

**ECOVE ENVIRONMENT CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2019 AND 2018**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ECOVE Environment Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of ECOVE Environment Corp. and subsidiaries (the “Group”) as at September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) B and 6(7), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets of NT\$1,226,990 thousand and NT\$3,562,023 thousand, constituting 13% and 40% of the consolidated total assets, and total liabilities of NT\$313,510 thousand and NT\$2,057,582 thousand, constituting 8% and 55% of the consolidated total liabilities as at September 30, 2019 and 2018, respectively, and total comprehensive income (including share of profit (loss) of associates and joint ventures accounted for using equity method and share of other comprehensive income of associates and joint ventures accounted for using equity method) of

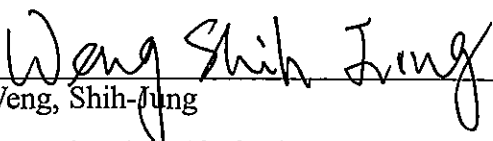


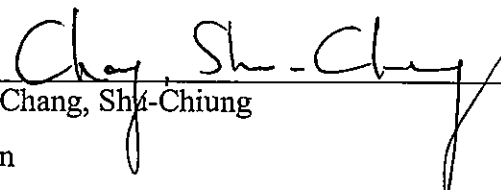
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NT\$73,517 thousand, NT\$63,527 thousand, NT\$209,972 thousand and NT\$213,435 thousand, constituting 24%, 22%, 25% and 27% of the consolidated total comprehensive income for the three-month and nine-month periods then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and 2018, and of its consolidated financial performance for the three-month and nine-month periods then ended and of its consolidated cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.


Weng, Shih-Jung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

October 31, 2019

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

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Assets	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 621,400	7	\$ 1,543,162	17	\$ 1,480,222	17
1110	Financial assets at fair value through profit or loss - current	6(2)	687,059	8	183,288	2	193,773	2
1120	Current financial assets at fair value through other comprehensive income	6(3)	114,433	1	102,201	1	148,941	2
1136	Current financial assets at amortised cost	6(4)	166,121	2	301,238	3	209,926	2
1150	Notes receivable, net		187	-	1,321	-	-	-
1170	Accounts receivable, net	6(5)	1,326,743	14	1,041,171	12	1,162,763	13
1180	Accounts receivable - related parties, net	7	885	-	1,717	-	15,699	-
1200	Other receivables		4,847	-	4,741	-	6,808	-
1210	Other receivables - related parties	7	30,777	-	24,646	-	24,174	-
130X	Inventories		69,905	1	63,854	1	56,043	1
1410	Prepayments	6(6)	160,275	2	266,503	3	290,691	3
1470	Other current assets	8	-	-	40,940	-	21,624	-
11XX	Total current assets		<u>3,182,632</u>	<u>35</u>	<u>3,574,782</u>	<u>39</u>	<u>3,610,664</u>	<u>40</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	543	-	543	-	543	-
1550	Investments accounted for under equity method	6(7)	416,433	5	405,718	4	405,008	5
1600	Property, plant and equipment, net	6(8) and 8	2,850,314	31	2,131,233	24	1,719,706	19
1755	Right-of-use assets	6(9)	136,592	1	-	-	-	-
1780	Intangible assets	6(30)	136,153	1	136,153	2	136,153	2
1840	Deferred income tax assets		23,291	-	22,295	-	22,201	-
1900	Other non-current assets	6(10) and 8	2,469,287	27	2,804,983	31	3,082,336	34
15XX	Total non-current assets		<u>6,032,613</u>	<u>65</u>	<u>5,500,925</u>	<u>61</u>	<u>5,365,947</u>	<u>60</u>
1XXX	Total assets		<u>\$ 9,215,245</u>	<u>100</u>	<u>\$ 9,075,707</u>	<u>100</u>	<u>\$ 8,976,611</u>	<u>100</u>

(Continued)

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(11)	\$ 169,000	2	\$ 52,000	1	\$ 110,000	1
2130	Current contract liabilities	6(22)	63,390	1	140,580	2	166,631	2
2150	Notes payable		257	-	1,032	-	835	-
2170	Accounts payable	6(12)	670,112	7	535,797	6	599,240	7
2180	Accounts payable - related parties	7	41,720	-	23,411	-	33,607	1
2200	Other payables	6(13)	360,613	4	467,937	5	383,721	4
2220	Other payables - related parties	7	14,226	-	6,481	-	6,979	-
2230	Current income tax liabilities		61,334	1	130,245	1	98,792	1
2280	Current lease liabilities	7	39,196	-	-	-	-	-
2300	Other current liabilities	6(14)(15)	153,444	2	139,437	1	290,671	3
21XX	Total current liabilities		<u>1,573,292</u>	<u>17</u>	<u>1,496,920</u>	<u>16</u>	<u>1,690,476</u>	<u>19</u>
Non-current liabilities								
2540	Long-term borrowings	6(15)	1,485,718	16	1,423,587	16	1,338,313	15
2570	Deferred income tax liabilities		204,591	2	204,300	2	197,001	2
2580	Non-current lease liabilities	7	71,760	1	-	-	-	-
2600	Other non-current liabilities	6(16)	532,901	6	529,541	6	520,669	6
25XX	Total non-current liabilities		<u>2,294,970</u>	<u>25</u>	<u>2,157,428</u>	<u>24</u>	<u>2,055,983</u>	<u>23</u>
2XXX	Total liabilities		<u>3,868,262</u>	<u>42</u>	<u>3,654,348</u>	<u>40</u>	<u>3,746,459</u>	<u>42</u>
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(19)	671,051	7	671,051	8	671,051	7
Capital surplus								
3200	Capital surplus	6(20)	2,203,032	24	2,193,473	24	2,190,941	24
Retained earnings								
3310	Legal reserve	6(21)	684,320	7	603,629	7	603,629	7
3320	Special reserve		2,243	-	32,284	-	32,284	-
3350	Unappropriated retained earnings		1,249,478	14	1,380,044	15	1,250,986	14
Other equity interest								
3400	Other equity interest		18,887	-	(2,243)	-	(24,795)	-
31XX	Equity attributable to owners of the parent		<u>4,829,011</u>	<u>52</u>	<u>4,878,238</u>	<u>54</u>	<u>4,724,096</u>	<u>52</u>
36XX	Non-controlling interest	4(3)	<u>517,972</u>	<u>6</u>	<u>543,121</u>	<u>6</u>	<u>506,056</u>	<u>6</u>
3XXX	Total equity		<u>5,346,983</u>	<u>58</u>	<u>5,421,359</u>	<u>60</u>	<u>5,230,152</u>	<u>58</u>
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		<u>\$ 9,215,245</u>	<u>100</u>	<u>\$ 9,075,707</u>	<u>100</u>	<u>\$ 8,976,611</u>	<u>100</u>

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

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

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2019		2018		2019		2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(22) and 7	\$ 1,464,221	100	\$ 1,246,295	100	\$ 4,003,612	100	\$ 3,641,149	100
5000	Operating costs	6(26)(27) and 7	(1,059,636)	(72)	(886,506)	(71)	(2,944,712)	(74)	(2,613,676)	(72)
5900	Gross profit		404,585	28	359,789	29	1,058,900	26	1,027,473	28
	Operating expenses	6(26)(27) and 7								
6200	General and administrative expenses		(47,623)	(3)	(48,025)	(4)	(128,050)	(3)	(133,703)	(4)
6000	Total operating expenses		(47,623)	(3)	(48,025)	(4)	(128,050)	(3)	(133,703)	(4)
6900	Operating profit		356,962	25	311,764	25	930,850	23	893,770	24
	Non-operating income and expenses									
7010	Other income	6(23) and 7	18,717	1	15,489	1	41,723	1	30,479	1
7020	Other gains and losses	6(24)	2,584	-	28,597	2	6,963	-	35,247	1
7050	Finance costs	6(25)	(10,687)	(1)	(1,673)	-	(30,351)	(1)	(2,800)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	7,547	1	9,282	1	30,420	1	33,485	1
7000	Total non-operating income and expenses		18,161	1	51,695	4	48,755	1	96,411	3
7900	Profit before income tax		375,123	26	363,459	29	979,605	24	990,181	27
7950	Income tax expense	6(28)	(70,847)	(5)	(66,043)	(5)	(174,131)	(4)	(208,766)	(5)
8200	Profit for the period		\$ 304,276	21	\$ 297,416	24	\$ 805,474	20	\$ 781,415	22
	Other comprehensive income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 7,973)	(1)	\$ 3,979	-	\$ 21,559	1	\$ 13,001	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-	-	-	-	-	729	-
8310	Other comprehensive income that will not be reclassified to profit or loss		(7,973)	(1)	3,979	-	21,559	1	13,730	-
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Cumulative translation differences of foreign operations		8,499	1	(14,458)	(1)	(570)	-	(6,434)	-
8300	Total other comprehensive income (loss) for the period		\$ 526	-	(\$ 10,479)	(1)	\$ 20,989	1	\$ 7,296	-
8500	Total comprehensive income for the period		\$ 304,802	21	\$ 286,937	23	\$ 826,463	21	\$ 788,711	22
	Profit attributable to:									
8610	Owners of the parent		\$ 244,430	17	\$ 253,971	21	\$ 647,047	16	\$ 644,928	18
8620	Non-controlling interest		59,846	4	43,445	3	158,427	4	136,487	4
	Total		\$ 304,276	21	\$ 297,416	24	\$ 805,474	20	\$ 781,415	22
	Comprehensive income attributable to:									
8710	Owners of the parent		\$ 245,920	17	\$ 243,341	19	\$ 667,289	17	\$ 654,913	18
8720	Non-controlling interest		58,882	4	43,596	4	159,174	4	133,798	4
	Total		\$ 304,802	21	\$ 286,937	23	\$ 826,463	21	\$ 788,711	22
	Earnings per share (in dollars):									
9750	Total basic earnings per share	6(29)	\$ 3.64		\$ 3.78		\$ 9.64		\$ 9.63	
9850	Total diluted earnings per share	6(29)	\$ 3.63		\$ 3.78		\$ 9.61		\$ 9.63	

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

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

Notes	Equity attributable to owners of the parent					Other equity interest		Total	Non-controlling interest	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on valuation of available-for-sale financial assets				Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
	\$ 668,106	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	(\$ 32,988)	\$ 4,683,639	\$ 547,243	\$ 5,230,882
	668,106	2,161,029	527,495	145	1,359,148	704	(32,988)	4,683,639	547,243	5,230,882
	-	-	-	-	1,799	-	-	644,928	136,487	781,415
	-	-	-	-	644,928	-	-	9,985	(2,689)	7,296
	-	-	-	-	645,625	(3,326)	-	654,913	133,798	788,711
6(21)	-	-	76,134	-	(76,134)	-	-	-	-	-
	-	-	-	32,139	(32,139)	-	-	(647,313)	(183,364)	(830,677)
	-	-	-	-	(647,313)	-	-	2,523	154	2,677
	2,945	2,523	-	-	-	-	-	30,334	-	30,334
	2,945	27,389	-	-	-	-	-	-	-	30,334
	671,051	2,190,941	603,620	32,284	1,250,986	(2,622)	22,173	4,724,096	506,056	5,230,152
	671,051	2,193,473	603,629	32,284	1,380,044	3,626	(5,869)	4,878,238	543,121	5,421,359
	-	-	-	-	647,047	(614)	-	647,047	158,427	805,474
	-	-	-	-	647,047	(614)	-	667,289	159,174	826,463
6(21)	-	-	80,691	(30,041)	(80,691)	-	-	-	-	-
	-	-	-	(726,078)	(726,078)	-	-	(726,078)	(184,766)	(910,844)
	-	9,422	-	-	(885)	-	-	9,422	583	10,005
	-	137	-	-	-	-	-	140	-	140
	671,051	2,203,032	684,320	2,243	1,249,478	3,012	15,873	4,829,011	517,972	5,346,983

For the nine-month period ended September 30, 2018

Balance at January 1, 2018

Effect of retrospective application and retrospective restatement

Balance at January 1, 2018 after adjustments

Profit for the period

Other comprehensive income

Total comprehensive income

Appropriation of 2017 earnings

Legal reserve

Special reserve

Cash dividends

Share-based payment transactions

Employee stock options exercised

Increase in non-controlling interests

Balance at September 30, 2018

For the nine-month period ended September 30, 2019

Balance at January 1, 2019

Profit for the period

Other comprehensive income

Total comprehensive income

Appropriation of 2018 earnings

Legal reserve

Reversal of special reserve

Cash dividends

Share-based payment transactions

Disposal of financial assets at fair value through other comprehensive income

Difference between consideration and carrying amount of subsidiaries acquired or disposed

Balance at September 30, 2019

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

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

	Notes	For the nine-month periods ended September 30	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 979,605	\$ 990,181
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(26)	142,772	25,146
Depreciation - right-of-use	6(9)(26)	31,068	-
Amortization	6(26)	7,297	10,474
Interest expense	6(25)	29,793	2,800
Interest expense - lease liabilities	6(25)	558	-
Dividend income	6(23)	(8,857)	(3,008)
Interest income	6(23)	(10,305)	(12,969)
Salary expense - employee stock options	6(18)(27)	9,477	2,344
Gain on valuation of financial assets	6(24)	(1,608)	(1,335)
Share of profit of associates and joint ventures accounted for under equity method	6(7)	(30,420)	(33,485)
(Gain) loss on disposal of investment	6(24)	-	(29,403)
(Loss) gain on disposal of property, plant and equipment	6(24)	90	(128)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(496,435)	247,975
Notes receivable, net		1,134	234
Accounts receivable, net		(285,572)	(202,038)
Accounts receivable - related parties, net		832	(7,577)
Other receivables		(469)	1,328
Other receivables-related parties		16,869	30,667
Inventories		(6,051)	(10,692)
Prepaid expense		(18,830)	(48,035)
Other non-current assets		217,143	220,188
Changes in operating liabilities			
Current contract liabilities		(77,190)	166,631
Notes payable		(775)	646
Accounts payable		134,315	(25,693)
Accounts payable - related parties		18,309	5,525
Other payables		(106,688)	(33,186)
Other payables - related parties		7,745	(1,926)
Other current liabilities		9,084	(40,586)
Other non-current liabilities		(3,824)	2,948
Cash inflow generated from operations		559,067	1,257,026
Interest received		10,662	10,050
Dividends received		23,067	17,005
Interest paid		(30,429)	(2,602)
Income tax paid		(249,117)	(169,907)
Net cash flows from operating activities		<u>313,250</u>	<u>1,111,572</u>

(Continued)

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

	Notes	For the nine-month periods ended September 30	
		2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		\$ 9,326	\$ -
Decrease (increase) in financial assets at amortised cost		135,117	(24,016)
Decrease (increase) in other receivables - related parties		(23,006)	7,000
Interest received		12	2,536
Increase in investments accounted for under equity method-non-subidiaries		-	(77,500)
Decrease in other current assets		-	(11,624)
Acquisition of property, plant and equipment	6(8)	(95,859)	(77,012)
Proceeds from disposal of property, plant and equipment		72	263
(Increase) decrease in refundable deposits		(1,111)	1,679
Net cash flow from acquisition of subsidiaries (net of cash acquired)	6(30)	-	(206,659)
Increase in other non-current assets		(6,686)	-
Increase in prepayment for business facilities		(501,442)	-
Net cash flows used in investing activities		(483,577)	(385,333)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term loans		(271,300)	(33,000)
Increase in short-term loans		388,300	-
Repayment of lease liabilities		(18,840)	-
Proceeds from long-term loans		185,700	-
Repayment of long-term loans		(122,044)	(90,689)
(Decrease) increase in deposits received (shown in other non-current liabilities)		(2,407)	15,960
Employee stock options exercised		-	30,334
Cash dividends paid		(910,844)	(830,677)
Increase in non-controlling interests		-	4,100
Net cash flows used in financing activities		(751,435)	(903,972)
Net decrease in cash and cash equivalents		(921,762)	(177,733)
Cash and cash equivalents at beginning of period		1,543,162	1,657,955
Cash and cash equivalents at end of period		\$ 621,400	\$ 1,480,222

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANISATION

- (1) ECOVE Environment Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 13, 1999, and the consolidated investee-Chang Ting Corporation was incorporated in December 2005.
- (2) The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in waste management. The Company’s shares were issued through an initial public offering on December 3, 2007, and have been listed in the Taiwan OTC market since May 27, 2010.
- (3) CTCI Corporation, the Company’s ultimate parent company, holds 57.31% equity interest in the Company as of September 30, 2019.

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

These consolidated financial statements were reported to the Board of Directors on October 31, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$130,771, increased 'lease liability' by \$91,660 and decreased other non-current assets by \$39,111 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$9,083 was recognized for the nine-month period ended September 30, 2019.
 - (d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
 - (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate of 0.68%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ <u>91,980</u>
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	\$ <u>91,980</u>
Incremental borrowing interest rate at the date of initial application	0.68%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	\$ <u>91,660</u>

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2018.

- B. Subsidiaries included in the consolidated financial statements:

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
ECOVE Environment Corp.	ECOVE Waste Management Corp.	Environmental engineering	100.00	100.00	100.00	
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Environmental engineering	74.999	74.999	74.999	
ECOVE Environment Service			0.001	0.001	0.001	
ECOVE Environment Corp.	ECOVE Environment Service Corp.	Environmental engineering	93.15	93.15	93.15	
ECOVE Waste Management Corp.			0.01	0.01	0.01	
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Environmental engineering	100.00	98.00	98.00	Note 6
ECOVE Environment Service			-	2.00	2.00	

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Environmental engineering	100.00	60.00	60.00	Notes 4 and 7
ECOVE Waste Management Corp.			-	40.00	40.00	
ECOVE Environment Service Corp.	SINOGAL-Waste Services Co., Ltd.	Environmental engineering	30.00	30.00	30.00	Notes 1 and 4
ECOVE Environment Service Corp.	ECOVE Environment Consulting Corp.	Environmental engineering	100.00	100.00	100.00	Note 4
ECOVE Environment Corp.	ECOVE Solvent Recycling Corporation	Environmental engineering	89.99	89.99	89.99	Notes 2 and 4
ECOVE Environment Service Corp.			0.01	0.01	0.01	
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Energy sector	100.00	100.00	100.00	Notes 3 and 5
ECOVE Solar Energy Corporation	ECOVE Solar Power Corporation	Energy sector	100.00	100.00	100.00	Notes 3 and 5
ECOVE Solar Energy Corporation	ECOVE Central Corporation Ltd.	Energy sector	100.00	100.00	100.00	Notes 3 and 4
ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	Energy sector	100.00	100.00	100.00	Notes 3 and 4
ECOVE Solar Energy Corporation	G.D. International, LLC.	Energy sector	100.00	100.00	100.00	Notes 3 and 4
G.D. International, LLC.	Lumberton Solar W2-090, LLC.	Energy sector	100.00	100.00	100.00	Notes 3 and 5

Note 1: Included in the consolidated financial statements due to the Company's control of subsidiary's finance, operations and personnel.

Note 2: In May 2018, the Group acquired ECOVE Solvent Recycling Corporation by cash, which became a subsidiary whose 90% equity was directly and indirectly held by the Group, and the subsidiary was consolidated into financial statements from the date of acquisition.

Note 3: The Group originally held 50% equity of ECOVE Solar Energy Corporation. On September 20, 2018, the Group acquired the remaining 50% equity through cash. After the acquisition, ECOVE Solar Energy Corporation became a directly wholly owned subsidiary of the Company and was included in the consolidated financial statements since the Company obtained control over it.

Note 4: The financial statements of the entity as of and for the nine-month periods ended September 30, 2019 and 2018 were not reviewed by independent accountants as the entity did not meet the definition of a significant subsidiary.

Note 5: The financial statements of the entity as of and for the nine-month periods ended September 30, 2018 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary.

Note 6: The Group was restructured in May 2019, Ecove Environmental Services Corp. sold its originally held 2% equity of ECOVE Wujih Energy Corp. to ECOVE Environment Corp.

Note 7: The Group was restructured in May 2019, ECOVE Waste Management Corp. sold its originally held 40% equity of Yuan Ding Resources Corp. to ECOVE Environment Corp.

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

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

E. Significant restrictions: None.

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

As of September 30, 2019, December 31, 2018 and September 30, 2018, the non-controlling interest amounted to \$517,972, \$543,121 and \$506,056, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		September 30, 2019		December 31, 2018		September 30, 2018	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
ECOVE Miaoli Energy Corp.	Taiwan	\$ 330,968	25.00%	\$ 334,656	25.00%	\$ 325,650	25.00%
SINOGAL-Waste Services Co., Ltd.	Macau	130,169	70.00%	135,150	70.00%	112,003	70.00%

Summarised financial information of the subsidiaries:

Balance sheets

	ECOVE Miaoli Energy Corp.		
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 256,205	\$ 175,062	\$ 234,795
Non-current assets	1,242,186	1,337,570	1,365,799
Current liabilities	(99,012)	(102,176)	(225,479)
Non-current liabilities	(75,509)	(71,831)	(72,515)
Total net assets	\$ 1,323,870	\$ 1,338,625	\$ 1,302,600

SINO GAL-Waste Services Co., Ltd.			
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 438,388	\$ 403,137	\$ 361,776
Non-current assets	11,830	5,683	6,720
Current liabilities	(191,078)	(155,808)	(149,980)
Non-current liabilities	(73,185)	(59,941)	(58,511)
Total net assets	<u>\$ 185,955</u>	<u>\$ 193,071</u>	<u>\$ 160,005</u>

Statements of comprehensive income

ECOVE Miaoli Energy Corp.			
For the three-month periods ended September 30,			
	2019	2018	
Revenue	\$ 90,006	\$	87,883
Profit before income tax	45,523		45,561
Income tax expense	(9,100)	(	9,112)
Profit for the period	36,423		36,449
Other comprehensive loss, net of tax	-		-
Total comprehensive income for the period	<u>\$ 36,423</u>	<u>\$</u>	<u>36,449</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 9,106</u>	<u>\$</u>	<u>9,112</u>
Dividends paid to non-controlling interest	<u>\$ 29,025</u>	<u>\$</u>	<u>33,592</u>

ECOVE Miaoli Energy Corp.			
For the nine-month periods ended September 30,			
	2019	2018	
Revenue	\$ 255,429	\$	256,276
Profit before income tax	126,520		130,305
Income tax expense	(25,317)	(	37,248)
Profit for the period	101,203		93,057
Other comprehensive loss, net of tax	-	(	37)
Total comprehensive income for the period	<u>\$ 101,203</u>	<u>\$</u>	<u>93,020</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 25,301</u>	<u>\$</u>	<u>23,255</u>
Dividends paid to non-controlling interest	<u>\$ 29,025</u>	<u>\$</u>	<u>33,592</u>

SINOGAL-Waste Services Co., Ltd.

For the three-month periods ended September 30,

	2019	2018
Revenue	\$ 211,075	\$ 149,550
Profit before income tax	63,048	40,935
Income tax expense	-	(176)
Profit for the period	63,048	40,759
Other comprehensive (loss) income, net of tax	(953)	63
Total comprehensive income for the period	\$ 62,095	\$ 40,822
Comprehensive income attributable to non-controlling interest	\$ 43,467	\$ 28,575
Dividends paid to non-controlling interest	\$ -	\$ -

SINOGAL-Waste Services Co., Ltd.

For the nine-month periods ended September 30,

	2019	2018
Revenue	\$ 578,119	\$ 486,562
Profit before income tax	163,142	134,960
Income tax benefit (expense)	692	(515)
Profit for the period	163,834	134,445
Other comprehensive income (loss), net of tax	(123)	(4,439)
Total comprehensive income for the period	\$ 163,711	\$ 130,006
Comprehensive income attributable to non-controlling interest	\$ 114,598	\$ 91,004
Dividends paid to non-controlling interest	\$ 119,578	\$ 127,558

Statements of cash flows

ECOVE Miaoli Energy Corp.

For the nine-month periods ended September 30,

	2019	2018
Net cash provided by operating activities	\$ 154,751	\$ 195,114
Net cash used in investing activities	(4,427)	(73)
Net cash used in financing activities	(80,102)	(222,368)
Increase(decrease) in cash and cash equivalents	70,222	(27,327)
Cash and cash equivalents, beginning of period	1,582	28,303
Cash and cash equivalents, end of period	\$ 71,804	\$ 976

	<u>SINO GAL-Waste Services Co., Ltd.</u>	
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Net cash provided by operating activities	\$ 143,867	\$ 207,498
Net cash provided by investing activities	94,478	116,998
Net cash used in financing activities	(195,613)	(192,042)
Increase in cash and cash equivalents	42,732	132,454
Cash and cash equivalents, beginning of period	51,961	3,175
Cash and cash equivalents, end of period	<u>\$ 94,693</u>	<u>\$ 135,629</u>

(4) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Judgements and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The Group has no critical accounting judgements, estimates and assumption uncertainty.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Cash on hand and revolving funds	\$ 10,155	\$ 10,343	\$ 10,446
Checking accounts and demand deposits	494,886	422,288	563,019
Time deposits	<u>116,359</u>	<u>1,110,531</u>	<u>906,757</u>
Total	<u>\$ 621,400</u>	<u>\$ 1,543,162</u>	<u>\$ 1,480,222</u>

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

B. The details of cash and cash equivalents pledged to others are provided in Note 8.

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

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current items			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ 686,175	\$ 182,925	\$ 193,304
Valuation adjustment	<u>884</u>	<u>363</u>	<u>469</u>
Total	<u>\$ 687,059</u>	<u>\$ 183,288</u>	<u>\$ 193,773</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<u>\$ 141</u>	<u>\$ 258</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<u>\$ 1,608</u>	<u>\$ 1,335</u>

B. Information relating to credit risk is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current items:			
Debt instruments			
Corporate bond	\$ -	\$ -	\$ 30,394
Valuation adjustment	-	-	(3,813)
Subtotal	-	-	26,581
Equity instruments			
Listed stocks	96,118	106,367	143,111
Valuation adjustment	18,315	(4,166)	(20,751)
Subtotal	114,433	102,201	122,360
Total	\$ 114,433	\$ 102,201	\$ 148,941

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 2,342	\$ 2,342	\$ 2,342
Valuation adjustment	(1,799)	(1,799)	(1,799)
Total	\$ 543	\$ 543	\$ 543

A. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 7,973)	\$ 3,947
Cumulative gains (losses) reclassified to retained earnings due to derecognition	(\$ 431)	\$ -
<u>Debt instruments at fair value through other comprehensive income</u>		
Exchange gains recognized in profit or loss	\$ -	(\$ 1,017)
Fair value change recognized in other comprehensive income	\$ -	\$ 32

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 21,559	\$ 12,940
Cumulative gains (losses) reclassified to retained earnings due to derecognition	(\$ 922)	\$ -
<u>Debt instruments at fair value through other comprehensive income</u>		
Exchange gains recognized in profit or loss	\$ -	(\$ 897)
Fair value change recognized in other comprehensive income	\$ -	\$ 61

B. Information relating to credit risk is provided in Note 12(2).

(4) Financial assets at amortised cost

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current items:			
Time deposits with original maturity over 3 months	\$ 166,121	\$ 301,238	\$ 209,926

A. The Group has no financial assets at amortised cost pledged to others.

B. As at September 30, 2019, December 31, 2018 and September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$166,121, \$301,238 and \$209,926, respectively.

(5) Accounts receivable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accounts receivable	\$ 1,039,532	\$ 762,525	\$ 886,848
Long-term accounts receivable - due in one year	287,211	278,646	275,915
	<u>\$ 1,326,743</u>	<u>\$ 1,041,171</u>	<u>\$ 1,162,763</u>

A. The ageing analysis of accounts receivable is as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current	\$ 1,232,180	\$ 278,646	\$ 962,117
Up to 120 days	26,947	654,851	120,214
121 to 180 days	12,626	49,119	50,650
Over 180 days	54,990	58,555	29,782
	<u>\$ 1,326,743</u>	<u>\$ 1,041,171</u>	<u>\$ 1,162,763</u>

The above ageing analysis was based on invoice date.

B. As of September 30, 2019, December 31, 2018 and September 30, 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$955,580.

C. For details on the long-term accounts receivable - due in one year, please refer to Note 6(10).

D. Information relating to credit risk of account receivable is provided in Note 12(2).

(6) Prepayments

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Prepayments for material purchases	\$ 40,315	\$ 199,314	\$ 195,558
Prepaid rents	4,849	3,277	3,825
Prepaid insurance premiums	15,914	20,953	11,757
Others	99,197	42,959	79,551
	<u>\$ 160,275</u>	<u>\$ 266,503</u>	<u>\$ 290,691</u>

(7) Investments accounted for under the equity method

	<u>2019</u>	<u>2018</u>
At January 1	\$ 405,718	\$ 666,510
Addition of investments accounted for under the equity method	-	77,500
Transferred to consolidated subsidiaries	-	(358,790)
Share of profit or loss of investments accounted for using the equity method	30,420	33,485
Earnings distribution of investments accounted for using equity method	(14,210)	(13,997)
Changes in other equity items	(5,495)	300
At September 30	<u>\$ 416,433</u>	<u>\$ 405,008</u>

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Associates:			
CTCI Chemicals Corp.	\$ 63,052	\$ 64,214	\$ 61,651
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	304,623	292,168	293,357
Ever Ecove Corporation	48,758	49,336	50,000
	<u>\$ 416,433</u>	<u>\$ 405,718</u>	<u>\$ 405,008</u>

A. Associates

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		September 30, 2019	December 31, 2018	September 30, 2018		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Islands	20%	20%	20%	Strategic investment	Equity method

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

Balance sheet

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)		
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 1,284,225	\$ 300,925	\$ 979,629
Non-current assets	447,798	788,200	406,674
Current liabilities	(586,779)	(10,906)	(303,420)
Non-current liabilities	(931)	-	-
Total net assets	<u>\$ 1,144,313</u>	<u>\$ 1,078,219</u>	<u>\$ 1,082,883</u>
Share in associate's net assets	\$ 228,863	\$ 215,643	\$ 216,577
Land-use right	255	1,020	1,275
Goodwill	<u>75,505</u>	<u>75,505</u>	<u>75,505</u>
Carrying amount of the associate	<u>\$ 304,623</u>	<u>\$ 292,168</u>	<u>\$ 293,357</u>

Statement of comprehensive income

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the three-month periods ended September 30,	
	2019	2018
Revenue	\$ 524,859	\$ 448,205
Profit for the period from continuing operations	28,555	11,565
Other comprehensive income (loss), net of tax	52,566	(54,889)
Total comprehensive income (loss)	\$ 81,121	(\$ 43,324)

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the nine-month periods ended September 30,	
	2019	2018
Revenue	\$ 1,441,825	\$ 1,101,682
Profit for the period from continuing operations	96,146	18,511
Other comprehensive loss, net of tax	(30,050)	(22,455)
Total comprehensive income (loss)	\$ 66,096	(\$ 3,944)

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

As of September 30, 2019, December 31, 2018 and September 30, 2018, the carrying amount of the Group's individually immaterial associates amounted to \$111,810, \$113,550 and \$111,651, respectively.

	For the three-month periods ended September 30,	
	2019	2018
Total comprehensive income	\$ 2,091	\$ 3,458

	For the nine-month periods ended June 30, September 30,	
	2019	2018
Total comprehensive income	\$ 11,956	\$ 13,357

- B. In August 2018, the Group acquired 5% of the shares of EVER ECOVE Corporation for \$50,000 in accordance with the resolution of the Board of Directors adopted during its meeting on July 30, 2018. The Group's ownership in EVER ECOVE Corporation is less than 20%, but one of the directors also holds directorship of EVER ECORE Corporation, therefore this investment is accounted for using the equity method.
- C. The financial statements of the investees accounted for using equity method as of and for the nine-month periods ended September 30, 2019 and 2018 were both not reviewed by the independent accountants.

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery	Transportation	Unfinished construction	Others	Total
<u>At January 1, 2019</u>							
Cost	\$ 171,883	\$ 516	\$ 1,916,471	\$ 103,234	\$ 108,997	\$ 14,560	\$ 2,315,661
Accumulated depreciation	-	(111)	(112,502)	(65,938)	-	(5,877)	(184,428)
	<u>\$ 171,883</u>	<u>\$ 405</u>	<u>\$ 1,803,969</u>	<u>\$ 37,296</u>	<u>\$ 108,997</u>	<u>\$ 8,683</u>	<u>\$ 2,131,233</u>
<u>For the nine-month period ended</u>							
<u>September 30, 2019</u>							
Opening net book amount	\$ 171,883	\$ 405	\$ 1,803,969	\$ 37,296	\$ 108,997	\$ 8,683	\$ 2,131,233
Additions	-	-	64,198	770	30,759	132	95,859
Transfer	-	-	758,763	-	-	-	758,763
Disposals	-	-	(155)	-	-	(7)	(162)
Depreciation charge	-	(124)	(133,131)	(7,424)	-	(2,093)	(142,772)
Net exchange differences	1,035	-	6,351	3	-	4	7,393
Closing net book amount	<u>\$ 172,918</u>	<u>\$ 281</u>	<u>\$ 2,499,995</u>	<u>\$ 30,645</u>	<u>\$ 139,756</u>	<u>\$ 6,719</u>	<u>\$ 2,850,314</u>
<u>At September 30, 2019</u>							
Cost	\$ 172,918	\$ 516	\$ 2,740,182	\$ 103,966	\$ 139,756	\$ 14,616	\$ 3,171,954
Accumulated depreciation	-	(235)	(240,187)	(73,321)	-	(7,897)	(321,640)
	<u>\$ 172,918</u>	<u>\$ 281</u>	<u>\$ 2,499,995</u>	<u>\$ 30,645</u>	<u>\$ 139,756</u>	<u>\$ 6,719</u>	<u>\$ 2,850,314</u>

	Land	Buildings and structures	Machinery	Transportation	Unfinished construction	Others	Total
<u>At January 1, 2018</u>							
Cost	\$ -	\$ -	\$ 87,542	\$ 106,933	\$ -	\$ 7,505	\$ 201,980
Accumulated depreciation	-	-	(52,406)	(73,254)	-	(3,076)	(128,736)
	\$ -	\$ -	\$ 35,136	\$ 33,679	\$ -	\$ 4,429	\$ 73,244
<u>For the nine-month period ended September 30, 2018</u>							
Opening net book amount	\$ -	\$ -	\$ 35,136	\$ 33,679	\$ -	\$ 4,429	\$ 73,244
Additions	-	-	5,354	760	64,013	6,885	77,012
Acquired from business acquisition	172,038	516	1,429,080	129	-	288	1,602,051
Disposals	-	-	(135)	-	-	-	(135)
Depreciation charge	-	(69)	(16,865)	(6,013)	-	(2,199)	(25,146)
Net exchange differences	(1,003)	-	(6,322)	2	-	3	(7,320)
Closing net book amount	\$ 171,035	\$ 447	\$ 1,446,248	\$ 28,557	\$ 64,013	\$ 9,406	\$ 1,719,706
<u>At September 30, 2018</u>							
Cost	\$ 171,035	\$ 1,163	\$ 1,822,027	\$ 107,647	\$ 64,013	\$ 14,872	\$ 2,180,757
Accumulated depreciation	-	(716)	(375,779)	(79,090)	-	(5,466)	(461,051)
	\$ 171,035	\$ 447	\$ 1,446,248	\$ 28,557	\$ 64,013	\$ 9,406	\$ 1,719,706

A. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

B. The amount of capitalised interest was \$831 and the interest rates for capitalisation ranged from 1.1%~2.036% for the nine-month period ended September 30, 2019.

(9) Leasing arrangements - lessee

Effective 2019

A. The Group leases various assets including land, buildings, machinery and equipment, and business vehicles. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	For the three-month period ended September 30, 2019	
	<u>Depreciation charge</u>	
Land	\$	3,417
Buildings		5,755
Transportation		1,950
Other assets		<u>361</u>
	\$	<u>11,483</u>

	For the nine-month period ended September 30, 2019	
	<u>September 30, 2019</u>	<u>September 30, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 57,418	\$ 8,093
Buildings	60,796	16,680
Transportation	14,013	5,224
Other assets	<u>4,365</u>	<u>1,071</u>
	<u>\$ 136,592</u>	<u>\$ 31,068</u>

C. The amount of \$32,841 of the right-of-use assets - land on September 30, 2019 was for ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corporation obtaining the land use right of refuse incineration plant according to the service concession arrangements. Please refer to Note 6(10) A for details.

D. For the three-month and nine-month periods ended September 30, 2019, the additions to right-of-use assets was \$5,122 and \$36,909, respectively.

E. Information on profit or loss in relation to lease contracts is as follows:

	For the three-month period ended <u>September 30, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 196
Expense on short-term lease contracts	3,040
Expense on leases of low-value assets	170
Expense on variable lease payments	12,992
	For the nine-month period ended <u>September 30, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 558
Expense on short-term lease contracts	9,083
Expense on leases of low-value assets	686
Expense on variable lease payments	23,260

F. For the nine-month period ended September 30, 2019, the Group's total cash outflow for leases amounted to \$51,869.

G. Variable lease payments

- (a) Some of the Group's lease contracts contain variable lease payment terms that are linked to electricity production of solar power. Various lease payments that depend on the electricity production of solar power are recognised as costs in the period in which the event or condition that triggers those payments occurs.
- (b) A 1% increase in electricity production of solar power with such variable lease contracts would increase total lease payments by approximately 1%.

(10) Other non-current assets

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Long-term accounts receivable	\$ 2,205,938	\$ 2,414,923	\$ 2,481,853
Less: Current portion	(287,211)	(278,646)	(275,915)
	1,918,727	2,136,277	2,205,938
Long-term prepaid rents	-	37,321	38,815
Accrued recovery cost	20,639	16,525	18,425
Refundable deposits	21,576	20,465	18,198
Air pollution fee	54,267	54,267	54,267
Prepayments for business facilities	257,500	514,821	716,154
Restricted bank deposits	47,293	-	-
Executory contract cost	125,058	-	-
Others	24,227	25,307	30,539
	<u>\$ 2,469,287</u>	<u>\$ 2,804,983</u>	<u>\$ 3,082,336</u>

A. The Group entered into contracts with certain governments (grantors) for service concession arrangements. Contract asset from the grantor in respect of the service concession arrangement is recognised at its fair value. Such considerations are recognised as a financial asset based on how the considerations from the grantor to the operator are made as specified in the arrangement. Assets that are expected to be realised within twelve months from the balance sheet date are classified as “accounts receivable” (please refer to Note 6(5)); assets that are expected to be realised over twelve months from the balance sheet date are classified as “long-term accounts receivable”. The other terms of the agreement are as follows:

- (a) The subsidiary, ECOVE Wujih Energy Corp., obtained the operation for the construction of Wujih Refuse Incineration Plant by build - operate - transfer (BOT) mode since April, 2000. In September, 2000, the “Waste incineration, Taichung City commission contract” between ECOVE Wujih Energy Corp. and Taichung City Government had been signed. The operating period is for 20 years starting from September 6, 2004. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended, but not to exceed 50 years. To carry out the “Waste Incineration Taichung City Commission Contract”, ECOVE Wujih Energy Corp. obtained the land-use right of Wujih Refuse Incineration Plant. Therefore, duration of the land-use right has continued for 20 years since the plant began operating.
- (b) The subsidiary, ECOVE Miaoli Energy Corp., obtained the operation for the construction of Miaoli County Refuse Incineration Plant by build - operate - transfer (BOT) mode since August, 2002. In September, 2002, the “Waste Incineration Commission Contract” between ECOVE Miaoli Energy Corp. and Miaoli County Government had been signed. The operating period is for 20 years starting February 29, 2008. However, according to the

contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended. To carry out work the “Waste Incineration Miaoli County Commission Contract”, ECOVE Miaoli Energy Corp. obtained the land-use right of Miaoli Refuse Incineration Plant. Therefore, duration of the land-use right is from September 13, 2002 to March 12, 2026.

- (c) ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. needs to deal with the guarantee tonnage of waste from government according to the contract during construction or operation.
 - (d) Per Service cost is calculated and adjusted based on the “Waste Incineration Commission Contract”, “Index of Average Regular Earnings of Employees–Manufacturing” and “Consumer Price Index”.
- B. Long-term prepaid rents are due to ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. obtaining the land-use right according to the “BOT”. As of December 31, 2018 and September 30, 2018, the long-term prepaid rent of ECOVE Wujih Energy Corp. amounted to \$20,791 and \$21,709, respectively. As of December 31, 2018 and September 30, 2018, the long-term prepaid rent of ECOVE Miaoli Energy Corp. amounted to \$16,530 and \$17,106, respectively.
- C. Accrued recovery cost pertain to the contracts for the operation and maintenance service of refuse incineration plant between the subsidiaries, ECOVE Environment Service Corp. and SINO GAL - Waste Services Co., Ltd., and the grantors, requiring recovery of refuse incineration plant, related machinery and equipment when the contract expires. The Group has estimated the related recovery cost when the service contracts expire and amortizes it over the contract period.
- D. For details of the refundable deposits, please refer to Note 8.
- E. Information on air pollution fee is provided in Note 9(5).
- F. Executory contract cost is the rectification costs of fulfilling contracts with customers performed by ECOVE Environment Service Corp.

(11) Short-term borrowing

<u>Type of borrowings</u>	<u>September 30, 2019</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings	\$ 127,000	1.02%~1.50%	-
Secured borrowings	42,000	1.70%	Note
	<u>\$ 169,000</u>		

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings	<u>\$ 52,000</u>	1.10%	-

<u>Type of borrowings</u>	<u>September 30, 2018</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings	<u>\$ 110,000</u>	0.96%~1.42%	-

Note: ECOVE Solvent Recycling Corporation committed that if the construction has finished,

ECOVE Solvent Recycling Corporation will complete the registration of ownership on the construction and pledge with the basement of construction in first priority to Chang Hwa Bank.

(12) Accounts payable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Materials payable	\$ 103,918	\$ 21,902	\$ 29,634
Sub-contract costs payable	107,760	144,513	43,452
Incinerator equipment costs payable	89,735	31,861	38,842
Maintenance costs payable	320,658	281,003	388,434
Others	48,041	56,518	98,878
	<u>\$ 670,112</u>	<u>\$ 535,797</u>	<u>\$ 599,240</u>

(13) Other payables

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accrued payroll	\$ 238,274	\$ 292,559	\$ 235,466
Other payables	122,339	175,378	148,255
	<u>\$ 360,613</u>	<u>\$ 467,937</u>	<u>\$ 383,721</u>

(14) Other current liabilities

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Other current liabilities			
Long-term liabilities-current portion	\$ 133,189	\$ 128,267	\$ 261,545
Receipts in advance	-	-	29,126
Others	20,255	11,170	-
	<u>\$ 153,444</u>	<u>\$ 139,437</u>	<u>\$ 290,671</u>

(15) Long-term borrowing

<u>Type of borrowings</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Secured borrowings	\$ 1,618,907	\$ 1,551,854	\$ 1,599,858
Less: Current portion	(133,189)	(128,268)	(261,545)
	<u>\$ 1,485,718</u>	<u>\$ 1,423,586</u>	<u>\$ 1,338,313</u>
Financing amount	<u>\$ 2,062,786</u>	<u>\$ 2,420,861</u>	<u>\$ 2,178,234</u>
Interest rate	<u>1.5%~5.029%</u>	<u>1.3915%~4.9%</u>	<u>1.3875%~4.9%</u>

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

- (a) Current ratio is above 100%,
- (b) Debt ratio (Total Liabilities/Net Value) is under 190%,
- (c) Time interest earned is above 150%.

As of December 31, 2018 and September 30, 2018, the long-term borrowings (including current portion) of ECOVE Miaoli Energy Corp. amounted to \$4,000 and \$92,000 respectively.

- B. ECOVE Solvent Recycling Corporation committed that if the construction has finished, ECOVE Solvent Recycling Corporation will complete the registration of ownership on the construction and pledge with the building lot in first priority to Chang Hwa Bank, please refer to Note 8.

As of December 31, 2018 and September 30, 2018, the long-term borrowings (including current portion) of ECOVE Solvent Recycling Corporation amounted to \$25,645 and \$27,300, respectively.

- C. The Group pledged promissory notes on September 30, 2019, December 31, 2018 and September 30, 2018 amounting to \$1,680,080, \$1,559,720 and \$1,542,520, respectively.

(16) Other non-current liabilities

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Net defined benefit liability	\$ 41,861	\$ 40,412	\$ 36,830
Accrued recovery costs	102,363	92,532	92,365
Guaranteed deposits received	187,888	190,295	184,066
Deferred revenue	161,240	169,471	171,561
Others	39,549	36,831	35,847
	<u>\$ 532,901</u>	<u>\$ 529,541</u>	<u>\$ 520,669</u>

- A. For details of the accrued recovery costs, please refer to Note 6(10) C.

- B. The deferred revenue represents cash grants received from the state government of New Jersey for the construction and operation of the Lumberton solar power plant in 2017. The construction period for the solar power plant is 15 years.

(17) Pensions

- A. Defined benefit pension plan

- (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standard Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension

calculated by the aforementioned method to the employees expected to qualify for retirement next year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

- (b) The Group recognised pension expenses of \$1,532, \$1,563, \$4,638 and \$4,734 in the statement of comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$9,613.

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2019 and 2018 were \$7,173, \$6,597, \$21,480 and \$19,994, respectively.
- (c) SINO GAL-Waste Services Co., Ltd. has a funded defined contribution plan, covering all regular employees. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the local government are based on employees’ monthly salaries and wages. The pension costs under the defined contribution pension plan for the three-month and nine-month periods ended September 30, 2019 and 2018 were \$2,415, \$2,005, \$7,039 and \$5,895, respectively.

(18) Share-based payment

A. For the nine-month periods ended September 30, 2019 and 2018, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Fourth plan of employee stock options	2011.6.17	1,200 units	6 years	Service of 2 years
Fifth plan of employee stock options	2012.6.28	1,200 units	6 years	Service of 2 years
Sixth plan of employee stock options	2018.7.9	1,500 units	6 years	Service of 2 years
Seventh plan of employee stock options	2019.7.24	1,500 units	6 years	Service of 2 years

B. The above employee stock options are as follows:

(a) Details of the fourth plan of employee stock options outstanding as of September 30, 2019 and 2018 are as follows:

Stock options	For the nine-month periods ended September 30,			
	2019		2018	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	-	-	3.00	NT\$ 106.30
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	(3.00)	NT\$ 106.30
Options exercised	-	-	-	-
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	-	-
Options exercisable at end of period	-	-	-	-

(b) Details of the fifth plan of employee stock options outstanding as of September 30, 2019 and 2018 are as follows:

	For the nine-month periods ended September 30,			
	2019		2018	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Stock options				
Options outstanding at beginning of period	-	-	298.25	NT\$ 103.00
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	(3.75)	-
Options exercised	-	-	(294.50)	NT\$ 103.00
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	-	-
Options exercisable at end of period	-	-	-	-

(c) Details of the sixth plan of employee stock options outstanding as of September 30, 2019 and 2018 are as follows:

	For the nine-month periods ended September 30,			
	2019		2018	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Stock options				
Options outstanding at beginning of period	1,448	NT\$ 173.50	-	-
Options granted	-	-	1,500	NT\$ 173.50
Options waived	(39)	-	-	-
Options exercised	-	-	-	-
Options revoked	-	-	-	-
Options outstanding at end of period	1,409	NT\$ 163.90	1,500	NT\$ 173.50
Options exercisable at end of period	-	-	1,500	NT\$ 173.50

(d) Details of the seventh plan of employee stock options outstanding as of September 30, 2019 is as follows:

	For the nine-month period ended September 30, 2019	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)
<u>Stock options</u>		
Options outstanding at beginning of period	-	-
Options granted	1,500	NT\$ 212.5
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-
Options waived	-	-
Options exercised	-	-
Options revoked	-	-
Options outstanding at end of period	<u>1,500</u>	NT\$ 212.5
Options exercisable at end of period	<u>-</u>	-

C. The weighted-average stock price of stock options at exercise dates for the nine-month period ended September 30, 2019 was NT\$191.44 (in dollars).

D. As of September 30, 2019, December 31, 2018 and September 30, 2018, the range of exercise prices of stock options outstanding was NT\$163.9~NT\$212.5, NT\$173.5 and NT\$103.0 (in dollars), respectively; the weighted-average remaining contractual period was as follows:

Type of arrangement	September 30, 2019	December 31, 2018	September 30, 2018
Fourth plan of employee stock options	-	-	-
Fifth plan of employee stock options	-	-	-
Sixth plan of employee stock options	4.75 years	5.5 years	5.75 years
Seventh plan of employee stock options	5.75 years	-	-

E. The fair value of stock options is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Market value (Note)	Exercise price	Expected price volatility	Expected duration	Expected dividend yield rate	Risk-free interest rate	Fair value per unit (in dollars)
Fourth plan of employee stock options	2011.6.17	NT\$146.0	NT\$106.3	38.65%	4.50 years	0%	1.05%	NT\$ 48.82
Fifth plan of employee stock options	2012.6.28	NT\$145.0	NT\$103.0	33.63%	4.60 years	0%	1.00%	NT\$ 42.79
Sixth plan of employee stock options	2018.7.9	NT\$173.5	NT\$173.5	11.38%~ 12.71%	4~5 years	0%	0.66%~ 0.71%	NT\$ 17.88~ 22.44
Seventh plan of employee stock options	2019.7.24	NT\$212.5	NT\$212.5	10.83%~ 11.00%	4~5 years	0%	0.56%~ 0.58%	NT\$ 20.57~ 23.68

F. Expenses incurred on share-based payment transactions are shown below:

	For the three-month periods ended September 30,	
	2019	2018
Equity-settled	\$ 4,511	\$ 2,344

	For the nine-month periods ended September 30,	
	2019	2018
Equity-settled	\$ 9,477	\$ 2,344

(19) Share capital

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

	2019	2018
At January 1	67,105,148	66,810,648
Employee stock options exercised	-	294,500
At September 30	67,105,148	67,105,148

B. As of September 30, 2019, the Company's authorized capital was \$800,000, consisting of 80 million shares of ordinary stock (including 6 million shares reserved for employee stock options), and the paid-in capital was \$671,051 with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.

C. As of September 30, 2019, December 31, 2018 and September 30, 2018, the associate of the Group held 276 thousand shares.

(20) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Changes in capital surplus are as follows:

	<u>Share premium</u>	<u>Employee stock options</u>	<u>Others</u>	<u>Total</u>
At January 1, 2019	\$ 2,188,235	\$ 5,238	\$ -	\$ 2,193,473
Share-based payment transaction	-	9,422	-	9,422
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(1,557)	8	1,686	137
At September 30, 2019	<u>\$ 2,186,678</u>	<u>\$ 14,668</u>	<u>\$ 1,686</u>	<u>\$ 2,203,032</u>
At January 1, 2018	\$ 1,971,969	\$ 188,747	\$ 313	\$ 2,161,029
Share-based payment transaction	-	2,523	-	2,523
Expired employee stock options	188,877	(188,564)	(313)	-
Employee stock options exercised	27,389	-	-	27,389
At September 30, 2018	<u>\$ 2,188,235</u>	<u>\$ 2,706</u>	<u>\$ -</u>	<u>\$ 2,190,941</u>

(21) Retained earnings

A. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, upon the resolution of the Board of Directors, distribute at least 0.01% of the income before tax as employees' remuneration, and distribute no more than 2% of the income before tax as directors' remuneration. The remuneration could be in the form of stock or cash, and the employees' remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employees' compensation or the directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.

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

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

In order to meet the requirements of business expansion and industry growth, fulfilling future operating needs and stabilizing financial structure is the priority of the Company's dividend policy. Thus, the distribution of the accumulated distributable earnings corresponds with the shareholders' resolutions. And, the cash dividend portion shall not be less than 20% of total resolved shareholder's bonus; however, if there is unexpected investment plan that requires capital to fulfill, the cash dividend portion will adjust to be no less than 5%.

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

D. Special reserve

- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

- E. The Company recognised dividends of \$647,313 (NT\$9.68 per share) in 2018. In addition, outstanding stocks will be influenced by employees' share rights. Thus, the Board of Directors gave the right to adjust the rate of distributed dividends from NT\$9.68 per share to NT\$9.64624522 per share.

- F. The appropriations of 2018 and 2017 earnings had been resolved at the stockholders' meeting on May 30, 2019 and May 31, 2018, respectively.

Details are summarised below:

	2018	2017
Legal reserve	\$ 80,691	\$ 76,134
(Reversal of) special reserve	(30,041)	32,139
Cash dividends	726,078	647,313
Total	<u>\$ 776,728</u>	<u>\$ 755,586</u>

- G. For information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6 (27).
- H. The Company recognised the effect of the change in tax rate immediately on January 1, 2018 when the change occurred. The effect of the change on items recognised outside profit or loss was recognised in other comprehensive income or equity (including non-controlling interest) amounting to \$729.

(22) Operating revenue

	<u>For the three-month periods ended September 30,</u>	
	2019	2018
Revenue from contracts with customers	<u>\$ 1,464,221</u>	<u>\$ 1,246,295</u>

	<u>For the nine-month periods ended September 30,</u>	
	2019	2018
Revenue from contracts with customers	<u>\$ 4,003,612</u>	<u>\$ 3,641,149</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over a period of time in the following major product lines and geographical regions:

For the three-month period ended September 30, 2019	Domestic	China	Macau	United States	Total
Total segment revenue	\$ 1,602,823	\$ 33,059	\$ 274,853	\$ 24,228	\$ 1,934,963
Inter-segment revenue	(429,687)	(12,244)	(28,811)	-	(470,742)
Revenue from external customer contracts	<u>\$ 1,173,136</u>	<u>\$ 20,815</u>	<u>\$ 246,042</u>	<u>\$ 24,228</u>	<u>\$ 1,464,221</u>
Timing of revenue recognition					
Over a period of time	<u>\$ 1,173,136</u>	<u>\$ 20,815</u>	<u>\$ 246,042</u>	<u>\$ 24,228</u>	<u>\$ 1,464,221</u>

For the three-month period ended					
September 30, 2018	Domestic	China	Macau	United States	Total
Total segment revenue	\$ 1,448,203	\$ 39,950	\$ 197,344	\$ 11,921	\$ 1,697,418
Inter-segment revenue	(426,226)	(14,130)	(10,767)	-	(451,123)
Revenue from external customer contracts	<u>\$ 1,021,977</u>	<u>\$ 25,820</u>	<u>\$ 186,577</u>	<u>\$ 11,921</u>	<u>\$ 1,246,295</u>
Timing of revenue recognition					
Over a period of time	<u>\$ 1,021,977</u>	<u>\$ 25,820</u>	<u>\$ 186,577</u>	<u>\$ 11,921</u>	<u>\$ 1,246,295</u>
For the nine-month period ended					
September 30, 2019	Domestic	China	Macau	United States	Total
Total segment revenue	\$ 4,394,642	\$ 102,929	\$ 739,703	\$ 77,205	\$ 5,314,479
Inter-segment revenue	(1,202,727)	(35,725)	(72,415)	-	(1,310,867)
Revenue from external customer contracts	<u>\$ 3,191,915</u>	<u>\$ 67,204</u>	<u>\$ 667,288</u>	<u>\$ 77,205</u>	<u>\$ 4,003,612</u>
Timing of revenue recognition					
Over a period of time	<u>\$ 3,191,915</u>	<u>\$ 67,204</u>	<u>\$ 667,288</u>	<u>\$ 77,205</u>	<u>\$ 4,003,612</u>
For the nine-month period ended					
September 30, 2018	Domestic	China	Macau	United States	Total
Total segment revenue	\$ 4,058,068	\$ 120,994	\$ 631,922	\$ 11,921	\$ 4,822,905
Inter-segment revenue	(1,104,155)	(41,749)	(35,852)	-	(1,181,756)
Revenue from external customer contracts	<u>\$ 2,953,913</u>	<u>\$ 79,245</u>	<u>\$ 596,070</u>	<u>\$ 11,921</u>	<u>\$ 3,641,149</u>
Timing of revenue recognition					
Over a period of time	<u>\$ 2,953,913</u>	<u>\$ 79,245</u>	<u>\$ 596,070</u>	<u>\$ 11,921</u>	<u>\$ 3,641,149</u>

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Contract assets:		
Contract assets relating to service concession arrangement	\$ <u>2,205,938</u>	\$ <u>2,414,923</u>
Contract liabilities:		
Contract liabilities - Advance sales receipts	\$ <u>63,390</u>	\$ <u>140,580</u>
	<u>September 30, 2018</u>	<u>January 1, 2018</u>
Contract assets:		
Contract assets relating to service concession arrangement	\$ <u>2,481,853</u>	\$ <u>2,682,643</u>
Contract liabilities:		
Contract liabilities - Advance sales receipts	\$ <u>166,631</u>	\$ <u>36,605</u>

- (a) Revenue recognised that was included in the contract liability balance at the beginning of the period

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Receipts in advance	\$ <u>40,617</u>	\$ <u>-</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Receipts in advance	\$ <u>95,320</u>	\$ <u>6,111</u>

- (b) Information on contract assets - service concession arrangements is provided in Notes 6(5) and (10).

(23) Other income

	For the three-month periods ended September 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 2,347	\$ 4,046
Other interest income	-	869
Total interest income	2,347	4,915
Dividend revenue	8,857	3,008
Other income, others	7,513	7,566
	<u>\$ 18,717</u>	<u>\$ 15,489</u>

	For the nine-month periods ended September 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 10,299	\$ 10,439
Other interest income	6	2,530
Total interest income	10,305	12,969
Dividend revenue	8,857	3,008
Other income, others	22,561	14,502
	<u>\$ 41,723</u>	<u>\$ 30,479</u>

(24) Other gains and losses

	For the three-month periods ended September 30,	
	2019	2018
Gains (losses) on disposals of property, plant and equipment	\$ 71	(\$ 4)
Gains on disposals of investments	-	29,403
Foreign exchange gains (losses)	2,614	(1,058)
Gains on financial assets at fair value through profit or loss	141	258
Miscellaneous disbursements	(242)	(2)
	<u>\$ 2,584</u>	<u>\$ 28,597</u>

	For the nine-month periods ended September 30,	
	2019	2018
(Losses) gains on disposals of property, plant and equipment	(\$ 90)	\$ 128
Gains on disposals of investments	-	29,403
Foreign exchange gains	5,788	4,388
Gains on financial assets at fair value through profit or loss	1,608	1,335
Miscellaneous disbursements	(343)	(7)
	<u>\$ 6,963</u>	<u>\$ 35,247</u>

(25) Finance cost

	For the three-month periods ended September 30,	
	2019	2018
Interest expense	\$ 10,491	\$ 1,673
Interest expense arising from lease liabilities	196	-
	<u>\$ 10,687</u>	<u>\$ 1,673</u>

	For the nine-month periods ended September 30,	
	2019	2018
Interest expense	\$ 29,793	\$ 2,800
Interest expense arising from lease liabilities	558	-
	<u>\$ 30,351</u>	<u>\$ 2,800</u>

(26) Expenses by nature

	For the three-month periods ended September 30,	
	2019	2018
Employee benefit expense	\$ 247,318	\$ 268,039
Depreciation charges on property, plant and equipment	64,634	13,850
Depreciation charges on right-of-use asset	11,483	-
Amortisation	2,423	3,642
Incinerator equipment costs	136,361	83,946
Materials	201,017	207,672
Sub-contract costs	302,847	199,618
Insurances	13,956	7,954
Other expenses	127,220	149,810
	<u>\$ 1,107,259</u>	<u>\$ 934,531</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Employee benefit expense	\$ 822,118	\$ 792,379
Depreciation charges on property, plant and equipment	142,772	25,146
Depreciation charges on right-of-use asset	31,068	-
Amortisation	7,297	10,474
Incinerator equipment costs	356,101	229,481
Materials	554,511	560,493
Sub-contract costs	690,576	691,280
Insurances	35,660	23,857
Other expenses	432,659	414,269
	<u>\$ 3,072,762</u>	<u>\$ 2,747,379</u>

(27) Employee benefit expense

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries	\$ 200,014	\$ 233,364
Employee stock options	4,510	2,344
Labor and health insurance fees	14,852	8,983
Pension costs	11,120	10,165
Other personnel expenses	16,822	13,183
	<u>\$ 247,318</u>	<u>\$ 268,039</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries	\$ 695,639	\$ 690,196
Employee stock options	9,476	2,344
Labor and health insurance fees	46,514	38,604
Pension costs	33,157	30,623
Other personnel expenses	37,332	30,612
	<u>\$ 822,118</u>	<u>\$ 792,379</u>

- A. As of September 30, 2019 and 2018, the Group had 998 and 926 employees, respectively.
- B. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, upon the resolution of the Board of Directors, distribute at least 0.01% of the income before tax as employees' compensation, and distribute no more than 2% of the income before tax as Directors' remuneration. The remuneration could be in the form of stock or cash, and the employees' compensation could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employees' compensation or the Directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.

- C. For the three-month and nine-month periods ended September 30, 2019 and 2018, employees' compensation was accrued at \$58, \$91, \$261 and \$238, respectively; directors' and supervisors' remuneration was accrued at \$1,300, \$1,300, \$3,900 and \$3,900, respectively. The aforementioned amounts were recognised in salary and other expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.01% and 2% of distributable profit of current year as of September 30, 2019. The employees' compensation and directors' and supervisors' remuneration has not been resolved by the Board of Directors. The employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.

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

(28) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the three-month periods ended September 30,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ 66,233	\$ 63,813
Prior year income tax under estimation	1,044	1,121
Total current tax	67,277	64,934
Deferred tax:		
Origination and reversal of temporary differences	3,460	959
Impact of change in tax rate	-	-
Effect of exchange rate changes	110	150
Income tax expense	\$ 70,847	\$ 66,043

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the period	\$ 182,405	\$ 184,714
Prior year income tax over estimation	(7,949)	(1,381)
Total current tax	174,456	183,333
Deferred tax:		
Origination and reversal of temporary differences	(705)	(1,982)
Impact of change in tax rate	-	27,246
Effect of exchange rate changes	380	169
Income tax expense	<u>\$ 174,131</u>	<u>\$ 208,766</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Impact of change in tax rate	<u>\$ -</u>	<u>\$ 729</u>

- B. As of September 30, 2019, except for ECOVE Environment Services Corporation's and ECOVE Waste Management Corporation's income tax returns through 2016, the Company's and its subsidiaries' income tax returns through 2017 have been assessed and approved by the Tax Authority.
- C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(29) Earnings per share

<u>For the three-month period ended September 30, 2019</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 244,430	67,105	<u>NT\$ 3.64</u>
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	266	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 244,430</u>	<u>67,371</u>	<u>NT\$ 3.63</u>

<u>For the nine-month period ended September 30, 2019</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 647,047	67,105	<u>NT\$ 9.64</u>
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	203	
Employees' bonus	-	1	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 647,047</u>	<u>67,309</u>	<u>NT\$ 9.61</u>

	<u>For the three-month period ended September 30, 2018</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of</u>	<u>per share</u>
		<u>ordinary shares</u>	<u>(in dollars)</u>
		<u>outstanding</u>	
		<u>(in thousands)</u>	
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 253,971	67,105	<u>NT\$ 3.78</u>
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 253,971</u>	<u>67,106</u>	<u>NT\$ 3.78</u>

	<u>For the nine-month period ended September 30, 2018</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of</u>	<u>per share</u>
		<u>ordinary shares</u>	<u>(in NT dollars)</u>
		<u>outstanding</u>	
		<u>(in thousands)</u>	
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 644,928	66,996	<u>NT\$ 9.63</u>
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	2	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 644,928</u>	<u>66,998</u>	<u>NT\$ 9.63</u>

(30) Business combinations

A. ECOVE Solvent Recycling Corporation

- (a) On May 10, 2018, the Group acquired a 90% equity interest of ECOVE Solvent Recycling Corporation for a consideration of \$49,590 in the form of cash and obtained control over ECOVE Solvent Recycling Corporation which is primarily engaged in operating basic chemical industry and manufacture of other chemical products. As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.

- (b) The following table summarises the consideration paid for ECOVE Solvent Recycling Corporation and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>May 10, 2018</u>
Purchase consideration	
Cash paid	\$ 49,590
Non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets	<u>4,126</u>
	<u>53,716</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	150
Prepayments	291
Property, plant and equipment	68,492
Other non-current assets	588
Other payables	(143)
Other current liabilities	(325)
Long-term borrowings	<u>(27,800)</u>
Total identifiable net assets	<u>41,253</u>
Goodwill	<u>\$ 12,463</u>

- (c) The operating revenue included in the consolidated statement of comprehensive income since May 10, 2018 contributed by ECOVE Solvent Recycling Corporation was \$0. ECOVE Solvent Recycling Corporation also contributed loss before income tax of (\$1,892) over the same period. Had ECOVE Solvent Recycling Corporation been consolidated from January 1, 2018, the consolidated statement of comprehensive income for the nine-month period ended September 30, 2018 would show operating revenue of \$3,642,634 and profit before income tax of \$987,347.

B. ECOVE Solar Energy Corporation

- (a) On September 20, 2018, the Group acquired 50% of the shares by cash of NT\$455,384; therefore, the Group holds 100% of shares and obtained control of ECOVE Solar Energy Corporation.
- (b) The following table summarises the consideration paid for ECOVE Solar Energy Corporation and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>September 20, 2018</u>
Purchase consideration	
Cash paid	\$ 455,384
Fair value of equity interest in ECOVE Solar Energy Corporation held before the business combination	<u>388,193</u>
	<u>843,577</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	298,165
Accounts receivable	13,501
Other receivables	5,509
Prepayments	29,536
Property, plant and equipment	1,533,559
Deferred tax assets	1,516
Other non-current assets	721,902
Short-term borrowings	(143,000)
Accounts payable	(5,245)
Current tax liabilities	(8,903)
Other payables	(33,310)
Other current liabilities	(138,880)
Long-term borrowings	(1,376,650)
Deferred tax liabilities	(2,773)
Other non-current liabilities	(175,040)
Total identifiable net assets	<u>719,887</u>
Goodwill	<u>\$ 123,690</u>

- (c) The operating revenue included in the consolidated statement of comprehensive income since September 20, 2018 contributed by ECOVE Solar Energy Corporation was \$14,517. ECOVE Solar Energy Corporation also contributed profit before income tax of \$5,291 over the same period. Had ECOVE Solar Energy Corporation been consolidated from January 1, 2018, the consolidated statement of comprehensive income for the nine-month period ended September 30, 2018 would show operating revenue of \$3,825,793 and profit before income tax of \$1,033,735.

(31) Operating leases

Prior to 2018

- A. The Group leases offices and dormitories under non-cancellable operating lease agreements. These leases have terms expiring between 1 year and 16 years. The Group recognised rental expenses of \$10,189 and \$31,131, for these leases for the three-month and nine-month periods ended September 30, 2018, respectively.
- B. In order to build the refuse incineration plant, the Group obtained the land-use right amounting to \$114,902. For the three-month and nine-month periods ended September 30, 2018, the rent is amortized on a straight-line basis during construction or operation both amounting to \$1,494 and \$4,482, respectively.

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

	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Less than one year	\$ 29,633	\$ 37,130
More than one year but not less than five years	33,134	106,859
More than five years	29,213	284,106
	<u>\$ 91,980</u>	<u>\$ 428,095</u>

The Group has leases contracts that are charged for the service per unit in accordance with electricity production. As such, there is no minimum lease payments for those contracts.

(32) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2019	\$ 52,000	\$ 1,551,854	\$ 1,603,854
Changes in cash flow from financing activities	117,000	63,656	180,656
Impact of changes in foreign exchange rate	-	3,397	3,397
At September 30, 2019	<u>\$ 169,000</u>	<u>\$ 1,618,907</u>	<u>\$ 1,787,907</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by CTCI Corporation (incorporated in R.O.C.), which owns 57.31% of the Company's shares. The remaining 42.69% of the shares are widely held by the public.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
CTCI Corp.	Ultimate parent company
CTCI Chemical Corp.	Associate
CTCI Machinery Corp.	Associate
Ever Ecove Corporation	Associate
E&C Engineering Corp.	Associate
ECOVE Solar Energy Corporation	This entity became a subsidiary on September 20, 2018; before this date, the entity was a joint venture.

(3) Significant transactions and balances with related parties

A. Operating revenue

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenue:		
Ultimate parent company	\$ 623	\$ 4,268
Associates	-	-
	<u>\$ 623</u>	<u>\$ 4,268</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenue:		
Ultimate parent company	\$ 8,779	\$ 24,834
Associates	22	-
	<u>\$ 8,801</u>	<u>\$ 24,834</u>

- (a) The prices on the operating, removal and transportation contracts entered into with related parties are set through negotiation by both parties. The collection terms were 30 days and approximately the same as those with third parties.
- (b) According to Financial-Supervisory-Securities-Firms No. 0990100279 of the GreTai Securities Market, the company provides illustrations as follow:

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

B. Purchases of goods and services

	For the three-month periods ended September 30,	
	2019	2018
Purchases of goods and services:		
Ultimate parent company	\$ 1,400	\$ 2,196
Associates	45,144	40,381
	<u>\$ 46,544</u>	<u>\$ 42,577</u>

	For the nine-month periods ended September 30,	
	2019	2018
Purchases of goods and services:		
Ultimate parent company	\$ 3,771	\$ 4,427
Associates	129,261	126,405
	<u>\$ 133,032</u>	<u>\$ 130,832</u>

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

C. Period-end balances arising from sales of services

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable:			
Ultimate parent company	<u>\$ 885</u>	<u>\$ 1,717</u>	<u>\$ 15,699</u>

D. Period-end balances arising from purchases of services

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts payable:			
Ultimate parent company	\$ 8,062	\$ 4,260	\$ 3,299
Associates	33,658	19,151	30,308
	<u>\$ 41,720</u>	<u>\$ 23,411</u>	<u>\$ 33,607</u>

E. Other receivables-related parties

(a) Reclassified from accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Other receivables:			
Ultimate parent company	<u>\$ -</u>	<u>\$ 17,566</u>	<u>\$ 16,950</u>

Certain accounts receivable from related parties which are not on regular collection terms, were reclassified to "other receivables-related parties" whose aging is from 121 to 730 days.

(b) Others

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Other receivables:			
Associates (Note)	<u>\$ 765</u>	<u>\$ 74</u>	<u>\$ 218</u>

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

F. Loans to related parties

(a) Receivables from related parties

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Ultimate parent company	\$ -	\$ -	\$ -
CTCI Machinery Corp.	<u>30,012</u>	<u>7,006</u>	<u>7,006</u>
	<u>\$ 30,012</u>	<u>\$ 7,006</u>	<u>\$ 7,006</u>

(b) Interest income

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Ultimate parent company (Note 1)	\$ -	\$ 851
Associates (Note 2)	<u>12</u>	<u>18</u>
	<u>\$ 12</u>	<u>\$ 869</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Ultimate parent company (Note 1)	\$ -	\$ 2,471
Associates (Note 2)	<u>18</u>	<u>59</u>
	<u>\$ 18</u>	<u>\$ 2,530</u>

Note 1: The terms of lending include interest to be calculated and received monthly, using the annual rate of 0.81% for the nine-month period ended September 30, 2018.

Note 2: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.01% for both the nine-month periods ended September 30, 2019 and 2018, respectively.

G. Other income

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Associates	\$ 536	\$ 1,550
Joint ventures	-	779
	<u>\$ 536</u>	<u>\$ 2,329</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Associates	\$ 1,268	\$ 1,550
Joint ventures	-	2,555
	<u>\$ 1,268</u>	<u>\$ 4,105</u>

Note : The receivable is a result of the personnel's transfer from related parties and sales of scraps.

H. Other payables-related parties

(a) Operating expenses

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Ultimate parent company	\$ 7,563	\$ 2,348
Associates	-	-
	<u>\$ 7,563</u>	<u>\$ 2,348</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Ultimate parent company	\$ 12,546	\$ 6,168
Associates	26	25
	<u>\$ 12,572</u>	<u>\$ 6,193</u>

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

(b) As of September 30, 2019, December 31, 2018 and September 30, 2018, the unpaid amounts are as follows (shown as other payables):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Ultimate parent company	\$ 10,087	\$ 6,481	\$ 6,979
Associates (Note)	4,139	-	-
	<u>\$ 14,226</u>	<u>\$ 6,481</u>	<u>\$ 6,979</u>

I. Leasing arrangements - lessee

(a) As of September 30, 2019, the main lease contracts between the Group and related parties are as follows:

<u>Lessor</u>	<u>Lease object</u>	<u>Payment method</u>	<u>Lease term</u>
Ultimate parent company	Buildings and structures	\$ 252/ year	2019.1.1~2068.1.1
Associates	Buildings and structures	\$150/ month	2010.7.22~2029.7.21

(b) Lease liabilities

	<u>September 30, 2019</u>
Ultimate parent company	\$ 8,445
Associates	16,943
	<u>\$ 25,388</u>

(c) Interest expense on lease liabilities

	<u>For the three-month period ended September 30, 2018</u>
Ultimate parent company	\$ 21
Associates	29
Total	<u>\$ 50</u>

	<u>For the nine-month period ended September 30, 2018</u>
Ultimate parent company	\$ 50
Associates	89
Total	<u>\$ 139</u>

J. Property transactions:

(a) Acquisition of prepayments for business facilities

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Associates	<u>\$ 4,656</u>	<u>\$ 121,229</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Associates	<u>\$ 41,907</u>	<u>\$ 121,229</u>

(b) Acquisition of financial assets

	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>For the nine-month period ended September 30, 2018 Consideration</u>
Other related parties	Investments accounted for using equity method	31,622,726	ECOVE Solar Energy Corporation	<u>\$ 455,384</u>

K. Endorsements and guarantees for others

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Associates	<u>\$ 220,500</u>	<u>\$ -</u>	<u>\$ -</u>

(4) Key management compensation

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 8,290	\$ 9,990
Post-employment benefits	313	231
Total	<u>\$ 8,603</u>	<u>\$ 10,221</u>

	<u>For the nine-month periods ended September 30</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 25,449	\$ 30,261
Post-employment benefits	971	692
Total	<u>\$ 26,420</u>	<u>\$ 30,953</u>

8. PLEGGED ASSETS

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

Assets	Book value			Purposes
	September 30, 2019	December 31, 2018	September 30, 2018	
Other current assets				
Restricted bank deposits	\$ 47,293	\$ 40,940	\$ 21,624	Guarantee for bid and performance guarantee
Property, plant and equipment	200,756	169,997	125,013	Guarantee for long-term and short-term loans
Other non-current assets				
Long-term prepaid rents	-	16,530	17,106	Guarantee for long-term loans
Refundable deposits	<u>21,576</u>	<u>20,465</u>	<u>18,198</u>	Guarantee for rent, performance guarantee, tender bond and staff dormitory
	<u>\$ 269,625</u>	<u>\$ 247,932</u>	<u>\$ 181,941</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those items which have been disclosed in Note 6(10), the significant commitments and contingent liabilities of the Group as of September 30, 2019 were as follows:

- (1) The subsidiaries had entered into lines of credit agreements with several banks for guarantee payments under various service contracts. The subsidiaries had either issued guarantee notes or promissory notes for amounts drawn down under the line of credit agreements. As of September 30, 2019, the total amount of guarantee notes and promissory notes issued amounted to \$4,828,960.
- (2) As of September 30, 2019, for contractual guarantee, performance guarantee, waste collection and other guarantees, the subsidiaries have a performance letter of guarantee issued by the bank amounting to \$1,392,734.
- (3) As of September 30, 2019, the subsidiaries had outstanding commitments for service contracts amounting to \$241,157.
- (4) As of September 30, 2019, the subsidiaries had unused letters of credit for importing materials and sub-contract amounting to \$1,715.
- (5) On October 28, 2014, the Environmental Protection Bureau New Taipei City Government requested the subsidiary, ECOVE Environmental Service Corp. to pay a substantial amount of air pollution control fee of \$54,267 in accordance with the action stated in Bei-Huan-Kong-Zi Letter No. 1031588875 (the original action) and the judgement rendered by an administrative court of New Taipei City Government. ECOVE Environmental Service Corp., disagreed and filed an appeal for revocation of the original action and administrative decision on July 6, 2015, and was dismissed by

Taiwan High Administrative Court. Therefore, ECOVE Environmental Service Corp., filed an appeal to Supreme Administrative Court. On January 31, 2018, the Supreme Administrative Court reversed the Taiwan High Administrative Court's ruling and remanded the case to the Taiwan High Administrative Court. On May 14, 2019, the Taiwan High Administrative Court terminated the preparatory proceedings and the ruling would be pronounced on November 14, 2019, which was announced at the oral- argument session held on October 17, 2019.

Based on the opinion of ECOVE Environmental Service Corp.'s legal counsel the original action is unlawful and ineffective, thus, no loss was accrued.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

To integrate resources and improve operational efficiency on October 18, 2019, the Board of Directors of the subsidiary, ECOVE Solar Energy Corporation, has resolved to conduct a simple merger with its wholly-owned subsidiary, ECOVE Central Corporation Ltd., in accordance with Article 19 of the Enterprise Merger and Acquisition Act.

12. OTHERS

(1) Capital risk management

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2018.

The gearing ratios at September 30, 2019, December 31, 2018 and September 30, 2018 were as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Total borrowings	\$ 1,787,907	\$ 1,603,854	\$ 1,709,858
Total equity	\$ 5,346,983	\$ 5,421,359	\$ 5,230,152
Gearing ratio	33%	30%	33%

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 687,059	\$ 183,288	\$ 193,773
Financial assets at fair value through other comprehensive income Designation of equity instrument	114,976	102,744	122,903
Qualifying debt instrument	-	-	29,581
	<u>\$ 802,035</u>	<u>\$ 286,032</u>	<u>\$ 346,257</u>
	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial assets</u>			
Financial assets at amortized cost			
Cash and cash equivalents	\$ 621,400	\$ 1,543,162	\$ 1,480,222
Financial assets at amortized cost	166,121	301,238	209,926
Notes receivable	187	1,321	-
Accounts receivable	1,326,743	1,041,171	1,162,763
Accounts receivable- related parties	885	1,717	15,699
Other receivables	4,847	4,741	6,808
Other receivables- related parties	30,777	24,646	24,174
Refundable deposits paid	21,576	20,465	18,198
	<u>\$ 2,172,536</u>	<u>\$ 2,938,461</u>	<u>\$ 2,917,790</u>

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term			
borrowings	\$ 169,000	\$ 52,000	\$ 110,000
Notes payable	257	1,032	835
Accounts payable	670,112	535,797	599,240
Accounts payable-related parties	41,720	23,411	33,607
Other payables	360,613	467,937	383,721
Other payables - related parties	14,226	6,481	6,979
Lease liability-current	39,196	-	-
Long-term borrowings (including current portion)			
	1,618,907	1,551,854	1,599,858
Lease liability - non-current	71,760	-	-
Guarantee deposits received	187,888	190,295	184,066
	<u>\$ 3,173,679</u>	<u>\$ 2,828,807</u>	<u>\$ 2,918,306</u>

B. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group has certain investments in foreign operations, therefore, does not hedge the risk.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: MOP and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2019		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 474	31.027	\$ 14,707
CNY : NTD	1,421	4.353	6,186
MOP : NTD	50,055	3.836	192,011
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	4,325	3.836	16,591
	December 31, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 3,470	30.740	\$ 106,668
MOP : NTD	53,270	3.804	202,650
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	2,723	3.804	10,359

	September 30, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 6,934	30.505	\$ 211,522
MOP : NTD	54,929	3.782	207,741

Financial Liabilities

Monetary items

MOP : NTD	2,992	3.782	11,316
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v. The unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2019 and 2018 amounted to \$1,139, (\$188), \$3,187 and (\$1,144), respectively.

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

	For the nine-month period ended September 30, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1.00%	\$ 147	\$ -
CNY : NTD	1.00%	62	-
MOP : NTD	1.00%	1,920	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1.00%	166	-

For the nine-month period ended September 30, 2018

Sensitivity analysis

	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1.00%	\$ 2,115	\$ -
MOP : NTD	1.00%	2,077	-
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1.00%	113	-

Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the nine-month periods ended September 30, 2019 and 2018, the Group's borrowings at variable rate were denominated in NTD.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

iv. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2019, December 31, 2018 and September 30, 2018, the provision matrix is as follows:

	Excellent customers (Note 1)	General customers (Note 2)	Total
<u>At September 30, 2019</u>			
Expected loss rate	0%	0%	
Total book value	\$ 3,036,767	\$ 208,703	\$ 3,245,470
Loss allowance	\$ -	\$ -	\$ -

	Excellent customers (Note 1)	General customers (Note 2)	Total
<u>At December 31, 2018</u>			
Expected loss rate	0%	0%	
Total book value	\$ 2,981,673	\$ 195,775	\$ 3,177,448
Loss allowance	\$ -	\$ -	\$ -

	Excellent customers (Note 1)	General customers (Note 2)	Total
<u>At September 30, 2018</u>			
Expected loss rate	0%	0%	
Total book value	\$ 3,188,212	\$ 180,489	\$ 3,368,701
Loss allowance	\$ -	\$ -	\$ -

Note 1: Government institution, state-owned enterprises and listed companies.

Note 2: Customers who have not been included in Note 1.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

<u>September 30, 2019</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 170,627	\$ -
Notes payable	257	-
Accounts payable (including related parties)	711,832	-
Other payables (including related parties)	374,839	-
Lease liabilities	39,773	74,861
Long-term borrowings (including current portion)	136,257	1,704,710
Other non-current liabilities	187,888	-

Non-derivative financial liabilities

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 52,429	\$ -
Notes payable	1,032	-
Accounts payable (including related parties)	559,208	-
Other payables (including related parties)	474,418	-
Long-term borrowings (including current portion)	131,788	1,670,586
Other non-current liabilities	190,295	-

Non-derivative financial liabilities

<u>September 30, 2018</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 110,000	\$ -
Accounts payable (including related parties)	632,847	-
Other payables (including related parties)	390,700	-
Long-term borrowings (including current portion)	268,304	1,641,855
Other non-current liabilities	181,066	-

(3) Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the

Group's investment in listed stocks and beneficiary certificates is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

The related information of the nature of the assets and liabilities is as follows:

September 30, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 687,059	\$ -	\$ -	\$ 687,059
Financial assets at fair value through other comprehensive income				
Equity securities	<u>114,433</u>	<u>-</u>	<u>543</u>	<u>114,976</u>
Total	<u>\$ 801,492</u>	<u>\$ -</u>	<u>\$ 543</u>	<u>\$ 802,035</u>
December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 183,288	\$ -	\$ -	\$ 183,288
Financial assets at fair value through other comprehensive income				
Equity securities	<u>102,201</u>	<u>-</u>	<u>543</u>	<u>102,744</u>
Total	<u>\$ 285,489</u>	<u>\$ -</u>	<u>\$ 543</u>	<u>\$ 286,032</u>

September 30, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 193,773	\$ -	\$ -	\$ 193,773
Financial assets at fair value through other comprehensive income				
Equity securities	122,360	-	543	122,903
Bond securities	-	26,581	-	26,581
Total	<u>\$ 316,133</u>	<u>\$ 26,581</u>	<u>\$ 543</u>	<u>\$ 343,257</u>

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

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

D. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

E. For the nine-month periods ended September 30, 2019 and 2018, there were no transfers between Level 1 and Level 2.

F. For the nine-month periods ended September 30, 2019 and 2018, there were no input and output into Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.

- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. OPERATING SEGMENT FINANCIAL INFORMATION

(1) General information

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

(2) Segmental income, assets and liabilities

The segmental financial information provided to the chief operating decision-maker is as follows:

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue from external customers	\$ 1,464,221	\$ 1,246,295
Inter-segment revenue	470,742	451,124
Total segment revenue	<u>\$ 1,934,963</u>	<u>\$ 1,697,419</u>
Segment income	<u>\$ 356,962</u>	<u>\$ 311,764</u>
Depreciation	<u>\$ 76,117</u>	<u>\$ 13,850</u>
Amortisation	<u>\$ 2,423</u>	<u>\$ 3,642</u>

	For the nine-month periods ended September 30,	
	2019	2018
Revenue from external customers	\$ 4,003,612	\$ 3,641,149
Inter-segment revenue	1,310,867	1,181,757
Total segment revenue	\$ 5,314,479	\$ 4,822,906
Segment income	\$ 930,850	\$ 893,770
Depreciation	\$ 173,840	\$ 25,146
Amortisation	\$ 7,297	\$ 10,474

(3) Reconciliation information of segmental income

A reconciliation of adjusted EBITDA for reportable segment and income from continuing operations before income tax for the three-month and nine-month periods ended September 30, 2019 and 2018 is provided as follows:

	For the three-month periods ended September 30,	
	2019	2018
Adjusted EBITDA for reportable segment	\$ 356,962	\$ 311,764
Unrealized gain on financial instruments	-	777
Financial cost, net	(10,687)	(1,673)
Others	28,848	52,591
Income from continuing operations before income tax	\$ 375,123	\$ 363,459

	For the nine-month periods ended September 30,	
	2019	2018
Adjusted EBITDA for reportable segment	\$ 930,850	\$ 893,770
Unrealized gain on financial instruments	-	287
Financial cost, net	(30,351)	(2,800)
Others	79,106	98,924
Income from continuing operations before income tax	\$ 979,605	\$ 990,181

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Loans to others

For the nine-month period ended September 30, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2019 (Note 3)	Balance at September 30, 2019 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Other receivables-related parties	Yes	\$ 200,000	\$ 200,000	\$ 200,000	1.01%	2	\$ -	For operational needs	\$ -	- \$ -	\$ 482,901	\$ 1,931,604	-
1	ECOVE Waste Management Corp.	CTCI Machinery Corp.	"	"	7,000	5,000	-	-	"	"	"	-	- -	9,004	36,016	-
1	"	E&C Engineering Corp.	"	"	7,000	5,000	-	-	"	"	"	-	- -	9,004	36,016	-
2	ECOVE Environment Services Corp.	ECOVE Solvent Recycling Corporation	"	"	70,000	55,000	55,000	1.01%	"	"	"	-	- -	73,335	293,340	-
2	"	ECOVE Miaoli Energy Corporation	"	"	70,000	-	-	-	"	"	"	-	- -	73,335	293,340	-
2	"	CTCI Machinery Corp.	"	"	35,000	30,000	30,000	1.01%	"	"	"	-	- -	73,335	293,340	-
2	"	CTCI Corp.	"	"	70,000	30,000	-	-	"	"	"	-	- -	73,335	293,340	-
2	"	E&C Engineering Corp.	"	"	70,000	30,000	-	-	"	"	"	-	- -	73,335	293,340	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2019 (Note 3)	Balance at September 30, 2019 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote	
3	ECOVE Solar Energy Corporation	ECOVE South Corporation	Other receivables-related parties	Yes	\$ 14,000	\$ 14,000	\$ 14,000	1.71%	2	\$ -	For operational needs	\$ -	-	\$ -	\$ 416,149	\$ 416,149	-
3	"	ECOVE Solar Power Corporation	"	"	200,000	156,000	28,000	1.71%	"	"	"	-	-	-	416,149	416,149	-
3	"	ECOVE Central Corporation Ltd.	"	"	17,000	-	-	-	"	"	"	-	-	-	416,149	416,149	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

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

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the nine-month period ended September 30, 2019.

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

(1)The Business association is '1'.

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

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

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

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

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

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

(3) The limit on loans granted to a single party of ECOVE Solar Energy Corporation shall not exceed 40% of its net assets value.

(4) The ceiling on totals loans of ECOVE Solar Energy Corporation shall not exceed 40% of its net assets value.

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the nine-month period ended September 30, 2019

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 2

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Relationship with the endorser/ guarantor (Note 2)	Company name											
0	ECOVE Environment Corp.	ECOVE Solar Energy Corporation	2	\$ 9,658,022	\$ 1,931,212	\$ 1,927,008	\$ 1,129,759	\$ -	39.90%	\$ 14,487,033	Y	N	N	-
0	"	ECOVE Solar Power Corporation	2	9,658,022	317,000	317,000	199,374	-	6.56%	14,487,033	Y	N	N	-
0	"	EVER ECOVE Corporation	6	9,658,022	220,500	220,500	17,500	-	4.57%	14,487,033	N	N	N	-
0	"	ECOVE South Corporation Ltd.	2	9,658,022	150,000	150,000	-	-	3.11%	14,487,033	Y	N	N	-
0	"	ECOVE Solvent Recycling Corporation	2	9,658,022	155,800	155,800	56,000	-	3.23%	14,487,033	Y	N	N	-
1	ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	2	4,161,487	14,000	14,000	12,950	-	1.35%	6,242,231	N	N	N	-
1	"	ECOVE Central Corporation Ltd.	2	4,161,487	21,790	21,790	18,590	-	2.09%	6,242,231	N	N	N	-
1	"	ECOVE Solar Power Corporation	2	4,161,487	784,076	757,076	514,970	-	72.77%	6,242,231	N	N	N	-
2	ECOVE Solar Power Corporation	ECOVE Solar Energy Corporation	3	1,000,448	12,420	12,420	12,420	-	4.97%	1,500,672	N	N	N	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

(1)The limit on endorsements and guarantees granted to a single party shall not exceed 200% of the Company's net assets value in last financial statement which was audited by accountant.

(2)The ceiling on total endorsements and guarantees shall not exceed 300% of the Company's net assets value in last financial statement which was audited by accountant.

(3)The limit on endorsements and guarantees granted to a single party shall not exceed 400% of ECOVE Solar Energy Corporation and ECOVE Solar Power Corporation's net assets value in last financial statement which was audited by acc

(4)The ceiling on total endorsements and guarantees shall not exceed 600% of ECOVE Solar Energy Corporation and ECOVE Solar Power Corporation's net assets value in last financial statement which was audited by accountant.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement / guarantee contracts or promissory notes are signed / issued by the endorser / guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

September 30, 2019

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 3

Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	September 30, 2019				Footnote (Note 4)
	Type	Name			Number of shares/ denominations	Book value (Note 3)	Ownership (%)	Fair value	
ECOVE Environment Corp.	Fund	FSITC Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	783,350	\$ 140,047	-	\$ 140,107	-
"	"	Yuanta De-Li Money Market Fund	"	"	9,184,966	150,064		150,147	
				Adjustment		143			
						\$ 290,254			
"	Common Stock	Taiwan Cement Corp.	"	Financial assets at fair value through other comprehensive income-current	505,902	16,671	-	20,186	-
				Adjustment		3,515			
						\$ 20,186			
"	"	Teamwin Opto-Electronics Co., Ltd.	"	Financial assets at fair value through other comprehensive income-non-current	150,000	2,261	2.46%	475	-
"	"	Eastern Pacific Energy Sdn. Bhd	The Chairman of the Company is the Board of director	"	10,000	81	10.00%	68	-
		less: Accumulated impairment				(1,799)			
						\$ 543		\$ 543	
ECOVE Wujih Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	4,259,118	\$ 65,339	-	\$ 65,339	-
"	Common Stock	Taiwan Cement Corp.	"	Financial assets at fair value through other comprehensive income-current	508,845	20,303	-	20,303	-
ECOVE Environment Services Corp.	Fund	Schroder 2022 Maturity Emerging Market Quality Sovereign Bond Fund	"	Financial assets at fair value through profit or loss-current	35,000	10,965	-	10,965	-
"	"	Taishin 1699 Money Market Fund	"	"	10,325,882	140,063	-	140,063	-

Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	September 30, 2019				Footnote (Note 4)
	Type	Name			Number of shares/ denominations	Book value (Note 3)	Ownership (%)	Fair value	
ECOVE Environment Services Corp.	Common Stock	CTCI Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income-current	1,028	\$ 43	-	\$ 43	-
"	"	Taiwan Cement Corp.	N/A	"	1,339,745	53,456	-	53,456	-
ECOVE Waste Management Corp.	Fund	Taishin 1699 Money Market Fund	"	Financial assets at fair value through profit or loss-current	543,722	7,375	-	7,375	-
"	"	FSITC Taiwan Money Market Fund	"	"	7,759,670	119,040	-	119,040	-
"	"	FSITC Money Market Fund	"	"	290,854	52,021	-	52,021	-
"	Common Stock	Taiwan Cement Corp.	"	Financial assets at fair value through other comprehensive income-current	512,411	20,445	-	20,445	-
ECOVE Miaoli Energy Corporation	Fund	FSITC Taiwan Money Market Fund	"	Financial assets at fair value through profit or loss-current	130,532	2,002	-	2,002	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

For the nine-month period ended September 30, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)		Disposal (Note 3)			Balance as at September 30, 2019		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
ECOVE Environment Corp.	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	23,643,258	\$ 386,000	14,458,292	\$ 236,050	\$ 235,936	\$ 114	9,184,966	\$ 150,147
"	FSITC Money Market Fund	"	-	-	-	-	2,741,785	490,000	1,958,435	350,000	349,953	47	783,350	140,107
ECOVE Environmental Services Corp.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,366,412	45,470	21,427,257	290,000	14,467,787	195,689	195,452	237	10,325,882	140,063
ECOVE Wujih Energy Corp.	FSITC Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	1,191,406	212,670	1,191,406	212,787	212,670	117	-	-
ECOVE Waste Management Corp.	FSITC Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	777,808	139,000	486,953	87,010	86,993	17	290,855	52,021

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

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

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NTS\$300 million or 20% of paid-in capital or more.

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

For the nine-month period ended September 30, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	Affiliate	(Waste disposal (\$ revenue)	337,695	(59%)	30 days quarterly	No significant difference		\$ 75,677	22%	-
ECOVE Environment Services Corp.	"	"	(Operating revenue)	495,258	(19%)	"	"		115,579	14%	-
"	ECOVE Wujih Energy Corp.	"	"	202,171	(8%)	"	"		58,400	7%	-
"	ECOVE Miaoli Energy Corp.	"	"	114,815	(4%)	"	"		39,390	5%	-
ECOVE Waste Management Corp.	ECOVE Environment Services Corp.	"	Waste disposal cost	495,258	53%	"	"		(115,579)	(58%)	-
"	ECOVE Wujih Energy Corp.	"	"	337,695	36%	"	"		(75,677)	(38%)	-
ECOVE Wujih Energy Corp.	ECOVE Environment Services Corp.	"	Cost of services	202,171	70%	"	"		(58,400)	(86%)	-
ECOVE Miaoli Energy Corp.	"	"	"	114,815	94%	"	"		(39,390)	(99%)	-

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the "Unit price" and "Credit" term columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NTD\$10 per share, the 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 September 30, 2019

Table 6

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2019 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
ECOVE Environment Services Corp.	ECOVE Waste Management Corp.	Affiliate	\$ 115,579	4.59	\$ -	-	\$ -	\$ -
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	A subsidiary	202,126	Note 3	-	Note 3	-	-

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Other accounts receivable arise from lending capital.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the nine-month period ended September 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	ECOVE Environment Corp.	ECOVE Solar Energy Corporation	1	Other accounts receivable	\$ 202,126	-	2.19%
0	"	ECOVE Solar Energy Corporation	1	Endorsements and guarantees	1,927,008	-	N/A
0	"	ECOVE Solar Power Corporation	1	"	317,000	-	N/A
0	"	ECOVE South Corporation Ltd.	1	"	150,000	-	N/A
0	"	ECOVE Solvent Recycling Corporation	1	"	155,800	-	N/A
1	ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	3	Operating revenue	337,695	30 days quarterly	8.43%
2	ECOVE Environment Services Corp.	ECOVE Waste Management Corp.	"	"	495,258	"	12.37%
2	"	ECOVE Miaoli Energy Corp.	"	"	114,815	"	2.87%
2	"	ECOVE Wujih Energy Corp.	"	"	202,171	"	5.05%
2	"	ECOVE Waste Management Corp.	"	Accounts receivable	115,579	"	1.25%
3	ECOVE Solar Energy Corporation	ECOVE Solar Power Corporation	"	Endorsements and guarantees	757,076	-	N/A
4	SINO GAL-Waste Services Co., Ltd.	ECOVE Environment Services Corp.	2	Operating revenue	44,313	30 days quarterly	1.11%

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
Information on investees (not including investees in Mainland China)
For the nine-month period ended September 30, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	\$ 450,435	\$ 425,085	30,000,000	100.00%	\$ 912,601	\$ 214,943	\$ 213,165	A subsidiary
ECOVE Environment Corp.	ECOVE Environment Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance, etc.	339,921	339,921	14,065,936	93.15%	678,860	277,247	258,352	A subsidiary
ECOVE Environment Corp.	ECOVE Waste Management Corp.	Taiwan	Waste services, equipment and mechanical installation, waste clear, international trade and other environmental services, etc.	20,000	20,000	2,000,000	100.00%	90,039	45,255	44,962	A subsidiary
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	1,012,483	1,012,483	56,249,000	74.999%	992,885	101,203	75,901	A subsidiary
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	42,696	27,000	4,500,000	100.00%	39,321	82	67	A subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
ECOVE Environment Corp.	Bortech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Islands	Share holding and investment	\$ 309,489	\$ 309,489	13,333,333	20.00%	\$ 304,623	\$ 96,146	\$ 18,464	An investee under equity method
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Taiwan	Energy technology services etc.	1,062,348	762,349	84,078,782	100.00%	1,164,062	44,885	44,885	A subsidiary
ECOVE Environment Corp.	EVER ECOVE Corporation	Taiwan	Waste services, waste clean and co-generation	50,000	50,000	5,000,000	5.00%	48,758 (	11,385) (	578)	An investee under equity method
ECOVE Environment Corp.	ECOVE Solvent Recycling Corporation	Taiwan	Operating basic chemical industry and manufacture of other chemical products	86,480	86,480	8,099,000	89.99%	75,267 (	5,446) (	4,901)	A subsidiary
ECOVE Environment Services Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	-	6,000	-	-	-	214,943	1,778	Affiliate
ECOVE Environment Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	63,052	46,587	12,534	Affiliate
ECOVE Environment Services Corp.	ECOVE Miaoli Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	13	13	1,000	0.001%	16	101,203	-	Affiliate

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
ECOVE Environment Services Corp.	SINO GAL-Waste Services Co., Ltd.	Macau	Management of waste recycling site and maintenance of related mechanical and equipment etc.	\$ 4,964	\$ 4,964	-	30.00%	\$ 55,787	\$ 163,142	\$ 49,150	A subsidiary
ECOVE Environment Services Corp.	ECOVE Solvent Recycling Corporation	Taiwan	Operating basic chemical industry and manufacture of other chemical products	10	10	1,000	0.01%	8 (	5,446)	-	Affiliate
ECOVE Waste Management Corp.	ECOVE Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance, etc.	53	53	1,000	0.01%	29	277,247	-	Affiliate
ECOVE Waste Management Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	-	18,000	-	-	-	82	15	A subsidiary
ECOVE Solar Energy Corporation	ECOVE Solar Power Corporation	Taiwan	Energy technology services etc.	230,000	180,000	23,000,000	100.00%	250,112	12,861	12,861	A subsidiary
ECOVE Solar Energy Corporation	ECOVE Central Corporation Ltd.	Taiwan	Energy technology services etc.	7,500	7,500	750,000	100.00%	7,725 (	365) (	365)	A subsidiary
ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	Taiwan	Energy technology services etc.	30,500	16,500	3,050,000	100.00%	32,568	1,425	1,425	A subsidiary
ECOVE Solar Energy Corporation	G.D. International, LLC.	U.S.A.	Energy technology services etc.	189,197	189,197	-	100.00%	392,617	20,605	20,605	A subsidiary
G.D. International, LLC.	Lumberton Solar W2-090, LLC	U.S.A.	Energy technology services etc.	189,197	189,197	-	100.00%	391,713	20,612	20,612	A subsidiary

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the nine-month period ended September 30, 2019

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan to		Accumulated	Net income of investee for the nine-month period ended September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month periods ended September 30, 2019 (Note 2)(2)B	Book value of investments in Mainland China as of September 30, 2019	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2019	remitted back to Taiwan for the nine-month period ended September 30, 2019	remitted back to Taiwan	amount of remittance from Taiwan to Mainland China as of September 30, 2019					amount of investment income remitted back to Taiwan as of September 30, 2019	
ECOVE Environment Consulting Corp.	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.	\$ 4,147	1	\$ 4,147	-	-	\$ 4,147	\$ 5,535	93.16%	\$ 6,372	\$ 11,286	\$ 24,178	-
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
ECOVE Environment Corp.	\$ 4,147	\$ 4,147	\$ 2,897,407										

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

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

Note 2: In the 'Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019' column:

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

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

Note 4: Invested by ECOVE Environment Services Corp.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

For the nine-month period ended September 30, 2019

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 10

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the nine-month period ended September 30, 2019	Others
	Amount	%	Amount	%	Balance at September 30, 2019	%	Balance at September 30, 2019	Purpose	Maximum balance during the nine-month period ended September 30, 2019	Balance at September 30, 2019	Interest rate		
ECOVE Environment Consulting Corp.	(\$ 35,725)	1.39%	-	-	(\$ 31,024)	4.9%	\$ -	-	\$ -	\$ -	-	\$ -	-