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Annual Report 2018

ECOVE  崑鼎投資控股股份有限公司
ECOVE Environment Corporation

Printed on April 1st, 2019

Notice to readers

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

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I. LETTER TO SHAREHOLDERS

Dear Shareholders,

Thank you for taking the time to attend the Company's 2019 regular shareholder meeting. The Company's performance, revenue, and profits in the past year have been kept at a considerable level due to the teamwork and diligence of all colleagues. The Company's 2018 business overview and overview of the 2019 Business Plan and future development strategies are stated below.

1. 2018 Business Overview

(1) Operating Results

The consolidated operating revenue in 2018 was NT\$4,847,096,000 (values with unspecified currency hereafter are also NTD), which was a \$367,509,000 (8.2%) increase from the consolidated operating revenue in 2017. The consolidated operating expense was \$178,722,000, non-operating income and expenditure was \$105,854,000 and consolidated net profit after tax was \$806,912,000, an increase of \$45,573,000 from the consolidated net profit after tax in 2017. The Company's earnings per share was \$12.04, an increase of \$0.63 from the earnings per share of \$11.41 in 2017.

(2) Business Performance

Looking back to 2018, ECOVE not only maintained the existing waste management businesses and steadily increased revenue in the operations of processing facilities but also actively expanded the scope of services and won several contracts, which helped maintain the revenue, net profit after tax and earnings per share up to a certain level. The Company's new contracts include operations of energy-from-waste (EfW) plants and electro-mechanical engineering. On the basis of the current business services, we successfully obtained business opportunities, including the operations of other EfW plants and equipment maintenance, update and annual service projects of the MRT and Taoyuan Airport facilities. We've also successfully won the operation and Management (O&M) service contract extension of Macau EfW Plant. In the field of circular economy, the Company has continued to seek new investment opportunities and arrangements besides the PET bottle recycling business expansion in the affiliated company, BoReTech Co., Limited. For instance, we successfully acquired Taoyuan City Biomass Energy Center BOT project and entered the biomass energy and planning construction for a recycling facilities of new generation circular economy. The Company also invested in solvent distillation processing plants, turning process equipments into waste solvent recycling for reuse. In new energy field, we has bought the external equity of the joint venture company, GDDC, and contributed in the development, construction, operation and investment in solar power plant. In addition to successfully completing the construction, parallelization and sale electricity of several solar power plants in Taiwan, we has also acquired several new development rights that are under constructions, and large-scale projects have also been actively under development. Furthermore, the US New Jersey project has been in stable operation and its power generation efficiency meets expectation.

2. Overview of the 2019 Business Plan

Replacing linear economy with circular economy has become a global trend. Protecting the Earth is our mission and we shall intensify industrial distribution in the three core areas to make ECOVE the leading role of resource cycling in Taiwan.

(1) EfW and Waste Management

In terms of domestic development, other than consolidating existing businesses and implementing Taoyuan City biomass energy project, the Company have also cooperated with local governments for extension of EfW plants and the diversified waste treatment plan. Matured experiences and technologies overseas have been introduced to provide Total Solution. ECOVE has been actively developing new opportunities and participating in government bids. For overseas development, the

Company has entered ASEAN, China and India, proactively expressing our wishes to work with the local governments and collaborate with complementary companies. We have also actively engaged in forums of related fields and promoted overseas the successful model of EFW plants in PPP (BOT) approach as well as matured O&M (including ROT) ability in line with the Taiwanese government's New Southward Policy replicated abroad.

(2) Photovoltaic Power

In addition to the maintenance of stable operation for existing projects in domestic, ECOVE will implement the newly acquired projects to conduct commercial operation as planned, and expand the developments of the re-emerged landfill, water surface or other ground-type projects. In line with government expansionary policy, we combine resources from external partners, conduct careful evaluation, and proactively obtain large-scale project opportunities. For overseas, in addition to maintaining a stable operation for the US New Jersey project, ECOVE continues to develop suitable targets in major countries and emerging market and adheres to the green energy laws and policies in different countries in hopes of introducing strategic investment partners to expand investment scale and reduce financial burden and risks.

(3) Recycling

Waste isopropyl alcohol (IPA) recycling programs have been implemented with relentless investigation on various industrial conditions. Internal and external technical resources have been integrated to identify other types of recycling and reusable items in domestic and overseas markets, including recycling of valuable raw materials, waste or wastewater from industrial manufacture and daily waste products. Besides duplicating and promoting the successful model of the waste IPA recycling program, ECOVE has also actively evaluated the appropriate targets for mergers and acquisitions.

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

Finally, I wish you all health and prosperity.

Chairman

J. J. Liao

II. Company Profile

2.1 Date of Incorporation: Dec. 13, 1999

2.2 Company History

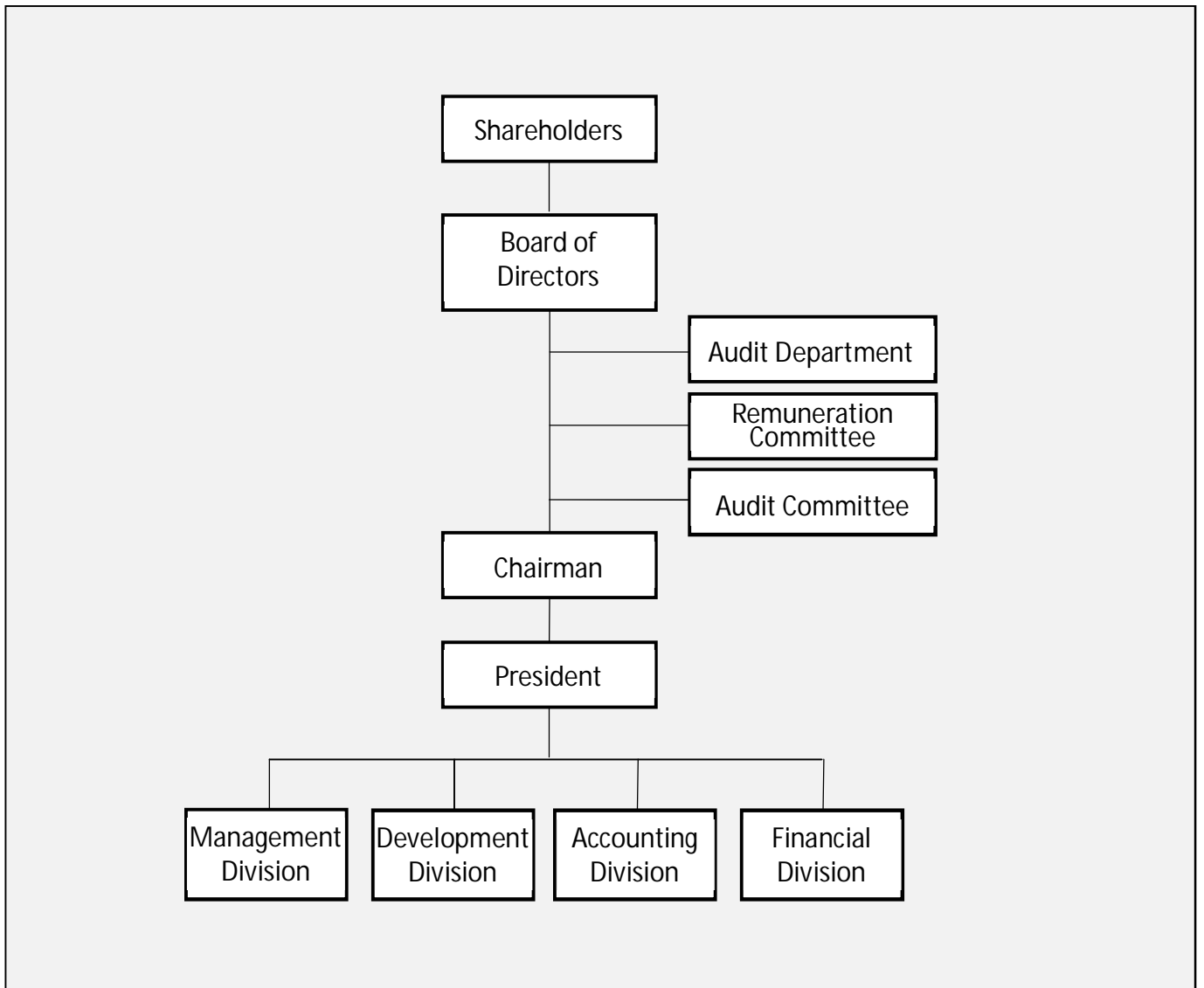
1999.12	CTCI Corp. and CTCI Investment Corp. co-founded ECOVE Environment Corp.
2001.05	In order to deal with waste business, ECOVE Environment Corp. wholly-owned to establish ECOVE Waste Management Corp.
2007.08	ECOVE Environment Corp. acquired 98% equity of ECOVE Wujih Energy Corp. and 93.16% equity of ECOVE Environment Services Corp.
2009.04	ECOVE Environment Services Corp. acquired the operation and maintenance of the Macao Waste Incineration Center and established a joint venture company, "SINOGAL - Waste Services Co., Ltd." in Macau under the joint contract agreement.
2010.05	ECOVE Environment Corp. shares were listed on the Taipei Stock on May 27, 2010.
2010.11	ECOVE Environment Corp. issued the first domestic unsecured conversion of corporate bonds.
2010.11	ECOVE Environment Corp. acquired 36% equity of ECOVE Miaoli Energy Corp.
2011.01	ECOVE Environment Corp. continued to acquired 39% equity of ECOVE Miaoli Energy Corp., holding a total of 75% equity of ECOVE Miaoli Energy Corp.
2011.06	ECOVE Environment Corp. and Gintech Energy Corp. each invested 50% to establish "ECOVE Solar Energy Corp."
2011.12	ECOVE Environment Corp. set up salary and compensation committee.
2013.07	ECOVE Environment Services Corp. wholly-owned to establish "ECOVE Environment Consulting Corp."
2014.06	ECOVE Environment Corp. set up audit committee.
2014.07	ECOVE Environment Corp. invested BORETECH Resource Recovery Engineering Co., Ltd. (Cayman), participate in the Recycle Polyethylene Terephthalate.
2016.06	The voting power at the 2016 Annual General Shareholders' Meeting can be exercised by way of electronic transmission and adopt nominations for candidates through election of directors.
2016.10	ECOVE Environment Service Corp. won "2016 National Standardization - Corporate Standardization Award" from Ministry of Economic Affairs
2016.11	ECOVE Environment Service Corp. won "2016 National Occupational Safety & Health Award" from Ministry of Labor
2017.08	New Brand 「ECOVE」
2017.11	ECOVE Environment Corp. received the world's first BSI 8001 circular economy certification from BSI.
2017.11	ECOVE Environment Corp. received "Circular Economy Sustainability Award" from BSI.
2018.05	ECOVE Environment Corp. invested ECOVE Solvent Recycling Corp. to develop W-IPA recycling business.
2018.05	ECOVE Environment Corp. ranked "Top 5% of Corporate Governance Evaluation" for 4 consecutive years
2018.06	ECOVE Environment Corp. for 2 consecutive years was acquired "Sustainability

	Report AA1000 Certificate" by BSI.
2018.07	Miaoli Plant won 2017 EfW Premium Performance Award EPA
2018.08	ECOVE Environment Corp. won Taoyuan Biomass-energy Center BOT project and invested EVER ECOVE Corp.
2018.08	For the third consecutive year, ECOVE Environment Corp. ranked 3rd in the world magazine "Excellence in CSR medium-size enterprise sector.
2018.09	ECOVE Environment Corp. acquired 100% equity of ECOVE Solar Energy Corp.
2018.11	ECOVE Environment Corp. for 2 consecutive years won BS8001 Certificate from BSI.
2018.12	ECOVE Environment Corp. awarded the "2018 National Sustainable Development Award" from Executive Yuan.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Operations and functions of the various departments

Department	Operations & Functions
Audit Department (Immediate Board of Directors)	<ul style="list-style-type: none"> ● Responsible for inspecting and reviewing defects in the internal control systems for the Company and its subsidiaries' business continuity, providing timely recommendations for improvements to reasonably ensure the sustained operating effectiveness of the systems
Executive Management Operations (EMO)	<ul style="list-style-type: none"> ● Provides general administration and management. ● Supervises and manages operations and business of subsidiary companies. ● Integrates and coordinates application of resources of subsidiary companies. ● Supports the investment development businesses.
Marketing Development Dept.	<ul style="list-style-type: none"> ● Produces investment and development plans. ● Conducts investment risk assessments.
Finance Dept.	<ul style="list-style-type: none"> ● Oversees regular payment, fund collection, and capital management. ● Makes transactions with financial institutions. ● Provides interest rate analysis and hedging plans. ● Conducts long-term fundraising and obtains short-term financing. ● Supports project financial analyses and financial risk assessments. ● Conducts investment risk assessments.
Accounting Dept.	<ul style="list-style-type: none"> ● Provides regular reimbursement for accounts receivable and payable. ● Prepares accounting and budgetary statements. ● Prepares routine taxation filing and deduction operations. ● Submits applications for investment tax credits. ● Establishes and improves accounting system.

3.2 Directors and Management Team

3.2.1 Directors

April 2nd, 2018

Title	Nationality	Name	Male/ Female	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Rep. of juridical person)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C.	J. J. Liao (Rep. of CTCI Corp.)	Male	Jun. 26, 2017	3	Jun. 26, 2017	38,457,105 (59,500)	57.3087 (0.0887)	38,457,105 (2,000)	57.3087 (0.0030)	250	0.0004	0	0	President of ECOVE Environment Corp. Chairman of ECOVE Environmental Services Corp. Chairman of ECOVE Wujih Energy Corp. Chairman of ECOVE Miaoli Energy Corp. Chairman of ECOVE Waste Management Corp. Chairman of ECOVE Solar Energy Corp. Managing Director of ECOVE Environment Consulting Corp. Director of SINO GAL- Waste Services Co., Ltd. Chairman of ECOVE Solar Energy Corp.	Director of ECOVE Environmental Services Corp. Director of ECOVE Wujih Energy Corp. Director of ECOVE Miaoli Energy Corp. Director of ECOVE Waste Management Corp. Director of ECOVE Solar Energy Corp. Vice Chairman of BORETECH Resource Recovery Engineering Co., Ltd. (Cayman) Chairman of Yuan Ding Resources Management Corp. Director of ECOVE Solvent Recycling Corp. Director of EVER ECOVE Corp.	-	-	-
Director	R.O.C.	Y. P. Shih (Rep. of CTCI Corp.)	Male	Jun. 26, 2017	3	Jun. 26, 2017	38,457,105 (25,000)	57.3087 (0.0373)	38,457,105 (6,000)	57.3087 (0.0089)	0	0	0	0	M.S., Civil Engineering, University of Washington B.S., Environmental Engineering, National Chung Hsing University, Taiwan Vice President of ECOVE Environment Corp. President of ECOVE Waste Management Corp.	President of ECOVE Environment Corp. Chairman of ECOVE Environmental Services Corp. Chairman of ECOVE Wujih Energy Corp. Chairman of ECOVE Miaoli Energy Corp. Chairman of ECOVE Waste Management Corp. Managing Director of ECOVE Environment Consulting Corp. Director of SINO GAL-	-	-	-

																	Waste Services Co., Ltd. -Director of BORETECH Resource Recovery Engineering Co., Ltd. (Cayman) -Director/President of Yuan Ding Resources Management Corp. -Chairman of ECOVE Solvent Recycling Corp. -Chairman/President of ECOVE Solar Energy Corp. -Chairman/President of ECOVE Solar Power Corp. -Director of ECOVE Central Corp. Ltd. -Director of ECOVE South Corp. Ltd.			
Director	R.O.C.	Kuan Shen Wang (Rep. of Parkwell Investment Corp.)	Male	Jun. 26, 2017	3	Jun. 23, 2014	1,060,000 (0)	1.5796 (0.00)	1,060,000 (0)	1.5796 (0.00)	0	0	0	0	-Master in Management, S.M. of MIT Sloan School	-Managing Director of United Capital Management - Independent Director of Quanta Storage Inc. -Supervisor of Chime Ball Technology Co., Ltd.	-	-	-	
Director	R.O.C.	Yangming Liu	Male	Jun. 26, 2017	3	Sep. 30, 2009	0	0	0	0	0	0	0	-Attorney at-law in China -EMBA National Taiwan University -L.L.B. Fujen Catholic University -Arbitrator of CAAI	-Senior Partner, LIU & Co. Law Offices -Director, Sunshine Social Welfare Foundation -Chief Legal Counsel for Beijing DHH Law Firm - Asian-Pacific Region -Director, Association of Cross-Strait Legal Exchange	-	-	-		
Director	R.O.C.	Wen Whe Pan	Male	Jun. 26, 2017	3	Jun. 17, 2011	0	0	0	0	0	0	0	-PhD. Polymer Fiber, North Carolina State University -Vice Chairman, So Yang Co. Enterprises, Ltd. -Supervisor, Board of Director, Unimicron Corp. -Engineering Leader, Laboratory Supervisor,	-CEO & Director of United Renewable Energy Col, Ltd. -Director, Utech Solar Corporation	-	-	-		

															Sumitomo Electric Industries Ltd.				
Director	R.O.C.	Eugene Chien	Male	Jun. 26, 2017	3	Jun. 22, 2015	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> -Ph. D. Aeronautics and Astronautics, New York University, USA -Minister of Foreign Affairs/Minister of Transportation and Communications -Minister of the Environmental Protection Administration -Representative, Taipei Representative Office in the U.K./Legislator, Legislative Yuan (Parliament) -Professor and Dean, College of Engineering, Tamkang University 	<ul style="list-style-type: none"> -Chairman, Taiwan Institute for Sustainable Energy(TAISE) -Independent Director of EVA Airways Corp. -Independent Director of Far Eastern Department Stores Ltd. -Chairman, CTCL Education Foundation 	-	-	-
Independent Director	R.O.C.	Shean Bii Chiu	Male	Jun. 26, 2017	3	Sep. 30, 2009	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> -Ph. D in Finance, University of Washington (Seattle) U.S.A. -MBA, University of Washington (Seattle) U.S.A. -Chairman of Department of Finance, National Taiwan University -Chairman of Pension Fund Association, R.O.C. 	<ul style="list-style-type: none"> -Professor, Department of Finance, National Taiwan University -Independent Director of Airmate (Cayman) International Co. Limited -Independent Director of Long Chen Paper Co., Ltd. -Independent Director of Airmate (Cayman) International Co. Limited -Director of Taipei Exchange 	-	-	-
Independent Director	R.O.C.	Shuh Woei Yu	Male	Jun. 26, 2017	3	Jun. 26, 2017	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> -Doctor of Engineering, Tulane University -Bachelor of Science, Department of Chemical Engineering, National Taiwan University -Professor, Graduate Institute of Environmental Engineering, National Central University -General Director, Center for 	<ul style="list-style-type: none"> -Chairman, Safety and Health Technology Center 	-	-	-

															Environmental Safety and Health Technology Development, Industrial Technology Research Institute -Professor, Department of Chemical Engineering, National Central University				
Independent Director	R.O.C.	James Tsai	Male	Jun. 26, 2017	3	Jun. 26, 2017	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> -Master in Accounting, Graduate Institute of Accounting, National Chengchi University -Master in Law, College of Law, National Chengchi University -Vice CEO, CEO, Deputy Chairman, PricewaterhouseCoopers, Taiwan -President, PricewaterhouseCoopers Management Consulting Company Ltd. -Vice Chairman, Fuh Hwa Securities Investment Trust Co., Ltd. -Managing Director, Accounting Research and Development Foundation, and Chairman, Auditing Standards Committee -Director and Managing Director, Taiwan Corporate Governance Association -Consultant, Public Service Pension Fund Supervisory Board 	<ul style="list-style-type: none"> -Associate Professor, Department of Accounting, National Chengchi University -Board Director, Trans Globe Life Insurance Inc. -Chairman, Jia Guang Enterprise Co., Ltd. -Chairman, Wan Shi Da Enterprise Co., Ltd. -Board Director, Orient Recreation and Development Corp. -Board Director, FCB Leasing Co., Ltd. -Board Director, FCB International Leasing Co., Ltd. -Board Director, FCB Leasing (Xiamen) Co., Ltd. -Board Director, Tuntex Incorporation -Independent Director of the Board, Tanvex BioPharma, Inc. -Independent Director of the Board, Sunny Friend Environmental Technology Co., Ltd. -Independent Director of the Board, Chien Kuo Construction Co., Ltd. 	-	-	-

3.2.2 Major shareholders of the institutional shareholders

April 1st, 2019

Name of institutional shareholders	Major shareholders of the institutional shareholders
CTCI Corporation	CTCI Foundation (7.97%)、CTBC Bank Co., Ltd. (CTCI Corporation Employee Stock Ownership Trust) (7.28%)、Fubon Life Insurance Co., Ltd. (6.06%)、Blackrock Global Funds-Asian Growth Leaders (4.35%)、CTBC Bank Co., Ltd. (Sustainability Employee Stock Ownership Trust) (3.86%)、Chunghwa Post Co., Ltd. (3.00%)、American Funds Developing World Growth and Income Fund (2.77%)、KGI Bank (2.07%)、USI Corporation (1.99%)、Asia Polymer Corporation (1.90%)
Parkwell Investment Corp.	Hong Kong Parkwell Investment Corp. (99.97%)

3.2.3 Major shareholders of the major shareholders that are juridical persons

April 1st, 2019

Name of juridical persons	Major shareholders of the juridical persons
CTCI Foundation (7.97%)	N/A
CTBC Bank Co., Ltd. (CTCI Corporation Employee Stock Ownership Trust) (7.28%)	N/A
Fubon Life Insurance Co., Ltd. (6.06%)	Fubon Financial Holding Co., Ltd. (100%)
Blackrock Global Funds-Asian Growth Leaders (4.35%)	N/A
CTBC Bank Co., Ltd. (Sustainability Employee Stock Ownership Trust) (3.86%)	N/A
Chunghwa Post Co., Ltd. (3.00%)	Ministry of Transportation and Communications (100%)
American Funds Developing World Growth and Income Fund (2.77%)	N/A
KGI Bank (2.07%)	China Development Financial Holding Corp. (100%)
USI Corporation (1.99%)	Shing Lee Enterprise (Hong Kong) Limited(14.62%)、Bank of Taiwan is entrusted to take care of its investment company(9.25%)、Asia Polymer Corporation(8.53%)、Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account (1.80%)、Yueh Hsing Hua Investment Co., Ltd. (1.73%)、Lin Su Shan Shan (1.67%)、Yu Wen-Tsung (1.41%)、Yu Wen-Yu (1.41%)、Yu Wen-Hsuan (1.41%)、Taita Chemical Company, Ltd. (1.27%)
Asia Polymer Corporation (1.90)(Note 1)	Union Polymer Int'l Investment Corp. (36.08%)、Tai Lien International Investment Co., Ltd. (3.78%)、Dunbei Branch of Standard Chartered Bank (Taiwan) Limited as custodian of iShares Core MSCI Emerging Market

	Index ETF Investment Account (1.63%)、TransGlobe Life Insurance Inc. (1.33%)、JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.95%)、Citibank (Taiwan) as custodian of Dimension Emerging Market Assessment Fund Investment Account (0.92%)、China General Terminal & Distribution Corporation (0.89%)、JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Group's Vanguard Emerging Market Stock Index Fund (0.82%)、Citibank (Taiwan) as custodian of Dimensional Fund Advisors' Emerging Markets Core Securities Portfolio Investment Account (0.76%)、Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account (0.67%)
Hong Kong Parkwell Investment Corp. (99.97%)	Wang Kuan Shen(50%)、United Investments Company(50%)

Note 1 : Asia Polymer Corporation Book closure date :2017.07.30

Professional qualifications and independence analysis of directors and supervisors

April 1st, 2019

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company's affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.4 Management Team

April 1st, 2019

Title	Nationality	Name	Male/ Female	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C.	Y. P. Shih	Male	Jun. 26, 2017	6,000	0.0089	0	0	0	0	-M.S., Civil Engineering, University of Washington -Environmental Engineering, National Chung Hsing University, Taiwan -Leader, Environmental Protection Administration, EY -Technical Specialist, Environmental Protection Administration, EY -President of ECOVE Waste Management Corp.	-Chairman of ECOVE Environmental Services Corp. -Chairman of ECOVE Wujih Energy Corp. -Chairman of ECOVE Miaoli Energy Corp. -Chairman of ECOVE Waste Management Corp. -Managing Director of ECOVE Environment Consulting Corp. -Director of SINO GAL-Waste Services Co., Ltd. -Director of BORETECH Resource Recovery Engineering Co., Ltd. (Cayman) -Director/President of Yuan Ding Resources Management Corp. -Chairman of ECOVE Solvent Recycling Corp. -Chairman/President of ECOVE Solar Energy Corp. -Chairman/President of ECOVE Solar Power Corp. -Director of ECOVE Central Corp. Ltd. -Director of ECOVE South Corp. Ltd.	-	-	-
Special Assistant to the President	R.O.C.	B. J. Liang (Note 1)	Male	Jun. 01, 2018	0	0	1,285	0.0019	0	0	-Master of Business Administration, National Chengchi University -Master of Technology Management, National Chengchi University	—	-	-	-
Financial Officer	R.O.C.	Catherine Huang	Female	Aug. 15, 2017	40,000	0.0596	0	0	0	0	-Bachelor of International Trade, Tunghai University -Master of Library and Information Study, McGill University -Financial & Accounting Manager, Sinogal Waste Services Co., Ltd. -Section Manager of Finance Dept., CTCI Corp.	—	-	-	-

Accounting Officer	R.O.C.	Tanching Yao	Female	Nov. 3, 2015	0	0	0	0	0	0	-LYIT Department of International Trade - Accounting Officer of BoReTech Co., Ltd. -Section manager of Accounting Dept., CTCI Corp.	-Accounting Officer of ECOVE Miaoli Energy Corp. -Accounting Officer of ECOVE Solar Energy Corp. -Accounting Officer of Yuan Ding Resources Management Corp. -Accounting Officer of ECOVE Solvent Recycling Corp.	-	-	-
President	R.O.C.	Y. P. Shih	Male	Jun. 26, 2017	6,000	0.0089	0	0	0	0	-M.S., Civil Engineering, University of Washington -Environmental Engineering, National Chung Hsing University, Taiwan -Leader, Environmental Protection Administration, EY -Technical Specialist, Environmental Protection Administration, EY -President of ECOVE Waste Management Corp.	-Chairman of ECOVE Environmental Services Corp. -Chairman of ECOVE Wujih Energy Corp. -Chairman of ECOVE Miaoli Energy Corp. -Chairman of ECOVE Waste Management Corp. -Managing Director of ECOVE Environment Consulting Corp. -Director of SINO GAL-Waste Services Co., Ltd. -Director of BORETECH Resource Recovery Engineering Co., Ltd. (Cayman) -Director/President of Yuan Ding Resources Management Corp. -Chairman of ECOVE Solvent Recycling Corp. -Chairman of ECOVE Solar Energy Corp.	-	-	-

Note1: B. J. Liang resigned on Oct. 10, 2018, expose only the information during the job.

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

3.3.1 Remuneration of Directors

December 31st, 2018; Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees						Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary		
		Base Compensation(A)		Pension Fund(B)		Compensation of directors (C)		Allowances(D)				Salary, Bonuses, and Allowances (E)		Pension Fund (F)		Compensation of employees (G)						
		ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities	Cash	Stock	Cash	Stock		ECOVE	All Consolidated Entities
Seventh Chairman	J. J. Liao																					
Director	Y. P. Shih																					
Director	Kuan Shen Wang																					
Director	Yangming Liu																					
Director	Wen-Whe Pan	5,600	5,600	0	0	5,200	5,200	1,026	1,146	1.47	1.48	13,666	13,666	548	548	158	0	158	0	3.25	3.26	None
Director	Eugene Chien																					
Independent director	Shean-Bii Chiu																					
Independent director	Shuh Woei Yu																					
Independent director	James Tsai																					

Note: In addition to the disclosure in the above table, the remuneration received by the company's directors for providing services to all companies in the financial report (such as serving as a non-employee consultant) in the most recent year: 0

Remuneration class

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities
Under NT\$ 2,000,000	J. J. Liao, Y. P. Shih, Yangming Liu, Wen Whe Pan, Eugene Chien, Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Shean-Bii Chiu, Shuh Woei Yu, James Tsai	J. J. Liao, Y. P. Shih, Yangming Liu, Wen Whe Pan, Eugene Chien, Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Shean-Bii Chiu, Shuh Woei Yu, James Tsai	Yangming Liu, Wen Whe Pan, Eugene Chien, Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Shean-Bii Chiu, Shuh Woei Yu, James Tsai	Yangming Liu, Wen Whe Pan, Eugene Chien, Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Shean-Bii Chiu, Shuh Woei Yu, James Tsai
NT\$2,000,000 ~ NT\$5,000,000	(Rep. of CTCL Corporation)	(Rep. of CTCL Corporation)	(Rep. of CTCL Corporation)	(Rep. of CTCL Corporation)
NT\$5,000,000 ~ NT\$10,000,000	-	-	J. J. Liao, Y. P. Shih	J. J. Liao, Y. P. Shih
NT\$10,000,000 ~ NT\$15,000,000	-	-	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total				

3.3.2 Compensation of President and Executive Vice President

December 31st, 2018; Unit: NT\$ thousands; thousand shares

Title	Name	Salary(A)		Pension Fund (B) (Note)		Bonuses and Allowances (C)		Compensation of employees (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the president and executive vice president from an invested company other than the company's subsidiary
		ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities	ECOVE		All Consolidated Entities		ECOVE	All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Yun-Peng Shih	4,084	4,084	191	191	2,543	2,543	73	0	73	0	0.85	0.85	None
Special Assistant of President	B.J. Liang													

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

Note 2: Special Assistant of President B.J. Liang resigned on Oct. 10, 2018, expose only the information during the job.

Remuneration class

Bracket	Name of President and Executive Vice President	
	ECOVE	All Consolidated Entities
Under NT\$ 2,000,000	B.J. Liang	B.J. Liang
NT\$2,000,000 ~ NT\$5,000,000	-	-
NT\$5,000,000 ~ NT\$10,000,000	Yun-Peng Shih	Yun-Peng Shih
NT\$10,000,000 ~ NT\$15,000,000	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	-	-

Compensation of employees to Management Team

December 31st, 2018 Unit: NT\$ thousands

	Title	Name	Compensation of employees - in Stock (Fair Market Value)	Compensation of employees - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Chairman	J.J Liao	0	222	222	0.03
	President	Yun-Peng Shih				
	Finance Manager	Chung-Lei Huang				
	Accounting Manager	Tan-Ching Yao				

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

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

Unit: NT\$ thousands

Title	2017		2018	
	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities
	Ratio to net income (%)	Ratio to net income (%)	Ratio to net income (%)	Ratio to net income (%)
Directors	1.55	1.62	1.47	1.48
Presidents and Vice President	1.19	1.19	0.85	0.85

1. The compensation of Directors

Compensations to the Company's directors include remunerations, bonuses and allowances.

Remunerations to directors: Article 23 of the Company's Articles of Incorporation provides that the Board of Directors shall be authorized to decide the compensations to directors and the chairperson based on the contributions of each director to the Company and with reference to the remuneration standards within the industry.

Bonuses to directors: Article 29 of the Company's Articles of Incorporation provides that when the Company makes a profit in the current year, the profit shall be allocated with priority for settlement of the cumulative losses and a portion no more than 2 percent shall be allocated for directors' remunerations through a resolution of the Board.

Allowances to directors: This allowance is mainly allocated with reference to the allowances standards within the industry and the standards of listed companies to pay for the commuting expenses and compensations for attendance. All directors and members of the supervisory board listed in the financial report are paid with the same standards.

2. The compensation of Presidents and Vice President.

Structure of compensations to the President and Vice Presidents is formed by two parts: fixed salary and variable pay. The fixed salary is a monthly recurring pay, and variable pay includes employee bonuses, annual bonus and employee stock options, which are determined based on the personal annual performance evaluation. The annual performance evaluation includes qualitative indicators (e.g., work-related core competencies, potential for future development, etc.) and quantitative indicators (e.g., personal achievement of the goals, rate of achievement, expected targets, etc.).

Employee bonuses are determined based on the Company's Articles of Incorporation and the annual bonus is determined based on the operating performance of the year with agreement of the Company's Personnel Committee and Remuneration Committee through a resolution of the Board.

Employees' stock options include general and bonus stock options. The general stock options, given to outstanding individuals with direct contributions to the Company, are calculated by rank, seniority and annual performance evaluation, decided by the Chairperson and approved by the Remuneration Committee and the Board of Directors.

3. Association between remuneration and future risks

The procedure for determining the compensations was carried out in accordance with the Standards for Performance Evaluation of Directors and Managers and Compensations System approved by the Board of Directors. Reasonable compensations are determined based on the Company's operating performance, personal performance and each individual's contributions to the Company with reference to the industrial standards. The Remuneration Committee and Board of Directors check the reasonableness of remuneration regularly and review the compensation system whenever necessary to meet the requirements of the actual operations and relevant laws and regulations. The directors, President and Vice presidents shall not be led to engage in activities that exceed the Company's risk appetite in pursuit of remuneration to prevent the Company from losses after paying the remuneration.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 8 meetings of the board of directors were held in the previous period, Directors' attendance was as follows: (As of March 31, 2019)

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	J. J. Liao (Rep. of CTCL Corporation)	8	0	100	—
Director	Y. P. Shih (Rep. of CTCL Corporation)	8	0	100	—
Director	Kuan Shen Wang (Rep. of Parkwell Investment Corp.)	7	1	87.5	—
Director	Yangming Liu	8	0	100	—
Director	Wen Whe Pan	5	3	62.5	—
Director	Eugene Chien	8	0	100	—
Independent Director	Shean Bii Chiu	8	0	100	—
Independent Director	Shuh Woei Yu	8	0	100	—
Independent Director	James Tsai	7	1	87.5	—

Other mentionable items:

1.If there are the following matters, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified:

(1) Article 14-3 of Securities and Exchange Act. : ECOVE Environment Corp. already set up the Audit Committee, please refer to the section 3.4.2 "The state of operations of the Audit Committee: for the matters referred to in Article 14-5 of Securities and Exchange Act.

(2)In addition to the opening of the matter, the resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing : None.

2.If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:

(1)Directors' Names: J. J. Liao and Wen Whe Pan

Contents of motion: The 5th meeting of the 7th term Board of Directors (2018.03.08): Admit of the endorsement of external guarantees.

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

(2)Directors' Names: J. J. Liao and Wen Whe Pan

Contents of motion: The 5th meeting of the 7th term Board of Directors (2018.03.08): Approval of participate in the subsidiary (ECOVE Solar Energy Corp.) cash increase case.

Causes for avoidance and voting should be specified: Director J. J. Liao and Y. P. Shih recused themselves during discussion of and voting on this item because of the interested party relationship.

(3)Directors' Names: J. J. Liao and Wen Whe Pan

Contents of motion: The 6th meeting of the 7th term Board of Directors (2018.04.30): Admit of the endorsement of external guarantees.

- Causes for avoidance and voting should be specified: Director J. J. Liao and Wen Whe Pan recused themselves during discussion of and voting on this item because of the interested party relationship.
- (4) Directors' Names: J. J. Liao and Y. P. Shih
Contents of motion: The 6th meeting of the 7th term Board of Directors (2018.04.30): Approval of the issuance of the 2018 employee stock options plan.
Causes for avoidance and voting should be specified: Director J. J. Liao and Y. P. Shih recused themselves during discussion of and voting on this item because of the interested party relationship.
- (5) Directors' Names: J. J. Liao and Y. P. Shih
Contents of motion: The 7th meeting of the 7th term Board of Directors (2018.05.31): Approval of the subscribers and the exercisable units of the 2018 employee stock options.
Causes for avoidance and voting should be specified: Director J. J. Liao and Y. P. Shih recused themselves during discussion of and voting on this item because of the interested party relationship.
- (6) Directors' Names: J. J. Liao and Wen Whe Pan
Contents of motion: The 8th meeting of the 7th term Board of Directors (2018.07.30): Admit of the endorsement of external guarantees.
Causes for avoidance and voting should be specified: Director J. J. Liao and Wen Whe Pan recused themselves during discussion of and voting on this item because of the interested party relationship.
- (7) Directors' Names: J. J. Liao, Y. P. Shih, Wen Whe Pan and Kuan Shen Wang
Contents of motion: The 9th meeting of the 7th term Board of Directors (2018.09.17): Approval to acquire the equity of ECOVE Solar Energy Corp., from Gintech Energy Corp. and ECOVE Environment Services Corp.
Causes for avoidance and voting should be specified: Director J. J. Liao, Y. P. Shih, Wen Whe Pan and Kuan Shen Wang recused themselves during discussion of and voting on this item because of the interested party relationship.
- (8) Directors' Names: J. J. Liao and Y. P. Shih
Contents of motion: The 10th meeting of the 7th term Board of Directors (2018.11.02): Approval to loan to ECOVE Solar Energy Corp.
Causes for avoidance and voting should be specified: Directors J. J. Liao and Y. P. Shih recused themselves during discussion of and voting on this item because of the interested party relationship.
- (9) Directors' Names: J. J. Liao and Y. P. Shih
Contents of motion: The 11th meeting of the 7th term Board of Directors (2018.12.10): Approval of the average salary increase rate of 2019.
Causes for avoidance and voting should be specified: Directors J. J. Liao and Y. P. Shih recused themselves during discussion of and voting on this item because of the interested party relationship.
- (10) Directors' Names: J. J. Liao and Y. P. Shih
Contents of motion: The 11th meeting of the 7th term Board of Directors (2018.12.10): Approval of the remuneration of the management officers of the Company.
Causes for avoidance and voting should be specified: Directors J. J. Liao and Y. P. Shih recused themselves during discussion of and voting on this item because of the interested party relationship.
- (11) Directors' Names: J. J. Liao and Y. P. Shih
Contents of motion: The 12th meeting of the 7th term Board of Directors (2019.03.08): Approved to purchase shares of ECOVE Wujih Energy Corp. held by ECOVE Environment Services Corp.
Causes for avoidance and voting should be specified: Directors J. J. Liao and Y. P. Shih recused themselves during discussion of and voting on this item because of the interested party relationship.
- (12) Directors' Names: J. J. Liao and Y. P. Shih
Contents of motion: The 12th meeting of the 7th term Board of Directors (2019.03.08): Approved to purchase shares of Yuan Ding Resources Management Corp. held by ECOVE Waste Management Corp.
Causes for avoidance and voting should be specified: Directors J. J. Liao and Y. P. Shih recused themselves during discussion of and voting on this item because of the interested party relationship.
- (13) Directors' Names: J. J. Liao and Y. P. Shih
Contents of motion: The 12th meeting of the 7th term Board of Directors (2019.03.08): Approval of

the issuance of the 2019 employee stock options plan.

Causes for avoidance and voting should be specified: Director J. J. Liao and Y. P. Shih recused themselves during discussion of and voting on this item because of the interested party relationship.

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

- (1) The company has formed an audit committee by all three independent directors on June 23, 103. Please refer to the section 3.4.2 "The State of Operations of the Audit Committee".
- (2) The Company has completed the 2018 Board of Directors Performance Evaluation Report with participation of the full Board, and the results have been reported at the 11th Meeting of the 7th term Board on March 8, 2019. In addition, the company has appointed an external agency (Taiwan Corporate Governance Association) to evaluate the effectiveness (including performance) of the board of directors at the end of 2018, and the evaluation report will be reported to the recent board of directors.
- (3) The Company continuously insures our directors with Directors Liability Insurance, which is expected to minimize the impact to the Company and shareholders.

Independent Directors Attend the Status of Board of Directors in the Recent Year

BOD Date	The 5th Meeting of the 7 th term BOD 2018.03.08	The 6th Meeting of the 7th term BOD 2018.04.30	The 7th Meeting of the 7th term BOD 2018.05.31	The 8th Meeting of the 7th term BOD 2018.07.30	The 9th Meeting of the 7th term BOD 2018.09.17	The 10th Meeting of the 7th term BOD 2018.11.02	The 11th Meeting of the 7th term BOD 2018.12.08	The 12th Meeting of the 7th term BOD 2019.03.08
Name								
Shean Bii Chiu	Attendance in person	Attendance in person	Attendance in person	Attendance in person	Attendance in person	Attendance in person	Attendance in person	Attendance in person
Shuh Woei Yu	Attendance in person	Attendance in person	Attendance in person	Attendance in person	Attendance in person	Attendance in person	Attendance in person	Attendance in person
James Tsai	Attendance in person	Attendance in person	Attendance in person	Attendance in person	Attendance in person	By Proxy	Attendance in person	Attendance in person

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

(1) The Audit Committee Operations

The Company has elected three independent directors and established the Audit Committee in lieu of supervisors on June 23, 2014. A total of 7 meetings of the Audit Committee were held in the previous period. Independent Directors' attendance was as follows: (As of March 31, 2019)

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Independent Director	Shean Bii Chiu	7	0	100	None
Independent Director	Shuh Woei Yu	7	0	100	None
Independent Director	James Tsai	6	1	85.7	None

The most recent deliberations of the Audit Committee include:

1. Adoption or amendment of an internal control system.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. A matter bearing on the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. Annual and semi-annual financial reports.

- Deliberations of the annual financial report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements (both consolidated and individual), and proposal for allocation of profits, with the financial statements having been audited and certified by Mr. Shyu-Rong Ueng and Ms. Shu-Chiung Chang, the CPA of the PricewaterhouseCoopers. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members.

- Assess the effectiveness of the internal control system

The Audit Committee assessed the effectiveness of the company's internal control system policies and procedures (including finance, operation, risk management, information security, compliance, etc.) and reviewed periodic reports from the company's Internal Audit Department, independent accountants and management. The Audit Committee believes that the company's internal control system is effective and that the company has adopted the necessary control mechanisms to monitor and correct violations.

- Evaluate an attesting CPA

In order to ensure the independence of the accounting firm, the Audit Committee has established an independent evaluation form to assess the independence, professionalism and competence of accountants with reference to Article 47 of the Accountant Law and Accountant's Code of Ethics Code No. 10.

Other mentionable items:

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

consent of two-thirds or more of all directors.

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

BOD Meetings	Sessions, contents of motions/ the Audit Committee' resolutions and the Company's response to the Audit Committee's opinion	The matter referred to in Article 14- 5 of Securities and Exchange Act	Resolution that was not approved by the Audit Committee but be undertaken upon the consent of two-thirds or more of all directors
The 5 th meeting of the 7 th term Board of Directors 2018.03.08	1.Admit of the endorsement of external guarantees.	V	X
	2.Approval of the distribution plan of the 2017 directors' and employees' remuneration.	V	X
	3.Approval of the fiscal 2017 business report, financial reports and consolidated reports.	V	X
	4.Approval of the distribution plan of Fiscal 2017 earnings.	V	X
	5.Approval of the "Statement of Internal Control System for the Year 2017"	V	X
	6.Approval of the update of the Company's paid-in capital registration.	V	X
	7.Approval of equity participation on capital injection of the ECOVE Solar Energy Corp.	V	X
	The Audit Committee' resolutions (2018.03.08, The 4th meeting of the 2nd term) : All members of the Audit Committee agreed 1.~7.		
	The Company's response to the Audit Committee's opinion : All present members of the board adopted the resolution.		
The 6 th meeting of the 7 th term Board of Directors 2018.04.30	1.Admit of the endorsement of external guarantees.	V	X
	2.Approval of equity participation on capital injection of the ECOVE Solvent Recycling Corp.	V	X
	3.Approval of the update of the Company's paid-in capital registration.	V	X
	4.Approval of the issuance of the 2018 Employee Stock Options.	V	X
	The Audit Committee' resolutions (2018.04.30, The 5th meeting of the 2nd term) : All members of the Audit Committee agreed 1.~4.		
	The Company's response to the Audit Committee's opinion : All present members of the board adopted the resolution.		
The 8 th meeting of the 7 th term Board of Directors 2018.07.30	1.Admit of the endorsement of external guarantees.	V	X
	2.Approval of the consolidated financial reports as of June 30, 2018.		
	3.Approve to invest in the EVER ECOVE Corp.	V	X
	4.Approval of the update of the Company's	V	X

	paid-in capital registration.		
	The Audit Committee' resolutions (2018.07.30, The 6th meeting of the 2nd term) : All members of the Audit Committee agreed 1.~4.		
	The Company's response to the Audit Committee's opinion : All present members of the board adopted the resolution.		
The 9 th meeting of the 7 th term Board of Directors 2018.09.17	1.Approval to acquire the equity of ECOVE Solar Energy Corp.	V	X
	The Audit Committee' resolutions (2018.09.17, The 7th meeting of the 2nd term) : All members of the Audit Committee agreed 1.		
	The Company's response to the Audit Committee's opinion : All present members of the board adopted the resolution.		
The 10 th meeting of the 7 th term Board of Directors 2018.11.02	1.Admit of the endorsement of external guarantees.	V	X
	2.Approval of loan ECOVE Solar Energy Corp. for working capital requirement.	V	X
	The Audit Committee' resolutions (2018.11.02, The 8th meeting of the 2nd term) : All members of the Audit Committee agreed 1.~2.		
	The Company's response to the Audit Committee's opinion : All present members of the board adopted the resolution.		
The 11 th meeting of the 7 th term Board of Directors 2018.12.10	1.Approval of the budget of 2019.	V	X
	2.Approval of the Audit Plan of 2019.	V	X
	The Audit Committee' resolutions (2018.12.10, The 9th meeting of the 2nd term) : All members of the Audit Committee agreed 1.~2.		
	The Company's response to the Audit Committee's opinion : All present members of the board adopted the resolution.		
The 12 th meeting of the 7 th term Board of Directors 2019.03.08	1.Admit of the endorsement of external guarantees.	V	X
	2.Approval of the distribution plan of the 2018 directors' and employees' remuneration.	V	X
	3.Approval of the Fiscal 2018 business report, financial reports and consolidated reports.	V	X
	4.Approval of the distribution plan of Fiscal 2018 earnings.	V	X
	5.Approval of "Statement of Internal Control System for the Year 2018".	V	X
	6.Approval of the amendment to the Company's "Internal Control Systems", "internal rules" and "Internal Audit Systems".	V	X
	7.Approved to purchase shares of ECOVE Wujih Energy Corp. held by ECOVE Environment Services Corp.	V	X
	8.Approved to purchase shares of Yuan Ding Resources Management Corp.. held by ECOVE Waste Management Corp.	V	X
	9.Approval of the issuance of the 2019 employee stock options plan.	V	X
	10.Approval of the "Procedure for Acquisition and Disposition of Assets", "Procedure for Loaning of Funds",	V	X

	<p>“Procedure for Marking of Endorsements or Guarantees” of the ECOVE Waste Management Corp., ECOVE Environment Services Corp., and Approval of the “Procedure for Acquisition and Disposition of Assets” of the ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp.</p>			
	<p>The Audit Committee’ resolutions (2019.03.08, The 10th meeting of the 2nd term) : All members of the Audit Committee agreed 1.~10.</p>			
	<p>The Company’s response to the Audit Committee’s opinion : All present members of the board adopted the resolution.</p>			

2. If there is Independent Directors’ avoidance of motions in conflict of interest, the Independent Directors’ names, contents of motions, causes for avoidance and voting should be specified: None

3. Communications between Independent Directors and the Company's Internal Audit officer and CPA

(1)After having presented the audit and follow-up reports to the Chairman, the Internal Audit officer submits the same reports via e-mail for review by the Independent Directors on a monthly basis. The Internal Audit officer communicates with the Independent Directors in person quarterly in 2018. There were no objections raised by the independent directors in 2018.

(2)The Internal Audit officer presents the findings of audit reports in the meetings of the Audit Committee and Board of Directors. All the Independent Directors have adequate access to how audit performs. During 2018, the communication channel between Independent Directors and the Internal Audit officer functioned well.

(3)The CPAs present audit reports and findings to the Independent Directors. Finance manager, Accounting manager and Internal Audit officer attend the Audit Committee meetings and reply to Independent Directors immediately if they have any questions. During 2018, the communication channel between Independent Directors and CPAs functioned well.

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

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

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
1. Does the Company establish and disclose the Corporate Governance Practice Principals in accordance with the Corporate Governance Best Practice Principles for the TWSE/GTSM Listed Companies?	V		The Company has established "Corporate Governance Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and disclosed them on the Market Observation Post System (MOPS) and company website. Last revision at the 17th meeting of the 6th term Board of Directors of the Nov. 02, 2016.	None
2. Ownership structure and shareholder's equity (1) Does the Company set up the internal standard operation procedure to handle issues such as shareholder's advices, questions, disputes and accusations for implementation accordingly?	V		(1) The Company has the procedures for processing shareholder suggestions, questions, disputes, and litigation and processes related matters accordingly.	None
(2) Does the Company have control over the major shareholders, who control the Company and have the name list of the major shareholders who have the ultimate control over the Company?	V		(2) The Company requires its internal personnel (directors, supervisors, managers, and shareholders holding more than 10% of the shares of the Company's capital) to report changes in their shares every month and disclose these changes on MOPS in accordance with Article 25 of the Securities and Exchange Act. In the event that the Company has acquired a list of shareholders due to regulations for the cessation of stock transactions, it shall also investigate the main shareholders of the Company and the ultimate owners of those major shareholders and disclose them in the annual report or on the Company's website.	None

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

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons																																																												
	Yes	No	Summary Statement																																																													
			<p>and value and 2. Professional knowledge and skills.</p> <p>In order to achieve the ideal goal of corporate governance, the board should have the following capabilities: 1. Operational judgment. 2. Accounting and financial analysis capabilities. 3. Management capabilities. 4. Crisis management capability. 5. Industry knowledge. 6. International market outlook. 7. Leadership. 8. Decision-making capacity.</p> <p>The following measures have been taken by the Company to implement diversification of the members of the Board of Directors: 2 directors concurrently serve as company managers, not exceeding one-third of all directors; 3 independent directors, accounting for 33%, of which 2 independent directors have served for less than 3 years, and 1 independent director has served for 8-9 years; currently no female director; in addition, the Company is an investment holding company, in accordance with requirements for "general investment" in the Company's operations, the members of the Board of Directors include professors in finance and economics, practicing attorneys, and business personnel in related fields. The Company's implementation of the board member diversity policy is shown below:</p> <table border="1"> <thead> <tr> <th>Core Item</th> <th colspan="14"></th> </tr> <tr> <th>Name of Director</th> <th>Note 1</th> <th>Note 2</th> <th>Note 3</th> <th>Note 4</th> <th>Note 5</th> <th>Note 6</th> <th>Note 7</th> <th>Note 9</th> <th>Note 9</th> <th>Note 10</th> <th>Note 11</th> <th>Note 12</th> <th>Note 13</th> <th>Note 14</th> </tr> </thead> <tbody> <tr> <td>J. J. Liao</td> <td>Male</td> <td>v</td> <td></td> <td>51 to 60</td> <td>Engineering and Environmental Protection</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Y. P. Shih</td> <td>Male</td> <td>v</td> <td></td> <td>51 to 60</td> <td>Engineering and Environmental Protection</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> </tbody> </table>	Core Item															Name of Director	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 9	Note 9	Note 10	Note 11	Note 12	Note 13	Note 14	J. J. Liao	Male	v		51 to 60	Engineering and Environmental Protection	v	v	v	v	v	v	v	v		Y. P. Shih	Male	v		51 to 60	Engineering and Environmental Protection	v	v	v	v	v	v	v	v		
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Evaluation Item	Operation Status													Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons			
	Yes	No	Summary Statement														
			Shean Bii Chiu Independent Director	Male		Within 9 years	61 to 65	Professor of Finance	v	v	v	v		v	v	v	
			Eugene Chien	Male			71 to 75	Sustainable Energy	v	v	v	v		v	v	v	
			Kuan-Sheng Wang	Male			51 to 60	Investment	v	v	v	v	v	v	v	v	
			Wen Whe Pan	Male			61 to 65	Photoelectric Industry	v	v	v	v		v	v	v	
			Yang-Ming Liu	Male			51 to 60	Lawyer	v	v	v	v		v	v	v	v
			Shuh Woei Yu Independent Director	Male		Within 3 years	71 to 75	Industrial Safety	v	v	v	v	v	v	v	v	
			James Tsai Independent Director	Male		Within 3 years	61 to 65	Accountant	v	v	v	v		v	v	v	
			<p>Note 1: Male/Female Note 2: Also serves as an employee of the company Note 3: Serving as an independent director of the company Note 4: Age Note 5: Industry experience Note 6: Operational judgment Note 7: Accounting and financial analysis capabilities Note 8: Management capabilities Note 9: Crisis management capability Note 10: Industry knowledge Note 11: International market outlook Note 12: Leadership Note 13: Decision-making capacity</p>														

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
(2) In addition to the establishment of the Remuneration Committee and Audit Committee, does the Company have other functional committees?	V		Note 14: Legal capacity (2) The Company has established the Remuneration Committee and Audit Committee, but no other functional committees.	
(3) Is there performance appraisal of the board of directors, which is carried out annually?	V		(3) The Company established the "Board of Directors Performance Evaluation Guidelines" at the 18th meeting of the 6th Board of Directors on December 12, 2016. Related regulations are as follows: Article 3 (Frequency and length of evaluation) The Company's Board of Directors shall conduct at least one internal Board of Directors performance evaluation every year. The internal Board of Directors performance evaluation shall be conducted at the end of each year in accordance with the evaluation procedures and standards set forth in the Guidelines to evaluate the performance of the preceding year. The Company shall appoint external professional and independent institutions or an external team of experts and scholars at least once every three years to evaluate the performance of the Board of Directors. The performance evaluation shall be conducted at the end of the year. Article 4 (Scope and methods of evaluation) The scope of the performance evaluation of the Company's Board of Directors is the performance of the entire Board. The methods of evaluation include self-evaluation of the Board, self-evaluation of the members of the Board, or other appropriate	

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
(4) Is there regular assessment of the independence of the certified public accountant every year?	V		<p>methods.</p> <p>The performance evaluation of the Company's board of directors covers five major aspects: "participation in company operations", "quality of board decisions", "board composition and structure", "director selection and continuing education" and "Internal control", including a total of 29 self-assessment indicators.</p> <p>The 2018 board performance evaluation has been completed by Management Division, and via self-evaluation by members of Board of Directors in early 2019. The result has been reported to the 12th meeting of the 7th term Board of Directors on March 8, 2019. The operation of the company's Board of Directors is evaluated well base on the result of the 2018 Board performance evaluation.</p> <p>In December 2018, the company entrusted the external organization "Taiwan Corporate Governance Association" to implement the "Board Performance (including Effectiveness) Assessment". In March 2019, the company received an "assessment report". External board performance evaluation results, including improvement suggestions and future improvement plans or actions have been disclosed on the company's website (http://www.ecove.com) and will be reported to the company's board of directors in the near future.</p> <p>(4) To fulfill Corporate Governance, the Company has established "Evaluation of engaged Certified Public Accountant Regulation" in the 8th meeting of the 5th board of director on December 18, 2012. According to this regulation, the Company exams and evaluates CPA's independence and capability annually, and submit a report to the Audit Committee and Board of Directors. The report was approved by the Audit Committee in the 10th meeting of the 2nd on March 8, 2019 and by the Board of Directors in the 12th meeting of</p>	

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
			<p>the 7th on March 8, 2019, the evaluation items please refer to the [Note 1].</p> <p>After assessed, CPAs Shih-Jung Weng and Shu-Chiung Chang from PricewaterhouseCoopers were qualified. Both CPAs do not have any direct interest relationship with either the Board of Directors or the Company, and believed to have more than sufficient capabilities on auditing, taxation and time cost efficiency.</p>	
4. Has the TWSE-listed or TPEX-listed company established a dedicated or part-time corporate governance unit, or personnel responsible for corporate governance affairs (including but not limited to providing information required for Directors and Supervisors to carry out their tasks, organize meetings of the Board of Directors and shareholder meetings, implement company registration and changes, compile meeting minutes for the Board of Directors meetings and shareholder meetings, etc.)?	V		<p>1. In the year of 2018, the company is responsible for "Corporate Governance" related matters. The chairman of the company has more than three years of experience in the management of corporate governance related units in public company.</p> <p>2. The company has passed the 12th meeting of the 7th Board of Directors on March 8, 108. The Financial Officer, Ms. Catherine Huang, is the head of "Corporate Governance" and is responsible for corporate governance related matters. Ms. Catherine Huang has more than three years of experience in financial work in gained at a public company. The terms of reference of the "chief corporate governance officer" are as follows. The 2019 training situation and the 2019 business execution focus will be disclosed on the Company's website as a result of the completion.</p> <p>The "chief corporate governance officer" authority shall include at least the following contents :</p> <p>(1) Handling matters relating to board meetings and shareholders meetings according to laws.</p> <p>(2) Producing minutes of board meetings and shareholders meetings.</p> <p>(3) Assisting in onboarding and continuous development of directors</p>	None

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
			<p>and supervisors.</p> <p>(4) Furnishing information required for business execution by directors and supervisors.</p> <p>(5) Assisting directors and supervisors with legal compliance.</p> <p>(6) Other matters set out in the articles or corporation or contracts.</p> <p>3. The "Corporate Governance" developments in 2018 are as following :</p> <p>(1) Draw up the meeting schedule for functional committees meetings and Board meetings; consolidate proposals from related divisions and give the notice, agenda and related information to each director no later than 7 days prior to the scheduled meeting date; convene the said meetings and provide meeting materials; remind directors who have conflicts of interest of recusing themselves; and complete meeting minutes within 20 days after the functional committees meeting and board meeting.</p> <p>(2) Draw up and have prior booking for the date of Shareholders; meeting; assist director candidates with the procedure of nominations and audit; process the stock affairs; prepare meeting notice, handbook, annual report and minutes within statutory period; and after the board of directors / shareholders meeting to declare relevant announcements and change company registration, etc.</p> <p>(3) Provide information on relevant refresher courses to directors and assist directors in completing the required number of hours of study required each year.</p> <p>(4) Inform the related information of laws or announcements to directors and managers on irregular basis.</p> <p>(5) Prepare the self-evaluation of Corporate Governance Evaluation and assist related divisions to follow up Corporate Governance</p>	

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
			Evaluation Indicators and related regulations by the Competent Authority published. (6) Provide the contents of the latest laws and regulations required for independent directors and general directors to perform their duties (such as company management, corporate governance).	
5. Does the Company establish communication channel for stakeholders (Including but not limited to shareholders, employees, customers and suppliers), set up a dedicated section in its corporate website for stakeholders, and properly respond to CSR-related issues concerned by stakeholders?	V		The Company has established a stakeholder section on the company website to respond properly to inquiries from stakeholders (including but not limited to important corporate social responsibility issues).	None
6. Does the Company entrust the professional stock affair agency for the shareholder affairs?	V		The Company has appointed the Stock Transfer Agency Department of KGI Securities to process affairs related to shareholder meetings.	None
7. Information Disclosure (1) Does the Company set up a website to disclose information regarding the Company's finance, business and corporate governance status?	V		(1) The company has established a website to disclose information regarding the company's financial, business, and corporate governance status. The Company's website: www.ecove.com	None
(2) Is there any other information disclosure channels (e.g., maintaining an English-language website, appointing responsible	V		(2) The Company has established a Chinese and English website and assigned dedicated personnel for the collection and disclosure of company information. The Company also established a spokespersons mailbox on the company website to implement the	

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)?			spokesperson system, and published Chinese and English presentation materials and recordings of investor conferences, shareholder meeting information in Chinese and English, annual reports, etc.	
8. Is there other important information, which helps to understand the governance and operation of the company, which includes but not limited to the rights and interest of the staff, cares for the employees, investor relations, relation with the suppliers, rights of the stakeholders, trainings received by the directors and supervisors, the implementation of the risk management policy and risk assessment criteria, the liability insurance policies taken out for the directors and supervisors...etc?	V		<p>(1)The Company does not discriminate between gender, race, nationality, etc. in the recruitment and appointment of employees. Each employee shall enjoy labor insurance, national health insurance, appropriation of statutory pension fund, and the subsidiaries set up a common employee welfare committee.</p> <p>(2)The Company has provided the directors with information on related advanced study courses and appointed external professional institutions to open courses.</p> <p>(3)The Company has enhanced financial risk management and reviews the financial structure at all times. In terms of internal control, the Company has established full-time auditing personnel to periodically or sporadically conduct audits on the internal control system of the Company and file reports.</p> <p>(4)The Company has purchased liability insurance policies for the directors and managers for the purpose of compensation in the event that a director or important employee causes damage to the Company or any third parties during the performance of duties.</p> <p>(5)The Company complies with laws and regulations in all contracts signed with customers to safeguard the rights and obligations of both parties.</p>	None
9. Please describe the improvement status and provide the items and measures that should be prioritized for improvement with regard to the	V		<p>(1)The Company has improved in the 4th corporate governance evaluation items as summarized below: None</p> <p>(2)Among the corporate governance evaluation items for which the</p>	None

Evaluation Item	Operation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Statement	
corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year.			Company has not yet made improvements, the prioritized item to be completed first is Board of Directors Adds Female Directors.	

[Note 1] Assessments on the Independence of CPA

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

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

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

1. Remuneration Committee members' information

Identity (Note1)	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of Remuneration Committee	Remark (Note 3)
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Shean Bii Chiu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Independent Director	Shuh Woei Yu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	N/A
Independent Director	James Tsai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	N/A

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

Note 2:

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

2. The state of operations of the Remuneration Committee

a. This committee is comprised of 3 members.

b. The term of current committee members is from June 26, 2017 to June 25, 2020:

A total of 5 meetings of the Remuneration Committee were held in the previous period: (January 01, 2018 ~ March 31, 2019)

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Convener	Shean Bii Chiu	5	0	100	None
Member	Shuh Woei Yu	5	0	100	None
Member	James Tsai	5	0	100	None

Other mentionable items:

1. If the board of directors declined to adopt, or modified, a recommendation of the remuneration committee, the dates of meetings, sessions, contents of motions, resolutions of the Board Meeting and the Company's response to remuneration committee' opinion should be specified(If the remuneration passed by the board of directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None

2. If there are objections or reservations to any discussion matters or extraordinary motions expressed by any member of the Committee, recorded or provided in written forms, the dates of meetings, sessions, contents of motions, all members' opinion and the Company's response to members' opinion should be specified: None

3. The operation of the company's remuneration committee in the most recent year:

Remuneration Committee Meetings	Contents of motion	Resolution	The company's handling of the opinions of the Remuneration Committee
The 3 th meeting of the 3 th term 2018.03.08	1. The distribution plan of the 2017 directors' and employees' remuneration.	All members of the committee agreed	Submitted to the BOD, approved by all directors
The 4 th meeting of the 3 th term 2018.04.30	1. The issuance of the 2018 employee stock options plan.	All members of the committee agreed	Submitted to the BOD, approved by all directors
The 5 th meeting of the 3 th term 2018.05.31	1. The list of subscribers and the number of shares they are allowed to subscribe for 2018 Employee Stock Options.	All members of the committee agreed	Submitted to the BOD, approved by all directors
The 6 th meeting of the 3 th term 2018.12.10	1. The average salary increase rate of 2019. 2. The remuneration of the management officers of the Company.	All members of the committee agreed	Submitted to the BOD, approved by all directors
The 7 th meeting of the 3 th term 2019.03.08	1. The distribution plan of the 2018 directors' and employees' remuneration. 2. The issuance of the 2019 employee stock options plan.	All members of the committee agreed	Submitted to the BOD, approved by all directors

3.4.5 Corporate Social Responsibility (CSR)

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
1. Implementing corporate governance				
(1) Has the Company set up corporate social responsibility (CSR) policies or systems and reviewed the effectiveness of CSR actions?	V		(1) The Company passed the "CSR Promotion and CSR Report Publication Procedures" in November 2010, which serve as a set of principles for implementation. The material issues in the CSR Report are set with reference to the GRI Standards and the AA1000 verification standards and principles with stakeholders' concerns on the issues and the degree of impact of these issues on the Company taken into considerations to establish a systematic process for the relevant activities.	None
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(2) The company organizes lectures to promote environmental education and raise awareness on corporate social responsibility through training, announcements and activities.	None
(3) Has the Company established a dedicated unit or appointed a unit for promoting CSR? Is the unit authorized by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the	V		(3) The Company attaches great importance to the implementation of corporate social responsibility and our contributions to society and the environment. Therefore, we set up the CSR Committee in 2014. The General Management Office takes the responsibility to coordinate and communicate among the various work groups and holds meetings with each work group to track the results. This system enables the Company to achieve effective implementation of corporate social responsibility activities. The CSR Committee is the main decision-making and promotion unit of ECOVE's corporate social responsibility practices. The Chairman of the	None

Evaluation Item	Implementation Status		Summary Statement	Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
progress of such activities to the Board of Directors?			<p>Company serves as the Chairman of the Committee and the highest ranking executives as the members of the Committee. The Committee reports to the board of directors regularly once a year on the effectiveness of CSR-related activities. The CSR Committee meets regularly every year or as needed. The regular meeting is held in the fourth quarter each year to review the CSR activities of the current year and discuss the main the issues for the next year. Unscheduled meetings are held as needed. Three work groups were set up under the Committee for Business Management, Social Engagement and Environmental Protection and formed by personnel from departments relevant to the issues.</p> <p>Operation and Execution Process: 2018 Implemented Items: Brand promotion, strengthen risk management, talents cultivation, friendly volunteering activity, CSR report improvement plan, care for neighboring communities, promote energy conservation and carbon reduction, environmental education facilities promotion , One Plant One Step: Environmental Education for Sustainability</p> <p>2019 Project :</p> <ul style="list-style-type: none"> - Economy: Power generation efficiency improvement, renewable energy development, recycling development, professional R&D and technology, customer service, regulatory compliance, supply chain management - Environment: Incineration and waste management / Air pollution control, water stewardship, waste reduction - Society: Occupational safety and health, talent retention and recruitment, social participation and charity 	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	V		(4) The Company has established self-disciplinary regulations including the Corporate Governance Practice Principles, ECOVE Environment Corporation Ethical Corporation Ethical Corporate Managements Best Practice Principles, ECOVE Environment Corporation Code of Business Conduct and Ethics for the Board of Directors and Managers, ECOVE Environment Corporation Code of Employees Ethics and Conduct, and Related Party Transaction Management. The Work Rules also include specific performance evaluation and the reward and punishment system. The Company has established performance management regulations and related reward and punishment regulations. Employees' performance are thoroughly reflected in the year-end bonus to encourage employees with outstanding performance. Supervisors may provide appropriate assistance for improving performance or rotations to change the content of work for employees with poor performance ratings based on actual conditions and reasons for the poor performance. Article 99 of the Company's Articles of Incorporation stipulates that if the company makes profit during the year, a portion of the profit shall be allocated with priority to offset the accumulated losses, a portion no less than 0.1 percent shall be allocated for employee compensations and no more than 2 percent shall be allocate for compensations of the directors. Employee compensations may be paid in the forms of stock or cash and the subjects of payment may include employees of subsidiaries who meet certain criteria.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
2. Developing sustainable environment				
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(1) As a member of the society, ECOVE is committed to energy-saving and carbon reduction. From the view of the entire resource recycling industry, the Company is constantly pursuing the development and application of new technologies to reduce energy consumption and prevent pollution. In daily operations, the Company advocates energy-saving and emphasizes the importance of cutting down use of paper, electricity and water.	None
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(2) For pollution prevention, the EfW plants operated by the Company have established quality and environmental management systems (ISO 9001 and ISO 14001). For resource recycling, 2018 statistics show that the plants have sold a total of 885,557 MWh of electricity back to Taiwan Power Company, which achieved a reduction of GHG emission equivalent to 578,000 metric tons of CO ₂ emissions. In 2018, the Company processed a total of 1,920,530 metric tons of waste at the contracted EfW plants. Among the processed waste, general waste accounted for 1,548,830 metric tons and general industrial waste 371,491 metric tons. In equivalent, ECOVE ESC processed a volume of general waste generated by approximately 7.9 million people and industrial waste from 16,500 businesses in a year.	None
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company	V		(3) With regard to greenhouse gases, according to the 2017 self-inspection, the EfW plants operated by the Company emitted a total of 698,243.9 metric tons of carbon dioxide. And according to the 2018 self-inspection, the EfW plants operated by the Company emitted a total of 733,121 metric tons of carbon dioxide (excluding the Shulin and Gangshan plants). The Company's Wujih Plant has obtained the ISO 14064-1 verification of greenhouse gas emissions.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary Statement	
strategies for energy efficiency, carbon and GHG reduction?			<p>Miaoli Plant and Tainan Plant have obtained the PAS 2050 certification and submitted carbon emission reduction plans for main sources of emissions in order to effectively reduce greenhouse gas emissions. With 2014 set as the base year, the goal is to cut down the total annual carbon emission by 1 percent.</p> <p>To lower power consumption, the Company has installed variable frequency converters, renewed ACC fans, switched to T5 or LED lighting equipment, implemented separate lighting management, installed automatic lighting devices, managed air-conditioning temperature settings, and reset rotating equipment from continuous operations to controlled start-up and shut-down at optimal times or temperature-automated start-up and shut-down.</p> <p>With regard to water resource management, the waste water of incineration plants under the Company's management including waste water from the boiler, production process, cleaning, general waste water, or vehicle-washing waste water is 100% recycled and reused through the waste water recycling system in the Plants to achieve the goal of "zero waste water discharge".</p>	
3. Asserting social welfare				
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) In compliance on human rights, labor standards, environment, anti-corruption and other normative spirits with UN Global Compact, Universal Declaration of Human Rights and UN Framework and Guiding Principles on Business and Human Right, and in order to ensure that daily operations are in line with corporate ethics, there are basic standards of conduct to be observed for directors, managers, general employees and procurement personnel separately.	None
(2) Has the company set up an employee hotline or grievance	V		(2) The Company has established sexual harassment prevention and processing regulations with clear complaint methods and channels to promptly process related complaints.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
mechanism to handle complaints with appropriate solutions?				
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The Company establishes safety and health education training plans each year and implements the programs in accordance with plans. The Company also organizes Occupational Safety Week and Health Week events to establish a culture for safety through participation of all employees.	None
(4) Does the company set up a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(4) The Company organizes labor-management meetings and appoints committee members from labor and management to convene regular committee meetings in accordance with regulations. The meetings are used to regulate and improve labor-management relations. The Company organizes regular employee discussions between high-level management and all departments each year. Both parties of labor and management are able to conduct face-to-face communication to promptly and resolutely improve and resolve problems. Employees can also express their opinions regularly through internal channels.	None
(5) Does the company provide its employees with career development and training sessions?	V		(5) The Company implements general and professional training to increase employees' qualities and work skills. It also provides subsidies for on-the-job training for employees to establish an excellent corporate culture through education and training.	None
(6) Has the company established	V		(6) The Company has established a quality management system based on ISO 9001 international	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
any consumer protection mechanisms and grievance procedures for issues arising from research development, procurement, production, operation and services?			standards and implements the system effectively to ensure the operations and performance meet quality targets.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) The Company ensures product and service quality in accordance with related government and industry regulations. The Company adheres to related regulations and international standards for product and service marketing and labeling. The Company does not engage in any activities involving deceptive or misleading behaviors, frauds, or other actions which may diminish the trust of consumers or damage consumer interest.	None
(8) Does the company evaluate the records of suppliers to study their impact on the environment and society before considering business partnership?	V		(8) The Company requires all its suppliers to fully comply with local laws and regulations when performing services for the company. In addition, the Company has established a set of supplier/contractor social responsibility principles and requests them to bear related social responsibilities.	None
(9) Do contracts between the Company and its major suppliers include terms where the Company may terminate or	V		(9) The contract between the company and its major suppliers already includes that if the supplier involves a violation of its corporate social responsibility policy and has a significant impact on the environment and society, the company may terminate or release the terms of the contract at any time.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
rescind the contract at any time if the said supplier has violated the Company's corporate social responsibility policy and significantly impacted the environment and society?				
4. Strengthening information disclosure (1) Does the company disclose relevant and reliable information relating to CSR on its official website or the Market Observation Post System (MOPS)?	V		(1) The Company has published the Corporate Social Responsibility Report (CSR Report) since 2010 and it continues to do so to demonstrate the Company's ideals and policies for corporate social responsibilities as well as its hard work and performance in corporate governance, customer care, employee welfare, environmental protection, and social engagement. Please refer to the Company's website for complete information on the Corporate Social Responsibility Report compiled by the Company.	None
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please describe any discrepancy between the principles and their implementation: The Company has established Corporate Social Responsibility Implementation Principles in accordance with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies for all employees, managers, and members of the board to follow.				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices (1) Brand revolution and resource circulation: The Company has completed the brand revolution in 2017, thereby enhancing its market influences and visibility worldwide, and proactively investing in the resource circular economy. It won the National Sustainable Develop Awards of the Executive Yuan, and promised to put SDGs into the blueprint development strategies. By combining careers with vocation, ECOVE continues to put efforts in the sustainable development				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
			<p>of the Earth resources and human living environment.</p> <p>(2) Embrace challenge and triumph through innovation: The Company and its subsidiaries have actively pursued international markets in recent years. In terms of talent cultivation, it has enhanced its expertise and international exposure and encouraged employees to advance their studies in internal or external training to increase their capabilities. In 2018, there were 453 instances of employee participation in external training and 11,634 instances of internal training. The Company invested a total of NT\$2.51 million on training, which demonstrated the Company's emphasis on education and training. In addition, the Company introduced a global education platform "CTCI Academy" (GTS) that allows employees to take video courses at anytime from anywhere, regardless of whether they are off duty or on business trips.</p> <p>(3) Implement Safety and Health: ECOVE adheres to the spirit of safety and health, and has formulated 7 major safety and security policies: "Safety First", "Improve Employee's Health and Well-being", "Environmental Protection and Sustainable Development", and "Implement Risk Management Mechanism", "Fulfilling Regulations and Contract Requirements", "Promoting Full Participation and Training", "Continuous Improvement of the Safety and Health Environment System". Since 2009, its subsidiary, ECOVE ESC, the head office and all the incineration plants in operation, totaling 8 verification points (Keelung, Southern Taoyuan, Miaoli, Houli, Wujih, Tainan, STSP EfW Plants and Head Office) all obtained OHSAS 18001 and TOSHMS certificate, and responded to the Ministry of Labor policy in 2011 to convert TOSHMS to CNS 15506. In order to create a new atmosphere for ECOVE, the system was converted to ISO 45001 and received verification on December 31, 2018. It will continue to strengthen and improve the all-round management system to build a safe workplace and provide employees with a healthy and safe workplace.</p> <p>(4) Social engagement: Setting the SDGs indicator as the topic of social engagement, ECOVE actively participates in charitable activities, environmental conservation promotion, community collaboration, and environmental protection academic exchanges, etc. to establish a good community interaction and care for the vulnerable groups. In order to turn the concept into real actions, in 2018, ECOVE has participated in 19 forums at home and abroad, held 268 environmental education promotion activities, and 251 activities of community activities including care for neighboring communities and the vulnerable groups, and guarding the environment, etc.</p> <p>(5) ECOVE actively promotes green life and teaches employees to reduce their carbon footprint in their daily lives. Only by the implementation of personal efforts can we create a sustainable environment and instill the effects and influence of our green commitment into everyone's heart.</p> <p>(6) One Plant One Step: Environmental Education for Sustainability: ECOVE implements the three-year plan of "One Plant One Step: Environmental Education</p>	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
			for Sustainability", a three-year plan (2018~2020), proactively promote environmental education from schools at all levels around the neighborhood to the whole country. The so-called "One Plant One Step" is based on the locations of the incineration plants which operated by ECOVE subsidiaries. ECOVE employees visit the adjacent primary schools for environmental education. The main courses of the "Environmental Education for Sustainability" are connected with the core business of the EfW plants operation. In 2018, 22 sessions were held in Taiwan, with 3,171 participants attended, and ECOVE's footsteps went even further to Magong City, Penghu.	
7. If the corporate social responsibility reports have received assurance from external institutions, they should state so below:				
(1) Inspection standards for passage of CSR reports:				
The "ECOVE 2017 CSR Report" was completed in 2018 to disclose the Company's implementation of corporate social responsibility policies. An external entity, the BSI Group, was appointed to independently certify the CSR Report in accordance with AA 1000 standards.				
(2) ECOVE and its subsidiaries have acquired the following certifications for quality, safety, health, and environmental management in 2018 and by the published date of the Annual Report:				
<ul style="list-style-type: none"> • ECOVE Environment Corp. has acquired BS 8001:2017 certification for circular economy (2017.10.17 ~ 2019.10.16) • All EfW plants operated by ECOVE Environment Services Corp. have acquired ISO 9001:2015 quality management system certification (Keelung EfW Plant 2016.11.22 ~ 2019.11.22, Southern Taoyuan EfW Plant 2017.03.22 ~ 2020.03.21, Miaoli EfW Plant 2018.09.04 ~ 2021.10.02, Houli EfW Plant 2018.07.20 ~ 2020.06.17, Wujih EfW Plant 2018.03.17 ~ 2021.03.16, Tainan EfW Plant 2018.04.25 ~ 2021.04.24, STSP EfW Plant 2017.09.29 ~ 2020.09.29) • All EfW plants operated by ECOVE Environment Services Corp. have acquired ISO 14001:2015 environmental management system certification (Keelung EfW Plant 2019.01.10 ~ 2021.12.27, Southern Taoyuan EfW Plant 2017.03.22 ~ 2020.03.21, Miaoli EfW Plant 2018.09.04 ~ 2021.10.02, Houli EfW Plant 2018.07.30 ~ 2020.06.19, Wujih EfW Plant 2018.03.17 ~ 2021.03.16, Tainan EfW Plant 2018.04.25 ~ 2021.04.24, STSP EfW Plant 2017.09.22 ~ 2020.09.22) • All EfW plants operated by ECOVE Environment Services Corp. have acquired ISO 45001:2018 occupational health and safety management system certification (ECOVE ESC 2019.01.10 ~ 2022.01.10, Keelung EfW Plant 2019.01.10 ~ 2022.01.10, Southern Taoyuan EfW Plant 2019.01.10 ~ 2022.01.10, Miaoli EfW Plant 2019.01.10 ~ 2022.01.10, Houli EfW Plant 2019.01.10 ~ 2022.01.10, Wujih EfW Plant 2019.01.10 ~ 2022.01.10, STSP EfW Plant 2019.01.10 ~ 2022.01.10) • Tainan EfW Plant, operated by ECOVE Environment Services Corp., has acquired the Environmental Protection Administration (EPA) product carbon 				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
footprint certification (2017.01.10 ~ 2020.01.09) <ul style="list-style-type: none"> • ECOVE Waste Management Corp. has acquired ISO 9001:2015 quality management system certification (2018.09.12 ~ 2019.10.12) • ECOVE Waste Management Corp. has acquired ISO 14001:2015 environmental management system certification (2017.11.12 ~ 2020.11.11) • ECOVE Waste Management Corp. has acquired OHSAS 18001:2007 occupational health and safety management system certification (2017.11.12 ~ 2020.11.11) 				

3.4.6 The Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX - Listed Companies" and reasons
	Yes	No	Summary Statement	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p>	V		<p>(1) The Company has established self-disciplinary regulations including Corporate Management Practice Principles, ECOVE Environment Corp. Ethical Corporate Management Best Practice Principles, ECOVE Environment Corp. Code of Business Conduct and Ethics for the Board of Directors and Managers, ECOVE Environment Corp. Code of employees Ethics and Conduct, and ECOVE Environment Corp. Accusation Management Regulations etc. The "Business Conduct and Ethics for the Board of Directors and Managers" established clear ethical standards and conduct regulations for the Company's directors and managers in the performance of their duties. The "Employees' Code of Ethical Conduct" established clear ethical standards and conduct regulations for employees in the performance of their duties.</p> <p>(2) The Company has established plans for the prevention of unethical conduct in the "Ethical Corporate Management Best Practice Principles" and it also established "Enforcement Rules of Employee Ethical Conduct", "Report Management Regulations", and "Employee Reward and Punishment Regulations" etc. as the basis for implementing the "prevention of unethical conduct".</p> <p>The Company and its key subsidiaries held 2,115 person-times, totaling 930 person-times of internal and external education and training (including grass-roots staff communication and promotion activities, corporate culture promotion workshops, and staff integrity morality online courses).</p>	None

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX - Listed Companies" and reasons
	Yes	No	Summary Statement	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	V		(3)The Company has established effective accounting systems and internal control systems for business activities with higher risk of involvement in unethical conducts and conducts regular reviews to ensure that the design and enforcement of the systems remain effective. The Company's internal audit personnel shall periodically review the status of the Company's compliance with the foregoing provisions and prepare audit reports for submission to the board of directors. If unethical corporate management incidents are discovered, they may be reported. The Company shall keep the identity of the informants and the content strictly confidential.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1)The Company carefully evaluates the past records regarding the ethics of transaction counterparties and it also requests suppliers (or contractors) to sign a statement that includes the ethical requirements such as "abide by domestic regulations and regulations of related countries involved the transaction" and "no bribery and illegal donations" when signing a contract.	None
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(2)The Management Division of the Company (not affiliated to the Board of Directors) is responsible for formulating and promoting the corporate integrity management plan and subsequent implementation. The general manager of the highest decision-making of the Management Division determines and supervises the implementation of the integrity management plan. And it reports to the Board of Directors once every year on the status of the "implementation of ethical corporate management". The main implementation matters of the Company's "Promoting Corporate Integrity Management Policy in 2018" are as follows:	

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX - Listed Companies" and reasons
	Yes	No	Summary Statement	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		<p>(a) Unblock the reporting pipeline and improve the determination (For example, continue to set up "third party reporting platform" and "employee opinion platform")</p> <p>(b) Implementing propaganda and deepening employee integrity beliefs (For example, Continued publicity through the organization of grassroots employee communication seminars and corporate culture series)</p> <p>(c) Strengthening integrity management behavior with manufacturers (For example, Refer to the international spirit of human rights, labor standards, the environment and anti-corruption, and formulate the "Supplier Code of Conduct", when the manufacturers join the supply chain)</p> <p>The above content was reported to the 11th meeting of the 7th term board of directors on December 10, 2018. In 2019, the company will continue to promote the integrity of the previous year.</p> <p>(3) The company has established policies to prevent conflict of interests, provide appropriate channels for filing related complaints and implement the policies accordingly. Related regulations are provided in the Company's "Enforcement Rules of Ethical Conduct" (published in the annual report) under "5.2 Prevention of Conflicts of Interest", "5.5 Procedures for Determining Unethical Conduct", and "5.6 Report and Punishment Measures for Violation of the Enforcement Rules".</p>	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs	V		<p>(4) The Company has established effective accounting policies and internal control systems and employs information processing to manage anomalies. The Company also established a dedicated independent audit unit to carry out various auditing operations in the annual audit plan and to deliver</p>	

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX - Listed Companies" and reasons
	Yes	No	Summary Statement	
on a regular basis?			auditing reports and follow-up reports to independent directors. If they have opinions on the review, they communicate through face-to-face consultation, telephone, or email and attend the meetings of the audit committee and board of directors to make reports. They also supervise related units to take appropriate improvement measures for the defects in the internal control system and anomalies discovered in audits and follow-up on the improvement measures until they have been improved.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) The Company educates new employees on the ideals of "ethical governance" and organizes legal courses from time to time to enhance the promotion of ethical corporate management.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) The Company has established "Report Management Regulations" to be implemented along with the "Employee Reward and Punishment Regulations". The "Report Management Regulations" have established clear reporting channels and assigned dedicated personnel to investigate the reported misconducts. There are two types of prosecution channels that can be reported to the company. One is the "Third Party Reporting Platform" and the other is the "Employee Opinion Platform" built on the company's website.	None
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		(2) The Company has established investigation procedures for reported cases and related confidentiality mechanisms in the "Report Management Regulations" (published in the annual report). E.g. the provision of a third-party report platform to provide employees and external parties a channel to report unethical conduct under their names or anonymously.	

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX - Listed Companies" and reasons
	Yes	No	Summary Statement	
(3) Does the company provide proper whistleblower protection?	V		(3)The Company requires "all related personnel who have knowledge of the reported case shall be obligated to maintain the confidentiality of the reporter."	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		(1)The Company has disclosed information related to "ethical corporate management policies" in the annual report, the company website and MOPS.	None
5. If the company has established its own ethical corporate principles based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", please describe the difference between operation practice and the ethical corporate principles: According to the "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX--Listed Companies", the Company has obtained the approval of the "Ethical Corporate Management Best Practice Principles" (the "Principle") in the 6th meeting of the 6th term Board of Directors in December 16th, 2014. The all employees, officers and board members should comply with the Principle.				
6. Other important information to facilitate understanding of the company's good faith management implementation.(e.g. To announce the company's determination to implement good faith management to business vendors, to invite vendors to participate in related education, and to review and revise the company's ethical corporate management best practice principles): The Company strictly observed "Company Act"," Securities and Exchange Act", related rules for TWSE/ TPEX -Listed Companies and other commerce ordinances to implement the good faith management. Review and revise the Company's internal management principles including "Corporate Governance Principles", "Ethical Corporate Management Best Practice Principles", "Code of Ethics for Directors and Managers", "Employee Code of Ethics and Conduct", and based on the development of ethical corporate management principles.				

3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the MOPS website at <http://mops.twse.com.tw> or ECOVE's website at www.ecove.com.

3.4.8 Other Important Information Regarding Corporate Governance

(1) Training program for directors

Title	Name	Study period		Sponsoring Organization	Course	Training hours
Chairman	J. J. Liao	2018/10/25	2018/10/25	Taiwan Institute for Sustainable Energy(TAISE)	The fourteenth CEO lecture and special speech	2.0
		2018/10/20	2018/10/20	Taiwan M&A and Private Equity Association	『 M&A Professional Training Course: Corporate Leaders - Master Class 』	6.0
		2018/08/03	2018/08/03	Taiwan Corporate Governance Association	Talking about the enterprise's anti-corruption and security propaganda from the evolution of bitcoin	3.0
		2018/07/26	2018/07/26	Taiwan Institute for Sustainable Energy(TAISE)	The thirteenth CEO lecture and special speech	2.0
		2018/04/26	2018/04/26	Taiwan Institute for Sustainable Energy(TAISE)	Corporate advice on international circular economy and information security	2.0
Director/President	Y. P. Shih	2018/11/16	2018/11/16	Taiwan Corporate Governance Association	Directors and supervisors must not know the brand intellectual property strategy	3.0
		2018/08/03	2018/08/03	Taiwan Corporate Governance Association	Talking about the enterprise's anti-corruption and security propaganda from the evolution of bitcoin	3.0
Independent Director	Shuh Woei Yu	2018/08/03	2018/08/03	Taiwan Corporate Governance Association	Talking about the enterprise's anti-corruption and security propaganda from the evolution of bitcoin	3.0
		2018/05/04	2018/05/04	Taiwan Institute for Sustainable Energy(TAISE)	Sustainable development and strategy of engineering service industry	3.0
Independent Director	James Tsai	2018/12/03	2018/12/03	Foundation Insurance Business Development Center	Insurance Industry Sustainable Business Strategy - Impact of IFRS 17 on Insurance Business Strategy	3.0
		2018/11/05	2018/11/05	Taiwan Corporate Governance Association	How do directors and supervisors perform their duties	3.0
		2018/11/05	2018/11/05	Taiwan Corporate Governance Association	Business secret protection and non-competition	3.0

		2018/08/03	2018/08/03	Taiwan Corporate Governance Association	Talking about the enterprise's anti-corruption and security propaganda from the evolution of bitcoin	3.0
		2018/05/04	2018/05/04	Taiwan Institute for Sustainable Energy(TAISE)	Sustainable development and strategy of engineering service industry	3.0
		2018/03/20	2018/03/20	Republic of China Federation of Industry and Commerce	Tax Reform and Corporate Governance	3.0
Director	Minyang Liu	2018/08/03	2018/08/03	Taiwan Corporate Governance Association	Talking about the enterprise's anti-corruption and security propaganda from the evolution of bitcoin	3.0
		2018/05/04	2018/05/04	Taiwan Institute for Sustainable Energy(TAISE)	Sustainable development and strategy of engineering service industry	3.0
Director	Wen Whe Pan	2018/06/24	2018/06/24	Taiwan M&A and Private Equity Association	『 M&A Professional Training Course: Corporate Leaders - Master Class 』	6.0
Director	Kuan Shen Wang	2018/09/05	2018/09/05	Securities & Futures Institute	Discussion on the Strategy of Rewarding Employees and the Application of Tools	3.0
		2018/09/05	2018/09/05	Securities & Futures Institute	Strengthening corporate governance with the self-assessment system of the board of directors	3.0
Independent Director	Shean Bii Chiu	2018/12/14	2018/12/14	Taiwan Corporate Governance Association	2018 Taiwan Income Tax Law Amendment and Mainland Revised Individual Income Tax Law	3.0
		2018/11/08	2018/11/08	Securities & Futures Institute	Directors and Supervisors (including independent) Practice Advanced Seminar — The latest company law amendment focus and practice	3.0
Director	Eugene Chien	2018/10/25	2018/10/25	Taiwan Institute for Sustainable Energy(TAISE)	The fourteenth CEO lecture and special speech	2.0
		2018/10/24	2018/10/24	Taiwan Institute of Directors	Global rebalancing crisis and turnaround	3.0
		2018/02/07	2018/02/07	Taiwan Institute for Sustainable Energy(TAISE)	Enterprise sustainability and business evergreen	1.0

		2018/01/25	2018/01/25	Taiwan Institute for Sustainable Energy(TAISE)	2018 International economic trends and financial systems	2.0
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(2) Internal Material Information Disclosure Procedure

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

(3) Code of Corporate Social Responsibility Best Practice Principles

ECOVE Environment Corporation
Corporate Social Responsibility Best Practice Principles

Amended on Dec. 16, 2014

- Article 1 To fulfill corporate social responsibility (“CSR”) initiatives and to promote economic, social and environmental balance and sustainable development, ECOVE Environment Corp. (“The Company”) draws up “Corporate Social Responsibility Best Practice Principles” in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies” by Gre Tai Securities Market based on the business scope and the entire operations of the Company.
- Article 2 Fulfilling CSR has been a vital scheme of the Company; with continuous concern of relevant issues, the Company monitors at all times the development of domestic and international CSR framework and the change of business environment so as to examine and improve its established CSR framework and to obtain better results from the implementation of the CSR policy. In fulfilling CSR initiatives, the Company gives due consideration to the social mores and the rights and interests of the interested parties and, while pursuing sustainable operations and profits, also gives due consideration to the environment, society and corporate governance for its materializations in operation strategies and daily activities.
- Article 3 To implement CSR initiatives, the Company follows the principles below:
1. Exercise corporate governance.
 2. Foster a sustainable environment.
 3. Preserve public welfare.
 4. Enhance disclosure of CSR information.
- Article 4 The board of directors of the Company exercises the due care of good administrators to urge the company to perform its CSR initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its CSR policies and the disclosure of relevant information.
- Article 5 For the purpose of managing CSR initiatives, the Company establishes a CSR Committee to be in charge of proposing and enforcing the CSR policies or systems of the company and to report the same to the board of directors on a periodic basis.
- Article 6 The Company respects the rights and interests of the interested parties, identifies and understands the reasonable expectations and demands of such parties through proper communication and allowing their participation, and adequately responds to the important CSR issues which such parties are concerned about.
- Article 7 The Company establishes effective corporate governance framework and relevant ethical standards so as to enhance corporate governance.

- Article 8 The Company follows relevant environmental laws and regulations and international standards to properly protect the environment and endeavors to promote a sustainable environment when engaging in business activities.
- Article 9 To utilize water resources more efficiently, the Company properly and sustainably utilizes water resource, and adopts relevant management measures.
- Article 10 The Company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, respects internationally recognized principles of the labor force's human rights. The human resources policies of the Company are founded on the principles of the labor force's human rights and contain appropriate management methods and procedures.
The Company ensures that its employment policies do not contain differential treatments based on gender, race, age, marital and family status, and achieves equality in terms of compensation, employment conditions, and training and promotion opportunities.
- Article 11 The Company provides information for its employees so that the employees have knowledge of their rights under the labor laws of the countries where the company has business operations.
- Article 12 The Company provides safe and healthful work environments for its employees, including necessary health and first-aid facilities and endeavors to curb dangers to employees for safety and health and to prevent occupational accidents. Also, the Company organizes training on safety and health for its employees on a regular basis.
- Article 13 The Company creates an environment conducive to the development of its employees' careers and establishes effective training programs to foster career skills.
- Article 14 The Company establishes a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information and express their opinions on the Company's operations, management and decisions. The Company respects the employee representatives' rights to bargain for the working conditions, and provides the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.
The Company, by reasonable means, informs employees of operation changes that might have material impacts.
- Article 15 The Company provides a clear and effective procedure for accepting client complaints and handles the complaints fairly and timely, complies with relevant laws and regulations for protecting information provided by clients.
- Article 16 The Company assesses the impact its suppliers have on society as well as the environment in terms of production and manufacturing process, and, if necessary, cooperates with its suppliers to jointly foster a stronger sense of CSR.

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

Relevant information relating to CSR which it discloses includes:

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

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

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

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

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

(4) Code of Ethics and Conduct

ECOVE Environment Corporation Code of Ethics and Conduct

1.0 Purpose

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

2.0 Scope

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

3.0 Definition

3.1 Vendor: Including suppliers, third parties and subcontractors.

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

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

3.4 Intellectual property: Including all ECOVE Environment Corp. patents, trademarks, copyrights and trade secrets.

4.0 Responsibility

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

5.0 Operation Procedure

5.1 Prohibition of bribes offering and acceptance, and blackmailing

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

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

5.2 Preventing conflicts of interest

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

5.2.1 Avoid personal gain during business operations :

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

- when conducting business operation.
- 5.2.2 Avoid part-time job and/or competing with ECOVE Environment Corp. :
- ECOVE employees shall not accept other company's employment during tenure.
 - Direct or indirect relationship with competitors shall be avoid, including part-time/full-time employment and contractor of companies in the same business, ECOVE's clients or vendors, ECOVE's competitors and its supplier.
 - Effects on ECOVE clients and/or vendors lead to disadvantage of ECOVE Environment Corp. shall not occur.
- 5.2.3 The measures of relatives' employment of related industries :
- To avoid disadvantaging ECOVE and conflicting with interests of ECOVE, ECOVE employees shall not sharing confidential information with their relatives who is employed by a company in the related industries, and their companies as well.
 - ECOVE employees shall proactively submit to Human Resource Department in written form if his/her relatives hold a business relationship with ECOVE.
- 5.2.4 ECOVE employees shall submit to Executive Management Office in advance if he/she is a director of the board, supervisor or consultant of a company in the related industries, excluding those of ECOVE affiliates.
- 5.3 Protection of business confidentiality and intellectual property rights
- 5.3.1 All types of documents and information shall not be altered or modified by ECOVE employees.
- 5.3.2 ECOVE employees shall not discuss their work with non- ECOVE employees and leak confidential information which has not been revealed by ECOVE to others. The article above is still valid after resigning or retiring.
- 5.3.3 Before ECOVE patent or confidential information is revealed, ECOVE employees shall not disclose it in any ways, including disclosing it in ECOVE. The disclosure in ECOVE should be authorized or assigned, and the disclosure out of ECOVE should be done after subscribing the contract of confidentiality.
- 5.4 Fair trade with vendors
- 5.4.1 Vendor selection
- Vendors shall be fairly selected based on the technical specification, quality, duration and business requirements with the most competitive price. ECOVE employees shall not choose vendors with preference and ignore ECOVE's interests.
 - Employees participating in vendor selection shall avoid doing any activity that might be seen as the cause for vendor selection result.
 - Employees participating in vendor selection shall not provide any information relating to the contract or proposal to irrelevant third parties.
 - ECOVE's goals in procurement are "Best price, suitable quality, and prompt delivery". ECOVE employees should assist our vendors to accomplish the quality and quantity of their products or services.
- 5.4.2 Dealing with vendors
- ECOVE employees should treat all vendors in positivity, fairness, and politeness.
 - ECOVE employees shall not disclose confidential information to vendors.
 - ECOVE employees should avoid contacting vendors due to non-business-related affairs.

5.5 Steps to determine the ethicalness of behavior

5.5.1 Ethical Decision Making

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

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

5.5.2 Questions to consider)

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

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

5.6 Reporting and disciplinary procedures for violation

5.6.1 Disciplinary system

- ECOVE employees shall acknowledge the rules and their obligations. Employee violates the Codes of Ethical Conduct shall be reviewed by the Rewards and Punishment Committee, and penalized according to "ECOVE Employees Reward and Punishment Regulations". Employees who are in significant violation of this Conduct may be subject to disciplinary action up to and including termination of the labor contract.
- Apart from being penalized according to the ECOVE internal rewards and punishment related policies, ECOVE may conduct civil or criminal lawsuit based on the severity of violation.

5.6.2 Reporting system

- ECOVE employees who discover any violation of this Conduct or other unethical activities shall report under their real name or anonymously according to "Accusation Management Regulations".
- Reporter shall provide specific descriptions and relevant evidences on the concerned person, matter, time, place and object for further investigation. Reporting channels including: Online reporting (<https://www.reportnow.com.tw/ctci>) and email (ctci@reportnow.com.tw).
- The reporting channel stated above is run by an independent third-party service provider to ensure the unethical activities being reported is conveyed truthfully. ECOVE promise to keep the confidentiality of reporters' identity, protecting reporters from inappropriate disciplinary actions due to their whistle-blowing.
- ECOVE may not conduct investigation or further action if reporters could not provide descriptions and relevant evidences on the concerned person

involved. Such reporters may be penalized for malicious complaints.

6.0 Reference Document

KCP-174 ECOVE Employees Reward and Punishment Regulations

KCP-173 Accusation Management Regulations

(5) Code of Accusation Management Regulations

ECOVE Environment Corporation Accusation Management Regulations

1.0 Purpose

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

2.0 Scope

2.1 Accuser

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

2.2 Scope of accusation

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

3.0 Definition

3.1 Individual accusation

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

3.2 Joint accusation

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

3.3 Blackmail

The accusation letter proposed anonymously.

4.0 Responsibility

4.1 Human Resources Unit

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

4.2 Investigation Group

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

4.3 Management Division

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

4.4 Each Division

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

5.0 Operation context

5.1 Operation procedure

Subject to Attachment 1 - Flow Chart of this Regulation.

5.2 Accusation

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

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

5.3 Case acceptance

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

5.4 Investigation

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

5.5 Punishment

After Human Resources Unit has received the investigation report, it shall convene the meeting pursuant to "ECOVE Employees Reward and Punishment Regulations" to hear the accusation case, and propose punishment suggestions according to the preceding Regulation. Then Human Resources Unit will submit the complete report contents to the Chairman for review and decision.

5.6 Response

For any accusation case, Human Resources Unit shall respond to the accuser in writing

on the handling result thereof. For false accusation or fling abuses, the responding content shall include the reminder on relevant legal responsibility.

5.7 Confidentiality obligation

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

6.0 Reference document

KCP-174 Employees Reward and Punishment Regulations

7.0 Attachment

Attachment 1 Work Flow

Attachment 2 Accusation Preliminary Examination Proposal

3.4.9 Internal Control System

(1) Statement of Internal Control System

**ECOVE Environment Corporation
Statement of Internal Control System**

Date: March 8, 2019

ECOVE Environment Corporation (ECOVE) states the following with regard to its internal control system during fiscal year 2018, based on the findings of a self-assessment:

1. ECOVE is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. ECOVE has established such a system aimed at providing reasonable assurance of the achievement of the following objectives :
 - (1) Effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security).
 - (2) Reliability, timeliness, transparency, and regulatory compliance of reporting.
 - (3) Compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes in environment or circumstances. The internal control system of ECOVE contains self-monitoring mechanisms, however, and ECOVE takes immediate remedial actions in response to any identified deficiencies.
3. ECOVE judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations divide internal control into five elements based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. ECOVE has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, ECOVE believes that, as of December 31, 2018, its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for (1) knowing about the achievement degree of operational effectiveness and efficiency, (2) reliability timeliness, transparency, and regulatory compliance of reporting, and (3) compliance with applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will be a major part of ECOVE's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of ECOVE held on March 8, 2019, the nine attending directors all affirmed the content of this Statement.

ECOVE Environment Corporation

Chairman (J.J.Liao) :  (signature)

President (Y. P. Shih) :  (signature)

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

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

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Major resolutions of Shareholders' Meeting of Year 2018
 - (1) Adoption of the Company's 2017 Business Report, Financial Statements and Consolidated Financial Statements.
Action Arisen : The resolution has been made and implemented.
 - (2) Adoption of the Company's distribution plan of 2017 earnings
Action Arisen : The ex-dividend date was on August 1rd, 2018, and cash dividend was paid on August 22, 2018. In accordance with the total amount of common shares outstanding, the cash dividend per share had been adjusted to NT\$9.64624522 actually.
2. Major resolutions of the Board Meeting in recent years until the annual report being published:
 - 2018.03.08 Admit of the endorsement of external guarantees.
Approval of the distribution plan of the 2017 directors' and employees' remuneration.
Approval of the Fiscal 2017 business report, financial reports and consolidated reports.
Approval of the distribution plan of Fiscal 2017 earnings.
Approval of "Statement of Internal Control System for the Year 2017".
Approval of the convening of the 2018 Annual General Meeting.
Approval of the place and the period of time for shareholders to submit proposal of the 2018 Annual General Meeting.
Approval of the update of the Company's paid-in capital registration.
Approval of equity participation on capital injection of the ECOVE Solar Energy Corp.
 - 2018.04.30 Report on Consolidated financial reports as of March 31, 2018.
Admit of the endorsement of external guarantees.
Approval of equity participation on capital injection of the ECOVE Solvent Recycling Corp.
Approval of the update of the Company's paid-in capital registration.
Approval of the issuance of the 2018 Employee Stock Options.
 - 2018.05.31 Approval of the ex-dividend record date of 2018.
Approve to adjust the Company's managerial officer.
Approve to remove the non-competition restrictions on a new managerial officer.
Approval of list of subscribers and the number of shares they are allowed to subscribe for 2018 Employee Stock Options.
 - 2018.07.30 Report on Consolidated financial reports as of June 30, 2018
Admit of the endorsement of external guarantees.
Approve to invest in the EVER ECOVE Corp.
Approval of the update of the Company's paid-in capital registration.
 - 2018.09.17 Approval to acquire the equity of ECOVE Solar Energy Corp.

- 2018.11.02 Report on Consolidated financial reports as of September 30, 2018
Admit of the endorsement of external guarantees.
Approval of loan ECOVE Solar Energy Corp. for working capital requirement.
Approval of the amendment to the Company's "Internal Control Systems" and "Internal Audit Systems".
- 2018.12.10 Approval of the budget of 2019.
Approval of the Audit Plan of 2019.
Approval of the average salary increase rate of 2019.
Approval of the remuneration of the management officers of the Company.
- 2019.03.08 Admit of the endorsement of external guarantees.
Approval of the distribution plan of the 2018 directors' and employees' remuneration.
Approval of the Fiscal 2018 business report, financial reports and consolidated reports.
Approval of the distribution plan of Fiscal 2018 earnings.
Approval of "Statement of Internal Control System for the Year 2018".
Approval of the amendment to the Company's "Internal Control Systems", "internal rules" and "Internal Audit Systems".
Approval of the convening of the 2019 Annual General Meeting.
Approval of the place and the period of time for shareholders to submit proposal of the 2019 Annual General Meeting.
Approval of the Designation of Company Secretary.
Approved to purchase shares of ECOVE Wujih Energy Corp. held by ECOVE Environment Services Corp.
Approved to purchase shares of Yuan Ding Resources Management Corp. held by ECOVE Waste Management Corp.
Approval of the issuance of the 2019 employee stock options plan.
Approval of the "Procedure for Acquisition and Disposition of Assets", "Procedure for Loaning of Funds", "Procedure for Marking of Endorsements or Guarantees" of the ECOVE Waste Management Corp., ECOVE Environment Services Corp., and
Approval of the "Procedure for Acquisition and Disposition of Assets" of the ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp.

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D: None

3.5 Professional fee of CPA

3.5.1 Information of CPA

Accounting Firm	Name of CPA		Audit Period	Note
PriceWaterHouseCoopers	Shyu-Rong Ueng	Shu-Chiung Chang	2018.01.01-2018.12.31	PriceWaterHouseCoopers

3.5.2 Public Expenses of CPA

Unit: NT\$ thousands

	Item	Audit Fee	Non-audit Fee	Total
1	Less than 2,000,000	1,220	821	2,041
2	2,000,000 ~ 4,000,000 (inclusive of 2,000,000)			
3	4,000,000 ~ 6,000,000 (inclusive of 4,000,000)			
4	6,000,000 ~ 8,000,000 (inclusive of 6,000,000)			
5	8,000,000 ~ 10,000,000 (inclusive of 8,000,000)			
6	More than 10,000,000 (inclusive of 10,000,000)			

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Note
			System Design	Registration	Human Resource	Other	Total		
PriceWaterHouseCoopers	Shyu-Rong Ueng Shu-Chiung Chang	1,220	0	87	0	734	821	2018.01.01-2018.12.31	Note1

Note1: When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed : Translation fee of financial reports NT\$560 thousand, employee stock option issuance report service fee NT\$162 thousand, and the consultant fee of Consolidated Financial Report Template NT\$12 thousand.

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

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

3.6 Information on replacement of CPA: None

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

3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

3.8.1

Unit: Share

Title	Name	2018		As of April 01, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	CTCI Corp.(Note 1)	0	0	0	0
	Representative: J. J. Liao(Chairman)	39,000	0	(37,500)	0
	Representative: Y. P. Shih	(5,000)	0	(16,000)	0
Director	Parkwell Investment Corp.	0	0	0	0
	Representative: Kuan Shen Wang	0	0	0	0
Director	Yangming Liu	0	0	0	0
Director	Wen Whe Pan	0	0	0	0
Director	Eugene Chien	0	0	0	0
Independent Director	Shean Bii Chiu	0	0	0	0
Independent Director	Shuh Woei Yu	0	0	0	0
Independent Director	James Tsai	0	0	0	0
Special Assistant to the President	B. J. Liang (Note 2)	0	0	0	0
Financial Officer	Catherine Huang	0	0	0	0
Accounting Officer	Tanching Yao	0	0	0	0

Note 1: Shareholders holding more than 10% of shares, only CTCI Corp.

Note 2: New appointment on June 1, 2018, resignation on October 10, 2018, only revealing changes in shareholding during his tenure.

3.8.2 Shares Trading with Related Parties: None

3.8.3 Shares Pledge with Related Parties: None

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

Name	Shareholding		Spouse &		Shareholding		The relationship between		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
CTCI Corp.	38,457,105	57.31	0	0	0	0	GRQ Investment Corporation	The same enterprise group The parent company of GRQ Investment Corp.	-
Rep. : John T. Yu	0	0	0	0	0	0	GRQ Investment	Chairman of GRQ	-
Fubon Life Insurance Co., Ltd.	4,567,507	6.81	0	0	0	0	Fubon Financial Holding Venture Capital Corp.	The same enterprise group	-
Rep. : M. H. Tsai	0	0	0	0	0	0	None	None	-
Parkwell Investment Corp.	1,060,000	1.58	0	0	0	0	None	None	-
Rep. : S. J. Chiu	4,038	0.006	0	0	0	0	None	None	-
Fubon Financial Holding Venture Capital Corp.	469,856	0.70	0	0	0	0	Fubon Life Insurance Co., Ltd.	The same enterprise group	-
Rep. : B. L. Ma	0	0	0	0	0	0	None	None	-
President International Development Corp.	469,000	0.70	0	0	0	0	None	None	-
Rep. : Zhixian Luo	0	0	0	0	0	0	None	None	-
Taiwan Life Insurance Co, Ltd.	337,774	0.50	0	0	0	0	None	None	-
Rep. : S. G. Huang	0	0	0	0	0	0	None	None	-
GRQ Investment Corp.	243,918	0.36	0	0	0	0	CTCI Corp.	The same enterprise group Subsidiary of CTCI Corp.	-
Rep. : John T. Yu	0	0	0	0	0	0	CTCI Corp.	Chairman of CTCI Corp.	-
Nan Shan Life Insurance Co., Ltd.	221,000	0.33	0	0	0	0	None	None	-
Rep. : Y. C. Du	0	0	0	0	0	0	None	None	-
Dun Yao Wen	220,746	0.33	0	0	0	0	None	None	-
Equity Portfolio of DFA Investment Dimensions Group Inc.	215,000	0.32	0	0	0	0	None	None	-

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

As of April 02, 2018

Affiliated Company	Investment of the Company		Directors, Managements Direct and Indirect Investment of the Company		Total Investment	
	Share	%	Share	%	Share	%
ECOVE Environment Services Corporation	14,065,936	93.15	1,000	0.01	14,066,936	93.16
ECOVE Wujih Energy Corporation	29,400,000	98.00	600,000	2.00	30,000,000	100.00
ECOVE Waste Management Corporation	2,000,000	100.00	0	0.00	2,000,000	100.00
ECOVE Miaoli Energy Corporation	56,249,000	74.999	1,000	0.001	56,250,000	75.00
ECOVE Solar Energy Corporation	63,245,452	100.00	0	0.00	63,245,452	100.00
Yuan Ding Resources Corporation	2,700,000	60.00	1,800,000	40.00	4,500,000	100.00
ECOVE Solvent Recycling Corporation	8,099,000	89.99	1,000	0.01	8,000,000	90.00
Boretch Resource Recovery Engineering Company Limited (Cayman)*	13,333,333	20.00	6,666,667	10.00	20,000,000	30.00

*Under equity method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

(1) Issued Shares

As of April 2nd, 2019

Year /Month	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2014.03	10	80,000,000	800,000,000	63,959,468	639,594,680	CB & ESOP	None	Note 1
2014.05	10	80,000,000	800,000,000	64,068,968	640,689,680	ESOP	None	Note 2
2014.08	10	80,000,000	800,000,000	64,386,968	643,869,680	ESOP	None	Note 3
2014.11	10	80,000,000	800,000,000	64,825,000	648,250,000	CB & ESOP	None	Note 4
2015.03	10	80,000,000	800,000,000	64,986,449	649,864,490	CB & ESOP	None	Note 5
2015.06	10	80,000,000	800,000,000	65,397,149	653,971,490	CB & ESOP	None	Note 6
2015.08	10	80,000,000	800,000,000	65,522,567	655,225,670	CB & ESOP	None	Note 6
2015.11	10	80,000,000	800,000,000	65,779,115	657,791,150	CB & ESOP	None	Note 8
2016.04	10	80,000,000	800,000,000	65,862,648	658,626,480	ESOP	None	Note 9
2016.07	10	80,000,000	800,000,000	66,064,898	660,648,980	ESOP	None	Note 10
2016.11	10	80,000,000	800,000,000	66,435,398	664,353,980	ESOP	None	Note 11
2017.03	10	80,000,000	800,000,000	66,461,398	664,613,980	ESOP	None	Note 12
2017.06	10	80,000,000	800,000,000	66,624,898	666,248,980	ESOP	None	Note 13
2017.08	10	80,000,000	800,000,000	66,784,148	667,841,480	ESOP	None	Note 14
2017.11	10	80,000,000	800,000,000	66,804,398	668,043,980	ESOP	None	Note 15
2018.03	10	80,000,000	800,000,000	66,810,648	668,106,480	ESOP	None	Note 16
2018.05	10	80,000,000	800,000,000	66,932,898	669,328,980	ESOP	None	Note 17
2018.06	10	80,000,000	800,000,000	67,105,148	671,051,480	ESOP	None	Note 18

Note 1: 2014.04.15 MOEA Ruling Ref. No. 10301064930

Note 2: 2014.06.04 MOEA Ruling Ref. No. 10301099890

Note 3: 2014.09.05 MOEA Ruling Ref. No. 10301181770

Note 4: 2014.11.28 MOEA Ruling Ref. No. 10301246650

Note 5: 2015.03.31 MOEA Ruling Ref. No. 10401055110

Note 6: 2015.06.01 MOEA Ruling Ref. No. 10401095880

Note 7: 2015.08.26 MOEA Ruling Ref. No. 10401178670

Note 8: 2015.11.26 MOEA Ruling Ref. No. 10401246910

Note 9: 2016.04.12 MOEA Ruling Ref. No. 10501064000

Note 10: 2016.07.14 MOEA Ruling Ref. No. 10501133770

Note 11: 2016.11.29 MOEA Ruling Ref. No. 10501271530

Note 12: 2017.03.31 MOEA Ruling Ref. No. 10601041590

Note 13: 2017.06.01 MOEA Ruling Ref. No. 106020180050

Note 14: 2017.08.28 MOEA Ruling Ref. No. 10601121260

Note 15: 2017.11.20 MOEA Ruling Ref. No. 10601158200

Note 16: 2018.03.29 MOEA Ruling Ref. No. 201801031800

Note 17: 2018.05.16 MOEA Ruling Ref. No. 201801053860

Note 18: 2018.08.16 MOEA Ruling Ref. No. 201801103650

Type of Stock

As of April 1st, 2019

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	67,105,148	12,894,852	80,000,000	Listed TPEX stock

4.1.2 Status of Shareholders

As of April 1st, 2019

Item	Government Agencies	Financial Institutions	Other Juridical Person	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	12	61	7,011	60	7,144
Shareholding (shares)	0	5,288,281	42,055,477	18,079,458	1,681,932	67,105,148
Percentage (%)	0	7.88	62.67	26.94	2.51	100.00

4.1.3 Shareholding Distribution Status

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

As of April 1st, 2019

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	1,736	331,988	0.49
1,000 ~ 5,000	4,724	8,307,622	12.38
5,001 ~ 10,000	390	2,947,453	4.39
10,001 ~ 15,000	91	1,140,249	1.70
15,001 ~ 20,000	53	966,705	1.44
20,001 ~ 30,000	57	1,427,306	2.13
30,001 ~ 40,000	26	916,031	1.37
40,001 ~ 50,000	11	502,257	0.75
50,001 ~ 100,000	31	2,115,138	3.15
100,001 ~ 200,000	13	1,784,493	2.66
200,001 ~ 400,000	7	1,642,438	2.45
400,001 ~ 600,000	2	938,856	1.40
600,001 ~ 800,000	0	0	0
800,001 ~ 1,000,000	0	0	0
1,000,001 or over	3	44,084,612	65.69
Total	7,144	67,105,148	100.00

(2) Special Shares: None

4.1.4 List of Major Shareholders

As of April 1st, 2019

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
CTCI Corp.	38,457,105	57.31
Fubon Life Insurance Co., Ltd.	4,567,507	6.81
Parkwell Investment Limited	1,060,000	1.58
Fubon Financial Holding Venture Capital Corp.	469,856	0.70
President international Development Corp.	469,000	0.70
Taiwan Life Insurance Co, Ltd.	337,774	0.50
GRQ Investment Corp.	243,918	0.36

Nan Shan Life Insurance Co., Ltd.	221,000	0.33
Dun Yao Wen	220,746	0.33
Emerging Markets Core Equity Portfolio of DFA Investment Dimensions Group Inc.	215,000	0.32

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

Item	Year	2017	2018(Note 1)	As of March 31, 2019(Note 2)
Market Price per Share				
Highest Market Price		183.00	183.00	189.00
Lowest Market Price		162.00	164.50	171.00
Average Market Price		172.53	173.10	180.50
Net Worth per Share				
Before Distribution		70.10	72.70	75.87
After Distribution		60.41	61.88	N/A
Earnings per Share				
Weighted Average Shares		66,739	72.70	75.87
Diluted Earnings Per Share		11.41	61.88	N/A
Dividends per Share				
Cash Dividends		9.69	10.82	N/A
Stock Dividends				
•Dividends from Retained Earnings		0	0	0
•Dividends from Capital Surplus		0	0	0
Accumulated Undistributed Dividends		0	0	0
Return on Investment				
Price / Earnings Ratio		15.12	14.38	61.60
Price / Dividend Ratio		17.81	16.00	N/A
Cash Dividend Yield Rate		5.62	6.25	N/A

Note 1: The Board of Directors has approved the 2017 earnings distribution and has not been resolved by the Shareholder's Resolution in 2018.

Note 2: As of the date of publication, financial Report was unreviewed by CPA in March 31, 2019.

4.1.6 Dividend Policy and Implementation Status

(1) Dividend Policies under Articles of Incorporation

Article 29

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

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

Article 30

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

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

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

- (2) Proposed Distribution of Dividend: Due to the board of directors resolution on 8 March 2019, the Company has decided to distribute the cash dividends NT\$726,078 thousand (NT\$10.82 per share) to common shareholders.
- (3) The Company adopts a dividend policy of high earnings appropriation rate, and stipulates that at least 80% of total attributable earnings should be appropriated as dividends. In recent years, the Company distributes all of its dividends in the form of cash. Historical information about dividends distribution is available on the Company's website.

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

4.1.8 Employee and Directors' Remuneration

- (1) Dividend Policies under Articles of Incorporation

Article 29

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

- (2) The estimation basis on remuneration to Employees and Directors, the calculating basis on the number of shares for share bonus and accounting treatment for the differences between the actual distributing amounts and estimations:
 - a. Employee and Directors' Remuneration: Estimation of employee and Directors' remuneration is based on prior experience and is recognized as current expenses.
 - b. Stock Compensation: None.
 - c. If the amount remains variable at the date of Shareholders' meeting in the following year, it

shall be recorded in the following year as change in accounting estimation.

- (3) Profit Distribution of Year 2017 Approved in Board of Directors Meeting for Employee and Directors' Remuneration:
- The appropriation of 2018 earnings had been proposed by the Board of Directors during their meeting on March 8, 2018. The Board of Directors approved NT\$ 5,200 thousands for the directors' remuneration and NT\$343 thousands for the employees' remuneration respectively, and this will be distributed by cash. Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved by the meeting of board of directors were in agreement with those amounts recognized in the 2018 financial statements.
 - Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: None
 - Recounted EPS after Recommended Distribution of Employee and Directors' and Supervisors' Remuneration: NT\$12.04 per share.
- (4) Information of 2017 Earnings Set Aside to Employee Bonus and Directors' and Supervisors' Remuneration:

Unit: NT\$ thousands

	Actual Distribution (A)	Recognized Estimated Amount (B)	Variance (C=A-B)
Remuneration for Employees (Cash)	359	359	0
Remuneration for Directors (Cash)	5,200	5,200	0

The actual distribution of employee Remuneration and Directors compensation in 2016 is based on Shareholders' Resolution and corresponds to actual reserve.

- (5) The Information of Top Ten Recipients of Employee Bonuses in 2017:

Name	Title	Amount(NT\$)
J.J Liao	Chairman of Business Strategy Committee	358,506
	President	
B.J Liang	Special Assistant of President	
Mike Chiu	Manager	
Chia-Lin Chan	Audit Manager	
Chung-Lei Huang	Finance Manager	
Tan-Ching Yao	Accounting Manager	
C.N Jiang	Stock Affair Specialist	
C.T Lee	Executive Specialist	

Note 1: The total number of employees in the company that meet the needs of the employees in the year of 2017 is 9, including the number of managers, which reveals the distribution of 2016 employees' remuneration in 2018.

4.1.9 Issuance of Corporate Bonds: None

4.2 Issuance of Corporate Bonds: None

4.3 Preferred Shares: None

4.4 Issuance of Depository Receipt: None

4.5 Employee Stock Options

4.5.1 Issuance of Employee Stock Options

As of March 31st, 2019

Type of Stock Option	2018 ESOP																		
Effective Date by Regulatory Agency	2018/06/27																		
Issue date	2018/07/09																		
Units issued	1,500 units																		
Option shares to be issued as a percentage of outstanding shares (%)	2.24																		
Duration	The duration for options is 6 years, during which employees may not transfer, pledge, or gift their options except to heirs. Upon the expiration of the grant period, unexercised options are deemed forfeited and the subscribers may no longer claim right to exercise the option and purchase those shares.																		
Conversion measures	issue new common share																		
Conditional conversion periods and percentages	<p>Subscribers may exercise their options by the following schedule and proportion:</p> <table border="1"> <thead> <tr> <th rowspan="2">The availability period</th> <th colspan="2">The ceiling of option exercisable (accumulate)</th> </tr> <tr> <th><u>Regular</u></th> <th><u>Reward</u></th> </tr> </thead> <tbody> <tr> <td>Less than 2 years</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>In 2 years after the grant</td> <td>50%</td> <td>25%</td> </tr> <tr> <td>In 3 years after the grant</td> <td>75%</td> <td>50%</td> </tr> <tr> <td>In 4 years after the grant</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table>		The availability period	The ceiling of option exercisable (accumulate)		<u>Regular</u>	<u>Reward</u>	Less than 2 years	0%	0%	In 2 years after the grant	50%	25%	In 3 years after the grant	75%	50%	In 4 years after the grant	100%	100%
The availability period	The ceiling of option exercisable (accumulate)																		
	<u>Regular</u>	<u>Reward</u>																	
Less than 2 years	0%	0%																	
In 2 years after the grant	50%	25%																	
In 3 years after the grant	75%	50%																	
In 4 years after the grant	100%	100%																	
Converted shares	0 Shares																		
Exercised amount	NT\$0																		
Number of shares yet to be converted	1,500,000 Share																		
Adjusted exercise price for those who have yet to exercise their rights	NT\$163.9																		
Unexercised shares as a percentage of total issued shares (%)	2.24																		
Impact on possible dilution of shareholdings	Dilution to Shareholders' Equity is limited.																		

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

As of March 31st, 2019

	Title	Name	No. of Option Shares (thousand shares)	Option Shares as a Percentage of Shares issued (%)	Exercised				Unexercised(Note 1)			
					No. of Shares Converted (thousand shares)	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares issued (%)	No. of Shares Converted (thousand shares)	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares issued (%)
Managements	Chairman	J. J. Liao	283,345	0.4222	100,000	2012 ESOP NT\$122.8 ~ NT\$103	10,339	0.1490	183,345	2018 ESOP NT\$163.9	30,050	0.2732
	President	S. Y. Shih										
	Special Assistant to the President	B. J. Liang ^(Note 2)										
	Accounting Officer	Tanching Yao										
	Financial Officer	Catherine Huang										
Employees	Senior Manager	B. J. Liang ^(Note 2)	54,864	0.0818	31,000	2012 ESOP NT\$122.8 ~ NT\$103	3,374	0.0462	23,864	2018 ESOP NT\$163.9	3,911	0.0356
	Manager	Mike Chiou										
	Audit Officer	Charelene Chan										
	Specialist	C. N. Jiang										
	Specialist	C. T. Lee										

Note 1: The issue date of the 2018 ESOP is July 07, 2018, and the subscribers may not request for exercising the stock option within 2 years after the date of issued.

Note 2: On June 1, 2018, he became the manager and then resigned on October 10, 2018. Since the employee stock option certificate is still in the lock-up period in 2018, the distribution rights have been invalidated according to the issuance method.

Note 3: The company employees (including managers) 8.

4.6 Status of New Restricted Employee Shares: None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.8 Financing Plans and Implementation: None

V. Operations Overview

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

5.1 Business content

5.1.1 Business Scope:

(1) ECOVE Environment Corporation and Subsidiaries

a. Revenue distribution

Unit: NT\$ thousands

Year \ Item	2017		2018	
	Amount	%	Amount	%
Waste Treatment	1,615,440	36.06	1,969,174	40.63
Electricity	1,101,068	24.58	1,105,578	22.81
Concession Service	583,221	13.02	577,005	11.90
Waste Collection	144,543	3.23	78,749	1.62
Others	1,035,315	23.11	1,116,590	23.04
Total	4,479,587	100.00	4,847,096	100.00

(2) ECOVE Environment Corporation: General investment

(3) ECOVE Environment Services Corporation

a. Main Businesses

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

- i. Waste EfW plants, integrated waste processing centers, sewage and reclaimed water treatment plants.
- ii. Cogeneration power plants and public facilities.
- iii. Transportation tracks and stations.

b. Revenue distribution

Unit: NT\$ thousands

Year \ Item	2017		2018	
	Amount	%	Amount	%
EfW plant related income	2,045,243	69.81	2,292,335	67.32
Others	884,504	30.19	1,112,805	32.68
Total	2,929,747	100.00	3,405,140	100.00

c. The Company's Current Products and Services

- i. Repairs, maintenance and technical consulting services for facilities such as water, electricity and environmental control for transportation tracks, fire-fighting, signs and automatic payment systems.
- ii. Repairs, maintenance and power conservation planning for water and electricity supply for public facilities (e.g. hospitals and airports), fire-fighting equipment, air-conditioning and mechanical and electric equipment.
- iii. Operations, management, supervision, annual overhauls and maintenance for environmental

- and pollution prevention processing plants and power plants.
 - iv. Updates and upgrades for hardware and software and automation control systems in mechanical and electrical equipment systems.
- d. New Products and Services Under Development
- i. Intelligent management technologies (such as electronic inspection systems and operation performance systems etc.) and thermal sludge drying technologies for EfW plants.
 - ii. Energy-saving waste solvent assisted combustion technologies for hazardous and medical waste in EfW furnaces and the use of high performance sodium bicarbonate dry spray exhaust treatment system technologies.

(4) ECOVE Wujih Energy Corporation

- a. Main Businesses
 - i. Cogeneration power plant.
 - ii. Waste disposal.
- b. Revenue distribution

Unit: NT\$ thousands

Item \ Year	2017		2018	
	Amount	%	Amount	%
Electricity	82,179	11.29	85,179	12.08
Waste Treatment	406,621	55.89	390,668	55.41
Concession Service	238,776	32.82	229,220	32.51
Total	727,576	100.00	705,067	100.00

- c. The Company's Current Products and Services
 - i. General waste disposal.
 - ii. Industrial waste disposal.
 - iii. Cogeneration power sales.

- d. New Products and Services Under Development
Not applicable.

(5) ECOVE Waste Management Corporation

- a. Main Businesses
 - i. Waste disposal and processing.
 - ii. Waste resource recycling and reuse.

- b. Revenue distribution

Unit: NT\$ thousands

Item \ Year	2017		2018	
	Amount	%	Amount	%
Waste Treatment	984,123	85.02	1,099,741	91.35
Waste Collection	171,951	14.85	104,200	8.65
Comprehensive planning to clean up revenue	1,499	0.13	0	0.00
Total	1,157,573	100.00	1,203,941	100.00

- c. The Company's Current Products and Services

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

- ii. General waste disposal: Includes the disposal and transshipment of waste and ashes from various municipalities, EfW plants, science and industrial parks, various institutions and schools.
 - d. New Products and Services Under Development
Resource recycling and reuse
- (6) ECOVE Miaoli Energy Corporation
- a. Main Businesses
 - i. Cogeneration power plant.
 - ii. Waste disposal.
 - b. Revenue distribution

Unit: NT\$ thousands

Item \ Year	2017		2018	
	Amount	%	Amount	%
Concession Service	348,186	100.00	347,786	100.00
Total	348,186	100.00	347,786	100.00

- c. The Company's Current Products and Services
 - i. General waste disposal.
 - ii. Industrial waste disposal.
 - iii. Cogeneration power sales.
- d. New Products and Services Under Development
Not applicable.

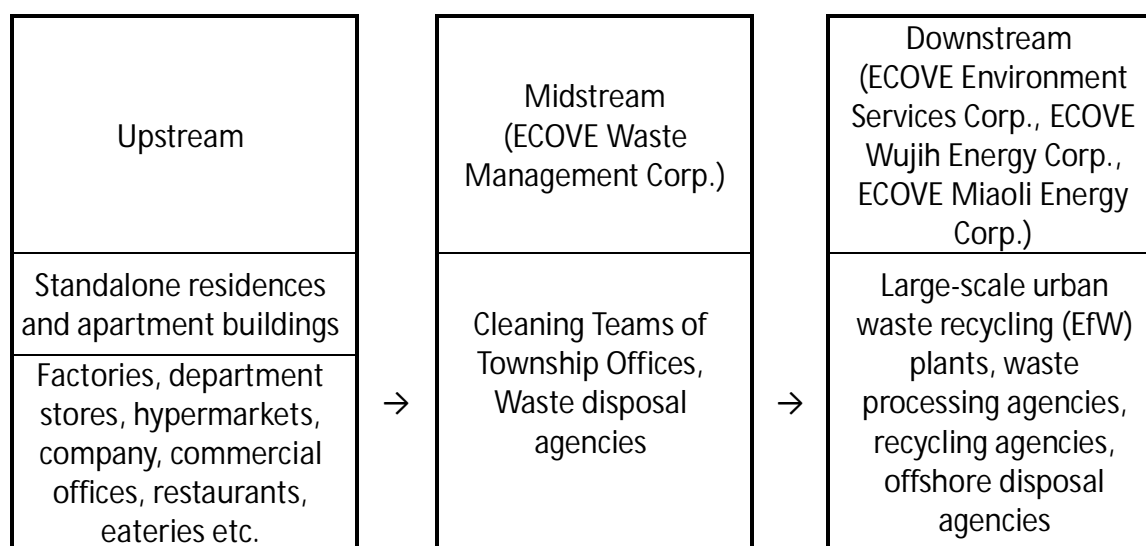
5.1.2 Industry Overview

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

(1) Current State and Development of the Industry

The 24 EfW plants in Taiwan processed a total of 6,464,184 metric tons of waste in 2018. The waste accepted by EfW plants operated by ECOVE Environment Services Corporation amounted to 1,920,321 metric tons and the total processed waste amounted to 1,920,530 metric tons. General waste constituted 1,548,830 metric tons of processed waste and general industrial waste amounted to 371,491 metric tons. ECOVE Environment Services Corporation processed the equivalent of waste produced by 7.9 million people in a year. ECOVE Waste Management Corporation accepted a total of 315,789 metric tons of waste, which constituted around 29.44%. At the same time, we also own the only two BOT EfW plants in Taiwan and we hold a unique position in the domestic waste disposal market.

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



(3) Business Development Trends:

a. O&M of EfW plants

- i. The accepted processing volume of domestic general waste has stabilized after years of government implementation of charging by the bag and resource recycling regulations.
- ii. The government's current environmental policy is to suspend the construction of domestic large-scale urban EfW plants. Regional cooperation is planned to deal with waste in municipalities that have no waste recycling (EfW plant) facilities.
- iii. According to the regulations that are clearly established in the policies of the Environmental Protection Administration of the Executive Yuan, daily waste can no longer be buried in sanitary landfills starting in 2007. Therefore the waste that would have been delivered to local landfills shall be delivered to EfW plants in accordance with EfW procedures before they can be delivered to landfills to be buried.
- iv. In foreign regions such as Mainland China and Southeast Asia, the processing of general waste has gradually shifted from landfills to EfW plant. Development in urban EfW facilities have expanded rapidly in recent years and demand for related expertise in O&M will grow with the development.

b. Acceptance and management of general industrial waste

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

- i. The government has ordered that starting on January 1, 2007, combustible waste shall not be accepted at all public landfills and the policy caused large quantities of combustible waste to be transferred to EfW plants.
 - ii. Large-scale waste disposal projects (e.g. landfill reclamation) have led to an increase in waste.
 - iii. The gradual completion of the Waste Disposal Act and strict investigations on illegal disposals have caused an increase in the demand for waste processing as producers and disposal operators seek normal channels for waste processing.
- c. Waste Disposal
- With the arrival of the circular economy and changes in waste disposal and processing, resource processing and recycling have significantly replaced the simple mid-stream processing (e.g. EfW plant). Therefore, in addition to working with major electronics manufacturers to process their general industrial waste and hazardous industrial waste, the waste disposal business shall also progress in the direction of working with recycling agencies in order to obtain more profitable businesses and more diversified opportunities for disposing waste.
- d. Resource Recycling and Reuse
- Due to the shortage of resources, awareness for resource recycling and reuse has grown and the circular economy has become a trend. In the future, the Company shall continue to make use of business opportunities in the waste resource sector and conduct R&D on related subjects for important business development in the future.

(4) Competition:

- a. As we look ahead to the contracted O&M services for waste resource recycling plants in the domestic market, the Company's subsidiary ECOVE Environment Services Corp. shall actively participate in the market for contract renewal for O&M of EfW plants across Taiwan to expand our market share in Taiwan and provide services to more people in Taiwan.
- b. The Wujih Plant of ECOVE Wujih Energy Corp. and the Miaoli Plant of ECOVE Miaoli Energy Corp. are both large-scale urban waste EfW plants that were built and operated in BOT investment projects. We have a special twenty-year operation permit and there are no issues of competition within the duration of the special permit.
- c. ECOVE Waste Management Corp. controls the domestic mid-stream and downstream market for resource waste disposal and is one of the very few operators in Taiwan that could provide one-stop services for waste disposal. With regard to the general waste disposal market in Taiwan, ECOVE Waste Management manages a substantial amount of the total domestic industrial waste. Conditions are stable.

5.1.3 Overview of Technologies and R&D

- (1) Integrate new external technologies and develop new technologies in related fields including EfW plant, resource recycling, and solar power required by the Group in order to optimize the final disposal of waste (such as integration of new EfW technologies, reuse technology of fly ash, etc.), increase reuse rates of waste resources (such as recycled water, sorting and selection of waste, purification of waste solvents, biomass and biogas fuel centers, etc.), increase the added value of resources from waste (such as purification of waste motor oil to base stock), and increase energy production efficiency (such as increasing the power generation efficiency of the EfW plants, technology of boiler cleaning robot, cleaning technology for on-line boiler, increasing the efficiency of solar panels and the survey and adoption of generators with optimal power generation efficiency etc.).
- (2) In response to the Industry 4.0 trends in global technology, we shall actively develop and incorporate more advanced management tools, integrate big data from various plants, and implement mobile network technologies so that the critical information of the O&M of each plant

can be readily available through mobile devices. Any irregularity shall be promptly processed to increase the performance of O&M. As of now, we have acquired a total of 28 domestic patents and 11 patents in Mainland China.

- a. Research and Development: ECOVE Environment Services Corporation Corp. as of now the annual investment in research and development costs are as follows:

- i. Research and Development Expenses in Past Two Years

Unit: NT\$ thousands

Item/Year	2017	2018
Operating Revenue	2,929,747	3,405,140
R&D Expense	4,088	6,623
R&D Expense as percentage of Operating Revenue (%)	0.14	0.19

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

- ii. Successfully developed technologies and products in recent years

Year	Research and development achievements
2018	<ol style="list-style-type: none"> a. Acquisition a new type of patent of the "Multi-Purpose Heat Exchanger Ash-Cleaning Robot" in Taiwan b. Acquisition a new type of patent of the "Clinker-Prevention Side Wall of Incinerator with Independent Heat Recovery System" in Taiwan c. Acquisition a new type of patent of the "Self-Guided Multi-Purpose Heat Exchanger Ash-Cleaning Robot" in Taiwan
2017	<ol style="list-style-type: none"> a. Application and acquisition of the "Treatment of iodine fumes by incineration and combustion" patent in Taiwan. b. Acquisition a new type of patent of the "Treatment of iodine purple fumes by incineration and combustion" in Taiwan. c. Acquired a new patent of "Advanced incinerator exhaust gas denitrification system with energy-saving effect" in Taiwan. d. Acquired a new patent of " Multi-purpose robot with self-propelled and wall-cutter " in Taiwan.
2016	<ol style="list-style-type: none"> a. Acquisition a new type of patent of the "Screening two-stage exhaust gas deacidification system on slaked lime line" in Taiwan. b. Acquisition a new type of patent of the "Screening two-stage exhaust gas deacidification system on slaked lime line" in China. c. Acquisition of the approval of the "automated bubbling fluidized bed Energy-from-Waste" patent in China. d. Acquisition of the "distributed air-flow fluidized air dispersion design" patent in Taiwan. e. Acquisition of the "Automatically controlled bubble fluidized bed incinerator" patent in Taiwan. f. Acquisition of the "Automatically controlled bubble fluidized bed incinerator" patent in China. g. Acquisition of the "High-performance unsymmetrical distribution and combustion oxygen supply jet system" patent in Taiwan.

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

Project Plant	Project
Keelung	Added variable frequency controls on the primary air fan
Southern Taoyuan	Improvement of the circuit breaker control logic on the primary side of the main transformer (GCB101) to reduce low amounts of electricity usage and lower electricity bills
Southern Taoyuan	Installation of a dry calcium hydroxide injection system in the waste gas processing system to increase the efficiency of waste gas processing.
Southern Taoyuan	Reduced the minimum operating speed of the IDF by 300rpm to reduce the amount of fuel required for ignition.
Wujih	Installation of a sodium hydroxide injection system in the flue gas processing system to increase the efficiency of flue gas processing.
Wujih	Modified the ammonia solution control from the original motor control to variable frequency control to lower expenditure on consumables.
Wujih	Improve the first-stage ejection supply and control model to reduce the ratio of low-pressure steam required for the deaerator from the high-pressure steam supply and increase power generation efficiency.
Wujih	Use the original chilling system to create a simple cooling room to cooling the control panels and cease the usage of onsite air-conditioning units to save energy.
Wujih	Improve the water discharge valves of the soot blower to lower the number of boiler shut down caused by superheater tube failure.
Wujih	Increased the durability of the dryer in the CEMS sampling system.
Wujih	Converted the water supply pipe of the boiler from 1½" to 3" and improved the tube diameter issues while saving close to 2/3 hours in the water pressure test for supplying water to the boiler.
Wujih	Adding more hydrogen chloride emission control points of the DCS for semi-dry system. Effectively control the injection volume of lime milk and reduce excessive use of lime.
Wujih	Renewed cooling tower fan
Shulin	Converted the fan blades on the air-cooling condenser to light weight material (FRP) to increase air volume and save energy on the reduced weight of the fan blades.
Shulin	Adding cross-over pipes in the vehicle washing system to reduce the number of required water supply pumps to conserve power and drastically reduce the frequency of spare part replacement for pumps and maintenance cost.
Shulin	Improved the OP minimum volume limitation for the calcium hydroxide table feeder.
Shulin	Upgraded the PLCs and variable frequency converters of the garbage cranes and ash cranes.
Tainan	Reevaluated and analyzed the distribution of the air-conditioning system of the plant and increased the temperature of the chiller by 2 degrees. Installed split air-conditioners in areas with low usage efficiency to reduce the load of the chiller and optimize the air-

Project Plant	Project
	conditioning system for power conservation.
Tainan	Upgraded the PLC of the steam turbine.
Tainan	Upgraded the PLC of the bag filter.
Tainan	Renewed ACC fan
Miaoli	Improved the retainer ring on the limit switch of the rotating soot blower in the boiler.
Miaoli	Replaced the regular A/C power supply to key motor controls with uninterruptible power supply to prevent trips from sudden drops in voltage and insufficient suction of the magnetic switch.
Miaoli	Adding a three-axle vibration sensor on the vibrating conveyor to monitor the ash bridging status.
Miaoli	Converted the variable frequency controls on the secondary air fan to save energy and resolve current issues of remaining secondary air flow to the storage pit.
Miaoli	Adjusted the settings for SAH temperature restricted by the valve discharge pressure that in response to changes in the calorific value of waste. The settings could not be lowered to the minimum design value and a pump was added on the discharge pipe extending from the bottom of the surge tank to the first stage SAH for the water discharge pressure to meet the original design requirements and for the SAH temperature to be lowered to the original design value in order to resolve the issue of overheated boiler bed.
Miaoli	Upgraded the air compressor to the variable-frequency air compressor
Houli	Adopted cooling water temperature control for the operations of the cooling water fan.
Houli	Upgrading the PLC, variable frequency converter and HMI of the PLC in Houli Plant.

5.1.4 Short & Long Term Development Plans

(1) ECOVE Environment Corporation

The Company's subsidiaries ECOVE Wujih Energy Corporation, ECOVE Waste Management Corporation, ECOVE Environment Services Corporation and ECOVE Miaoli Energy Corporation have achieved leading positions in terms of expertise and scale in the domestic environmental protection and waste management sectors. The long-term and short-term development plans are described in the following paragraph.

- a. In other invested companies, the Company acquired the full equity of the joint venture "G.D. Development Corporation" from Gintech Energy Corporation in September 2018 and became to "ECOVE Solar Energy Corporation", which will improve the efficiency of investment decision-making. Besides, in addition to the stable operation of domestic and US investment projects, and shall dedicate its effort to domestic expansion under the assistance of government policies and global trends while integrating the Group's overseas resources to develop emerging market opportunities in the US and Southeast Asia. The subsidiary "BoReTech", which specializes in recycling PET bottles, will continue to enhance the system technologies of the entire plant and the competitiveness of supply and sales. It shall also improve the production line to achieve food grade standards, diversification and customized

specifications and further expand the mature technology into recycling for other polyester materials. In addition, ECOVE also obtained the BOT tender of the Taoyuan City Biomass Energy Center this year. According to the contract, the project concession company, Ever ECOVE, was established by the bidding team to implement the construction and operation of the facility during the concession period. Biomass were processed to generate electricity. This further extends domestic environmental protection and green energy business.

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

(2) ECOVE Environment Services Corporation

a. Short-Term Business Plans

i. Taiwan

- (a) Actively pursue ROT or OT projects in EfW plants in Taiwan with expiring operation contracts and provide upgrade, maintenance and other technical services for the mechanical and electric equipment in old EfW plants.
- (b) Actively pursue diversified general waste disposal project from government.
- (c) Maintain and intensify current services for mechanical and electric equipment at Taoyuan International Airport to open up more opportunities for services.
- (d) Actively pursue T&C service opportunities in routes that are near completion in response to the continued construction and plans for urban (New Taipei City, Taoyuan and Taichung) MRT systems while pursuing maintenance work for general mechanical and electric equipment (mechanical and electric equipment/fire-fighting/air-conditioning).
- (e) Comply with government policies to actively promote reclaimed water and sewage system construction and use mergers or participation of the Group in tenders for development.

ii. Overseas:

- (a) The Company has won the tender for the O&M of the EfW power generation plant and special and hazardous waste processing station in Macao. These will be used as the base for pursuing design or improvement projects in related environmental protection sectors of the Macao government.
- (b) The third-party operation supervision of the existing market of execution area has become saturated, and currently focus on other first-tier cities (such as Beijing and Guangzhou) to conduct business.
- (c) Participate in the development of the EfW market in Southeast Asia along with the Group.

b. Long-Term Business Plans

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

(3) ECOVE Wujih Energy Corporation

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

(4) ECOVE Waste Management Corporation

- a. With regard to the short-term business plans, we shall aims to provide a full range of solutions for waste disposal in the Taiwan business with the status of waste removal and management specialists.
- b. The mid to long-term business plan will increase the recycling and reuse of waste resources, expand the scope of waste business, and move forward towards the goal of recycling and diversification of waste resources to expand the business foundation.

(5) ECOVE Miaoli Energy Corporation

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

5.2 Market and Sales Overview

5.2.1 Market Analysis

(1) ECOVE Environment Corporation and Subsidiaries

a. By Major business Categories

Unit: NT\$ thousands

Area \ Year	2017		2018	
	Amount	%	Amount	%
Taiwan	3,538,665	79.00	3,917,206	80.81
Macau	826,888	18.46	810,724	16.73
China	114,034	2.55	105,083	2.17
USA	0	0.00	14,083	0.29
Total	4,479,587	100.00	4,847,096	100.00

(2) ECOVE Environment Corporation

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

(3) ECOVE Environment Services Corporation

a. By Major business Categories

Unit: NT\$ thousands

Area \ Year	2017		2018	
	Amount	%	Amount	%
Taiwan	2,697,184	92.06	3,117,102	91.54
Macau	172,039	5.87	229,659	6.74
China	60,524	2.07	58,379	1.72
Total	2,929,747	100.00	3,405,140	100.00

b. Market Share

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

- i. There are currently 24 large-scale waste resource recycling plants in Taiwan and the designed capacity of the ones operated and maintained by ECOVE ESC has reached a market share of 26.4% compared with the total designed capacity in Taiwan; it is the largest in Taiwan.
- ii. There are a total of 8 third-party supervision projects for EfW plants in China and the total designed capacity amounts to 11,435 metric tons/day. We are the leader in the industry in China.

c. Future Supply, Demand and Growth of the Market

- i. With regard to domestic EfW plants, the contracts for private operations are expiring and as government policy has suspended the construction of new waste EfW plants, the service of the old plants are expected to be extended and tenders will be reopened. ECOVE ESC will continue to consolidate contracts at current operating plants while also actively pursuing the new tenders for other plants.

- ii. There are currently over 300 EfW plants in operation in China and there is a shortage in manpower and expertise of the supervising competent authority. Therefore, the market for third-party supervision still has tremendous potential for growth.
- iii. A large quantity of EfW plants will be built in Southeast Asia and China and we expect our overseas market scale to exceed the market scale in Taiwan. ECOVE ESC is now actively pursuing related businesses.
- iv. Due to the government's promotion of reclaimed water and sewage system projects, the market for operation services is expected to grow. ECOVE ESC will actively pursue the opportunities.

d. Competitive Niches

ECOVE ESC has been in the domestic EfW industry for over 20 years and it is the most experienced O&M company for EfW plants. Moreover, its parent company CTCI is the largest professional designer and builder of EfW plants in Taiwan. ECOVE ESC retains resources and capabilities for integration and improvement of technologies and it will be beneficial to future pursuits of reopened tenders for the O&M of EfW plants.

ECOVE ESC has developed technologies and management capabilities through its experience in the O&M of EfW plants. It can also provide the clients with superior and more comprehensive services in water resource industries, track industries and mechanical and electrical engineering technologies.

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

i. Favorable Factors

(a) Starting from 2018, the contracts for O&M of EfW plants across Taiwan will expire one after another. As Taiwan's most professional and experienced operator, we shall be in a position to expand our market share.

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

ii. Unfavorable Factors and Countermeasures

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

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

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

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

(4) ECOVE Wujih Energy Corporation

a. By Major business Categories

Unit: NT\$ thousands

Area \ Year	2017		2018	
	Amount	%	Amount	%
Taiwan	727,576	100.00	705,067	100.00

b. Market Share

ECOVE WEC is a dedicated BOT project company and it operates an EfW plant with a daily capacity of 900 metric tons to process the waste delivered by Taichung City Government (600mt/day) and the general industrial waste it independently collects (300mt/day) in 20 years of operation period. According to statistics of the Environmental Protection Administration of the Executive Yuan in 2018, current domestic medium to large-scale urban EfW plants in operations process a total of approximately 6.44 million metric tons of waste a year. The annual processing capacity of Wujih Plant is approximately 292,000 metric tons and it constitutes 4.53% of the total processing capacity of the 24 EfW plants in Taiwan. In terms of the volume of electricity sales, the total amount electricity sold by EfW plants in an entire year amounts to approximately 2.6 billion kilowatt/hours while the Wujih Plant sells approximately 144 million kilowatt/hours per year, constituting 5.54% of the total amount of electricity sold. In terms of power generation, the annual power generated amounts to approximately 178 million kilowatt/hours, which is 5.3% of the 3.36 billion kilowatt/hours generated by the 24 EfW plants in a year.

c. Future Supply, Demand and Growth of the Market

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

d. Competitive Niches

The Company's partnered team - ECOVE ESC - is a professional operator of EfW plants and it operates a total seven domestic large-scale urban EfW plants. Therefore its integration of operation technologies and improvement in managing production of EfW plants shall improve the performance of resource integration of ECOVE.

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

i. Favorable Factors

(a) The other EfW plants operated by ECOVE ESC are able to provide more diversified services such as assistance in dispatching waste disposal services to prevent waste from piling up due to an overhaul at a single EfW plant. On the other hand, it can also increase the number of clients.

(b) The supply of general waste is guaranteed by the Taichung City Government and the source of industrial waste independently collected by the plant is controlled by ECOVE Waste Management Corp. The arrangements maintain the stability of the processed volume and power generation at the plant.

ii. Unfavorable Factors and Countermeasures

(a) Equipment degradation lowers EfW processing efficiency

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

(5) ECOVE Waste Management Corporation

a. By Major business Categories

Unit: NT\$ thousands

Area \ Year	2017		2018	
	Amount	%	Amount	%
Taiwan	1,157,573	100.00	1,203,941	100.00

b. Market Share

ECOVE WMC is a company dedicated to industrial waste clearance and disposal. In 2018, ECOVE WMC received a total of 315,789 metric tons of waste for O&M. Its national market share in industrial waste collection and processing services is approximately 29.44%.

c. Future Supply, Demand and Growth of the Market

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

d. Competitive Niches

Based on the core values accumulated from 17 years of waste collection, management and disposal operations, ECOVE WMC independently developed a waste management information system along with a integrated clearing management system to allow waste disposal operators who enter the plants to jointly use the system online in order to improve management efficiency and competitiveness.

ECOVE WMC invested in the waste recycling business in the second half of 2018, seeking iconic resource recycling business opportunities by using existing producer information and plans to use the rich experience as a stepping stone to enter resource recovery business, in order to provide a more completed service for the producers or waste disposal operators.

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

i. Favorable Factors

(a) Advantages in integration

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

(b) Brand Advantages

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

(c) Low Financial Risks

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

ii. Unfavorable Factors and Countermeasures

(a) High Dependence on Policy

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

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

(6) ECOVE Miaoli Energy Corporation

a. By Major business Categories

Unit ; NT\$ thousands

Area \ Year	2017		2018	
	Amount	%	Amount	%
Taiwan	348,186	100.00	347,786	100.00

b. Market Share

ECOVE Miaoli Energy is a dedicated BOT project company and it operates an EfW plant with a daily capacity of 500 metric tons to process the waste delivered by Miaoli County Government (500mt/day, including general industrial waste independently collected by Miaoli County Government) in 20 years of operation period. According to statistics of the Environmental Protection Administration of the Executive Yuan in 2018, current domestic medium to large-scale urban EfW plants in operations process a total of approximately 6.444 million metric tons of waste a year. The annual processing capacity of Miaoli Plant is approximately 167,000 metric tons and it constitutes 2.59% of the total processing capacity of the 24 EfW plants in Taiwan. In terms of the volume of electricity sales, the total amount electricity sold by EfW plants in an entire year amounts to approximately 2.6 billion kilowatt-hours while Miaoli Plant sells approximately 77 million kilowatt-hours per year, constituting 2.97% of the total amount of electricity sold. In terms of power generation, the annual power generated amounts to approximately 94.82 million kilowatt-hours, which is 2.82% of the 3.36 billion kilowatt-hours generated by the 24 EfW plants in a year.

c. Future Supply, Demand and Growth of the Market

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

d. Competitive Niches

The Company's partnered team - ECOVE ESC - is a professional operator of EfW plants and it operates a total seven domestic large-scale urban EfW plants. Therefore its integration of operation technologies and improvement in managing production of EfW plants shall improve the performance of resource integration of ECOVE.

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

i. Favorable Factors

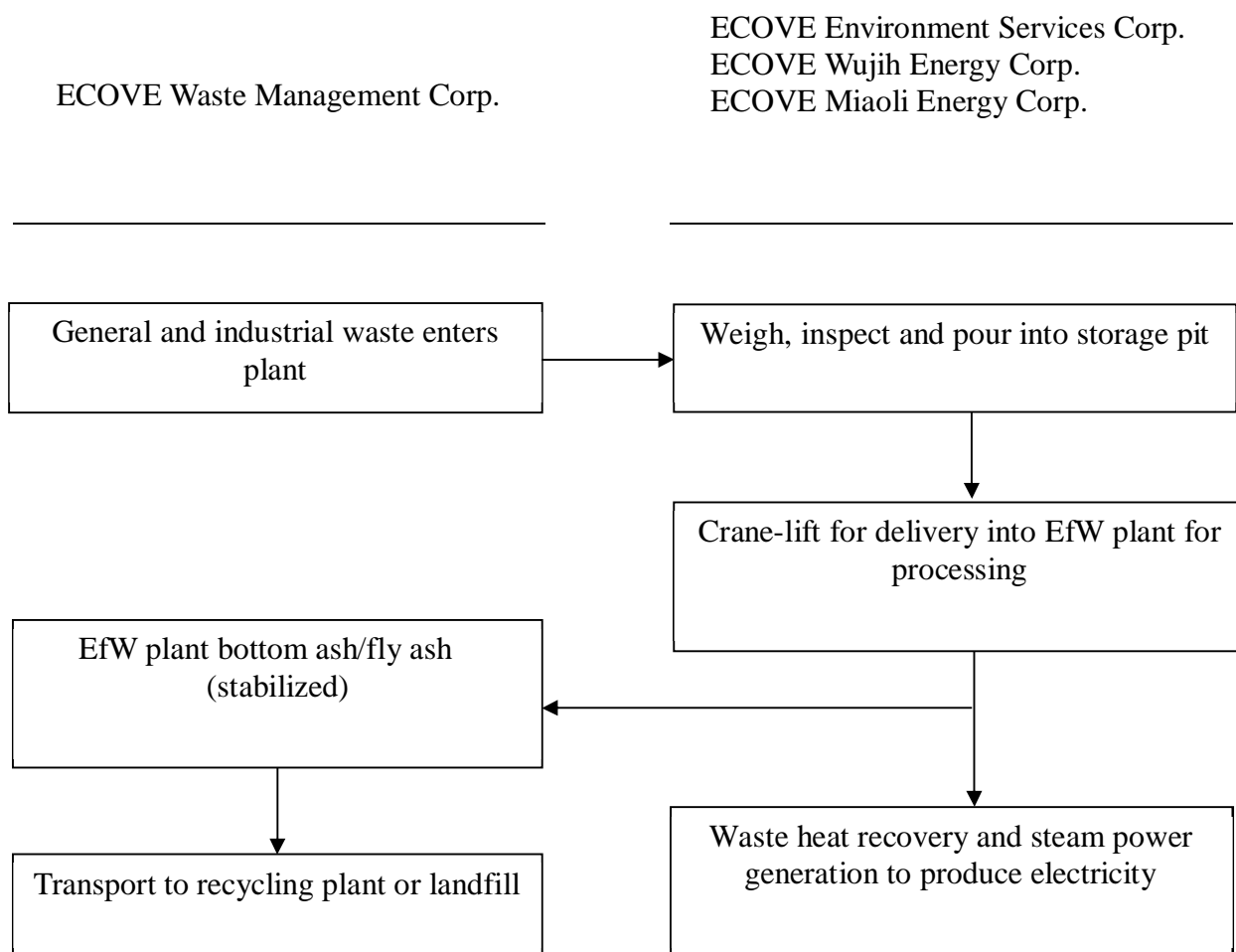
- (a) All supply of waste is guaranteed by the County Government and the arrangements maintain the stability of the processed volume and power generation at the plant.

ii. Unfavorable Factors and Countermeasures

- (a) The increase in general industrial waste increases equipment degradation

Countermeasure: The designed capacity of the Miaoli Plant is 500ton/day and the actual operation rate (operating hours/ (annual hours-suspension hours)) in the most recent 5 years has been kept at approximately 94% (exceeding the 85% required in the contract). Therefore the operations of the EfW plant continue to be stable. In response to the increased volume of general industrial waste processed by the plant, the Plant shall continue to enhance inspections of waste upon arrival, actively implement homogenization management of waste to ensure that they are sufficiently mixed, and fully implement the preventive maintenance tasks of related facilities in the plant.

5.2.2 The Company's Main Services Purposes and Service Sequences



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

(2) ECOVE Environment Services Corporation

a. Usage of Primary Products (Services)

- i. The Company's main business is to provide O&M services as well as EfW plant for the disposal of waste to various urban waste resource recycling plants and EfW plants of municipality governments.
- ii. The Company also generates power from the EfW plant of waste to provide power for civilian use.

b. Production Process of Primary Products (Services)

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

(3) ECOVE Wujih Energy Corporation

a. Usage of Primary Products (Services)

- i. The Company operates Wujih EfW Plant by means of a special permit and its main service is

the disposal of waste produced by civilians and industrial entities. It is a stable environmental protection service industry that is less affected by economic cycles.

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

b. Production Process of Primary Products (Services)

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

(4) ECOVE Waste Management Corporation

a. Usage of Primary Products (Services)

The main service of ECOVE WMC is the disposal/management of general waste and industrial waste in order to provide clean and comfortable life and work environment. In 2019, a new recycling program will be introduced to convert waste into reusable products which is enable efficient recycling of resources.

b. Production Process of Primary Products (Services)

The Company collects or manages general waste and industrial waste produced in residential buildings and industrial entities to deliver to landfills or EfW plants for disposal. In addition, the Company also transports ash produced by EfW plants to landfills for final disposal or to reuse plants for reuse. Additionally, in the second half of 2018, the Company invested in the waste recycling business and provided services for commissioning operations, O&M and product services.

(5) ECOVE Miaoli Energy Corporation

a. Usage of Primary Products (Services)

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

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

b. Production Process of Primary Products (Services)

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

5.2.3 State of Supply of Main Materials:

ECOVE Environment Corp. is an investment holding company and its subsidiaries ECOVE Environment Services, ECOVE Wujih Energy, ECOVE Waste Management and ECOVE Miaoli Energy are all environmental protection services providers. None of them have production activities and this item is therefore not applicable.

5.2.4 Major Suppliers and Clients

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

A. ECOVE Environment Corporation and Subsidiaries

The information of main sales customer in the last two years

Unit: NT\$ thousands

Item	2017				2018			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Taiwan Power Company	244,048	5.45	-	Taiwan Power Company	500,304	10.32	-
2	Environmental Protection Bureau of Taichung City Government	429,519	9.59	-	Environmental Protection Bureau of Taichung City Government	449,860	9.28	-
3	CTCI Corp.	172,185	3.84	The ultimate parent -	CTCI Corp.	27,528	0.57	The ultimate parent
4	Others	3,633,835	81.12	-	Others	3,869,404	79.83	-
	Total	4,479,587	100.00		Total	4,847,096	100.00	

B. ECOVE Environment Services Corporation

The information of main sales customer in the last two years

Unit: NT\$ thousands

Item	2017				2018			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	ECOVE Waste Management Corporation	541,683	18.49	A subsidiary	ECOVE Waste Management Corporation	572,562	16.81	A subsidiary
2	CTCI Corp.	159,287	5.44	The ultimate parent	CTCI Corp.	237,217	6.97	The ultimate parent
3	Others	2,228,777	76.07	-	Others	2,595,361	76.22	-
	Total	2,929,747	100.00		Total	3,405,140	100.00	

C. ECOVE Wujih Energy Corporation : None

D. ECOVE Waste Management Corporation : None

E. ECOVE Miaoli Energy Corporation : None

5.2.5 Production over the Last Two Years: None

5.2.6 Shipments and Sales over the Last Two Years

(1) ECOVE Environment Corporation and Subsidiaries

Unit: NT\$ thousands

Shipments & Sales Major Products	Year 2017		Year 2018	
	Local	Export	Local	Export
Waste Treatment	1,615,440	0	1,969,173	0
Electricity	649,965	451,103	673,583	431,995
Concession Service	583,221	0	577,006	0
Waste Collection	144,543	0	78,749	0
Others	545,496	489,819	618,695	497,895
Total	3,538,665	940,922	3,917,206	929,890

(2) ECOVE Environment Services Corporation

Unit: NT\$ thousands

Shipments & Sales Major Products	Year 2017		Year 2018	
	Local	Export	Local	Export
EfW plant related income	2,045,243	0	2,292,335	0
Others	651,941	232,563	824,767	288,038
Total	2,697,184	232,563	3,117,102	288,038

(3) ECOVE Wujih Energy Corporation

Unit: NT\$ thousands

Shipments & Sales Major Plant	Year 2017		Year 2018	
	Local	Export	Local	Export
The plant of Wujih	727,576	0	705,067	0
Total	727,576	0	705,067	0

(4) ECOVE Waste Management Corporation

Unit: NT\$ thousands

Shipments & Sales Major Products	Year	2017		2018	
		Local	Export	Local	Export
Waste Treatment		984,123	0	1,099,741	0
Waste Collection		171,951	0	104,200	0
Comprehensive planning to clean up revenue		1,499	0	0	0
Total		1,157,573	0	1,203,941	0

(5) ECOVE Miaoli Energy Corporation

Unit: NT\$ thousands

Shipments & Sales Major Plant	Year	2017		2018	
		Local	Export	Local	Export
The plant of Miaoli		348,186	0	347,786	0
Total		348,186	0	347,786	0

5.3 Human Resources

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

(1) ECOVE Environment Corporation

April 1st, 2019

Year		2017	2018	As of Mar. 31 st , 2019
Number of Employees		9	9	8
Average Age		49.21	49.37	49.91
Average service seniority		5.57	5.73	6.06
Ratio of employees at each level of educational degree	Master	55.56	50.00	55.56
	Bachelor	44.44	50.00	44.44
	Senior High School and below	0.00	0.00	0.00

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

(2) ECOVE Environment Services Corporation

April 1st, 2019

Year		2017	2018	As of Mar. 31 st , 2019
Number of Employees		663	663	711
Average Age		41.34	41.15	41.55
Average service seniority		8.72	8.43	8.68
Ratio of employees at each level of educational degree	Master	11.92	12.94	12.54
	Bachelor	65.46	65.68	64.81
	Senior High School and below	22.62	21.38	22.65

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

(3) ECOVE Wujih Energy Corporation

April 1st, 2019

Year		2017	2018	As of Mar. 31 st , 2019
Number of Employees		3	2	4
Average Age		43.88	46.15	40.30
Average service seniority		4.58	6.06	3.62
Ratio of employees at each level of educational degree	Master	66.67	100.00	100.00
	Bachelor	33.33	0.00	0.00
	Senior High School and below	0.00	0.00	0.00

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

(4) ECOVE Waste Management Corporation

April 1st, 2019

Year		2017	2018	As of Mar. 31 st , 2019
Number of Employees		44	45	54
Average Age		41.96	42.07	42.60
Average service seniority		8.67	8.63	7.67
Ratio of employees at each level of educational degree	Master	18.18	17.78	16.67
	Bachelor	38.64	40.00	42.59
	Senior High School and below	43.18	42.22	40.74

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

(5) ECOVE Miaoli Energy Corporation

April 1st, 2019

Year		2017	2018	As of Mar. 31 st , 2019
Number of Employees		5	5	5
Average Age		42.36	42.52	45.44
Average service seniority		6.11	6.27	5.14
Ratio of employees at each level of educational degree	Master	20.00	20.00	20.00
	Bachelor	80.00	80.00	80.00
	Senior High School and below	0.00	0.00	0.00

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

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

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

5.3.3 Safety of the Work Environment and Employees' Personal Safety

(1) Safety, Health and Environmental Policy

- Safety First
- Improve Employee's Health and Well-being
- Environmental Protection and Sustainable Development
- Implement Risk Management Mechanism
- Fulfilling Regulations and Contract Requirements
- Promoting Full Participation and Training

The Company and its subsidiaries maintain a business philosophy of focusing on quality, environmental protection, health, safety and pollution prevention as well as a spirit of honesty, service, professionalism and excellence with regard to the continuous improvement in quality, environmental protection, safety and health measures.

The Group's safety and health policy is handled and promoted by the subsidiary company ECOVE ESC. Since ECOVE ESC is the manufacturer of the incineration plant on behalf of the company, all units within the scope of verification must comply with the policies formulated by the plant. Therefore, ECOVE WEC (WuJih Plant), ECOVE MEC (Miaoli Plant) and ECOVE WMC (Refuse Bottom Dregs Removal and Removal) are all in the scope of the verified workplace, except for the specification of industry characteristics, and the standards of ISO 45001:2018. The requirements and policies are formulated to ensure that the municipal incinerator can effectively control and control the employees' possible injuries and diseases, process changes, procurement, contractors, and property and other safety and health during the process of waste incineration, power generation, waste gas, and waste disposal. Risks and non-compliance with the prescribed matters, the purpose of which is to provide basic guidelines for the effective and appropriate operation and management of the health management system, and to continuously improve the safety and health performance of the entire organization, and to establish safety and health management priorities, policies, objectives and targets, and gradually improve. Safety and health management system, implement risk prevention, elimination, reduction, control, and continuous improvement EC, in order to achieve the goal of sustainable development and thus to establish high quality and environmental health and safety pioneer model.

(2) Safety, Health and Environmental Organization

The Company has always maintained a business model of participation of all employees in which the supervisors and staff members in each department conduct effective communication through periodic meetings and training to ensure harmonious labor relations. In addition, ECOVE WMC, a subsidiary of the holding company, disputed with the department's employees in August 2009 for the issue of overtime payment. The company and its subsidiaries conduct safety and health promotion review through monthly meeting of plant managers and hold quarterly The Safety and Hygiene Committee shall open and supervise the company's quality safety and safety policy, measures, procedures, and procedures to ensure that the company's employees work in a safe and hygienic environment. Promote the safety and security of the company's activities, audit safety management requirements for each operation, and monitor the company's safety and security performance. In addition, dedicated level one safety, health and environmental management units are established for each project to be responsible for the performance and supervision safety, health and environmental protection for each project.

(3) Safety, Health and Environmental Management System

ECOVE ESC, ECOVE subsidiary, adheres to the spirit of occupational safety, health and environmental management system based on ISO 45001:2018 to actively carry out hazard prevention in risk management of safety and health operations, event prevention, energy and

resource conservation, employee health. The implementation status for safety, health and environmental management goals is under review every year. The annual goals for safety, health and environmental management are re-established accordingly. Specific improvement plans are proposed to reduce potential safety, health and environmental risks and meet standards of internationalization.

(4) Safety, Health and Environmental Management Operations

The safety, health and environmental management system of the Company and subsidiaries employ management methods and strategies to resolve safety, health and environmental-related issues through sequential and targeted methodology and use the Deming Management Cycle: Plan-Do-Check-Action (P-D-C-A) logic to promote a three-tiered auditing and management system. The system employs constant auditing and real-time correction from operation safety observation to achieve real-time education and two-way communication and allow all employees to participate in the establishment a consensus and culture for safety.

(5) Statistical Analysis of Occupational Hazards

The data for statistical analyses of occupational hazards of the Company and subsidiaries are based on the disabling injury frequency rate per million work hour from the Department of Labor and the Company reports online for statistical analyses in accordance with regulations of the Ministry of Labor. Seriously and critically review and analyze the work safety accidents or false alarms that occurred in the past, and combine safety and health performance management KPIs to avoid the occurrence of the same events. The same cases where the content specification has been announced and reviewed have occurred again. The points will be deducted from the security KPI of the project during the month, and if the cause is inconsistent with the behavior of colleagues, it will enter the evaluation of the people's assessment meeting. The employee will calculate the minimum performance of the project in the quarter, and The Occupational Safety and Health Committee worked together to develop improvement plans; in the statistical analysis, it was found that the reporting of false alarms should be given more encouragement in order to effectively and prioritize improvements to reduce the occurrence of worker safety accidents. Therefore, the company performed safety and health performance management. The KPI project specifically incorporates activities such as internal dynamic inspections and joint audits. It is expected that problems can be detected by digging around to use false alarm events or staff counseling to prevent the occurrence of workers' safety incidents, and set annual safety and health goals. Let all my colleagues recognize and work together toward the goal. The company encourages various projects to participate in the Ministry of Labor to organize statistical work on non-disaster time. It has successively been awarded with no-fault labor time certification. Among them, the Tainan plant operated by the ECOVE ESC has participated in the statistics of the No-Hazard Work Hours of the Ministry of Labor since 1995. Accumulated to 2018 of disaster-free record has reached 1.56 million man hours, ECOVE ESC upholds the "people-oriented" core value, invests the necessary manpower and resources for the safety and health of employees, and creates a safe and healthy working environment. Continued business philosophy, to meet every disaster-free working hours and go all out.

(6) Awards

ECOVE and its subsidiaries have continued to strive for safety and health and employees' health. In recent years, we've been honored by government agencies and the awards are summarized as follows:

- Some of the operation plants include: Miaoli EfW Plant was awarded the "2018 Healthy Workplace Promotion Label" by the Health Promotion Administration, Ministry of Health and Welfare and still valid. Wujih EfW Plant was awarded the "2017 Healthy Workplace Promotion

Label" by the Health Promotion Administration, Ministry of Health and Welfare and still valid. Houli EfW Plant was awarded the "2017 Healthy Workplace Promotion Label" by the Health Promotion Administration, Ministry of Health and Welfare and still valid. Tainan EfW Plant was awarded the "2018 Healthy Workplace Promotion Label" by the Health Promotion Administration, Ministry of Health and Welfare and still valid, and STSP EfW Plant was awarded "2017 Southern Science Park Occupational Safety and Health Excellence Unit Award, and the Labor Affairs Bureau of Tainan City Government issued the "Certificate of Appreciation for Enterprise Devoting Safety and Health Promotion".

Some of the personnel include: Hsu, Tsung-Yu from Miaoli EfW Plant was awarded the "2017 Implementation of the Occupational Safety and Health Excellent Personnel Achievement Award" by the Ministry of Labor, and Weng, Jui-Yen from Tainan EfW Plant was awarded the "2017 Annual Occupational Safety and Health Excellence Personnel Award" by the Tainan City Government.

- Houli EfW Plant was awarded the 1.23 million non-hazardous working hours certificate issued by the Industrial Safety and Health Association (ISHA) of the R.O.C. entrusted by the Ministry of Labor. Keelung EfW Plant was awarded the 750,000 non-hazardous working hours certificate issued by ISHA of the R.O.C. entrusted by the Ministry of Labor. Miaoli EfW Plant was awarded the 240,000 non-hazardous working hours certificate issued by ISHA of the R.O.C. entrusted by the Ministry of Labor. Wujih EfW Plant was awarded the 960,000 non-hazardous working hours certificate issued by ISHA of the R.O.C. entrusted by the Ministry of Labor. And STSP EfW Plant was awarded the 960,000 non-hazardous working hours certificate issued by ISHA of the R.O.C. entrusted by the Ministry of Labor.
- ECOVE ESC head office was awarded "2018 National Workplace Safety and Health Week Series Implementation Plan" certificate by the Ministry of Labor.

5.3.4 Code of Ethics for Employees

(1) Purpose

In order to follow the behavior of the employees of the company and make the stakeholders of the company understand the ethical standards and behavior standards that the employees of the company should follow when they perform their duties, the board of directors has decided to make this code to be the basis for compliance by the employees of the company. All employees of the company are responsible for carefully reading, understanding and complying with the contents of this Code.

(2) Area

The term "employee" as used in this Code refers to all employees of the company. However, when the company's directors, supervisors and managers have other requirements stipulated in the Code of Business Ethics and Code of Conduct, the managers of the company shall abide by the code of conduct for business ethics of directors and supervisors and managers. Provisions.

(3) Principle of good faith

In performing their duties, the employees of the company should pay attention to teamwork and abandon the standard of identity; they should abide by the principle of good faith, and uphold a positive, progressive and responsible attitude.

(4) The principle of fairness

The employees of the company must not discriminate or exclude each other in any form due to factors such as gender, race, religion, party, sexual orientation, rank, nationality, and age.

(5) Work environment

Our employees should work together to maintain a healthy and safe working environment. There must be no sexual harassment or other acts of violence or threats of intimidation.

(6) Avoid conflicts of interest and opportunities for personal gain

The employees of the company have the responsibility to maintain and increase the legitimate gains of the company, and should avoid:

- (1) The opportunity for personal or third-person access to personal gain through the use of

company property, information, or through his or her position.

(2) Compete with the company.

(7) Fair trade

(1) The employees of the company should treat the objects of business transaction fairly; when dealing with related parties, there should be no special preferential treatment.

(2) In the performance of their duties, the employees of the company shall not be in the interest of themselves or a third party, but have requirements, contract, delivery or acceptance of any form of gift, entertainment, rebate, bribe or other improper interest. However, the gift or entertainment provided by the courtesy of social etiquette or company regulations is not limited to this.

(8) Insider trading

Any information that the employees of the company may have significant influence on the trading price of the company's securities in the course of their duties should be strictly confidential in accordance with the provisions of the Securities Exchange Act before being publicly disclosed, and may not use this information to conduct insider trading.

(9) Confidentiality responsibility

The employees of the company should respect each other's personal privacy and must not spread rumors or defamatory libel. Matters or confidential information that are known to him in his duties should be managed with care. They must not be leaked to others or used for purposes other than work unless they are disclosed by the company or are necessary for the execution of their duties. They also apply after leaving the company.

The information that should be kept confidential in the preceding paragraph includes information about the company's personnel and customers, inventions, business confidentiality, technical data, product design, manufacturing expertise, financial accounting information, intellectual property rights, and other information that may be used by competitors or leaks. Afterwards, the company or its customers are harmed by the undisclosed disclosure of information.

(10) Correct document records and reports

Employees of the company should ensure that all forms of paperwork handled by them are correct and complete and properly preserved.

(11) Protecting and Using Company Assets Properly

When employees of the company perform their duties, they should avoid theft, interference, destruction, and intrusion of resources such as data, information systems, and network equipment to protect the confidentiality, integrity, and availability of the company's information.

(12) Political Contributions and Activities

The employees of the company must not influence other employees in any way to contribute politically, support specific political parties or candidates, or participate in other political activities. In addition, political activities should be avoided during working hours and workplaces.

(13) Copyright

The employees of the company must not influence other employees in any way to contribute politically, support specific political parties or candidates, or participate in other political activities. In addition, political activities should be avoided during working hours and workplaces.

(14) Encourage the report of any illegal or violation of this Code

The head of the company should strengthen the publicity of the company's internal moral concepts and encourage employees to report the violations of the laws and regulations or this Code. The company should do its utmost to protect the identity of the presenter and protect them from being exposed. Threatened.

(15) Exemption from applicable procedures

Employees of the company may be exempted from the application of specific provisions of the Code if they have a valid reason to pass the resolution passed by the board of directors.

(16) 16. Execution

This Code shall be implemented after the resolution of the board of directors is passed and shall be disclosed in the annual report, the open specification and the public information observing station.

5.4 Environmental Protection Expenditure Information

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

- A. ECOVE: Not Applicable.
- B. ECOVE Environment Services Corporation
 - i. Permit for Installing Polluting Facilities, Permit for Pollution Drainage
The Company has a total of eight fixed pollutant operation permits, six water pollutant prevention permits and one toxic chemicals approval certification.
 - ii. Establishment of Dedicated Environmental Protection Unit and Personnel
The Company's employees have obtained eighteen Class A Dedicated Air Pollution Control Specialist certificates, three Class A Wastewater Treatment Technician certificates, three Class B Dedicated Wastewater and Sewage Treatment Specialist certificates and eleven Class A Waste Disposal Technician certificates.
- C. ECOVE Wujih Energy Corporation
 - i. Permit for Installing Polluting Facilities, Permit for Pollution Drainage
The Company has a total of one fixed pollutant operation permit, one water pollutant prevention permits, one waste disposal permit, and one industrial waste disposal plan.
 - ii. Establishment of Dedicated Environmental Protection Unit and Personnel (Including dedicated environmental protection personnel at ECOVE Environment Services Corporation)
Two Class A Waste Disposal Technicians, One Class B Waste Disposal Technicians, three Class A Dedicated Air Pollution Control Specialists and one Class B Dedicated Wastewater and Sewage Treatment Specialist.
- D. ECOVE Waste Management Corporation
 - i. Waste Disposal Permits
One Class A Waste Disposal Permit
 - ii. Establishment of Dedicated Environmental Protection Unit and Personnel
One Class A Waste Disposal Technicians and one Class B Waste Disposal Technician.
- E. ECOVE Miaoli Energy Corporation
 - i. Waste Disposal Permits
The Company has a total of one fixed pollutant operation permit, one water pollutant prevention permits, one waste disposal approval document, and one industrial waste disposal plan approval letter.
 - ii. Establishment of Dedicated Environmental Protection Unit and Personnel
One Class A Waste Disposal Technicians, three Class A Dedicated Air Pollution Control Specialists and one Class A Dedicated Wastewater and Sewage Treatment Specialist.

Investment and Implementation Status of Primary Equipment for Prevention of Environmental Pollution

- A. ECOVE: Not Applicable
- B. ECOVE Environment Services Corporation: Not Applicable
- C. ECOVE Wujih Energy Corporation

December 31, 2018; Unit: NT\$1,000

Equipment Name	Quantity	Obtainment Date	Investment Cost	Book Value	Usage and Anticipated Benefit
EfW plant and Related Pollution Prevention Equipment	1	2004.09.06	2,676,083	425,288	Compliance with related laws and regulations on EfW plant, air and wastewater pollution prevention

- D. ECOVE Waste Management Corporation

December 31, 2018; Unit: NT\$1,000

Equipment Name	Quantity	Obtainment Date	Investment Cost	Book Value	Usage and Anticipated Benefit
Waste Disposal Trucks Weighing Over 35 Tons	35	2001.08-2018.10	63,560	21,965	Compliance with related environmental protection laws and regulations applicable to waste disposal industries
Waste Disposal Trucks Weighing Under 26 Tons	12	2003.09-2018.10	33,449	14,547	Compliance with related environmental protection laws and regulations applicable to waste disposal industries

- E. ECOVE Miaoli Energy Corporation

December 31, 2018; Unit: NT\$1,000

Equipment Name	Quantity	Obtainment Date	Investment Cost	Book Value	Usage and Anticipated Benefit
EfW plant and Related Pollution Prevention Equipment	1	2008.02.29	2,280,346	1,193,496	Compliance with related laws and regulations on EfW plant, air and wastewater pollution prevention

- i. The sum of losses and total fines due to environmental pollution during the most recent year and up to the annual report publication date as well as disclosure of future countermeasures and possible expenditures:
The Company and its subsidiaries have not sustained losses or fines due to pollution of the environment in the past year and up to the date of report.

5.5 Relations between labor and employer

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

(1) Employee Welfare

- A. Employee Welfare Committee; organize various subsidies for employee weddings and funerals; periodic leisure travel and recreational sports competitions etc. to promote the physical and mental health of employees.
- B. In addition to participation in Labor Insurance and the National Health Insurance, the Company also provides coverage with group insurance for employees.
- C. On-the-job professional skills training, management and language courses, health seminars etc. for employees.
- D. Distribution of three Chinese festival bonuses and birthday gifts.
- E. Periodic health examination.
- F. Establish employee bonus and share subscription regulations to share the results of the Company's growth with employees in order to increase employee coherence.

(2) Measures for Employee Training

The Company and subsidiaries have established occupational skills training systems in accordance with the Company's vision, mission and long-term business goals and it also developed occupational training plans for each expertise and level. The training methods include courses, online learning, the knowledge base etc. with the goal of enhancing employees' professional knowledge and skills as well as language, computer, management and leadership skills. The training is managed through a Global Training System (GTS) to strengthen online learning functions to allow employees to learn from the occupational training system and development plans from anywhere. In addition, the Company also provides recommendation for outstanding employees to study at domestic or foreign colleges or institutions to further enhance employees' professional skills and allow employees to develop international business capabilities by working with staff from foreign companies. The total annual training fee for the employees of the Company and its subsidiaries was close to NT\$2.511 million and the average annual training hours for each employee exceeded 28.29 hours. The man-hours and expenses for various types of training are as follows:

Type	Sessions	Total Participants	Total hours (hour)	Total Expenses (NT\$1,000)
Training for New Employees	27	281	697	45
Professional Skills Training	782	6,753	13,722	1,221
Managerial Training	75	3,550	6,225	1,206
Self-Development Training	72	1,503	1,478	39
Total	956	12,087	22,121	2,511

- A. Training for new hires: New hires are trained in several topics, including the general conditions of the Company, work rules, related regulations on quality, safety, health, and environmental management, and corporate culture.
- B. Training of professional skills: Each department provides internal training that includes lectures and hands-on practice for their employees or assigns them to attend external courses and related training on professional subjects in accordance with their job description, company business development requirements, or contractual or regulatory requirements to increase their professional capacities.
- C. Training of management skills: The Human Resources Department and the business unit organize management courses in accordance with the status and development

requirements of the Company and allow unit supervisors to assign personnel to participate in the courses.

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

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

(3) Implementation Status of the Pension System

The "Labor Pension Regulations" of the employee pension system is established in accordance with regulations in the Labor Standards Act. Dedicated labor pension fund accounts are also established to set aside workers' retirement reserve funds each month to be deposited at the dedicated accounts in the Bank of Taiwan.

Starting on July 1, 2005 with the implementation of the new system for labor pension, the Company inquires its employees whether they wish to adopt the new system or the old system. The Company has set aside 6% of the monthly salary for employees who have opted for the new labor pension system and deposited the funds into the employees' personal pension account to safeguard their lives after retirement.

(4) Labor Agreement Status

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

(5) Employee Benefit Protection Measures

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

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

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

5.6 Important Contracts

ECOVE owns four main subsidiary companies including ECOVE Environment Services, ECOVE Wujih Energy, ECOVE Waste Management and ECOVE Miaoli Energy. The important contracts for each individual company are described below:

(1) ECOVE Environment Services Corporation

Nature of Contract	Counterparty	Commencement/ Expiration Date	Content	Restrictions
O&M Service Contract	EPB of Taichung City Government	2001.08.15 ~2021.08.14	O&M Services for Houli EfW Plant	None
O&M Service Contract	ECOVE Wujih Energy Corp.	2004.09.10 ~2024.09.09	O&M Services for Wujih BOT EfW Plant	None
O&M Service Contract	EPB of Keelung City Government	2006.03.27 ~2026.03.26	O&M Services for Keelung EfW Plant	None
O&M Service Contract	ECOVE Miaoli Energy Corp.	2008.02.29 ~2028.02.28	O&M Services for Miaoli BOT EfW Plant	None
O&M Service Contract	Southern Taiwan Science Park Bureau, Minister of Science and Technology	2018.12.01 ~2023.11.30	O&M Services for Southern Taiwan Science Park EfW Center	None
O&M Service Contract	Taoyuan International Airport Corp.	2018.01.01 ~2020.12.31	O&M Services for Incinerator in Taoyuan International Airport	None
Technical Service Contract	Taiwan Sugar Corp. Dept. of Environmental Protection-Environmental Protection Business Operation Center	2017.07.07 ~2021.11.09	Assist in The Improvement of The Effectiveness of Gangshan EfW Plant	None
O&M Service Contract	Water Resources Dept., New Taipei City Government	2018.01.01 ~2020.12.31	O&M Services for Linkou Water Resources Center	None

(2) ECOVE Wujih Energy Corporation

Nature of Contract	Counterparty	Commencement date/expiration date	Content	Restrictions
Waste Resources Recycling Plant Construction and Operations	Taichung City Government	2000.09~2004.09 (Construction) 2004.09.06 ~2024.09.05 (Operations)	The construction and operations of Wujih BOT Waste Resource Recycling Plant were carried out through private investment and the special operations permit is valid for 20 years starting on the commercial operations date (September 6, 2004)	None
Qualified Cogeneration Power System Electricity Sales	Taiwan Power Company	The annual contract which commenced on August 2, 2004 is automatically renewed each year before its expiry if both parties file no objections.	According to the regulations in the Energy Administration Act, the electricity produced by the qualified cogeneration system at Wujih Plant is sold to Taiwan Power Company	None
Operations Services	ECOVE Environment Services Corporation	2004.09.10 ~2024.09.09	O&M Services of Wujih BOT Waste Resource Recycling Plant	None

(3) ECOVE Waste Management Corporation

Nature of Contract	Counterparty	Commencement/Expiration Date	Content	Restrictions
Waste disposal and processing	Taiwan Semiconductor Manufacturing Company	2016.05.01 ~2019.04.30	Industrial waste disposal and processing	None
Waste disposal and processing	Innolux Corporation	2017.08.01 ~2019.04.30	Industrial waste disposal and processing	None
Waste management services	Gengliang Environmental Protection Enterprise Co., Ltd.	2016.01.01 ~2018.12.31 No objection before expiration, one year extension	Houli EfW plant delegate waste disposal and processing	None
Entrusted to receive waste services	EPB of Miaoli County Government	2016.02.01 ~2019.01.31 If no objection, one year extension	Receiving and managing waste into Miaoli EfW Plant	None

(4) ECOVE Miaoli Energy Corporation

Nature of Contract	Counterparty	Commencement/Expiration Date	Content	Restrictions
Waste Resources Recycling Plant Construction and Operations	Miaoli County Government	2008.02.29 ~2028.02.28	The construction and operations of Miaoli BOT EfW Plant were carried out through private investment and the special operations permit is valid for 20 years starting on the commercial operations date (February 29, 2008)	None
Qualified Cogeneration Power System Electricity Sales	Taiwan Power Company	The annual contract which commenced on January 4, 2010 is automatically renewed each year before its expiry if both parties have no objections	According to the regulations in the Energy Administration Act, the electricity produced by the qualified cogeneration system at Miaoli Plant is sold to Taiwan Power Company	None
Operations Services	ECOVE Environment Services Corp.	2008.02.29 ~2028.02.28	The operations of Miaoli BOT EfW Plant shall be 20 years starting on the commercial operations date (February 29, 2008)	None

VI. Financial Information

6.1 Condensed Financial Statement for the Recent 5 Years

6.1.1 Condensed Consolidated Balance Sheet

1. Condensed Consolidated Balance Sheet –International Financial Reporting Standards

Unit: NT\$ thousands

Item	Year	Five-Year Financial Summary				
		2014 (adjusted) (Note 1)	2015	2016	2017	2018
Current Assets		3,323,216	3,883,204	3,881,133	3,705,572	3,574,782
Property, Plant and Equipment		60,915	51,075	54,433	73,244	2,131,233
Intangible Assets		0	0	0	0	136,153
Other Assets		3,851,352	3,721,835	3,385,661	3,278,313	3,233,539
Total Assets		7,235,483	7,656,114	7,321,227	7,057,129	9,075,707
Current Liabilities	Before distribution	1,638,459	1,958,674	1,417,281	1,326,188	1,496,920
	After distribution	2,245,708	2,598,026	2,174,453	1,973,501	(Note2)
Non-current Liabilities		912,233	785,792	639,172	500,059	2,157,428
Total Liabilities	Before distribution	2,550,692	2,744,466	2,056,453	1,826,247	3,654,348
	After distribution	3,157,941	3,383,818	2,813,625	2,473,560	(Note2)
Equity Attributable to Shareholders of The Parent		4,231,476	4,438,954	4,682,057	4,683,639	4,878,238
Capital Stock		649,865	658,627	664,614	668,106	671,051
Capital Surplus		1,977,434	2,069,266	2,126,850	2,161,029	2,193,473
Retained Earnings	Before distribution	1,592,699	1,686,052	1,888,608	1,886,788	2,015,957
	After distribution	985,450	1,046,700	1,131,435	1,239,475	(Note2)
Other Equities		11,478	25,009	1,985	(32,284)	(2,243)
Treasury Stocks		0	0	0	0	0
Non-controlling Interests		453,315	472,694	582,717	547,243	543,121
Total Equity	Before distribution	4,684,791	4,911,648	5,264,774	5,230,882	5,421,359
	After distribution	4,077,542	4,272,296	4,507,602	4,583,569	(Note2)

Note1: The 2013 and 2014 financial statements adopted the "2014 version of IFRS".

Note2: The 2018 earnings distribution has not been resolved by the Shareholder's Meeting, hence not applicable.

2. Condensed Balance Sheet - International Financial Reporting Standards

Unit: NT\$ thousands

Year		Five-Year Financial Summary				
		2014 (adjusted) (Note 1)	2015	2016	2017	2018
Item						
Current Assets		331,043	514,494	749,527	887,292	353,227
Property, Plant and Equipment		0	0	0	0	0
Intangible Assets		0	0	0	0	0
Other Assets		3,942,182	3,943,102	3,957,046	3,820,164	4,555,817
Total Assets		4,273,225	4,457,596	4,706,573	4,707,456	4,909,044
Current Liabilities	Before distribution	40,554	18,276	20,858	21,610	28,059
	After distribution	647,803	657,628	778,031	668,923	(Note2)
Non-current Liabilities		1,195	366	3,658	2,207	2,747
Total Liabilities	Before distribution	41,749	18,642	24,516	23,817	30,806
	After distribution	648,998	657,994	781,689	671,130	(Note2)
Equity Attributable to Shareholders of The Parent		4,231,476	4,438,954	4,682,057	4,683,639	4,878,238
Capital Stock		649,865	658,627	664,614	668,106	671,051
Capital Surplus		1,977,434	2,069,266	2,126,850	2,161,029	2,193,473
Retained Earnings	Before distribution	1,592,699	1,686,052	1,888,608	1,886,788	2,015,957
	After distribution	985,450	1,046,700	1,131,435	1,239,475	(Note2)
Other Equities		11,478	25,009	1,985	(32,284)	(2,243)
Treasury Stocks		0	0	0	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	Before distribution	4,231,476	4,438,954	4,682,057	4,683,639	4,878,238
	After distribution	3,624,227	3,799,602	3,924,884	4,036,326	(Note2)

Note1: The 2013 and 2014 financial statements adopted the "2014 version of IFRS".

Note2: The 2018 earnings distribution has not been resolved by the Shareholder's Meeting, hence not applicable.

6.1.2 Condensed Statement of Comprehensive Income

1. Condensed Consolidated Income Statement - International Financial Reporting Standards

Unit: NT\$ thousands

Year \ Item	Five-Year Financial Summary				
	2014 (adjusted) (Note 1)	2015	2016	2017	2018
Operating Revenues	3,925,027	4,078,753	4,955,565	4,479,587	4,847,096
Gross Profit	1,033,231	1,059,988	1,800,412	1,259,257	1,307,638
Operating Income	862,832	894,114	1,627,183	1,077,417	1,128,916
Non-Operating Income & Expenses	69,663	74,765	30,943	38,926	105,854
Income Before Income Tax	932,495	968,879	1,658,126	1,116,343	1,234,770
Net Income from continuing operations	796,686	838,559	1,430,668	959,424	980,472
Net Income(Loss)	796,686	838,559	1,430,668	959,424	980,472
Other Comprehensive Income (Income after tax)	33,473	5,678	(31,661)	(53,608)	(3,707)
Total Comprehensive Income	830,159	844,237	1,399,007	905,816	976,765
Net Income Attributable to Shareholders of The Parent	678,857	710,370	848,097	761,339	806,912
Net Income Attributable to Non-controlling Interests	117,829	128,189	582,571	198,085	173,560
Total Comprehensive Income (Loss) Attributable to Shareholders of the Parent	705,195	714,133	818,884	721,084	806,087
Total Comprehensive Income (Loss) Attributable to Non-controlling Interests	124,964	130,104	580,123	184,732	170,678
Earnings Per Share (NT\$)	10.55	10.84	12.80	11.41	12.04

Note1: The 2014 financial statements adopted the "2013 version of IFRS".

2. Condensed Income Statement - International Financial Reporting Standards

Unit: NT\$ thousands

Item \ Year	Five-Year Financial Summary				
	2014 (adjusted) (Note 1)	2015	2016	2017	2018
Operating Revenues	710,483	731,917	880,677	791,864	788,260
Gross Profit	710,483	731,917	880,677	791,864	788,260
Operating Income	658,495	685,246	832,195	742,069	737,985
Non-Operating Income & Expenses	23,899	27,153	19,023	21,923	78,090
Income Before Income Tax	682,394	712,399	851,218	763,992	816,075
Net Income from continuing operations	678,857	710,370	848,097	761,339	806,912
Net Income(Loss)	678,857	710,370	848,097	761,339	806,912
Other Comprehensive Income (Income after tax)	26,338	3,763	(29,213)	(40,255)	(825)
Total Comprehensive Income	705,195	714,133	818,884	721,084	806,087
Net Income Attributable to Shareholders of The Parent	678,857	710,370	848,097	761,339	806,912
Net Income Attributable to Non-controlling Interests	0	0	0	0	0
Total Comprehensive Income (Loss) Attributable to Shareholders of the Parent	705,195	714,133	818,884	721,084	806,087
Total Comprehensive Income (Loss) Attributable to Non-controlling Interests	0	0	0	0	0
Earnings Per Share (NT\$)	10.55	10.84	12.80	11.41	12.04

Note1: The 2014 financial statements adopted the "2013 version of IFRS".

6.1.3 Auditors' Opinions in Past Five Years:

CPA Firm/Year	2014	2015	2016	2017	2018
PriceWaterhouseCoopers	Huei-Shyang Wang Shu-Chiung Chang	Shyh-Rong Ueng Shu-Chiung Chang	Shyh-Rong Ueng Shu-Chiung Chang	Shyh-Rong Ueng Shu-Chiung Chang	Shyh-Rong Ueng Shu-Chiung Chang
Auditing Opinion	unqualified opinion	modified unqualified opinion	unqualified opinion	unqualified opinion	unqualified opinion

6.2 Financial Analysis for the Recent 5 Years

1. Consolidated Financial Ratio Analysis -International Financial Reporting Standards

Item \ Year		Five-Year Financial Summary				
		2014 (adjusted) (Note 1)	2015	2016	2017	2018
Financial Structure (%)	Debt to Asset Ratio	35.25	35.85	28.09	25.88	40.27
	Long-term Funds to Properties, Plants and Equipment Ratio	9,188.25	11,155.05	10,846.26	7,824.45	355.61
Liquidity (%)	Current ratio	202.83	198.26	273.84	279.42	238.81
	Quick ratio	196.92	189.75	262.32	259.95	216.74
	Interest Coverage Ratio	6,581.06	9,679.58	28,575.46	29,163.86	16,601.00
Operating Performance	Accounts Receivable Turnover (times)	4.19	4.05	4.93	4.60	4.71
	Average Collection Period (days)	87.11	90.12	74.03	79.34	77.49
	Inventory Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Accounts Payable Turnover (times)	5.06	4.22	4.13	4.68	5.86
	Average Inventory Turnover Period (Days)	N/A	N/A	N/A	N/A	N/A
	Properties, Plant and Equipment Turnover (times)	68.96	72.84	93.94	70.17	4.40
	Total Assets Turnover (times)	0.55	0.55	0.66	0.62	0.60
Profitability	Return on Assets (%)	9.68	9.65	11.39	10.63	10.08
	Return on Equity (%)	16.51	16.39	18.60	16.26	16.88
	Income before tax to Capital Ratio (%)	143.75	147.16	249.49	167.09	184.01
	Net Margin (%)	17.30	17.42	17.11	17.00	16.65
	Earnings per share (NT\$)	10.55	10.84	12.80	11.41	12.04
Cash flow	Cash flow Ratio (%)	73.06	62.34	61.68	90.49	104.61
	Cash flow adequacy Ratio (%)	217.90	223.77	215.38	183.67	131.80
	Cash reinvestment Ratio (%)	10.76	10.54	3.90	7.58	9.29
Leverage	Operating leverage	4.55	4.56	3.05	4.16	4.29
	Financial leverage	1.02	1.01	1.00	1.00	1.01

Note1: The 2014 adopted the "2013 version of IFRS", and the financial statements for the prior periods were retroactively adjusted.

2. Financial Ratio Analysis -International Financial Reporting Standards

Item \ Year		Five-Year Financial Summary				
		2014 (adjusted) (Note 1)	2015	2016	2017	2018
Financial Structure (%)	Debt to Asset Ratio	0.98	0.42	0.52	0.51	0.63
	Long-term Funds to Properties, Plants and Equipment Ratio	N/A	N/A	N/A	N/A	N/A
Liquidity (%)	Current ratio	816.30	2,815.13	3,593.47	4,105.93	1,258.87
	Quick ratio	816.27	2,815.13	3,593.47	4,105.93	1,258.87
	Interest Coverage Ratio	138,797.97	393,690.61	N/A	N/A	N/A
Operating Performance	Accounts Receivable Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Average Collection Period (days)	N/A	N/A	N/A	N/A	N/A
	Inventory Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Accounts Payable Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Average Inventory Turnover Period (Days)	N/A	N/A	N/A	N/A	N/A
	Properties, Plant and Equipment Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Total Assets Turnover (times)	0.17	0.17	0.19	0.17	0.16
Profitability	Return on Assets (%)	16.32	16.28	18.51	16.17	16.78
	Return on Equity (%)	16.51	16.39	18.60	16.26	16.88
	Income before tax to Capital Ratio (%)	105.19	108.20	128.08	114.35	122.15
	Net Margin (%)	95.55	97.06	96.03	96.15	102.37
	Earnings per share (NT\$)	10.55	10.84	12.80	11.41	12.04
Cash flow	Cash flow Ratio (%)	1,126.10	3,597.77	1,296.98	4,882.29	2,793.22
	Cash flow adequacy Ratio (%)	105.69	110.23	93.86	103.04	99.21
	Cash reinvestment Ratio (%)	(Note2)	0.77	(Note2)	6.36	2.34
Leverage	Operating leverage	1.08	1.07	1.06	1.07	1.07
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Note1: The 2014 adopted the "2013 version of IFRS", and the financial statements for the prior periods were retroactively adjusted.

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

The formulas for the above table:

1. Financial Structure

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

2. Liquidity

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

3. Operating Performance

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

4. Profitability Analysis

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

5. Cash Flow

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

6. Leverage Ratio

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

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

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements (both consolidated and individual), and proposal for allocation of profits. The CPA firm of PriceWaterhouseCoopers was retained to audit ECOVE Environment Corporation's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of ECOVE Environment Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

ECOVE Environment Corporation.

Chairman of the Audit Committee: Shean Bii Chiu



Dated March 8th, 2019.

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

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

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

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

7.1 Analysis of Financial Status

7.1.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2017	2018	Difference	
			Amount	%
Current Assets	3,705,572	3,574,782	(130,790)	(3.53)
Non-current Assets	3,351,557	5,500,925	2,149,368	64.13
Total Assets	7,057,129	9,075,707	2,018,578	28.60
Current Liabilities	1,326,188	1,496,920	170,732	12.87
Non-current Liabilities	500,059	2,157,428	1,657,369	331.43
Total Liabilities	1,826,247	3,654,348	1,828,101	100.10
Equity attributable to owners of the parent	4,683,639	4,878,238	194,599	4.15
Non-controlling interest	547,243	543,121	(4,122)	(0.75)
Total Equity	5,230,882	5,421,359	190,477	3.64

Note: Analysis of the changes in the increase or decrease of the proportion of up to 20% and the amount which more than 10 million dollars:

- Increase in total non-current assets and total assets: Mainly due to the merger of ECOVE Solar Energy Corp. this year. The real estate, plants and equipment increased by 1,602.051 million dollars.
- Increase in total non-current liabilities and liabilities: Mainly due to the merger of ECOVE Solar Energy Corp. this year. The long-term borrowings increased by 1,547.854 million dollars.

7.1.2 The evaluation basis of the balance sheet valuation items

Item	B/S valuation item	Evaluation reference	Evaluation basis
1	Monetary assets denominated in foreign currency	Spot rate on balance sheet date	Compute exchange gain or loss based on the spot rate
2	Financial instruments carried at fair value and available for sales	Fair market value on balance sheet date	Evaluate based on the fair market value
3	Allowances for doubtful accounts	Based on objective evidence at the balance sheet date and customer credit risk assessment	The evaluation and assessment of allowances for bad debts are based on the credit risk assessment of customers and are classified as good customers, general customers and individual evaluation customers, and the revaluation of their possible recoveries is based on the ageing analysis of the customer's category. Note: For receivables from related parties, no provision for allowance for bad debts exists. If there is a special credit risk for the trader, the actual situation is assessed and the bad debts are listed according to their risks.
4	Allowances for obsolescence and market value decline	Lower of aggregate cost or market value	Inventory are comparison of the same category.

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

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

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

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

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

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

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

Buildings and structures	6~26 years
Machinery and equipment	3~20 years
Transportation equipment	3~7 years
Others	3~5 years

7.2 Financial Performance

(1) Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2017	2018	Difference	
				Amount	%
Operating Revenue		4,479,587	4,847,096	367,509	8.20%
Less: Sales Returns		0	0	0	0.00
Net Operating Revenue		4,479,587	4,847,096	367,509	8.20%
Operating Costs		(3,220,330)	(3,539,458)	(319,128)	(9.91%)
Gross Profit		1,259,257	1,307,638	48,381	3.84%
Operating Expenses		(181,840)	(178,722)	3,118	1.71%
Operating Income		1,077,417	1,128,916	51,499	4.78%
Non-operating Income and expenses		38,926	105,854	66,928	171.94%
Profit before Income Tax		1,116,343	1,234,770	118,427	10.61%
Income Tax Expense		(156,919)	(254,298)	(97,379)	(62.06%)
Non-controlling Interest		(198,085)	(173,560)	24,525	12.38%
Income attributable to owners of the parent		761,339	806,912	45,573	5.99%
<p>Note: Analysis of the changes in the increase or decrease of the proportion of up to 20% and the amount which more than 10 million dollars:</p> <ul style="list-style-type: none"> - Non-operating income and expenses increased: increase in non-operating exchange gains compared to 2018 and the acquisition of ECOVE Solar Energy Corp. Due to the valuation report, the shareholding evaluation held before the acquisition is 29.043 million dollars. - Income tax expenses increased: 2018 business income tax rate increased from 17% to 20%, and evaluation of deferred income tax liabilities. 					

- (2) The expected sales and its basis, and the possible impact on the company's future financial operations and response plans for the upcoming year:

The main business scope of the Company and its subsidiaries include resources, energy and engineering services. The Company plans to expand the existing core capabilities in waste disposal and actively expand into overseas markets to maximize value for the Company and shareholders.

7.3 Cash Flow

(1) Cash Flow Analysis for the Past 2 Year

Unit: NT\$ thousands

Item \ Year	2017	2018	Difference ratio (%)
Cash Flow Ratio (%)	90.49	104.61	14.12
Fund Flow Adequacy Ratio (%)	183.67	131.80	(51.87)
Cash Re-investment Ratio (%)	7.58	9.29	1.71

Explanation to changes:

1. Cash flow ratio increased due to increase in net cash flow from operating activities.
2. Fund flow adequacy ratio decreased due to cash dividends increase for the past 5 years.
3. Cash re-investment ratio increased due to increase in net cash flow from operating activities.

(2) Analysis of Cash Liquidity

The cash inflow of Year 2018 is NT\$114,793 thousands. The cash balance in the end of the year is NT\$1,543,462 thousands. Cash liquidity is fine.

(3) Analysis of Cash Liquidity for the Coming Year

Unit: NT\$ thousands

Cash Balance at Beginning for the Year	Expected Net Cash Outflow from Operating Activities	Expected Cash Inflow (Outflow)	Expected Cash Surplus (Deficit)	Leverage of Expected Cash Deficit	
				Investment Plans	Financing Plans
1,543,162	1,396,387	92,737	1,635,899	-	-

1. Analysis of change in cash flow in Year 2019:

- (1) Operating activities: The stable business growth will create net cash inflow.
- (2) Investing activities: The cash outflow is mainly due to new business investment.
- (3) Financing activities: The cash outflow is mainly due to cash dividends distribution.

2. Liquidity analysis and remedial measures against cash deficit: N/A

7.4 Major Capital Expenditure Items: None

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

(1) Reinvestment Policy:

- a. Focus on "strategic investments".
- b. Prioritize investment targets with supplementary or synergistic effects on the overall business operations.
- c. Prioritize projects regarding environmental protection, green energy, energy conservation and carbon reduction, and resource recycling and reuse.

(2) Reinvestment Profits or Losses and Improvement Plans

The Company adopts the equity method for reinvestments based on long-term strategic goals. The profits generated by reinvestments in 2018 amounted to NT\$ 31,435 thousands based on the equity method. The Company shall continue to conduct prudent assessments of investment projects based on the principle of long-term strategies.

(3) Investment Plans in the Upcoming Year

- a. Expand related domestic businesses: such as participating in tenders for photovoltaics power plant, Waste and Biomass Power Generation Marking and resource recycling and reuse projects etc.
- b. Actively pursue overseas businesses such as the investment and operations of EfW plants in China, United States, ASEAN and India.
- c. Actively develop new businesses to achieve substantial development performance in new businesses such as resource recycling, renewable energy, energy conservation and carbon reduction, and resource management etc. E.g.: Active investment in the kitchen waste resources industry, photovoltaic power plants (PVPP) and development of related resource recycling and reuse technologies to continue to cultivate and strengthen the development basis for new renewable energy and resource management businesses.

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

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

(1) Interest rate

Item	2017	2018
Interest Income	16,170	16,390
Interest Expense	3,841	7,483
Investment gain on money market fund	1,283	1,573
Sales	4,479,587	4,847,096
Net Income before Tax	1,116,343	1,234,770

Note 1: Besides equity products and deposits, the Company invests inactive money mainly in money market funds, which highly correlate with market interest rates.

However, the investment gain on money market fund is not credited to interest income but to gain on disposal of investment. Therefore, to analyze the effects of changes in interest rates should consolidate interest income/expense and gain on disposal of money market fund.

Note 2: For inactive money, the Company will continue to look for higher-yield financial products with safety and proper liquidity to achieve the purpose of earning stable investment profits.

A. ECOVE Environment Corporation

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

The concrete methods as below,

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

B. ECOVE Environment Services Corporation

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

C. ECOVE Wujih Energy Corporation

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

D. ECOVE Waste Management Corporation

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

E. ECOVE Miaoli Energy Corporation

Besides equity products and deposits, the Company invests inactive money mainly in money market funds, interest income/expense and investment gain on money market fund. In addition, the BOT of Miaoli County's waste incineration plant was raised with the Mega Commercial Bank to raise funds for medium and long term loans projects. As a result, the proportion of interest expenses to net operating expenses decreased year by year. Accounting for only 1.10% of the sales, the interest rate changes on the company's profitability is limited. However, the Company is based on a sound and conservative consideration, the funds deposited in the reputable financial institutions, and with its smooth flow of the pipeline in order to obtain preferential interest rates.

(2) Foreign exchange rates: None

(3) Assessment of inflation

Item	2017	2018
Consumer price index (CPI)	100.62	101.98
Consumer Price Index Annual Growth Rate (%)	0.62	1.35

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

In 2017, the consumer price index was 100.62 with an annual growth rate of 0.62%. The reason was affected by the rising cigarette tax effect from the fourth quarter, resulting in a 2.18% increase in miscellaneous items and a 1.73% increase in international transportation costs as a result of

rising crude oil prices. Accounting and Statistics calculates that the annual growth rate of the consumer price index for 2018 is 1.21%. The Taiwan Economic Research Institute believes that the economic growth rate of 2018 for the whole year will be approximately the same as that of 2017, mainly due to the continued expansion of private investment, the timely launch of government forward-looking infrastructure, and the increase in corporate profits and salary to facilitate consumer growth. It is expected that the prices of international raw materials will remain stable, and it will be difficult for domestic prices to rise sharply.

As the company is mainly based on the investment income of the environmental protection industry, the environmental protection industries of its holding subsidiaries are limited by the impact of inflation. In the future, the Company will refer to changes in prices at home and abroad to avoid major changes in operating costs and to erode the profits of the company.

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

Risk items	Executable situation	Policy and response measures
Lending to others	The corporation provide lending amount to ECOVE Solar Energy Corp.	Lending to others are deal with 「 Regulations Governing Loaning of Funds 」
Endorsements or guarantees for others	The corporation provide guarantee amount to ECOVE Solar Energy Corp.	Endorsements or guarantees for others are deal with 「 Regulations Governing Making of Endorsements/ Guarantees 」

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

- (1) Integrate and search for external new technologies such as gasification technologies for refuse-derived fuel that effectively lowers pollution of gas emissions. Advanced gasification technologies are better options for processing specific waste. Jointly develop incineration technologies, including plasma gasification boilers and fluid-bed gasification boilers, for managing industrial waste.
- (2) Integration of technologies to develop smart management, control technologies (such as remote control room, incidents review of emergency repair , high-temperature camera inspection for the boilers, real-time personnel positioning, advanced burning control systems etc.). The integrated operating index (IOI) of various plants can also be viewed on mobile devices (such as case history preloaded for plant inspection electronic assistant, LINE application in IOI platforms etc.) so that anomalies can be promptly controlled instantly and the O&M efficiency are improved. In addition, it also increases the efficacy of employee training and education (such as VR education and training for 3D models, tours, and educational applications). The amount of investment this year was approximately NT\$6 million.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales: None

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

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The Company integrates resources of the group to provide subsidiary companies with necessary professional management and assistance to allow them to focus on professional realms where their core competitiveness lies. The Company also integrates related resources in order to achieve optimal efficiency in O&M to attract top professionals. Enhance the quality and quantity of team work to develop new strategic businesses efficiently.

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

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

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, or Shareholders with Shareholdings of over 10%

CTCI has the 57.31% stake and Parkwell Investment Corp. has 1.58% stake of the company. CTCI is the biggest shareholder and the only one which take stake over 10%. Both of CTCI and Parkwell Investment Corp. don't plan to sell their stake recently. Considering that there may be a large amount of risk of equity transfer or replacement, the company will continue to strive to expand revenue and profits to gain the support and trust of major shareholders and investing public.

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

7.6.12 Litigation or Non-litigation Matters

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

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

b. CTCI Corporation, Ishikawajima-Harima Heavy Industries Co., Ltd., Resource Engineering Services Inc. and East Construction Industry Co., Ltd were joint venture in the CPC Northern LNG Receiving Terminal Project and entered into a contract on July 23, 2004. CTCI claimed for additional costs, including direct and indirect costs, in the total amount of NTD 82,390 thousands for delay resulted

from CPC Corporation's contractor for another project and filed a lawsuit to Taipei District Court on March 5, 2010. After reviewing related document itself, CTCI reduced the claim amount to NTD 71,448,016 on March 1, 2011. The judgments of Taipei District Court and Taiwan High Court were not awarded to CTCI. CTCI appealed to Taiwan Supreme Court. The judgment of Taiwan Supreme Court sustained CTCI's appeal and remanded for retrial. This lawsuit now is under the trial of Taiwan High Court. However, Taiwan High Court did not award to CTCI. CTCI appealed to Taiwan Supreme Court again. Finally Taiwan Supreme Court rejected CTCI's appeal. There is no material impact to CTCI's finance as well as business development so far.

- c. CTCI Arabia Ltd., a subsidiary of CTCI Corporation, filed a lawsuit with Sinopec E&C Middle East Co. Ltd. in 2015, resulting in failure to complete the work under the "IBN RUSHD-II Aromatic Project" contractual agreement. Loss of work, compensation amounting to NT\$836,921 (Saudi Uruguay Dollars \$97,500). At the same time, Sinopec E&C Middle East Co. Ltd. submitted to CTCI Arabia Ltd. a loss suffered as a result of the termination of the "IBN RUSHD-II Aromatic Project" contract, which required a compensation amount of NT\$721,039 (Saudi Uruguay) \$84,000 Qian Yuan), a lawyer appointed by CTCI Arabia Ltd., a subsidiary company, stated that this case was examined by the International Court of Arbitration ("ICC") of the International Chamber of Commerce, and that the subsidiary company - CTCI Arabia Ltd. is actively fighting this lawsuit. There is no material impact to CTCI's finance as well as business development so far.

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

(1) Affiliated enterprises:

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

7.6.13 Directors, supervisors, managers and shareholders holding more than 10% shares whether take place that the Article 157 of the securities law and the company is currently handling the situation in the last two years: None

7.6.14 Risk management organization framework

Organization chart



Responsibility

(1) Risk Management Executive Committee

The committee meets quarterly and the main responsibilities of the committee are:

- a. Approve risk management policies and guidelines.
- b. Review the unit's risk management report, strategy and proposed improvement plan.
- c. Overseeing the risk management and control measures and improving the implementation of the plan, communicating and communicating risk management matters to all employees.
- d. Review and evaluate the effectiveness of risk management measures, according to which relevant units are required to propose improvement plans.

(2) Each Unit Risk Management Committee

The department heads of the company's department heads and the board of directors, general managers and general managers of the company's subsidiaries are responsible for the department heads. Each unit risk management committee shall be fully responsible for risk management, including the implementation of risk identification, assessment, reporting, and daily control measures, and improvement of program improvement...etc. accounting Division

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

(3) All employees

The implementation of daily risk management operations depends on continuous implementation by all employees.

(4) Executive Secretary

Appointed by the chief member of the Risk Management Executive Committee to be responsible for the consolidation and tracking of the comprehensive management risk management committee to ensure the continued effectiveness of the risk management mechanism.

(5) Auditing Department

It is composed of professionals who are familiar with information systems, project management, occupational safety and health decrees, quality control, and organization and operation. They are responsible for auditing the risks of priority management after discussing the resolutions with the Risk Management Executive Committee. The audit results will be compiled quarterly after the resolution. Reporting to the Risk Management Executive Committee, the Risk Management Executive Committee assesses whether to adjust and increase or reduce risk management and control issues.

7.6.15 Other Major Risks

(1) Risks Associated with Limited Growth in Operations

A. ECOVE Waste Management Corporation:

To pursue business growth, the ECOVE Waste Management also actively pursues resource recycling opportunities based on collaboration with existing EfW plants. It searches for waste material that can be reused. After hard work from multiple parties, recycling and reuse of waste solvent and kitchen waste recycling were selected and the Company is now actively pursuing technologies to shape future business opportunities. It hopes to use its foundations in Taiwan to expand to markets in China and Southeast Asia to achieve the goal of sustainable development.

B. ECOVE Wujih Energy Corporation:

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

C. ECOVE Environment Services Corporation:

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

D. ECOVE Miaoli Energy Corporation:

Miaoli County Government delivers a guaranteed amount of processable waste to Miaoli Plant in accordance with contract regulations. However, due to the exceptional performance of waste reduction efforts in Miaoli County, the amount of waste produced by the County cannot satisfy the requirements for daily EfW by the Plant. In recent years, the Miaoli Plant has been allowed to accept general industrial waste for full-load operations of the EfW plant and maximize the profits in the sale

of electricity. The current waste delivery and operation of the EfW plant have been balanced but the Company should still note the risk of long-term shortage in the volume of waste.

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

A. ECOVE Wujih Energy Corporation:

- a. The source of the bottom ash at Wujih Plant includes the waste delivered by the City Government and the general industrial waste it independently collects. The City Government portion is delivered to designated landfills or other places while the independently collected portion is delivered to approve reuse processing plants in compliance with current environmental protection policies. Therefore there is no risk in the disposal of bottom ash.
- b. According to the provisions in the Company's contract with Taichung City Government, the service charge is adjusted by adjustment variables including wholesale price indexes such as salaries, mechanical equipment, chemical materials etc. Therefore, when changes in international trends cause changes in raw material prices and wages, the Company can make adjustments based on changes in the aforementioned wholesale prices indexes in accordance with the contract with the City Government. Therefore changes in raw material prices and wages have limited effects on the Company's operating costs.

B. ECOVE Environment Services Corporation:

- a. When ECOVE Environment Services Corporation obtained operations of EfW plants, it had already entered into agreements with various municipal governments or client that the disposal of the bottom ash is not within the service scope of ECOVE Environment Services Corporation but the Company shall transport the bottom ash to designated places in accordance with the contract. Therefore, there is no risk in the disposal of bottom ash.
- b. The agreed price calculation method in the contract regarding the disposal of waste is adjusted according to changes commodity prices and labor salary index. Therefore, changes in international conditions that cause changes in raw material prices and wages have limited effect on operating costs.

C. ECOVE Miaoli Energy Corporation:

- a. The bottom ash at Miaoli Plant is delivered to designated landfills or other places. As it is delivered to designated places by ECOVE Miaoli Energy, there is no risk in the disposal of bottom ash.
According to the provisions in the Company's contract with Miaoli County Government, the service charge is adjusted by adjustment variables including wholesale price indexes such as salaries, mechanical equipment, chemical materials etc. Therefore, when changes in international trends cause changes in raw material prices and wages, the Company can make adjustments based on changes in the aforementioned wholesale prices indexes in accordance with the contract with the County Government. Therefore changes in raw material prices and wages have limited effects on the Company's operating costs.

7.7 Other: None

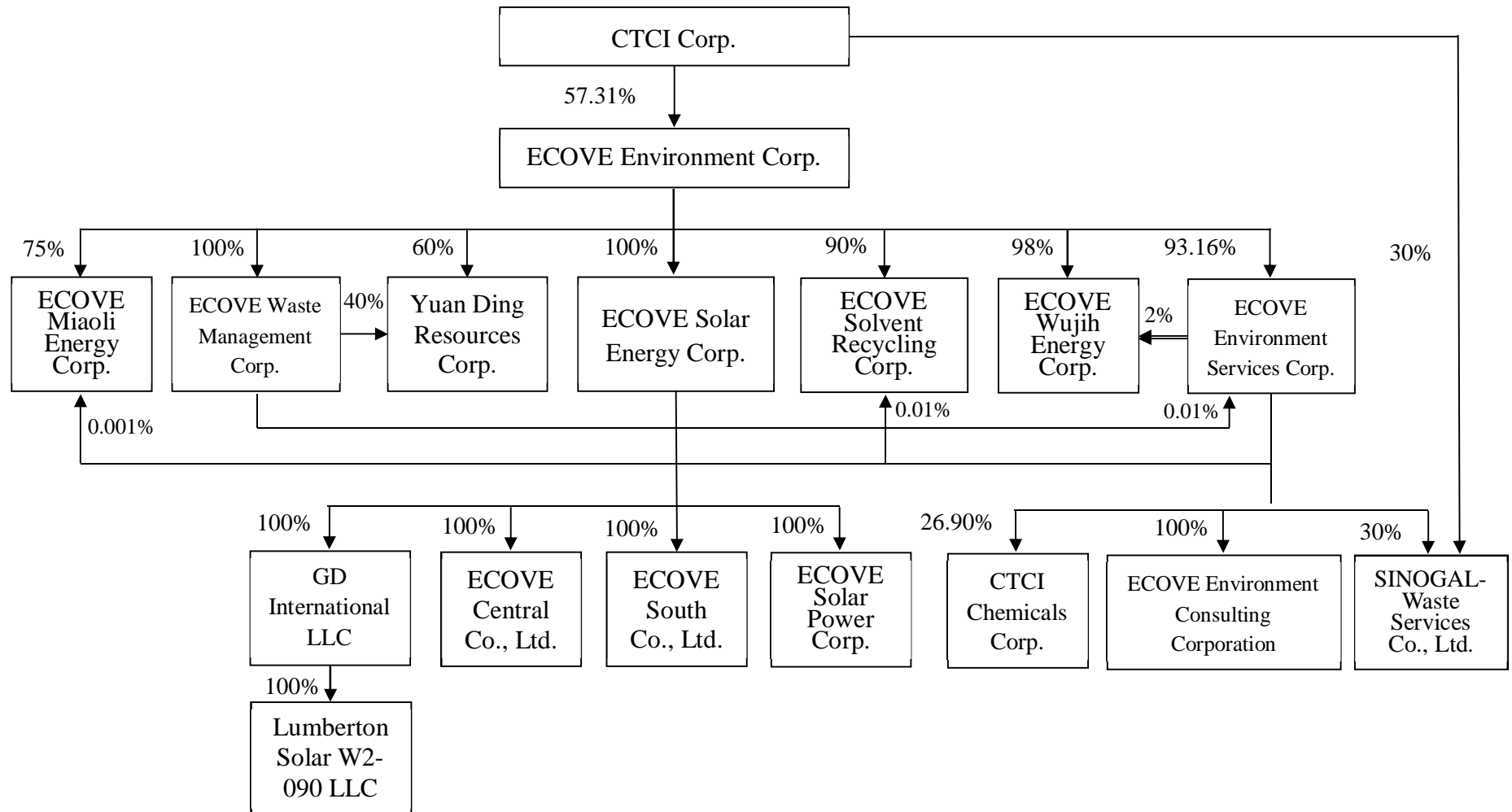
VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Consolidated Business Report of Affiliates

i. Organizational chart of the affiliates

April 1st, 2019



ii. General information of the affiliates:

April 1, 2019 ; Unit: \$Thousands

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
CTCI Corp.	1979.04.06	89, Sec. 6, Zhongshan North Rd., Taipei	NTD 7,632,738	The design, survey, construction and inspection of various engineering and construction projects, plants, machinery and equipment and environmental protection projects.
ECOVE Environment Services Corp.	1994.05.24	10FI, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 151,000	Refuse EfW plant's operation, machinery and equipment maintenance, etc.
ECOVE Wujih Energy Corp.	2000.05.19	10FI, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 300,000	Waste services equipment installation, co-generation, waste services and other environmental services, etc.
ECOVE Waste Management Corp.	2001.06.01	No.69, Ln. 373, Changchun St., Wujih Dist., Taichung	NTD 20,000	Waste services, equipment and mechanical installation, waste clear, international trade and other environmental services, etc.
CTCI Chemicals Corp.	1999.08.04	10FI, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 71,000	Industrial chemicals' wholesale manufacturing and retail.
SINOGAL-Waste Services Co., Ltd.	2009.06.25	Rua Dr. Pedro Jose Lobo, ns 1-3, Edificio Banco Luso Internacional, 15 andar, salas 1501 e 1510, em Macau	MOP 4,000	Management of waste recycling site and maintenance of related mechanical and equipment etc.
ECOVE Miaoli Energy Corporation	2002.11.07	10FI, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 750,000	Waste services equipment installation, co-generation, waste services and other environmental services, etc.
ECOVE Environment Consulting Corp.	2013.08.02	Room 2206-G, NO.89, East Yunling Rd., Putuo District, Shanghai	USD 140	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.
Yuan Ding Resources Corp.	2013.12.13	10FI, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 45,000	Waste services, waste clean, other environmental services, and environmental pollution services, etc.
ECOVE Solvent Recycling Corp.	2013.07.15	No. 7-1, Guojian 3rd Rd., Guanyin Dist., Taoyuan	NTD 90,000	Basic chemical industry and other chemical materials manufacturing
ECOVE Solar Energy Corp.	2011.06.02	13F., No. 366, Bo-ai 1st Rd., Sanmin Dist., Kaohsiung	NTD 632,455	Energy technology service industry
ECOVE Solar Power Corp.	2013.08.09	13F., No. 366, Bo-ai 1st Rd., Sanmin Dist., Kaohsiung	NTD 180,000	Energy technology service industry

ECOVE Central Co. Ltd.	2013.02.06	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 7,500	Energy technology service industry
ECOVE South Co. Ltd.	2013.02.06	13F., No. 366, Bo-ai 1st Rd., Sanmin Dist., Kaohsiung	NTD 16,500	Energy technology service industry
G.D. International ,LLC	2011.12.12	251 Little Falls Drive, Wilmington, DE 19808, U.S.A.	USD 11,053	Energy technology service industry
LUMBERTON SOLAR W2-090, LLC	100.10.28	Wilentz,Goldman &Spitzer,P.A.,90 Woodbridge Center Drive, Woodbridge, New Jersey	USD 10,942	Energy technology service industry

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

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

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

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

April 1st, 2019

Company	Title	Name of Representative	Shareholding	
			Shares	%
ECOVE Waste Management Corporation	Chairman	ECOVE Environment Corp. Representative: Y. P. Shih	2,000,000	100.00
	Director	ECOVE Environment Corp. Representative: J. J. Liao Mike Kuo Hsiu Hua Tiao Alex Chen	2,000,000	100.00
	Supervisor	ECOVE Environment Corp. Representative: K. W. Chang	2,000,000	0.00
	President	Mike Kuo	0	0.00
ECOVE Wujih Energy Corporation	Chairman	ECOVE Environment Corp. Representative: Y. P. Shih	29,400,000	98.00
	Director	ECOVE Environment Corp. Representative: J. J. Liao Pei Feng Chu	29,400,000	98.00
	Supervisor	ECOVE Environment Services Corp. Representative: Nicole Ku	600,000	2.00
	President	Pei Feng Chu	0	0.00
ECOVE Environment Services Corporation	Chairman	ECOVE Environment Corp. Representative: Y. P. Shih	14,065,936	93.15
	Director	ECOVE Environment Corp. Representative: J. J. Liao Hsiu Hua Tiao Gsub-I Ting Mike Chiou	14,065,936	93.15
	Supervisor	ECOVE Waste Management Corp. Representative: C. L. Yen	1000	0.01
	President	Hsiu Hua Tiao	0	0.00
ECOVE Miaoli Energy Corporation	Chairman	ECOVE Environment Corp. Representative: Y. P. Shih	56,249,000	74.999
	Director	ECOVE Environment Corp. Representative: J.J. Liao	56,249,000	74.999
		TOPCO Scientific Corp. Representative: Fa-Hsiang Tan	18,700,000	24.933
	Supervisor	ECOVE Environment Services Corp. Representative: Ping Kun Lin	1,000	0.001
		Topco International Investment Co., Ltd. Representative: Joyce Lu	50,000	0.067
President	Pei Feng Chu	0	0.00	
Yuan Ding Resources Management Corporation	Chairman	ECOVE Environment Corp. Representative: J.J. Liao	2,700,000	60.00
	Director	ECOVE Environment Corp. Representative: Y. P. Shih Hsiu Hua Tiao	2,700,000	60.00
	Supervisor	ECOVE Waste Management Corp. Representative: Patrick Lin	1,800,000	40.00
	President	Y. P. Shih	0	0.00

Company	Title	Name of Representative	Shareholding	
			Shares	%
CTCI Chemical Corporation	Chairman	Innovest Investment Corporation Representative: S. P. Jen	1,657,207	23.34
	Director	Innovest Investment Corporation Representative: M. H. Wang M. L. Lee Y. W. Chen	1,657,207	23.34
		Shelly Chou	576,910	8.13
	Supervisor	GRQ Investment Corporation Representative: H.C. Ko	480,661	6.77
	President	Sam Kuo	13,186	0.19
SINO GAL - Waste Services Co., Ltd.	Chairman	CONSULGAL–CONSULTORES DE ENGENHARIA E GESTÃO, S.A	-(Note 1)	20.00
		CONSULASIA–CONSULTORES DE ENGENHARIA E GESTÃO, LIMITADA		20.00
	Director	Representative: Helder Jose Moura Dos Santos		
	Director	Representative: Pereira Taveira Pinto, Carlos Manuel		
		CTCI Corporation		30.00
		ECOVE Environment Services Corporation		30.00
President	Representative: Y. P. Shih Hsiu Hua Tiao Patrick Lin			
President	Peter Wang	0	0.00	
ECOVE Environment Consulting Corporation	Managing Director	ECOVE Environment Services Corp. Representative: Y. P. Shih	-(Note 2)	100.00
	Supervisor	ECOVE Environment Services Corp. Representative: Patrick Lin		100.00
	President	Eric Wang	0	0.00
ECOVE Solvent Recycling Corporation	Chairman	ECOVE Environment Corp. Representative: Y. P. Shih	8,099,000	89.99
	Director	ECOVE Environment Corp. Representative: J.J. Liao C. Z. Jiang	8,099,000	89.99
	Supervisor	ECOVE Environment Services Corp. Representative: Ai-Ling Hsu	1,000	0.01
	President	E. G. Su	0	0.00
ECOVE Solar Energy Corporation	Chairman	ECOVE Environment Corp. Representative: Y. P. Shih	63,245,452	100.00
	Director	ECOVE Environment Corp. Representative: J.J. Liao	63,245,452	100.00
	Supervisor	ECOVE Environment Corp. Representative: S. H. Lin	63,245,452	100.00
	President	Y. P. Shih	0	0.00
ECOVE Solar Power Corporation	Chairman	ECOVE Solar Energy Corp. Representative: Y. P. Shih	18,000,000	100.00
	President	Y. P. Shih	18,000,000	100.00
ECOVE Central Co., Ltd.	Director	ECOVE Solar Energy Corp. Representative: Y. P. Shih	-(Note 3)	100.00

Company	Title	Name of Representative	Shareholding	
			Shares	%
ECOVE South Co., Ltd.	Director	ECOVE Solar Energy Corp. Representative: Y. P. Shih	-(Note 4)	100.00
G.D. International, LLC	Chairman	ECOVE Solar Energy Corp. Representative: Y. P. Shih	-(Note 5)	100.00
	Director	J. J. Liao		0.00
LUMBERTON SOLAR W2-090, LLC	Chairman	Y. P. Shih	-(Note 6)	100.00
	Director	J. J. Liao		0.00

Note 1 : The company is a limited company established in Macau and has not issued shares.

Note 2 : The company is a limited company established in the mainland and has not issued shares.

Note 3 : The company is a company established in the Republic of China and has not issued shares.

Note 4 : The company is a company established in the Republic of China and has not issued shares.

Note 5 : The company is an LLC company established in the United States and has not issued shares.

Note 6 : The company is an LLC company established in the United States and has not issued shares.

8.1.2 Operation overview of the Company and affiliates

December 31st, 2018; Unit: NT\$ Thousands

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Earnings Per Share (NT\$)
ECOVE Environment Services Corporation	151,000	2,086,583	1,120,249	966,334	3,405,140	352,833	366,557	24.28
ECOVE Waste Management Corporation	20,000	472,228	359,058	113,170	1,203,941	62,292	58,382	29.19
ECOVE Wujih Energy Corporation	300,000	1,568,795	301,387	1,267,407	705,067	364,789	275,512	9.18
CTCI Chemicals Corporation	71,000	356,863	118,193	238,670	504,072	69,985	58,813	8.28
SINO GAL-Waste Services Co., Ltd.	16,546	408,820	215,749	193,071	649,134	158,804	167,024	(Note 1)
ECOVE Miaoli Energy Corporation	750,000	1,512,633	174,007	1,338,626	347,786	176,683	129,055	1.72
ECOVE Environment Consulting Corporation	4,147	63,880	51,525	12,355	101,978	9,139	6,720	(Note2)
Yuan Ding Resources Corporation	45,000	39,318	80	39,238	0	(157)	78	0.01
ECOVE Solvent Recycling Corporation	90,000	155,801	80,563	75,238	1,485	(7,346)	(7,957)	(0.88)
ECOVE Solar Energy Corporation	632,455	1,462,539	731,442	731,097	83,711	8,258	43,423	0.69
ECOVE Solar Power Corporation	180,000	811,794	607,733	204,061	67,492	26,975	18,678	1.04
ECOVE Central Co., Ltd.	7,500	26,382	17,645	8,737	3,712	1,174	719	0.96
ECOVE South Co., Ltd.	16,500	32,463	14,494	17,969	3,648	1,367	918	0.56
G.D. International, LLC	11,053	12,002	8	11,994	0	(5)	918	(Note3)
LUMBERTON SOLAR W2-090, LLC	10,942	29,753	17,792	11,961	3,638	1,086	923	(Note3)

Note 1: The Company is a limited company established in Macau and does not issue shares.

Note 2: The Company is a limited company established in China and does not issue shares.

Note 3: The Company is a limited company established in USA and does not issue shares.

8.1.3 Consolidated Financial Statements of Affiliated Enterprises of the Company

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

(1) Lending to others: (as of March 31st, 2019)

Unit: NTD thousands

No. (Note.1)	Lender	Borrower	Account item (Note.2)	The highest balance during period (Note.3)	Ending balance as of March 31 st ,2016 (Note 8)	Interest rate	Nature of Lending (Note.4)	Amount for operation (Note.5)	Reason of short-term financing (Note.6)	Allowa nce for bad debts	Collateral		Limit on lending for single enterprise (Note.7)	Colling for total amount (Note.7) Name
											Name	Value		
1	ECOVE Waste Management Corporation	CTCI Corporation	Accounts receivable-related parties	14,000	7,000	-	2	0	For operational needs	0	NA	0	11,283	45,131
1	ECOVE Waste Management Corporation	CTCI Smart Engineering Corporation	Accounts receivable-related parties	14,000	7,000	1.010%	2	0	For operational needs	0	NA	0	11,283	45,131
1	ECOVE Waste Management Corporation	CTCI Machinery Corporation	Accounts receivable-related parties	14,000	7,000	-	2	0	For operational needs	0	NA	0	11,283	45,131
2	ECOVE Environment Services corporation	CTCI Corporation	Accounts receivable-related parties	140,000	70,000	0.810%	2	0	For operational needs	0	NA	0	100,581	402,326
2	ECOVE Environment Services corporation	CTCI Smart Engineering Corporation	Accounts receivable-related parties	140,000	70,000	-	2	0	For operational needs	0	NA	0	100,581	402,326
2	ECOVE Environment Services corporation	CTCI Machinery Corporation	Accounts receivable-related parties	140,000	70,000	-	2	0	For operational needs	0	NA	0	100,581	402,326
2	ECOVE Environment Services corporation	CTCI Resources Engineering Inc.	Accounts receivable-related parties	140,000	70,000	-	2	0	For operational needs	0	NA	0	100,581	402,326

Note 1 : Number for items explain as follows :

■Company : 0

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

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

Note 3 : The highest balance during period

Note 4 : Description for Lending to others as follows :

■1 : Having business relationship

■2 : Operational needs

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

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

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

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

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

(3) Derivative Transactions Information: None

8.1.4 Consolidated Financial Statements of Affiliated Enterprises of the Company:

Please refer to Appendix I.

Appendix I:

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017

Appendix II:

Non-Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017

8.2 Private placement of securities in the most recent year and up to the date of annual report publication: None

8.3 Holding or disposal of this company's shares by a subsidiary company in the last year, up to the publication date of this report: None

8.4 Other Necessary Supplemental Information

(1) Key performance index specific to the industry:

The Company is an investment holding company and its four main subsidiary companies including ECOVE Environment Services Corp., ECOVE Wujih Energy Corp., ECOVE Waste Management Corp. and ECOVE Miaoli Energy Corp. are all environmental protection service providers. A key performance index (KPI) for safety and health policy is established based on such characteristics and it is described below:

Definitions	2018 Goal	Actual Achievements	KPI (%)
This year each project participated the Safety and Health Award ≥ 3	Annual safety and health award more than 3 awards	<ul style="list-style-type: none"> • Miaoli EfW Plant was awarded the "2018 Healthy Workplace Promotion Label" by the Health Promotion Administration, Ministry of Health and Welfare and still valid. Wujih EfW Plant was awarded the "2017 Healthy Workplace Promotion Label" by the Health Promotion Administration, Ministry of Health and Welfare and still valid. Houli EfW Plant was awarded the "2017 Healthy Workplace Promotion Label" by the Health Promotion Administration, Ministry of Health and Welfare and still valid. Tainan EfW Plant was awarded the "2018 Healthy Workplace Promotion Label" by the Health Promotion Administration, Ministry of Health and Welfare and still valid, and STSP EfW Plant was awarded "2017 Southern Science Park Occupational Safety and Health Excellence Unit Award, and the Labor Affairs Bureau of Tainan City Government issued the "Certificate of Appreciation for Enterprise Devoting Safety and Health Promotion". • Hsu, Tsung-Yu from Miaoli EfW Plant was awarded the "2017 Implementation of the Occupational Safety and Health Excellent Personnel Achievement Award" by the Ministry of Labor, and Weng, Jui-Yen from Tainan EfW Plant was awarded the "2017 Annual Occupational Safety and Health Excellence Personnel Award" by the Tainan City Government. • Houli EfW Plant was awarded the 1.23 million non-hazardous working hours certificate issued by the Industrial Safety and Health Association (ISHA) of the R.O.C. entrusted by the Ministry of Labor. Keelung EfW Plant was awarded the 750,000 non-hazardous working hours certificate issued by ISHA of the R.O.C. entrusted by the Ministry of Labor. Miaoli EfW Plant was awarded the 240,000 non-hazardous working hours certificate issued by ISHA of the R.O.C. entrusted by the Ministry of Labor. Wujih EfW Plant was awarded the 960,000 non-hazardous working hours certificate issued by ISHA of the R.O.C. entrusted by the Ministry 	100

		<p>of Labor. And STSP EfW Plant was awarded the 960,000 non-hazardous working hours certificate issued by ISHA of the R.O.C. entrusted by the Ministry of Labor.</p> <ul style="list-style-type: none"> • ECOVE ESC head office was awarded "2018 National Workplace Safety and Health Week Series Implementation Plan" certificate by the Ministry of Labor. 	
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(2) Pledged Items for Listing:

Pledged Items for Listing	Implementation of Pledged Items
<p>I. The Company pledges to incorporate in the "Operating Procedures on the Asset Acquisition or Disposal" that "the Company may not relinquish future annual capital increases in the three controlled companies, namely, ECOVE Waste Management Corp., ECOVE Wujih Energy Corporation and Sino Environmental Services Corp.; in the event that the Company is required to relinquish capital increase or disposition of the aforementioned companies in the future due to strategic alliance considerations or under the approval of Taipei Exchange, a special resolution is required in the Meeting of the Board of Directors of ECOVE Environment Corp.." In addition, in the event of any amendments to the processing regulations, they shall be disclosed on the important information announcements on the Market Observation Post System and reported to the Taipei Exchange for future reference.</p>	<p>The Company had passed amendments "Operating Procedures on the Asset Acquisition or Disposal" in the No. 4-13 Meeting of the Board of Directors and the Shareholders' Meeting on March 24, 2010. The amendment stipulates that the Company may not relinquish future annual capital increases in the three controlled companies; in the event that the Company is required to relinquish capital increase or disposition of the aforementioned companies in the future due to strategic alliance considerations or under the approval of Taipei Exchange, a special resolution is required in the Meeting of the Board of Directors of the Company. (Related attachments have been submitted in the 2010 Q2 Application)</p> <p>As of the first quarter of 2019, the Company has never relinquished participation in capital increases or disposed of ECOVE Waste Management Corp., ECOVE Wujih Energy Corp., and ECOVE Environmental Services Corp.</p>
<p>II. The Company pledges to disclose operating income that originates from the parent company CTCI Corporation in the notes of the consolidated financial statements of each quarter starting from the 2009 consolidated financial statements. However, the reason of payment operating costs to CTCI Corporation were not indicated; the CPA should be asked to review the aforementioned items in the audit (or review) of financial statements in each quarter.</p>	<p>The Company has operating income from the parent company CTCI Corporation but no related operating costs because the relative cost of such income is the cost of contracting, repairs and procurement paid by ECOVE Environmental Services Corp. to non-affiliates in the process of providing services as well as the related personnel and administrative expenses from operations. The CPA of PwC Taiwan has been asked to review the aforementioned items and the supplementary description has been provided in the affiliate transaction</p>

Pledged Items for Listing	Implementation of Pledged Items
	report in the disclosure items of the consolidated financial statements from 2009 to 2015. Related content shall continue to be disclosed in the upcoming financial statements for the 4th quarter of 2018.

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

- (3) Material Event Impact on Shareholders' Equity or Share Price in Recent Years until the Annual Report being published: None



**ECOVE ENVIRONMENT CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2018 AND 2017**

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of ECOVE Environment Corporation and its subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Accuracy of service revenue

Description

Please refer to Note 4(28) for accounting policies on operating revenue, and Note 6(21) for details of operating revenue.

Operating revenue mainly arises from service revenue and electricity sales revenue. The service revenue mainly arises from contracts entered into with certain governments (grantors) that involve charging for the service per unit in accordance with contracts and self-undertook services. The cash amount of service revenue was NT\$ 2,427,326 thousand for the year ended December 31, 2018, presenting 50% of operating revenue for the year ended December 31, 2018. Due to the fact that this type of revenue involving the accuracy of the reports used and manual calculation, we consider the accuracy of service revenue a key audit matter.

How our audit addressed the matter

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

- A. Obtained an understanding of the procedures of waste treatment and tested relevant internal controls, including randomly checking the actual amount of disposals that are treated at the waste treatment plant monthly, the consistency of monthly statements that management used in calculating revenue, and the consistency between service fees per unit and contract.
- B. Verified the accuracy of statements that management used in calculating revenue, including the amount of disposals treated and the service fees per unit, recalculating the accuracy of cash amount and ascertained whether it was in agreement with recorded revenue.

Other matter-Non-consolidated financial statements

We have audited and expressed an unqualified opinion on the non-consolidated financial statements of ECOVE Environment Corporation as at and for the years ended December 31, 2018 and 2017.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of



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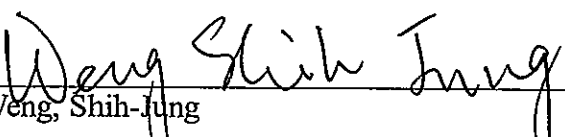
not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

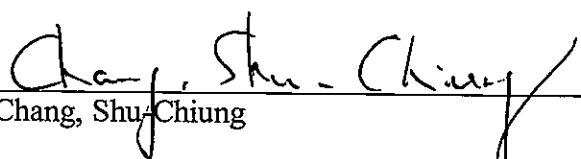
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


Weng, Shih-Jung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 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)

Assets	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,543,162	17	\$ 1,657,955	24
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	183,288	2	437,010	6
1120	Financial assets at fair value through other comprehensive income-current	6(3)	102,201	1	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	136,852	2
1150	Notes receivable, net		1,321	-	234	-
1170	Accounts receivable, net	6(4)	1,041,171	11	947,224	13
1180	Accounts receivable - related parties, net	7	1,717	-	8,122	-
1200	Other receivables		4,741	-	2,238	-
1210	Other receivables - related parties	7	24,646	-	61,847	1
130X	Inventories		63,854	1	45,351	1
1410	Prepayments	6(5)	266,503	3	212,829	3
1470	Other current assets	6(6) and 8	342,178	4	195,910	3
11XX	Current Assets		<u>3,574,782</u>	<u>39</u>	<u>3,705,572</u>	<u>53</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	543	-	-	-
1543	Financial assets carried at cost - non-current	12(4)	-	-	543	-
1550	Investments accounted for under equity method	6(7)	405,718	4	666,510	9
1600	Property, plant and equipment, net	6(8) and 8	2,131,233	24	73,244	1
1780	Intangible assets	6(29)	136,153	2	-	-
1840	Deferred income tax assets	6(27)	22,295	-	19,073	-
1900	Other non-current assets	6(9) and 8	2,804,983	31	2,592,187	37
15XX	Non-current assets		<u>5,500,925</u>	<u>61</u>	<u>3,351,557</u>	<u>47</u>
1XXX	Total assets		<u>\$ 9,075,707</u>	<u>100</u>	<u>\$ 7,057,129</u>	<u>100</u>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 52,000	1	\$ -	-
2130	Contract liabilities-current	6(21)	140,580	2	-	-
2150	Notes payable		1,032	-	189	-
2170	Accounts payable	6(11)	535,797	6	619,687	9
2180	Accounts payable - related parties	7	23,411	-	28,082	-
2200	Other payables	6(12)	467,937	5	383,256	6
2220	Other payables - related parties	7	6,481	-	8,905	-
2230	Current income tax liabilities		130,245	1	73,464	1
2300	Other current liabilities	6(13)(14)	139,437	1	212,605	3
21XX	Current Liabilities		<u>1,496,920</u>	<u>16</u>	<u>1,326,188</u>	<u>19</u>
Non-current liabilities						
2540	Long-term borrowings	6(14)	1,423,587	16	4,000	-
2570	Deferred income tax liabilities	6(27)	204,300	2	169,338	2
2600	Other non-current liabilities	6(15)	529,541	6	326,721	5
25XX	Non-current liabilities		<u>2,157,428</u>	<u>24</u>	<u>500,059</u>	<u>7</u>
2XXX	Total Liabilities		<u>3,654,348</u>	<u>40</u>	<u>1,826,247</u>	<u>26</u>
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(18)	671,051	8	668,106	9
Capital surplus						
3200	Capital surplus	6(19)	2,193,473	24	2,161,029	31
Retained earnings						
3310	Legal reserve	6(20)	603,629	7	527,495	7
3320	Special reserve		32,284	-	145	-
3350	Unappropriated retained earnings		1,380,044	15	1,359,148	19
Other equity interest						
3400	Other equity interest		(2,243)	-	(32,284)	-
31XX	Equity attributable to owners of the parent		<u>4,878,238</u>	<u>54</u>	<u>4,683,639</u>	<u>66</u>
36XX	Non-controlling interest	4(3)	<u>543,121</u>	<u>6</u>	<u>547,243</u>	<u>8</u>
3XXX	Total equity		<u>5,421,359</u>	<u>60</u>	<u>5,230,882</u>	<u>74</u>
Significant contingent liabilities and unrecognised contract commitments						
3X2X	Total liabilities and equity		<u>\$ 9,075,707</u>	<u>100</u>	<u>\$ 7,057,129</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)

		Year ended December 31				
Items	Notes	2018		2017		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(21) and 7	\$ 4,847,096	100	\$ 4,479,587	100
5000	Operating costs	6(25)(26) and 7	(3,539,458)	(73)	(3,220,330)	(72)
5900	Gross profit		1,307,638	27	1,259,257	28
	Operating expenses	6(25)(26) and 7				
6200	General and administrative expenses		(178,722)	(4)	(181,840)	(4)
6000	Total operating expenses		(178,722)	(4)	(181,840)	(4)
6900	Operating profit		1,128,916	23	1,077,417	24
	Non-operating income and expenses					
7010	Other income	6(22)	40,169	1	31,779	1
7020	Other gains and losses	6(23)	41,733	1	10,113	-
7050	Finance costs	6(24)	(7,483)	-	(3,841)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	31,435	-	21,101	-
7000	Total non-operating income and expenses		105,854	2	38,926	1
7900	Profit before income tax		1,234,770	25	1,116,343	25
7950	Income tax expense	6(27)	(254,298)	(5)	(156,919)	(4)
8200	Profit for the year		\$ 980,472	20	\$ 959,424	21
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(16)	(\$ 3,212)	-	(\$ 8,601)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income		(2,076)	-	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(31)	-	(43)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	1,379	-	1,835	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		233	-	(46,369)	(1)
8362	Unrealized loss on valuation of available-for-sale financial assets	12(4)	-	-	(430)	-
8300	Total other comprehensive loss for the year		(\$ 3,707)	-	(\$ 53,608)	(1)
8500	Total comprehensive income for the year		\$ 976,765	20	\$ 905,816	20
	Profit attributable to:					
8610	Owners of the parent		\$ 806,912	17	\$ 761,339	17
8620	Non-controlling interest		173,560	3	198,085	4
	Total		\$ 980,472	20	\$ 959,424	21
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 806,087	16	\$ 721,084	16
8720	Non-controlling interest		170,678	4	184,732	4
	Total		\$ 976,765	20	\$ 905,816	20
	Earnings per share (in dollars):					
9750	Total basic earnings per share	6(28)	\$ 12.04		\$ 11.41	
9850	Total diluted earnings per share	6(28)	\$ 12.04		\$ 11.39	

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)

Equity attributable to owners of the parent

Notes	Retained earnings					Cumulative transation differences of foreign operations	Other equity interest		Total	Non-controlling interest	Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on valuation of available-for-sale financial assets				
For the year ended December 31, 2017												
	Balance at January 1, 2017	\$ 664,614	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	\$ -	(\$ 32,615)	\$ 4,682,057	\$ 582,717	\$ 5,264,774
	Profit for the year	-	-	-	-	761,339	-	-	-	761,339	198,085	959,424
	Other comprehensive loss	-	-	-	-	(5,986)	(33,896)	-	(373)	(40,255)	(13,353)	(53,608)
	Total comprehensive income	-	-	-	-	755,353	(33,896)	-	(373)	721,084	184,732	905,816
	Appropriation of 2016 earnings	6(20)	-	-	-	-	-	-	-	-	-	-
	Legal reserve	-	-	84,809	-	(84,809)	-	-	-	-	-	-
	Cash dividends	-	-	-	-	(757,173)	-	-	-	(757,173)	(220,219)	(977,392)
	Share-based payment transactions	6(19)	-	-	-	-	-	-	-	183	13	196
	Employee stock options exercised	6(18)(19)	3,492	33,996	-	-	-	-	-	37,488	-	37,488
	Balance at December 31, 2017	\$ 668,106	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	\$ -	(\$ 32,988)	\$ 4,683,639	\$ 547,243	\$ 5,230,882
For the year ended December 31, 2018												
	Balance at January 1, 2018	\$ 668,106	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	\$ -	(\$ 32,988)	\$ 4,683,639	\$ 547,243	\$ 5,230,882
	Effect of retrospective application and retrospective restatement	12(4)	-	-	-	1,799	-	(34,787)	32,988	-	-	-
	Balance at 1 January, 2018 after adjustments	668,106	2,161,029	527,495	145	1,360,947	704	(34,787)	-	4,683,639	547,243	5,230,882
	Profit for the year	-	-	-	-	806,912	-	-	-	806,912	173,560	980,472
	Other comprehensive income(loss)	-	-	-	-	(1,782)	2,922	(1,965)	-	(825)	(2,882)	(3,707)
	Total comprehensive income	-	-	-	-	805,130	2,922	(1,965)	-	806,087	170,678	976,765
	Appropriation of 2017 earnings	6(20)	-	-	-	-	-	-	-	-	-	-
	Legal reserve	-	-	76,134	-	(76,134)	-	-	-	-	-	-
	Special reserve	-	-	-	32,139	(32,139)	-	-	-	-	-	-
	Cash dividends	-	-	-	-	(647,313)	-	-	-	(647,313)	(183,364)	(830,677)
	Share-based payment transactions	6(19)	-	-	-	-	-	-	-	5,055	308	5,363
	Employee stock options exercised	6(18)(19)	2,945	27,389	-	-	-	-	-	30,334	-	30,334
	Disposal of financial assets measured at fair value through other comprehensive income	-	-	-	-	(30,447)	-	30,883	-	436	31	467
	Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	8,225	8,225
	Balance at December 31, 2018	\$ 671,051	\$ 2,193,473	\$ 603,629	\$ 32,284	\$ 1,380,044	\$ 3,626	(\$ 5,869)	\$ -	\$ 4,878,238	\$ 543,121	\$ 5,421,359

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

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

	Notes	Years ended December 31	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,234,770	\$ 1,116,343
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(25)	73,778	17,820
Amortization	6(25)	14,462	13,082
Interest expense	6(24)	7,483	3,841
Interest income	6(22)	(16,390)	(16,170)
Dividend income	6(22)	(3,657)	(4,056)
Salary expense-employee stock options	6(17)(26)	4,885	-
Gain on valuation of financial assets	6(2)(23)	(1,564)	(1,127)
Gain on disposal of investment	(	26,481)	(3,428)
Share of profit of associates and joint ventures accounted for under equity method	6(7)	(31,435)	(21,101)
Gain on disposal of property, plant and equipment	6(23)	(4,387)	(1,917)
Impairment loss	12(4)	-	13
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		250,721	303,873
Notes receivable, net	(	1,087)	(96)
Accounts receivable, net	(	80,446)	(99,966)
Accounts receivable - related parties, net		6,405	76,409
Other receivables		3,432	7,803
Other receivables-related parties		30,195	(25,739)
Inventories	(	18,503)	6,936
Prepaid expense	(	23,847)	(156,124)
Other current assets	(	30,940)	(10,000)
Increase in other non-current assets		254,209	230,027
Changes in operating liabilities			
Contract liabilities-current		140,580	-
Notes payable		843	189
Accounts payable	(	89,136)	(81,254)
Accounts payable - related parties	(	4,671)	478
Other payables		52,181	41,235
Other payables - related parties	(	2,424)	6,704
Other current liabilities	(	25,302)	(419)
Other non-current liabilities		2,380	(14,748)
Cash inflow generated from operations		1,716,054	1,388,608
Interest received		13,400	12,614
Dividends received		17,654	17,193
Interest paid	(	8,436)	(4,048)
Income tax paid	(	172,789)	(214,358)
Net cash flows from operating activities		<u>1,565,883</u>	<u>1,200,009</u>

(Continued)

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

	Notes	Years ended December 31	
		2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in available-for-sale financial assets-current		\$ -	(\$ 37,883)
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		48,206	-
Acquisition of financial assets measured at fair value through other comprehensive income		(16,258)	-
Increase in other receivables-related parties		7,000	233,000
Interest received		2,570	3,781
(Increase) decrease in other current assets		(115,328)	223,681
Proceeds from disposal of investee company		-	3,610
Increase in investments accounted for under equity method-non-subsidiaries	6(7)	(77,500)	(89,474)
Decrease in investments accounted for under equity method-non-subsidiaries		-	5,127
Acquisition of property, plant and equipment	6(8)	(135,302)	(37,066)
Proceeds from disposal of property, plant and equipment		4,569	2,048
Increase in refundable deposits		(589)	(1,444)
Net cash flow from acquisition of subsidiaries (net of cash acquired)	6(29)	(206,659)	-
Other non-current assets	6(31)	(154,398)	(355)
Net cash flows (used in) from investing activities		(643,689)	305,025
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short-term loans	6(32)	(91,000)	-
Proceeds from long-term loans	6(32)	87,000	-
Repayment of long-term loans	6(32)	(258,933)	(176,000)
Increase in deposits received (shown in other non-current liabilities)		22,189	38,881
Employee stock options exercised		30,334	37,488
Cash dividends paid		(830,677)	(977,392)
Increase in non-controlling interests		4,100	-
Net cash flows used in financing activities		(1,036,987)	(1,077,023)
Net (decrease) increase in cash and cash equivalents		(114,793)	428,011
Cash and cash equivalents at beginning of year		1,657,955	1,229,944
Cash and cash equivalents at end of year		\$ 1,543,162	\$ 1,657,955

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) ECOVE Environment Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 13, 1999, and consolidated investee-Chang Ting Corporation in December, 2005.
- (2) The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in waste management. The Company’s shares were issued through an initial public offering on December 3, 2007, and have been listed in the Taiwan OTC market since May 27, 2010.
- (3) CTCI Corporation, the Company’s ultimate parent company, holds 57.31% equity interest in the Company as of December 31, 2018.

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

These consolidated financial statements were authorised by the Board of Directors on March 8, 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 FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

- (a) Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

In adopting the new standards endorsed by the FSC effective from 2018, the Group applied the new rules under IFRS 9 using the modified restrospective approach from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standard as of January 1, 2018 are summarised below:

In accordance with IFRS 9, the Group reclassifies available-for-sale financial assets and financial assets at cost in the amounts of \$136,852 and \$543, respectively, and makes an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$137,395.

B. Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Group changes the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, assets in relation to contracts and liabilities in relation to contracts are recognised as contract assets and contract liabilities, but were previously presented as long-term accounts receivable and receipts in advance in the balance sheet. As of January 1, 2018, the balance would amount to \$2,414,923 and \$36,605, respectively.

(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 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. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

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

In adopting IFRS 16 'Lease', the Group has elected not to restate prior period financial statements and classified the effects on the lease contract of lessee to January 1, 2019 in accordance with IFRS 16.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has no material impact to the Group.

(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>
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS3, 'Definition of a business'	January 1, 2020
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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained

earnings or other equity as of January 1, 2018 and the financial statements December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), and related financial reporting interpretations. Please refer to Note 12(4) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)		Note
			December 31, 2018	December 31, 2017	
ECOVE Environment Corp.	ECOVE Waste Management Corp.	Environmental engineering	100.00	100.00	
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Environmental engineering	74.999	74.999	
ECOVE Environment Service Corp.			0.001	0.001	
ECOVE Environment Corp.	ECOVE Environment Service Corp.	Environmental engineering	93.15	93.15	
ECOVE Waste Management Corp.			0.001	0.01	
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Environmental engineering	98.00	98.00	
ECOVE Environment Service Corp.			2.00	2.00	
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Environmental engineering	60.00	60.00	
ECOVE Waste Management Corp.			40.00	40.00	
ECOVE Environment Service Corp.	SINOGAL-Waste Services Co., Ltd.	Environmental engineering	30.00	30.00	Note 1
ECOVE Environment Service Corp.	ECOVE Environment Consulting Corp.	Environmental engineering	100.00	100.00	
ECOVE Environment Corp.	ECOVE Solvent Recycling Corporation	Environmental engineering	89.99	-	Note 2
ECOVE Environment Service Corp.			0.01	-	
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Energy sector	100.00	49.99	Note 3
ECOVE Environment Service Corp.			-	0.01	

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)		Note
			December 31, 2018	December 31, 2017	
ECOVE Solar Energy Corporation	ECOVE Solar Power Corporation	Energy sector	100.00	100.00	Note 3
ECOVE Solar Energy Corporation	ECOVE Central Corporation Ltd.	Energy sector	100.00	100.00	Note 3
ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	Energy sector	100.00	100.00	Note 3
ECOVE Solar Energy Corporation	G.D. International, LLC.	Energy sector	100.00	100.00	Note 3
G.D. International, LLC.	Lumberton Solar W2-090, LLC.	Energy sector	100.00	100.00	Note 3

Note 1: Included in the consolidated financial statements due to the Company's control of subsidiary's finance, operation 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: On September 20, 2018, the Group acquired 50% of the shares of ECOVE Solar Energy Corporation by cash. The acquired company became a wholly-owned subsidiary and was consolidated from the date on which control was obtained.

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

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

E. Significant restrictions: None.

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

As of December 31, 2018 and 2017, the non-controlling interest amounted to \$543,121 and \$547,243, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2018		December 31, 2017	
		Amount	Ownership (%)	Amount	Ownership (%)
ECOVE Miaoli Energy Corp.	Taiwan	\$ 334,656	25.00%	\$ 335,978	25.00%
SINOGAL-Waste Services Co., Ltd.	Macau	135,150	70.00%	148,558	70.00%

Summarized financial information of the subsidiaries:

Balance sheets

	<u>ECOVE Miaoli Energy Corp.</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current assets	\$ 175,062	\$ 173,463
Non-current assets	1,337,570	1,463,676
Current liabilities	(102,176)	(225,856)
Non-current liabilities	(71,831)	(67,372)
Total net assets	<u>\$ 1,338,625</u>	<u>\$ 1,343,911</u>

	<u>SINOGAL-Waste Services Co., Ltd.</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current assets	\$ 403,137	\$ 408,081
Non-current assets	5,683	9,969
Current liabilities	(155,808)	(151,175)
Non-current liabilities	(59,941)	(54,650)
Total net assets	<u>\$ 193,071</u>	<u>\$ 212,225</u>

Statements of comprehensive income

	<u>ECOVE Miaoli Energy Corp.</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Revenue	\$ 347,786	\$ 348,186
Profit before income tax	175,309	181,563
Income tax expense	(46,254)	(31,036)
Profit for the year	<u>129,055</u>	<u>150,527</u>
Other comprehensive loss, net of tax	(48)	(1,107)
Total comprehensive income for the year	<u>\$ 129,007</u>	<u>\$ 149,420</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 32,252</u>	<u>\$ 37,355</u>
Dividends paid to non-controlling interest	<u>\$ 33,592</u>	<u>\$ 35,063</u>

SINO GAL-Waste Services Co., Ltd.		
For the years ended December 31,		
	2018	2017
Revenue	\$ 649,134	\$ 708,712
Profit before income tax	167,716	171,864
Income tax (expense) benefit	(692)	21,686
Profit for the year	167,024	193,550
Other comprehensive loss, net of tax	(1,186)	(16,329)
Total comprehensive income for the year	\$ 165,838	\$ 177,221
Comprehensive income attributable to non-controlling interest	\$ 116,087	\$ 124,055
Dividends paid to non-controlling interest	\$ 127,558	\$ 154,993

Statements of cash flows

ECOVE Miaoli Energy Corp.		
For the years ended December 31,		
	2018	2017
Net cash provided by operating activities	\$ 279,321	\$ 271,944
Net cash provided by investing activities	4,326	66,943
Net cash used in financing activities	(310,368)	(316,254)
(Decrease) increase in cash and cash equivalents	(26,721)	22,633
Cash and cash equivalents, beginning of year	28,303	5,670
Cash and cash equivalents, end of year	\$ 1,582	\$ 28,303

SINO GAL-Waste Services Co., Ltd.		
For the years ended December 31,		
	2018	2017
Net cash provided by operating activities	\$ 212,053	\$ 197,859
Net cash provided by (used in) investing activities	29,902	(67,533)
Net cash used in financing activities	(193,169)	(215,274)
Increase (decrease) in cash and cash equivalents	48,786	(84,948)
Cash and cash equivalents, beginning of year	3,175	88,123
Cash and cash equivalents, end of year	\$ 51,961	\$ 3,175

(4) Foreign currency translation

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

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial assets at fair value with any gain or loss recognised in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to

receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised

in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Investment accounted for using equity method – joint ventures

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

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item

will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

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

Buildings and structures	6 ~ 26 years
Machinery and equipment	3 ~ 20 years
Transportation equipment	3 ~ 7 years
Others	3 ~ 5 years

(16) Intangible assets

Goodwill arises in a business combination accounted for by applying the acquisition method.

(17) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill is evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(18) Borrowings

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

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Offsetting financial instruments

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

(22) Provisions for other liabilities

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

(23) Employee benefits

A. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in

respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).

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

B. Termination benefits

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

C. Employees' compensation directors' and supervisors' remuneration

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

(24) Employee share-based payment

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

(25) Income tax

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

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

(26) Share capital

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

(27) Dividends

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

(28) Revenue recognition

A. Service concession arrangements

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

term of the operating period expires, the underlying infrastructure assets will be transferred to the government without consideration. The Group allocates the fair value of the consideration received or receivable in respect of the service concession arrangement between construction services and operating services provided based on their relative fair values, and recognises such allocated amounts as revenue in accordance with IFRS 15, 'Revenue from contracts with customers'.

- (b) Costs incurred on provision of construction services or upgrading services under a service concession arrangement are accounted for in accordance with IFRS 15, 'Revenue from contracts with customers'.
- (c) The consideration received or receivable from the grantor in respect of the service concession arrangement is recognised at its fair value. Such considerations are recognised as a financial asset or an intangible asset based on how the considerations from the grantor to the operator are made as specified in the arrangement. The Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services, and recognises an intangible asset to the extent that it receives a right (a licence) to charge users of the public service.
- (d) The Group contracted with the government (grantor) a service concession arrangement that is about Refuse Incineration Plant by build- operate- transfer (BOT) mode. Revenue is recognized based on the contract. The Group evaluates the significant financing component of the contract and adjusts the price on the commencement of the contract and recognises revenue and account receivable to the amount that it has a right to bill each month.

B. Service revenue

The Group provides waste treatment, electricity sales, and waste collection service that are charged for the service per unit at a fixed rate. The Group recognises revenue and account receivable to the amount that it has a right to bill each month.

C. Other revenue

The Group provides repairs and maintenance, and consulting service that are charged for the service per unit at a fixed rate. The Group recognises revenue and accounts receivable based on the amount that it has a right to bill each month.

(29) Government grant

The government grant is reasonably convinced that the company will comply with the conditions attached to the government grant and will recognise the grant at fair value. If the nature of the government grant is to compensate the expenses incurred by the Group, the government grant is recognised as current profit and loss on a systematic basis during the period in which the related expenses are incurred.

(30) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration

transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(31) Operating segments

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

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and revolving funds	\$ 10,343	\$ 10,032
Checking accounts and demand deposits	422,288	378,457
Time deposits	1,110,531	1,269,466
Total	<u>\$ 1,543,162</u>	<u>\$ 1,657,955</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 the Note 8.

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

Items	December 31, 2018
Currents items	
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ 182,925
Valuation adjustment	363
Total	\$ 183,288

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

	For the year ended December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ 1,564

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

C. The information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

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

Items	December 31, 2018
Current items:	
Equity instruments	
Listed stocks	106,367
Valuation adjustment	(4,166)
Total	\$ 102,201
Non-current items:	
Equity instruments	
Unlisted stocks	\$ 2,342
Valuation adjustment	(1,799)
Total	\$ 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 year ended December 31, 2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	(\$ <u>2,143</u>)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	(\$ <u>31,653</u>)
<u>Debt instruments at fair value through other comprehensive income</u>	
Exchange gains recognised in profit or loss	(\$ <u>3,697</u>)
Fair value change recognised in other comprehensive income	\$ <u>67</u>
Accumulated other comprehensive income reclassified to profit or loss Reclassified due to derecognition	(\$ <u>467</u>)
Interest income recognised in profit or loss	\$ <u>825</u>

- B. Information relating to credit risk is provided in Note 12(2).
C. The information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	\$ 762,525	\$ 679,504
Long-term accounts receivable - due in one year	278,646	267,720
	<u>\$ 1,041,171</u>	<u>\$ 947,224</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current	\$ 278,646	\$ 835,453
Up to 120 days	654,851	53,405
121 to 180 days	49,119	29,667
Over 181 days	58,555	28,699
	<u>\$ 1,041,171</u>	<u>\$ 947,224</u>

- B. The above ageing analysis was based on invoice date.
C. For details on the long-term accounts receivable – due in one year, please refer to Note 6(9).
D. Information relating to credit risk of account receivable is provided in Note 12(2).

(5) Prepayments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Prepayments for material purchases	\$ 199,314	\$ 163,753
Prepaid rents	3,277	2,711
Prepaid insurance premiums	20,953	7,094
Others	42,959	39,271
	<u>\$ 266,503</u>	<u>\$ 212,829</u>

(6) Other current assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Restricted bank deposits	\$ 40,940	\$ 10,000
Other financial assets (Note)	301,238	185,910
	<u>\$ 342,178</u>	<u>\$ 195,910</u>

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

(7) Investments accounted for under the equity method

	<u>2018</u>	<u>2017</u>
At January 1	\$ 666,510	\$ 594,024
Addition of investments accounted for under the equity method	77,500	89,474
Disposal of investments accounted for under equity method	-	(5,309)
Investments accounted for under equity method transferred into a subsidiary	(358,790)	-
Share of profit or loss of investments accounted for using the equity method	31,435	21,101
Earnings distribution of investments accounted for using equity method	(13,997)	(13,137)
Changes in capital surplus	476	196
Changes in other equity items	2,584	(19,839)
At December 31	<u>\$ 405,718</u>	<u>\$ 666,510</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Associates:		
CTCI Chemicals Corp.	\$ 64,214	\$ 61,943
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	292,168	293,441
Ever Ecove Corporation	49,336	-
Joint ventures:		
ECOVE Solar Energy Corporation (formerly known as G.D. Development Corp.)	-	311,126
	<u>\$ 405,718</u>	<u>\$ 666,510</u>

A. Associates

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2018	December 31, 2017		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Is.	20.00%	20.00%	Strategic investment	Equity method

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

Balance sheet

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	December 31, 2018	December 31, 2017
Current assets	\$ 300,925	\$ 334,230
Non-current assets	788,200	747,923
Current liabilities	(10,906)	(2,673)
Total net assets	<u>\$ 1,078,219</u>	<u>\$ 1,079,480</u>
Share in associate's net assets	\$ 215,643	\$ 215,896
Land-use right	1,020	2,040
Goodwill	75,505	75,505
Carrying amount of the associate	<u>\$ 292,168</u>	<u>\$ 293,441</u>

Statement of comprehensive income

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the years ended	
	December 31,	
	2018	2017
Revenue	\$ -	\$ -
Gain (loss) for the year from continuing operations	2,188	(13,126)
Other comprehensive loss, net of tax	(1,826)	(35,701)
Total comprehensive (loss) income	<u>\$ 362</u>	<u>(\$ 48,827)</u>

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

As of December 31, 2018 and 2017, the carrying amount of the Group's individually immaterial associates amounted to \$113,550 and \$61,943, respectively.

	For the years ended	
	December 31,	
	2018	2017
Gain for the year from continuing operations	\$ 15,159	\$ 15,600
Other comprehensive loss	(31)	(43)
Total comprehensive income	<u>\$ 15,128</u>	<u>\$ 15,557</u>

B. Joint venture

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2018	December 31, 2017		
ECOVE Solar Energy Corporation	Taiwan	100%	50%	Joint venture	Equity method

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

Balance sheet

	<u>ECOVE Solar Energy Corporation</u>	
	<u>December 31, 2017</u>	
Cash and cash equivalents	\$	101,988
Other current assets		11,483
Current assets		<u>113,471</u>
Non-current assets		1,031,074
Total assets	\$	<u>1,144,545</u>
Current financial liabilities	\$	197,049
Other current liabilities		51,160
Current liabilities		<u>248,209</u>
Non-current liabilities		274,084
Total liabilities	\$	<u>522,293</u>
Total net assets	\$	<u>622,252</u>
Share in joint venture's net assets	\$	<u>311,126</u>
Carrying amount of the joint venture	\$	<u>311,126</u>

Statement of comprehensive income

	<u>ECOVE Solar Energy Corporation</u>	
	For the years ended	
	December 31, 2018	
Revenue	\$	59,167
Depreciation and amortisation	(	24,060)
Interest income		1,153
Interest expense	(	4,694)
Profit before income tax		27,601
Income tax expense	(	2,762)
Profit for the year		24,839
Other comprehensive loss, net of tax	(	25,111)
Total comprehensive loss	(\$	272)

C. Explanation of the Group's holding ECOVE Solar Energy Corporation

(a) The Group and Gintech Energy Corp. established the joint venture - ECOVE Solar Energy Corporation, the main activity of which is energy technology services. The Group held 50% equity of ECOVE Solar Energy Corporation.

(b) The Board of Directors had resolved to invest in ECOVE Solar Energy Corporation, in March 2018 and December 2016. The Group invested in ECOVE Solar Energy Corporation, amounting to \$27,500 and \$89,474 in March 2018 and February 2017, respectively.

(c) On September 20, 2018, the Group acquired 50% of the shares of ECOVE Solar Energy Corporation by cash. The acquired company became a wholly-owned subsidiary and was consolidated from the date on which control was obtained. Please refer to Note 6(29) for more information.

D. 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 in their meeting on July 30, 2018. The Group's ownership in EVER ECOVE Corporation is less than 20%, but one of the director also entitles the directorship of EVER ECORE Corporation, therefore this investment is accounted for using the equity method.

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

(8) Property, plant and equipment

	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>Year ended ended December 31, 2018</u>							
Opening net book amount	\$ -	\$ -	\$ 35,136	\$ 33,679	\$ -	\$ 4,429	\$ 73,244
Acquired from business acquisition	172,038	516	1,429,080	129	-	288	1,602,051
Additions	-	-	7,460	11,960	108,997	6,885	135,302
Transfer	-	-	396,010	-	-	-	396,010
Disposals	-	-	(182)	-	-	-	(182)
Depreciation charge	-	(111)	(62,268)	(8,474)	-	(2,925)	(73,778)
Net exchange differences	(155)	-	(1,267)	2	-	6	(1,414)
Closing net book amount	\$ 171,883	\$ 405	\$ 1,803,969	\$ 37,296	\$ 108,997	\$ 8,683	\$ 2,131,233
<u>At December 31, 2018</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)
	\$ 171,883	\$ 405	\$ 1,803,969	\$ 37,296	\$ 108,997	\$ 8,683	\$ 2,131,233

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

- A. Information about the property plant and equipment that were pledged to others as collateral is provided in Note 8.
- B. The details of capitalisation for property, plant and equipment as well as prepayments for business facilities are as follows:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Amount capitalised	\$ <u>2,738</u>	\$ <u>-</u>
Range of the interest rates for capitalisation	1.088%~1.7%	

(9) Other non-current assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Contract assets	\$ 2,414,923	\$ 2,682,643
Less: Current portion	(278,646)	(267,720)
	2,136,277	2,414,923
Long-term prepaid rents	37,321	43,297
Accrued recovery cost	16,525	24,091
Refundable deposits	20,465	12,916
Air pollution fee	54,267	54,267
Prepayments for business facilities	514,821	40,500
Others	25,307	2,193
	<u>\$ 2,804,983</u>	<u>\$ 2,592,187</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 recognized at its fair value. Such considerations are recognized as a financial asset based on how the considerations from the grantor to the operator are made as specified in the arrangement. Assets that are expected to be realized within twelve months from the balance sheet date are classified as “accounts receivable” (please refer to Note 6(4)); assets that are expected to be realized over twelve months from the balance sheet date are classified as “long-term accounts receivable”. The other terms of the agreement 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. In order to work the “Waste Incineration Taichung City Commission Contract”, ECOVE Wujih Energy Corp. obtained the land-use right of Wujih Refuse Incineration Plant. Therefore, duration of the land-use right has continued for 20 years since the plant began operating.
 - (b) The subsidiary, ECOVE Miaoli Energy Corp., obtained the operation for the construction of Miaoli County Refuse Incineration Plant by build - operate - transfer (BOT) mode since August, 2002. In September, 2002, the “Waste Incineration Commission Contract” between ECOVE Miaoli Energy Corp. and Miaoli County Government had been signed. The operating period is for 20 years starting February 29, 2008. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended. In order to work the “Waste Incineration Miaoli County Commission Contract”, ECOVE Miaoli Energy Corp. obtained the land-use right of Miaoli Refuse Incineration Plant. Therefore, duration of the land-use right is from September 13, 2002 to March 12, 2026.
 - (c) ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. needs to deal with the guarantee tonnage of waste from government according to the contract during construction or operation.
 - (d) Per Service cost is calculated and adjusted based on the “Waste Incineration Commission Contract”, “Index of Average Regular Earnings of Employees–Manufacturing” and “Consumer Price Index”.
- B. Long-term prepaid rents are due to ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. obtaining the land-use right according to the “BOT”. As of December 31, 2018 and 2017, ECOVE Wujih Energy Corp. needs to pay long-term prepaid rent amounting to \$20,791 and \$24,461, respectively. As of December 31, 2018 and 2017, ECOVE Miaoli Energy Corp. needs to pay long-term prepaid rent amounting to \$16,530 and \$18,836, respectively.

C. Accrued recovery cost are due to the contracts for the operation and maintenance service of refuse incineration plant between the subsidiaries, ECOVE Environment Service Corp. and SINO GAL - Waste Services Co., Ltd., and the grantors, requiring recovery of refuse incineration plant, related machinery and equipment when the contract expires. The Group has estimated the related recovery cost when the service contracts expire and amortizes it over the contract lives.

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

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

(10) Short-term borrowing

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Mega Bank	\$ 48,000	1.10%	-
Mega Bank	4,000	1.10%	-
	<u>\$ 52,000</u>		

(11) Accounts payable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Materials payable	\$ 21,902	\$ 54,641
Sub-contract costs payable	85,073	57,627
Incinerator equipment costs payable	31,861	40,936
Maintenance costs payable	281,003	338,051
Others	115,958	128,432
	<u>\$ 535,797</u>	<u>\$ 619,687</u>

(12) Other payables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accrued payroll	\$ 292,559	\$ 272,125
Other payables	175,378	111,131
	<u>\$ 467,937</u>	<u>\$ 383,256</u>

(13) Other current liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other current liabilities		
Long-term liabilities-current portion	\$ 128,267	\$ 176,000
Receipts in advance	-	36,605
Others	11,170	-
	<u>\$ 139,437</u>	<u>\$ 212,605</u>

(14) Long-term borrowing

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	Financing amount	Actual spending	December 31, 2018
Subsidiary - ECOVE Miaoli Energy Corporation	From November 2010 to April 2019, interest is calculated and paid monthly	1.3915%	Machinery and accessory equipment or construction site facilities	\$ 523,200	\$ 523,200	\$ 4,000
Mega International Commercial Bank secured loans (Notes 1)						
Subsidiary -ECOVE Solvent Recycling Corporation	From September 2014 to September 2021, interest is calculated and paid monthly	2.47%	Land and buildings	29,500	29,500	25,645
Chang Hwa Bank secured loans (Note 2)						
Subsidiary -ECOVE Solar Energy Corporation	From June 2018 to June 2033, interest is calculated and paid monthly	1.7%	ECOVE Solar Energy Corporation issued a promissory note in the amount of \$302,760 thousand and the Company acted as guarantor	310,000	310,000	302,755
The Shanghai Commercial&Savings Bank						
Secured borrowings						
Subsidiary -ECOVE Solar Energy Corporation	From May 2015 to May 2021, interest is calculated and paid monthly	1.5%	ECOVE Solar Energy Corporation issued a promissory note in the amount of \$152,690 thousand and the Company acted as guarantor	220,000	214,151	151,191
KGI Bank Secured borrowings						
Subsidiary -ECOVE Solar Energy Corporation	From June 2016 to August 2030, interest is calculated and paid monthly	2.10%	Guaranteed by the Company	155,000	154,744	141,124
Chang Hwa Bank Secured borrowings						
Subsidiary -ECOVE Solar Power Corporation	From January 2014 to December 2029, interest is calculated and paid monthly	1.7%	ECOVE Solar Energy Corporation issued a promissory note in the amount of \$81,760 thousand and acted as guarantor	108,000	107,735	77,794
First Commercial Bank Secured borrowings						
Subsidiary -ECOVE Solar Power Corporation	From August 2014 to August 2030, interest is calculated and paid monthly	1.6%	ECOVE Solar Energy Corporation issued a promissory note in the amount of \$124,830 thousand and acted as guarantor	149,800	129,457	118,360
Sino Pac Bank Secured borrowings						

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	Financing amount	Actual spending	December 31, 2018
Subsidiary -ECOVE Solar Power Corporation Sino Pac Bank Secured borrowings	From August 2018 to August 2023, interest is calculated and paid monthly	1.6%	ECOVE Solar Energy Corporation issued a promissory note in the amount of \$280,000 thousand and acted as guarantor	\$ 280,000	\$ 227,000	\$ 226,996
Subsidiary -ECOVE Solar Power Corporation Hua Nan Commercial Bank Secured borrowings	From June 2015 to June 2030, interest is calculated and paid monthly	1.7%	ECOVE Solar Energy Corporation issued a promissory note in the amount of \$25,650 thousand and acted as guarantor	38,430	26,456	24,423
Subsidiary -ECOVE Solar Power Corporation Far Eastern International Bank Secured borrowings	From September 2015 to September 2020, principal is paid quarterly and interest is paid monthly	2.0%	ECOVE Solar Energy Corporation issued a promissory note in the amount of \$27,000 thousand and acted as guarantor	27,000	11,500	4,480
Subsidiary -ECOVE Solar Power Corporation KGI Bank Secured borrowings	From November 2017 to November 2032, interest is calculated and paid monthly	2.0%	ECOVE Solar Energy Corporation issued a promissory note in the amount of \$85,000 thousand and acted as guarantor	100,000	85,000	81,113
Subsidiary - ECOVE Central Corporation Ltd. Sino Pac Bank Secured borrowings	From December 2018 to December 2023, interest is calculated and paid monthly	1.60%	The Company issued a promissory note in the amount of \$16,000 thousand and ECOVE Solar Energy Corporation acted as guarantor	16,000	16,000	16,000
Subsidiary - ECOVE South Corporation Ltd. Sino Pac Bank Secured borrowings	From December 2018 to December 2023, interest is calculated and paid monthly	1.60%	The Company issued a promissory note in the amount of \$14,000 thousand and ECOVE Solar Energy Corporation acted as guarantor	14,000	14,000	14,000
Subsidiary-LUMBERTON SOLAR Sino Pac Bank Secured borrowings	From September 2017 to August 2023, interest is calculated and paid monthly	4.9%	ECOVE Solar Energy Corporation issued a promissory note in the amount of USD \$14,640 thousand and acted as guarantor	449,931	449,931	363,973
Less: Current portion						(128,267)
						<u>\$ 1,423,587</u>

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

Note 1. ECOVE Miaoli Energy Corp. committed to maintain the following financial ratios and criteria during the period of the contract:

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

Note 2. 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.

(15) Other non-current liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Net defined benefit liability	\$ 40,412	\$ 36,059
Accrued recovery costs	92,532	92,034
Guaranteed deposits received	190,295	166,555
Deferred revenue	169,471	-
Others	36,831	32,073
	<u>\$ 529,541</u>	<u>\$ 326,721</u>

- A. For details of the accrued recovery costs, please refer to Note 6(9) 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. The construction period for the solar power plant was 15 years.

(16) Pensions

A. Defined benefit pension plan

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 251,769	\$ 240,044
Fair value of plan assets	(211,357)	(203,985)
Net defined benefit liability	<u>\$ 40,412</u>	<u>\$ 36,059</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
For the year ended December 31, 2018			
At January 1	\$ 240,044	(\$ 203,985)	\$ 36,059
Current service cost	6,025	-	6,025
Interest expense (income)	2,606	(2,243)	363
	<u>248,675</u>	<u>(206,228)</u>	<u>42,447</u>
Remeasurements:			
Return on plan asset	-	(6,332)	(6,332)
Change in financial assumptions	2,873	-	2,873
Experience adjustments	6,671	-	6,671
	<u>9,544</u>	<u>(6,332)</u>	<u>3,212</u>
Pension fund contribution	-	(5,247)	(5,247)
Paid pension	(6,450)	6,450	-
At December 31	<u>\$ 251,769</u>	<u>(\$ 211,357)</u>	<u>\$ 40,412</u>

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
For the year ended December 31, 2017			
At January 1	\$ 241,839	(\$ 213,591)	\$ 28,248
Current service cost	6,519	-	6,519
Interest expense (income)	3,605	(3,196)	409
	<u>251,963</u>	<u>(216,787)</u>	<u>35,176</u>
Remeasurements:			
Change in financial assumptions	10,354	-	10,354
Experience adjustments	(2,627)	874	(1,753)
	<u>7,727</u>	<u>874</u>	<u>8,601</u>
Pension fund contribution	-	(5,957)	(5,957)
Paid pension	(19,646)	17,885	(1,761)
At December 31	<u>\$ 240,044</u>	<u>(\$ 203,985)</u>	<u>\$ 36,059</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in

domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2018	2017
Discount rate	0.80%~1.00%	0.90%~1.10%
Future salary increases	2.50%~3.00%	2.50%~3.00%

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

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 6,714)	\$ 6,973	\$ 6,196	(\$ 6,009)
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 6,638)	\$ 6,904	\$ 6,162	(\$ 5,968)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts 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 defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were \$26,901 and \$24,781, respectively.
- (c) SINOGAL-Waste Services Co., Ltd. has a funded defined contribution plan, covering all regular employees. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the local government are based on employees’ monthly salaries and wages. The pension costs under the defined contribution pension plan for the years ended December 31, 2018 and 2017, were \$7,938 and \$7,956, respectively.

(17) Share-based payment

- A. For the years ended December 31, 2018 and 2017, 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	2018.7.09	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 December 31, 2018 and 2017, are as follows:

	For the years ended December 31,			
	2018		2017	
Stock options	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	-	-	215.25	NT\$ 106.30
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	-	-
Options exercised	-	-	(212.25)	NT\$ 106.30
Options revoked	-	-	(3)	NT\$ 106.30
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 December 31, 2018 and 2017, are as follows:

Stock options	For the years ended December 31,			
	2018		2017	
	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	298.25	NT\$ 103.00	435.25	NT\$ 110.00
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	(137.00)	NT\$ 108.95	
Options revoked	-	-	-	-
Options outstanding at end of period	<u>-</u>	-	<u>298.25</u>	NT\$ 103.00
Options exercisable at end of period	<u>-</u>	-	<u>298.25</u>	NT\$ 103.00

(c) Details of the sixth plan of employee stock options outstanding as of December 31, 2018, are as follows:

Stock options	For the year ended December 31, 2018	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	-	-
Options granted	1,500	NT\$ 173.5
Options waived (52)	-	-
Options exercised	-	-
Options revoked	-	-
Options outstanding at end of period	<u>1,448</u>	NT\$ 173.5
Options exercisable at end of period	<u>-</u>	-

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 and 2017 was NT\$172.63 and NT\$171.9 (in dollars), respectively.

D. As of December 31, 2018 and 2017, the range of exercise prices of stock options outstanding was NT\$173.5 and NT\$103~NT\$106.3 (in dollars), respectively; the weighted-average remaining contractual period was as follows:

Type of arrangement	December 31, 2018	December 31, 2017
Fourth plan of employee stock options	-	-
Fifth plan of employee stock options	-	0.50 years
Sixth plan of employee stock options	5.5 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

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

	For the years ended December 31,	
	2018	2017
Equity-settled	\$ 4,885	\$ -

(18) Share capital

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

	2018	2017
At January 1	66,810,648	66,461,398
Employee stock options exercised	294,500	349,250
At December 31	67,105,148	66,810,648

B. As of December 31, 2018, the Company's authorized capital was \$800,000, consisting of 80,000 thousand shares of ordinary stock (including 6,000 thousand shares reserved for employee stock options), and the paid-in capital was \$671,051 with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.

C. As of December 31, 2018 and 2017, the associate of the Group held 276 thousand shares.

(19) 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, 2018	\$ 1,971,969	\$ 188,747	\$ 313	\$ 2,161,029
Share-based payment transaction	-	5,055	-	5,055
Employee stock options expired	188,877	(188,564)	(313)	-
Employee stock options exercised	<u>27,389</u>	<u>-</u>	<u>-</u>	<u>27,389</u>
At December 31, 2018	<u>\$ 2,188,235</u>	<u>\$ 5,238</u>	<u>\$ -</u>	<u>\$ 2,193,473</u>
At January 1, 2017	\$ 1,936,651	\$ 189,886	\$ 313	\$ 2,126,850
Share-based payment transaction	-	183	-	183
Employee stock options exercised	<u>35,318</u>	<u>(1,322)</u>	<u>-</u>	<u>33,996</u>
At December 31, 2017	<u>\$ 1,971,969</u>	<u>\$ 188,747</u>	<u>\$ 313</u>	<u>\$ 2,161,029</u>

C. Please refer to Note 6(17) for detailed information about capital surplus from employee stock options.

(20) Retained earnings

	<u>2018</u>	<u>2017</u>
At January 1	\$ 1,359,148	\$ 1,445,777
Effect of retrospective restatement	1,799	-
At January 1(after restatement)	1,360,947	1,445,777
Legal reserve appropriated	(76,134)	(84,809)
Special reserve appropriated	(32,139)	-
Profit for the year	806,912	761,339
Distribution of retained earnings	(647,313)	(757,173)
Impact of change in tax rate recognised in other comprehensive income	697	-
Remeasurement on post employment benefit obligations, net of tax	(2,479)	(5,986)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	(30,447)	-
At December 31	<u>\$ 1,380,044</u>	<u>\$ 1,359,148</u>

- A. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, upon the resolution of the Board of Directors, distribute at least 0.01% of the income before tax as employees' remuneration, and distribute no more than 2% of the income before tax as directors' remuneration. The remuneration could be in the form of stock or cash, and the employees' remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employees' compensation or the directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.
- B. The Company shall, after all taxes and dues have been paid and its losses have been covered and at the time of allocating surplus profits, first set aside 10% of such profits as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. Furthermore, in accordance with the provisions of laws and regulations and the rules prescribed by the central competent authority, a special reserve shall be set aside. If there is recovery of the balance of special reserve, the recovered amount shall be included in the distribution of the profit for the current year.

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

In order to meet the requirements of business expansion and industry growth, fulfilling future operating needs and stabilizing financial structure is the priority of the Company's dividend policy. Thus, the distribution of the accumulated distributable earnings corresponds with the

shareholders' resolutions. And, the amount of shareholders' bonus shall not be less than 20% of accumulated distributable earnings of the Company, and in particular cash dividend shall not be less than 5%.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. Special reserve
- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. The Company recognised dividends of \$647,313 (NT\$9.68 per share) and \$757,173 (NT\$11.37 per share) in 2018 and 2017, respectively. 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 appropriation of 2017 and 2016 earnings had been resolved at the stockholders' meeting on May 31, 2018 and June 26, 2017, respectively.

Details are summarized below:

	<u>2017</u>	<u>2016</u>
Legal reserve	\$ 76,134	\$ 84,809
Special reserve	32,139	-
Cash dividends	<u>647,313</u>	<u>757,173</u>
Total	<u>\$ 755,586</u>	<u>\$ 841,982</u>

G. The appropriation of 2018 earnings had been proposed by Board of Directors during their meeting on March 8, 2019. Details are summarised below:

	2018	
	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 80,691	\$ -
Special reserve	(30,041)	-
Cash dividends	<u>726,078</u>	<u>10.82</u>
Total	<u>\$ 776,728</u>	<u>10.82</u>

The appropriation of 2018 earnings has not been resolved at the stockholders' meeting as of March 8, 2019.

- H. For information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6 (26).
- I. For information relating to effect of retrospective restatement, please refer to Note 12 (4).
- J. The Company recognises the effect of the change in tax rate immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity (including non-controlling interest) amounting to \$729.

(21) Operating revenue

	For the years ended December 31,	
	2018	2017
Revenue from contracts with customers		
Operating revenue		
Waste Treatment	\$ 1,969,174	\$ 1,705,201
Electricity	1,105,578	1,101,068
Waste Collection	78,749	144,543
Others	<u>1,116,590</u>	<u>941,814</u>
Others-service concession revenue	4,270,091	3,892,626
Operating revenue		
BOT operating revenue	458,152	457,652
BOT finance revenue	<u>118,853</u>	<u>129,309</u>
	<u>577,005</u>	<u>586,961</u>
	<u>\$ 4,847,096</u>	<u>\$ 4,479,587</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 year ended					
December 31, 2018	Domestic	China	Macau	United States	Total
Total segment revenue	\$ 5,443,412	\$ 160,358	\$ 878,793	\$ 14,083	\$6,496,646
Inter-segment revenue	(1,526,207)	(55,274)	(68,069)	-	(1,649,550)
Revenue from external customer contracts	<u>\$ 3,917,205</u>	<u>\$ 105,084</u>	<u>\$ 810,724</u>	<u>\$ 14,083</u>	<u>\$4,847,096</u>
Timing of revenue recognition					
Over a period of time	<u>\$ 3,917,205</u>	<u>\$ 105,084</u>	<u>\$ 810,724</u>	<u>\$ 14,083</u>	<u>\$4,847,096</u>
For the year ended					
December 31, 2017	Domestic	China	Macau	Total	
Total segment revenue	\$ 5,012,145	\$ 114,034	\$ 859,649	\$5,985,828	
Inter-segment revenue	(1,423,413)	(57,789)	(25,039)	(1,506,241)	
Revenue from external customer contracts	<u>\$ 3,588,732</u>	<u>\$ 56,245</u>	<u>\$ 834,610</u>	<u>\$4,479,587</u>	
Timing of revenue recognition					
Over a period of time	<u>\$ 3,588,732</u>	<u>\$ 56,245</u>	<u>\$ 834,610</u>	<u>\$4,479,587</u>	

B. Contract assets and liabilities

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

	December 31, 2018
Contract assets:	
Contract assets relating to service concession arrangement	<u>\$ 2,414,923</u>
Contract liabilities:	
Contract liabilities – Advance sales receipts	<u>\$ 140,580</u>

(a) Significant changes in contract asset and contract liabilities

For details on contract asset, please refer to Note 6(9). Contract liabilities relating to service contract increased significantly, because new contracts increased during the year.

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

	Year ended December 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Receipt in advance	\$ <u>36,605</u>

(22) Other income

	For the years ended December 31,	
	2018	2017
Interest income:		
Interest income from bank deposits	\$ 13,842	\$ 12,589
Other interest income	2,548	3,581
Total interest income	<u>16,390</u>	<u>16,170</u>
Dividend revenue	3,657	4,056
Other income, others	20,122	11,553
	<u>\$ 40,169</u>	<u>\$ 31,779</u>

(23) Other gains and losses

	For the years ended December 31,	
	2018	2017
Gains on disposals of property, plant and equipment	\$ 4,387	\$ 1,917
Foreign exchange gain (losses)	9,312	(16,561)
Gains on financial assets at fair value through profit or loss	1,564	1,127
Gain on disposals of investments	26,481	3,428
Miscellaneous disbursements	(11)	(24)
	<u>\$ 41,733</u>	<u>(\$ 10,113)</u>

(24) Finance cost

	For the years ended December 31,	
	2018	2017
Interest expense	\$ 7,483	\$ 3,841

(25) Expenses by nature

	For the years ended December 31,	
	2018	2017
Employee benefit expense	\$ 1,065,692	\$ 1,000,133
Depreciation charges on property, plant and equipment	73,778	17,820
Amortisation	14,462	13,082
Incinerator equipment costs	323,629	283,938
Material	675,895	695,204
Sub-contract costs	1,016,100	826,312
Insurances	38,353	29,692
Other expenses	510,271	535,989
	<u>\$ 3,718,180</u>	<u>\$ 3,402,170</u>

(26) Employee benefit expense

	For the years ended December 31,	
	2018	2017
Salaries	\$ 916,519	\$ 864,374
Employee stock options	4,885	-
Labor and health insurance fees	54,849	52,290
Pension costs	41,227	39,665
Other personnel expenses	48,212	43,804
	<u>\$ 1,065,692</u>	<u>\$ 1,000,133</u>

- A. As of December 31, 2018 and 2017, the Group had 988 and 912 employees, respectively.
- B. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, upon the resolution of the Board of Directors, distribute at least 0.01% of the income before tax as employees' compensation, and distribute no more than 2% of the income before tax as Directors' remuneration. The remuneration could be in the form of stock or cash, and the employees' compensation could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employees' compensation or the Directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.
- C. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$343 and \$359, respectively; directors' and supervisors' remuneration was accrued at \$5,200 and \$5,200, respectively. The aforementioned amounts were recognised in salary and other expenses.
- The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.01% and 2% of distributable profit of current year as of the end of December 31, 2018. 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 2017 amounting to \$359 and \$5,200, respectively, as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2017 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.

(27) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended	
	December 31,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 223,578	\$ 182,620
Prior year income tax overestimation	(1,381)	(24,081)
Total current tax	222,197	158,539
Deferred tax:		
Origination and reversal of temporary differences	4,395	(1,234)
Impact of change in tax rate	27,467	-
Effect of exchange rate changes	239	(386)
Income tax expense	<u>\$ 254,298</u>	<u>\$ 156,919</u>

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

	For the years ended	
	December 31,	
	2018	2017
Remeasurement of defined benefit obligations	\$ 650	\$ 1,835
Impact of change in tax rate	729	-
	<u>\$ 1,379</u>	<u>\$ 1,835</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 233,374	\$ 185,234
Expenses disallowed by tax regulation	(5,162)	(4,234)
Prior year income tax overestimation	(1,381)	(24,081)
Effect from change of tax rate	27,467	-
Income tax expense	<u>\$ 254,298</u>	<u>\$ 156,919</u>

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

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

	2018				
	January 1	Acquisition through business combination	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:					
- Temporary differences:					
Unused absences costs	\$ 3,152	\$ -	\$ 1,473	\$ -	\$ 4,625
Unrealised pension costs	4,802	-	82	1,379	6,263
Unrealised maintenance costs	8,304	-	2,234	-	10,538
Unrealised exchange loss	2,815	134	(3,596)	-	(647)
Unrealised gains on disposal of fixed assets	-	1,382	134	-	1,516
Subtotal	<u>\$ 19,073</u>	<u>\$ 1,516</u>	<u>\$ 327</u>	<u>\$ 1,379</u>	<u>\$ 22,295</u>
-Deferred tax liabilities:					
Unrealised foreign investment gain	(\$ 12,965)	(\$ 2,773)	(\$ 7,171)	\$ -	(\$ 22,909)
Unrealised concession arrangements gain	(156,373)	-	(25,018)	-	(181,391)
Subtotal	<u>(\$ 169,338)</u>	<u>(\$ 2,773)</u>	<u>(\$ 32,189)</u>	<u>\$ -</u>	<u>(\$ 204,300)</u>
	<u>(\$ 150,265)</u>	<u>(\$ 1,257)</u>	<u>(\$ 31,862)</u>	<u>\$ 1,379</u>	<u>(\$ 182,005)</u>

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

D. As of December 31, 2018, the Company's and its subsidiaries' income tax returns through 2016 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in 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.

(28) Earnings per share

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 806,912	67,024	\$ 12.04
<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>\$ 806,912</u>	<u>67,026</u>	<u>\$ 12.04</u>

The Group's employee stock options had anti-dilution effect; thus, they were not included in the calculation of diluted earnings per share.

	For the year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 761,339	66,739	\$ 11.41
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	110	
Employees' bonus	-	3	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 761,339</u>	<u>66,852</u>	<u>\$ 11.39</u>

(29) Business combinations

A. ECOVE Solvent Recycling Corporation

- (a) On May 10, 2018, the Group acquired a 90% equity interest of ECOVE Solvent Recycling Corporation in the amount of \$49,590 in the form of cash and had 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 recognised 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 (\$7,014) over the same period. Had ECOVE Solvent Recycling Corporation been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of \$4,848,581 and profit before income tax of \$1,226,813.

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>December 31, 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 \$83,600. ECOVE Solar Energy Corporation also contributed profit before income tax of \$12,047 over the same period. Had ECOVE Solar Energy Corporation been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of \$5,115,340 and profit before income tax of \$1,290,371.
- (d) The final valuation will be taken on acquired identifiable property, plant and equipment with temporary amount of \$1,533,559.

(30) Operating leases

- A. The Group leases offices and dormitories under non-cancellable operating lease agreements.

These leases have terms expiring between 1 year and 16 years. The Group recognised rental expenses of \$49,870 and \$39,701, for these leases for the years ended December 31, 2018 and 2017, respectively.

- B. In order to build the refuse incineration plant, the Group obtained the land-use right amounting to \$114,902. For the years ended December 31, 2018 and 2017, the rent is amortized on a straight-line basis during construction or operation both amounting to \$5,976 and \$5,976, respectively.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	\$ 29,633	\$ 23,256
More than one year but not less than five years	33,134	18,723
More than five years	29,213	4,726
	<u>\$ 91,980</u>	<u>\$ 46,705</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.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
Other non-current assets	\$ 870,331	\$ 355
Less: Acquisition through business combination	(715,933)	-
Cash paid during the year	<u>\$ 154,398</u>	<u>\$ 355</u>

(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, 2018	\$ -	\$ 180,000	\$ 180,000
Changes in cash flow from financing activities	(91,000)	(171,933)	(262,933)
Changes in acquisition of subsidiaries	143,000	1,515,530	1,658,530
Impact of changes in foreign exchange rate	-	28,257	28,257
At December 31, 2018	<u>\$ 52,000</u>	<u>\$ 1,551,854</u>	<u>\$ 1,603,854</u>

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2017	\$ -	\$ 356,000	\$ 356,000
Changes in cash flow from financing activities	-	(176,000)	(176,000)
At December 31, 2017	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 180,000</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.	The ultimate parent
CTCI Chemical Corp.	Associates
CTCI Machinery Corp.	Associates
Resources Engineering Services Inc.	Associates
E&C Engineering Corp.	Associates
ECOVE Solar Energy Corporation	This entity became a subsidiary on September 20, 2018, before which it was a joint venture.

(3) Significant transactions and balances with related parties

A. Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Operating revenue:		
The ultimate parent	<u>\$ 27,528</u>	<u>\$ 172,185</u>

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

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

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

B. Purchases of goods and services

	For the years ended	
	December 31,	
	2018	2017
Purchases of goods and services:		
The ultimate parent	\$ 6,576	\$ 5,143
Associates	163,963	134,157
	<u>\$ 170,539</u>	<u>\$ 139,300</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

	December 31, 2018	December 31, 2017
Accounts receivable:		
The ultimate parent	\$ 1,717	\$ 8,122

D. Period-end balances arising from purchases of services

	December 31, 2018	December 31, 2017
Accounts payable:		
The ultimate parent	\$ 4,260	\$ 4,426
Associates	19,151	23,656
	<u>\$ 23,411</u>	<u>\$ 28,082</u>

E. Other receivables-related parties

(a) Reclassified from accounts receivable

	December 31, 2018	December 31, 2017
Other receivables:		
The ultimate parent	\$ 17,566	\$ 40,426

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

	December 31, 2018	December 31, 2017
Other receivables:		
Associates (Note)	\$ 74	\$ 196
Joint ventures	-	7,213
	<u>\$ 74</u>	<u>\$ 7,409</u>

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

F. Loans to related parties

(a) Receivables from related parties

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Associates		
CTCI Machinery Corp.	\$ -	\$ 7,006
E & C Engineering Corp.	7,006	7,006
	<u>\$ 7,006</u>	<u>\$ 14,012</u>

(b) Interest income

	For the years ended December 31,	
	<u>2018</u>	<u>2017</u>
The ultimate parent (Note 1)	\$ 2,487	\$ 1,295
Associates (Note 2)	77	1,778
Joint ventures (Note 3)	-	508
	<u>\$ 2,564</u>	<u>\$ 3,581</u>

Note 1: The terms of lending include interest to be calculated and received monthly, using the annual rate of 0.81% for both the years ended December 31, 2018 and 2017.

Note 2: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.01% for both the years ended December 31, 2018 and 2017.

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

G. Other income

	For the years ended December 31,	
	<u>2018</u>	<u>2017</u>
Personnel's transfer from related parties		
Associates	\$ 999	\$ 385
Joint ventures	2,555	3,458
	<u>\$ 3,554</u>	<u>\$ 3,843</u>

H. Other payables-related parties

(a) Operating expenses

	For the years ended December 31,	
	2018	2017
The ultimate parent	\$ 8,830	\$ 12,003
Associates	25	-
	<u>\$ 8,855</u>	<u>\$ 12,003</u>

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

(b) As of December 31, 2018 and 2017, the unpaid amounts are as follows (shown as other payables):

	December 31, 2018	December 31, 2017
The ultimate parent	<u>\$ 6,481</u>	<u>\$ 8,905</u>

I. Acquisition of financial assets

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

J. Endorsements and guarantees for others

	December 31, 2018	December 31, 2017
Joint ventures	<u>\$ -</u>	<u>\$ 631,253</u>

(4) Key management compensation

	For the years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	\$ 36,451	\$ 41,326
Post-employment benefits	860	94
Total	<u>\$ 37,311</u>	<u>\$ 41,420</u>

8. PLEDGED ASSETS

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

Assets	Book value		Purposes
	December 31, 2018	December 31, 2017	
Other current assets			
Restricted bank deposits	\$ 40,940	\$ 10,000	Guarantee for bid and performance guarantee
Property, plant and equipment	169,997	-	Guarantee for long-term loans
Other non-current assets			
Long-term prepaid rents-land -use right	16,530	18,836	Guarantee for long-term loans
Refundable deposits	20,465	12,916	Guarantee for rent, performance guarantee, tender bond and staff dormitory
	<u>\$ 247,932</u>	<u>\$ 41,752</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those items which have been disclosed in Notes 6(9) and 7(3)J, the significant commitments and contingent liabilities of the Group as of December 31, 2018 were as follows:

- (1) The subsidiaries had entered into lines of credit agreements with several banks for guarantee payments under various service contracts. The subsidiaries had either issued guarantee notes or promissory notes for amounts drawn down under the line of credit agreements. As of December 31, 2018, the total amount of guarantee notes and promissory notes issued amounted to \$2,925,302.
- (2) As of December 31, 2018, for contractual guarantee, performance guarantee and waste collection, the subsidiaries have a performance letter of guarantee issued by the bank amounting to \$977,511.
- (3) As of December 31, 2018, the subsidiaries had outstanding commitments for service contracts amounting to \$51,890.
- (4) As of December 31, 2018, the subsidiaries had unused letters of credit for importing materials and sub-contract amounting to \$3,699.
- (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 and is currently awaiting judgement.

It is ECOVE Environmental Service Corp.'s appointed lawyers' opinion that the original action is

unlawful and ineffective, thus, no loss was accrued.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2018 earnings had been proposed at the Board of Directors' meeting on March 8, 2019, please refer to Note 6(20)G for detailed information.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2018 and 2017 were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total borrowings	\$ 1,603,854	\$ 180,000
Total equity	\$ 5,421,359	\$ 5,230,882
Gearing ratio	<u>30%</u>	<u>3%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</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	\$ 183,288	\$ -
Financial assets held for trading	-	437,010
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	102,744	-
Available-for-sale financial assets	-	136,852
Financial assets at cost	-	543
	<u>\$ 286,032</u>	<u>\$ 574,405</u>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,543,162	\$ 1,657,955
Notes receivable	1,321	234
Accounts receivable	1,041,171	947,224
Accounts receivable-related parties	1,717	8,122
Other receivables	4,741	2,238
Other receivables-related parties	24,646	61,847
Refundable deposits paid	20,465	12,916
Long-term accounts receivable	-	2,414,923
Other financial assets	342,178	195,910
	<u>\$ 2,979,401</u>	<u>\$ 5,301,369</u>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 52,000	\$ -
Notes payable	1,032	189
Accounts payable	535,797	619,687
Accounts payable-related parties	23,411	28,082
Long-term borrowings (including current portion)	1,551,854	180,000
Guarantee deposits received	190,295	166,555
	<u>\$ 2,354,389</u>	<u>\$ 994,513</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:

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

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

- v. The unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017 amounted to \$3,550 and (\$16,850), respectively.

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

For the year ended December 31, 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%	\$ 1,067	\$ -
MOP : NTD	1.00%	2,026	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1.00%	104	-
For the year ended December 31, 2017			
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%	\$ 2,265	\$ -
MOP : NTD	1.00%	1,604	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1.00%	509	-

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, financial assets at fair value through other comprehensive income and available-for-sale financial assets. 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 years ended December 31, 2018 and 2017, 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 following assumptions 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 assumptions under IFRS 9, 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 December 31, 2018, the provision matrix is as follows:

	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	\$ -	\$ -	-

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

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

- v. Credit risk information of 2017 is provided in Note 12(4).

(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>December 31, 2018</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 52,000	\$ -
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>December 31, 2017</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable (including related parties)	\$ 647,769	\$ -
Other payables (including related parties)	392,161	-
Long-term borrowings (including current portion)	178,442	4,074
Other non-current liabilities	166,555	-

(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 natures of the assets and liabilities is as follows:

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>
December 31, 2017	<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	\$ 437,010	\$ -	\$ -	\$ 437,010
Available-for-sale financial assets				
Equity securities	109,435	-	-	109,435
Bond securities	<u>-</u>	<u>27,417</u>	<u>-</u>	<u>27,417</u>
Total	<u>\$ 546,445</u>	<u>\$ 27,417</u>	<u>\$ -</u>	<u>\$ 573,862</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 years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2.
- F. For the years ended December 31, 2018 and 2017, there were no input and output into Level 3.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

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

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

(b) Available-for-sale financial assets

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

(c) Loans and receivables

Accounts receivable

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

(d) Impairment of financial assets

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

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(i) Financial assets at amortised cost

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

(ii) Financial assets at cost

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

(iii) Available-for-sale financial assets

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

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

- (a) Under IAS 39, because the cash flows of debt instruments, which were classified as 'available-for-sale financial assets', amounting to \$27,417, met the condition that it is intended to settle the principal and interest, and the Group holds these assets for the purpose of cash inflow and sale, they were reclassified as "financial assets at fair value through other comprehensive income (debt instruments)" on initial application of IFRS 9.
- (b) Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets and financial assets at cost, amounting to \$109,435 and \$543, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)", increased retained earnings and decreased other equity interest in the amounts of \$1,799 and \$1,799 on initial application of IFRS 9.

C. The significant accounts as of December 31, 2017 are as follows:

- (a) Financial assets at fair value through profit or loss

<u>Items</u>	<u>December 31, 2017</u>
Current items:	
Financial assets held for trading	
Beneficiary certificates	\$ 436,637
Valuation adjustment	373
	<u>\$ 437,010</u>

The Group recognised net profit amounting to \$1,127 on financial assets held for trading for the year ended December 31, 2017.

- (b) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2017</u>
Current items:	
Listed stocks	\$ 143,111
Bonds	30,394
Valuation adjustment	(36,653)
	<u>\$ 136,852</u>

- i. The Group recognised \$430 in other comprehensive loss for fair value change for the year ended December 31, 2017.

ii. Due to the global financial crisis in 2008, the Group, in accordance with IAS No. 39, paragraph 50 (c), reclassified certain listed stocks previously classified as financial assets at fair value through profit or loss into available-for-sale financial assets amounting to \$60,304. The detailed information is set forth below:

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

	December 31, 2017
	<u>Book value/fair value</u>
Listed stocks	<u>\$ 54,147</u>

(ii) The changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income were \$0 and \$1,931, respectively, for the year ended December 31, 2017. And, the accumulated total changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive (loss) income before January 1, 2017 were \$0 and (\$8,088), respectively.

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

	For the year ended
	<u>December 31, 2017</u>
Listed stocks	<u>\$ 1,931</u>

(c) Financial assets measured at cost

<u>Items</u>	<u>December 31, 2017</u>
Teamwin Opto-Electronics Co., Ltd.	\$ 2,261
Eastern Pacific Energy Sdn.Bhd.	81
Accumulated impairment	<u>(1,799)</u>
	<u>\$ 543</u>

i. According to the Group's intention, its investments in the above corporation stocks should be classified as 'available-for-sale financial assets'. However, as above corporation stocks are not traded in active market, and the fair value of the investments in the above corporation stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

ii. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

iii. In 2017, the Group has provided impairment loss amounting to \$13 since Eastern Pacific Energy Sdn. Bhd. was assessed to be impaired based on objective evidences.

iv. In June, 2017, the shareholders of TSC Venture Management, Inc. at their meeting resolved to dissolve and distribute the remaining property amounting to \$3,610. The

difference is \$3,610 when compared with its carrying amount of \$0 and is recognised in gains on disposal of investments.

D. Credit risk information as of December 31, 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- (b) As of December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The credit quality information of financial assets that are neither past due nor impaired is as follows:

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

Group 1: Government

Group 2: Listed companies

Group 3: Others

(d) The ageing analysis of financial assets that were past due but not impaired is as follows:

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

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:

	For the years ended December 31,	
	2018	2017
Revenue from external customers	\$ 4,847,096	\$ 4,479,587
Inter-segment revenue	1,649,550	1,506,241
Total segment revenue	\$ 6,496,646	\$ 5,985,828
Segment income	\$ 1,128,916	\$ 1,077,417
Depreciation	\$ 73,778	\$ 17,820
Amortisation	\$ 14,462	\$ 13,082

(3) Reconciliation information of segmental income

A reconciliation of adjusted EBITDA for reportable segment and income from continuing operations before income tax for the years ended December 31, 2018 and 2017 is provided as follows:

	For the years ended December 31,	
	2018	2017
Adjusted EBITDA for reportable segment	\$ 1,128,916	\$ 1,077,417
Financial cost, net	(7,483)	(3,841)
Others	113,337	42,767
Income from continuing operations before income tax	\$ 1,234,770	\$ 1,116,343

(4) Information on products and services

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

(5) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	2018		2017	
	Operating revenue	Non-current assets	Operating revenue	Non-current assets
Taiwan	\$ 3,917,205	\$ 4,115,233	\$ 3,538,665	\$ 2,643,421
Macau	810,724	6,353	826,888	16,071
China	105,084	1,585	114,034	5,939
USA	14,083	813,045	-	-
Total	<u>\$ 4,847,096</u>	<u>\$ 4,936,216</u>	<u>\$ 4,479,587</u>	<u>\$ 2,665,431</u>

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

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2018 and 2017 is as follows:

	For the years ended December 31,	
	2018	2017
Customer A	\$ 500,304	\$ 244,048
Customer B	27,528	172,185
Customer C	449,860	429,519
Customer D	347,786	348,186
Customer E	339,005	199,690

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
Loans to others
For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 2018 (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		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	ECOVE Environment Corp.	CTCI Corp.	Other receivables-related parties	Yes	\$ 430,000	\$ 430,000	\$ -	-	2	\$ -	For operational needs	\$ -	-	\$ -	\$ 487,824	\$ 1,951,295	-
0	"	ECOVE Solar Energy Corporation	"	"	200,000	200,000	87,000	1.01%	"	"	"	"	"	"	487,824	1,951,295	-
1	ECOVE Waste Management Corp.	CTCI Corp.	"	"	14,000	7,000	-	-	"	"	"	"	"	"	11,346	45,385	-
1	"	CTCI Machinery Corp.	"	"	14,000	7,000	-	-	"	"	"	"	"	"	11,346	45,385	-
1	"	E&C Engineering Corp.	"	"	14,000	7,000	7,000	1.01%	"	"	"	"	"	"	11,346	45,385	-
2	ECOVE Environment Services Corp.	ECOVE Solvent Recycling Corporation	"	"	70,000	70,000	50,000	1.57%	"	"	"	"	"	"	96,634	386,534	-
2	"	ECOVE Miaoli Energy Corporation	"	"	70,000	70,000	39,500	1.01%	"	"	"	"	"	"	96,634	386,534	-
2	"	CTCI Machinery Corp.	"	"	140,000	35,000	-	-	"	"	"	"	"	"	96,634	386,534	-
2	"	Resources Engineering Services Inc.	"	"	140,000	35,000	-	-	"	"	"	"	"	"	96,634	386,534	-
2	"	CTCI Corp.	"	"	140,000	70,000	-	-	"	"	"	"	"	"	96,634	386,534	-
2	"	E&C Engineering Corp.	"	"	140,000	70,000	-	-	"	"	"	"	"	"	96,634	386,534	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 2018 (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		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
											Item	Value					
3	ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	"	"	\$ 14,000	\$ 14,000	\$ -	-	"	"	"	"	"	"	\$ 292,439	\$ 292,439	-
3	"	ECOVE Solar Power Corporation	"	"	200,000	200,000	-	-	"	"	"	"	"	"	292,439	292,439	-
3	"	ECOVE Central Corporation Ltd.	"	"	17,000	17,000	1,000	1.71%	"	"	"	"	"	"	292,439	292,439	-

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

(1)The Company is '0'.

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

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

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2018.

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

(1)The Business association is '1'.

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

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

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

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

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

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

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in installments 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 year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2018 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	ECOVE Environment Corp.	ECOVE Solar Energy Corporation	2	\$ 9,756,476	\$ 1,143,589	\$ 1,143,589	\$ 968,043	\$ -	23.44%	\$ 14,634,714	Y	N	N	-
1	ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	2	1,462,194	14,000	14,000	14,000	-	1.91%	2,193,291	N	N	N	-
1	"	ECOVE Central Corporation Ltd.	2	1,462,194	19,790	16,790	16,790	-	2.71%	2,193,291	N	N	N	-
1	"	ECOVE Solar Power Corporation	2	1,462,194	694,248	694,248	600,355	-	94.96%	2,193,291	N	N	N	-
2	ECOVE Solar Power Corporation	ECOVE Solar Energy Corporation	5	408,122	12,420	12,420	12,420	-	6.09%	612,183	N	N	N	-

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

(3) The endorser / guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed / guaranteed company.

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

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements / guarantees to the endorsed / guaranteed company in proportion to its ownership.

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

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

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

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

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

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

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	December 31, 2018				Footnote (Note 4)
	Type	Name			Number of shares/ denominations	Book value (Note 3)	Ownership (%)	Fair value	
ECOVE Environment Corp.	Fund	Franklin Templeton Sinoam Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	198,085	\$ 2,041	-	\$ 2,045	-
				Adjustment		4			
						<u>\$ 2,045</u>			
"	Common Stock	Taiwan Cement Corp.	"	Financial assets at fair value through other comprehensive income-current	472,758	16,671	-	16,735	-
"	"	United Renewable Energy Co., Ltd.	"	Adjustment	455,157	4,597	-	3,282	-
						<u>(1,251)</u>			
						<u>\$ 20,017</u>			
"	"	Teauwin Opto-Electronics Co., Ltd.	"	Financial assets at fair value through other comprehensive income-not-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%	<u>68</u>	-
		less: Accumulated impairment				<u>(1,799)</u>			-
						<u>\$ 543</u>		<u>\$ 543</u>	
ECOVE Wujih Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	65,511	\$ 1,001	-	\$ 1,001	-
"	"	Taishin 1699 Money Market Fund	"	"	148,083	2,000	-	2,000	-
"	"	Franklin Templeton Money Market Fund	"	"	4,616,996	47,650	-	47,650	-
"	Common Stock	Taiwan Cement Corp.	"	Equity instruments at fair value through other comprehensive income-current	475,508	16,833	-	16,833	-
ECOVE Environment Services Corp.	Fund	Schroder 2022 Maturity Emerging Market Quality Sovereign Bond Fund	N/A	Financial assets at fair value through profit or loss-current	35,000	10,596	-	10,596	-
"	"	Taishin 1699 Money Market Fund	"	"	3,366,412	45,470	-	45,470	-
"	"	Capital Money Market Fund	"	"	620,717	10,000	-	10,000	-
"	Common Stock	CTCI Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income-current	1,028	45	-	45	-
"	"	Taiwan Cement Corp.	N/A	"	1,251,971	44,320	-	44,320	-
"	"	United Renewable Energy Co., Ltd.	"	"	559,567	4,034	-	4,034	-

Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	December 31, 2018				Footnote (Note 4)
	Type	Name			Number of shares/ denominations	Book value (Note 3)	Ownership (%)	Fair value	
ECOVE Waste Management Corp.	Fund	Prudential Financial Money Market Fund	"	Financial assets at fair value through profit or loss-current	207,498	\$ 3,277	-	\$ 3,277	-
"	"	FSITC Taiwan Money Market Fund	"	"	1,311,441	20,034	-	20,034	-
"	"	Taishin 1699 Money Market Fund	"	"	1,333,007	18,005	-	18,005	-
"	"	Franklin Templeton Money Market Fund	"	"	891,706	9,202	-	9,202	-
"	Common Stock	Taiwan Cement Corp.	"	Financial assets at fair value through other comprehensive income-current	478,841	16,951	-	16,951	-
ECOVE Miaoli Energy Corporation	Fund	FSIC Taiwan Money Market Fund	"	Financial assets at fair value through profit or loss-current	65,579	1,002	-	1,002	-
"	"	Taishin 1699 Money Market Fund	"	"	518,246	7,000	-	7,000	-
"	"	Franklin Templeton Sinoam Money Market Fund	"	"	581,852	6,005	-	6,005	-

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 year ended December 31, 2018

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, 2018		Addition (Note 3)		Number of shares	Disposal (Note 3)		Gain (loss) on disposal	Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount		Selling price	Book value		Number of shares	Amount
ECOVE Environmental Services Corp.	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss	-	-	18,013,095	\$ 185,030	13,613,507	\$ 140,000	31,626,602	\$ 325,408	\$ 325,030	\$ 378	-	\$ -
ECOVE Miaoli Energy Corporation	FSITC Taiwan Money Market Fund	"	-	-	230,205	3,500	9,411,595	143,500	9,576,221	146,022	145,999	23	65,579	1,001
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Long-term equity investments accounted for using equity method	Gintech Energy Corp.	Other related party	28,269,632	311,114	34,975,820	532,213(note5)	-	-	-	-	63,245,452	843,327

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

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

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

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

Note 5: In September 2018, the Company increased its investment in ECOVE Solar Energy Corporation in the amount of \$482,884. The investment gain and adjustment to net assets, including the remeasurement of the original shares owned, totalling \$49,329.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)		Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	Affiliate	(Waste disposal (\$ revenue)	382,669	(54%)	30 days quarterly	No significant difference	\$	69,964	27%	-
"	ECOVE Environment Services Corp.	"	Cost of services	236,890	(45% )	"	"	(	83,809)	(97%)	-
ECOVE Environment Services Corp.	ECOVE Waste Management Corp.	"	(Operating revenue)	572,562	(17%)	"	"		100,417	14%	-
"	ECOVE Wujih Energy Corp.	"	"	236,890	(7%)	"	"		83,809	11%	-
"	ECOVE Miaoli Energy Corp.	"	"	149,943	(4%)	"	"		23,224	3%	-
"	ECOVE Solvent Recycling Corporation	"	Service revenue	108,464	(3%)	"	"		38,491	5%	-
"	C'FCI Chemicals Corp.	"	Purchase	141,821	5%	"	"	(	18,332)	(4%)	-
ECOVE Waste Management Corp.	ECOVE Environment Services Corp.	"	Waste disposal cost	572,562	51%	"	"	(	100,417)	(57%)	-
"	ECOVE Wujih Energy Corp.	"	"	382,669	34%	"	"	(	69,964)	(40%)	-
ECOVE Miaoli Energy Corp.	ECOVE Environment Services Corp.	"	Cost of services	149,943	92%	"	"	(	23,224)	(100%)	-
ECOVE Solvent Recycling Corporation	ECOVE Environment Services Corp.	"	"	108,464	Note 4	"	"	(	38,491)	(100%)	-

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 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 4: Cost of services for ECOVE Solvent Recycling Corporation is shown as property, plant and equipment.

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

December 31, 2018

Table 6

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018 (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	\$ 100,417	5.77	-	"	-	-

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.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2018

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 receivables	\$ 91,466	30 days quarterly	1.01%
1	ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	3	Operating revenue	382,669	"	7.89%
1	"	"	"	Accounts receivable	69,964	"	0.77%
2	ECOVE Environment Services Corp.	ECOVE Wujih Energy Corp.	"	Operating revenue	236,890	"	4.89%
2	"	ECOVE Miaoli Energy Corp.	"	"	149,943	"	3.09%
2	"	ECOVE Waste Management Corp.	"	"	572,562	"	11.81%
2	"	ECOVE Solvent Recycling Corporation	"	"	108,464	"	2.24%
2	"	SINOGAL-Waste Services Co., Ltd.	"	"	68,070	"	1.40%
2	"	ECOVE Environment Consulting Corp.	"	"	55,274	"	1.14%
2	"	ECOVE Waste Management Corp.	"	Accounts receivable	100,417	"	1.11%
2	"	ECOVE Wujih Energy Corp.	"	"	83,809	"	0.92%
2	"	ECOVE Miaoli Energy Corp.	"	"	23,224	"	0.26%
2	"	ECOVE Solvent Recycling Corporation	"	"	38,491	"	0.42%
2	"	SINOGAL-Waste Services Co., Ltd.	"	"	31,738	"	0.35%
2	"	ECOVE Environment Consulting Corp.	"	"	48,223	"	0.53%
3	SINOGAL-Waste Services Co., Ltd.	ECOVE Environment Services Corp.	"	Operating revenue	50,229	"	1.04%
3	"	"	"	Accounts receivable	21,254	"	0.23%

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	\$ 425,085	\$ 425,085	29,400,000	98.00%	\$ 1,242,060	\$ 275,512	\$ 270,002	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%	895,799	367,025	341,469	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%	113,462	58,674	58,674	A subsidiary
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	1,012,483	1,012,483	56,249,000	74.999%	1,003,951	129,055	96,790	A subsidiary
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	27,000	27,000	2,700,000	60.00%	23,543	78	47	A subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
ECOVE Environment Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Island	Share holding and investment.	\$ 309,489	\$ 309,489	13,333,333	20.00%	\$ 292,168	\$ 2,188	\$ 554	An investee under equity method
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Taiwan	Energy technology services etc.	762,349	279,465	63,245,452	100.00%	854,787	43,423	27,700	A subsidiary
ECOVE Environment Corp.	EVER ECOVE Corporation	Taiwan	Waste services, waste clean and co-generation	50,000	-	5,000,000	5.00%	49,336 (	13,285) (	664)	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	-	8,099,000	89.99%	80,168 (	7,015) (	6,312)	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	6,000	600,000	2.00%	25,348	275,512	5,510	Affiliate
ECOVE Environment Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	64,214	58,813	15,824	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%	18	129,055	2	Affiliate

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
ECOVE Environment Services Corp.	SINOGAL-Waste Services Co., Ltd.	Macau	Management of waste recycling site and maintenance of related mechanical and equipment etc.	\$ 4,964	\$ 4,964	-	30.00%	\$ 57,921	\$ 167,024	\$ 50,107	A subsidiary
ECOVE Environment Services Corp.	ECOVE Solvent Recycling Corporation	Taiwan	Operating basic chemical industry and manufacture of other chemical products	10	-	1,000	0.01%	8 (	7,957) (	2)	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%	64	367,025	23	Affiliate
ECOVE Waste Management Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	18,000	18,000	1,800,000	40.00%	15,695	78	31	A subsidiary
ECOVE Solar Energy Corporation	ECOVE Solar Power Corporation	Taiwan	Energy technology services etc.	180,000	180,000	18,000,000	100.00%	204,061	18,678	18,678	A subsidiary
ECOVE Solar Energy Corporation	ECOVE Central Corporation Ltd.	Taiwan	Energy technology services etc.	7,500	7,500	750,000	100.00%	8,737	719	719	A subsidiary
ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	Taiwan	Energy technology services etc.	16,500	6,500	1,650,000	100.00%	17,969	918	918	A subsidiary
ECOVE Solar Energy Corporation	G.D. International, LLC.	U.S.A.	Energy technology services etc.	189,197	189,197	-	100.00%	368,589	27,685	27,927	A subsidiary
G.D. International, LLC.	Lumberton Solar W2-090, LLC	U.S.A.	Energy technology services etc.	189,197	189,197	-	100.00%	367,710	27,685	27,685	A subsidiary

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
Information on investments in Mainland China
For the year ended December 31, 2018

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 of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year period ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)(2)B	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
				2018	Remitted to Mainland China	Remitted back to Taiwan	2018						
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	\$ 6,720	93.16%	\$ 6,260	\$ 12,355	\$ 8,112	"
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>										
ECOVE Environment Corp.	\$ 4,147	\$ 4,147	\$ 2,926,943										

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 December 31, 2018' column:

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

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

Note 4: Invested by ECOVE Environment Services Corp.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

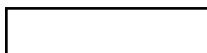
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2018

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the nine-month period ended December 31, 2018	Others
	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the nine-month period ended December 31, 2018	Balance at December 31, 2018	Interest rate		
ECOVE Environment Consulting Corp.	\$ 55,274	1.62%	-	-	\$ 48,223	6.53%	-	-	-	-	-	-	-



ECOVE ENVIRONMENT CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2018 AND 2017

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



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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ECOVE ENVIRONMENT CORPORATION

Opinion

We have audited the accompanying non-consolidated balance sheets of ECOVE Environment Corporation (the “Company”) as at December 31, 2018 and 2017, and the related non-consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2018 and 2017, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Independent Accountant’s Responsibilities for the Audit of non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Service revenue of subsidiaries accounted for under the equity method

As at December 31, 2018, the investments in subsidiaries, ECOVE Wujih Energy Corp., ECOVE Environmental Services Corp., ECOVE Waste Management Corp., ECOVE Miaoli Energy Corp. and SINO GAL-Waste Services Co., Ltd., were accounted for under the equity method and amounted to \$3,255,272, constituting 66% of the Company's total assets and are material to the non-consolidated financial statements. Thus, we consider the accuracy of service revenue of subsidiaries accounted for under the equity method as a key audit matter.

Description

Please refer to Note 4(28) for accounting policies on operating revenue.

Operating revenue mainly arises from service revenue and electricity sales revenue. The service revenue mainly arises from contracts entered into with certain governments (grantors) that involve charging for the service per unit in accordance with contracts and self-undertook services. As the relevant revenue is the main operating income of each subsidiary and also material to investment income and losses. Thus, we consider the accuracy of service revenue of subsidiaries a key audit matter.

How our audit addressed the matter

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

- A. Obtained an understanding of the procedures of waste treatment and tested relevant internal controls, including randomly checking the actual amount of disposals that are treated at the waste treatment plant monthly, the consistency of monthly statements that management used in calculating revenue, and the consistency between service fees per unit and contract.
- B. Verified the accuracy of statements that management used in calculating revenue, including the amount of disposals treated and the service fees per unit, recalculating the accuracy of cash amount and ascertained whether it was in agreement with recorded revenue.

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

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company’s financial reporting process.

Independent accountant’s responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

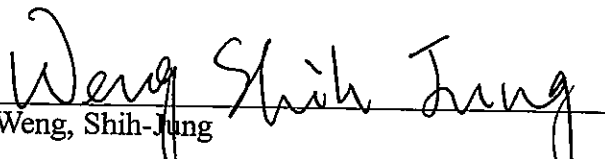
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

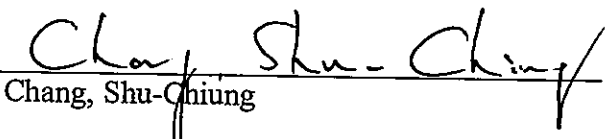
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


Weng, Shih-Jung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2019

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

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

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

Assets	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 210,529	4	\$ 745,686	16
1110	Financial assets at fair value through profit or loss - current	6(2)	2,045	-	98,073	2
1120	Current financial assets at fair value through other comprehensive income	6(3)	20,017	-	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	24,849	1
1200	Other receivables		673	-	710	-
1210	Other receivables - related parties	7	119,072	3	7,974	-
1410	Prepayments		891	-	-	-
1470	Other current assets	8	-	-	10,000	-
11XX	Current Assets		<u>353,227</u>	<u>7</u>	<u>887,292</u>	<u>19</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	543	-	-	-
1543	Financial assets carried at cost - non-current	12(4)	-	-	543	-
1550	Investments accounted for using equity method	6(4)	4,555,274	93	3,819,621	81
15XX	Non-current assets		<u>4,555,817</u>	<u>93</u>	<u>3,820,164</u>	<u>81</u>
1XXX	Total assets		<u>\$ 4,909,044</u>	<u>100</u>	<u>\$ 4,707,456</u>	<u>100</u>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
Current liabilities					
2150	Notes payable	\$ 480	-	\$ -	-
2200	Other payables	18,802	1	19,380	1
2220	Other payables - related parties	7 1,292	-	842	-
2230	Current income tax liabilities	7,485	-	1,388	-
21XX	Current Liabilities	<u>28,059</u>	<u>1</u>	<u>21,610</u>	<u>1</u>
Non-current liabilities					
2640	Accrued pension liabilities	6(5) 2,747	-	2,207	-
2XXX	Total Liabilities	<u>30,806</u>	<u>1</u>	<u>23,817</u>	<u>1</u>
Equity					
Share capital					
		6(7)			
3110	Common stock	671,051	14	668,106	14
Capital surplus					
		6(8)			
3200	Capital surplus	2,193,473	44	2,161,029	46
Retained earnings					
		6(9)			
3310	Legal reserve	603,629	12	527,495	11
3320	Special reserve	32,284	1	145	-
3350	Unappropriated retained earnings	1,380,044	28	1,359,148	29
Other equity interest					
3400	Other equity interest	(2,243)	-	(32,284)	(1)
3XXX	Total equity	<u>4,878,238</u>	<u>99</u>	<u>4,683,639</u>	<u>99</u>
Significant contingent liabilities					
and unrecognised contract					
commitments					
Significant events after the					
balance sheet date					
3X2X	Total liabilities and equity	<u>\$ 4,909,044</u>	<u>100</u>	<u>\$ 4,707,456</u>	<u>100</u>

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

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

Items	Notes	Year ended December 31				
		2018		2017		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(4)	\$ 788,260	100	\$ 791,864	100
5900	Gross profit		788,260	100	791,864	100
	Operating expenses					
6200	General and administrative expenses	6(12) and 7	(50,275)	(7)	(49,795)	(7)
6000	Total operating expenses		(50,275)	(7)	(49,795)	(7)
6900	Operating profit		737,985	93	742,069	93
	Non-operating income and expenses					
7010	Other income	6(10) and 7	48,283	6	18,285	2
7020	Other gains and losses	6(11)	29,807	4	3,638	1
7000	Total non-operating income and expenses		78,090	10	21,923	3
7900	Profit before income tax		816,075	103	763,992	96
7950	Income tax expense	6(14)	(9,163)	(1)	(2,653)	-
8200	Profit for the year		\$ 806,912	102	\$ 761,339	96
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(5)	\$ 37	-	\$ 2,184	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(2,591)	-	-	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(1,193)	-	(8,170)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		2,922	-	(33,896)	(4)
8362	Unrealized loss on valuation of available-for-sale financial assets		-	-	(710)	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		-	-	337	-
8300	Other comprehensive loss for the year		(\$ 825)	-	(\$ 40,255)	(5)
8500	Total comprehensive income for the year		\$ 806,087	102	\$ 721,084	91
	Basic earnings per share					
9750	Basic earnings per share	6(15)	\$ 12.04		\$ 11.41	
9850	Diluted earnings per share	6(15)	\$ 12.04		\$ 11.39	

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

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

	Notes	Share capital		Retained earnings			Other equity interest			Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealised gains (losses) on valuation of financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	
For the year ended December 31, 2017										
Balance at January 1, 2017		\$ 664,614	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	\$ -	(\$ 32,615)	\$ 4,682,057
Profit for the year		-	-	-	-	761,339	-	-	-	761,339
Other comprehensive loss		-	-	-	-	(5,986)	(33,896)	-	(373)	(40,255)
Total comprehensive income		-	-	-	-	755,353	(33,896)	-	(373)	721,084
Appropriation of 2016 earnings	6(9)									
Legal reserve		-	-	84,809	-	(84,809)	-	-	-	-
Cash dividends		-	-	-	-	(757,173)	-	-	-	(757,173)
Share-based payment transactions		-	183	-	-	-	-	-	-	183
Employee stock options exercised	6(6)(7)	3,492	33,996	-	-	-	-	-	-	37,488
Balance at December 31, 2017		\$ 668,106	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	\$ -	(\$ 32,988)	\$ 4,683,639
For the year ended December 31, 2018										
Balance at January 1, 2018		\$ 668,106	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	\$ -	(\$ 32,988)	\$ 4,683,639
Effect of retrospective application and retrospective restatement	12(4)	-	-	-	-	1,799	-	(34,787)	32,988	-
Balance at 1 January after adjustments		668,106	2,161,029	527,495	145	1,360,947	704	(34,787)	-	4,683,639
Profit for the year		-	-	-	-	806,912	-	-	-	806,912
Other comprehensive income(loss)		-	-	-	-	(1,782)	2,922	(1,965)	-	(825)
Total comprehensive income		-	-	-	-	805,130	2,922	(1,965)	-	806,087
Appropriation of 2017 earnings	6(9)									
Legal reserve		-	-	76,134	-	(76,134)	-	-	-	-
Special reserve		-	-	-	32,139	(32,139)	-	-	-	-
Cash dividends		-	-	-	-	(647,313)	-	-	-	(647,313)
Share-based payment transactions		-	5,055	-	-	-	-	-	-	5,055
Employee stock options exercised	6(6)(7)	2,945	27,389	-	-	-	-	-	-	30,334
Disposal of financial assets measured at fair value through other comprehensive income		-	-	-	-	(30,447)	-	30,883	-	436
Balance at December 31, 2018		\$ 671,051	\$ 2,193,473	\$ 603,629	\$ 32,284	\$ 1,380,044	\$ 3,626	(\$ 5,869)	\$ -	\$ 4,878,238

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

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

	Notes	Years ended December 31	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 816,075	\$ 763,992
Adjustments			
Adjustments to reconcile profit (loss)			
Interest income	6(10)	(3,886)	(4,362)
Dividend income	6(10)	(645)	(1,145)
Salary expense-employee stock options	6(6)(13)	687	-
Gain on valuation of financial assets	6(2)	(310)	(280)
Share of profit of associates and joint ventures accounted for under equity method	6(4)	788,260	(791,864)
Proceeds from capital reduction of investee company	6(11)	(29,402)	(3,610)
Impairment loss	6(11) and 12(4)	-	13
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		96,338	304,569
Other receivables		(470)	145
Other receivables-related parties		(24,040)	(4,859)
Prepayments		(891)	-
Other current assets		10,000	(10,000)
Changes in operating liabilities			
Notes payable		480	-
Other payables		(578)	(337)
Other payables - related parties		450	(199)
Preference share liabilities-non-current		577	733
Cash inflow generated from operations		76,125	252,796
Interest received		2,141	2,226
Dividends received		708,551	801,406
Income tax paid		(3,066)	(1,365)
Net cash flows from operating activities		<u>783,751</u>	<u>1,055,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,223	1,816
(Increase) decrease in other receivables-related parties		(87,029)	29,000
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		9,484	-
Acquisition of financial assets measured at fair value through other comprehensive income		(7,243)	-
Increase in available-for-sale financial assets-current		-	(10,301)
Decrease in other current financial assets		-	95,948
Proceeds from disposal of investee company	12(4)	-	3,610
Increase in investments accounted for using the equity method-subsidaries	6(4)	(619,364)	(89,474)
Proceeds from reduction of capital of investee company	6(4)	-	176,400
Net cash flows (used in) from investing activities		<u>(701,929)</u>	<u>206,999</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Employee stock options exercised		30,334	37,488
Cash dividends paid	6(9)	(647,313)	(757,173)
Net cash flows used in financing activities		<u>(616,979)</u>	<u>(719,685)</u>
Net (decrease) increase in cash and cash equivalents		(535,157)	542,377
Cash and cash equivalents at beginning of year		745,686	203,309
Cash and cash equivalents at end of year		<u>\$ 210,529</u>	<u>\$ 745,686</u>

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

ECOVE ENVIRONMENT CORPORATION
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE
INDICATED)

1. HISTORY AND ORGANISATION

- (1) ECOVE Environment Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 13, 1999, and consolidated investee-Chang Ting Corporation in December, 2005.
- (2) The Company is primarily engaged in waste management. However, the Board of Directors resolved to change its main activity to investment holding on March 27, 2007. The Company’s shares were issued through an initial public offering on December 3, 2007, and have been listed in the Taiwan OTC market since May 27, 2010.
- (3) CTCI Corporation, the Company’s ultimate parent company, holds 57.31% equity interest in the Company as of December 31, 2018.

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

These non-consolidated financial statements were authorised by the Board of Directors on March 8, 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 FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

- (a) Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

In adopting the new standards endorsed by the FSC effective from 2018, the Company applied the new rules under IFRS 9 using the modified retrospective approach from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standard as of January 1, 2018 are summarised below:

In accordance with IFRS 9, the Company reclassifies available-for-sale financial assets and financial assets at cost in the amounts of \$24,849 and \$543, respectively, and makes an irrevocable

election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$25,392.

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

New standards, interpretations and amendments endorsed by 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 Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

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

In the year of 2018, the Company reported to the Board of Directors that IFRS 16 has no material impact to the Company.

(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>
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS3, 'Definition of a business'	January 1, 2020
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 Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The non-consolidated financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the non-consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process

of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the non-consolidated financial statements are disclosed in Note 5.

- C. In adopting IFRS 9 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements of the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), and related financial reporting interpretations. Please refer to Note 12(4) for details of significant accounting policies.

(3) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(4) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial assets at fair value with any gain or loss recognised in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10) Investments accounted for using equity method/ subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised gains on transactions between the Company and its subsidiaries had been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profits or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the associate, the Company continues recognizing its share of further losses.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital

surplus' in proportion to its ownership.

- G. The Company accounts for its interest in a joint venture using equity method. Unrealised profits and losses arising from the transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the joint venture. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.
- H. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(11) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill is evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(12) Employee benefits

A. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

B. Termination benefits

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

C. Employees' compensation directors' and supervisors' remuneration

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

(13) Employee share-based payment

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

(14) Income tax

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

(15) Share capital

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

(16) Dividends

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

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Checking accounts	\$ 485	\$ 555
Demand deposits	8,902	11,285
Time deposits	201,142	733,846
	<u>\$ 210,529</u>	<u>\$ 745,686</u>

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

B. The Company has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>December 31, 2018</u>
Currents items	
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ 2,041
Valuation adjustment	4
Total	<u>\$ 2,045</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 year ended December 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ <u> 310</u>

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

C. The information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

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

<u>Items</u>	<u>December 31, 2018</u>
Current items:	
Equity instruments	
Listed stocks	\$ 21,268
Valuation adjustment	(1,251)
	<u>\$ 20,017</u>
Non-current items:	
Equity instruments	
Unlisted stocks	\$ 2,342
Valuation adjustment	(1,799)
	<u>\$ 543</u>

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 year ended December 31, 2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	(\$ <u> 2,591</u>)
Cumulative losses reclassified to retained earnings due to derecognition	(\$ <u> 14,039</u>)

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

C. The information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Investments accounted for under the equity method

	<u>2018</u>	<u>2017</u>
At January 1	\$ 3,819,621	\$ 3,956,490
Addition of investments accounted for under the equity method	619,364	89,474
Gain on remeasurement of business combination	29,402	-
Proceeds from reduction of capital of investee Company	-	(176,400)
Share of profit or loss of investments accounted for under the equity method	788,260	791,864
Earnings distribution of investments accounted for under equity method	(707,906)	(800,261)
Changes in capital surplus	4,368	183
Changes in other equity items	2,165	(41,729)
At December 31	<u>\$ 4,555,274</u>	<u>\$ 3,819,621</u>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries:		
ECOVE Wujih Energy Corp.	\$ 1,242,060	\$ 1,228,849
ECOVE Environmental Services Corp.	895,799	853,832
ECOVE Waste Management Corp.	113,462	100,974
ECOVE Miaoli Energy Corp.	1,003,951	1,007,915
Yuan Ding Resources Corp.	23,543	23,496
ECOVE Solar Energy Corporation	854,787	-
ECOVE Solvent Recycling Corporation	80,168	-
Associate:		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	292,168	293,441
EVER ECOVE Corporation	49,336	-
Joint venture:		
ECOVE Solar Energy Corporation	-	311,114
	<u>\$ 4,555,274</u>	<u>\$ 3,819,621</u>

A. Subsidiaries

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2018	December 31, 2017		
ECOVE Wujih Energy Corp.	Taiwan	98.00%	98.00%	Subsidiaries	Equity method
ECOVE Environmental Services Corp.	"	93.15%	93.15%	"	"
ECOVE Waste Management Corp.	"	100.00%	100.00%	"	"
ECOVE Miaoli Energy Corp.	"	74.999%	74.999%	"	"
ECOVE Solar Energy Corporation	"	100.00%	49.998%	Note	"

Note: On September 20, 2018, the Company acquired 50% of the shares of Gintech Energy Corp. by cash. ECOVE Solar Energy Corporation became a wholly-owned subsidiary of the Company.

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

Balance sheet

	ECOVE Wujih Energy Corp.	
	December 31, 2018	December 31, 2017
Current assets	\$ 701,861	\$ 487,473
Non-current assets	866,934	999,428
Current liabilities	(187,098)	(134,991)
Non-current liabilities	(114,289)	(97,982)
Total net assets	<u>\$ 1,267,408</u>	<u>\$ 1,253,928</u>
Share in subsidiary's net assets	<u>\$ 1,242,060</u>	<u>\$ 1,228,849</u>
Carrying amount of the subsidiary	<u>\$ 1,242,060</u>	<u>\$ 1,228,849</u>

	<u>ECOVE Environmental Services Corp.</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current assets	\$ 1,807,036	\$ 1,633,911
Non-current assets	278,759	292,559
Current liabilities	(957,983)	(860,907)
Non-current liabilities	(161,477)	(144,266)
Total net assets	<u>\$ 966,335</u>	<u>\$ 921,297</u>

Share in subsidiary's net assets	<u>\$ 900,159</u>	<u>\$ 858,206</u>
Carrying amount of the subsidiary	<u>\$ 895,799</u>	<u>\$ 853,832</u>

	<u>ECOVE Waste Management Corp.</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current assets	\$ 407,127	\$ 400,990
Non-current assets	65,100	54,066
Current liabilities	(219,173)	(224,289)
Non-current liabilities	(139,592)	(129,793)
Total net assets	<u>\$ 113,462</u>	<u>\$ 100,974</u>

Share in subsidiary's net assets	<u>\$ 113,462</u>	<u>\$ 100,974</u>
Carrying amount of the subsidiary	<u>\$ 113,462</u>	<u>\$ 100,974</u>

	<u>ECOVE Miaoli Energy Corp.</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current assets	\$ 175,062	\$ 173,463
Non-current assets	1,337,570	1,463,676
Current liabilities	(102,176)	(225,856)
Non-current liabilities	(71,831)	(67,372)
Total net assets	<u>\$ 1,338,625</u>	<u>\$ 1,343,911</u>

Share in subsidiary's net assets	<u>\$ 1,003,951</u>	<u>\$ 1,007,915</u>
Carrying amount of the subsidiary	<u>\$ 1,003,951</u>	<u>\$ 1,007,915</u>

	ECOVE Solar Energy Corporation December 31, 2018
Current assets	\$ 79,041
Non-current assets	1,383,498
Current liabilities	(175,952)
Non-current liabilities	(555,491)
Total net assets	<u>\$ 731,096</u>
Share in subsidiary's net assets	<u>\$ 731,096</u>
Carrying amount of the subsidiary	<u>\$ 854,787</u>

Statement of comprehensive income

	ECOVE Wujih Energy Corp. For the years ended December 31,	
	2018	2017
Revenue	\$ 705,067	\$ 727,576
Profit for the period from continuing operations	\$ 275,512	\$ 295,010
Other comprehensive (loss) income, net of tax	1,074	(1,798)
Total comprehensive income	<u>\$ 276,586</u>	<u>\$ 293,212</u>
Dividend received from subsidiary	<u>\$ 257,886</u>	<u>\$ 249,220</u>

	ECOVE Environmental Services Corp. For the years ended December 31,	
	2018	2017
Revenue	\$ 3,405,140	\$ 2,929,747
Profit for the period from continuing operations	\$ 367,025	\$ 369,656
Other comprehensive income (loss), net of tax	137	(24,072)
Total comprehensive income	<u>\$ 367,162</u>	<u>\$ 345,584</u>
Dividend received from subsidiary	<u>\$ 302,462</u>	<u>\$ 410,681</u>

	<u>ECOVE Waste Management Corp.</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Revenue	\$ 1,203,941	\$ 1,157,573
Profit for the period from continuing operations	\$ 58,674	\$ 44,366
Other comprehensive income (loss), net of tax	<u>185</u>	<u>(3,486)</u>
Total comprehensive income	<u>\$ 58,859</u>	<u>\$ 47,852</u>
Dividend received from subsidiary	<u>\$ 46,784</u>	<u>\$ 35,172</u>

	<u>ECOVE Miaoli Energy Corp.</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Revenue	\$ 347,786	\$ 348,186
Profit for the period from continuing operations	\$ 129,055	\$ 150,527
Other comprehensive loss, net of tax	<u>(48)</u>	<u>(1,107)</u>
Total comprehensive income	<u>\$ 129,007</u>	<u>\$ 149,420</u>
Dividend received from subsidiary	<u>\$ 100,774</u>	<u>\$ 105,188</u>

	<u>ECOVE Solar Energy Corporation</u>	
	<u>For the year ended December 31,</u>	
	<u>2018</u>	
Revenue	<u>\$ 83,711</u>	
Profit for the period from continuing operations	\$ 43,423	
Other comprehensive income, net of tax	<u>10,422</u>	
Total comprehensive income	<u>\$ 53,845</u>	
Dividend received from subsidiary	<u>\$ -</u>	

B. Associates

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2018	December 31, 2017		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Is.	20.00%	20.00%	Associate	Equity method

(b) The summarized financial information of the subsidiaries that are material to the Company is as follows:

Balance sheets

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	December 31, 2018	December 31, 2017
Current assets	\$ 300,925	\$ 334,230
Non-current assets	788,200	747,923
Current liabilities	(10,908)	(2,673)
Total net assets	\$ 1,078,217	\$ 1,079,480
Share in associate's net assets	\$ 215,643	\$ 215,896
Carrying amount of the associate	\$ 292,168	\$ 293,441

Statement of comprehensive income

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the years ended December 31,	
	2018	2017
Revenue	\$ -	\$ -
Gain (loss) for the period from continuing operations	2,188 (	13,126)
Other comprehensive loss, net of tax	(9,131)	(35,701)
Total comprehensive loss	(\$ 6,943)	(\$ 48,827)

C. Joint venture

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2018	December 31, 2017		
ECOVE Solar Energy Corporation	Taiwan	-	49.998%	Joint venture	Equity method

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

Balance sheet

	<u>ECOVE Solar Energy Corporation</u>	
	<u>December 31, 2017</u>	
Cash and cash equivalents	\$	101,988
Other current assets		11,483
Current assets		113,471
Non-current assets		1,031,074
Total assets	\$	1,144,545
Current financial liabilities	\$	197,049
Other current liabilities		51,160
Current liabilities		248,209
Non-current liabilities		274,084
Total liabilities		522,293
Total net assets	\$	622,252
Share in joint venture's net assets	\$	311,114
Carrying amount of the joint venture	\$	311,114

Statement of comprehensive income

	<u>ECOVE Solar Energy Corporation</u>	
	For the year ended	
	<u>December 31, 2017</u>	
Revenue	\$	59,167
Depreciation and amortisation	(\$	24,060)
Interest income	\$	1,153
Interest expense	(\$	4,694)
Profit before income tax	\$	27,601
Income tax expense	(	2,762)
Profit for the year		24,839
Other comprehensive loss, net of tax	(	25,111)
Total comprehensive loss	(\$	272)

C. Explanation of the Company's holding ECOVE Solar Energy Corporation

- (a) The Company and Gintech Energy Corp. established the joint venture - ECOVE Solar Energy Corporation, the main activity of which is energy technology services. The Company held 50% equity of ECOVE Solar Energy Corporation.
 - (b) The Board of Directors had resolved to invest in ECOVE Solar Energy Corporation, in March 2018 and December 2016. The Company invested in ECOVE Solar Energy Corporation, amounting to \$27,500 and \$89,474 in March 2018 and February 2017, respectively.
 - (c) On September 20, 2018, the Company acquired 50% of the shares of ECOVE Solar Energy Corporation by cash. The acquired company became a wholly-owned subsidiary.
- D. The Board of Directors of subsidiary, ECOVE Wujih Energy Corp., has proposed a capital reduction of \$180,000 in March 2017, and resolved by the stockholders during their meeting in June 2017. The Company received proceeds from the capital reduction in proportion to its ownership of \$176,400.
- E. On May 10, 2018, the Company acquired a 90% equity interest of ECOVE Solvent Recycling Corporation in the amount of \$49,590.
- F. In August 2018, the Company acquired 5% of the shares of EVER ECOVE Corporation for \$50,000 in accordance with the resolution of the Board of Directors adopted in their meeting on July 30, 2018. The Company's ownership in EVER ECOVE Corporation is less than 20%, but the Company and the parent Company own 30% of the shares of EVER ECOVE Corporation, therefore this investment is accounted for using the equity method.

(5) Pensions

A. Defined benefit pension plan

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

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 4,011	\$ 3,248
Fair value of plan assets	(1,264)	(1,041)
Net defined benefit liability	<u>\$ 2,747</u>	<u>\$ 2,207</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
For the year ended December 31, 2018			
At January 1	\$ 3,248	(\$ 1,041)	\$ 2,207
Current service cost	723	-	723
Interest expense (income)	<u>32</u>	<u>(10)</u>	<u>22</u>
	<u>4,003</u>	<u>(1,051)</u>	<u>2,952</u>
Remeasurements:			
Return on plan asset	22	-	22
Change in financial assumptions			
Experience adjustments	<u>(14)</u>	<u>(45)</u>	<u>(59)</u>
	<u>8</u>	<u>(45)</u>	<u>(37)</u>
Pension fund contribution	-	(168)	(168)
Paid pension	-	-	-
At December 31	<u>\$ 4,011</u>	<u>(\$ 1,264)</u>	<u>\$ 2,747</u>

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

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or

foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Discount rate	0.90%	1.00%
Future salary increases	3.00%	3.00%

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

(f) Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ <u>55</u>)	<u>\$ 56</u>	<u>\$ 45</u>	(\$ <u>44</u>)
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ <u>46</u>)	<u>\$ 47</u>	<u>\$ 38</u>	(\$ <u>37</u>)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(g) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amounts to \$146.

B. Defined contribution pension plan

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

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were \$584 and \$699, respectively.

(6) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Company’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

B. The above employee stock options are as follows:

(a) Details of the fourth plan of employee stock options outstanding as of December 31, 2018 and 2017, are as follows:

Stock options	For the years ended December 31,					
	2018			2017		
	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	215.25	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	-		-	(212.25)	NT\$	106.30
Options revoked	-		-	-		-
Options outstanding at end of year	-		-	3.00	NT\$	106.30
Options exercisable at end of year	-		-	3.00	NT\$	106.30

(b) Details of the fifth plan of employee stock options outstanding as of December 31, 2018 and 2017, are as follows:

	For the years ended December 31,			
	2018		2017	
	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	435.25	NT\$ 110.00
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	(137.00)	NT\$ 108.95
Options revoked	-	-	-	-
Options outstanding at end of year	<u>-</u>	-	<u>298.25</u>	NT\$ 103.00
Options exercisable at end of year	<u>-</u>	-	<u>298.25</u>	NT\$ 103.00

(c) Details of the sixth plan of employee stock options outstanding as of December 31, 2018, are as follows:

	For the year ended December 31, 2018	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Stock options		
Options outstanding at beginning of year	-	-
Options granted	1,500	NT\$ 173.5
Distribution of stock dividends/adjustments for number of shares granted for one unit of option	-	-
Options waived	(52)	-
Options exercised	-	-
Options revoked	-	-
Options outstanding at end of year	<u>1,448</u>	NT\$ 173.5
Options exercisable at end of year	<u>-</u>	-

- C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 and 2017 was NT\$172.63 and NT\$171.9 (in dollars), respectively.
- D. As of December 31, 2018 and 2017, the range of exercise prices of stock options outstanding was NT\$173.5 and NT\$103~NT\$106.3 (in dollars), respectively; the weighted-average remaining contractual period was as follows:

Type of arrangement	December 31, 2018	December 31, 2017
Fourth plan of employee stock options	-	-
Fifth plan of employee stock options	-	0.5 years
Sixth plan of employee stock options	5.5 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\$146.0	38.65%	4.50 years	0%	1.05%	NT\$ 48.82
Fifth plan of employee stock options	2012.6.28	NT\$145.0	NT\$145.0	33.63%	4.60 years	0%	1.00%	NT\$ 42.79
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

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

	For the years ended December 31,	
	2018	2017
Equity-settled	\$ 687	\$ -

(7) Share capital

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

	2018	2017
At January 1	66,810,648	66,461,398
Employee stock options exercised	294,500	349,250
At December 31	67,105,148	66,810,648

- B. As of December 31, 2018, the Company's authorized capital was \$800,000, consisting of 80,000 thousand shares of ordinary stock (including 6,000 thousand shares reserved for employee stock options), and the paid-in capital was \$671,051 with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.

(8) 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, 2018	\$ 1,971,969	\$ 188,747	\$ 313	\$ 2,161,029
Share-based payment transaction	-	5,055	-	5,055
Employee stock options expired	188,877	(188,564)	(313)	-
Employee stock options exercised	<u>27,389</u>	<u>-</u>	<u>-</u>	<u>27,389</u>
At December 31, 2018	<u>\$ 2,188,235</u>	<u>\$ 5,238</u>	<u>\$ -</u>	<u>\$ 2,193,473</u>
	<u>Share premium</u>	<u>Employee stock options</u>	<u>Others</u>	<u>Total</u>
At January 1, 2017	\$ 1,936,651	\$ 189,886	\$ 313	\$ 2,126,850
Share-based payment transaction	-	183	-	183
Employee stock options exercised	<u>35,318</u>	<u>(1,322)</u>	<u>-</u>	<u>33,996</u>
At December 31, 2017	<u>\$ 1,971,969</u>	<u>\$ 188,747</u>	<u>\$ 313</u>	<u>\$ 2,161,029</u>

C. Please refer to Note 6 (6) for detailed information about capital surplus from employee stock options.

(9) Retained earnings

As of December 31, 2018 and 2017, the Company's retained earnings are set forth below:

	2018	2017
At January 1	\$ 1,359,148	\$ 1,445,777
Effect of retrospective restatement	1,799	-
At January 1(after restatement)	1,360,947	1,445,777
Legal reserve appropriated	(76,134)	(84,809)
Special reserve appropriated	(32,139)	-
Distribution of retained earnings	(647,313)	(757,173)
Profit for the year	806,912	761,339
Remeasurement on post employment benefit obligations, net of tax	(1,782)	(5,986)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	(30,447)	-
At December 31	\$ 1,380,044	\$ 1,359,148

- 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 amount of shareholders' bonus shall not be less than 20% of accumulated distributable earnings of the Company, and in particular cash dividend shall not be less than 5%.

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

D. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The Company recognised dividends of \$647,313 (NT\$9.68 per share) and \$757,173 (NT\$11.37 per share) in 2018 and 2017, respectively. 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 appropriation of 2017 and 2016 earnings had been resolved at the stockholders' meeting on May 31, 2018 and June 26, 2017, respectively.

Details are summarized below:

	2017	2016
Legal reserve	\$ 76,134	\$ 84,809
Special reserve	32,139	-
Cash dividends	647,313	757,173
	<u>\$ 755,586</u>	<u>\$ 841,982</u>

G. The appropriation of 2018 earnings had been proposed by Board of Directors during their meeting on March 8, 2019. Details are summarised below:

	2018	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 80,691	NT\$ -
Special reserve	(30,041)	-
Cash dividends	726,078	10.82
	<u>\$ 776,728</u>	<u>NT\$ 10.82</u>

The appropriation of 2018 earnings has not been resolved at the stockholders' meeting as of March 8, 2019.

H. For information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6 (13).

I. For information relating to effect of retrospective restatement, please refer to Note 12 (4).

(10) Other income

	For the years ended December 31,	
	2018	2017
Interest income:		
Interest income from bank deposits	\$ 1,634	\$ 2,559
Other interest income	2,252	1,803
	3,886	4,362
Dividend revenue	645	1,145
Other income, others	43,752	12,778
	<u>\$ 48,283</u>	<u>\$ 18,285</u>

(11) Other gains and losses

	For the years ended December 31,	
	2018	2017
Gains on disposals of investments	\$ 29,402	\$ 3,610
Foreign exchange gain (losses)	95	(237)
Gains on financial assets at fair value through profit or loss	310	280
Impairment loss	-	(13)
Miscellaneous disbursements	-	(2)
	<u>\$ 29,807</u>	<u>\$ 3,638</u>

(12) Expenses by nature

	For the years ended December 31,	
	2018	2017
Employee benefit expense	\$ 40,480	\$ 42,417
Services	2,303	2,341
Insurances	123	100
Other expenses	7,369	4,937
Total operating expenses	<u>\$ 50,275</u>	<u>\$ 49,795</u>

(13) Employee benefit expense

	For the years ended December 31,	
	2018	2017
Salaries	\$ 31,576	\$ 33,533
Employee stock options	687	-
Labor and health insurance fees	1,266	1,329
Pension costs	1,329	1,629
Directors' remuneration	5,200	5,200
Other personnel expenses	422	726
	<u>\$ 40,480</u>	<u>\$ 42,417</u>

As of December 31, 2018 and 2017, the Company had 17 and 18 employees, respectively. There were 9 directors who were not concurrently employees.

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' 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.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$343 and \$359, respectively; directors' and supervisors' remuneration was accrued at \$5,200 and \$5,200, respectively. The aforementioned amounts were recognised in salary and other expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.01% at minimum and 2% at maximum of distributable profit of current year as of the end of December 31, 2018. 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 2017 amounting to \$359 and \$5,200, respectively, as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2017 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.

(14) Income tax

A. Income tax expense:

	For the years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 9,107	\$ 2,737
Prior year income tax under (over) estimation	56	(84)
Income tax expense	<u>\$ 9,163</u>	<u>\$ 2,653</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	\$ 163,216	\$ 129,879
Prior year income tax under (over) estimation	56	(84)
Effect of exempt income	(154,109)	(127,142)
Income tax expense	<u>\$ 9,163</u>	<u>\$ 2,653</u>

C. As of December 31, 2018, the Company's and its subsidiaries' income tax returns through 2016 have been assessed and approved by the Tax Authority.

D. 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 Company has assessed the impact of the change in income tax rate.

(15) Earnings per share

	<u>For the year ended December 31, 2018</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	\$ 806,912	67,024	NT\$ 12.04
<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>\$ 806,912</u>	<u>67,026</u>	<u>NT\$ 12.04</u>

The Company's employee stock options had anti-dilution effect; thus, they were not included in the calculation of diluted earnings per share.

	<u>For the year ended December 31, 2017</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	\$ 761,339	66,739	NT\$ 11.41
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	110	
Employees' bonus	-	3	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 761,339</u>	<u>66,852</u>	<u>NT\$ 11.39</u>

(16) Operating leases

The Company leases offices under non-cancellable operating lease agreements. These leases have terms expiring between 1 year and 2 years. The Company recognised rental expenses of \$790 and \$965, for these leases for the years ended December 31, 2018 and 2017, respectively.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	\$ 790	\$ 790
More than one year but not less than five years	1,127	1,867
More than five years	2,268	2,318
	<u>\$ 4,185</u>	<u>\$ 4,975</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 42.43% of the shares are widely held by the public.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
CTCI Corp.	The ultimate parent
ECOVE Wujih Energy Corp.	Subsidiary
ECOVE Environmental Services Corp.	Subsidiary
ECOVE Waste Management Corp.	Subsidiary
ECOVE Miaoli Energy Corp.	Subsidiary
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Associate
ECOVE Solar Energy Corporation	This entity became a subsidiary on September 20, 2018, before which it was a joint venture
Gintech Energy Corp.	Other related party

(3) Significant transactions and balances with related parties

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

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
ECOVE Wujih Energy Corp.	\$ 14,138	\$ 2,177
ECOVE Environmental Services Corp.	19,462	6,250
Subsidiaries	5,975	749
	<u>\$ 39,575</u>	<u>\$ 9,176</u>

B. Other revenue / receivables from related parties

(a) Receivables from related parties

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
-Loans to related parties		
ECOVE Solar Energy Corporation	\$ 87,029	\$ -
-Others		
ECOVE Solar Energy Corporation	4,437	6,745
Subsidiaries (Note)	<u>27,606</u>	<u>1,229</u>
	<u>\$ 119,072</u>	<u>\$ 7,974</u>

Note: It refers to directors' and supervisors' remuneration as well as payments on behalf of others.

(b) Other revenue

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Interest revenue		
The ultimate parent	\$ 2,223	\$ 1,295
ECOVE Solar Energy Corporation (Note)	<u>29</u>	<u>508</u>
	<u>\$ 2,252</u>	<u>\$ 1,803</u>
Personnel transfers revenue		
ECOVE Solar Energy Corporation	\$ 2,272	\$ 3,458
Associates	<u>999</u>	<u>385</u>
	<u>\$ 3,271</u>	<u>\$ 3,843</u>

Note: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.01% for the year ended December 31, 2018.

C. Operating expenses / other payables-related parties

(a) Operating expenses

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
CTCI Corp. (Notes 1 and 2)	\$ 4,254	\$ 5,068
Subsidiaries (Notes 2 and 3)	<u>1,458</u>	<u>1,269</u>
	<u>\$ 5,712</u>	<u>\$ 6,337</u>

Note 1: For the years ended December 31, 2018 and 2017, the Company paid directors' and supervisors' remuneration amounting to \$200 and \$102, respectively.

Note 2: For personnel transfers from related parties, information system service expense and office rent.

Note 3: Amortization of rent and administrative expense of the office in Neihu.

(b) As of December 31, 2018 and 2017, the Company has unpaid obligations to related parties as follows: (shown in “other payables”)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
CTCI Corp.	\$ 1,236	\$ 785
Subsidiaries	56	57
	<u>\$ 1,292</u>	<u>\$ 842</u>

D. Acquisition of financial assets

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

E. Endorsements and guarantees for others

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ECOVE Solar Energy Corporation	<u>\$ 1,143,589</u>	<u>\$ 631,253</u>

(4) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	<u>\$ 22,424</u>	<u>\$ 22,484</u>

8. PLEGGED ASSETS

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

<u>Assets</u>	<u>Book value</u>		<u>Purposes</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	
Other current assets			
Restricted bank deposits	\$ -	\$ 10,000	Guarantee for bid and performance guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2018 earnings had been proposed at the Board of Directors' meeting on March 8, 2019, please refer to Note 6(9)G for detailed information.

12. OTHERS

(1) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</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	\$ 2,045	\$ -
Financial assets held for trading	-	98,073
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	20,560	-
Available-for-sale financial assets	-	24,849
	<u>\$ 22,605</u>	<u>\$ 122,922</u>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 210,529	\$ 745,686
Financial assets at cost	-	543
Other receivables	673	710
Other receivables-related parties	119,072	7,974
Other financial assets	-	10,000
	<u>\$ 330,274</u>	<u>\$ 764,913</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 480	\$ -
Other payable	18,802	19,380
Other payable-related parties	1,292	842
	<u>\$ 20,574</u>	<u>\$ 20,222</u>

B. Risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company 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 Company 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 Company treasury.
- iii. The Company has certain investments in foreign operations, therefore, does not hedge the risk.

- iv. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: MOP and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>December 31, 2018</u>		
	<u>Foreign currency amount (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency : functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 108	30.740	\$ 3,319

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

The unrealised exchange gain arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017 amounted to \$95 and \$128, respectively.

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

	<u>For the year ended December 31, 2018</u>		
	<u>Sensitivity analysis</u>		
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1.00% \$	33 \$	-

For the year ended December 31, 2017

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%	\$ 31	\$ -

Price risk

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

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contractual cash flow of debt instruments classified as financial assets at fair value through other comprehensive income.
- ii. The Company adopts following assumptions 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 Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

- ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

<u>December 31, 2018</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Notes payable	\$ 480	\$ -
Other payables (including related parties)	20,094	-

Non-derivative financial liabilities

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company'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 natures of the assets and liabilities is as follows:

December 31, 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	\$ 2,045	\$ -	\$ -	\$ 2,045
Financial assets at fair value through other comprehensive income				
Equity securities	<u>20,017</u>	<u>-</u>	<u>543</u>	<u>20,560</u>
	<u>\$ 22,062</u>	<u>\$ -</u>	<u>\$ 543</u>	<u>\$ 22,605</u>
December 31, 2017	<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	\$ 98,073	\$ -	\$ -	\$ 98,073
Available-for-sale financial assets				
Equity securities	<u>24,849</u>	<u>-</u>	<u>-</u>	<u>24,849</u>
	<u>\$ 122,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,922</u>

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

Market quoted price	<u>Listed shares</u>	<u>Open-end fund</u>
	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 years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2.

F. For the years ended December 31, 2018 and 2017, there were no input and output into Level 3.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

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

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

(b) Available-for-sale financial assets

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

(c) Loans and receivables

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

(d) Impairment of financial assets

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

instrument below its cost.

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

(i) Financial assets at amortised cost

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

(ii) Financial assets at cost

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

(iii) Available-for-sale financial assets

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

- B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets and financial assets at cost, amounting to \$24,849 and \$543, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)", increased retained earnings and decreased other equity interest in the amounts of \$1,799 and \$1,799 on initial application of IFRS 9.

- C. The significant accounts as of December 31, 2017 are as follows:

- (a) Financial assets at fair value through profit or loss

Items	December 31, 2017
Current items:	
Financial assets held for trading	
Beneficiary certificates	\$ 97,892
Valuation adjustment	181
	<u>\$ 98,073</u>

The Company recognised net profit amounting to \$280 on financial assets held for trading for the year ended December 31, 2017.

- (b) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	\$ 37,548
Valuation adjustment	(12,699)
	<u>\$ 24,849</u>

- i. The Company recognised \$710 in other comprehensive loss for fair value change for the year ended December 31, 2017.
- ii. Due to the global financial crisis in 2008, the Company, in accordance with IAS No. 39, paragraph 50 (c), reclassified certain listed stocks previously classified as financial assets at fair value through profit or loss into available-for-sale financial assets amounting to \$7,298. The detailed information is set forth below:

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

	December 31, 2017
	<u>Book value/fair value</u>
Listed stocks	<u>\$ 6,553</u>

- (ii) The changes in fair value of the above listed stocks that were recognised in profit or

loss and other comprehensive income were \$0 and \$234, respectively, for the year ended December 31, 2017. And, the accumulated total changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive (loss) income before January 1, 2017 were \$0 and \$1,411, respectively.

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

	For the year ended December 31, 2017
Listed stocks	\$ <u>234</u>

(c) Financial assets measured at cost

Items	December 31, 2017
Teamwin Opto-Electronics Co., Ltd.	\$ 2,261
Eastern Pacific Energy Sdn.Bhd.	81
Accumulated impairment	(1,799)
	\$ <u>543</u>

- i. According to the Company's intention, its investments in the above corporation stocks should be classified as 'available-for-sale financial assets'. However, as above corporation stocks are not traded in active market, and the fair value of the investments in the above corporation stocks cannot be measured reliably. The Company classified those stocks as 'financial assets measured at cost'.
- ii. As of December 31, 2017, no financial assets measured at cost held by the Company were pledged to others.
- iii. In 2017, the Company has provided impairment loss amounting to \$13 since Eastern Pacific Energy Sdn. Bhd. was assessed to be impaired based on objective evidences.
- iv. In June, 2017, the shareholders of TSC Venture Management, Inc. at their meeting resolved to dissolve and distribute the remaining property amounting to \$3,610. The difference is \$3,610 when compared with its carrying amount of \$0 and is recognised in gains on disposal of investments.

D. Credit risk information as of December 31, 2017 are as follows:

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

set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

- (b) As of December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The credit quality information of financial assets that are neither past due nor impaired is as follows:

	December 31, 2017		
	Group 1	Group 2	Group 3
Other receivables	\$ -	\$ -	\$ 710
Other receivables-related parties	-	-	7,974
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,684</u>

Company 1: Government

Company 2: Listed companies

Company 3: Others

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.

ECOVE ENVIRONMENT CORPORATION
Details of cash and cash equivalents
December 31, 2018
(Expressed in thousands of New Taiwan dollars)

Item	Summary		Amount
Demand deposits			
–USD	USD\$6	Exchange rate 30.74	\$ 184
–NTD			8,718
			<u>8,902</u>
Checking accounts			<u>485</u>
Time deposits			
–USD	USD\$102	Exchange rate 30.74	3,135
–NTD			198,007
			<u>201,142</u>
			<u>\$ 210,529</u>

ECOVE ENVIRONMENT CORPORATION
Details of financial assets at fair value through profit or loss-current
December 31, 2018
(Expressed in thousands of New Taiwan dollars)

Financial commodities	Number of shares (thousand share)	Par value (in dollars)	Amount	Acquisition costs	Fair value		Note
					Price (in dollars)	Amount	
Franklin Templeton Sinoam Money Market Fund	198	\$ 10.30	\$ 2,041	\$ 2,041	\$ 10.32	\$ 2,045	-

ECOVE ENVIRONMENT CORPORATION
Details of financial assets at fair value through other comprehensive income-current
December 31, 2018
(Expressed in thousands of New Taiwan dollars)

Financial Commodities	Summary	Number of Shares	Par value (in dollars)	Amount	Acquisition costs	Fair value		Notes
						Price (in dollars)	Amount	
Taiwan Cement Corp.	Stocks	472,758	\$ 10.0	\$ 4,728	\$ 16,671	\$ 35.40	\$ 16,735	-
United Renewable Energy Co., Ltd.	"	455,157	10.0	4,552	4,597	7.21	3,282	-
Less: Valuation adjustment					(1,251)		\$ 20,017	
					\$ 20,017			

ECOVE ENVIRONMENT CORPORATION
Details of financial assets at fair value through other comprehensive income-non-current
December 31, 2018
(Expressed in thousands of New Taiwan dollars)

Name	Beginning of the period		Additions		Reductions		End of the period		Pledged to others as collaterals
	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	
Teamwin Opto-Electronics Co., Ltd.	150,000	\$ 2,261	-	\$ -	-	\$ -	150,000	\$ 2,261	"
Eastern Pacific Energy Sdn.Bhd.	10,000	81	-	-	-	-	10,000	81	"
		2,342		\$ -		\$ -		2,342	
Less: Accumulated impairment		(1,799)						(1,799)	
		<u>\$ 543</u>						<u>\$ 543</u>	

ECOVE ENVIRONMENT CORPORATION
Details of investments accounted for using the equity method
For the year ended December 31, 2018
(Expressed in thousands of New Taiwan dollars)

Name	Beginning of the period		Additions (reductions)			Balance at December 31, 2018				Pledged to other as collaterals
	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	Investment income (loss)	Number of shares (per share)	% interest held	Amounts	Value per share	
ECOVE Wujih Energy Corp.	29,400,000	\$ 1,228,849	-	(\$ 256,791)	\$ 270,002	29,400,000	98.00	\$ 1,242,060	\$ 1,242,060	N/A
ECOVE Environmental Services Corp.	14,065,936	853,832	-	(299,502)	341,469	14,065,936	93.15	895,799	900,159	"
ECOVE Waste Management Corp.	2,000,000	100,974	-	(46,186)	58,674	2,000,000	100.00	113,462	113,462	"
ECOVE Miaoli Energy Corp.	56,249,000	1,007,915	-	(100,754)	96,790	56,249,000	74.999	1,003,951	1,003,951	"
Yuan Ding Resources Corp.	2,700,000	23,496	-	-	47	2,700,000	60.00	23,543	23,543	"
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	13,333,333	293,441	-	6,508	554	13,333,333	20.00	292,168	223,987	"
ECOVE Solar Energy Corporation	28,269,632	311,114	34,975,820	515,973	27,700	63,245,452	100.00	854,787	731,096	"
ECOVE Solvent Recycling Corporation	-	-	8,099,000	86,480	(6,312)	8,099,000	89.99	80,168	80,168	"
EVER ECOVE Corporation	-	-	5,000,000	50,000	(664)	5,000,000	5.00	49,336	49,336	"
		<u>\$ 3,819,621</u>		<u>(\$ 44,272)</u>	<u>\$ 788,260</u>			<u>\$ 4,555,274</u>	<u>\$ 4,367,762</u>	

ECOVE ENVIRONMENT CORPORATION
Details of operating expenses
For the year ended December 31, 2018
(Expressed in thousands of New Taiwan dollars)

<u>Accounts</u>	<u>General & Administrative expenses</u>
Salaries	\$ 31,576
Pension costs	1,329
Services	2,303
Other expenses	15,067
	<u>\$ 50,275</u>

ECOVE ENVIRONMENT CORPORATION
Loans to others
For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 2018 (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.	CTCI Corp.	Other receivables-related parties	Yes	\$ 430,000	\$ -	\$ -	-	2	\$ -	For operational needs	\$ -	-	\$ -	\$ 487,824	\$ 1,951,295	-
0	"	ECOVE Solar Energy Corporation	"	"	200,000	200,000	87,000	1.01%	"	"	"	"	"	"	487,824	1,951,295	-
1	ECOVE Waste Management Corp.	CTCI Corp.	"	"	14,000	7,000	-	-	"	"	"	"	"	"	11,346	45,385	-
1	"	CTCI Machinery Corp.	"	"	14,000	7,000	-	-	"	"	"	"	"	"	11,346	45,385	-
1	"	E&C Engineering Corp.	"	"	14,000	7,000	7,000	1.01%	"	"	"	"	"	"	11,346	45,385	-
2	ECOVE Environment Services Corp.	ECOVE Solvent Recycling Corporation	"	"	70,000	70,000	50,000	1.57%	"	"	"	"	"	"	96,634	386,534	-
2	"	ECOVE Miaoli Energy Corporation	"	"	70,000	70,000	39,500	1.01%	"	"	"	"	"	"	96,634	386,534	-
2	"	CTCI Machinery Corp.	"	"	140,000	35,000	-	-	"	"	"	"	"	"	96,634	386,534	-
2	"	Resources Engineering Services Inc.	"	"	140,000	35,000	-	-	"	"	"	"	"	"	96,634	386,534	-
2	"	CTCI Corp.	"	"	140,000	70,000	-	-	"	"	"	"	"	"	96,634	386,534	-
2	"	E&C Engineering Corp.	"	"	140,000	70,000	-	-	"	"	"	"	"	"	96,634	386,534	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended	Balance at	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		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
					December 31, 2018 (Note 3)	December 31, 2018 (Note 8)							Item	Value			
3	ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	"	"	\$ 14,000	\$ 14,000	\$ -	-	"	"	"	"	"	"	\$ 292,439	\$ 292,439	-
3	"	ECOVE Solar Power Corporation	"	"	200,000	200,000	-	-	"	"	"	"	"	"	292,439	292,439	-
3	"	ECOVE Central Corporation Ltd.	"	"	17,000	17,000	1,000	1.71%	"	"	"	"	"	"	292,439	292,439	-

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

(1)The Company is '0'.

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

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

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2018.

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

(1)The Business association is '1'.

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

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

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

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

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

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

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in installments 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
Provision of endorsements and guarantees to others
For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

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 December 31, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2018 (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	\$ 9,756,476	\$ 1,143,589	\$ 1,143,589	\$ 968,043	\$ -	23.44%	\$ 14,634,714	Y	N	N	-
1	ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	2	1,462,194	14,000	14,000	14,000	-	1.91%	2,193,291	N	N	N	-
1	"	ECOVE Central Corporation Ltd.	2	1,462,194	19,790	16,790	16,790	-	2.71%	2,193,291	N	N	N	-
1	"	ECOVE Solar Power Corporation	2	1,462,194	694,248	694,248	600,355	-	94.96%	2,193,291	N	N	N	-
2	ECOVE Solar Power Corporation	ECOVE Solar Energy Corporation	5	408,122	12,420	12,420	12,420	-	6.09%	612,183	N	N	N	-

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

(3) The endorser / guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed / guaranteed company.

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

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements / guarantees to the endorsed / guaranteed company in proportion to its ownership.

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

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

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

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

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

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

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

ECOVE ENVIRONMENT CORPORATION
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	December 31, 2018			Footnote (Note 4)	
	Type	Name			Number of shares/ denominations	Book value (Note 3)	Ownership (%)		Fair value
ECOVE Environment Corp.	Fund	Franklin Templeton Sinoam Money Market Fund	N/A	Financial assets at fair value through profit or loss-current Adjustment	198,085	\$ 2,041	-	\$ 2,045	-
						4			
						<u>\$ 2,045</u>			
"	Common Stock	Taiwan Cement Corp.	"	Financial assets at fair value through other comprehensive income-current	472,758	16,671	-	16,735	-
"	"	United Renewable Energy Co., Ltd.	"	Adjustment	455,157	4,597	-	3,282	-
						(1,251)			
						<u>\$ 20,017</u>			
"	"	Teamwin Opto-Electronics Co., Ltd.	"	Financial assets at fair value through other comprehensive income-not-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%	<u>68</u>	-
		less: Accumulated impairment				(1,799)			-
						<u>\$ 543</u>		<u>\$ 543</u>	
ECOVE Wujih Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	65,511	\$ 1,001	-	\$ 1,001	-
"	"	Taishin 1699 Money Market Fund	"	"	148,083	2,000	-	2,000	-
"	"	Franklin Templeton Money Market Fund	"	"	4,616,996	47,650	-	47,650	-
"	Common Stock	Taiwan Cement Corp.	"	Equity instruments at fair value through other comprehensive income-current	475,508	16,833	-	16,833	-
ECOVE Environment Services Corp.	Fund	Schroder 2022 Maturity Emerging Market Quality Sovereign Bond Fund	N/A	Financial assets at fair value through profit or loss-current	35,000	10,596	-	10,596	-
"	"	Taishin 1699 Money Market Fund	"	"	3,366,412	45,470	-	45,470	-
"	"	Capital Money Market Fund	"	"	620,717	10,000	-	10,000	-
"	Common Stock	CTCI Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income-current	1,028	45	-	45	-
"	"	Taiwan Cement Corp.	N/A	"	1,251,971	44,320	-	44,320	-
"	"	United Renewable Energy Co., Ltd.	"	"	559,567	4,034	-	4,034	-

Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	December 31, 2018				Footnote (Note 4)
	Type	Name			Number of shares/ denominations	Book value (Note 3)	Ownership (%)	Fair value	
ECOVE Waste Management Corp.	Fund	Prudential Financial Money Market Fund	"	Financial assets at fair value through profit or loss-current	207,498	\$ 3,277	-	\$ 3,277	-
"	"	FSITC Taiwan Money Market Fund	"	"	1,311,441	20,034	-	20,034	-
"	"	Taishin 1699 Money Market Fund	"	"	1,333,007	18,005	-	18,005	-
"	"	Franklin Templeton Money Market Fund	"	"	891,706	9,202	-	9,202	-
"	Common Stock	Taiwan Cement Corp.	"	Financial assets at fair value through other comprehensive income-current	478,841	16,951	-	16,951	-
ECOVE Miaoli Energy Corporation	Fund	FSIC Taiwan Money Market Fund	"	Financial assets at fair value through profit or loss-current	65,579	1,002	-	1,002	-
"	"	Taishin 1699 Money Market Fund	"	"	518,246	7,000	-	7,000	-
"	"	Franklin Templeton Sinoam Money Market Fund	"	"	581,852	6,005	-	6,005	-

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

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

For the year ended December 31, 2018

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, 2018		Addition (Note 3)		Number of shares	Disposal (Note 3)			Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount		Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
ECOVE Environmental Services Corp.	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss	-	-	18,013,095	\$ 185,030	13,613,507	\$ 140,000	31,626,602	\$ 325,408	\$ 325,030	\$ 378	-	\$ -
ECOVE Miaoli Energy Corporation	FSITC Taiwan Money Market Fund	"	-	-	230,205	3,500	9,411,595	143,500	9,576,221	146,022	145,999	23	65,579	1,001
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Long-term equity investments accounted for using equity method	Gintech Energy Corp.	Other related party	28,269,632	311,114	34,975,820	532,213(note5)	-	-	-	-	63,245,452	843,327

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.

Note 5: In September 2018, the Company increased its investment in ECOVE Solar Energy Corporation in the amount of \$482,884. The investment gain and adjustment to net assets, including the rremeasurement of the original shares owned, totalling \$49,329.

ECOVE ENVIRONMENT CORPORATION

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

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	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)	382,669 (	54%)	30 days quarterly	No significant difference	\$ 69,964	27%	-
"	ECOVE Environment Services Corp.	"	Cost of services	236,890 (	45%)	"	"	(83,809) (	97%)	-
ECOVE Environment Services Corp.	ECOVE Waste Management Corp.	"	(Operating revenue)	572,562 (	17%)	"	"	100,417	14%	-
"	ECOVE Wujih Energy Corp.	"	"	(236,890) (	7%)	"	"	83,809	11%	-
"	ECOVE Miaoli Energy Corp.	"	"	(149,943) (	4%)	"	"	23,224	3%	-
"	ECOVE Solvent Recycling Corporation	"	Service revenue (	108,464) (	3%)	"	"	38,491	5%	-
"	CTCI Chemicals Corp.	"	Purchase	141,821	5%	"	"	(18,332) (	4%)	-
ECOVE Waste Management Corp.	ECOVE Environment Services Corp.	"	Waste disposal cost	572,562	51%	"	"	(100,417) (	57%)	-
"	ECOVE Wujih Energy Corp.	"	"	382,669	34%	"	"	(69,964) (	40%)	-
ECOVE Miaoli Energy Corp.	ECOVE Environment Services Corp.	"	Cost of services	149,943	92%	"	"	(23,224) (	100%)	-
ECOVE Solvent Recycling Corporation	ECOVE Environment Services Corp.	"	"	108,464	Note 4	"	"	(38,491) (	100%)	-

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 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 4: Cost of services for ECOVE Solvent Recycling Corporation is shown as property, plant and equipment.

ECOVE ENVIRONMENT CORPORATION
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018 (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	\$ 100,417	5.77	-	"	-	-

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.

ECOVE ENVIRONMENT CORPORATION
Significant inter-company transactions during the reporting period
For the year ended December 31, 2018

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 receivables	\$ 91,466	30 days quarterly	1.01%
1	ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	3	Operating revenue	382,669	"	7.89%
1	"	"	"	Accounts receivable	69,964	"	0.77%
2	ECOVE Environment Services Corp.	ECOVE Wujih Energy Corp.	"	Operating revenue	236,890	"	4.89%
2	"	ECOVE Miaoli Energy Corp.	"	"	149,943	"	3.09%
2	"	ECOVE Waste Management Corp.	"	"	572,562	"	11.81%
2	"	ECOVE Solvent Recycling Corporation	"	"	108,464	"	2.24%
2	"	SINOGAL-Waste Services Co., Ltd.	"	"	68,070	"	1.40%
2	"	ECOVE Environment Consulting Corp.	"	"	55,274	"	1.14%
2	"	ECOVE Waste Management Corp.	"	Accounts receivable	100,417	"	1.11%
2	"	ECOVE Wujih Energy Corp.	"	"	83,809	"	0.92%
2	"	ECOVE Miaoli Energy Corp.	"	"	23,224	"	0.26%
2	"	ECOVE Solvent Recycling Corporation	"	"	38,491	"	0.42%
2	"	SINOGAL-Waste Services Co., Ltd.	"	"	31,738	"	0.35%
2	"	ECOVE Environment Consulting Corp.	"	"	48,223	"	0.53%
3	SINOGAL-Waste Services Co., Ltd.	ECOVE Environment Services Corp.	"	Operating revenue	50,229	"	1.04%
3	"	"	"	Accounts receivable	21,254	"	0.23%

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

ECOVE ENVIRONMENT CORPORATION
Information on investees
For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	\$ 425,085	\$ 425,085	29,400,000	98.00%	\$ 1,242,060	\$ 275,512	\$ 270,002	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%	895,799	367,025	341,469	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%	113,462	58,674	58,674	A subsidiary
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	1,012,483	1,012,483	56,249,000	74.999%	1,003,951	129,055	96,790	A subsidiary
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	27,000	27,000	2,700,000	60.00%	23,543	78	47	A subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
ECOVE Environment Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Island	Share holding and investment.	\$ 309,489	\$ 309,489	13,333,333	20.00%	\$ 292,168	\$ 2,188	\$ 554	An investee under equity method
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Taiwan	Energy technology services etc.	762,349	279,465	63,245,452	100.00%	854,787	43,423	27,700	A subsidiary
ECOVE Environment Corp.	EVER ECOVE Corporation	Taiwan	Waste services, waste clean and co-generation	50,000	-	5,000,000	5.00%	49,336 (	13,285) (	664)	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	-	8,099,000	89.99%	80,168 (	7,015) (	6,312)	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	6,000	600,000	2.00%	25,348	275,512	5,510	Affiliate
ECOVE Environment Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	64,214	58,813	15,824	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%	18	129,055	2	Affiliate

Table 8, Page 2

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	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%	\$ 57,921	\$ 167,024	\$ 50,107	A subsidiary
ECOVE Environment Services Corp.	ECOVE Solvent Recycling Corporation	Taiwan	Operating basic chemical industry and manufacture of other chemical products	10	-	1,000	0.01%	8 (	7,957) (	2)	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%	64	367,025	23	Affiliate
ECOVE Waste Management Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	18,000	18,000	1,800,000	40.00%	15,695	78	31	A subsidiary
ECOVE Solar Energy Corporation	ECOVE Solar Power Corporation	Taiwan	Energy technology services etc.	180,000	180,000	18,000,000	100.00%	204,061	18,678	18,678	A subsidiary
ECOVE Solar Energy Corporation	ECOVE Central Corporation Ltd.	Taiwan	Energy technology services etc.	7,500	7,500	750,000	100.00%	8,737	719	719	A subsidiary
ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	Taiwan	Energy technology services etc.	16,500	6,500	1,650,000	100.00%	17,969	918	918	A subsidiary
ECOVE Solar Energy Corporation	G.D. International, LLC.	U.S.A.	Energy technology services etc.	189,197	189,197	-	100.00%	368,589	27,685	27,927	A subsidiary
G.D. International, LLC.	Lumberton Solar W2-090, LLC	U.S.A.	Energy technology services etc.	189,197	189,197	-	100.00%	367,710	27,685	27,685	A subsidiary

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ECOVE ENVIRONMENT CORPORATION
Information on investments in Mainland China
For the year ended December 31, 2018

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 as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2(2)B)	Book value of investments in Mainland China as of December 31, 2018	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2018	remitted back to Mainland China	Amount remitted back to Taiwan for the year ended December 31, 2018	amount of remittance from Taiwan to Mainland China as of December 31, 2018					amount of investment income remitted back to Taiwan as of December 31, 2018	
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	\$ 6,720	93.16%	\$ 6,260	\$ 12,355	\$ 8,112	"
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	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		\$ 2,926,943									

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

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

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column:

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

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

Note 4: Invested by ECOVE Environment Services Corp.

ECOVE ENVIRONMENT CORPORATION

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

For the year ended December 31, 2018

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the year period ended December 31, 2018	Others
	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate		
ECOVE Environment Consulting Corp.	\$ 55,274	1.62%	-	-	\$ 48,223	6.53%	-	-	-	-	-	-	-