

Stock Code: 6803

Old Company English Name : KD Holding Corp.

ECOVE[•]
ECOVE Environment Corp.

2018 Annual General Shareholders' Meeting

Meeting Handbook
(Translation)

Notice to readers

This English version handbook 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.

May 31, 2018

**No. 127, Sec.7, Zhongshan N. Rd., Taipei,
Mellow Fields Hotel 505 Room**

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ECOVE Environment Corporation
Procedure for the 2018 Annual General
Shareholders' Meeting

1. Call Meeting to Order (Report of Number of Shares Represented by Attendees)
2. Chairman's Remarks
3. Report Items
4. Ratification Items
5. Special Motions
6. Meeting Adjourned

Agenda of 2018 Annual General Shareholders' Meeting ECOVE Environment Corporation (Translation)

Time and Date of Meeting: 9:00 a.m., May 31, 2018

**Place of Meeting: No. 127, Sec.7, Zhongshan N. Rd., Taipei,
Mellow Fields Hotel 505 Room**

1. Report Items

- (1) Business Report of 2017. (Please refer to page 5~page 6)
- (2) Audit committee's review report of 2017. (Please refer to page 29)
- (3) The directors' & employees' remuneration of 2017. (Please refer to page 30)
- (4) The Status of guarantees provided by the company as of the end of 2017
As of the end of 2017, the aggregate amount of guarantees provided by the company was NT\$631,253 thousands and the highest amount for a single enterprise was NT\$631,253 thousands which are all under its respective ceiling. (Please refer to page 31)

2. Ratification Items

- (1) To Ratify 2017 Business Report, Financial Statements and Consolidated Financial Statements (Proposed by the Board of Directors)**

Explanatory Notes :

The Company's 2017 business report, financial statements and consolidated financial statements have been approved by the Board of Directors, 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 above-mentioned documents subsequently examined by Audit Committee pursuant to Article 228 of the Company Act. The Business Report and Financial Statements are hereby submitted for ratification. (Please refer to page 5 to page 27 - Att. 1 to Att. 3)

Resolved :

(2) To Ratify the Company's Distribution of 2017 earnings (Proposed by the Board of Directors)

Explanatory Notes :

- 1) The 2017 net income after tax is NT\$761,338,923, after setting aside legal reserve NT\$76,133,892, Special reserve NT\$32,139,096, and remeasurement arising on defined benefit plans are recognized in retained earnings in 2017 NT\$5,986,344, adding the unappropriated retained earnings as of 2016 NT\$603,795,170, the retained earnings available for distribution in 2017 is NT\$1,250,874,761. The proposal is that NT\$647,312,713 will be cash dividends to common shareholders (NT\$9.68 per share based on common share outstanding is 66,871,148 shares).
- 2) Upon the approval of the Annual General Meeting of shareholders, it is proposed that the Board of Directors be authorized to determine the record date to distribute the cash dividends and other relevant issues.
- 3) Should the total common shares outstanding change for any reason, the ultimate cash dividend to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors will be authorized to adjust the cash to be distributed to each common share.
- 4) The distribution of cash dividends will be calculated to New Taiwan Dollar and round it to the nearest dollar. It is proposed that the other income or expense will be arranged to adjust the difference.
- 5) The 2017 estimated earnings distribution is referred on page 28.

Resolved :

3. Special Motion

4. Meeting Adjourned

ECOVE ENVIRONMENT CORPORATION

Business Report of 2017

From 2017/01/01 to 2017/12/31

1、Business Performance:

For the year end of 2017, the standalone operating revenue was NT\$791,864 thousands, the consolidated operating revenue was NT\$4,479,587 thousands, and the consolidated profit after tax was NT\$761,339 thousands.

Consolidated operating revenue breakdown is as follows:

(Unit : NT\$ thousands)

Waste Disposal Revenues	1,615,440
Sales of Electricity	1,101,068
Service Concession Revenues	583,221
Removal & Trans. Revenues	144,543
Others	1,035,315
Total	4,479,587

2、Performance Review :

Compared to the year end of 2016, the year end of 2017 consolidated operating revenue of NT\$4,479,587 thousands has decreased by NT\$475,978 thousands. The main reason for increasing revenue on 2016 results from 2016 Q1 SINO GAL's electricity tariff adjustment after clarifying and approving by Macao government.

Compared to the year end of 2016, the year end of 2017 standalone operating revenue of NT\$791,864 thousands has decreased by NT\$88,813 thousands. The main reason for increasing revenue on 2016 results from 2016 Q1 SINO GAL's electricity tariff adjustment after clarifying and approving by Macao government.

Consolidated and standalone operating revenue breakdown is as follows:

(Unit : NT\$ thousands)

Consolidated Operating Revenues for 2017	4,479,587
Consolidated Operating Revenues for 2016	4,955,565
Decrease from 2016 to 2017	475,978
Percentage of decrease	9.60%
Operating Revenues for 2017	791,864
Operating Revenues for 2016	880,677
Decrease from 2016 to 2017	88,813
Percentage of decrease	10.08%
Net Profit After Tax for 2017	761,339
Net Profit After Tax for 2016	848,097
Decrease from 2016 to 2017	86,758
Percentage of decrease	10.23%

3、 Business Prospect of Year 2018 :

Looking back year 2017, ECOVE fully demonstrated the fervent ambition on "Qualitative Change" for business promotion and execution. In addition to developing the existing business steadily, ECOVE also prospected with fully confidence on new business development. For example, we launched new brand "ECOVE" as the positioning statement for overseas market development, won the Linkou water center O&M project, stepped in wastewater treatment area, won the Gangshan EfW plant O&M and revamping project, and stepped in waste management market in southern Taiwan. In future, ECOVE will endeavor on the following three business area to enhance sustainable development and expand abroad.

A. Energy from Waste and Waste Management Business

For domestic market, in addition to securing the existing projects, ECOVE is keen to develop new business opportunity and attend bid by cooperating with EfW plant life extension policy and multi-approach waste management policy, applying overseas successful technology and providing total solution.

Regarding overseas market, ECOVE keeps develop the business in ASEAN, China and India by cooperating with local government and teaming up with local enterprise. Moreover, ECOVE actively participated in relevant forums and following government's southbound policy ECOVE will replicate successful PPP (BOT) business model and the mature operating experience to overseas market.

B. Solar Power Business

Besides maintain stable operation of domestic existing project, the new award project will be implemented as scheduled and expand business to the reclaimed landfill, floating-type or other ground-type projects. Following government's expansion policy ECOVE will continuously and cautiously seeks opportunity for investing mega-scale project. For overseas market, ECOVE is not only maintaining stable operation of existing project in the U.S. but also keen to search for proper target in developed and emerging countries, which have complete country renewable energy policy.

C. Recycling Business

For PET bottle recycling, a R&D center will be established to upgrade process so that food grade, diversified and customized products can be produced. Moreover, ECOVE keeps executing WIPA recycling project and studying domestic industry condition. By integrating the Group resource, ECOVE will continuously search potential investment target, including waste and wastewater from industrial and valuable material from household waste, though organic growth and M&A.



REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Opinion

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

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the

context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Accuracy of service revenue

Description

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

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

How our audit addressed the matter

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

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

Other matter-Non-consolidated financial statements

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

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

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

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

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

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

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

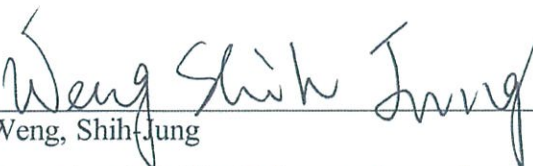
obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

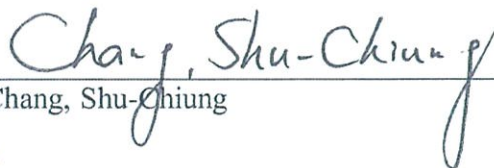
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting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

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

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

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


Weng, Shih Jung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2018

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

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

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

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

(Continued)

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

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

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

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

Items	Notes	Years ended December 31				
		2017		2016		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 4,479,587	100	\$ 4,955,565	100
5000	Operating costs	6(21)(22) and 7	(3,220,330)	(72)	(3,155,153)	(64)
5900	Gross profit		1,259,257	28	1,800,412	36
	Operating expenses	6(21)(22) and 7				
6200	General & administrative expenses		(181,840)	(4)	(173,229)	(3)
6000	Total operating expenses		(181,840)	(4)	(173,229)	(3)
6900	Operating profit		1,077,417	24	1,627,183	33
	Non-operating income and expenses					
7010	Other income		31,779	1	33,034	1
7020	Other gains and losses		(10,113)	-	(3,361)	-
7050	Finance costs		(3,841)	-	(5,823)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	21,101	-	7,093	-
7000	Total non-operating income and expenses		38,926	1	30,943	1
7900	Profit before income tax		1,116,343	25	1,658,126	34
7950	Income tax expense	6(23)	(156,919)	(4)	(227,458)	(5)
8200	Profit for the year		\$ 959,424	21	\$ 1,430,668	29
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(15)	(\$ 8,601)	-	(\$ 6,741)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(43)	-	(115)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	1,835	-	620	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		(46,369)	(1)	(24,968)	(1)
8362	Unrealized loss on valuation of available-for-sale financial assets	6(3)	(430)	-	(457)	-
8300	Total other comprehensive loss for the year		(\$ 53,608)	(1)	(\$ 31,661)	(1)
8500	Total comprehensive income for the year		\$ 905,816	20	\$ 1,399,007	28
	Profit attributable to:					
8610	Owners of the parent		\$ 761,339	17	\$ 848,097	17
8620	Non-controlling interest		198,085	4	582,571	12
	Total		\$ 959,424	21	\$ 1,430,668	29
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 721,084	16	\$ 818,884	16
8720	Non-controlling interest		184,732	4	580,123	12
	Total		\$ 905,816	20	\$ 1,399,007	28
	Earnings per share (in dollars):					
9750	Total basic earnings per share	6(24)	\$ 11.41		\$ 12.80	
9850	Total diluted earnings per share	6(24)	\$ 11.39		\$ 12.75	

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

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

Notes	Equity attributable to owners of the parent						Other equity interest		Total	Non-controlling interest	Total equity
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets			
	\$ 638,394	\$ 233	\$ 2,069,266	\$ 371,649	\$ 145	\$ 1,314,258	\$ 57,355	(\$ 32,346)	\$ 4,438,954	\$ 472,694	\$ 4,911,648
	233	(233)	-	-	-	-	-	-	-	-	-
6(19)	-	-	-	71,037	-	(71,037)	-	-	(639,352)	(470,202)	(1,109,554)
6(19)	-	-	-	-	-	(639,352)	-	-	848,097	582,571	1,430,668
	-	-	1,761	-	-	-	-	-	1,761	102	1,863
6(16)(18)	5,987	-	55,823	-	-	-	-	-	61,810	-	61,810
6(17)(18)	-	-	-	-	-	-	(22,755)	-	22,755	(2,213)	(24,968)
6(3)	-	-	-	-	-	-	-	-	269	(188)	(457)
	-	-	-	-	-	(6,189)	-	-	6,189	(47)	(6,236)
	\$ 664,614	\$ -	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	(\$ 32,615)	\$ 4,682,057	\$ 582,717	\$ 5,264,774
	\$ 664,614	\$ -	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	(\$ 32,615)	\$ 4,682,057	\$ 582,717	\$ 5,264,774
	-	-	-	84,809	-	(84,809)	-	-	-	-	-
6(19)	-	-	-	-	-	(757,173)	-	-	(757,173)	(220,219)	(977,392)
	-	-	-	-	-	761,339	-	-	761,339	198,085	959,424
6(16)(18)	-	-	183	-	-	-	-	-	183	13	196
6(17)(18)	3,492	-	33,996	-	-	-	-	-	37,488	-	37,488
	-	-	-	-	-	-	(33,896)	-	33,896	(12,473)	(46,369)
6(3)	-	-	-	-	-	-	-	(373)	373	(57)	(430)
	-	-	-	-	-	(5,986)	-	-	5,986	(823)	(6,809)
	\$ 668,106	\$ -	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	(\$ 32,988)	\$ 4,683,639	\$ 547,243	\$ 5,230,882

For the year ended December 31, 2016

Balance at January 1, 2016

Capital collected in advance transferred to common stock

Appropriation of 2015 earnings

Legal reserve

Cash dividends

Profit for the year

Share-based payment transactions

Employee stock options exercised

Cumulative translation differences of foreign operations

Unrealized gain or loss on valuation of available-for-sale financial assets

Other comprehensive loss for the year

Balance at December 31, 2016

For the year ended December 31, 2017

Balance at January 1, 2017

Appropriation of 2016 earnings

Legal reserve

Cash dividends

Profit for the year

Share-based payment transactions

Employee stock options exercised

Cumulative translation differences of foreign operations

Unrealized gain or loss on valuation of available-for-sale financial assets

Other comprehensive loss for the year

Balance at December 31, 2017

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

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

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

(Continued)

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

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

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



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, 2017 and 2016, 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, 2017 and 2016, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

Basis for opinion

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

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 financial statements of the current period are as follows:

Investments accounted for using equity method-service revenue

On December 31, 2017, 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 using equity method and amounted to \$3,191,570, representing 68% of total assets and are material to financial statements. Thus, we consider accuracy of service revenue of subsidiaries, as a key audit matter.

Description

Please refer to Note 4(26) for accounting policies on operating revenue.

The operating revenue of subsidiaries mainly arise from service revenue and electricity sales revenue. The service revenue arises mainly from contracts entered into with certain governments (grantors) that involves charging for the service per unit in accordance with contracts. As the relevant revenue is the main operating income of each subsidiary and also material to investment income and losses, thus we consider the accuracy of service revenue of subsidiaries a key audit matter.

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 is 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 Preparations 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.

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

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

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

1. Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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


Weng, Shih-Jung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2018

The accompanying parent company only 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 parent company only 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, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
Current assets					
1100	Cash and cash equivalents 6(1)	\$ 745,686	16	\$ 203,309	4
1110	Financial assets at fair value 6(2)				
	through profit or loss - current	98,073	2	402,362	9
1125	Available-for-sale financial assets 6(3)				
	- current	24,849	1	15,259	-
1200	Other receivables	710	-	521	-
1210	Other receivables - related parties 7	7,974	-	32,128	1
1470	Other current assets	10,000	-	95,948	2
11XX	Current Assets	<u>887,292</u>	<u>19</u>	<u>749,527</u>	<u>16</u>
Non-current assets					
1543	Financial assets carried at cost - 6(4)				
	noncurrent	543	-	556	-
1550	Investments accounted for using 6(5)				
	equity method	3,819,621	81	3,956,490	84
15XX	Non-current assets	<u>3,820,164</u>	<u>81</u>	<u>3,957,046</u>	<u>84</u>
1XXX	Total assets	<u>\$ 4,707,456</u>	<u>100</u>	<u>\$ 4,706,573</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, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2200	Other payables		\$ 19,380	1	\$ 19,717	1
2220	Other payables - related parties	7	842	-	1,041	-
2230	Current income tax liabilities		1,388	-	100	-
21XX	Current Liabilities		<u>21,610</u>	<u>1</u>	<u>20,858</u>	<u>1</u>
Non-current liabilities						
2640	Accrued pension liabilities	6(6)	2,207	-	3,658	-
25XX	Non-current liabilities		<u>2,207</u>	<u>-</u>	<u>3,658</u>	<u>-</u>
2XXX	Total Liabilities		<u>23,817</u>	<u>1</u>	<u>24,516</u>	<u>1</u>
Equity						
Share capital 6(8)						
3110	Common stock		668,106	14	664,614	14
Capital surplus 6(9)						
3200	Capital surplus		2,161,029	46	2,126,850	45
Retained earnings 6(10)(13)						
3310	Legal reserve		527,495	11	442,686	9
3320	Special reserve		145	-	145	-
3350	Unappropriated retained earnings		1,359,148	29	1,445,777	31
Other equity interest						
3400	Other equity interest		(32,284)	(1)	1,985	-
3XXX	Total equity		<u>4,683,639</u>	<u>99</u>	<u>4,682,057</u>	<u>99</u>
Significant contingent liabilities 9						
and unrecognised contract						
commitments						
Significant events after the 11						
balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 4,707,456</u>	<u>100</u>	<u>\$ 4,706,573</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 amount)

Items	Notes	Years ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(5)	\$ 791,864	100	\$ 880,677	100
5900 Gross profit		791,864	100	880,677	100
Operating expenses					
6200 General & administrative expenses	6(11)(12) and 7	(49,795)	(7)	(48,482)	(6)
6000 Total operating expenses		(49,795)	(7)	(48,482)	(6)
6900 Operating profit		742,069	93	832,195	94
Non-operating income and expenses					
7010 Other income	7	18,285	2	18,846	2
7020 Other gains and losses		3,638	1	177	-
7000 Total non-operating income and expenses		21,923	3	19,023	2
7900 Profit before income tax		763,992	96	851,218	96
7950 Income tax expense	6(13)	(2,653)	-	(3,121)	-
8200 Profit for the year		\$ 761,339	96	\$ 848,097	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(6)	\$ 2,184	-	(\$ 3,096)	-
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		(8,170)	(1)	(3,093)	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Cumulative translation differences of foreign operations		(33,896)	(4)	(22,755)	(3)
8362 Unrealized loss on valuation of available-for-sale financial assets	6(3)	(710)	-	(4,456)	-
8380 Total 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	-	4,187	-
8300 Other comprehensive loss for the year		(\$ 40,255)	(5)	(\$ 29,213)	(3)
8500 Total comprehensive income for the year		\$ 721,084	91	\$ 818,884	93
9750 Basic earnings per share	6(14)	\$ 11.41		\$ 12.80	
9850 Diluted earnings per share	6(14)	\$ 11.39		\$ 12.75	

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

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

	Share Capital			Retained Earnings				Other Equity Interest		Total equity
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on valuation of available-for-sale financial assets		
For the year ended December 31, 2016										
Balance at January 1, 2016	\$ 658,394	\$ 233	\$ 2,069,266	\$ 371,649	\$ 145	\$ 1,314,258	\$ 57,355	(\$ 32,346)	\$ 4,438,954	
Capital collected in advance transferred to common stock	233	(233)	-	-	-	-	-	-	-	
Appropriation of 2015 earnings (Note 1)	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	71,037	-	(71,037)	-	-	-	
Cash dividends	-	-	-	-	-	(639,352)	-	-	(639,352)	
Profit for the year	-	-	-	-	-	848,097	-	-	848,097	
Share-based payment transaction	-	-	1,761	-	-	-	-	-	1,761	
Employee stock options exercised	5,987	-	55,823	-	-	-	-	-	61,810	
Cumulative translation differences of foreign operations	-	-	-	-	-	-	(22,755)	-	(22,755)	
Unrealized gain or loss on available-for-sale financial assets	-	-	-	-	-	-	-	(269)	(269)	
Other comprehensive loss for the year	-	-	-	-	-	(6,189)	-	-	(6,189)	
Balance at December 31, 2016	\$ 664,614	\$ -	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	(\$ 32,615)	\$ 4,682,057	
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	
Appropriation of 2016 earnings (Note 2)	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	84,809	-	(84,809)	-	-	-	
Cash dividends	-	-	-	-	-	(757,173)	-	-	(757,173)	
Profit for the year	-	-	-	-	-	761,339	-	-	761,339	
Share-based payment transaction	-	-	183	-	-	-	-	-	183	
Employee stock options exercised	3,492	-	33,996	-	-	-	-	-	37,488	
Cumulative translation differences of foreign operations	-	-	-	-	-	-	(33,896)	-	(33,896)	
Unrealized gain or loss on available-for-sale financial assets	-	-	-	-	-	-	-	(373)	(373)	
Other comprehensive loss for the year	-	-	-	-	-	(5,986)	-	-	(5,986)	
Balance at December 31, 2017	\$ 668,106	\$ -	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	(\$ 32,988)	\$ 4,683,639	

Note 1: The directors' and supervisors' remuneration (bonus) of \$228 for the year ended December 31, 2015 has been deducted from the statement of comprehensive income.

Note 2: The directors' and supervisors' remuneration (bonus) of \$475 for the year ended December 31, 2016 has been deducted from the statement of comprehensive income.

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	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 763,992	\$ 851,218
Adjustments			
Adjustments to reconcile profit (loss)			
Interest income		(4,362)	(3,840)
Dividend income		(1,145)	(3,389)
Salary expense-employee stock options	6(7)(12)	-	422
Gain on valuation of financial assets	6(2)	(280)	(252)
Share of profit of associates and joint ventures accounted for under equity method	6(5)	(791,864)	(880,677)
Impairment loss	6(4)	13	-
Other income	6(4)	(3,610)	(540)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		304,569	(349,919)
Other receivables		145	112
Other receivables-related parties		(4,859)	(69)
Other current assets		(10,000)	-
Changes in operating liabilities			
Other payables		(337)	5,078
Other payables - related parties		(199)	(33)
Preference share liabilities-non-current		733	196
Cash inflow (outflow) generated from operations		252,796	(381,693)
Interest received		2,226	3,921
Dividends received		801,406	653,215
Income tax paid		(1,365)	(4,919)
Net cash flows from operating activities		1,055,063	270,524
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,816	462
Other current financial assets		95,948	137,895
Increase in investments accounted for using the equity method-sub-subsidiaries	6(5)	(89,474)	-
Proceeds from reduction of capital of investee company	6(5)	176,400	196,000
Proceeds from capital reduction of investee company	6(4)	-	540
Increase in available-for sale financial assets-current		(10,301)	-
Other receivables-related parties		29,000	-
Increase in financial assets carried at cost - noncurrent	6(4)	-	(81)
Decrease in financial assets at cost	6(4)	3,610	-
Net cash flows from investing activities		206,999	334,816
CASH FLOWS FROM FINANCING ACTIVITIES			
Employee stock options exercised		37,488	61,810
Cash dividends paid	6(10)	(757,173)	(639,352)
Net cash flows used in financing activities		(719,685)	(577,542)
Net increase in cash and cash equivalents		542,377	27,798
Cash and cash equivalents at beginning of year		203,309	175,511
Cash and cash equivalents at end of year		\$ 745,686	\$ 203,309

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

ECOVE Environment Corporation
Proposed Profit Distribution Table
Year 2017

Item	Total
Unappropriated retained earnings of previous years	603,795,170
Less : Remeasurement arising on defined benefit plans is recognized in retained earnings in 2017	-5,986,344
Add : Net income of 2017	761,338,923
Less : 10% legal reserve	-76,133,892
Less : Special reserve	-32,139,096
Retained earnings available for distribution as of December 31, 2017	1,250,874,761
Cash dividends (Based on 66,871,148 outstanding shares at Jan. 31, 2018, NT\$9.68 per share)	-647,312,713
Unappropriated retained earnings	603,562,048

Unit : NT\$


Notes :

1. Prior period retained earnings include:
 - (1) Unappropriated retained earnings of NT\$5,962 before and including 2012.
 - (2) IFRSs adjustment of NT\$567,526,461 beginning retained earnings in 2012.
 - (3) IFRSs parallel books adjustment of NT\$36,262,747 in 2012.
2. Distribution will be made primarily by 2017 retained earnings; the insufficient amount will be reimbursed by undistributed retained earnings before 2016.
3. For the proposed distribution date, shares for distribution are based on outstanding shares by the end of January 31, 2018; the actual shares for distribution will be based on the actual outstanding shares on the record date.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2017 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, 2018

ECOVE Environment Corporation
The Directors' and Employees' Remuneration of 2017

- (1) It is processed in accordance with the Article 29 of "Articles of Incorporation" of the Company.
- (2) The 2017 pre-tax profit before remuneration distribution amounts to NT \$769,550,729. The Board of Directors of the Company resolved that NT\$5,200,000 (contribution rate :0.68%) of the directors' remuneration and NT\$358,506 (contribution rate:0.05%) of the employees' remuneration will be distributed by cash. There is no difference between the amount of employees' compensation and directors' remuneration recognized in the 2017 financial statements.

ECOVE Environment Corporation
The status of the Company's Guarantees and Endorsements
December 31, 2017

unit : NT\$ Thousand

Target \ Item	Guarantees and Endorsements	
	as of 2017/12/31	as of 2016/12/31
GD Development Corp.	631,253	667,708
Total	631,253	667,708

Note : (2017.12.31 Net worth : 4,683,639 thousand)

1. The ceiling on the total amount of endorsements or guarantees made by the Company is NT\$14,050,917 thousand.
2. The ceiling on the total amount of endorsements or guarantees for any single enterprise is NT\$9,367,278 thousand.

ECOVE Environment Corporation Articles of Incorporation

Amended on June 26, 2017

Chapter I General

- Article 1 This company is incorporated under the Company Act of the Republic of China, in the name of "ECOVE Environment Corporation" (hereinafter the "Company").
- Article 2 Scope of the Company's business activities include the following:
H201010 Investment
- Article 3 The Company has established its headquarter in Taipei, R.O.C., and may establish branches within or outside of the territory of R.O.C. upon the board's resolution when necessary.
- Article 4 Public announcement of the Company shall be made in accordance with Article 28 of the Company Act.
Upon the Company goes public, the public announcement of the Company shall be made in accordance with the relevant rules and regulations as established by the competent authority.
- Article 4-1 To the extent of the necessary practice, the Company may make endorsement and guarantee according to the rules governing procedure for making of endorsements or guarantees.

Chapter II Capitals

- Article 5 The Company has an authorized capital of NT\$800,000,000, divided into 80,000,000 shares at NT\$10 dollars par value per share. The Company hereby authorizes the Board of Directors to issue the said shares in installments.
In respect to the aforementioned capital, a total of NT\$60,000,000, divided into 6,000,000 shares at NT\$10 dollars par value per share, shall be reserved for issuing employee stock options in installments pursuant to the Company's board resolution.
- Article 6 The total amount of the Company's reinvestment is not be subject to the restriction of not more than forty percent of the Company's paid-up capital as provided in Article 13 of the Company Act. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.

- Article 7 The shares of the Company shall be name-bearing shares duly signed and sealed by a minimum of three directors, assigned serial numbers and clearly identified all items as required under Article 162 of the Company Law and issued after having been authenticated by the competent authority or the registration institution issuing the shares.
The stock certificates of the Company may be made without physical certificates. However, the stock of the Company shall be registered with the securities centralized depository institution.
- Article 8 Unless otherwise provided by the law and securities regulations, the shareholders' handling of stock affairs and exercise of their rights shall be governed by "Criteria Governing Handling of Stock Affairs by Public Companies."
- Article 9 Deleted.
- Article 10 Changes to the shareholders roster shall be made in accordance with Article 165 of the Company Act.

Chapter III Shareholders' Meeting

- Article 11 There are two types of shareholders' meeting:
(1) General shareholders' meeting, which shall be convened at least once a year within six months after the end of each fiscal year by the Board of Directors.
(2) Special shareholders' meeting, which shall be convened when necessary.
- Article 12 The shareholders' meeting shall be chaired by the chairman. In the event where the chairman is absent or cannot exercise its duties for any reasons, Article 208 of the Company Act shall govern.
- Article 13 Notice to convene a shareholders' meeting shall be made pursuant to Article 172 of the Company Act.
Shareholders' proposals shall be made in accordance with Article 172-1 of the Company Act.
- Article 14 Where a shareholder cannot attend the shareholders' meeting for any reasons, he or she may appoint a representative to attend the meeting and exercise his or her rights on his or her behalf pursuant to Article 177 of the Company Act.
- Article 15 Except as provided in Article 157 Item 3 and Article 179 Paragraph 2 of the Company Act, the shareholder shall have one voting right for each share owned in the Company.
When the Company convenes a shareholders' meeting, the shareholders

may exercise its voting right in writing or electronically.

Article 16 Except as provided in the Company Act and other relevant rules and regulations, the shareholders' resolution shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting representing more than half of the total number of issued shares.

Resolutions adopted at the shareholders' meeting shall be recorded in the meeting minutes and items recorded therein shall be made in accordance with the relevant laws and regulations.

Article 16-1 In the event where the Company needs to withdraw from public offering, the Company shall submit such issue to the shareholders' meeting for resolution. This provision shall not be amended during the period when the Company is being publicly traded over the counter or in the stock exchange market.

Chapter IV Directors and Audit Committee

Article 17 The Company shall have five to nine directors, who shall hold the office for a term of three years and be elected from people with legal capacity at the shareholders' meeting. Directors are eligible for reelection. The election of directors shall be made in cumulative vote by open ballots. Each share shall enjoy as many votes as the number of directors' positions up for election. Shareholders may concentrate their full share of votes on one or several candidates. Candidates who receive the most votes shall be elected as directors. Where it is necessary to amend the aforementioned method of election, in addition to complying with Article 172 of the Company Act, the Company shall include such matter in the notice of convening shareholders' meeting and explain the key contents thereof.

The total amount of the nominated shares held by all directors shall be determined in accordance with the regulations set forth by the competent authority.

Article 17-1 Two to three of the aforementioned directors shall be independent directors.

The directors (including independent directors) shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.

Professional qualification, number of shareholdings, restrictions regarding holding other jobs, nomination and election of independent directors and other compliance matters shall be governed by the relevant regulations set forth by the competent authority.

Article 17-2 In compliance with Article 14-4 of the Securities and Exchange Act, the Company shall establish an Audit Committee, which shall consist of the entire number of independent directors. The Audit Committee or the members of Audit Committee shall be delegated the power as set forth in the provisions regarding supervisors in the Company Act, the Securities and Exchange Act, and other laws and regulations.

Article 18 The Board of Directors shall have the authority to perform the followings:

- (1) Set out business guidelines
- (2) Draft proposals for distribution of profits, loss recovery, amendment of Articles of Incorporation, changes to the authorized capital and dissolution or mergers of the Company
- (3) Resolve matters related to the offering, issuance or private placement of equity-type securities
- (4) Approve important bylaws related to internal control mechanisms and material business or financial contracts of the Company
- (5) Appoint or remove financial officers, accounting officers, internal auditing officers and other executing officers
- (6) Resolve matters related to the appointment, removal or remuneration of the certified public accountant of the Company
- (7) Amend guidelines and procedure regarding material financial and business conducts of the Company such as acquisition and disposal of assets, derivatives trading, lending of capital, endorsements and guarantees and disclosure of financial forecasts, etc.
- (8) Establish or dissolve branches
- (9) Provide budget and financial reports
- (10) Other authority as granted by the Company Act or by the shareholders' resolution

Article 19 A Board of Directors' meeting shall be attended by more than half of the directors and the directors shall elect amongst themselves a chairman. The chairman shall externally represent the Company

Article 20 Unless otherwise provided by the Company Act, the Board of Directors' meeting shall be convened by the chairman and the directors shall attend the meeting in person. If the Board of Directors' meeting is convened by video conference, a director attending the meeting by video conference shall be deemed to have attended the meeting in person.

In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director, by means of written document, email or facsimile, no later than 7 days prior to the scheduled meeting date. However, in case of emergency, a meeting may be convened at any time.

Unless otherwise provided by the Company Act, the board resolution

shall be adopted with the concurrence of the majority of the directors present at the meeting representing more than half of the directors.

Article 20-1 The Company may set up various functional committees under the Board of Directors. Each functional committee shall stipulate the operating rules for its functioning and such operating rules shall only take effect after the approval of the Board of Directors.

Article 21 The board meeting shall be chaired by the chairman. In the event where the chairman is absent or cannot exercise its duties for any reasons, Article 208 of the Company Act shall govern.

A director may, by a written proxy, appoint another director to attend the board meeting on its behalf and to vote on his or her behalf within the scope of authority granted; provided that a director may only act as proxy on behalf of one other director.

Resolutions adopted at the Board of Directors' meeting shall be recorded in the meeting minutes duly signed or sealed by the chairman.

Article 22 Deleted.

Article 23 The Company hereby authorizes the Board of Directors to determine the remuneration of the directors and chairman of the Company in accordance with the level of contribution to the Company made by each of the said directors and chairman and with reference to the industry standards.

Chapter V Human Resources

Article 24 The Company may establish several managers. The appointment, removal and remuneration of managers of the Company shall be made in accordance to Article 29 of the Company Act.

Article 25 Deleted.

Chapter VI Financial Reports

Article 26 The fiscal year of the Company shall commence on January 1 of each year until December 31 of the same year. At the end of each fiscal year, the Board of Directors shall prepare the following documents to be audited by the Audit Committee and submitted them for the shareholders' approval at the general meeting of the shareholders:

- (1) Business report
- (2) Financial statements
- (3) Proposal for profit distribution or covering of losses

Article 27 Deleted.

Chapter VII Profit Allocation

Article 28 The allocation of dividends and bonuses shall be made in accordance with the shareholding ratio of each shareholder. Where the Company did not earn any profit, the Company shall not allocate dividends and bonuses.

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%.

Article 31 Deleted.

Chapter VIII Miscellaneous

Article 32 The internal organizational bylaws and procedural rules shall be set out separately.

- Article 33 All matters that are not provided for herein shall be subject to the Company Act and other applicable laws and regulations.
- Article 34 These Articles of Incorporation were approved at the promoters' meeting by all promoters on December 8, 1999.
The first amendment was approved on June 27, 2002,
Article 17-1 of this Articles of Incorporation was amended in accordance with Article 183 of the Securities and Exchange Act,
the second amendment on June 20, 2007,
the third amendment on June 26, 2009,
the fourth amendment on June 17, 2010,
the fifth amendment on June 25, 2013,
the sixth amendment on June 23, 2014
the seventh amendment on June 21, 2016
The eighth amendment on June 26, 2017
- Article 35 This Articles of Incorporation shall become effective upon the approval by the shareholders' meeting. The same shall apply to the amendment hereto.

ECOVE Environment Corporation
Chairman J. J. Liao

ECOVE Environment Corporation
Rules Governing Procedure for Shareholders' Meetings

Amended on June 26, 2009

- Article 1 Unless otherwise provided by laws, regulations or Articles of Incorporation , the shareholders' meeting shall be governed by the Rules.
- Article 2 The Company shall prepare an attendance sheet for the attending shareholders or the proxies to sign or the attending shareholders shall hand in an attending card to indicate their presence. The number of the shares present at the shareholders' meeting shall be calculated based on the attendance sheet or the attending cards handed in.
- Article 3 The attendance of and voting at the shareholders' meeting shall be calculated based on shares.
- Article 4 The shareholders' meeting shall be held at the location of the Company or at the location that is convenient for the shareholders to attend and appropriate for convening shareholders' meeting thereat. The time of the meeting shall not be earlier than 9am or later than 3pm.
- Article 5 If the shareholders' meeting is convened by the board of directors, the shareholders' meeting shall be chaired by the chairman. If the chairman is absent or cannot exercise its duties for any reasons, the chairman shall appoint a director to represent him or her at the shareholders' meeting. Where the chairman did not appoint any representative, the directors shall choose a person among them to do so.
- Article 6 The Company may appoint its attorneys, accountants or other related persons to attend the shareholders' meeting as non-voting observers.
- Article 7 The entire proceedings of the shareholders' meeting shall be recorded on audio or video tape. Such audio or video tape shall be kept for at least 1 year.
- Article 8 The chair of the shareholders' meeting shall immediately announce the commencement of the shareholders' meeting when it is time to commence, provided that where shareholders representing more than half of the total issued shares are absent from the shareholders' meeting, the chair may announce the postponement of the shareholders' meeting. However, the shareholders' meeting can only be postponed twice and the total period of postponement cannot exceed one hour. If, after two postponements, the quorum is still not satisfied, but the attending shareholders represent more than one third of the total issued shares, a provisional resolution may be made pursuant to Paragraph 1 of Article 175 of the Company Act. Before the closing of that shareholders' meeting, if the attending shareholders represent more than half of the total issued shares, the chair may submit the provisional resolution to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.
- Article 9 If the shareholders' meeting is convened by the board of directors, the agenda of the meeting shall be determined by the board of directors. The shareholders' meeting shall proceed in the order of proposed agenda. Such order shall not be

changed without the approval of the shareholders' meeting.

The above provision applies is also applicable to the Meeting which is convened by the person who does not belong to the Board of Directors.

Before the proposed agenda (including extempore motions) is decided, without the approval of the shareholders' meeting, the chair shall not announce the adjournment of the shareholders' meeting.

Members of the board shall provide help to shareholders to vote a Chairman with majority of present shareholders in accordance of the statutory process when the Chairman adjourn the Meeting in violation of Rules and Procedures.

After the adjournment of the shareholders' meeting, the shareholders shall not elect another chair to continue the shareholders' meeting at the same location or at another location.

Article 10 Before an attending shareholder makes a statement, he or she shall first fill out a statement slip indicating the subject of his or her statement, the shareholder's account number (or the attendance identification number) and the shareholder's name. The chair shall determine the order in which the shareholders shall make the statement.

Where an attending shareholder only submits a statement slip but did not make any statement, he or she shall be deemed to have not spoken. Where the content of the oral statement is different from that indicated on the statement slip, the content of the oral statement shall prevail.

When an attending shareholder is making a statement, the other shareholders shall not interrupt unless otherwise agreed to by the chair and the speaking shareholder. In case of violation, the chair shall stop the disturbance.

Article 11 For every proposal discussed, unless otherwise agreed to by the chair of the shareholders' meeting, each shareholder shall not speak for more than twice and each time shall not exceed 5 minutes. Any shareholder violating the abovementioned rule or whose statement exceeds the scope of the proposal, the chair may interrupt and stop such shareholder from speaking.

Article 12 Where a juristic person is delegated to attend the shareholders' meeting, such juristic person can only appoint one person to attend the shareholders' meeting. Where a juristic person appoints more than 2 representatives to attend the shareholders' meeting, only one of such representatives may speak for each proposal.

Article 13 When an attending shareholder speaks, the chair may answer such shareholder directly or appoint a related person to answer.

Article 14 With respect to the discussion of a proposal, where the chair is of the opinion that a matter has been sufficiently discussed to the extent that a vote may proceed, he or she may conclude the discussion and bring the matter to vote.

Article 15 People supervise and count the votes for the voting of a proposal shall be appointed by the chair, provided that the person supervising the vote shall be a shareholder of the Company. The result of the vote shall be announced on site and shall be recorded in the meeting minutes.

Article 16 During the course of the shareholders' meeting, the chair may announce a break at the times that he or she deems appropriate.

Article 17 Unless otherwise provided by the Company Act or by the Articles of

Incorporation, a proposal shall be adopted by a majority vote of the shareholders present. When voting for a proposal, if no objection is expressed when the chair puts the matter before the shareholders present at the shareholders' meeting, the proposal shall be deemed to have been adopted. The effect of such adoption shall be the same as adoption by votes.

If there's any objection, shareholder shall vote for it in accordance of above rules.

Article 18 Where there is an amendment proposal or alternative proposal for the same issue, the chair shall determine the order of voting of such proposals together with the original proposal for the same issue. However, if a proposal has been approved, the other proposals shall be deemed to have been vetoed and need not be voted again.

Article 19 The chair may direct the rectifiers (or security personnel) to assist in maintaining order at the shareholders' meeting. When the rectifiers (or security personnel) provide assistance to maintain the order at the shareholders' meeting, they shall wear the badge indicating that they are the rectifiers.

Article 20 The Rules shall come into force upon the adoption by the shareholders' meeting. The same shall apply to the amendment hereof.

ECOVE Environment Corporation
Shareholdings of All Directors

Record Date: April 2, 2018

Title	Name	Shares	%	Representative
Chairman	CTCI Corporation	38,457,105	57.46	J. J. Liao
Director	CTCI Corporation			Y. P. Shih
Director	Parkwell Investment Limited	1,060,000	1.58	Kuan Shen Wang
Director	Yangming Liu	0	0.00	NA
Director	Eugene Chien	0	0.00	NA
Director	Wen whe Pan	0	0.00	NA
Independent Director	Shean Bii Chiu	0	0.00	NA
Independent Director	Shuh Woei Yu	0	0.00	NA
Independent Director	James Tsai	0	0.00	NA
Total number of shares held by all Directors		39,517,105	59.04	

- (1) Total shares issued as of April 2, 2018: 66,932,898 common shares and the total paid-up capital of April 2, 2018: NT\$669,328,980.
- (2) The minimum required combined shareholding of all Directors by law: 5,354,632 shares.

Others

1. The process of proposals raised by shareholders during this annual general meeting:
 - 1) According to Article 172-1 of The Company Act, shareholders with more than 1% ownership interest are entitled to raise a maximum of one proposal less than 300 words to the company in writing, which will be addressed during the annual general meeting.
 - 2) This year's annual general meeting was open to shareholders' proposals from March 19 to March 28, 2018, and these dates have been published on the Market Observation Post System in compliance with the relevant regulations.
 - 3) The Company did not receive any proposals from shareholders.