

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

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

***Introduction***

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

***Scope of Review***

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

***Basis for Qualified Conclusion***

As explained in Notes 4(3) B and 6(7), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets of NT\$3,066,701 thousand and NT\$1,274,017 thousand, constituting 31% and 17% of the consolidated total assets, and total liabilities of NT\$1,547,017 thousand and NT\$265,051 thousand, constituting 32% and 10% of the consolidated total liabilities as at June 30, 2019 and 2018, respectively, and total comprehensive income (including share of profit (loss) of associates and joint ventures accounted for using equity method and share of other comprehensive income of associates and joint ventures accounted for using equity method) of NT\$65,430 thousand, NT\$89,967 thousand, NT\$136,455 thousand and NT\$149,908 thousand,



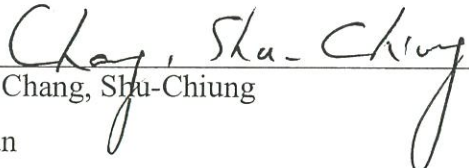
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constituting 25%, 30%, 26% and 30% of the consolidated total comprehensive income for the three-month and six-month periods then ended.

### *Qualified Conclusion*

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

  
Weng, Shih-Jung

  
Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

August 1, 2019

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

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

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

Assets	Notes	June 30, 2019		December 31, 2018		June 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 2,066,104	21	\$ 1,543,162	17	\$ 1,671,707	22
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		167,697	2	183,288	2	310,270	4
1120	Current financial assets at fair	6(3)						
	value through other comprehensive							
	income		124,618	1	102,201	1	145,994	2
1136	Current financial assets at	6(4)						
	amortised cost		72,903	1	301,238	3	219,507	3
1150	Notes receivable, net		47	-	1,321	-	180	-
1170	Accounts receivable, net	6(5)	1,140,727	11	1,041,171	12	1,086,733	14
1180	Accounts receivable - related	7						
	parties, net		2,538	-	1,717	-	9,104	-
1200	Other receivables		3,917	-	4,741	-	4,758	-
1210	Other receivables - related parties	7	14,766	-	24,646	-	552,309	7
130X	Inventories		67,468	1	63,854	1	47,843	-
1410	Prepayments	6(6)	298,239	3	266,503	3	296,290	4
1470	Other current assets	8	-	-	40,940	-	-	-
11XX	<b>Total current assets</b>		<u>3,959,024</u>	<u>40</u>	<u>3,574,782</u>	<u>39</u>	<u>4,344,695</u>	<u>56</u>
<b>Non-current assets</b>								
1517	Non-current financial assets at fair	6(3)						
	value through other comprehensive							
	income		543	-	543	-	543	-
1550	Investments accounted for under	6(7)						
	equity method		398,208	4	405,718	4	715,162	10
1600	Property, plant and equipment, net	6(8) and 8	2,253,800	23	2,131,233	24	163,844	2
1755	Right-of-use assets	6(9)	143,001	2	-	-	-	-
1780	Intangible assets	6(31)	136,153	1	136,153	2	12,463	-
1840	Deferred income tax assets		23,558	-	22,295	-	19,745	-
1900	Other non-current assets	6(10) and 8	2,982,661	30	2,804,983	31	2,445,659	32
15XX	<b>Total non-current assets</b>		<u>5,937,924</u>	<u>60</u>	<u>5,500,925</u>	<u>61</u>	<u>3,357,416</u>	<u>44</u>
1XXX	<b>Total assets</b>		<u>\$ 9,896,948</u>	<u>100</u>	<u>\$ 9,075,707</u>	<u>100</u>	<u>\$ 7,702,111</u>	<u>100</u>

(Continued)

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

Liabilities and Equity	Notes	June 30, 2019		December 31, 2018		June 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>								
2100	Short-term borrowings	6(11)	\$ 88,300	1	\$ 52,000	1	\$ -	-
2110	Short-term notes and bills payable	6(12)	250,913	3	-	-	-	-
2130	Current contract liabilities	6(23)	103,921	1	140,580	2	200,359	3
2150	Notes payable		502	-	1,032	-	-	-
2170	Accounts payable	6(13)	610,718	6	535,797	6	713,572	9
2180	Accounts payable - related parties	7	38,638	-	23,411	-	40,659	1
2200	Other payables	6(14)	684,239	7	467,937	5	594,954	8
2220	Other payables - related parties	7	452,445	5	6,481	-	412,452	5
2230	Current income tax liabilities		113,496	1	130,245	1	115,551	1
2280	Current lease liabilities	7	36,420	-	-	-	-	-
2300	Other current liabilities	6(15)(16)	153,273	2	139,437	1	124,164	2
21XX	<b>Total current liabilities</b>		<u>2,532,865</u>	<u>26</u>	<u>1,496,920</u>	<u>16</u>	<u>2,201,711</u>	<u>29</u>
<b>Non-current liabilities</b>								
2540	Long-term borrowings	6(16)	1,523,693	15	1,423,587	16	20,983	-
2570	Deferred income tax liabilities		201,398	2	204,300	2	193,586	3
2580	Non-current lease liabilities	7	76,060	1	-	-	-	-
2600	Other non-current liabilities	6(17)	525,430	5	529,541	6	345,089	4
25XX	<b>Total non-current liabilities</b>		<u>2,326,581</u>	<u>23</u>	<u>2,157,428</u>	<u>24</u>	<u>559,658</u>	<u>7</u>
2XXX	<b>Total liabilities</b>		<u>4,859,446</u>	<u>49</u>	<u>3,654,348</u>	<u>40</u>	<u>2,761,369</u>	<u>36</u>
<b>Equity attributable to owners of parent</b>								
<b>Share capital</b>								
3110	Common stock	6(20)	671,051	7	671,051	8	671,051	9
<b>Capital surplus</b>								
3200	Capital surplus	6(21)	2,198,617	22	2,193,473	24	2,188,608	28
<b>Retained earnings</b>								
3310	Legal reserve	6(22)	684,320	7	603,629	7	603,629	8
3320	Special reserve		2,243	-	32,284	-	32,284	-
3350	Unappropriated retained earnings		1,005,462	10	1,380,044	15	997,015	13
<b>Other equity interest</b>								
3400	Other equity interest		16,983	-	(2,243)	-	(14,165)	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>4,578,676</u>	<u>46</u>	<u>4,878,238</u>	<u>54</u>	<u>4,478,422</u>	<u>58</u>
36XX	<b>Non-controlling interest</b>	4(3)	<u>458,826</u>	<u>5</u>	<u>543,121</u>	<u>6</u>	<u>462,320</u>	<u>6</u>
3XXX	<b>Total equity</b>		<u>5,037,502</u>	<u>51</u>	<u>5,421,359</u>	<u>60</u>	<u>4,940,742</u>	<u>64</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 9,896,948</u>	<u>100</u>	<u>\$ 9,075,707</u>	<u>100</u>	<u>\$ 7,702,111</u>	<u>100</u>

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



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

Items	Notes	Three months ended June 30				Six months ended June 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000									
4000									
5000									
5900									
6200									
6000									
6900									
7010									
7020									
7050									
7060									
7000									
7900									
7950									
8200									
8316									
8349									
8310									
8361									
8300									
8500									
8610									
8620									
8710									
8720									
9750									
9850									

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

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

	Equity attributable to owners of the parent											
	Notes	Retained earnings					Cumulative translation differences of foreign operations	Other equity interest		Total	Non-controlling interest	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Unrealized 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			
<u>For the six-month period ended June 30, 2018</u>												
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		-	-	-	-	1,799	-	( 34,787 )	32,988	-	-	-
Balance at January 1, 2018 after adjustments		<u>668,106</u>	<u>2,161,029</u>	<u>527,495</u>	<u>145</u>	<u>1,360,947</u>	<u>704</u>	<u>( 34,787 )</u>	<u>-</u>	<u>4,683,639</u>	<u>547,243</u>	<u>5,230,882</u>
Profit for the period		-	-	-	-	390,957	-	-	-	390,957	93,042	483,999
Other comprehensive income		-	-	-	-	697	11,156	8,762	-	20,615	( 2,840 )	17,775
Total comprehensive income		-	-	-	-	<u>391,654</u>	<u>11,156</u>	<u>8,762</u>	<u>-</u>	<u>411,572</u>	<u>90,202</u>	<u>501,774</u>
Appropriation of 2017 earnings	6(22)	-	-	-	-	-	-	-	-	-	-	-
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(21)	-	190	-	-	-	-	-	-	190	14	204
Employee stock options exercised	6(21)	2,945	27,389	-	-	-	-	-	-	30,334	-	30,334
Increase in non-controlling interests		-	-	-	-	-	-	-	-	-	8,225	8,225
Balance at June 30, 2018		<u>\$ 671,051</u>	<u>\$ 2,188,608</u>	<u>\$ 603,629</u>	<u>\$ 32,284</u>	<u>\$ 997,015</u>	<u>\$ 11,860</u>	<u>(\$ 26,025)</u>	<u>\$ -</u>	<u>\$ 4,478,422</u>	<u>\$ 462,320</u>	<u>\$ 4,940,742</u>
<u>For the six-month period ended June 30, 2019</u>												
Balance at January 1, 2019		\$ 671,051	\$ 2,193,473	\$ 603,629	\$ 32,284	\$ 1,380,044	\$ 3,626	(\$ 5,869)	\$ -	\$ 4,878,238	\$ 543,121	\$ 5,421,359
Profit for the period		-	-	-	-	402,617	-	-	-	402,617	98,581	501,198
Other comprehensive income		-	-	-	-	-	( 9,819 )	28,571	-	18,752	1,711	20,463
Total comprehensive income		-	-	-	-	<u>402,617</u>	<u>( 9,819 )</u>	<u>28,571</u>	<u>-</u>	<u>421,369</u>	<u>100,292</u>	<u>521,661</u>
Appropriation of 2018 earnings	6(22)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	80,691	-	( 80,691 )	-	-	-	-	-	-
Reversal of special reserve		-	-	-	( 30,041 )	30,041	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 726,078 )	-	-	-	( 726,078 )	( 184,766 )	( 910,844 )
Share-based payment transactions	6(21)	-	5,007	-	-	-	-	-	-	5,007	319	5,326
Disposal of financial assets at fair value through other comprehensive income		-	-	-	-	( 471 )	-	471	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(21)	-	137	-	-	-	-	3	-	140	( 140 )	-
Balance at June 30, 2019		<u>\$ 671,051</u>	<u>\$ 2,198,617</u>	<u>\$ 684,320</u>	<u>\$ 2,243</u>	<u>\$ 1,005,462</u>	<u>(\$ 6,193)</u>	<u>\$ 23,176</u>	<u>\$ -</u>	<u>\$ 4,578,676</u>	<u>\$ 458,826</u>	<u>\$ 5,037,502</u>

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

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

	Notes	For the six-month periods ended June 30,	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 604,482	\$ 626,722
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(27)	78,138	11,296
Depreciation - right-of-use	6(9)(27)	19,585	-
Amortization	6(27)	4,874	6,832
Interest expense		19,302	1,127
Interest expense - lease liabilities		362	-
Interest income	6(24)	( 7,958 )	( 8,055 )
Salary expense - employee stock options	6(19)(28)	4,966	-
Gain on valuation of financial assets	6(25)	( 1,467 )	( 1,077 )
Share of profit of associates and joint ventures accounted for under equity method	6(7)	( 22,873 )	( 24,203 )
Gain on disposal of property, plant and equipment	6(25)	161	( 132 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		27,841	125,144
Notes receivable, net		1,274	54
Accounts receivable, net		( 99,556 )	( 139,509 )
Accounts receivable - related parties, net		( 821 )	( 982 )
Other receivables		15,574	( 2,668 )
Other receivables-related parties		-	16,863
Inventories		( 3,614 )	( 2,492 )
Prepaid expense		( 31,736 )	( 83,170 )
Other non-current assets		144,771	137,411
Changes in operating liabilities			
Current contract liabilities		( 36,659 )	200,359
Notes payable		( 530 )	( 189 )
Accounts payable		74,921	93,885
Accounts payable - related parties		15,227	12,577
Other payables		( 129,885 )	( 84,257 )
Other payables - related parties		833	( 3,675 )
Other current liabilities		12,418	( 11,383 )
Other non-current liabilities		( 706 )	3,081
Cash inflow generated from operations		688,924	873,559
Interest received		7,412	6,541
Interest paid		( 19,336 )	( 1,212 )
Income tax paid		( 132,975 )	( 76,508 )
Net cash flows from operating activities		<u>544,025</u>	<u>802,380</u>

(Continued)



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

	Notes	For the six-month periods ended June 30,	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		\$ 7,114	\$ -
Acquisition of financial assets measured at fair value through other comprehensive income		-	( 27,500 )
Decrease (increase) in financial assets at amortised cost		228,335	( 33,597 )
Decrease (increase) in other receivables - related parties		9,874	( 493,000 )
Interest received		12	1,334
Decrease in other current assets		-	10,000
Acquisition of property, plant and equipment	6(8)	( 33,540 )	( 33,524 )
Proceeds from disposal of property, plant and equipment		2,187	263
(Increase) decrease in refundable deposits		( 2,468 )	2,873
Net cash flow from acquisition of subsidiaries (net of cash acquired)	6(31)	-	( 49,440 )
Increase in other non-current assets		( 11,287 )	-
Increase in prepayment for business facilities		( 471,413 )	-
Net cash flows used in investing activities		( 271,186 )	( 622,591 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans	6(34)	( 170,000 )	-
Increase in short-term loans	6(34)	206,300	-
Increase in short-term notes and bills payable		251,000	-
Repayment of lease liabilities		( 11,996 )	-
Proceeds from long-term loans	6(34)	185,700	-
Repayment of long-term loans	6(34)	( 87,918 )	( 88,200 )
(Decrease) increase in deposits received (shown in other non-current liabilities)		( 3,405 )	15,287
Employee stock options exercised		-	30,334
Cash dividends paid	6(33)	( 119,578 )	( 127,558 )
Increase in non-controlling interests		-	4,100
Net cash flows from (used in) financing activities		250,103	( 166,037 )
Net increase in cash and cash equivalents		522,942	13,752
Cash and cash equivalents at beginning of period		1,543,162	1,657,955
Cash and cash equivalents at end of period		\$ 2,066,104	\$ 1,671,707

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

(UNAUDITED)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were reported to the Board of Directors on August 1, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

## IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$130,771, increased 'lease liability' by \$91,660 and decreased other non-current assets by \$39,111 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$6,043 was recognized for the six-month period ended June 30, 2019.
  - (d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
  - (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate of 0.68%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

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

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

None.

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

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

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

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
ECOVE Environment Corp.	ECOVE Waste Management Corp.	Environmental engineering	100.00	100.00	100.00	
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Environmental engineering	74.999	74.999	74.999	
ECOVE Environment Service Corp.			0.001	0.001	0.001	
ECOVE Environment Corp.	ECOVE Environment Service Corp.	Environmental engineering	93.15	93.15	93.15	
ECOVE Waste Management Corp.			0.01	0.01	0.01	
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Environmental engineering	100.00	98.00	98.00	Note 6
ECOVE Environment Service Corp.			-	2.00	2.00	
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Environmental engineering	100.00	60.00	60.00	Notes 4 and 7
ECOVE Waste Management Corp.			-	40.00	40.00	
ECOVE Environment Service Corp.	SINO GAL-Waste Services Co., Ltd.	Environmental engineering	30.00	30.00	30.00	Notes 1 and 4
ECOVE Environment Service Corp.	ECOVE Environment Consulting Corp.	Environmental engineering	100.00	100.00	100.00	Note 4
ECOVE Environment Corp.	ECOVE Solvent Recycling Corporation	Environmental engineering	89.99	89.99	89.99	Notes 2 and 4
ECOVE Environment Service Corp.			0.01	0.01	0.01	

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Energy sector	100.00	100.00	-	Note 3
ECOVE Solar Energy Corporation	ECOVE Solar Power Corporation	Energy sector	100.00	100.00	-	Notes 3 and 5
ECOVE Solar Energy Corporation	ECOVE Central Corporation Ltd.	Energy sector	100.00	100.00	-	Notes 3 and 5
ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	Energy sector	100.00	100.00	-	Notes 3 and 5
ECOVE Solar Energy Corporation	G.D. International, LLC.	Energy sector	100.00	100.00	-	Notes 3 and 5
G.D. International, LLC.	Lumberton Solar W2-090, LLC.	Energy sector	100.00	100.00	-	Notes 3 and 5

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

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

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

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

Note 5: The financial statements of the entity as of and for the six-month periods ended June 30, 2019 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary.

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

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

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

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

E. Significant restrictions: None.

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

As of June 30, 2019, December 31, 2018 and June 30, 2018, the non-controlling interest amounted to \$458,826, \$543,121 and \$462,320, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		June 30, 2019		December 31, 2018		June 30, 2018	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
ECOVE Miaoli Energy Corp.	Taiwan	\$ 321,845	25.00%	\$ 334,656	25.00%	\$ 316,528	25.00%
SINOGAL-Waste Services Co., Ltd.	Macau	86,702	70.00%	135,150	70.00%	83,428	70.00%

Summarised financial information of the subsidiaries:

Balance sheets

	ECOVE Miaoli Energy Corp.		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 276,837	\$ 175,062	\$ 243,619
Non-current assets	1,277,701	1,337,570	1,398,364
Current liabilities	( 189,721)	( 102,176)	( 302,674)
Non-current liabilities	( 77,437)	( 71,831)	( 73,195)
Total net assets	<u>\$ 1,287,380</u>	<u>\$ 1,338,625</u>	<u>\$ 1,266,114</u>

	SINOGAL-Waste Services Co., Ltd.		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 360,038	\$ 403,137	\$ 355,241
Non-current assets	3,432	5,683	7,817
Current liabilities	( 176,242)	( 155,808)	( 186,598)
Non-current liabilities	( 63,368)	( 59,941)	( 57,277)
Total net assets	<u>\$ 123,860</u>	<u>\$ 193,071</u>	<u>\$ 119,183</u>



Statements of comprehensive income

	<u>ECOVE Miaoli Energy Corp.</u>	
	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue	\$ 86,990	\$ 84,466
Profit before income tax	40,338	42,881
Income tax expense	( 8,091)	( 8,619)
Profit for the period	32,247	34,262
Other comprehensive loss, net of tax	-	-
Total comprehensive income for the period	<u>\$ 32,247</u>	<u>\$ 34,262</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 8,062</u>	<u>\$ 8,557</u>

	<u>ECOVE Miaoli Energy Corp.</u>	
	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue	\$ 165,423	\$ 168,393
Profit before income tax	80,997	84,744
Income tax expense	( 16,217)	( 28,136)
Profit for the period	64,780	56,608
Other comprehensive loss, net of tax	-	( 37)
Total comprehensive income for the period	<u>\$ 64,780</u>	<u>\$ 56,571</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 16,195</u>	<u>\$ 14,143</u>

	<u>SINOGAL-Waste Services Co., Ltd.</u>	
	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue	\$ 170,264	\$ 170,042
Profit before income tax	50,916	51,743
Income tax benefit (expense)	865	( 172)
Profit for the period	51,781	51,571
Other comprehensive income, net of tax	661	3,892
Total comprehensive income for the period	<u>\$ 52,442</u>	<u>\$ 55,463</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 36,709</u>	<u>\$ 38,824</u>
Dividends paid to non-controlling interest	<u>\$ 119,578</u>	<u>\$ 127,558</u>

<u>SINO GAL-Waste Services Co., Ltd.</u>		
<u>For the six-month periods ended June 30,</u>		
	<u>2019</u>	<u>2018</u>
Revenue	\$ 367,044	\$ 337,012
Profit before income tax	100,094	94,025
Income tax benefit (expense)	692	( 339)
Profit for the period	100,786	93,686
Other comprehensive income (loss), net of tax	830	( 4,502)
Total comprehensive income for the period	<u>\$ 101,616</u>	<u>\$ 89,184</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 71,131</u>	<u>\$ 62,429</u>
Dividends paid to non-controlling interest	<u>\$ 119,578</u>	<u>\$ 127,558</u>

Statements of cash flows

<u>ECOVE Miaoli Energy Corp.</u>		
<u>For the six-month periods ended June 30,</u>		
	<u>2019</u>	<u>2018</u>
Net cash provided by operating activities	\$ 21,383	\$ 98,298
Net cash used in investing activities	( 4,427)	-
Net cash used in financing activities	( 4,000)	( 88,000)
Increase in cash and cash equivalents	12,956	10,298
Cash and cash equivalents, beginning of period	1,582	28,303
Cash and cash equivalents, end of period	<u>\$ 14,538</u>	<u>\$ 38,601</u>

<u>SINO GAL-Waste Services Co., Ltd.</u>		
<u>For the six-month periods ended June 30,</u>		
	<u>2019</u>	<u>2018</u>
Net cash provided by operating activities	\$ 112,169	\$ 123,519
Net cash provided by investing activities	83,769	105,540
Net cash used in financing activities	( 173,207)	( 191,514)
Increase in cash and cash equivalents	22,731	37,545
Cash and cash equivalents, beginning of period	51,961	3,175
Cash and cash equivalents, end of period	<u>\$ 74,692</u>	<u>\$ 40,720</u>

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

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;

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

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

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

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash on hand and revolving funds	\$ 10,181	\$ 10,343	\$ 9,590
Checking accounts and demand deposits	558,121	422,288	354,645
Time deposits	<u>1,497,802</u>	<u>1,110,531</u>	<u>1,307,472</u>
Total	<u>\$ 2,066,104</u>	<u>\$ 1,543,162</u>	<u>\$ 1,671,707</u>

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

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

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

Items	June 30, 2019	December 31, 2018	June 30, 2018
Current items			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ 166,429	\$ 182,925	\$ 309,533
Valuation adjustment	1,268	363	737
Total	\$ 167,697	\$ 183,288	\$ 310,270

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

	For the three-month periods ended June 30,	
	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 707	\$ 612

	For the six-month periods ended June 30,	
	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 1,467	\$ 1,077

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

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

Items	June 30, 2019	December 31, 2018	June 30, 2018
Current items:			
Debt instruments			
Corporate bond	\$ -	\$ -	\$ 30,394
Valuation adjustment	-	-	( 2,830)
Subtotal	-	-	27,564
Equity instruments			
Listed stocks	98,761	106,367	143,111
Valuation adjustment	25,857	( 4,166)	( 24,681)
Subtotal	124,618	102,201	118,430
Total	\$ 124,618	\$ 102,201	\$ 145,994

<u>Items</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Non-current items:			
Equity instruments			
Unlisted stocks	2,342	2,342	2,342
Valuation adjustment	( 1,799)	( 1,799)	( 1,799)
Total	<u>\$ 543</u>	<u>\$ 543</u>	<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 three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	<u>\$ 14,896</u>	<u>\$ 10,198</u>
Cumulative gains (losses) reclassified to retained earnings due to derecognition	<u>\$ 184</u>	<u>\$ -</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Exchange gains recognized in profit or loss	<u>\$ -</u>	<u>(\$ 308)</u>
Fair value change recognized in other comprehensive income	<u>\$ -</u>	<u>\$ 47</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	<u>\$ 29,532</u>	<u>\$ 8,993</u>
Cumulative gains (losses) reclassified to retained earnings due to derecognition	<u>(\$ 491)</u>	<u>\$ -</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Exchange gains recognized in profit or loss	<u>\$ -</u>	<u>\$ 120</u>
Fair value change recognized in other comprehensive income	<u>\$ -</u>	<u>\$ 29</u>

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

(4) Financial assets at amortised cost

<u>Items</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current items:			
Time deposits with original maturity over 3 months	\$ <u>72,903</u>	\$ <u>301,238</u>	\$ <u>219,507</u>

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

B. As at June 30, 2019, December 31, 2018 and June 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$72,903, \$301,238 and \$219,507, respectively.

(5) Accounts receivable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Accounts receivable	\$ 856,370	\$ 762,525	\$ 813,550
Long-term accounts receivable - due in one year	<u>284,357</u>	<u>278,646</u>	<u>273,183</u>
	\$ <u>1,140,727</u>	\$ <u>1,041,171</u>	\$ <u>1,086,733</u>

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current	\$ 1,052,619	\$ 278,646	\$ 1,014,455
Up to 120 days	35,825	654,851	29,476
121 to 180 days	17,709	49,119	26,357
Over 180 days	<u>34,574</u>	<u>58,555</u>	<u>16,445</u>
	\$ <u>1,140,727</u>	\$ <u>1,041,171</u>	\$ <u>1,086,733</u>

The above ageing analysis was based on invoice date.

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

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

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

(6) Prepayments

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Prepayments for material purchases	\$ 169,215	\$ 199,314	\$ 261,112
Prepaid rents	4,179	3,277	3,297
Prepaid insurance premiums	24,906	20,953	14,546
Others	99,939	42,959	17,335
	<u>\$ 298,239</u>	<u>\$ 266,503</u>	<u>\$ 296,290</u>

(7) Investments accounted for under the equity method

	<u>2019</u>	<u>2018</u>
At January 1	\$ 405,718	\$ 666,510
Addition of investments accounted for under the equity method	-	27,500
Share of profit or loss of investments accounted for using the equity method	22,873	24,203
Earnings distribution of investments accounted for using equity method	( 14,210)	( 13,997)
Changes in other equity items	( 16,173)	10,946
At June 30	<u>\$ 398,208</u>	<u>\$ 715,162</u>

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Associates:			
CTCI Chemicals Corp.	\$ 60,380	\$ 64,214	\$ 58,048
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	288,654	292,168	302,276
Ever Ecove Corporation	49,174	49,336	-
Joint ventures:			
ECOVE Solar Energy Corporation (formerly known as G.D. Development Corp.)	-	-	354,838
	<u>\$ 398,208</u>	<u>\$ 405,718</u>	<u>\$ 715,162</u>



A. Associates

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

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

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

Balance sheet

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 1,069,931	\$ 300,925	\$ 1,105,879
Non-current assets	468,432	788,200	371,498
Current liabilities	(475,172)	(10,906)	(351,170)
Total net assets	<u>\$ 1,063,191</u>	<u>\$ 1,078,219</u>	<u>\$ 1,126,207</u>
Share in associate's net assets	\$ 212,639	\$ 215,643	\$ 225,241
Land-use right	510	1,020	1,530
Goodwill	<u>75,505</u>	<u>75,505</u>	<u>75,505</u>
Carrying amount of the associate	<u>\$ 288,654</u>	<u>\$ 292,168</u>	<u>\$ 302,276</u>

Statement of comprehensive income

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the three-month periods ended June 30,	
	2019	2018
Revenue	\$ 636,109	\$ 413,670
Profit (loss) for the period from continuing operations	53,387 (	528)
Other comprehensive income (loss), net of tax	( 85,905)	34,591
Total comprehensive income (loss)	(\$ 32,518)	\$ 34,063

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the six-month periods ended June 30,	
	2019	2018
Revenue	\$ 916,966	\$ 653,477
Profit for the period from continuing operations	67,591	6,946
Other comprehensive income (loss), net of tax	( 82,616)	32,434
Total comprehensive income (loss)	(\$ 15,025)	\$ 39,380

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

As of June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amount of the Group's individually immaterial associates amounted to \$109,554, \$113,550 and \$58,048, respectively.

	For the three-month periods ended June 30,	
	2019	2018
Total comprehensive income	\$ 5,731	\$ 4,362

	For the six-month periods ended June 30, June 30,	
	2019	2018
Total comprehensive income	\$ 9,865	\$ 9,899

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
		June 30, 2019	December 31, 2018	June 30, 2018		
ECOVE Solar Energy Corporation	Taiwan	100%	100%	50%	Strategic investment	Equity method

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

Balance sheet

	ECOVE Solar Energy Corporation	
	June 30, 2018	
Cash and cash equivalents	\$	30,793
Other current assets		443,769
Current assets		474,562
Non-current assets		930,991
Total assets	\$	1,405,553
Current financial liabilities	\$	319,826
Other current liabilities		23,846
Current liabilities		343,672
Non-current liabilities		352,181
Total liabilities	\$	695,853
Total net assets	\$	709,700
Share in joint venture's net assets	\$	354,850
Carrying amount of the joint venture	\$	354,838

## Statement of comprehensive income

	<u>ECOVE Solar Energy Corporation</u>	
	<u>For the three-month period ended</u>	
	<u>June 30, 2018</u>	
Revenue	\$	17,083
Depreciation and amortisation	(	5,376)
Interest income		86
Interest expense	(	1,697)
Profit before income tax		13,656
Income tax expense	(	1,486)
Profit for the period		12,170
Other comprehensive gain, net of tax		16,140
Total comprehensive income	\$	28,310

	<u>ECOVE Solar Energy Corporation</u>	
	<u>For the six-month period ended</u>	
	<u>June 30, 2018</u>	
Revenue	\$	29,543
Depreciation and amortisation	(	10,752)
Interest income		238
Interest expense	(	3,418)
Profit before income tax		26,947
Income tax expense	(	3,037)
Profit for the period		23,910
Other comprehensive gain, net of tax		8,538
Total comprehensive income	\$	32,448

### C. Explanation of the Group's holding in 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. The Group invested in ECOVE Solar Energy Corporation, amounting to \$27,500 in March 2018.
- (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(31) 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 during its meeting on July 30, 2018. The Group's ownership in EVER ECOVE Corporation is less than 20%, but one of the directors also holds directorship of EVER ECOVE Corporation, therefore this investment is accounted for using the equity method.
- E. The financial statements of the investees accounted for using equity method as of and for the six-month period ended June 30, 2018 were not reviewed by the independent accountants.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Transportation</u>	<u>Unfinished construction</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>							
Cost	\$ 171,883	\$ 516	\$ 1,916,471	\$ 103,234	\$ 108,997	\$ 14,560	\$ 2,315,661
Accumulated depreciation	-	( 111)	( 112,502)	( 65,938)	-	( 5,877)	( 184,428)
	<u>\$ 171,883</u>	<u>\$ 405</u>	<u>\$ 1,803,969</u>	<u>\$ 37,296</u>	<u>\$ 108,997</u>	<u>\$ 8,683</u>	<u>\$ 2,131,233</u>
<u>For the six-month period ended June 30, 2019</u>							
Opening net book amount	\$ 171,883	\$ 405	\$ 1,803,969	\$ 37,296	\$ 108,997	\$ 8,683	\$ 2,131,233
Additions	-	-	9,396	770	23,283	91	33,540
Transfer	-	-	161,464	-	-	-	161,464
Disposals	-	-	( 2,342)	-	-	( 6)	( 2,348)
Depreciation charge	-	( 83)	( 71,726)	( 4,927)	-	( 1,402)	( 78,138)
Net exchange differences	1,140	-	6,901	2	-	6	8,049
Closing net book amount	<u>\$ 173,023</u>	<u>\$ 322</u>	<u>\$ 1,907,662</u>	<u>\$ 33,141</u>	<u>\$ 132,280</u>	<u>\$ 7,372</u>	<u>\$ 2,253,800</u>
<u>At June 30, 2019</u>							
Cost	\$ 173,023	\$ 516	\$ 2,091,769	\$ 104,033	\$ 132,280	\$ 14,589	\$ 2,516,210
Accumulated depreciation	-	( 194)	( 184,107)	( 70,892)	-	( 7,217)	( 262,410)
	<u>\$ 173,023</u>	<u>\$ 322</u>	<u>\$ 1,907,662</u>	<u>\$ 33,141</u>	<u>\$ 132,280</u>	<u>\$ 7,372</u>	<u>\$ 2,253,800</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Transportation</u>	<u>Unfinished construction</u>	<u>Others</u>	<u>Total</u>
<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)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,136</u>	<u>\$ 33,679</u>	<u>\$ -</u>	<u>\$ 4,429</u>	<u>\$ 73,244</u>
<u>For the six-month period ended June 30, 2018</u>							
Opening net book amount	\$ -	\$ -	\$ 35,136	\$ 33,679	\$ -	\$ 4,429	\$ 73,244
Additions	-	-	2,237	760	23,730	6,797	33,524
Acquired from business acquisition	61,000	516	6,559	129	-	288	68,492
Disposals	-	-	( 131)	-	-	-	( 131)
Depreciation charge	-	( 27)	( 5,804)	( 4,011)	-	( 1,454)	( 11,296)
Net exchange differences	-	-	8	-	-	3	11
Closing net book amount	<u>\$ 61,000</u>	<u>\$ 489</u>	<u>\$ 38,005</u>	<u>\$ 30,557</u>	<u>\$ 23,730</u>	<u>\$ 10,063</u>	<u>\$ 163,844</u>
<u>At June 30, 2018</u>							
Cost	\$ 61,000	\$ 516	\$ 95,166	\$ 107,083	\$ 23,730	\$ 14,600	\$ 302,095
Accumulated depreciation	-	( 27)	( 57,161)	( 76,526)	-	( 4,537)	( 138,251)
	<u>\$ 61,000</u>	<u>\$ 489</u>	<u>\$ 38,005</u>	<u>\$ 30,557</u>	<u>\$ 23,730</u>	<u>\$ 10,063</u>	<u>\$ 163,844</u>

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



(9) Leasing arrangements - lessee

Effective 2019

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

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

	For the three-month period ended June 30, 2019
	<u>Depreciation charge</u>
Land	\$ 2,381
Buildings	5,925
Transportation	1,760
Other assets	473
	<u>\$ 10,539</u>

	June 30, 2019	For the six-month period ended June 30, 2019
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 59,632	\$ 4,676
Buildings	65,034	10,925
Transportation	13,890	3,274
Other assets	4,445	710
	<u>\$ 143,001</u>	<u>\$ 19,585</u>

C. The amount of \$34,335 of the right-of-use assets - land on June 30, 2019 was for ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corporation obtaining the land use right of refuse incineration plant according to the service concession arrangements. Please refer to Note 6(10) A for details.

D. For the three-month and six-month periods ended June 30, 2019, the additions to right-of-use assets was \$16,727 and \$31,787, respectively.

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

	For the three-month period ended June 30, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 201
Expense on short-term lease contracts	3,053
Expense on leases of low-value assets	272
Expense on variable lease payments	4,366
	For the six-month period ended June 30, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 362
Expense on short-term lease contracts	6,043
Expense on leases of low-value assets	516
Expense on variable lease payments	10,268

F. For the six-month period ended June 30, 2019, the Group's total cash outflow for leases were \$18,823.

G. Variable lease payments

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

(10) Other non-current assets

	June 30, 2019	December 31, 2018	June 30, 2018
Contract assets	\$ 2,275,600	\$ 2,414,923	\$ 2,548,783
Less: Current portion	( 284,357)	( 278,646)	( 273,183)
	1,991,243	2,136,277	2,275,600
Long-term prepaid rents	-	37,321	40,309
Accrued recovery cost	12,915	16,525	20,325
Refundable deposits	22,933	20,465	10,043
Air pollution fee	54,267	54,267	54,267
Prepayments for business facilities	824,770	514,821	40,500
Restricted bank deposits	52,227	-	-
Others	24,306	25,307	4,615
	<u>\$ 2,982,661</u>	<u>\$ 2,804,983</u>	<u>\$ 2,445,659</u>

- A. The Group entered into contracts with certain governments (grantors) for service concession arrangements. Contract asset from the grantor in respect of the service concession arrangement is recognised at its fair value. Such considerations are recognised as a financial asset based on how the considerations from the grantor to the operator are made as specified in the arrangement. Assets that are expected to be realised within twelve months from the balance sheet date are classified as “accounts receivable” (please refer to Note 6(4)); assets that are expected to be realised over twelve months from the balance sheet date are classified as “long-term accounts receivable”. The other terms of the agreement are as follows:
- (a) The subsidiary, ECOVE Wujih Energy Corp., obtained the operation for the construction of Wujih Refuse Incineration Plant by build - operate - transfer (BOT) mode since April, 2000. In September, 2000, the “Waste incineration, Taichung City commission contract” between ECOVE Wujih Energy Corp. and Taichung City Government had been signed. The operating period is for 20 years starting from September 6, 2004. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended, but not to exceed 50 years. To carry out the “Waste Incineration Taichung City Commission Contract”, ECOVE Wujih Energy Corp. obtained the land-use right of Wujih Refuse Incineration Plant. Therefore, duration of the land-use right has continued for 20 years since the plant began operating.
  - (b) The subsidiary, ECOVE Miaoli Energy Corp., obtained the operation for the construction of Miaoli County Refuse Incineration Plant by build - operate - transfer (BOT) mode since August, 2002. In September, 2002, the “Waste Incineration Commission Contract” between ECOVE Miaoli Energy Corp. and Miaoli County Government had been signed. The operating period is for 20 years starting February 29, 2008. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended. To carry out work the “Waste Incineration Miaoli County Commission Contract”, ECOVE Miaoli Energy Corp. obtained the land-use right of Miaoli Refuse Incineration Plant. Therefore, duration of the land-use right is from September 13, 2002 to March 12, 2026.
  - (c) ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. needs to deal with the guarantee tonnage of waste from government according to the contract during construction or operation.
  - (d) Per Service cost is calculated and adjusted based on the “Waste Incineration Commission Contract”, “Index of Average Regular Earnings of Employees–Manufacturing” and “Consumer Price Index”.
- B. Long-term prepaid rents are due to ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. obtaining the land-use right according to the “BOT”. As of December 31, 2018 and June 30, 2018, ECOVE Wujih Energy Corp. needs to pay long-term prepaid rent amounting to \$20,791 and \$22,626, respectively. As of December 31, 2018 and June 30, 2018, ECOVE Miaoli Energy Corp. needs to pay long-term prepaid rent amounting to \$16,530 and \$17,683, respectively.

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

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

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

(11) Short-term borrowing

<u>Type of borrowings</u>	<u>June 30, 2019</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings			
Hua Nan Commercial Bank	\$ 30,000	1.20%	-
Sino Pac Bank	16,300	0.97%	-
Secured borrowings			
Chang Hwa Bank	42,000	1.70%	Note
	<u>\$ 88,300</u>		

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

Note: ECOVE Solvent Recycling Corporation committed that if the construction has finished, ECOVE Solvent Recycling Corporation will complete the registration of ownership on the construction and pledge with the basement of construction in first priority to Chang Hwa Bank.

(12) Short-term notes and bills payable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Commercial paper payable	\$ 251,000	\$ -	\$ -
Discount on commercial papers payable	( 87)	-	-
	<u>\$ 250,913</u>	<u>\$ -</u>	<u>\$ -</u>
Interest rate	<u>1.05%~1.068%</u>	<u>-</u>	<u>-</u>

The commercial paper payable listed above was guaranteed and issued by Mega Bills Finance Co., Ltd. and Grand Bills Finance Corporation.

(13) Accounts payable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Materials payable	\$ 76,479	\$ 21,902	\$ 36,001
Sub-contract costs payable	123,069	144,513	182,572
Incinerator equipment costs payable	60,660	31,861	32,058
Maintenance costs payable	253,918	281,003	424,917
Others	96,592	56,518	38,024
	<u>\$ 610,718</u>	<u>\$ 535,797</u>	<u>\$ 713,572</u>

(14) Other payables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Accrued payroll	\$ 229,378	\$ 292,559	\$ 214,159
Dividends payable	346,134	-	295,897
Other payables	108,727	175,378	84,898
	<u>\$ 684,239</u>	<u>\$ 467,937</u>	<u>\$ 594,954</u>

(15) Other current liabilities

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other current liabilities			
Long-term liabilities-current portion	\$ 129,684	\$ 128,267	\$ 98,617
Receipts in advance	-	-	25,547
Others	23,589	11,170	-
	<u>\$ 153,273</u>	<u>\$ 139,437</u>	<u>\$ 124,164</u>

(16) Long-term borrowing

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	Financing amount	Actual spending	June 30, 2019
Subsidiary - ECOVE Solar Energy Corporation The Shanghai Commercial & Savings Bank Secured borrowings	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	\$ 293,559
Subsidiary - ECOVE Solar Energy Corporation KGI Bank Secured borrowings	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	142,196
Subsidiary - ECOVE Solar Energy Corporation Chang Hwa Bank Secured borrowings	From June 2016 to August 2030, interest is calculated and paid monthly	1.9%	Guaranteed by the Company	155,000	154,744	135,249
Subsidiary - ECOVE Solar Power Corporation First Commercial Bank Secured borrowings	From January 2014 to May 2030, 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	74,362
Subsidiary - ECOVE Solar Power Corporation Sino Pac Bank Secured borrowings	From August 2014 to August 2030, interest is calculated and paid monthly	1.6%	ECOVE Solar Power Corporation issued a promissory note in the amount of \$636,290 thousand and ECOVE Solar Energy Corporation acted as guarantor	149,800	129,457	112,812
Subsidiary - ECOVE Solar Power Corporation Sino Pac Bank Secured borrowings	From August 2018 to August 2023, interest is calculated and paid monthly	1.5%	ECOVE Solar Power Corporation issued a promissory note in the amount of \$636,290 thousand and ECOVE Solar Energy Corporation acted as guarantor	280,000	227,000	221,492
Subsidiary - ECOVE Solar Power Corporation Sino Pac Bank Secured borrowings	From March 2019 to June 2024, interest is calculated and paid monthly	1.5%	ECOVE Solar Power Corporation issued a promissory note in the amount of \$636,290 thousand and ECOVE Solar Energy Corporation acted as guarantor	217,000	185,700	185,700

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	Financing amount	Actual spending	June 30, 2019
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 Power Corporation issued a promissory note in the amount of \$25,650 thousand and ECOVE Solar Energy Corporation acted as guarantor	\$ 38,430	\$ 26,456	\$ 23,370
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 Power Corporation issued a promissory note in the amount of \$27,000 thousand and ECOVE Solar Energy Corporation acted as guarantor	27,000	11,500	3,400
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 Power Corporation issued a promissory note in the amount of \$85,000 thousand and ECOVE Solar Energy Corporation acted as guarantor	100,000	85,000	78,197
Subsidiary - ECOVE Central Corporation Ltd. Sino Pac Bank Secured borrowings	From December 2018 to December 2023, interest is calculated and paid monthly	1.6%	ECOVE South Corporation Ltd. issued a promissory note in the amount of \$16,000 thousand and ECOVE Solar Energy Corporation acted as guarantor	16,000	16,000	15,200
Subsidiary - ECOVE South Corporation Ltd. Sino Pac Bank Secured borrowings	From December 2018 to December 2023, interest is calculated and paid monthly	1.6%	ECOVE South Corporation Ltd. issued a promissory note in the amount of \$14,000 thousand and ECOVE Solar Energy Corporation acted as guarantor	14,000	14,000	13,300
Subsidiary - LUMBERTON SOLAR Sino Pac Bank Secured borrowings	From September 2017 to August 2023, interest is calculated and paid monthly	5.029%	ECOVE Solar Energy Corporation issued a promissory note in the amount of USD \$11,910 thousand and acted as guarantor	454,556	454,556	354,540
Less: Current portion						( 129,684)
						<u>\$ 1,523,693</u>



Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	Financing amount	Actual spending	December 31, 2018
Subsidiary - ECOVE Miaoli Energy Corporation Mega International Commercial Bank secured loans (Note 1)	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
Subsidiary - ECOVE Solvent Recycling Corporation Chang Hwa Bank secured loans (Note 2)	From September 2014 to September 2021, interest is calculated and paid monthly	2.47%	Land and buildings	29,500	29,500	25,645
Subsidiary - ECOVE Solar Energy Corporation The Shanghai Commercial&Savings Bank Secured borrowings	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
Subsidiary - ECOVE Solar Energy Corporation KGI Bank Secured borrowings	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
Subsidiary - ECOVE Solar Energy Corporation Chang Hwa Bank Secured borrowings	From June 2016 to August 2030, interest is calculated and paid monthly	2.1%	Guaranteed by the Company	155,000	154,744	141,124
Subsidiary - ECOVE Solar Power Corporation First Commercial Bank Secured borrowings	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
Subsidiary - ECOVE Solar Power Corporation Sino Pac Bank Secured borrowings	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

Type of borrowings	Borrowing period and repayment term	Interest rate	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	1.6%	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	1.6%	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, 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	Financing amount	Actual spending	June 30, 2018
Mega International Commercial Bank secured loans (Note 1)	From November, 2010 to April, 2019, interest is calculated and paid monthly	1.3875%	\$ 523,200	\$ 523,200	\$ 92,000
Chang Hwa Bank secured loans (Note 2)	From November, 2010 to April, 2019, interest is calculated and paid monthly	2.3%	29,500	29,500	27,600
Less: Current portion					( 98,617)
					<u>\$ 20,983</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.

(17) Other non-current liabilities

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Net defined benefit liability	\$ 41,482	\$ 40,412	\$ 36,571
Accrued recovery costs	92,908	92,532	92,287
Guaranteed deposits received	186,890	190,295	181,842
Deferred revenue	164,873	169,471	-
Others	39,277	36,831	34,389
	<u>\$ 525,430</u>	<u>\$ 529,541</u>	<u>\$ 345,089</u>

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

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

(18) Pensions

A. Defined benefit pension plan

- (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standard Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by June 30, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement next year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.
- (b) The Group recognised pension expenses of \$1,514, \$1,564, \$3,106 and \$3,171 in the statement of comprehensive income for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$9,613.

## B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2019 and 2018 were \$7,180, \$6,690, \$14,307 and \$13,397, respectively.
- (c) SINO GAL-Waste Services Co., Ltd. has a funded defined contribution plan, covering all regular employees. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the local government are based on employees' monthly salaries and wages. The pension costs under the defined contribution pension plan for the three-month and six-month periods ended June 30, 2019 and 2018 were \$2,292, \$1,937, \$4,624 and \$3,890, respectively.

## (19) Share-based payment

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Fourth plan of employee stock options	2011.6.17	1,200 units	6 years	Service of 2 years
Fifth plan of employee stock options	2012.6.28	1,200 units	6 years	Service of 2 years
Sixth plan of employee stock options	2018.7.09	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 June 30, 2019 and 2018 are as follows:

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

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

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

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

	For the six-month period ended June 30, 2019	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	1,448	NT\$ 173.5
Options granted	-	-
Options waived	( 24)	-
Options exercised	-	-
Options revoked	-	-
Options outstanding at end of period	1,424	NT\$ 163.9
Options exercisable at end of period	-	-

C. The weighted-average stock price of stock options at exercise dates for the six-month period ended June 30, 2018 was NT\$186.13 (in dollars).

D. As of June 30, 2019, December 31, 2018 and June 30, 2018, the range of exercise prices of stock options outstanding was NT\$173.5, NT\$173.5 and NT\$103~NT\$106.3 (in dollars), respectively; the weighted-average remaining contractual period was as follows:

<u>Type of arrangement</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fourth plan of employee stock options	-	-	-
Fifth plan of employee stock options	-	-	-
Sixth plan of employee stock options	5 years	5.5 years	-

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

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

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

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Equity-settled	<u>\$ 2,442</u>	<u>\$ -</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Equity-settled	<u>\$ 4,966</u>	<u>\$ -</u>



(20) Share capital

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

	<u>2019</u>	<u>2018</u>
At January 1	67,105,148	66,810,648
Employee stock options exercised	<u>-</u>	<u>294,500</u>
At June 30	<u>67,105,148</u>	<u>67,105,148</u>

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

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

(21) Capital surplus

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

B. Changes in capital surplus are as follows:

	<u>Share premium</u>	<u>Employee stock options</u>	<u>Others</u>	<u>Total</u>
At January 1, 2019	\$ 2,188,235	\$ 5,238	\$ -	\$ 2,193,473
Share-based payment transaction	-	5,007	-	5,007
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>( 1,557)</u>	<u>8</u>	<u>1,686</u>	<u>137</u>
At June 30, 2019	<u>\$ 2,186,678</u>	<u>\$ 10,253</u>	<u>\$ 1,686</u>	<u>\$ 2,198,617</u>
At January 1, 2018	\$ 1,971,969	\$ 188,747	\$ 313	\$ 2,161,029
Share-based payment transaction	-	190	-	190
Expired employee stock options	188,877	( 188,564)	( 313)	-
Employee stock options exercised	<u>27,389</u>	<u>-</u>	<u>-</u>	<u>27,389</u>
At June 30, 2018	<u>\$ 2,188,235</u>	<u>\$ 373</u>	<u>\$ -</u>	<u>\$ 2,188,608</u>

(22) Retained earnings

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

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

In order to meet the requirements of business expansion and industry growth, fulfilling future operating needs and stabilizing financial structure is the priority of the Company's dividend policy. Thus, the distribution of the accumulated distributable earnings corresponds with the shareholders' resolutions. And, the 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) in 2018. In addition, outstanding stocks will be influenced by employees' share rights. Thus, the Board of Directors gave the right to adjust the rate of distributed dividends from NT\$9.68 per share to NT\$9.64624522 per share.
- F. The appropriations of 2018 and 2017 earnings had been resolved at the stockholders' meeting on May 30, 2019 and May 31, 2018, respectively.

Details are summarised below:

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

- G. For information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6 (28).
- H. The Company recognised the effect of the change in tax rate immediately on January 1, 2018 when the change occurred. The effect of the change on items recognised outside profit or loss was recognised in other comprehensive income or equity (including non-controlling interest) amounting to \$729.

(23) Operating revenue

	<u>For the three-month periods ended June 30,</u>	
	2019	2018
Revenue from contracts with customers	<u>\$ 1,255,554</u>	<u>\$ 1,206,742</u>
	<u>For the six-month periods ended June 30,</u>	
	2019	2018
Revenue from contracts with customers	<u>\$ 2,539,391</u>	<u>\$ 2,394,854</u>

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended					
June 30, 2019	Domestic	China	Macau	United States	Total
Total segment revenue	\$ 1,412,060	\$ 30,215	\$ 218,863	\$ 26,902	\$ 1,688,040
Inter-segment revenue	( 386,587)	( 10,295)	( 35,604)	-	( 432,486)
Revenue from external customer contracts	<u>\$ 1,025,473</u>	<u>\$ 19,920</u>	<u>\$ 183,259</u>	<u>\$ 26,902</u>	<u>\$ 1,255,554</u>
Timing of revenue recognition					
Over a period of time	<u>\$ 1,025,473</u>	<u>\$ 19,920</u>	<u>\$ 183,259</u>	<u>\$ 26,902</u>	<u>\$ 1,255,554</u>
For the three-month period ended					
June 30, 2018	Domestic	China	Macau	Total	
Total segment revenue	\$ 1,311,578	\$ 40,422	\$ 218,481	\$ 1,570,481	
Inter-segment revenue	( 337,065)	( 14,164)	( 12,510)	( 363,739)	
Revenue from external customer contracts	<u>\$ 974,513</u>	<u>\$ 26,258</u>	<u>\$ 205,971</u>	<u>\$ 1,206,742</u>	
Timing of revenue recognition					
Over a period of time	<u>\$ 974,513</u>	<u>\$ 26,258</u>	<u>\$ 205,971</u>	<u>\$ 1,206,742</u>	
For the six-month period ended					
June 30, 2019	Domestic	China	Macau	United States	Total
Total segment revenue	\$ 2,791,819	\$ 69,870	\$ 464,850	\$ 52,977	\$ 3,379,516
Inter-segment revenue	( 773,040)	( 23,481)	( 43,604)	-	( 840,125)
Revenue from external customer contracts	<u>\$ 2,018,779</u>	<u>\$ 46,389</u>	<u>\$ 421,246</u>	<u>\$ 52,977</u>	<u>\$ 2,539,391</u>
Timing of revenue recognition					
Over a period of time	<u>\$ 2,018,779</u>	<u>\$ 46,389</u>	<u>\$ 421,246</u>	<u>\$ 52,977</u>	<u>\$ 2,539,391</u>
For the six-month period ended					
June 30, 2018	Domestic	China	Macau	Total	
Total segment revenue	\$ 2,609,865	\$ 81,044	\$ 434,578	\$ 3,125,487	
Inter-segment revenue	( 677,929)	( 27,619)	( 25,085)	( 730,633)	
Revenue from external customer contracts	<u>\$ 1,931,936</u>	<u>\$ 53,425</u>	<u>\$ 409,493</u>	<u>\$ 2,394,854</u>	
Timing of revenue recognition					
Over a period of time	<u>\$ 1,931,936</u>	<u>\$ 53,425</u>	<u>\$ 409,493</u>	<u>\$ 2,394,854</u>	

B. Contract assets and liabilities

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Contract assets:		
Contract assets relating to service concession arrangement	\$ <u>2,275,600</u>	\$ <u>2,414,923</u>
Contract liabilities:		
Contract liabilities - Advance sales receipts	\$ <u>103,921</u>	\$ <u>140,580</u>
	<u>June 30, 2018</u>	<u>January 1, 2018</u>
Contract assets:		
Contract assets relating to service concession arrangement	\$ <u>2,548,783</u>	\$ <u>2,682,643</u>
Contract liabilities:		
Contract liabilities - Advance sales receipts	\$ <u>200,359</u>	\$ <u>36,605</u>

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

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Receipts in advance	\$ <u>54,647</u>	\$ <u>-</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Receipts in advance	\$ <u>89,690</u>	\$ <u>6,111</u>

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

(24) Other income

	For the three-month periods ended June 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 4,728	\$ 3,342
Other interest income	-	1,027
Total interest income	4,728	4,369
Other income, others	8,395	3,816
	<u>\$ 13,123</u>	<u>\$ 8,185</u>

	For the six-month periods ended June 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 7,952	\$ 6,393
Other interest income	6	1,661
Total interest income	7,958	8,054
Other income, others	15,048	6,936
	<u>\$ 23,006</u>	<u>\$ 14,990</u>

(25) Other gains and losses

	For the three-month periods ended June 30,	
	2019	2018
Gains (losses) on disposals of property, plant and equipment	(\$ 161)	\$ 261
Foreign exchange gains	2,511	9,608
Gains on financial assets at fair value through profit or loss	707	612
Miscellaneous disbursements	(100)	(2)
	<u>\$ 2,957</u>	<u>\$ 10,479</u>

	For the six-month periods ended June 30,	
	2019	2018
Gains (losses) on disposals of property, plant and equipment	(\$ 161)	\$ 132
Foreign exchange gains	3,174	5,446
Gains on financial assets at fair value through profit or loss	1,467	1,077
Miscellaneous disbursements	(101)	(5)
	<u>\$ 4,379</u>	<u>\$ 6,650</u>

(26) Finance cost

	For the three-month periods ended June 30,	
	2019	2018
Interest expense	\$ 9,717	\$ 511
Interest expense arising from lease liabilities	201	-
	<u>\$ 9,918</u>	<u>\$ 511</u>

	For the six-month periods ended June 30,	
	2019	2018
Interest expense	\$ 19,302	\$ 1,127
Interest expense arising from lease liabilities	362	-
	<u>\$ 19,664</u>	<u>\$ 1,127</u>

(27) Expenses by nature

	For the three-month periods ended June 30,	
	2019	2018
Employee benefit expense	\$ 280,769	\$ 251,959
Depreciation charges on property, plant and equipment	35,384	5,795
Depreciation charges on right-of-use asset	10,539	-
Amortisation	2,372	3,433
Incinerator equipment costs	118,609	73,124
Materials	194,969	155,706
Sub-contract costs	214,812	320,692
Insurances	11,441	4,031
Other expenses	105,697	102,066
	<u>\$ 974,592</u>	<u>\$ 916,806</u>

	For the six-month periods ended June 30,	
	2019	2018
Employee benefit expense	\$ 574,800	\$ 524,340
Depreciation charges on property, plant and equipment	78,138	11,296
Depreciation charges on right-of-use asset	19,585	-
Amortisation	4,874	6,832
Incinerator equipment costs	219,740	145,535
Materials	353,494	352,821
Sub-contract costs	387,729	491,662
Insurances	21,704	15,903
Other expenses	305,439	264,459
	<u>\$ 1,965,503</u>	<u>\$ 1,812,848</u>

(28) Employee benefit expense

	For the three-month periods ended June 30,	
	2019	2018
Salaries	\$ 243,907	\$ 224,340
Employee stock options	2,442	-
Labor and health insurance fees	14,332	15,065
Pension costs	10,986	10,191
Other personnel expenses	9,102	2,363
	<u>\$ 280,769</u>	<u>\$ 251,959</u>

	For the six-month periods ended June 30,	
	2019	2018
Salaries	\$ 495,625	\$ 456,832
Employee stock options	4,966	-
Labor and health insurance fees	31,662	29,621
Pension costs	22,037	20,458
Other personnel expenses	20,510	17,429
	<u>\$ 574,800</u>	<u>\$ 524,340</u>

- A. As of June 30, 2019 and 2018, the Group had 1,033 and 937 employees, respectively.
- B. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, upon the resolution of the Board of Directors, distribute at least 0.01% of the income before tax as employees' compensation, and distribute no more than 2% of the income before tax as Directors' remuneration. The remuneration could be in the form of stock or cash, and the employees' compensation could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employees' compensation or the Directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.
- C. For the three-month and six-month periods ended June 30, 2019 and 2018, employees' compensation was accrued at \$116, \$69, \$203 and \$147, respectively; directors' and supervisors' remuneration was accrued at \$1,300, \$1,300, \$2,600 and \$2,600, 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 June 30, 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 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.



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

(29) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the period	\$ 61,663	\$ 67,486
Prior year income tax over estimation	( 8,993)	( 2,502)
Total current tax	52,670	64,984
Deferred tax:		
Origination and reversal of temporary differences	( 6,076)	( 7,715)
Impact of change in tax rate	-	-
Effect of exchange rate changes	( 78)	( 5)
Income tax expense	<u>\$ 46,516</u>	<u>\$ 57,264</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the period	\$ 116,172	\$ 120,901
Prior year income tax over estimation	( 8,993)	( 2,502)
Total current tax	107,179	118,399
Deferred tax:		
Origination and reversal of temporary differences	( 4,165)	( 2,941)
Impact of change in tax rate	-	27,246
Effect of exchange rate changes	270	19
Income tax expense	<u>\$ 103,284</u>	<u>\$ 142,723</u>

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

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

B. As of June 30, 2019, except for *ECOVE Environment Services Corporation's* and *ECOVE Waste Management Corporation's* income tax returns through 2016, the Company's and its subsidiaries' income tax returns through 2017 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(30) Earnings per share

	<u>For the three-month period ended June 30, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 206,040	67,105	\$ 3.07
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	206	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 206,040</u>	<u>67,311</u>	<u>\$ 3.06</u>
	<u>For the six-month period ended June 30, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 402,617	67,105	\$ 6.00
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	170	
Employees' bonus	-	1	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 402,617</u>	<u>67,276</u>	<u>\$ 5.98</u>

	<u>For the three-month period ended June 30, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic (diluted) earnings per share:</u>			
Profit attributable to owners of the parent	\$ 211,671	\$ 66,990	\$ 3.16

	<u>For the six-month period ended June 30, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 390,957	66,941	\$ 5.84
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1	
Profit attributable to owners of the parent plus dilutive effect of common	\$ 390,957	66,942	\$ 5.84

(31) Business combinations

A. ECOVE Solvent Recycling Corporation

- (a) On May 10, 2018, the Group acquired a 90% equity interest of ECOVE Solvent Recycling Corporation for a consideration of \$49,590 in the form of cash and obtained control over ECOVE Solvent Recycling Corporation which is primarily engaged in operating basic chemical industry and manufacture of other chemical products. As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.
- (b) The following table summarises the consideration paid for ECOVE Solvent Recycling Corporation and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>May 10, 2018</u>
Purchase consideration	
Cash paid	\$ 49,590
Non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets	<u>4,126</u>
	<u>53,716</u>
Fair value of the identifiable assets acquired and liabilities	
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 for the six-month period ended June 30, 2018 would show operating revenue of \$2,540,876 and profit before income tax of \$604,097.

#### B. ECOVE Solar Energy Corporation

- (a) On September 20, 2018, the Group acquired 50% of the shares by cash of NT\$455,384; therefore, the Group holds 100% of shares and obtained control of ECOVE Solar Energy Corporation.

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

	<u>September 20, 2018</u>
Purchase consideration	
Cash paid	\$ 455,384
Fair value of equity interest in ECOVE Solar Energy Corporation	<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	<u>( 175,040)</u>
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 for the six-month period ended June 30, 2018 would show operating revenue of \$2,666,707 and profit before income tax of \$636,766.
- (d) The final valuation will be taken on acquired identifiable property, plant and equipment with temporary amount of \$1,533,559.

(32) Operating leases

Prior to 2018

- A. The Group leases offices and dormitories under non-cancellable operating lease agreements. These leases have terms expiring between 1 year and 16 years. The Group recognised rental expenses of \$11,119 and \$20,942, for these leases for the three-month and six-month periods ended June 30, 2018, respectively.
- B. In order to build the refuse incineration plant, the Group obtained the land-use right amounting to \$114,902. For the three-month and six-month periods ended June 30, 2018, the rent is amortized on a straight-line basis during construction or operation both amounting to \$1,494 and \$2,988, respectively.

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

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Less than one year	\$ 29,633	\$ 14,937
More than one year but not less than five years	33,134	14,864
More than five years	29,213	3,856
	<u>\$ 91,980</u>	<u>\$ 33,657</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.

(33) Supplemental cash flow information

Financing activities with no cash flow effects

	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cash dividends declared but yet to be paid	<u>\$ 791,266</u>	<u>\$ 703,119</u>

(34) Changes in liabilities from financing activities

	<u>Short-term</u>	<u>Short-term</u>	<u>Long-term</u>	<u>Liabilities</u>
	<u>borrowings</u>	<u>notes and</u>	<u>borrowings</u>	<u>from financing</u>
		<u>bills payable</u>		<u>activities-gross</u>
At January 1, 2019	\$ 52,000	\$ -	\$ 1,551,854	\$ 1,603,854
Changes in cash flow from financing activities	36,300	250,913	97,782	384,995
Impact of changes in foreign exchange rate	-	-	3,741	3,741
At June 30, 2019	<u>\$ 88,300</u>	<u>\$ 250,913</u>	<u>\$ 1,653,377</u>	<u>\$ 1,992,590</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

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

### (2) Names of related parties and relationship

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

### (3) Significant transactions and balances with related parties

#### A. Operating revenue

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenue:		
Ultimate parent company	\$ 2,655	\$ 5,769
Associates	-	-
	<u>\$ 2,655</u>	<u>\$ 5,769</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenue:		
Ultimate parent company	\$ 8,156	\$ 20,566
Associates	22	-
	<u>\$ 8,178</u>	<u>\$ 20,566</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 three-month periods ended June 30,	
	2019	2018
Purchases of goods and services:		
Ultimate parent company	\$ 1,171	\$ 1,100
Associates	44,920	39,578
	<u>\$ 46,091</u>	<u>\$ 40,678</u>

	For the six-month periods ended June 30,	
	2019	2018
Purchases of goods and services:		
Ultimate parent company	\$ 2,371	\$ 2,231
Associates	84,117	86,024
	<u>\$ 86,488</u>	<u>\$ 88,255</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

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable:			
Ultimate parent company	\$ 2,538	\$ 1,717	\$ 9,104
Associates	-	-	-
	<u>\$ 2,538</u>	<u>\$ 1,717</u>	<u>\$ 9,104</u>

D. Period-end balances arising from purchases of services

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts payable:			
Ultimate parent company	\$ 6,703	\$ 4,260	\$ 2,302
Associates	31,935	19,151	38,357
	<u>\$ 38,638</u>	<u>\$ 23,411</u>	<u>\$ 40,659</u>



E. Other receivables-related parties

(a) Reclassified from accounts receivable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other receivables:			
Ultimate parent company	\$ -	\$ 17,566	\$ 24,919

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

(b) Others

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other receivables:			
Associates (Note)	\$ 14,766	\$ 74	\$ 14,120
Joint ventures	-	-	5,931
	<u>\$ 14,766</u>	<u>\$ 74</u>	<u>\$ 20,051</u>

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

F. Loans to related parties

(a) Receivables from related parties

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Ultimate parent company	\$ -	\$ -	\$ 500,333
CTCI Smart Engineering Corporation	-	7,006	7,006
	<u>\$ -</u>	<u>\$ 7,006</u>	<u>\$ 507,339</u>

(b) Interest income

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Ultimate parent company (Note 1)	\$ -	\$ 1,010
Associates (Note 2)	-	17
	<u>\$ -</u>	<u>\$ 1,027</u>

	For the six-month periods ended June 30,	
	2019	2018
Ultimate parent company (Note 1)	\$ -	\$ 1,620
Associates (Note 2)	6	41
	<u>\$ 6</u>	<u>\$ 1,661</u>

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

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

#### G. Other income

	For the three-month periods ended June 30,	
	2019	2018
Associates	\$ 523	\$ -
Joint ventures	-	888
	<u>\$ 523</u>	<u>\$ 888</u>

	For the six-month periods ended June 30,	
	2019	2018
Associates	\$ 732	\$ -
Joint ventures	-	1,776
	<u>\$ 732</u>	<u>\$ 1,776</u>

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

#### H. Other payables-related parties

##### (a) Operating expenses

	For the three-month periods ended June 30,	
	2019	2018
Ultimate parent company	\$ 2,856	\$ 2,124
Associates	26	25
	<u>\$ 2,882</u>	<u>\$ 2,149</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Ultimate parent company	\$ 4,983	\$ 3,820
Associates	26	25
	<u>\$ 5,009</u>	<u>\$ 3,845</u>

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

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Ultimate parent	\$ 7,314	\$ 6,481	\$ 5,230

- (c) Dividends payable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Ultimate parent	\$ 416,106	\$ -	\$ 370,967
company	29,025	-	36,255
Associates	<u>\$ 445,131</u>	<u>\$ -</u>	<u>\$ 407,222</u>

#### I. Leasing arrangements - lessee

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

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

- (b) Lease liabilities

	<u>June 30, 2019</u>
Ultimate parent company	\$ 8,557
Associates	17,334
	<u>\$ 25,891</u>

(c) The current period rental expenses arising from leasing offices from related parties are as follows:

	<u>For the three-month period ended June 30, 2018</u>
Rental expense	
Ultimate parent company	<u>\$ -</u>
	<u>For the six-month period ended June 30, 2018</u>
Rental expense	
Ultimate parent company	<u>\$ 202</u>

J. Endorsements and guarantees for others

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Joint ventures	\$ -	\$ -	\$ 719,622
Associates	220,500	-	-
	<u>\$ 220,500</u>	<u>\$ -</u>	<u>\$ 719,622</u>

(4) Key management compensation

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 7,877	\$ 10,004
Post-employment benefits	342	230
Total	<u>\$ 8,219</u>	<u>\$ 10,234</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 17,159	\$ 20,271
Post-employment benefits	658	461
Total	<u>\$ 17,817</u>	<u>\$ 20,732</u>

## 8. PLEGDED ASSETS

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

Assets	Book value			Purposes
	June 30, 2019	December 31, 2018	June 30, 2018	
Other current assets				
Restricted bank deposits	\$ -	\$ 40,940	\$ -	Guarantee for bid and performance guarantee
Property, plant and equipment	193,279	169,997	84,730	Guarantee for long-term and short-term loans
Other non-current assets				
Restricted bank deposits	52,227	-	-	Guarantee for bid and performance guarantee
Long-term prepaid rents	-	16,530	17,683	Guarantee for long-term loans Guarantee for rent, performance guarantee, tender bond and staff dormitory
Refundable deposits	22,933	20,465	10,043	
	<u>\$ 268,439</u>	<u>\$ 247,932</u>	<u>\$ 112,456</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

- (1) The subsidiaries had entered into lines of credit agreements with several banks for guarantee payments under various service contracts. The subsidiaries had either issued guarantee notes or promissory notes for amounts drawn down under the line of credit agreements. As of June 30, 2019, the total amount of guarantee notes and promissory notes issued amounted to \$4,134,758.
- (2) As of June 30, 2019, for contractual guarantee, performance guarantee and waste collection, the subsidiaries have a performance letter of guarantee issued by the bank amounting to \$1,510,109.
- (3) As of June 30, 2019, the subsidiaries had outstanding commitments for service contracts amounting to \$24,513.
- (4) As of June 30, 2019, the subsidiaries had unused letters of credit for importing materials and sub-contract amounting to \$8,614.
- (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.

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

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

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Total borrowings	\$ 1,956,290	\$ 1,603,854	\$ 119,600
Total equity	\$ 5,037,502	\$ 5,421,359	\$ 4,940,742
Gearing ratio	39%	30%	2%

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 167,697	\$ 183,288	\$ 310,270
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	125,161	102,744	118,973
Qualifying debt instrument	-	-	27,564
	<u>\$ 292,858</u>	<u>\$ 286,032</u>	<u>\$ 456,807</u>
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial assets</u>			
Financial assets at amortized cost			
Cash and cash equivalents	\$ 2,066,104	\$ 1,543,162	\$ 1,671,707
Financial assets at amortized cost	72,903	342,178	219,507
Notes receivable	47	1,321	180
Accounts receivable	1,140,727	1,041,171	1,086,733
Accounts receivable- related parties	2,538	1,717	9,104
Other receivables	3,917	4,741	4,758
Other receivables- related parties	14,766	24,646	552,309
Refundable deposits paid	22,933	20,465	10,043
	<u>\$ 3,323,935</u>	<u>\$ 2,979,401</u>	<u>\$ 3,554,341</u>

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term			
borrowings	\$ 88,300	\$ 52,000	\$ -
Short-term notes and bills payable			
	250,913	-	-
Notes payable	502	1,032	-
Accounts payable	610,718	535,797	713,572
Accounts payable-related parties	38,638	23,411	40,659
Other payable	684,239	467,937	594,954
Other payable - related parties	452,445	6,481	412,452
Lease liability-current	36,420	-	-
Long-term borrowings (including current portion)			
	1,653,377	1,551,854	119,600
Lease liability - non-current	76,060	-	-
Guarantee deposits received	186,890	190,295	181,842
	<u>\$ 4,078,502</u>	<u>\$ 2,828,807</u>	<u>\$ 2,063,079</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:

	June 30, 2019		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 7,781	31.056	\$ 241,647
MOP : NTD	57,345	3.854	221,031
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	4,023	3.854	15,505
	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

	June 30, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 7,468	30.530	\$ 227,998
MOP : NTD	14,820	3.772	55,901
 <u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	11,937	3.772	45,026

- v. The unrealised exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2019 and 2018 amounted to \$2,107, (\$2,871), \$2,048 and (\$956), respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	For the six-month period ended June 30, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1.00%	\$ 2,416	\$ -
MOP : NTD	1.00%	2,210	-
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1.00%	155	-

For the six-month period ended June 30, 2018

Sensitivity analysis

	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1.00%	\$ 2,280	\$ -
MOP : NTD	1.00%	559	-
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1.00%	450	-

Price risk

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

Cash flow and fair value interest rate risk

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

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The Group adopts the assumption under IFRS 9, that is , the default occurs when the contract payments are past due over 90 days.

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

	Excellent customers (Note 1)	General customers (Note 2)	Total
<u>At June 30, 2019</u>			
Expected loss rate	0%	0%	
Total book value	\$ 2,939,390	\$ 192,580	\$ 3,131,970
Loss allowance	\$ -	\$ -	\$ -

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

	Excellent customers (Note 1)	General customers (Note 2)	Total
<u>At June 30, 2018</u>			
Expected loss rate	0%	0%	
Total book value	\$ 3,196,936	\$ 165,397	\$ 3,362,333
Loss allowance	\$ -	\$ -	\$ -

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

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

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

<u>June 30, 2019</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 88,983	\$ -
Short-term notes and bills payable	251,001	-
Notes payable	502	-
Accounts payable (including related parties)	649,356	-
Other payables (including related parties)	1,136,684	-
Lease liabilities	37,198	79,118
Long-term borrowings (including current portion)	132,732	1,742,938
Other non-current liabilities	186,890	-

Non-derivative financial liabilities

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

Non-derivative financial liabilities

<u>June 30, 2018</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Accounts payable (including related parties)	\$ 754,231	\$ -
Other payables (including related parties)	1,007,406	-
Long-term borrowings (including current portion)	100,046	22,071
Other non-current liabilities	181,842	-

(3) Fair value estimation

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

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

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

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

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

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

June 30, 2019	<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	\$ 167,697	\$ -	\$ -	\$ 167,697
Financial assets at fair value through other comprehensive income				
Equity securities	<u>124,618</u>	<u>-</u>	<u>543</u>	<u>125,161</u>
Total	<u>\$ 292,315</u>	<u>\$ -</u>	<u>\$ 543</u>	<u>\$ 292,858</u>

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	\$ 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>
June 30, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 310,270	\$ -	\$ -	\$ 310,270
Financial assets at fair value through other comprehensive income				
Equity securities	118,430	-	543	118,973
Bond securities	<u>-</u>	<u>27,564</u>	<u>-</u>	<u>27,564</u>
Total	<u>\$ 428,700</u>	<u>\$ 27,564</u>	<u>\$ 543</u>	<u>\$ 456,807</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 six-month periods ended June 30, 2019 and 2018, there were no transfers between Level 1 and Level 2.
- F. For the six-month periods ended June 30, 2019 and 2018, there were no input and output into Level 3.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

#### (2) Information on investees

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

#### (3) Information on investments in Mainland China

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

### 14. OPERATING SEGMENT FINANCIAL INFORMATION

#### (1) General information

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



(2) Segmental income, assets and liabilities

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

	For the three-month periods ended June 30,	
	2019	2018
Revenue from external customers	\$ 1,255,554	\$ 1,206,742
Inter-segment revenue	432,486	363,739
Total segment revenue	<u>\$ 1,688,040</u>	<u>\$ 1,570,481</u>
Segment income	<u>\$ 280,962</u>	<u>\$ 289,936</u>
Depreciation	<u>\$ 45,923</u>	<u>\$ 5,795</u>
Amortisation	<u>\$ 2,372</u>	<u>\$ 3,433</u>

	For the six-month periods ended June 30,	
	2019	2018
Revenue from external customers	\$ 2,539,391	\$ 2,394,854
Inter-segment revenue	840,125	730,633
Total segment revenue	<u>\$ 3,379,516</u>	<u>\$ 3,125,487</u>
Segment income	<u>\$ 573,888</u>	<u>\$ 582,006</u>
Depreciation	<u>\$ 97,723</u>	<u>\$ 11,296</u>
Amortisation	<u>\$ 4,874</u>	<u>\$ 6,832</u>

(3) Reconciliation information of segmental income

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

	For the three-month periods ended June 30,	
	2019	2018
Adjusted EBITDA for reportable segment	\$ 280,962	\$ 289,936
Unrealized gain on financial instruments	- (	428)
Financial cost, net	( 9,918)	( 511)
Others	32,233	31,514
Income from continuing operations before income tax	<u>\$ 303,277</u>	<u>\$ 320,511</u>

	For the six-month periods ended June 30,	
	2019	2018
Adjusted EBITDA for reportable segment	\$ 573,888	\$ 582,006
Unrealized gain on financial instruments	- (	490)
Financial cost, net	( 19,664)	( 1,127)
Others	50,258	46,333
Income from continuing operations before income tax	<u>\$ 604,482</u>	<u>\$ 626,722</u>

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Loans to others

For the six-month period ended June 30, 2019

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 six-month period ended June 30, 2019 (Note 3)	Balance at June 30, 2019 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote	
												Item	Value				
0	ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Other receivables-related parties	Yes	\$ 200,000	\$ 200,000	\$ 200,000	1.01%	2	\$ -	For operational needs	\$ -	-	\$ -	\$ 457,868	\$ 1,831,470	-
1	ECOVE Waste Management Corp.	CTCI Machinery Corp.	"	"	7,000	7,000	-	-	"	-	"	-	-	-	6,786	27,144	-
1	"	E&C Engineering Corp.	"	"	7,000	7,000	-	-	"	-	"	-	-	-	6,786	27,144	-
2	ECOVE Environment Services Corp.	ECOVE Solvent Recycling Corporation	"	"	70,000	70,000	55,000	1.01%	"	-	"	-	-	-	63,659	254,637	-
2	"	ECOVE Miaoli Energy Corporation	"	"	70,000	70,000	-	-	"	-	"	-	-	-	63,659	254,637	-
2	"	CTCI Machinery Corp.	"	"	35,000	30,000	-	-	"	-	"	-	-	-	63,659	254,637	-
2	"	CTCI Corp.	"	"	70,000	30,000	-	-	"	-	"	-	-	-	63,659	254,637	-
2	"	E&C Engineering Corp.	"	"	70,000	30,000	-	-	"	-	"	-	-	-	63,659	254,637	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2019 (Note 3)	Balance at June 30, 2019 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		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.	Other receivables- related parties	Yes	\$ 14,000	\$ 14,000	\$ 14,000	1.71%	2	\$ -	For operational needs	\$ -	-	\$ -	\$ 287,539	\$ 287,539	-
3	"	ECOVE Solar Power Corporation	"	"	200,000	156,000	28,000	1.71%	"	-	"	-	-	-	287,539	287,539	-
3	"	ECOVE Central Corporation Ltd.	"	"	17,000	17,000	-	-	"	-	"	-	-	-	287,539	287,539	-

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 six-month period ended June 30, 2019.

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

(1)The Business association is '1'.

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

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

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

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

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

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

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 six-month period ended June 30, 2019

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 June 30, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at June 30, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	ECOVE Environment Corp.	ECOVE Solar Energy Corporation	2	\$ 9,157,352	\$ 1,927,353	\$ 1,927,353	\$ 1,335,643	\$ -	42.09%	\$ 13,736,028	Y	N	N	-
0	"	ECOVE Solar Power Corporation	2	9,157,352	317,000	317,000	200,099	-	6.92%	13,736,028	Y	N	N	-
0	"	EVER ECOVE Corporation	6	9,157,352	220,500	220,500	17,500	-	4.82%	13,736,028	N	N	N	-
0	"	ECOVE South Corporation Ltd.	2	9,157,352	150,000	150,000	-	-	3.28%	13,736,028	Y	N	N	-
0	"	ECOVE Solvent Recycling Corporation	2	9,157,352	155,800	155,800	42,000	-	3.40%	13,736,028	Y	N	N	-
1	ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	2	2,875,392	14,000	14,000	13,300	-	1.95%	4,313,088	N	N	N	-
1	"	ECOVE Central Corporation Ltd.	2	2,875,392	16,790	16,790	15,990	-	2.34%	4,313,088	N	N	N	-
1	"	ECOVE Solar Power Corporation	2	2,875,392	784,076	784,076	528,822	-	109.07%	4,313,088	N	N	N	-
2	ECOVE Solar Power Corporation	ECOVE Solar Energy Corporation	3	816,246	12,420	12,420	12,420	-	6.09%	1,224,369	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 and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

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

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

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

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

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

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

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

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

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

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

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

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

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

June 30, 2019

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	June 30, 2019				Footnote (Note 4)
	Type	Name			Number of shares/ denominations	Book value (Note 3)	Ownership (%)	Fair value	
ECOVE Environment Corp.	Fund	FSITC Money Market Fund	N/A	Financial assets at fair value through profit or loss-current Adjustment	56,070	\$ 10,008	-	\$ 10,015	-
						<u>7</u>			
						<u>\$ 10,015</u>			
"	Common Stock	Taiwan Cement Corp.	"	Financial assets at fair value through other comprehensive income-current	472,758	16,671	-	21,534	-
"	"	United Renewable Energy Co., Ltd.	"	Adjustment	116,157	1,173	-	1,127	-
						<u>4,817</u>			
						<u>\$ 22,661</u>			
"	"	Teamwin Opto-Electronics Co., Ltd.	"	Financial assets at fair value through other comprehensive income-non-current	150,000	2,261	2.46%	475	-
"	"	Eastern Pacific Energy Sdn. Bhd	The Chairman of the Company is the Board of director	"	10,000	81	10.00%	<u>68</u>	-
		less: Accumulated impairment				<u>(1,799)</u>			
						<u>\$ 543</u>		<u>\$ 543</u>	
ECOVE Wujih Energy Corp.	Fund	FSITC Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	37,981	\$ 6,784	-	\$ 6,784	-
"	Common Stock	Taiwan Cement Corp.	"	Financial assets at fair value through other comprehensive income-current	475,508	21,659	-	21,659	-
ECOVE Environment Services Corp.	Fund	Schroder 2022 Maturity Emerging Market Quality Sovereign Bond Fund	"	Financial assets at fair value through profit or loss-current	35,000	11,350	-	11,350	-
"	"	Taishin 1699 Money Market Fund	"	"	4,441,844	60,164	-	60,164	-
"	"	Yuanta De-Li Money Market Fund	"	"	1,227,267	20,034	-	20,034	-

Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	June 30, 2019				Footnote (Note 4)
	Type	Name			Number of shares/ denominations	Book value (Note 3)	Ownership (%)	Fair value	
ECOVE Environment Services Corp.	Common Stock	CTCI Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income-current	1,028	\$ 48	-	\$ 48	-
"	"	Taiwan Cement Corp.	N/A	"	1,251,971	57,027	-	57,027	-
"	"	United Renewable Energy Co., Ltd.	"	"	145,567	1,412	-	1,412	-
ECOVE Waste Management Corp.	Fund	Taishin 1699 Money Market Fund	"	Financial assets at fair value through profit or loss-current	3,234,775	43,815	-	43,815	-
"	"	Franklin Templeton Money Market Fund	"	"	630,309	6,523	-	6,523	-
"	Common Stock	Taiwan Cement Corp.	"	Financial assets at fair value through other comprehensive income-current	478,841	21,811	-	21,811	-
ECOVE Miaoli Energy Corporation	Fund	FSITC Taiwan Money Market Fund	"	Financial assets at fair value through profit or loss-current	130,559	2,000	-	2,000	-
"	"	FSITC Money Market Fund	"	"	39,259	7,012	-	7,012	-

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 six-month period ended June 30, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)		Disposal (Note 3)			Balance as at June 30, 2019		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
ECOVE Environmental Services Corp.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,366,412	\$ 45,470	11,101,375	\$ 150,000	10,025,943	\$ 135,480	\$ 135,432	\$ 48	4,441,844	\$ 60,164
ECOVE Wujih Energy Corp.	FSITC Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	1,191,406	212,670	1,153,425	206,000	205,890	110	37,981	6,784

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.



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 six-month period ended June 30, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	Affiliate	(Waste disposal revenue)	\$ 215,885	( 59% )	30 days quarterly	No significant difference		\$ 85,235	27%	-
ECOVE Environment Services Corp.	"	"	(Operating revenue)	( 319,846)	( 19% )	"	"		108,889	16%	-
"	ECOVE Wujih Energy Corp.	"	"	( 121,275)	( 7% )	"	"		83,370	12%	-
ECOVE Waste Management Corp.	ECOVE Environment Services Corp.	"	Waste disposal cost	319,846	53%	"	"	(	108,889)	( 54% )	-
"	ECOVE Wujih Energy Corp.	"	"	215,885	36%	"	"	(	85,235)	( 42% )	-
ECOVE Wujih Energy Corp.	ECOVE Environment Services Corp.	"	Cost of services	121,275	65%	"	"	(	83,370)	( 62% )	-

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.

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

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2019 ( Note 1 )	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
ECOVE Environment Services Corp.	ECOVE Waste Management Corp.	Affiliate	\$ 108,889	3.06	\$ -	Active collection	\$ -	\$ -
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	A subsidiary	200,000	Note 3	-	Note 3	-	-

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

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

Note 3: Other accounts receivable arise from lending capital.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the six-month period ended June 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	ECOVE Environment Corp.	ECOVE Solar Energy Corporation	1	Other accounts receivable	\$ 200,000	-	2.02%
0	"	ECOVE Solar Energy Corporation	1	Endorsements and guarantees	1,927,353	-	N/A
0	"	ECOVE Solar Power Corporation	1	"	317,000	-	N/A
0	"	ECOVE South Corporation Ltd.	1	"	150,000	-	N/A
0	"	ECOVE Solvent Recycling Corporation	1	"	155,800	-	N/A
1	ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	3	Operating revenue	215,885	30 days quarterly	8.50%
2	ECOVE Environment Services Corp.	ECOVE Waste Management Corp.	3	"	319,846	30 days quarterly	12.60%
2	"	ECOVE Miaoli Energy Corp.	3	"	76,980	30 days quarterly	3.03%
2	"	ECOVE Wujih Energy Corp.	3	"	121,275	30 days quarterly	4.78%
2	"	ECOVE Waste Management Corp.	3	Accounts receivable	108,889	30 days quarterly	1.10%
3	SINOGAL-Waste Services Co., Ltd.	ECOVE Environment Services Corp.	3	Operating revenue	29,359	30 days quarterly	1.16%
4	ECOVE Solar Energy Corporation	ECOVE Solar Power Corporation	1	Endorsements and guarantees	784,076	-	N/A

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

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

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	of the investee for the six-month period ended June 30, 2019	recognised by the Company for the six-month period ended June 30, 2019	
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	\$ 450,435	\$ 425,085	30,000,000	100.00%	\$ 833,870	\$ 134,894	\$ 133,116	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%	588,638	179,354	167,072	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%	67,860	22,040	21,747	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%	965,517	64,780	48,584	A subsidiary
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	42,696	27,000	4,500,000	100.00%	39,293	55	40	A subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
ECOVE Environment Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Islands	Share holding and investment	\$ 309,489	\$ 309,489	13,333,333	20.00%	\$ 288,653	\$ 67,591	\$ 13,008	An investee under equity method
ECOVE Environment Corp.	ECOVE Solar Energy Corporation	Taiwan	Energy technology services etc.	762,349	762,349	63,245,452	100.00%	842,538	23,012	23,012	A subsidiary
ECOVE Environment Corp.	EVER ECOVE Corporation	Taiwan	Waste services, waste clean and co-generation	50,000	50,000	5,000,000	5.00%	49,175 (	3,213) (	169)	An investee under equity method
ECOVE Environment Corp.	ECOVE Solvent Recycling Corporation	Taiwan	Operating basic chemical industry and manufacture of other chemical products	86,480	86,480	8,099,000	89.99%	76,147 (	4,468) (	4,021)	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	-	-	-	134,894	1,778	Affiliate
ECOVE Environment Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	60,380	37,294	10,034	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	64,780	-	Affiliate

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
ECOVE Environment Services Corp.	SINO GAL-Waste Services Co., Ltd.	Macau	Management of waste recycling site and maintenance of related mechanical and equipment etc.	\$ 4,964	\$ 4,964	-	30.00%	\$ 37,158	\$ 100,094	\$ 30,236	A subsidiary
ECOVE Environment Services Corp.	ECOVE Solvent Recycling Corporation	Taiwan	Operating basic chemical industry and manufacture of other chemical products	10	10	1,000	0.01%	8 (	4,468)	-	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%	63	179,354	-	Affiliate
ECOVE Waste Management Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	-	18,000	-	-	-	55	15	A subsidiary
ECOVE Solar Energy Corporation	ECOVE Solar Power Corporation	Taiwan	Energy technology services etc.	180,000	180,000	18,000,000	100.00%	240,758	3,507	3,507	A subsidiary
ECOVE Solar Energy Corporation	ECOVE Central Corporation Ltd.	Taiwan	Energy technology services etc.	7,500	7,500	750,000	100.00%	8,245	156	156	A subsidiary
ECOVE Solar Energy Corporation	ECOVE South Corporation Ltd.	Taiwan	Energy technology services etc.	16,500	16,500	1,650,000	100.00%	32,156	1,013	1,013	A subsidiary
ECOVE Solar Energy Corporation	G.D. International, LLC.	U.S.A.	Energy technology services etc.	189,197	189,197	-	100.00%	385,316	12,907	12,907	A subsidiary
G.D. International, LLC.	Lumberton Solar W2-090, LLC	U.S.A.	Energy technology services etc.	189,197	189,197	-	100.00%	384,410	12,913	12,913	A subsidiary

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the six-month period ended June 30, 2019

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan to		Accumulated	Net income of investee for the six-month period ended June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income	Book value of investments in Mainland China as of June 30, 2019	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2019	Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2019		amount of remittance from Taiwan to Mainland China as of June 30, 2019			(loss) recognised by the Company for the six-month periods ended June 30, 2019 (Note 2)(2)B		amount of investment income remitted back to Taiwan as of June 30, 2019	
ECOVE Environment Consulting Corp.	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.	\$ 4,147	1	\$ 4,147	-	-	\$ 4,147	\$ 3,516	93.16%	\$ 4,354	\$ 16,790	\$ 17,306	-
<u>Company name</u>	<u>as of June 30, 2019</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	\$ 4,147	\$ 2,747,206									

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 six-month period ended June 30, 2019' column:

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

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

Note 4: Invested by ECOVE Environment Services Corp.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

For the six-month period ended June 30, 2019

Table 10

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				
	Amount	%	Amount	%	Balance at June 30, 2019	%	Balance at June 30, 2019	Purpose	Maximum balance during the six-month period ended June 30, 2019	Balance at June 30, 2019	Interest rate	Interest during the six-month period ended June 30, 2019	Others
ECOVE Environment Consulting Corp.	\$ 23,481	1.42%	-	-	\$ 14,772	2.2%	\$ -	-	\$ -	\$ -	-	\$ -	-