Evaluated the appropriateness of accounting policies adopted by the management and the rationale behind the accounting estimates and relevant disclosures.
4. Based on the audit evidence obtained, draw conclusions on the appropriateness of management’s use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on Cleanaway Group's ability to continue as a going concern. If the CPA notices material uncertainty in these matters, the readers of the Consolidated Financial Statements are advised to pay attention to relevant disclosure in the Statements in their auditing report or revise the audit opinion when such disclosure is insufficient. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Cleanaway Group to cease to continue as a going concern.
5. Evaluated the overall details, the format and content of the Consolidated Financial Report (including relevant Notes) and examined if they present a fair record of transactions.

6. Obtained sufficient and appropriate auditing evidence for the internal formation of financial information of individual companies of the Group and expressed opinion on its Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the audit and the preparation of an audit opinion on the Group.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Codes of Professional Ethics for Certified Public Accountants regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

In the communications between us and the Company’s governing body, we have determined the key audit items from 2018 consolidated financial statements of Cleanaway and its subsidiaries. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte, Taiwan

CPA Te-Chen Cheng	CPA Kuan-Chung Lai
Financial Supervisory Commission Approval Document No. Jin-Guan-Zheng-Shen No. 1000028068	Securities and Futures Bureau Approval Document No. Tai-Cai-Zheng-6 No. 0920123784

March 15, 2019

Cleanaway Company Limited and Subsidiaries
Consolidated Balance Sheet
As of December 31, 2018 and 2017

Unit: NT$1,000

Code	Asset	December 31, 2018 Amount	%	December 31, 2017 (After adjustment and verification) Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 1,062,964	16	$ 1,020,325	17
1136	Financial assets measured at amortized cost - current (Notes 3, 4, 7 and 26)	263,405	4	1,294,838	21
1140	Contract assets - current (Notes 3, 4, and 18)	197,049	3	42,862	1
1170	Notes and account receivables (Notes 3, 4, 8, and 24)	633,507	9	513,118	8
1180	Accounts receivable - Related parties (Notes 4 and 25)	899	-	-	-
1330	Inventory (Note 4)	1,697	-	2,186	-
1479	Other current assets (Notes 3, 11, 20 and 26)	48,960	1	40,101	1
1482	Fulfillment of contract costs - current (Notes 3, 4 and 18)	33,465	-	5,809	-
11XX	Total current assets	2,241,946	33	2,919,239	48
	Non-current assets				
1535	Financial assets measured at amortized cost - non-current (Notes 3, 4, 7 and 26)	157,523	2	230,844	4
1550	Investment using the equity method (Notes 4 and 9)	658,805	10	-	-
1560	Contract assets - non-current (Notes 3, 4 and 18)	25,813	1	-	-
1600	Property, plant, and equipment (Note 4, 5, 10, 25 and 26)	3,491,026	51	2,682,718	44
1840	Deferred income tax assets (Notes 4 and 20)	19,615	-	21,451	-
1915	Prepaid land and equipment (Notes 4, 11 and 25)	147,041	2	160,000	3
1920	Guarantee deposits paid (Notes 4, 11 and 22)	55,200	1	42,352	1
1990	Other non-current assets (Note 11)	19,376	-	5,075	-
15XX	Total non-current assets	4,574,399	67	3,142,440	52
1XXX	Total assets	$ 6,816,345	100	$ 6,061,679	100
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 12)	$ 150,000	2	$ -	-
2170	Accounts payable (Notes 3 and 13)	11,428	-	14,177	-
2219	Other payables (Notes 3 and 14)	405,650	6	282,281	5
2230	Current income tax liabilities (Notes 4 and 20)	266,146	4	143,453	2
2399	Other current liabilities (Notes 3, 4, 14 and 18)	64,143	1	5,281	-
21XX	Total current liabilities	897,367	13	445,192	7
	Non-current liabilities				
2540	Long-term bank loans (Note 12)	200,000	3	-	-
2550	Cost provisions for restoration (Notes 4, 5 and 15)	68,142	1	84,160	2
2570	Deferred income tax liabilities (Notes 4 and 20)	45,983	1	32,911	1
2640	Net defined benefit liabilities - noncurrent (Notes 4 and 16)	18,208	-	19,232	-
2645	Guarantee deposits received (Note 3)	52,833	1	69,010	1
25XX	Total non-current liabilities	385,166	6	205,313	4
2XXX	Total liabilities	1,282,533	19	650,505	11
	Total equity attributable to company owners (Note 17)				
	Capital				
3110	Common stocks	1,088,880	16	1,088,880	18
3200	Capital surplus	1,701,775	25	1,701,775	28
	Retained earnings				
3310	Statutory surplus reserve	1,041,628	15	905,278	15
3320	Special surplus reserve	1,057	-	1,053	-
3350	Undistributed earnings	1,702,387	25	1,715,245	28
3300	Total retained earnings	2,745,072	40	2,621,576	43
	Other equity				
3410	Exchange differences in conversion of financial statements of foreign operating agencies (Notes 4 and 9)	(1,915)	-	(1,057)	-
3XXX	Total equity	5,533,812	81	5,411,174	89
	Total liabilities and equity	$ 6,816,345	100	$ 6,061,679	100

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

Chairman: Ching-Hsiang Yang Manager: Yong-Fa Yang Accounting supervisor: Tsung-Tien Chen

Cleanaway Company Limited and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2018 and 2017

Unit: NT$1,000
except for earnings per share which are in NT$

Code		2018 Amount	2018 %	2017 Amount	2017 %
4000	Net operating revenue (Notes 3, 4, 18, and 25)	$ 3,395,807	100	$ 2,785,266	100
5000	Operating cost (Notes 4, 15, 16, 18, and 19)	1,248,690	37	800,450	29
5900	Gross profit	2,147,117	63	1,984,816	71
	Operating expenses (Notes 16, 19 and 25)				
6200	Management expenses	433,816	13	391,037	14
6300	Research and development expenses	10,467	-	15,084	-
6000	Total operating expenses	444,283	13	406,121	14
6900	Net operating profit	1,702,834	50	1,578,695	57
	Non-operating income and expenses				
7070	Share of profit or loss on equity-accounted subsidiaries, associated companies and joint ventures (Notes 4 and 9)	(6,195)	-	-	-
7100	Interest income (Note 4)	17,805	1	22,427	1
7190	Other income	6,421	-	2,248	-
7210	Profit from disposal of property, plant and equipment (Note 4)	258	-	293	-
7590	Other expenses	-	-	(19)	-
7630	Loss on foreign currency exchange (Notes 2 and 24)	(4,845)	-	(2,426)	-
7510	Interest expenses	(1,413)	-	-	-
7000	Total non-operating income and expenses	12,031	1	22,523	1

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Code		2018 Amount	2018 %	2017 Amount	2017 %
7900	Net profit before tax	$ 1,714,865	51	$ 1,601,218	58
7950	Income tax expense (Notes 4 and 20)	394,255	12	237,720	9
8200	Net income	1,320,610	39	1,363,498	49
	Other comprehensive income (loss)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plan (Notes 4 and 16)	571	-	(393)	-
8349	Income tax relating to items that will not be reclassified (Notes 4 and 20)	83	-	443	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences in conversion of financial statements of foreign operating agencies (Notes 4 and 9)	(858)	-	(4)	-
8300	Other consolidated annual income (net income after-tax)	(204)	-	46	-
8500	Total comprehensive income for the year	$ 1,320,406	39	$ 1,363,544	49
	Profit attributable to				
8610	owners of the Company	$ 1,320,610	39	$ 1,363,498	49
8620	Non-controlling Interest	-	-	-	-
8600		$ 1,320,610	39	$ 1,363,498	49
	Total comprehensive income attributable to				
8710	owners of the Company	$ 1,320,406	39	$ 1,363,544	49
8720	Non-controlling Interest	-	-	-	-
8700		$ 1,320,406	39	$ 1,363,544	49
	Earnings per share (Note 21)				
9710	Basic	$ 12.13		$ 12.52	
9810	Diluted	$ 12.09		$ 12.49	

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

Chairman: Ching-Hsiang Yang Manager: Yong-Fa Yang Accounting supervisor: Tsung-Tien Chen

Cleanaway Company Limited and Subsidiaries
Consolidated statement of changes in equity
January 1 to December 31, 2018 and 2017

Unit: NT$1,000

		Equity attributable to owners of the Company						
				Retained earnings				
Code		Common stock capital	Capital surplus	Statutory surplus reserve	Special surplus reserve	Undistributed earnings	Translation differences from foreign operations in financial statements conversion differences	Total equity
A1	Balance as of January 1, 2017	$ 1,088,880	$ 1,701,775	$ 761,173	$ -	$ 1,749,067	($ 1,053)	$ 5,299,842
	2016 earnings appropriation							
B1	Appropriation of legal reserve	-	-	144,105	-	(144,105)	-	-
B3	Appropriation for special earnings reserve	-	-	-	1,053	(1,053)	-	-
B5	Cash dividend	-	-	-	-	(1,252,212)	-	(1,252,212)
D1	Net profit in 2017	-	-	-	-	1,363,498	-	1,363,498
D3	2017 other comprehensive income (loss) after tax	-	-	-	-	50	(4)	46
Z1	Balance at December 31, 2017	1,088,880	1,701,775	905,278	1,053	1,715,245	(1,057)	5,411,174
	Appropriations of 2017 earnings							
B1	Appropriation of legal reserve	-	-	136,350	-	(136,350)	-	-
B3	Appropriation for special earnings reserve	-	-	-	4	(4)	-	-
B5	Cash dividend	-	-	-	-	(1,197,768)	-	(1,197,768)
D1	2018 net profit	-	-	-	-	1,320,610	-	1,320,610
D3	2018 other comprehensive income after tax	-	-	-	-	654	(858)	(204)
Z1	Balance at December 31, 2018	$ 1,088,880	$ 1,701,775	$ 1,041,628	$ 1,057	$ 1,702,387	($ 1,915)	$ 5,533,812

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

Chairman: Ching-Hsiang Yang Manager: Yong-Fa Yang Accounting supervisor: Tsung-Tien Chen

Cleanaway Company Limited and Subsidiaries
Consolidated cash flow statement
January 1 to December 31, 2018 and 2017

Unit: NT$1,000

Code		2018	2017 (After adjustment and verification)
	Cash flow from operating activities		
A10000	Net profit before tax	$ 1,714,865	$ 1,601,218
A20010	Income and expense items		
A20100	Depreciation	357,850	238,048
A20900	Interest expenses	1,413	-
A22400	Share of loss on equity-accounted affiliate companies	6,195	-
A21200	Interest income	(17,805)	(22,427)
A22500	Gain on disposal of property, plant and equipment	(258)	(293)
A22600	Property, plant and equipment payments reclassified to expenses	902	-
A29900	Other current assets reclassified to expenses	-	831
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(180,000)	242,500
A31150	Accounts receivable	(120,389)	(52,669)
A31160	Accounts receivable - related parties	(899)	-
A31200	Inventories	489	(939)
A31240	Other current assets	(8,950)	(22,305)
A31280	Contract performance costs	(27,656)	(4,774)
A32150	Accounts payable	(2,749)	4,206
A32180	Other payables	101,667	(26,175)
A32200	Cost provisions for restoration	(16,018)	29,054
A32230	Other current liabilities	58,862	(9,393)
A32240	Net defined benefit liabilities	(453)	(410)
A33000	Cash inflow from operating activities	1,867,066	1,976,472
A33100	Interest received	17,805	22,427
A33300	Interest paid	(1,172)	-
A33500	Income tax paid	(256,480)	(276,339)
AAAA	Net cash inflow from operating activities	1,627,219	1,722,560

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Code		2018	2017 (After adjustment and verification)
	Cash flow from investing activities		
B00040	Acquisition of financial assets measured at amortized cost	$ -	($ 146,694)
B00060	Loan principal repayment upon maturity for financial assets measured at amortized cost	1,104,754	-
B01800	Acquisition of investments accounted for using equity method	(665,000)	-
B02700	Acquisition of property, plant and equipment	(394,789)	(615,841)
B02800	Proceeds from disposal of property, plant and equipment	310	676
B03700	Increase in refundable deposits	(70,633)	(38,300)
B03800	Decrease in refundable deposits	57,785	7,844
B06700	Increase in other non-current assets	(14,301)	-
B07100	Increase in prepayments for land and equipment	(738,148)	(30,825)
BBBB	Net cash outflow from investing activities	(720,022)	(823,140)
	Cash flow from financing activities		
C00100	Increase in short-term loans	200,000	-
C00200	Decrease in short-term loans	(50,000)	-
C01600	Borrowing long-term loans	200,000	-
C03000	Increase in guarantee deposits received	2,520	3,804
C03100	Decrease in guarantee deposits received	(18,697)	(211)
C04500	Distribution of cash dividends	(1,197,768)	(1,252,212)
CCCC	Net cash outflow from financing activities	(863,945)	(1,248,619)
DDDD	Exchange rate effects on cash and cash equivalents	(613)	157
EEEE	Increase (decrease) in cash and cash equivalents	42,639	(349,042)
E00100	Cash and cash equivalents at beginning of year	1,020,325	1,369,367
E00200	Cash and cash equivalents at end of year	$ 1,062,964	$ 1,020,325

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

Chairman: Ching-Hsiang Yang Manager: Yong-Fa Yang Accounting supervisor: Tsung-Tien Chen

Cleanaway Company Limited and Subsidiaries
Notes for Consolidated Financial Statements
January 1 to December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars Unless Otherwise Specified)

I. Company History

Cleanaway Company Limited (hereinafter referred to as Cleanaway or the Company) was incorporated on May 4, 1999 under the Company Law of the Republic of China (“ROC”) and Statute for Investment by Foreign Nationals. The Company primarily operates as an intermediate treatment solidification plant within the waste disposal process.

The Company has obtained a Waste Disposal Permit ("permit") issued by the Kaohsiung County Government on February 12, 2000 with effective period ending July 1, 2001. The permit is granted at the sole discretion of the local ROC government authority with effective periods that may vary. Cleanaway has extended the permit multiple times and the latest valid date has been extended to July 1, 2019.

The Company's shares have been listed on the Taiwan Stock Exchange ("TSE") since October 5, 2011.

The main business activities and operating departments of Cleanaway and its subsidiaries (hereinafter referred to as the Group) are provided in Note 4(4) and Note 30.

The Consolidated Financial Statements shall be expressed in NTD, Cleanaway's functional currency.

II. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements were passed by the Board of Directors on March 15, 2019.

III. Applicability of Newly Issued and Revised Standards and Interpretations

(I) The first application of the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereinafter "IFRSs") endorsed by the Financial Supervisory Commission (hereinafter "FSC").

With the exception of the following, the applicability of the aforementioned revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and announced by the FSC should not result in major changes to the accounting policies of the Group.

IFRS 15 “Revenue from Customer Contracts” and related amendments

IFRS 15 stipulates the principle of recognition of revenue from customer contracts. The guideline replaced IAS 18 "Income" and IAS 11 "Construction Contract" and related interpretations. Please refer to Note 4 for related accounting policies.

The net result of revenue recognition, accounts received and receivable shall be recognized as contract assets (liabilities). Prior to the application of IFRS 15, contracts processed under IAS 18 are listed as decrease in receivables or advance receipts when income is recognized.

For performance costs not directly derived from the applicable scope of IAS 2, IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”, if they generate resources that will be used to fulfill contract performance obligations in the future and are deemed to be recoverable, the cost shall be recognized as the cost for the performance of the contract. Before the adoption of IFRS 15, labor inventory is listed as inventory in accordance with IAS 2 and prepaid labor fees for specific contracts are recognized in prepayments under other current assets.

The Group adopted IFRS 15 retrospectively and redrafted comparative information for 2017 based on the following consideration:

1. Income from contracts completed prior to December 31, 2017 shall be directly listed as the actual changed consideration on the contract completion date to determine the income in various periods. This measure shall reduce the complexity and cost of retroactive adoption. The recognized income from contracts completed during periods in 2017 shall not be affected by changes in estimated considerations.
2. Information on the transaction price allocated to contract performance obligations that have not been completed and the estimated recognition of income in the 2017 comparison period shall not be disclosed. This measure will reduce the cost of compiling and providing such information.

In addition, the Group will choose to disclose only the impact of the first application of IFRS 15 for 2017.

The retrospective application of IFRS 15 has no effect on the Group's 2017 consolidated income statement as of December 31 or the retained earnings as of January 1, 2017. Only the expression of the consolidated balance sheet caused the following impact:

Effects on assets, liabilities and equity	Carrying amount before adjustment	Adjustment for first-time adoption	Carrying amount after adjustment
December 31, 2017			
Current assets			
Contract assets	$ -	$ 42,862	$ 42,862
Notes and Account Receivables	555,980	(42,862)	513,118
Inventories	4,913	(2,727)	2,186
Other-current assets－ other	43,183	(3,082)	40,101
Contract performance costs	-	5,809	5,809
Current liabilities			
Other current liabilities			
Advance payments	4,327	(4,327)	-
Contract liabilities	-	4,327	4,327
January 1, 2017			
Current assets			
Contract assets	-	285,362	285,362
Notes and Account Receivables	745,811	(285,362)	460,449
Inventories	2,282	(1,035)	1,247
Contract performance costs	-	1,035	1,035
Current liabilities			
Other current liabilities			
Advance payments	8,667	(8,667)	-
Contract liabilities	-	8,667	8,667

IFRS 9 "Financial instruments" and related amendments

IFRS 9 "Financial instruments" replaced IAS 39 "Financial instruments: Recognition and Measurement" and corresponded to amendments to IFRS 7 "Financial instruments: Disclosure" and other standards. New requirements in IFRS 9 specify the classification, measurement, and impairment of financial assets and general accounting for hedging. Please refer to Note 4 for related accounting policies.

Classification, measurement, and impairment of financial assets

The existence and status of the financial assets held by the Group as of January 1, 2017 shall be retroactively adjusted based on the classifications of financial assets that had existed in the evaluation on the same day and the financial statements of the comparison period shall be retroactively restated.

The Group's financial assets under IAS 39 were all loans and account receivables (cash and cash equivalents, bills and account receivables, investment in debt instruments with no active markets, and refundable deposits). When converting to IFRS 9, all contract cash flow originally recognized were payments of the principal and interest for principal in external circulation. In addition, the contract cash flow was collected based on the facts of such existence and conditions in the evaluation of the business model. Therefore, after the amortized cost is measured in accordance with IFRS 9 classifications and the expected credit losses are evaluated, no remeasurement is required.

The financial liabilities (accounts payable, other payables, and guarantee deposits received) are both recognized as financial liabilities measured through amortized cost. In addition, there are no cases of measurement of financial liabilities based on fair value on the date of initial application.

The effects of the retrospective application of IFRS 9 on the Group's 2017 financial statements are as follows:

Effects on assets, liabilities and equity	Carrying amount before adjustment	Adjustment for first-time adoption	Carrying amount after adjustment
December 31, 2017			
Current assets			
Investment in debt instrument in non-active market - current	$ 1,294,838	($ 1,294,838)	$ -
Financial assets measured at amortized cost - current	-	1,294,838	1,294,838
Non-current assets			
Investment in debt instrument in non-active market - non-current	230,844	(230,844)	-
Financial assets measured at amortized cost - non-current	-	230,844	230,844
January 1, 2017			
Current assets			
Investment in debt instrument in non-active market - current	$ 1,346,162	($ 1,346,162)	$ -
Financial assets measured at amortized cost - current	-	1,346,162	1,346,162
Current liabilities			
Investment in debt instrument in non-active market - non-current	32,826	(32,826)	-
Financial assets measured at amortized cost - non-current	-	32,826	32,826

(II) Regulations Governing the Preparation of Financial Reports by Securities Issuers applicable to the securities issuer and IFRSs approved by the FSC in 2018

New/Revised/Amended Standards and Interpretations	Effective Date Published by IASB (Note 1)
"Annual Improvements 2015-2017 cycle"	January 1, 2019
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 in "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless otherwise specified, the aforementioned New/Revised/Amended Standards and Interpretations shall be effective for the fiscal year after the specified dates.

Note 2: FSC allows the Group to elect an earlier application of such amendments beginning on or after January 1, 2018.

Note 3: Plan amendments, curtailment or settlement occurring after January 1, 2019 shall be applicable to this amendment.

IFRS 16 "Leases"

IFRS 16 stipulates accounting treatments for the identification of lease agreements and lessors and lessees. It will replace IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", and related interpretations.

Definitions of leases

For the first-time application of IFRS 16, the Group shall elect to determine whether contracts signed (or changed) after January 1, 2019 are (or include) leases in accordance with IFRS 16. The lease contracts identified in accordance with IAS 17 and IFRIC 4 shall not be reassessed and shall be processed in accordance with transitional regulations in IFRS 16.

Where the Group is the lessee

For the first-time application of IFRS 16, the Gruop shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for small-amount and short-term leases which shall be recognized on a straight-line basis. Other leases shall recognize usage right assets and lease liabilities on the consolidated balance sheet. On the consolidated statement comprehensive income, the depreciation expenses on right-of-use asset and interest expenses computed by using effective interest method on the lease liability shall be presented separately. On the consolidated statement of cash flows, principal of the lease liability shall be classified as financing activities and interest payments shall be classified as operating activities. Before the adoption of IFRS 16, costs of contracts classified as operating leases are recognized as expenses based on straight-line method. Cash flow from operating leases are expressed in operating activities in the consolidated statements of cash flows.

The Group expects to retroactively implement adjustments for the cumulative effect of changes applicable to IFRS 16 in the retained earnings as of June 1, 2019 and it shall not recompile comparative information.

Based on current agreements for operating leases based on IAS 17, the measurement of lease liabilities in the remaining lease as of January 1, 2019 shall be based on the payment of discounted rent in accordance with the additional loan interest rate of the lessee as of that date. All right-of-use assets shall be measured based on the lease liabilities amount on the same day (adjusted previously recognized prepaid or payable rent). The right-of-use assets recognized shall be applicable to IAS 36 Impairment of Assets.

The Group is expected to adopt the following measures in response:

1. Use a single discount rate to measure lease liabilities for a combination of leases with reasonably similar characteristics.
2. Process leases set to terminate before December 31, 2019 as short-term leases.
3. Exclude the original direct costs into the measurement of right-of-use assets as of January 1, 2019.
4. When measuring lease liabilities, decisions regarding the lease period shall be adopted retroactively.

Estimated effects on assets, liabilities and equity as of January 1, 2019

	December 31, 2018 Carrying amount	Adjustment for first-time adoption	January 1, 2019 Carrying amount after adjustment
Right-of-use assets	$ -	$ 349,340	$ 349,340
Impact of assets	$ -	$ 349,340	$ 349,340
Lease liabilities - current	$ -	$ 13,336	$ 13,336
Lease liabilities - non-current	-	336,004	336,004
Impact of liabilities	$ -	$ 349,340	$ 349,340
Retained earnings	$ -	$ -	$ -
Effect on equity	$ -	$ -	$ -

Except for the aforementioned impact, as of the date of authorization of the Consolidated Financial Statement, the Group's assessment of the effects of amendments to other standards and interpretations shall not cause material effects on the consolidated financial status and performance.

(III) IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date Published by IASB (Note 1)
Amendment to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS17 "Insurance Contracts"	January 1, 2021
Amendment to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless otherwise specified, the aforementioned New/Revised/Amended Standards and Interpretations shall be effective for the fiscal year after the specified dates.

Note 2: Corporate mergers with an acquisition date between the starting date of the annual report on January 1, 2020 and assets acquired after this date shall be applicable to this amendment.

Note 3: Accounts in the fiscal years starting after January 1, 2020 shall be applicable to this amendment.

As of the date of the publication of the Consolidated Financial Report, the Group shall continue to assess the effects of revisions of other standards and interpretations on the financial status and financial performance. Related effects shall be disclosed upon the completion of the assessment.

IV. Summarized Remarks on Significant Accounting Policies

(I) Statement of Compliance

The Consolidated Financial Statements were formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs recognized and announced by the FSC that have entered into effect.

(II) Basis of Preparation

In addition to assessment of financial instruments based on their fair value and the present value of defined benefit assets minus net defined benefit liabilities recognized at fair value, the Consolidated Financial Report was prepared based on historical costs.

The fair value measurement is classified into 3 levels based on the observability and importance of related input:

1. Level 1 inputs: Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date
2. Level 2 inputs: Inputs, other than quoted market prices within level 1, that are observable directly (i.e. the price) or indirectly (deduced from the price) for the assets or liabilities.
3. Level 3 inputs: Unobservable inputs for the assets or liabilities.

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash or a cash equivalent (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

The Company shall classify all other assets or liabilities that are not specified above as non-current.

(IV) Basis of Consolidation

1. Basis for preparation of consolidated report

The Consolidated Financial Report includes the financial reports of Cleanaway and its wholly owned entities (subsidiaries). The financial reports of subsidiaries have been reorganized to bring uniformity in their accounting policies and those of the Group. In the Consolidated Financial Report, all transactions, account balances, income and expenses between the entities have been written off. A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

When a change is effected in the ownership of the subsidiary, the Group does not lose control of it and it will be treated as equity transaction. The carrying amounts of the Group and its non-controlling interests have been adjusted to reflect the relative changes in the interest of the subsidiaries. The difference between the adjusted amount in non-controlling interest and the fair value of consideration will be considered as interest belonging to the owners of the Company.

2. Subsidiaries included in the consolidated financial statements were as follows:

			% of ownership		
Investor	Investee	Main Businesses	2018 December 31	2017 December 31	Remarks
Cleanaway Company Limited	Da Tsang Industrial Company Limited (Da Tsang)	Waste disposal	100%	100%	
	Chi Wei Company Limited (Chi Wei)	Waste disposal	100%	100%	
	Cleanaway Enterprise Company Limited (Cleanaway Enterprise)	Waste disposal	100%	100%	
	Kang Lien Enterprise Company Limited (Kang Lien Enterprise)	Waste clean-up	100%	100%	
	Cleanaway Investment Company Limited (Cleanaway Investment)	General investment	100%	100%	
	CCL Investment Holding Company Limited (CCL investment Holding)	General investment	60%	55%	
Da Tsang	Da Ning Co. Ltd. (Da Ning)	Waste disposal	100%	100%	
	CCL Investment Holding	General investment	18%	21%	
Cleanaway Investment	CCL Investment Holding	General investment	22%	24%	
CCL Investment Holding	Cleanaway Shanghai Management Holding Company Limited (Cleanaway Shanghai Management Holding)	General investment	100%	100%	
	Cleanaway Zoucheng Holding Company Limited (Cleanaway Zoucheng Holding)	General investment	100%	100%	
	Cleanaway Zhejiang Holding Company Limited (Cleanaway Zhejiang Holding)	General investment	100%	100%	
Cleanaway Shanghai Management Holding	Cleanaway (Shanghai) Company Limited (Cleanaway Shanghai)	Enterprise management consultation	100%	100%	
Cleanaway Zoucheng Holding	Cleanaway Zoucheng Co., Ltd. (Cleanaway Zoucheng)	Waste disposal	100%	100%	

Please refer to Table 6 in Note 29 for other related information.

(V) Foreign currencies

When preparing the individual financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are converted into functional currency at the rates of exchange prevailing at the dates of the transactions.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising from settlement or translation of monetary items are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing the Consolidated Financial Report, the assets and liabilities of foreign operations of the Group are translated into New Taiwan Dollars at the rate of exchange prevailing on the balance sheet date. The income and expense items are translated at the average rate of the year. The exchange differences arising are recognized in other comprehensive income (and are attributable to shareholders of the Company and non-controlling interest, respectively).

(VI) Inventories

Inventories refer to raw materials. The value of inventory shall be determined based on the cost and net realizable value (NRV), whichever is lower. With the exception of inventory of the same category, individual items shall be assessed when comparing the cost and NRV. The NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Cost of inventory is calculated using weighted-average method.

(VII) Investment in affiliate enterprises

Affiliate enterprises (referred to as "associate" in IFRS 10) are companies in which the Group has major influence but they are neither its subsidiaries nor joint ventures.

The Group follows equity method for investment in affiliate enterprises.

Under the equity method, the investment is initially treated at cost and adjusted thereafter for the post-acquisition change in the investor's interest in profit and loss, shares in other total income and profit distribution by the affiliates. In addition, the interest from affiliates attributable to the Group and changes in joint ventures are recognized based on the shareholding ratio.

The net fair value of the number of shares of identifiable assets acquired and liabilities assumed in the affiliate by the Group on the acquisition date will be considered as goodwill. The goodwill is included in the carryover amount of the investment and may not be amortized. The Group's share of net fair value from assets and liabilities of affiliate enterprises as of the acquisition date that exceeds the acquisition cost shall be listed as profit or loss in the current year.

When an affiliate enterprise issues new shares and the Group does not subscribe to such shares based on its shareholding ratio and thus causes changes in the Group’s shareholding percentage and decrease in the net value of shares from investment, the increase and decrease shall be used to adjust the capital reserve - changes in net value of shares in affiliates and joint ventures accounted for using equity method and investment accounted for using equity method. However, if the Group fails to subscribe to or acquire new shares based on its shareholding ratio or causes its ownership interest in the affiliate enterprise to decrease, the amounts related to the affiliate enterprise recognized in other comprehensive income (loss) shall be decreased proportionally and reclassified. The basis of its accounting treatment shall be the same as the as the basis to be followed by the Group for direct disposal of related assets or liabilities. If the capital reserve is used for the aforementioned adjustment and the balance of capital reserve derived from investment accounted for using equity method is not sufficient, the difference shall be temporarily registered under retained earnings.

When the Group's share of losses of an affiliate enterprise equals or exceeds its interest in that affiliate enterprise (including any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the affiliate enterprise), the Group shall cease the recognition of further losses. The Group shall only recognize additional losses and liabilities within the scope of legal obligations, constructive obligations, or payments made on behalf of the affiliate enterprise.

To assess impairment, the Group must consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable and carrying amounts for the impairment test. The recognized impairment shall not be allocated to any asset, including goodwill, that constitutes part of the carrying amount of the investment. Any reversal of the impairment loss has to be considered after subsequent increases in the recoverable amount of investment.

The Group shall suspend the use of the equity method on the day that its investment is no longer an affiliate enterprise and shall measure its retained equity in the original affiliate enterprise through fair value. The difference between the fair value, the amount gained from the disposal, and the carrying amount of the investment on the day the equity method ceases to apply shall be listed into the profit or loss of the current period. In addition, the basis accounting policies for amounts of the affiliate enterprise shown in other comprehensive profit or loss accounts shall follow the same basis applicable to the Group for direct disposal of related assets or liabilities of affiliate enterprises. For investment in affiliate enterprises that turns them into joint ventures or investment in joint ventures that turns them into affiliate enterprises, the Group shall continue to use the equity method and shall not reassess retained equity.

Profit or loss in up- and downstream transactions between the Group and the affiliates or transactions between affiliates needs to be shown in the Consolidated Financial Report when not affecting the interests of the Group or the affiliate.

(VIII) Property, plant and equipment

PP&E are stated at cost and subsequently measured at cost less accumulated depreciation and impairment.

PP&E under construction are recognized at cost less accumulated impairment. The cost shall include professional service expenses and the cost of loans eligible for capitalization. Such assets shall be classified into appropriate PP&E categories upon completion and reaching the expected use status and the depreciation shall begin.

The Group shall adopt the straight-line basis or the units of production method for the depreciation of each property, plant and equipment in its useful life based on the nature of such property. Straight-line method allocates the cost of an asset, net of residual value, evenly over its estimated useful life. Units-of-output method uses the percentage of landfill volume of the period over the total estimated landfill volume. The Group shall conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods or those two methods. The effects of changes in accounting estimates shall be applied prospectively.

When derecognizing PP&E, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(IX) Contract cost-related assets

If direct related expenditures of the waste disposal and clean-up and transport services provided by the Group and the customer's contract will enhance future resources used to fulfill contractual obligations, the amounts within the recoverable scope shall be recognized as the cost of the performance of the contract (mainly the solidification processing costs and clean-up and transport services) and transferred to operating costs when the contractual obligations are fulfilled.

(X) Impairment of tangible assets and contract cost-related assets

The Group shall assess whether there are any indications of the possible impairment of tangible assets on each balance sheet date. If there is any sign of impairment, an estimate shall be provided for the recoverable amount of the asset. If it is not possible to determine the recoverable amount of an individual asset, the Group must determine the recoverable amount for the asset's cash-generating unit. Corporate assets are allocated to each cash generating unit on a reasonable and consistent basis.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash generating unit is lower than its carrying amount, the carrying amount of the asset or the cash generating unit shall be reduced to the recoverable amount and the impairment loss shall be recognized in profit or loss.

For customer contracts applicable to IFRS 15, the impairment of the inventory, property, plant and equipment, and intangible assets recognized in the customer's contract are recognized based on the inventory impairment regulations and the aforementioned regulations. Then, the carrying amount of the contract cost-related assets that exceed the expected remaining consideration receivable for provision of related products or labor services shall be deducted by direct related costs and listed as impairment loss. The carrying amount of the contract cost-related assets is subsequently added to the cash-generating unit for the impairment assessment of cash-generating units.

When the impairment loss is subsequently reversed, the carrying amount of the asset, the cash generating unit, or contract cost-related asset shall be increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (minus amortization or depreciation) of the asset, cash generating unit, or contract cost-related asset that was not impaired in the previous years. The reversal of impairment loss shall be recognized in profit or loss.

(XI) Financial Instruments

Financial assets and liabilities will be recognized in the balance sheet when the Group becomes a party to the contract of financial instrument.

Financial assets and financial liabilities not at fair value through profit or loss are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss shall be immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

The categories of financial assets held by the Group consist entirely of financial assets measured at amortized cost.

The Group's investment financial assets shall be classified as financial assets measured at amortized cost if both conditions below are met;

A. Where the financial asset is held under a certain business model with the purpose of holding financial assets to collect contract cash flow; and

B. The cash flow generated on specific dates specified in contractual terms is completely used to pay for the principal and interest for principal in external circulation.

After financial assets measured at amortized cost (including cash and cash equivalents, bills and accounts receivable measured at amortized cost, accounts receivable - related parties, bank term deposits with an original maturity date of more than 3 months in the future, and paid guaranteed deposits) are first recognized, they shall be measured through the effective Interest rate approach to determine the total carrying amount minus the amortized cost of any impairment loss. All foreign currency exchange gains and losses shall be recognized in profit or loss.

Except for the two following conditions, income from interest shall be calculated based on the effective interest rate multiplied by the total carrying amount of financial assets:

A. The interest income of a credit-impaired financial asset purchased or provided for the founding is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.

B. Financial assets that are not credit impairment from purchases or at the time of founding but subsequently become credit impairments shall be calculated by multiplying the effective interest rate in the reporting period after the credit impairment by the cost after the amortization of financial assets.

Cash equivalents include time deposits and bonds with repurchase agreement with maximum maturity of 3 months, which are high liquid, can be converted into a fixed amount of cash at any time and have relatively low risk in price changes. They are used for satisfying short-term cash commitments.

(2) Impairment of financial assets and contract assets

The Group shall evaluate the financial assets ((including notes and accounts receivable) measured at amortized cost after the expected credit impairment loss on each balance sheet date.

Allowances shall be appropriated for notes and accounts receivable and contract assets for expected credit impairment for the duration of their existence. Other financial assets are first assessed based on whether the credit risk has increased significantly since the original recognition. If there is no significant increase in risks, an allowance for expected credit loss shall be recognized based on a 12-month period. If the risks have increased significantly, an allowance for losses shall be recognized in the duration of the existence of such assets.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses from possible defaults of the financial instrument within 12 months after the reporting date. The lifetime expected credit losses represent the expected credit losses from all possible defaults of the financial instrument during the expected period of existence.

The impairment loss of all financial assets is reduced based on the allowance account. However, the allowance for the investment in the debt instruments measured at fair value through other comprehensive gains and losses is recognized in other comprehensive gains and losses and shall not reduce its carrying amount.

(3) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Group transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

On derecognition of an entire financial asset measured at amortized cost, the difference between the carrying amount and the consideration received is recognized in profit or loss. On derecognition of an entire debt instrument investment measured at fair value, the difference between the carrying amount and the consideration received, including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss. On derecognition of all equity instruments in other comprehensive income measured at fair value through profit and loss, the cumulative profit or loss is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

Equity instruments issued by the Group shall be recognized based on the price amount obtained deducted by the direct flotation costs.

3. Financial liabilities

(1) Subsequent assessment

Financial liabilities are measured at amortized cost by the effective interest method.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

(XII) Prepayments for land

Amounts paid for land acquired for operational uses before obtaining the ownership of the land are recognized under prepayments for land.

(XIII) Cost provisions for restoration

The environmental impact of waste after filling a landfill site or being processed through intermediate treatment solidification plants would decline as time passes based on the physical characteristics of waste. The pollution levels will not reoccur within a specific period of time and the Group shall appropriate total restoration based on the maintenance time, area, and characteristics of each landfill or intermediate treatment solidification plant. The unit cost of environmental impact of processed waste per ton shall then be estimated based on the tonnage that can be processed. The cost provisions for restoration is recognized based on the processed tons and the aforementioned unit cost.

(XIV) Revenue recognition

After the Group identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

1. Revenue from waste disposal, clean-up and transport

Revenue from waste disposal, clean-up and transport is derived from the integrated one-stop services for waste disposal, clean-up and transport, solidification, and burial provided by the Group. Revenue for each service is recognized revenue upon satisfaction of performance obligations which are explained as follows:

(1) Revenue for solidification is recognized when Toxicity Characteristic Leaching Procedures (“TCLP”) are completed, compression laboratory acceptance reports on intermediate treatment of hazardous wastes are issued, and the stabilized hazardous wastes can be transported to landfill sites.

(2) Landfill revenue is recognized after the waste is delivered to the landfill site and burial of waste is completed.

(3) Revenue for clean-up and transport is recognized when the waste is transported to the intermediate treatment solidification plant or upon the completion of transportation to landfill sites.

2. Revenue from contaminated and illegal dump sites cleanup

Contaminated and illegal dump sites in cleanup contracts are sites controlled by customers. The Group benefits as the customer's contaminated plants or sites are improved in the cleanup process and revenue is thus recognized based on the completion percentage of the contracts. As the cost of investment for the cleanup project is directly related to the completion levels of the contract performance obligations, the Group uses the percentage of actual contract cost incurred over total contract cost to assess the completion progress of the contracts. The Group gradually recognizes contract assets in the duration of the cleanup project and transfers them to accounts receivable when invoices are issued. If the payments collected for cleanup projects exceed the recognized revenue amount, the difference shall be recognized as contract liabilities. The purpose of the construction retention bond withheld by the customer in accordance with contractual terms is to ensure that the Group completes all contractual obligations and it shall be listed as a contract asset before the Group completes the performance of the contract.

(XV) Leases

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. The Group is the lessee to lease models which are classified as operating leases. For operating leases, the lease payments shall be recognized as an expense on a straight-line basis over the lease term. Under operating leases, contingent rentals are recognized as expenses in the period they arise.

(XVI) Employee benefits

1. Short-term employee benefits

Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Benefits after retirement

Pension funds that are verified as contribution for retirement plans are recognized as expenses according to the amount of funds contributed to pension in the employee's service period.

The defined cost of benefits under the defined benefit retirement plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The service cost (including the service cost of the current period) and the net interest of the net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement amount (including actuarial gains and losses and the return on plan assets after deducting interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It shall not be reclassified to profit or loss in subsequent periods.

The net defined benefit liabilities (assets) are the shortfall (surplus) of the defined benefit retirement plan. The net defined benefit assets may not exceed the present value of refund from the plan or reductions in future contributions.

(XVII) Income taxes

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current income tax

A tax is levied on the unappropriated earnings pursuant to the Income Tax Act and is recorded as income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the income tax of current year.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized when there are likely to be taxable income for the deductible temporary differences.

Deferred income tax liabilities is recognized for temporary differences in taxable investments in subsidiaries except in cases where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The recognition of deferred income tax assets for deductible temporary differences derived from such investments are recognized only if it is probable that they generate sufficient taxable income to realize temporary differences and may be reversed in the foreseeable future.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. Assets that have not been recognized as deferred income tax assets are re-examined at each balance sheet date and the carrying amount is increased for assets that are likely to generate sufficient taxable income to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred income tax liabilities and assets reflects the tax consequences generated by the expected manner of recovery or repayment of the carrying amount of the assets and liabilities on the balance sheet date.

3. Current and deferred income tax of the period

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

V. Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions

When the Group adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from original estimates.

The management shall continue to review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the current period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the current year and future periods.

(I) Estimates of cost provisions for restoration

The Group recognizes cost provisions for restoration based on the number of tons of waste processed every month. The associated measurement and recognition are described in Note 4(13) and the Group regularly reviews the reasonableness of those estimates. However, the maintenance time and characteristics of landfills and solidification plants (sites) may require additional provisions in the future due to changes in the environmental laws and regulations and plant environment. Please refer to Note 15 for the carrying amount of cost provisions for restoration.

Estimated total burial volume of a landfill site

Among the property, plant and equipment of the Group, depreciation for pollution control equipment under machinery and equipment, landfill sites and facilities adopts the units-of-output method, in which depreciation is computed on the rate of burial volume of the period over the estimated total burial volume. The Group estimates the total burial volume based on the capacity of the landfill sites and characteristics of future waste upon the application and initiation of landfill sites. Those data are used as the bases for units-of-output depreciation method. As the landfill techniques, climate and landfill waste vary between periods, the Group would engage an external independent company to measure the remaining capacities on a semi-annual basis in order to assess the appropriateness of depreciation for landfill sites and facilities. Please refer to Note 10 for the carrying amount of the landfill sites and facilities.

VI. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 263	$ 238
Checking accounts and demand deposits	436,026	180,244
Cash equivalents		
Bank time deposit with original maturity date within 3 months	426,675	752,843
Bonds with repurchase agreement	200,000	87,000
	$ 1,062,964	$ 1,020,325

The annual interest rate ranges of bank time deposit with original maturity date within 3 months and bonds with repurchase agreement on the balance sheet date were as follows:

	December 31, 2018	December 31, 2017
Bank time deposit with original maturity date within 3 months	0.60% - 3.80%	0.42% - 0.66%
Bonds with repurchase agreement	0.37%	0.35%

VII. Management of Credit Risks of Investments in Debt Instruments

All debt instruments invested by the Group are financial assets measured at amortized cost.

	December 31, 2018	December 31, 2017
Bank time deposit with original maturity date over 3 months	$ 420,929	$ 1,525,682
Current	$ 263,405	$ 1,294,838
Non-current	157,524	230,844
	$ 424,929	$ 1,525,682

The allowance for losses for financial assets measured at amortized cost as of December 31, 2018 and 2017 was both NT$0. The amortized cost and the carrying amount are consistent.

The debt instrument investment policy adopted by the Group serves only to sign debt instruments with low credit risks with reputable financial institutions in the form of time deposit certificates. The Group pays regular attention to the credit ratings of partner financial institutions and related financial news to evaluate whether there is a significant increase in credit risks of investments in debt instruments after their original recognition.

The financial institutions that conduct business transactions with the Group have normal credit ratings and exhibit no signs of irregularities or defaults. As the financial institutions that conduct business transactions with the Group have low credit risks and have sufficient capacity to repay contractual cash flows, the expected credit loss basis were based on an expected credit impairment evaluation and the expected credit loss rate were 0%. The credit risks in both 2018 and 2017 have remained unchanged.

(I) The annual interest rate ranges of bank time deposits with original maturity dates over 3 months on the balance sheet date were as follows:

	December 31, 2018	December 31, 2017
Bank time deposit with original maturity date over 3 months	0.30% - 3.438%	0.30% - 3.90%

(II) Refer to Note 26 for information on pledged debt investments.

VIII. Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 30,905	$ 27,889
Accounts receivable	608,499	491,710
	639,404	519,599
Minus: Allowance for losses	(5,897)	(6,481)
	$ 633,507	$ 513,118

(I) The average credit period of the Group for services rendered is 90 to 120 days. To lower the credit risk, the Group's management appoints a dedicated team to handle decisions on credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Group would review the recoverable amount of each receivables on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As such, the Group's management concludes that the credit risk of the Group is significantly reduced.

The Group adopted simplified methods in IFRS 9 to recognize the allowance for losses for notes and accounts receivable based on the expected credit losses in the period of existence. Lifetime expected credit losses are calculated based on the bad debt provision matrix which accounts for the customer's past default records, current financial status, economic conditions in the industry, and outlook of the industry. Customers of the Group can be classified into government institutions and general companies and their credit risks are explained as follows:

1. In principle, government institutions do not have credit quality issues. If difficulties in collection arise, assessment would be performed separately.
2. With regard to the credit quality of notes and accounts receivables of general business ventures, except for contracts with overall amounts less than NT$1,000 thousand that are exempted from credit investigations and reviews, before engaging a new customer, the Group would conduct finance and credit investigations (past transaction data, records of bounced check and breach of trust, etc.) The credit lines and ratings of customers shall be reviewed regularly. Based on the Group's experience of credit impairment, the types of losses suffered by general companies in different industries are not significantly different and the provision matrix therefore does not distinguish between customer groups but only establishes expected credit loss rates based on the number of overdue days of notes and accounts receivable.

If there is evidence showing that a transaction counterparty faces severe financial difficulties and the Group cannot reasonably expect to recover the amount such as cases where the transaction counterparty is being liquidated or where the debts are overdue for more than 365 days, the Group shall recognized 100% of the allowance for losses and continue to pursue repayment.

The Group's allowances for losses for notes and accounts receivable based on the provision matrix are as follows:

December 31, 2018

	Government authorities	Not overdue	Overdue by 1 to 210 days	Overdue by 211 to 240 days	Overdue by 241 to 365 days	Overdue for more than 365 days	Total
Overdue credit loss rate	0%	0% - 1%	1% - 2%	10%	20%	100%	
Total carrying amount	$268,047	$367,088	$ 2,072	$ -	$ -	$ 2,197	$639,404
Allowance for losses (lifetime expected credit losses)	-	(3,671)	(29)	-	-	(2,197)	(5,897)
Amortized cost	$268,047	$363,417	$ 2,043	$ -	$ -	$ -	$633,507

December 31, 2017

	Government authorities	Not overdue	Overdue by 1 to 210 days	Overdue by 211 to 240 days	Overdue by 241 to 365 days	Overdue for more than 365 days	Total
Overdue credit loss rate	0%	0% - 1%	1% - 2%	10%	20%	100%	
Total carrying amount	$ 74,436	$439,477	$3,594	$ -	$ -	$ 2,092	$519,599
Allowance for losses (lifetime expected credit losses)	-	(4,353)	(36)	-	-	(2,092)	(6,481)
Amortized cost	$ 74,436	$435,124	$3,558	$ -	$ -	$ -	$513,118

Information regarding changes in the allowance for losses of notes and accounts receivable is as follows:

	2018	2017
Opening balance	$ 6,481	$ 8,721
Minus: Reversed impairment loss in this period	(584)	(2,240)
Ending balance	$ 5,897	$ 6,481

As of December 31, 2018 and 2017, allowance losses including individual impaired accounts receivables that were subject to significant financial difficulties were NT$2,197 thousand and NT$2,092 thousand, respectively. The impairment loss recognized was the difference between the accounts receivable's carrying amount and the present value of expected recoverable amount upon liquidation. The Group did not hold any collaterals for the aforementioned accounts receivable.

(II) Receivables from material customers

Individual customers with amounts of notes and accounts receivable exceeding 5% of the Group's overall notes and accounts receivable balance as of December 31, 2018 and 2017 are summarized below:

	December 31, 2018	December 31, 2017
Customer A	$ 40,146	$ -
Customer B	101,762	121,940
Customer C	52,470	-
	$194,378	$121,940

Receivables that contribute to more than 10% of notes and accounts receivable of the Group were mostly generated from large projects. Except for material customers disclosed above, no other customer contribute more than 10% of the notes and accounts receivable balance. Please refer to Note 24 for relevant risk assessments.

IX. Equity-accounted investments

Investment in affiliate enterprises

Investee company name	December 31, 2018 Amount	December 31, 2018 Shareholding Ratio (%)	December 31, 2017 Amount	December 31, 2017 Shareholding Ratio (%)
Material affiliate enterprises				
Cleanaway SUEZ Environmental Resources Limited (Cleanaway SUEZ)	$644,198	29	$ -	-
Chase Environmental Co., Ltd. (Chase)	14,607	25	-	-
	$658,805		$ -	

Please refer to Attachment 6 "Information on Investees, Locations, etc." in Note 29 for information on the nature of business, its area of operations, and country of company registry of the above affiliates.

Cleanaway SUEZ

The Group, Taiwan Sheng Ta International Waste Processing Co., Ltd., and RSEA Engineering Corporation jointly established Cleanaway SUEZ on July 31, 2018. Cleanaway SUEZ obtained business operations in the Dafa Plant of RSEA Engineering Corporation on the baseline date of November 1, 2018. The Group obtained 29% of the total outstanding shares of Cleanaway SUEZ totaling 21,750 thousand shares with a total investment amount of NT$650,000 thousand. The Group shall use this reinvestment to increase the categories of intermediate processing of hazardous industrial waste to provide customers with comprehensive solutions for waste disposal.

Chase

The Group invested in Chase to expand business operations. The original investment cost was NT$15,000 thousand and the shareholdings ratio was 25%. Chase mainly focuses on protection of the ecology and environment and technology integration and innovation. It also integrates AIoT and the environmental protection industry alliance to provide corporate customers with a smart one-stop environmental protection waste clean-up and transport solution.

The financial information of Cleanaway SUEZ and Chase is summarized as follows:

	Cleanaway SUEZ	Chase
	December 31, 2018	
Current assets	$ 127,959	$ 49,442
Non-current assets	634,132	12,724
Current liabilities	(15,012)	(6,354)
Non-current liabilities	(17,087)	-
Equity	$ 729,992	$ 55,812
Group shareholding ratio	29%	25%
Equity attributable to the Group	$ 211,698	$ 13,953
Investment premiums	432,500	654
Investment carrying amount	$ 644,198	$ 14,607

	July 31, 2018 to December 31, 2018	April 11, 2018 to December 31, 2018
Operating revenue	$ 14,359	$ 375
Net loss of this period	($ 20,008)	($ 4,188)
Other comprehensive income (loss)	-	-
Total comprehensive income	($ 20,008)	($ 4,188)

The Group's share of losses in affiliate enterprises accounted for using the equity method in 2018 amounted to NT$6,195 thousand. The amount is recognized based on the affiliate enterprises' audited financial statements for the same periods.

X. Property, plants and equipment

	Land	Buildings and structures	Machinery and equipment	Laboratory equipment	Landfill sites and related facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Costs										
Balance as of January 1, 2018	$ 139,770	$ 789,512	$ 657,332	$ 5,284	$2,064,848	$ 154,229	$ 31,938	$ 34,529	$ 130,253	$4,007,695
Additions	-	15,135	3,802	4,993	1,987	18,580	2,289	638	368,826	416,250
Disposals	-	-	(2,580)	(351)	(253)	(1,370)	(375)	(2,066)	-	(6,995)
Reclassification	722,806	180,467	11,504	10,983	101,476	2,337	12,092	7,079	(298,539)	750,205
Net exchange differences	-	-	-	-	-	(114)	(27)	-	(238)	(379)
Balance at December 31, 2018	$ 862,576	$ 985,114	$ 670,058	$ 20,909	$2,168,058	$ 173,662	$ 45,917	$ 40,180	$ 200,302	$5,166,776
Accumulated depreciation										
Balance as of January 1, 2018	$ -	$ 99,880	$ 346,162	$ 3,438	$ 725,395	$ 133,909	$ 5,377	$ 10,816	$ -	$1,324,977
Depreciation	-	21,528	59,816	2,353	258,048	11,357	2,737	2,011	-	357,850
Disposals	-	-	(2,580)	(351)	(253)	(1,318)	(375)	(2,066)	-	(6,943)
Net exchange differences	-	-	-	-	-	(109)	(25)	-	-	(134)
Balance at December 31, 2018	$ -	$ 121,408	$ 403,398	$ 5,440	$ 983,190	$ 143,839	$ 7,714	$ 10,761	$ -	$1,675,750
Net amount as of December 31, 2018	$ 862,576	$ 863,706	$ 266,660	$ 15,469	$1,184,868	$ 29,823	$ 38,203	$ 29,419	$ 200,302	$3,491,026
Costs										
Balance as of January 1, 2017	$ 139,770	$ 122,063	$ 466,833	$ 3,470	$1,163,710	$ 156,021	$ 7,082	$ 38,100	$ 693,113	$2,790,162
Additions	-	8,931	5,000	1,814	23,615	982	2,603	424	571,591	614,960
Disposals	-	-	(817)	-	(652)	(2,710)	(3,183)	(3,670)	-	(11,032)
Reclassification	-	658,518	186,316	-	878,175	-	25,451	3,978	(1,134,318)	618,120
Transferred to other non-current assets	-	-	-	-	-	-	-	(4,300)	-	(4,300)
Net exchange differences	-	-	-	-	-	(64)	(15)	(3)	(133)	(215)
Balance at December 31, 2017	$ 139,770	$ 789,512	$ 657,332	$ 5,284	$2,064,848	$ 154,229	$ 31,938	$ 34,529	$ 130,253	$4,007,695
Accumulated depreciation										
Balance as of January 1, 2017	$ -	$ 81,094	$ 296,936	$ 3,043	$ 579,735	$ 118,061	$ 6,390	$ 12,373	$ -	$1,097,632
Depreciation	-	18,786	50,026	395	146,312	18,494	1,993	2,042	-	238,048
Disposals	-	-	(800)	-	(652)	(2,605)	(2,994)	(3,598)	-	(10,649)
Net exchange differences	-	-	-	-	-	(41)	(12)	(1)	-	(54)
Balance at December 31, 2017	$ -	$ 99,880	$ 346,162	$ 3,438	$ 725,395	$ 133,909	$ 5,377	$ 10,816	$ -	$1,324,977
Net amount as of December 31, 2017	$ 139,770	$ 689,632	$ 311,170	$ 1,846	$1,339,453	$ 20,320	$ 26,561	$ 23,713	$ 130,253	$2,682,718

(I) The increase of NT$750,205 thousand in reclassified accounts in 2018 included NT$751,107 thousand from prepayments on purchase of land and equipment and NT$902 thousand in accounts converted to expenses. The increase of NT$750,205 thousand in reclassified accounts in 2017 consisted of converted prepayments on purchase of land and equipment.

(II) Cleanaway acquired land situated in the Guantan Section, Guanyin District, Taoyuan City from non-related parties in 2018 to expand planned sites for environmental protection business operations. The total price of the acquisition amounted to NT$721,926 thousand and it is listed under land.

As of December 31, 2018, the Group's important contracts with construction in progress were as follows:

Contract counterparty	Contract price	Paid price
Hung Chi Construction Co., Ltd. (Hung Chi)	$ 201,852	$ 161,372
MHS Technology Co., Ltd. (MHST)	6,000	6,000
		$ 167,372

The aforementioned contracts with construction in progress were all construction contracts for the Group's construction of new solar power photovoltaics system. As of December 31, 2018, the paid amounts were listed under construction and progress and equipment awaiting examination because acceptance inspections of the overall construction were not yet completed.

(III) As there was no indication of impairment in 2018 and 2017, the Group did not conduct impairment assessment.

(IV) The Group recognizes property, plant and equipment of different categories base on the following methods:

1. Depreciation for pollution control equipment under machinery and equipment and landfill sites and facilities adopts the units-of-output method, in which depreciation is computed on the rate of burial volume of the period over the estimated total burial volume.

2. Buildings and structures, solidification and instrumentations under machinery and equipment, laboratory equipment, transportation equipment, furniture and fixtures and other equipment were depreciated on a straight-line basis over the following useful economic lives:

Buildings and structures	
Main building of intermediate treatment solidification plant	20 years
Ancillary facilities of plants	7 to 15 years
Operation headquarters main building and ancillary facilities	50 years
Other facilities	3 to 5 years
Machinery and equipment	
Solidification production equipment	10 years
Thermal desorption equipment	3 to 5 years
Instrumentations	3 to 5 years
Laboratory equipment	3 to 5 years
Transportation equipment	
Acquisition of brand new transportation vehicles	5 to 8 years
Acquisition of used transportation vehicles	2 to 3 years
Office equipment	
Office furniture	5 to 10 years
Information communication equipment	3 to 6 years
Information communication equipment - extra-low-voltage systems engineering	50 years
Other equipment	
Monitoring and drainage facilities	10 to 11 years
Generators	15 years
Lease improvement and others	3 to 4 years

(V) Refer to Note 26 for the Group's PP&E amounts pledged as collateral.

XI. Other assets

	December 31, 2018	December 31, 2017
Prepayments on purchase of land and equipment	$147,041	$160,000
Guarantee deposits paid	55,200	42,352
Tax overpaid retained	29,007	25,491
Restricted bank deposits (Note 26)	6	6
Others	39,323	19,679
	$270,577	$247,528
Current	$ 48,960	$ 40,101
Non-current	221,617	207,427
	$270,577	$247,528

(I) Prepaid land and equipment amounts are mainly used to pay for the land of the landfill sites currently in preparation. Please refer to the explanation provided in Note 25(2)5. and 6. The changes in 2018 and 2017 were as follows:

	2018	2017
Balance, beginning of year	$160,000	$747,351
Additions	738,148	30,825
Reclassified to property, plant and equipment	(751,107)	(618,120)
Reclassified to operating expenses	-	(56)
Balance, end of year	$147,041	$160,000

(II) Guaranteed deposits paid are mainly bid bonds, performance bonds and rental deposits paid in cash.

XII. Loans

(I) Short-term loans

	December 31, 2018	December 31, 2017
Unsecured loans		
Credit limit loans	$ 150,000	$ -

The bank's interest rate for revolving loan facility as of December 31, 2018 was a fixed interest rate of 1.05%.

(II) Long-term loans

	December 31, 2018	December 31, 2017
Secured loans		
Bank loans	$ 200,000	$ -

Cleanaway and CTBC Bank signed a loan contract with land owned by Cleanaway as collateral (refer to Note 26 for more information). The loan maturity date is September 14, 2023 and the loan amount totaled NT$200,000 thousand. The annual interest rate is the Taipei Interbank Offered Rate plus 0.59%.

According to the contract, repayment of the principal is provided with a grace period of 2 years starting from the drawdown. Cleanaway shall repay NT$7,500 thousand in each quarter starting from the month of the expiry of the grace period (September 30, 2020) and the balance shall be repaid in one payment upon maturity. The drawdown amount shall be used to purchase land registered in Guantan Section, Guanyin District, Taoyuan City.

XIII. Accounts payable

	December 31, 2018	December 31, 2017
Accounts payable	$ 11,428	$ 14,177

Accounts payable of the Group are mainly payments for purchases to vendors. The average payment period is 60 to 90 days. The Group has financial risk management policy in place to ensure all payables are paid within the agreed credit periods.

XIV. Other liabilities

	December 31, 2018	December 31, 2017
Other payables		
Accrued employee compensation/bonus	$114,750	$109,622
Accrued excavation cost	88,104	31,547
Accrued maintenance cost	45,148	25,019
Accrued remuneration to directors and supervisors	35,000	35,000
Payables on equipment	31,803	10,342
Business tax payable	18,287	18,990
Accrued salaries	15,251	8,240
Accrued waste clean-up and transport expense	12,873	14,418
Other accrued expenses	44,434	29,103
	$405,650	$282,281

Accrued excavation cost consists of cleanup fees for contaminated and illegal dump sites.

	December 31, 2018	December 31, 2017
Other current liabilities		
Contract liabilities (Note 18)	$ 63,356	$ 4,327
Withheld taxes, etc.	718	700
Receipts under custody, etc.	69	254
	$ 64,143	$ 5,281

XV. Cost provisions for restoration

	2018	2017
Balance, beginning of year	$ 84,160	$ 55,106
Cost provisions for restoration appropriated	12,489	30,553
Actual cost for restoration	(28,507)	(1,499)
Balance, end of year	$ 68,142	$ 84,160

The cost provisions for restoration recognized under operating costs based on the number of tons of landfill and solidification processed for 2018 and 2017 totaled NT$12,489 thousand and $30,553 thousand, respectively. The accounts are listed under operating costs. The actual cost of restoration in 2018 and 2017 were NT$28,507 thousand and NT$1,499 thousand, respectively. They were mainly expenses for restoring the landfills owned by the Group.

XVI. Benefit plan after retirement

(I) Defined contribution plans

The pension system of the "Labor Pension Act" applicable to Cleanaway, Cleanaway Enterprise, Da Tsang, Kang Lien Enterprise, Chi Wei, Da Ning and Cleanaway Investment is a defined contribution plan under government administration. The Company contributes 6% of employees' monthly salaries to their personal accounts at the Bureau of Labor Insurance.

Employees of the Group's subsidiaries in China are participants of the pension plan operated by the People's Republic of China. Such subsidiaries shall contribute a certain percentage of salaries to the pension plan as its funding. Obligations of the Group towards the government-operated pension plan are limited to its contributions of specific amounts.

For CCL investment Holding, Cleanaway Shanghai Management Holding, Cleanaway Zoucheng Holding and Cleanaway Zhejiang Holding, as they do not have any employees, pension plans for employees are not established. Moreover, the pension plans are not mandatory according to local laws and regulations.

The Group recognized total amount of expenses to be paid in accordance with the appropriation ratio set forth in the defined contribution plans and NT$6,130 thousand and NT$5,391 thousand have been listed in the expenses in the consolidated statement of comprehensive income of 2018 and 2017.

(II) Defined benefit plans

The pension system of the Group's Cleanaway Company Limited and Kang Lien Enterprise Company Limited under the “Labor Standards Law” is a defined benefit pension plan managed by the government. Pension is based on the employee's years of service rendered and the average wages over the six months prior to retirement. The Group contributes 2% of the total monthly wages of employees to the Supervisory Committee of Labor Retirement Reserve's dedicated account in the Bank of Taiwan as pension reserve funds. Before the end of each year, if the balance in the account is inadequate to pay pensions of laborers who are expected to reach retirement conditions in the following year, the Group shall make up the difference in one appropriation before the end of March in the following year. The Bureau of Labor Funds, Ministry of Labor, administers the account and Cleanaway and Kang Lien of the Group have no right over its investment and administration strategies.

The funds for defined benefit plans included in the consolidated balance sheet were as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 28,489	$ 29,920
Fair value of plan assets	(10,281)	(10,688)
Net pension benefit liabilities	$ 18,208	$ 19,232

Changes in net defined benefit liabilities were as follows:

	Defined benefits present value of obligations	Plan assets fair value	Defined benefits liabilities
January 1, 2017	$ 29,128	($ 9,879)	$ 19,249
Cost of service in the current period	27	-	27
Interest expenses (income)	412	(140)	272
Recognized in profit or loss	439	(140)	299
Remeasurement			
Return on plan assets (excluding amounts that are included in net interest)	-	40	40
Actuarial losses - Changes in financial assumptions	815	-	815
Actuarial gains- Adjustments based on history	(462)	-	(462)
Recognized in other comprehensive income	353	40	393
Employer contribution	-	(709)	(709)
December 31, 2017	29,920	(10,688)	19,232
Cost of service in the current period	30	-	30
Interest fees (income)	331	(119)	212
Recognized in profit or loss	361	(119)	242
Remeasurement			
Return on plan assets (excluding amounts that are included in net interest)	-	(300)	(300)
Actuarial losses - Changes in financial assumptions	495	-	495
Actuarial gains- Adjustments based on history	(766)	-	(766)
Recognized in other comprehensive income	(271)	(300)	(571)
Benefits payment	(1,521)	1,521	-
Employer contribution	-	(695)	(695)
December 31, 2018	$ 28,489	($ 10,281)	$ 18,208

The amount of defined benefit plan recognized in profit or loss was summarized by functions as follows:

	2018	2017
Operating costs	$ 126	$ 160
Management expenses	116	139
	$ 242	$ 299

Cleanaway and Kang Lien of the Group are exposed to the following risks owing to the implementation of the pension system of the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Funds of the Ministry of Labor invests the labor pension fund in equity and debt securities, and bank deposits in domestic (foreign) banks on its own and also employing commissioned operations. However, the amount received by Cleanaway and Kang Lien of the Group from the plan assets is the profit and is not lower than the interest on a two-year fixed deposit of a local bank.
2. Interest rate risk: A decrease in interest rates of government bonds will increase the present value of defined benefit obligations but it will also increase the return on investment of debts for the assets of the plan. The two items partially cancel each other out with regard to their influence to net defined benefit liabilities.
3. Salary risk: The present value of defined benefit obligations is calculated based on the future salaries of members of the plan. Therefore, an increase in salaries of the members of the plan will cause the present value of defined benefit obligations to increase.

The present value of Cleanaway and Kang Lien of the Group's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	December 31, 2018	December 31, 2017
Discount rate	0.90%~1.00%	1.10%~1.20%
Expected growth rate of salaries	3.00%	3.00%

If reasonably possible changes occur in major actuarial assumptions while all other assumptions remain unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	December 31, 2018	December 31, 2017
Discount rate		
Increase of 0.25%	($ 617)	($ 664)
Decrease by 0.25%	$ 638	$ 686
Expected growth rate of salaries		
Increase of 0.25%	$ 553	$ 600
Decrease by 0.25%	($ 539)	($ 584)

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	December 31, 2018	December 31, 2017
Expected appropriation amount within 1 year	$ 679	$ 691
Average maturity period of defined benefit obligations	10 to 12 years	11 to 13 years

XVII. Equity

(I) Capital

Common stocks

	December 31, 2018	December 31, 2017
Authorized shares (in thousands)	150,000	150,000
Authorized capital	$ 1,500,000	$ 1,500,000
Number of shares issued and fully paid (in thousand shares)	108,888	108,888
Issued capital	$ 1,088,880	$ 1,088,880

Common stocks are issued with par value of NT$10 per share and each common stock represents a right to vote and receive dividends.

The authorized capital included 10,000 thousand shares allocated for the exercise of employee stock options.

(II) Capital surplus

Capital surplus of Cleanaway came from additional paid-in capital. The capital surplus may be used to cover losses and may also be used for the distribution of cash dividends or capital replenishment when the company has no losses. However, the capital replenishment is restricted to a certain ratio of paid-in capital each year.

(III) Retained earnings and dividend policy

According to the regulations on earnings distribution in the Articles of Incorporation of Cleanaway, in the event of surplus earnings after closing of annual accounts, due taxes shall be paid first and losses incurred in previous years shall be compensated. 10% of the remainder surplus shall be then allocated as legal reserve. However, in the event that the accumulated legal reserve is equivalent to or exceeds Cleanaway's total paid-in capital, such allocation may be exempted. The remainder may be set aside or reversed as special surplus reserve in accordance with laws and regulations. If there are remaining earnings, the Board of Directors shall draft an earnings distribution proposal regarding the remainder of the earnings as well as accumulated undistributed surplus for approval at the shareholders' meeting, at which the allocation of shareholders' bonuses shall be decided. Please refer to Note 19(3) Employee remuneration and remuneration for Directors and Supervisors for the distribution policy for remuneration for employees, Directors, and Supervisors in the Articles of Incorporation of Cleanaway.

Cleanaway may distribute bonus to shareholders in the form of cash or stocks, however, the cash bonus to shareholders cannot be lower than 10% of total share bonus. Cleanaway is in a growing industry. The type and ratio of earnings appropriation shall be submitted to the shareholders by the Board of Directors after considering the current operating conditions, the shareholders’ interests, the balance of dividends and capital demands.

The legal reserve is supplemented until the balance equals the Company's total paid-in capital. The legal reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve that exceeds 25% of the total paid-in capital may be appropriated in cash in addition to being transferred to capital stock.

Cleanaway appropriates and reverses special reserve in accordance with the regulations in Jin-Guan-Zheng-Fa's Letter No. 1010012865 from the FSC and "Q&A on the Applicability of the Appropriation of Special Reserve after the Adoption of the International Financial Reporting Standards (IFRSs)".

Cleanaway held general shareholders meetings on June 22, 2018 and June 16, 2017, during which the 2017 and 2016 appropriation of earnings were passed, respectively, as follows:

	Appropriation of Earnings		Dividends per Share (NTD)	
	2017	2016	2017	2016
Statutory surplus reserve	$ 136,350	$ 144,105	$ -	$ -
Special surplus reserve (Note)	4	1,053	-	-
Cash dividends	1,197,768	1,252,212	11.00	11.50

Note: In accordance with the Jin-Guan-Zheng-Fa No. 1010012865 Order, Cleanaway appropriates amounts equivalent to the special surplus reserve from the net reduction amount in other equities in the final accounts of year (exchange differences on translation of foreign operations). After the balance of other equity reduction items are reversed, the reversed parts may be distributed as earnings.

The Boards of Directors of Da Tsang, Chi Wei and Kang Lien Enterprise can act on behalf of the shareholders' meetings pursuant to the rules and distribute the earnings after the legal reserve is appropriated. Earnings of Cleanaway Enterprise, Da Ning, Cleanaway Investment, Cleanaway Shanghai and Cleanaway Zoucheng cannot be distributed until deficits of prior years are offset. Also, earnings after tax, if any, shall be used to appropriate legal reserve or reserve funds in accordance with laws and regulations before it can be distributed. A certain portion of earnings of CCL investment Holding, Cleanaway Shanghai Management Holding, Cleanaway Zoucheng Holding and Cleanaway Zhejiang Holding shall be appropriated as reserves in accordance with resolutions of the Boards of Directors before dividends can be distributed.

XVIII. Revenue

	2018	2017
Revenue from contracts with customers		
Revenue from waste disposal, clean-up and transport		
Landfill revenue	$ 2,290,691	$ 2,111,012
Solidification revenue	586,650	420,644
Clean-up and transport revenue	156,114	118,965
	3,033,455	2,663,783
Revenue from contaminated and illegal dump sites cleanup	359,876	118,965
Other income	2,476	2,518
	$ 3,395,807	$ 2,785,266

Please refer to Note 30 for explanation of revenue from main labor services. Please refer to explanation in Note 4(14) for the timing for satisfying material contract performance obligations. Except for contracts for contaminated and illegal dump sites cleanup for which payment can only be requested once the customer completes stages of acceptance inspections, payment requests for other waste processing and removal are processed based on agreed payment cycles upon the completion of clean-up and transport services.

Service for each contract performance obligation shall be provided based on the business items specified on the license and the income for each category shall be recognized based on individual sales prices.

(I) Contract balance

	December 31, 2018	December 31, 2017
Notes and accounts receivable (Note 8)	$639,404	$519,599
Contract assets - current		
Contaminated and illegal dump site cleanup	$181,612	$ 42,862
Waste disposal	15,437	-
	$197,049	$ 42,862
Contract assets - non-current		
Contaminated and illegal dump site cleanup	$ 15,448	$ -
Waste disposal	10,365	-
	$ 25,813	$ -
Contract liabilities - current		
Waste disposal	$ 63,356	$ 4,327

Changes in contract assets mainly derived from the difference in the timing of the completion of contract performance obligations and of contaminated and illegal dump site cleanup projects and the customers' payments.

(II) Contract cost-related assets

	December 31, 2018	December 31, 2017
Contract performance costs		
Prepaid excavation cost	$ 29,241	$ 3,082
Solidification processing cost	3,012	2,212
Waste clean-up and transport cost	1,212	515
	$ 33,465	$ 5,809

Operating costs mainly comprise costs associated with solidification, such as the depreciation of landfill sites, facilities and equipment, cost of staff at the intermediate treatment solidification plant and landfill sites, cement and solidifying agents; costs of waste clean-up and transport, including cost of staff for clean-up and transport and the repair and depreciation of associated equipment; and costs of waste disposal, such as the costs of contaminated and illegal dump sites cleanup.

Related costs of contracts for which investments have been implemented but contract performance obligations have not been completed are deferred to assets - "contract performance costs" at the end of each month. They are reclassified under operating costs after services are completed in the following month upon revenue recognition.

(III) Contracts with customers that have not been fully completed

As of December 31, 2018, the transaction price allocated to contract performance obligations that have not been completed totaled NT$245,328 thousand. The Group shall recognize income based on the progress of contaminated and illegal dump sites cleanup projects. The contracts for contaminated and illegal dump sites cleanup projects will be completed from 2019 to 2023.

XIX. Net income

Net income for the period consists of the following items:

(I) Depreciation

	2018	2017
Summarized by functions		
Operating costs	$340,710	$223,570
Operating expenses	17,140	14,478
	$357,850	$238,048

(II) Employee benefit expenses

	2018	2017
Benefits after retirement (Note 16)		
Defined contribution plans	$ 6,130	$ 5,391
Defined benefit plans	242	299
	6,372	5,690
Salary expenses	218,341	201,533
Employee insurance premiums	12,658	11,359
Other employee benefits	11,522	7,758
Total employee benefit expenses	$248,893	$226,340
Summarized by functions		
Operating costs	$103,698	$ 95,056
Operating expenses	145,195	131,284
	$248,893	$226,340

(III) Remuneration for employees, Directors and Supervisors

Cleanaway appropriates the remuneration for employees, Directors and Supervisors for the current year based on the Articles of Incorporation. It appropriates no less than 1% as remuneration for employees and no more than 5% as remuneration for Directors and Supervisors. Remuneration for employees and for Directors and Supervisors in 2018 and 2017 were respectively determined by the Board of Directors in the meetings on March 15, 2019 and March 31, 2018. The resolutions are provided as follows:

Estimated ratio

	2018	2017
Employee remuneration	3.00%	3.00%
Remuneration to Directors and Supervisors	2.39%	2.38%

Amount

	2018		2017	
	Cash	Stock	Cash	Stock
Employee remuneration	$ 43,980	$ -	$ 44,084	$ -
Remuneration to Directors and Supervisors	35,000	-	35,000	-

If changes are made to the amount after the publication of the consolidated annual financial report, they apply in accordance with accounting estimation changes and will be included in the financial statements of the following year.

The actual employee compensation and remuneration to Directors and Supervisors in 2017 and 2016 were consistent with the recognized amounts in the Consolidated Financial Report for 2017 and 2016.

Please refer to the "Market Observation Post System" of Taiwan Stock Exchange for information on Cleanaway's employee remuneration and remuneration to Directors and Supervisors passed in the 2019 and 2018 Board of Directors meeting.

XX. Income tax

(I) Main composition of income tax expenses recognized in profit or loss

	2018	2017
Current income tax		
Generated in the current year	$375,774	$240,314
Surtax on unappropriated retained earnings	2,943	4,185
Adjustments of previous years	547	24
	379,264	244,523
Deferred income tax		
Generated in the current year	12,769	(6,737)
Tax rate variation	2,228	-
Adjustments of previous years	(6)	(66)
	14,991	(6,803)
Income tax expenses recognized in profit or loss	$394,255	$237,720

The reconciliation of accounting profit and income tax expense was as follows:

	2018	2017
Income before income tax of continuing operations	$ 1,714,865	$ 1,601,218
Income tax expense calculated as the product of income before income tax and the statutory tax rate (Note)	$ 343,262	$ 270,719
Non-deductible expenses	17,823	13,847
Tax-exempted income	(9,231)	(84,362)
Additional income tax under the Alternative Minimum Tax Act	-	16,557
Unrecognized operating loss carryforward and deductible temporary differences	36,689	19,125
Surtax on unappropriated retained earnings	2,943	4,185
Tax rate variation	2,228	-
Adjustments on income tax of prior periods	547	24
Adjustments on deferred income tax expense of prior periods	(6)	(66)
Adjustments on the applicable tax rates of deferred income tax assets and liabilities, beginning of period	-	(2,309)
Income tax expenses recognized in profit or loss	$ 394,255	$ 237,720

Note: The Group is applicable to a tax rate of 17% applicable to individual entities based on the Income Tax Act of the Republic of China. The Income Tax Act of the Republic of China amended in February 2018 adjusted the business income tax rate from 17% to 20%. The amendment was implemented in 2018. In addition, the applicable tax rate for undistributed earnings in 2018 was reduced from 10% to 5%. The applicable tax rate to subsidiary companies in mainland China is 25%. The taxes generated in other jurisdictions are calculated based on tax rates applicable to the respective jurisdictions.

As there are uncertainties in the earnings appropriation in the 2019 general shareholders meeting, the potential income tax impact for the 5% income tax imposed on unappropriated earnings of 2018 cannot be reliably determined.

(II) Income tax expenses recognized in other comprehensive income

	2018	2017
Deferred income tax income		
Recognized in other comprehensive income		
- Remeasurements of defined benefit plans	$ 83	$ 443

(III) Current income tax assets and liabilities

	December 31, 2018	December 31, 2017
Tax refund receivable	$ 263	$ 354
Income tax payable	$266,146	$143,453

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities were as follows:

2018

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of year
Deferred income tax assets				
Temporary differences				
Cost provisions for restoration	$ 13,929	($ 684)	$ -	$ 13,245
Defined benefits retirement plans	3,140	275	83	3,498
Unrealized valuation on foreign currencies	1,352	720	-	2,072
Payable leave benefits	548	32	-	580
Property, plant and equipment	254	(223)	-	31
Allowance for doubtful accounts	153	12	-	165
Financial difference in employee benefits	29	(5)	-	24
	19,405	127	83	19,615
Operating loss carryforward	2,046	(2,046)	-	-
	$ 21,451	($ 1,919)	$ 83	$ 19,615
Deferred income tax liabilities				
Temporary differences				
Property, plant and equipment	$ 32,911	$ 13,072	$ -	$ 45,983

2017

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of year
Deferred income tax assets				
Temporary differences				
Cost provisions for restoration	$ 6,710	$ 7,219	$ -	$ 13,929
Defined benefits retirement plans	2,153	544	443	3,140
Unrealized valuation on foreign currencies	848	504	-	1,352
Payable leave benefits	374	174	-	548
Property, plant and equipment	-	254	-	254
Allowance for doubtful accounts	100	53	-	153
Financial difference in employee benefits	58	(29)	-	29
	10,243	8,719	443	19,405
Operating loss carryforward	-	2,046	-	2,046
	$ 10,243	$ 10,765	$ 443	$ 21,451
Deferred income tax liabilities				
Temporary differences				
Property, plant and equipment	$ 28,949	$ 3,962	$ -	$ 32,911

(V) The unused operating loss carryforward and unused operating loss carryforward for which no deferred income tax assets have been recognized in the consolidated balance sheet

	December 31, 2018		December 31, 2017	
	Amount not yet deducted	Unrecognized deferred income tax assets	Amount not yet deducted	Unrecognized deferred income tax assets
Operating loss carryforward				
Expired in 2022	$ 1,701	$ 1,701	$ 2,771	$ 2,771
Expired in 2023	1,802	1,802	1,802	1,802
Expired in 2024	516	516	616	516
Expired in 2025	14,023	14,023	16,934	16,934
Expired in 2026	10,636	10,636	10,904	10,636
Expired in 2027	109,725	109,725	121,394	109,725
	$ 138,403	$ 138,403	$ 154,421	$ 142,384

(VI) The deductible temporary difference for which no deferred income tax assets have been recognized in the consolidated balance sheet

	December 31, 2018	December 31, 2017
Deductible temporary difference		
Amortization of depreciation of land for landfill sites	$535,949	$369,485
Investment in subsidiary companies and affiliate enterprises	146,936	133,472
Financial difference in employee benefits	640	-
Unrealized valuation on foreign currencies	13	10
	$683,538	$502,967

(VII) 5-year tax exemption for newly established enterprises and expansion projects of various consolidated individual new investments in 2018 and 2017 is as follows:

Company Name	Newly Established Enterprise or Expansion Project	Tax-exempted period
Cleanaway	Official Letter Gong-Yong No. 09900127530 from Ministry of Economic Affairs, Industrial Development Bureau approved the expansion investment plans of environmental protection technology services (waste disposal)	July 1, 2012 to June 30, 2017
Da Tsang	Official Letter Gong-Yong No. 09801082910 from Ministry of Economic Affairs, Industrial Development Bureau approved expansion investment plans of environmental protection services via capital increase	January 1, 2015 to December 31, 2019

(VIII) Income tax approval status

The enterprise business income tax returns of Cleanaway, Da Tsang, Chi Wei, Cleanaway Enterprise, Cleanaway Investment, Kang Lien, and Da Ning through 2016 have been approved by the tax authorities.

XXI. Earnings per share (EPS)

The profits and weighted average number of common stocks used for the calculation of EPS were as follows:

Net income

	2018	2017
Net profit used for the calculation of basic EPS	$ 1,320,610	$ 1,363,498
Net profit used for the calculation of diluted EPS	$ 1,320,610	$ 1,363,498

Number of shares (in thousands)

	2018	2017
Weighted average number of common stocks used for the calculation of basic EPS	108,888	108,888
Effect of dilutive potential common stocks:		
Employee remuneration	327	306
Weighted average number of common stocks used for the calculation of diluted EPS	109,215	109,194

If Cleanaway can choose between stocks and cash for the appropriation of employee compensation, it shall assume the employee compensation would be appropriated in stocks for the calculation of diluted EPS. The dilutive potential common stocks shall be incorporated in the weighted average number of stocks outstanding when calculating the diluted EPS. The dilutive effect of such potential common stocks shall continue to be considered when calculating the diluted EPS before resolving the number of stocks to be distributed as employee compensation in the following year.

XXII. Operating lease agreements

Operating leases are mainly for leasing cars for business use and offices for operation. Except for items below, the lease term is 1 to 5 years. The Group does not have the right of first refusal regarding the aforementioned lease object at the end of lease term.

Considering the gradual increase in business scale and employee number, the Group leased 15 lots of land, including parcel number 184 at Dade Section, Gangshan District, Kaohsiung City from Ho Tsang Co., Ltd. on May 31, 2013 (Please refer to Note 27 for unrecognized contract commitment concerning the construction of operation offices). The monthly rent is originally set at NT$613 thousand which will be adjusted based on the percentage of change in the Consumer Price Index (at all-item level) of the month released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan every 2 years from the inception of lease. If the changes exceeds 5%, the rent will be adjusted by 5%. The lease term is 20 years, which starts on June 1, 2013 and ends on May 31, 2033. The lease can be renewed with the original conditions at the end of lease term. The agreement regarding building constructed on the leased land would be renew if both parties can reach consensus at the end of lease term. If the Group decides against renewing the agreement, the building would be transferred to Ho Tsang Co., Ltd. without consideration. If Ho Tsang Co., Ltd. terminates the lease agreement before the end of lease term during 55 years, it shall compensate the Group of the net book value of the building.

As of December 31, 2018 and 2017, the guarantee deposits paid by the Group in accordance with operating lease agreements amounted to NT$8,222 thousand and NT$5,872 thousand, respectively. In addition, as of December 31, 2018 and 2017, the Group's post-dated checks issued for rents payable of every period and delivered to lessors of the operating leases amounted to NT$7,819 thousand and NT$8,085 thousand, respectively.

Future minimum lease gross payments that cannot be canceled were as follows:

	December 31, 2018	December 31, 2017
No more than 1 year	$ 16,271	$ 17,396
More than 1 year but no more than 5 years	38,869	39,238
More than 5 years	75,604	76,696
	$130,744	$133,330

XXIII. Capital risk management

The purpose of capital management policy of the Group is to secure its ability as a going concern entity in order to provide returns to shareholders and benefits to other stakeholders. To achieve the aforementioned objective, the Group regularly review the capital structure and adjust it by paying dividends or issuing new shares after taking into account the overall economy, current interest rates and adequacy of cash for operating activities.

The Group is not subject to any externally imposed capital requirements.

XXIV. Financial instruments

(I) Information on fair value and categories of financial instruments

All financial instruments of the Group are financial assets (liabilities) measured at amortized cost instead of fair value.

The Group's management believes that the carrying amounts of financial assets (cash and cash equivalents, financial asset measured at amortized cost, notes and accounts receivable, other payables - related parties and guarantee deposits paid) and financial liabilities (short-term loans, accounts payable, other payables and guarantee deposits received) not measured at fair value are close to their fair values.

(II) Financial risk management objectives and policy

The Group's main financial instruments include cash and cash equivalents, contract assets, financial assets measured at amortized cost, notes and accounts receivable, guarantee deposits paid (received), notes and accounts payable, other payables, and long-term and short-term bank loans. The finance management department of the Group provides services to business units and coordinates operations in the domestic and overseas financial markets by supervising internal risk exposure reports and managing financial risks related to the operations of the Group in accordance with the risk level and breadth analyses. Such risks include market risk, credit risk and liquidity risk.

The finance and business departments regularly submit reports to the management of the Group. The management would carry out risk monitoring and policy implementation based on its duties and responsibilities to mitigate risk exposure.

1. Market risks

(1) Foreign exchange risk

The Group was exposed to foreign currency risk as it had time deposits in CNY (foreign currency).

The following information was summarized by foreign currencies of entities within the Group. The exchange rates were ones used to translate the foreign currencies into the functional currency.

Foreign-currency assets and liabilities with significant influence were as follows:

December 31, 2018

	Foreign Currency (in thousands)	Exchange rate	Carrying amount (NT$)
Foreign-currency assets			
Monetary items			
CNY	$ 46,655	4.472	$ 208,641

December 31, 2017

	Foreign Currency (in thousands)	Exchange rate	Carrying amount (NT$)
Foreign-currency assets			
Monetary items			
CNY	$ 44,700	4.565	$ 204,056

The losses from foreign currency exchange due to fluctuations in the CNY exchange rate (realized and unrealized) in 2018 and 2017 were NT$4,845 and NT$2,426, respectively.

Sensitivity Analysis

The following table was a sensitivity analysis regarding the impact of 1% change in CNY exchange rate on NTD (the functional currency). 1% was the sensitivity percentage used in the internal reporting of the Group on foreign currency risk to key management. It also represented the reasonable range of changes in exchange rates deemed by the management.

The sensitivity analysis only included outstanding monetary items denominated in foreign currencies and adjusted the translation at the end of year to a 1% change in exchange rate. In the table below, a positive number represented a decrease in income before income tax when NTD appreciated by 1% against CNY. When NTD depreciated by 1% against CNY, the impact on income before income tax would be of the same amount in positive.

	Effects of CNY	
	2018	2017
Income (loss) before income tax	($ 2,086)	($ 2,041)

(2) Interest rate risk

The interest rate risks derive mainly from the borrowing of funds by entities of the Group on floating interest rates. Loans with fixed interest rates exposes the Company to fair-value interest rate risks. However, parts of the risks are offset with term deposit certificates with fixed interest rates pledged for business activities. Loans with floating interest rates exposes the Group to cash flow interest rate risks. However, parts of the risks are offset with cash and cash equivalents held at floating interest rates. The nominal value of financial assets exposed to interest rate and the nominal value of financial liabilities of the Group on the balance sheet date are as follows:

	December 31, 2018	December 31, 2017
Interest rate risks with fair value		
- Financial assets	$ 476,129	$ 1,568,034
- Financial liabilities	150,000	-
Interest rate risks with cash flow		
- Financial assets	1,062,701	1,020,087
- Financial liabilities	200,000	-

Sensitivity Analysis

The sensitivity analysis below is based the Group's exposure to interest rate risk on the balance sheet date. For assets and liabilities based on floating interest rates, the analysis method assumes the assets and liabilities in external circulation on the reporting date remain so throughout the year. With regard to the evaluation of the possible range of changes to the interest rate, if the interest rate increases or decreases by 1% while all other variables remain unchanged, the Group’s net profit before tax in 2018 and 2017 will Increase by NT$8,627 or decrease by NT$10,201 thousand.

2. Credit risk

Credit risks refer to risks that cause financial loss of the Group due to the counterparty's delay in performing contractual obligations.

Credit risks of the Group are concentrated on customers of large projects (please refer to Note 8(2)). As of December 31, 2017 and 2016, notes and accounts receivable generated from aforementioned customers accounted for 30% and 23% of the overall notes and accounts receivable balance, respectively. The share of such notes and accounts is high. However, considering the progress of construction and good credit ratings of counterparties, there was no significant credit risk.

3. Liquidity risk

The Group supports its business operations and reduces cash flow fluctuation through appropriate management and the maintenance of sufficient cash and cash equivalents. In response to the Company's new investment plans starting from July 2018, the Group's management has supervised bank financing conditions and ensured compliance with loan contracts. Financing and loans from banks are regarded as an important source for maintaining liquidity.

(1) Table of liquidity and interest rate risks of non-derivative financial liabilities

The maturity analysis of remaining contracts of non-derivative financial liabilities is based on the earliest possible date on which the Group may be required to make repayments and the undiscounted cash flows of financial liabilities (including principal and estimated future interest). Therefore, the Group may be requested to immediately return bank loans in the earliest period specified in the table below without considering the probability of bank's immediate execution of such rights. Maturity analysis of other non-derivative financial liabilities shall be prepared in accordance with the agreed repayment date.

December 31, 2018

	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years
Non-interest-bearing liabilities	$ 234,625	$ 5,283	$ 72,266
Floating interest rate instruments	2,511	17,487	190,033
Fixed interest rate instruments	150,000	-	-
	$ 387,136	$ 22,770	$ 232,299

(2) Financing Limit

	December 31, 2018
Unsecured banks loans credit limit	
— amount utilized	$ 150,000
— amount not utilized	50,000
	$ 200,000
Secured bank loan credit limit	
— amount utilized	$ 200,000
— amount not utilized	195,000
	$ 395,000

XXV. Significant Related Party Transactions

All transactions between Cleanaway and its subsidiaries (related parties of Cleanaway), account balances, income and expenses are disregarded on the merger and therefore are not disclosed in this Note. Please refer to Table 8 in Note 29 for related written-off amounts. Transactions between the Group and other related parties were listed below.

(I) The names and relationships of the related parties

Related Party	Relationship with the Group
Jocris Ltd. (Jocris)	The Company's corporate director
Ho Tsang Co., Ltd. (Ho Tsang)	The spouse of Cleanaway's chairman is the chairman of the company
MHS Technology Co., Ltd. (MHST)	Cleanaway's chairman is a second-degree relative of the company’s chairman
Yang Ching-Hsiang	Cleanaway's Chairman
Yang Li Pi Lien	Spouse of Cleanaway’s Chairman
Yang Shu-Hui	Relative of Cleanaway’s Chairman
Yang Chi Chuan Social Welfare Charity Foundation (Yang Chi Chuan Foundation)	Cleanaway's Chairman is a director of the foundation
Chase Environmental Co., Ltd. (Chase)	Affiliate enterprise
Cleanaway SUEZ Environmental Resources Limited (Cleanaway SUEZ)	Affiliate enterprise

(II) Significant transactions with related parties

1. Accounts receivable - related parties

	December 31, 2018	December 31, 2017
Cleanaway SUEZ	$ 740	$ -
Chase	159	-
	$ 899	$ -

Refers to the Group's payments for revenue from waste disposal that have not been recovered as of the end of the period.

Collateral is not provided for receivables from related parties in external circulation. Allowances for bad debts for receivables from related parties have not been appropriated as of December 31, 2018 and 2017.

2. Operating revenue

	2018	2017
Cleanaway SUEZ	$ 740	$ -
Chase	159	-
	$ 899	$ -

The accounts are the Company's operating revenue from performing waste disposal on behalf of Cleanaway SUEZ and Chase which are calculated based on non-related parties’ pricing.

3. Technical service fees (recognized under operating expenses)

	2018	2017
Jocris	$ 10,000	$ 10,000

Expense incurred due to technology and management consultation services provided by Jocris to the Group. Such transactions were all processed by the aforementioned related parties, and, therefore, there is no comparative price from third parties.

4. Rental expense (recognized under operating expense)

	2018	2017
Ho Tsang	$ 7,356	$ 7,356

Please refer to Note 22 for lease transactions with Ho Tsang.

5. Prepayments for land

As of December 31, 2018 and 2017, the Group has not yet obtained the approval letter for registration of certain landfill sites for specific industrial use. Therefore, the two parties in the transaction have not conducted registration and both accounts, NT$143,689 thousand, are listed under prepayments for land. Related owners of the land have set all liens to such lands to the Group and the details on the prepayments for land are as follows:

	December 31, 2018	December 31, 2017
Yang Li Pi Lien	$141,357	$141,357
Yang Ching-Hsiang	1,629	1,629
Yang Shu-Hui	703	703
	$143,689	$143,689

A part of the land for landfill sites had received the approval to be changed to land for special objective undertakings and the transfer of ownership was completed in August 2017. Thus, it was ready for use and the amount reclassified from prepayments for land to landfill sites and facilities under property, plant and equipment was NT$590,654 thousand.

6. Asset transactions

Acquisition of property, plant and equipment

The Group purchased solar equipment of NT$530 thousand from MH GoPower Company Limited (MHGP) and paid NT$104 thousand and NT$424 thousand in 2015 and 2017, respectively. Those amounts were reclassified from prepayments for equipment to property, plant and equipment upon completion of acceptance in 2017. The transaction terms were not significantly different from non-related-party transactions.

The Group appointed MHGP to plan a solar power generation site and paid a consulting fee totaling NT$6,000 thousand. As of September 30, 2018, the accounts were listed under construction in progress and equipment awaiting examination for property, plant and equipment.

7. Donations (recognized under operating expense)

	2018	2017
Yang Chi Chuan Foundation	$ 10,000	$ 10,000

To fulfill corporate social responsibilities, the Group donated NT$10,000 thousand in both 2018 and 2017 to the Yang Chi Chuan Foundation to sponsor its charity events.

(III) Remuneration to key management

Remuneration to Directors and key management was as follows:

	2018	2017
Remuneration of Directors	$ 32,400	$ 32,400
Short-term employee benefits		
Salaries	14,760	14,760
Bonus and compensation	35,130	40,260
Benefits after retirement		
Defined contribution	257	648
Defined benefits	648	257
Transportation expenses	290	250
	$ 83,485	$ 88,575

The remuneration to Directors and other key management is determined by the Remuneration Committee based on personal performance and market trends.

XXVI. Pledged assets

Assets provided by the Group as collaterals to the banks for construction performance guarantee were as follows:

	December 31, 2018	December 31, 2017
Pledged time deposit certificates (recognized under financial assets measured at amortized cost)		
- current	$191,131	$ 53,194
- non-current	154,067	230,844
Restricted bank deposits (Reserve account, Recognized under other current assets)		
- current	6	6
Land	722,806	-

XXVII. Significant Contingent Liabilities and Unrecognized Contract Commitments

Unrecognized contract commitments of the Group were as follows:

	December 31, 2018	December 31, 2017
Acquisition of property, plant and equipment (for construction of offices for operations)	$ 45,589	$ 8,666

XXVIII. Subsequent events

(I) Cleanaway established Cleanaway Energy Co., Ltd. (Cleanaway Energy) based on the approval of the competent authority on January 16, 2019 to expand environmental protection businesses. Cleanaway acquired 100% of total outstanding shares of Cleanaway Energy totaling 2,000 thousand shares with a total investment of NT$20,000 thousand. Cleanaway Energy Co., Ltd. is responsible for preliminary preparatory tasks for the development of land for environmental protection business operations in Guanyin District, Taoyuan City owned by Cleanaway.

(II) Cleanaway invested in Chung Tai Resource Technology Corp. (Chung Tai) in February 2019 to expand environmental protection businesses. Cleanaway acquired 20.02% of total outstanding shares of Chung Tai totaling 15,600 thousand shares with a total investment of NT$374,400 thousand. Chung Tai's main business operations include waste resource recycling and industrial waste disposal services.

(III) Da Tsang Industrial Company Limited organized a capital reduction for the purpose of optimizing the use of funds following a resolution of a board meeting on February 20, 2019. It canceled a total of 50,000 thousand shares and reduced its capital by NT$500,000 thousand.

XXIX. Additional Disclosures

Information on

(I) Significant Transactions and

(II) Investees:

1. Financings provided (Table 1)
2. Endorsements/guarantees provided to others (None)
3. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (None)
4. Accumulated purchase or disposal of individual marketable securities in excess of NT$300 million or 20% of the paid-in capital (Table 2)
5. Acquisition of real estate at price in excess of NT$300 million or 20% of the paid-in capital (Table 3)

6. Disposal of real estate at price in excess of NT$300 million or 20% of the paid-in capital (None)
7. Purchases and sales with related parties in excess of NT$100 million or 20% of the paid-in capital (Table 4)
8. Amount of receivable from related parties in excess of NT$100 million or 20% of its paid-in capital (Table 5)
9. Derivative financial instrument transactions (None)
10. Others: Business relationships, important transactions and amount between parent company and subsidiaries (Table 8)
11. Information on investees (Table 6)

(III) Information on Investments in Mainland China:

1. China investees' names, business items, amounts of paid-in capital, investment methods, capital transaction conditions, shareholding ratios, investment gains and losses, the ending investment book value, investment income repatriation and limits of investment in China (Table 7)
2. Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 7)
    (1) Purchase amount and percentage, and the ending balance and percentage of payables.
    (2) Sales amount and percentage, and the ending balance and percentage of receivables.
    (3) Property transaction amount and the resulting gain or loss.
    (4) Ending balance of endorsement, guarantee or collateral provided and purposes.
    (5) The maximum balance, ending balance, interest rate range and total amount of current interest of financing.
    (6) Other transactions having a significant impact on profit or loss or financial status of the period, such as providing or receiving services.

XXX. Segment information

(I) Services

Segment revenue and operations

	2018						
	Solidification and excavation	Landfill	Clean-up and transport	China operations	Others	Reconciliation and elimination	Total
Revenue							
Revenue from external customers							
Landfill revenue	$ -	$ 2,290,691	$ -	$ -	$ -	$ -	$2,290,691
Solidification revenue	586,650	-	-	-	-	-	586,650
Clean-up and transport revenue	-	-	156,114	-	-	-	156,114
Revenue from contaminated and illegal dump sites cleanup	359,876	-	-	-	-	-	359,876
Other income	-	-	-	-	2,476	-	2,476
Revenue from inter-segment sales	-	1,157,258	81,807	-	4,983	(1,244,048)	-
Interest income	5,576	14,301	7	1,287	-	(3,366)	17,805
Total revenue	$ 952,102	$3,462,250	$ 237,928	$ 1,287	$ 7,459	($1,247,414)	$3,413,612
Segment profit/loss							
Net income	$ 206,899	$1,123,938	$ 11,195	($ 13,428)	($ 5,180)	($ 2,814)	$1,320,610

	2017						
	Solidification and excavation	Landfill	Clean-up and transport	China operations	Others	Reconciliation and elimination	Total
Revenue							
Revenue from external customers							
Landfill revenue	$ -	$ 2,111,012	$ -	$ -	$ -	$ -	$2,111,012
Solidification revenue	420,644	-	-	-	-	-	420,644
Clean-up and transport revenue	-	-	132,127	-	-	-	132,127
Revenue from contaminated and illegal dump sites cleanup	118,965	-	-	-	-	-	118,965
Other income	-	-	-	-	2,518	-	2,518
Revenue from inter-segment sales	-	280,400	69,147	-	-	(349,547)	-
Interest income	7,964	15,030	10	1,434	-	(2,011)	22,427
Total revenue	$ 547,573	$2,406,442	$ 201,284	$ 1,434	$ 2,518	($ 351,558)	$2,807,693
Segment profit/loss							
Net income	$ 108,590	$1,269,721	$ 2,670	($ 14,079)	$ 669	($ 4,073)	$1,363,498

Segments assets

	December 31, 2018	December 31, 2017
Solidification and excavation	$ 2,451,105	$ 2,120,461
Landfill	4,272,806	4,179,147
Clean-up and transport	132,703	95,104
China operations	82,420	95,580
Others	680,218	23,268
Reconciliation and elimination	(802,907)	(451,881)
Consolidated total assets	$ 6,816,345	$ 6,061,679

1. The Group has four reportable segments: solidification and excavation, landfill, clean-up and transport, and China operation.
   (1) Solidification and excavation: Hazardous waste treatment intermediate solidification treatment process and contaminated and illegal dump sites cleanup.
   (2) Landfill: Landfill for hazardous waste and industrial waste.
   (3) Clean-up and transport: Class A waste removal.
   (4) China operation: Establish companies in China to develop the environmental protection market in China.
2. The Group's reportable segments are strategic business units providing different services. Every strategic business unit requires different technology and marketing strategies and so shall be administered separately. Most business units were obtained separately and retain management team at the time. The amounts reported are aligning with report used by the operating decision makers.
3. The accounting policies of the operating segments are the same as significant accounting policies described in Note 4. The net income of operating segments is used as the basis for assessing performance.

(II) Geographic information

	Revenue from external customers		Non-current assets	
	2018	2017	December 31, 2018	December 31, 2017
Taiwan	$ 3,395,807	$ 2,785,266	$ 3,671,445	$ 2,835,713
China	-	-	11,811	12,080
	$ 3,395,807	$ 2,785,266	$ 3,683,256	$ 2,847,793

Revenue by regions was presented based on the collection regions. Non-current assets refer to property, plant and equipment, prepayments on purchase of land and equipment, contract assets - non-current, and other non-current assets (excluding financial instruments and deferred income tax assets).

(III) Main customer information

No income from a single customer in 2018 and 2017 has exceeded 10% of the total income of the Group.

Cleanaway Company Limited and Subsidiaries
Lending to Others
January 1 to December 31, 2018

Table 1

In Thousands of New Taiwan Dollars Unless Otherwise Specified

No.	Lender company	Borrower	Transaction item	Related party status	Highest balance in the current year	Ending balance	Actual drawdown	Interest rate range	Nature of loan	Amount arising from ordinary course of business	Reason for short-term financing	Listed deductibles for bad debts	Collateral: Name	Collateral: Value	Limitation on financing loans for specific entities (Note 1)	Total limit on loans (Note 1)	Notes
0	Cleanaway Company Limited	Da Ning Co. Ltd.	Other receivables - related parties	Yes	$ 250,000	$ -	$ -	1%	Short-term financing	Not applicable	Operating capital	$ -	-	$ -	$ 2,213,524 (Note 2)	$ 2,213,524 (Note 2)	
1	Da Tsang Industrial Company Limited	Cleanaway Enterprise Company Limited	Other receivables - related parties	Yes	35,000	35,000	-	1%	Short-term financing	Not applicable	Operating capital	-	-	-	864,891 (Note 3)	864,891 (Note 3)	
1	Da Tsang Industrial Company Limited	Cleanaway Zoucheng Co., Ltd.	Other receivables - related parties	Yes	6,708 (RMB 1,500 thousand)	-	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	864,891 (Note 3)	864,891 (Note 3)	
1	Da Tsang Industrial Company Limited	Cleanaway Zoucheng Co., Ltd.	Other receivables - related parties	Yes	6,708 (RMB 1,500 thousand)	-	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	864,891 (Note 3)	864,891 (Note 3)	
1	Da Tsang Industrial Company Limited	Cleanaway Zoucheng Co., Ltd.	Other receivables - related parties	Yes	6,708 (RMB 1,500 thousand)	6,708 (RMB 1,500 thousand)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	864,891 (Note 3)	864,891 (Note 3)	
1	Da Tsang Industrial Company Limited	Cleanaway (Shanghai) Company Limited	Other receivables - related parties	Yes	13,416 (RMB 3,000 thousand)	13,416 (RMB 3,000 thousand)	13,416 (RMB 3,000 thousand)	-	Short-term financing	Not applicable	Operating capital	-	-	-	864,891 (Note 3)	864,891 (Note 3)	
1	Da Tsang Industrial Company Limited	Kang Lien Enterprise Company Limited	Other receivables - related parties	Yes	50,000	50,000	38,000	1%	Short-term financing	Not applicable	Operating capital	-	-	-	864,891 (Note 3)	864,891 (Note 3)	
1	Da Tsang Industrial Company Limited	Cleanaway Company Limited	Other receivables - related parties	Yes	50,000	50,000	50,000	1%	Short-term financing	Not applicable	Operating capital	-	-	-	864,891 (Note 3)	864,891 (Note 3)	
1	Da Tsang Industrial Company Limited	Cleanaway Company Limited	Other receivables - related parties	Yes	250,000	250,000	250,000	1%	Short-term financing	Not applicable	Operating capital	-	-	-	864,891 (Note 3)	864,891 (Note 3)	
2	Cleanaway Enterprise Company Limited	Kang Lien Enterprise Company Limited	Other receivables - related parties	Yes	25,000	-	-	1%	Short-term financing	Not applicable	Operating capital	-	-	-	93,046 (Note 4)	93,046 (Note 4)	
2	Cleanaway Enterprise Company Limited	Cleanaway (Shanghai) Company Limited	Other receivables - related parties	Yes	13,416 (RMB 3,000 thousand)	-	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	93,046 (Note 4)	93,046 (Note 4)	
2	Cleanaway Enterprise Company Limited	Cleanaway Zoucheng Co., Ltd.	Other receivables - related parties	Yes	6,708 (RMB 1,500 thousand)	6,708 (RMB 1,500 thousand)	6,708 (RMB 1,500 thousand)	-	Short-term financing	Not applicable	Operating capital	-	-	-	93,046 (Note 4)	93,046 (Note 4)	
2	Cleanaway Enterprise Company Limited	Cleanaway Zoucheng Co., Ltd.	Other receivables - related parties	Yes	6,708 (RMB 1,500 thousand)	6,708 (RMB 1,500 thousand)	6,708 (RMB 1,500 thousand)	-	Short-term financing	Not applicable	Operating capital	-	-	-	93,046 (Note 4)	93,046 (Note 4)	
3	Chi Wei Company Limited	Cleanaway Enterprise Company Limited	Other receivables - related parties	Yes	35,000	35,000	30,000	1%	Short-term financing	Not applicable	Operating capital	-	-	-	446,042 (Note 5)	446,042 (Note 5)	
3	Chi Wei Company Limited	Cleanaway Enterprise Company Limited	Other receivables - related parties	Yes	50,000	50,000	50,000	1%	Short-term financing	Not applicable	Operating capital	-	-	-	446,042 (Note 5)	446,042 (Note 5)	
3	Chi Wei Company Limited	Cleanaway Company Limited	Other receivables - related parties	Yes	140,000	140,000	140,000	1%	Short-term financing	Not applicable	Operating capital	-	-	-	446,042 (Note 5)	446,042 (Note 5)	

Note 1: In accordance with the “Procedures for Lending Funds to Other Parties and Endorsement and Guarantee” of Cleanaway Company Limited, Da Tsang Industrial Company Limited, and Cleanaway Enterprise Company Limited (the “Company”):

(1) The parties to whom the Company may lend its funds to are companies or firms having business relationship with the Company, or ones requiring short-term financing.

(2) Total lending amount of the Company shall not exceed 80 percent of the Company’s net worth. The accumulated lending amount to firms or companies having business relationship with the Company shall not exceed 80 percent of the Company’s net worth. The accumulated lending amount to firms or companies requiring short-term financing shall not exceed 40 percent of the Company’s net worth.

(3) The lending amount to a single firm or company is limited to 40 percent of the Company’s net worth. For firms or companies having business relationship with the Company, the lending amount to a single firm or company is limited to the previous year’s transaction amount between both parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher. The lending amount to a single enterprise requiring short-term financing shall not exceed 20 percent of the Company’s net worth. For companies where the Company or the parent company held, either directly or indirectly, 50% or more of shares, the lending amount shall not exceed 40 percent of the Company’s net worth. In addition, the lending between the Company and its parent or subsidiary company, or between subsidiary companies shall not exceed 10% of the net value of the company's latest financial statements.

Note 2: Cleanaway Company Limited is the parent company of Da Ning Co. Ltd. As the nature of financing is firms or companies requiring short-term financing, the lending amount to a single entity cannot exceed 40 percent of the Company’s net worth. Net worth of Cleanaway Enterprise Company Limited is calculated based on its latest financial statements audited or reviewed by the CPA, i.e. the net worth as of December 31, 2018. The total lending amount to firms and companies requiring short-term financing shall not exceed 40 percent of the Company’s net worth.

Note 3: Cleanaway Enterprise Company, Cleanaway (Shanghai) Company Limited, Kang Lien Enterprise Company Limited, and Cleanaway Zoucheng Co., Ltd. are affiliates of Da Tsang Industrial Company Limited. Their ultimate parent company is Cleanaway Company Limited. As the nature of financing is firms or companies requiring short-term financing, the lending amount to a single entity cannot exceed 40 percent of Da Tsang Industrial Company Limited's net worth. Net worth of Da Tsang Industrial Company Limited is calculated based on its latest audited financial statements, i.e. the net worth as of December 31, 2018. The total lending amount to firms and companies requiring short-term financing shall not exceed 40 percent of Da Tsang Industrial Company Limited's net worth.

Note 4: Kang Lien Enterprise Company Limited, Cleanaway (Shanghai) Company Limited, and Cleanaway Zoucheng Co., Ltd. are affiliates of Cleanaway Enterprise Company Limited. Their ultimate parent company is Cleanaway Company Limited. As the nature of financing is firms or companies requiring short-term financing, the lending amount to a single entity cannot exceed 40 percent of Cleanaway Enterprise Company Limited's net worth. Net worth of Cleanaway Enterprise Company Limited is calculated based on its latest audited financial statements, i.e. the net worth as of December 31, 2018. The total lending amount to firms and companies requiring short-term financing shall not exceed 40 percent of Cleanaway Enterprise Company Limited's net worth.

Note 5: Cleanaway Enterprise Company Limited is an affiliate of Chi Wei Company Limited. Their ultimate parent company is Cleanaway Company Limited. As the nature of financing is firms or companies requiring short-term financing, the lending amount to a single entity cannot exceed 40 percent of Chi Wei Company Limited's net worth. Net worth of Cleanaway Enterprise Company Limited is calculated based on its latest audited financial statements. As the loan has expired, the net worth shown is as of December 31, 2018. The total lending amount to firms and companies requiring short-term financing shall not exceed 40 percent of Cleanaway Enterprise Company Limited's net worth.

Cleanaway Company Limited and Subsidiaries
Accumulated purchase or disposal of individual marketable securities in excess of NT$300 million or 20% of the paid-in capital
January 1 to December 31, 2018

Table 2

In Thousands of New Taiwan Dollars Unless Otherwise Specified

Buying/selling company	Securities Type and name (Note 1)	Financial statement account	Transaction counterparty (Note 2)	Relationship (Note 2)	Beginning of period		Buying		Selling				Cash balance	
					Number of shares	Amount	Number of shares	Amount	Number of Shares	Selling price	Carrying cost	Disposal profit or loss	Number of shares	Amount
Cleanaway Company Limited	Common shares of Cleanaway SUEZ Environmental Resources Limited	Equity-accounted investments	Please refer to Note 9	Affiliate enterprise	—	$ -	—	$ -	—	$ -	$ -	$ -	—	$ -

Note 1: Securities in the Table refer to stocks, bonds, certificates of beneficial interest, and securities derived from such items.

Note 2: The two fields are required for securities investments accounted for using equity method but exempted for others.

Cleanaway Company Limited and Subsidiaries
Acquisition of Real Estate at Cost in Excess of NT$300 Million or 20% of the Paid-in Capital
January 1 to December 31, 2018

Table 3

In Thousands of New Taiwan Dollars Unless Otherwise Specified

Company that acquired real property	Name of property	Date of occurrence	Transaction amount	Payment status	Transaction counterparty	Relationship	Prior transaction of related counterparty				Price determination Reference	Purpose of acquisition and status of usage	Other provisions
							Owner	Relationship with issuer	Date of transfer	Amount			
Cleanaway Company Limited	Land with an area of 9,255.47 pings in Guantan Section, Guanyin District, Taoyuan City	June 27, 2018	$ 721,926	Paid	Asia Pacific Technology Corporation	Non-related party	—	—	-	$ -	Based the appraisal report provided by Evermore Valuation, the appraisal value is NT$723,778 thousand	Land for environmental protection business expansion	—

Cleanaway Company Limited and Subsidiaries
Purchases and Sales with Related Parties Amounting to NT$100 Million or More Than 20% of the Paid-in Capital
January 1 to December 31, 2018

Table 4

In Thousands of New Taiwan Dollars Unless Otherwise Specified

Supplier (buyer) company	Name of trading partner	Relationship	Transaction details				Unusual trade conditions and its reasons		Notes and accounts receivable (payable)		Notes
			Purchase/Sale	Amount	Ratio of total procurement (sales)	Credit period	Unit price	Credit period	Balance	Percentage among total notes and accounts receivable (payable)	
Cleanaway Company Limited	Chi Wei Company Limited	Subsidiaries	Landfill and clean-up and transport expense	$ 196,822	19	Determined by the contract	-	-	($ 28,924)	(47)	—
Chi Wei Company Limited	Cleanaway Company Limited	Parent company	Landfill revenue	(196,822)	(26)	Determined by the contract	-	-	28,924	23	—
Cleanaway Company Limited	Da Ning Co. Ltd.	Subsidiaries	Landfill and clean-up and transport expense	167,622	16	Determined by the contract	-	-	(20,818)	(34)	—
Da Ning Co. Ltd.	Cleanaway Company Limited	Parent company	Landfill revenue	(167,622)	(11)	Determined by the contract	-	-	20,818	8	—
Da Ning Co. Ltd.	Da Tsang Industrial Company Limited	Subsidiaries	Landfill and clean-up and transport expense	710,751	72	Determined by the contract	-	-	(134,579)	(95)	—
Da Tsang Industrial Company Limited	Da Ning Co. Ltd.	Parent company	Landfill revenue	(710,751)	(82)	Determined by the contract	-	-	134,579	100	—

Cleanaway Company Limited and Subsidiaries
Amount of Receivable from Related Parties in Excess of NT$100 Million or 20% of Its Paid-in Capital
December 31, 2018

Table 5

In Thousands of New Taiwan Dollars
Unless Otherwise Specified

Company with accounts receivable	Name of trading partner	Relationship	Balance of accounts in receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties Amounts received in subsequent periods	Listed allowances for bad debts
					Amount	Processing method		
Chi Wei Company Limited	Cleanaway Company Limited	Parent company	$ 140,119 (Note 1)	(Note 3)	$ -	—	$ -	$ -
Chi Wei Company Limited	Cleanaway Company Limited	Parent company	28,924	7.45	-	—	-	-
Da Tsang Industrial Company Limited	Cleanaway Company Limited	Parent company	300,255 (Note 2)	(Note 3)	-	—	-	-
Da Tsang Industrial Company Limited	Da Ning Co. Ltd.	Subsidiaries	134,759	13.58	-	—	-	-

Note 1: NT$140,119 thousand in the principal and interest in the loan. Please refer to Table 1 for information on loans.

Note 2: NT$300,255 thousand in the principal and interest in the loan. Please refer to Table 1 for information on loans.

Note 3: The receivables were not generated from operating revenue; the turnover ratio is therefore not applicable.

Cleanaway Company Limited and Subsidiaries
Information on Investees, Locations, etc.
January 1 to December 31, 2018

Table 6

In Thousands of New Taiwan Dollars
Unless Otherwise Specified

Investor	Investee company name	Location	Main businesses	Initial investment		Holdings at the end of period			Investee company current profit or loss	Investment gain or loss recognized in the current period	Notes
				End of the current period	End of previous year	Number of shares	Percentage	Carrying amount			
Cleanaway Company Limited	Da Tsang Industrial Company Limited	No. 308, Zhongshan South Road, Gangshan District, Kaohsiung City	Waste disposal	$ 800,977	$ 800,977	77,000,000	100	$ 2,162,228	$ 818,602	$ 818,602	Subsidiary of Cleanaway Company Limited
〃	Cleanaway Enterprise Company Limited	〃	〃	159,507	159,507	18,000,000	100	232,615	516	516	Subsidiary of Cleanaway Company Limited
〃	Chi Wei Company Limited	〃	〃	735,000	735,000	41,000,000	100	1,115,107	302,226	302,226	Subsidiary of Cleanaway Company Limited
〃	Kang Lien Enterprise Company Limited	〃	Waste clean-up	58,222	58,222	6,020,000	100	77,387	11,195	11,324	Subsidiary of Cleanaway Company Limited
〃	Cleanaway Investment Company Limited	〃	General investment	80,000	80,000	8,000,000	100	46,177	(2,990)	(2,990)	Subsidiary of Cleanaway Company Limited
〃	CCL Investment Holding Company Limited	Samoa	General investment	US$3,000 thousand (equivalent to NT$91,009 thousand)	US$2,500 thousand (equivalent to NT$76,369 thousand)	-	60	15,877	(13,464)	(7,845)	Subsidiary of Cleanaway Company Limited
〃	Cleanaway SUEZ Environmental Resources Limited	No. 25-1, Huadong Road, Daliao District, Kaohsiung City	Waste disposal	650,000	-	21,750,000	29	644,198	(20,008)	(5,802)	Affiliate enterprise of Cleanaway Company Limited
Da Tsang Industrial Company Limited	Da Ning Co. Ltd.	No. 308, Zhongshan South Road, Gangshan District, Kaohsiung City	Waste disposal	450,000	450,000	15,000,000	100	762,467	314,845	(Note 1)	Second-tier subsidiary of Cleanaway Company Limited
〃	CCL Investment Holding Company Limited	Samoa	General investment	RMB 6,000 thousand (equivalent to NT$30,102 thousand)	RMB 6,000 thousand (equivalent to NT$30,102 thousand)	-	18	4,984	(13,464)	(Note 1)	Subsidiary of Cleanaway Company Limited
Cleanaway Investment Company Limited	CCL Investment Holding Company Limited	Samoa	General investment	US$1,124 thousand (equivalent to NT$33,034 thousand)	US$1,124 thousand (equivalent to NT$33,034 thousand)	-	22	5,814	(13,464)	(Note 1)	Subsidiary of Cleanaway Company Limited
〃	Chase Environmental Co., Ltd.	1F, No. 326, Huanke Road, Datan Village, Guanyin District, Taoyuan City	Waste clean-up	15,000	-	15,000,000	25	14,607	(4,188)	(Note 1)	Affiliate enterprise of Cleanaway Company Limited
CCL Investment Holding Company Limited	Cleanaway Shanghai Management Holding Company Limited	Samoa	General investment	US$1,124 thousand (equivalent to NT$33,034 thousand)	US$1,124 thousand (equivalent to NT$33,034 thousand)	-	100	(28,327)	(2,623)	(Note 1)	Second-tier subsidiary of Cleanaway Company Limited
〃	Cleanaway Zoucheng Holding Company Limited	Samoa	General investment	US$3,000 thousand (equivalent to NT$91,009 thousand)	US$2,500 thousand (equivalent to NT$76,369 thousand)	-	100	24,846	(11,846)	(Note 1)	Second-tier subsidiary of Cleanaway Company Limited
〃	Cleanaway Zhejiang Holding Company Limited	Samoa	General investment	-	-	-	100	1,328	-	(Note 1)	Second-tier subsidiary of Cleanaway Company Limited

Note 1: For “Investment gain or loss recognized in the current period”, only the Company’s direct investment in subsidiaries shall be provided. The rest is not required. The profit or loss of each subsidiary already includes the investment gains of its investees required to be recognized by laws.

Note 2: Please refer to Table 6 for information on investees in Mainland China.

Cleanaway Company Limited and Subsidiaries
Information on Investments in Mainland China
January 1 to December 31, 2018

Table 7

In Thousands of New Taiwan Dollars
Unless Otherwise Specified

Name of investee in China	Main businesses	Paid-in capital	Investment method	Accumulated amount of investment transferred from Taiwan at the end of this period	Wire-in or wire-out amount investment amount		Accumulated amount of investment transferred from Taiwan at the end of this period	Investee Current profit and loss	Shareholding Ratio of the Company's Investment, Directly or Indirectly	Investment gain or loss recognized in the current period	End-of-period investment Carrying amount	Repatriated investment gains to Taiwan as of the end of the period	Notes
					Outflow	Inflow							
Cleanaway (Shanghai) Company Limited	Enterprise management consultation	$ 33,034 (RMB 7,000 thousand)	Note 1	$ 33,034 (RMB 7,000 thousand)	$ -	$ -	$ 33,034 (RMB 7,000 thousand)	($ 2,623)	100%	($ 2,623)	($ 28,331)	$ -	
Cleanaway Zoucheng Co., Ltd.	Waste disposal	91,009 (USD 3,000 thousand)	Note 2	76,369 (USD 2,500 thousand)	14,640 (USD 500 thousand)	-	91,009 (USD 3,000 thousand)	(11,842)	100%	(11,842)	22,772	-	

Note 1: The subsidiary, Cleanaway Investment Company Limited, invests in the Mainland China company through company established in a third region (Cleanaway Shanghai Management Holding Company Limited).

Note 2: The investment in the Mainland China company is done trough company established in a third region (Cleanaway Zoucheng Holding Company Limited).

Note 3: It is recognized based on the audited financial statements of the parent company in Taiwan.

Accumulated Investment in Mainland China from Taiwan as of December 31, 2018	Investment amount authorized by the Investment Commission, MOEA	Investment amount cap in China according to Investment Commission regulations
Cleanaway Investment Company Limited: NT$33,034 thousand (RMB 7,000 thousand)	Cleanaway Investment Company Limited: US$1,124 thousand (equivalent to NT$33,714 thousand)	The limit is 60% of the net value of Cleanaway Investment Company Limited. The limit calculated according to the regulations is as follows: 46,177thousand × 60% = 27,706 thousand
Cleanaway Company Limited: NT$$91,009 thousand (US$2,500 thousand)	Cleanaway Company Limited: US$8,000 thousand (equivalent to NT$240,000 thousand)	The limit is 60% of the net value of Cleanaway Company Limited. The limit calculated according to the regulations is as follows: 5,533,812 thousand × 60%＝3,320,287 thousand

Note 4: Significant transactions with investees in Mainland China, either directly or indirectly through the third region (including purchase/sales, property transaction and provision and acceptance of services): None.

Note 5: Provision of endorsement, guarantee or collaterals to investees in Mainland China, either directly or indirectly through the third region: None.

Note 6: Financing provided to investees in Mainland China, either directly or indirectly through the third region: Please refer to Table 1. The total interest for the period amounted to NT$0 thousand.

Cleanaway Company Limited and Subsidiaries
Business Relationships, Important Transactions and Amount between the Parent Company and Subsidiaries
January 1 to December 31, 2018

Table 8 In Thousands of New Taiwan Dollars

No. (Note 1)	Company name	Counterparty	Relationship with counterparty (Note 2)	Transaction status			
				Account	Amount	Terms	Percentage of consolidated net revenue or total assets (Note 3)
0	Cleanaway	Da Tsang	1	Other receivables - related parties	$ 2,465	Collection in the following month	-
0	Cleanaway	Chi Wei	1	Other receivables - related parties	4,627	Collection in the following month	-
0	Cleanaway	Kang Lien Enterprise	1	Other receivables - related parties	1,451	Collection in the following month	-
0	Cleanaway	Da Ning	3	Other receivables - related parties	9,616	Collection in the following month	-
1	Da Ning	Kang Lien Enterprise	3	Accounts payable - related parties	7,121	Payment period determined by the contract	-
2	Chi Wei	Kang Lien Enterprise	3	Accounts payable - related parties	4,554	Payment period determined by the contract	-
0	Cleanaway	Da Ning	1	Accounts payable - related parties	20,818	Payment period determined by the contract	2
0	Cleanaway	Chi Wei	1	Accounts payable - related parties	28,924	Payment period determined by the contract	-
0	Cleanaway	Kang Lien Enterprise	1	Accounts payable - related parties	1,917	Payment period determined by the contract	-
0	Cleanaway	Cleanaway Investment	1	Other accounts payable — related parties	959	Payment period determined by the contract	-
1	Da Ning	Da Tsang	3	Accounts receivable - related parties	134,579	Payment period determined by the contract	2
1	Da Ning	Da Tsang	3	Other operating revenue	710,751	Share of profits based on contribution in joint operations contracts	21
0	Cleanaway	Chi Wei	1	Operating costs (landfill cost)	187,450	Unique expenses for which no comparative price from non-related parties is available	6
0	Cleanaway	Da Ning	3	Operating costs (landfill cost)	154,739	Unique expenses for which no comparative price from non-related parties is available	5
0	Cleanaway	Chi Wei	1	Operating costs (clean-up and transport cost)	9,372	Based on prices with non-related parties and adjusted according to the volume and distance of clean-up and transport	-

(Continued on next page)

(Continued from previous page)

No. (Note 1)	Company name	Counterparty	Relationship with counterparty (Note 2)	Transaction status			
				Account	Amount	Terms	Percentage of consolidated net revenue or total assets (Note 3)
0	Cleanaway	Da Ning	3	Operating costs (clean-up and transport cost)	$ 12,883	Based on prices with non-related parties and adjusted according to the volume and distance of clean-up and transport	-
2	Chi Wei	Kang Lien Enterprise	3	Operating costs (clean-up and transport cost)	29,583	Based on prices with non-related parties and adjusted according to the volume and distance of clean-up and transport	1
3	Da Tsang	Kang Lien Enterprise	3	Operating costs (clean-up and transport cost)	4,612	Based on prices with non-related parties and adjusted according to the volume and distance of clean-up and transport	-
0	Cleanaway	Kang Lien Enterprise	1	Operating costs (clean-up and transport cost)	14,775	Based on prices with non-related parties and adjusted according to the volume and distance of clean-up and transport	-
1	Da Ning	Kang Lien Enterprise	3	Operating costs (clean-up and transport cost)	32,965	Based on prices with non-related parties and adjusted according to the volume and distance of clean-up and transport	1
0	Cleanaway	Da Tsang	1	Operating costs (landfill cost)	74,846	Unique expenses for which no comparative price from non-related parties is available	2
0	Cleanaway	Da Tsang	1	Operating costs (clean-up and transport cost)	7,216	Based on prices with non-related parties and adjusted according to the volume and distance of clean-up and transport	-
0	Cleanaway	Kang Lien Enterprise	1	Inventories	238	Based on prices with non-related parties and adjusted according to the volume and distance of clean-up and transport	-
0	Cleanaway	Cleanaway Investment	1	Operating expenses (labor expenses)	4,983	Similar to those levels of non-related parties	-

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No. (Note 1)	Company name	Counterparty	Relationship with counterparty (Note 2)	Transaction status			
				Account	Amount	Terms	Percentage of consolidated net revenue or total assets (Note 3)
3	Da Tsang	Kang Lien Enterprise	3	Other receivables - related parties	$ 38,032	Short-term financing and interest receivable, repayment within one year, interest at 1% p.a.	-
3	Da Tsang	Cleanaway Zoucheng	3	Other receivables - related parties	64	Interest receivable from short-term financing, repayment within one year	-
3	Da Tsang	Cleanaway Shanghai	3	Other receivables - related parties	13,551	Short-term financing and interest receivable, repayment within one year	-
3	Da Tsang	Cleanaway	1	Other receivables - related parties	300,255	Short-term financing and interest receivable, repayment within one year, interest at 1% p.a.	4
4	Cleanaway Investment	Cleanaway Shanghai	3	Other receivables - related parties	132	Interest receivable from short-term financing	-
5	Cleanaway Enterprise	Cleanaway Zoucheng	3	Other accounts receivable - related parties	13,416	Short-term financing and interest receivable, repayment within one year	-
2	Chi Wei	Cleanaway	1	Other receivables - related parties	140,119	Short-term financing and interest receivable, repayment within one year, interest at 1% p.a.	2
2	Chi Wei	Cleanaway Enterprise	3	Other receivables - related parties	80,068	Short-term financing and interest receivable, repayment within one year, interest at 1% p.a.	1
0	Cleanaway	Da Ning	1	Interest income	1,467	Short-term financing, interest at 1% p.a.	-
3	Da Tsang	Cleanaway	1	Interest income	920	Short-term financing, interest at 1% p.a.	-
5	Cleanaway Enterprise	Kang Lien Enterprise	3	Interest income	114	Short-term financing, interest at 1% p.a.	-
2	Chi Wei	Cleanaway	1	Interest income	430	Short-term financing, interest at 1% p.a.	-
2	Chi Wei	Cleanaway Enterprise	3	Interest income	217	Short-term financing, interest at 1% p.a.	-
3	Da Tsang	Kang Lien Enterprise	3	Interest income	218	Short-term financing, interest at 1% p.a.	-

Note 1: Business operations information between parent company and subsidiary shall be indicated in column number, number filled in as follows:

1. The Parent company is coded "0".
2. The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationships are categorized into the following three types. Please specify the type. (The same transaction shall not be disclosed repetitively). For example, for transactions between the Parent company and its subsidiaries, if the Parent company discloses the information, the subsidiaries are exempted from doing so. The same applies to transactions between subsidiaries where only one subsidiary needs to disclose the same transaction.

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries

Note 3: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for profit or loss items.