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## 2017 Annual Report

**ECOVE ENVIRONMENT CORPORATION**

Printed on April 02, 2018

### **Notice to readers**

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

#### **Spokesperson**

Name: Y. P. Shih

Title: President

Tel: 886-2-21621689

E-mail: Spokesman@ecove.com

#### **Deputy Spokesperson**

Name: Yao, Tanching

Title: Accounting Manager

Tel: 886-2-21621689

E-mail: tanching@ctci.com

#### **Headquarters and Branches**

Headquarters

Address: 10F., 89, Sec. 6, Zhongshan North Rd., Taipei, Taiwan

Tel: 886-2-21621689

Branch

None

#### **Stock Transfer Agent**

KGI Securities Co. Ltd.

Address: 5<sup>th</sup> Fl., 2, Sec. 1, Chung Ching South Rd., Taipei, Taiwan

Website: <http://www.kgiworld.com.tw>

Tel: 886-2-2314-8800

#### **Auditors**

PriceWaterHouseCoopers

Auditors: Shyh-Rong Ueng, Shu-Chiung Chang

Website: <http://www.pwc.com/tw>

Tel.: 886-2-2729-6666

#### **Corporate Website**

<http://www.ecove.com>

## Contents

<b>I. Letter to Shareholders</b>	4
<b>II. Company Profile</b>	
2.1 Date of Incorporation	6
2.2 Company History	6
<b>III. Corporate Governance Report</b>	
3.1 Organization	8
3.2 Directors and Management Team	10
3.3 Remuneration of Directors and Management Team	20
3.4 Implementation of Corporate Governance	34
3.5 Public Expenses of CPA	83
3.6 Information for change of CPA	84
3.7 The Company's Chairman, President and Managers Responsible for Finance or Accounting who have Held a Post in the CPA Office or its Affiliated within the Latest Year	84
3.8 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders	85
3.9 Information Disclosing the Relationship between any of the Company's Top Ten Shareholders	86
3.10 Shareholdings of the Company Directors, Supervisors, Managements, and Direct and Indirect Investments of the Company in Affiliated Companies	87
<b>IV. Capital Overview</b>	
4.1 Capital and Shares	88
4.2 Issuance of Corporate Bonds	92
4.3 Preferred Shares	92
4.4 Issuance of Depository Receipt	92
4.5 Employee Stock Options	93
4.6 New Restricted Employee Shares	94
4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions	94
4.8 Financing Plans and Implementation	94
<b>V. Operational Highlights</b>	
5.1 Business Activities	95
5.2 Market and Sales Overview	105
5.3 Human Resources	115
5.4 Environmental Protection Expenditure	123
5.5 Labor Relations	125
5.6 Important Contracts	127
<b>VI. Financial Information</b>	
6.1 Five-Year Financial Summary	130
6.2 Five-Year Financial Analysis	134
6.3 Audit Committee's Review Report in the Most Recent Year	137
6.4 Consolidated Financial Statements and Independent Auditors' Report in the Most Recent Year	138
6.5 Financial Statements and Independent Auditors' Report in the Most Recent Year	138
6.6 Impact of the Financial Distress Occurred to the Company and Affiliates in the Recent Years until the Annual Report being published	138

<b>VII. Review of Financial Conditions, Financial Performance, and Risk Management</b>	
7.1 Analysis of Financial Status .....	139
7.2 Analysis of Financial Performance .....	141
7.3 Analysis of Cash Flow .....	142
7.4 Major Capital Expenditure Items .....	142
7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year .....	142
7.6 Analysis of Risk Management .....	143
7.7 Other .....	150
<b>VIII. Special Disclosure</b>	
8.1 Summary of Affiliated Companies .....	151
8.2 Private Placement Securities in the Most Recent Years .....	158
8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years ..	158
8.4 Other Supplementary Information .....	159
<b>Appendices</b>	
1 Consolidated Financial Statements and Independent Auditors' Report in the Most Recent Year .....	161
2 Financial Statements and Independent Auditors' Report in the Most Recent Year .....	246



## I. LETTER TO SHAREHOLDERS

Dear Shareholders,

Thank you for taking the time to attend the Company's 2018 regular shareholder meeting. The Company's performance, revenue, and profits in the past year have been kept at a considerable level due to the teamwork and diligence of all colleagues. The Company's 2017 business overview, summary of the 2017 business plan, overview of the 2018 Business Plan, and future development strategies are stated below.

### 1. 2017 Business Overview

#### (1) Operating Results

The consolidated operating revenue in 2017 was NT\$4,479,587,000 (values with unspecified currency hereafter are also NTD), which was an \$475,978,000 (9.6%) decrease from the consolidated operating revenue in 2016. The consolidated operating expense was \$181,840,000, non-operating income and expenditure was \$38,926,000 and consolidated net profit after tax was \$761,339,000, a decrease of \$86,758,000 from the consolidated net profit after tax in 2016. The Company's earnings per share was \$11.41, a decrease of \$1.39 from the earnings per share of \$11.41 in 2016.

#### (2) Business Performance

Looking back to 2017, the Company not only maintained the existing waste management businesses and steadily increased revenue in the operations of processing facilities but also actively expanded the scope of services and won several contracts, which helped maintain the revenue, net profit after tax and earnings per share up to a certain level. The Company's new contracts include operations of energy-from-waste (EfW) plants and electro-mechanical engineering. On the basis of the current business services, we successfully obtained business opportunities, including the operations of other EfW plants and equipment maintenance, update and annual service projects of the MRT and Taoyuan Airport facilities. The Company also expanded its experiences in operations and management to China, where it pursue consultancy contracts for operations and management of EfW facilities. In the circular economy sector, the Company invested the PET recycling business operated by BoReTech Co., Ltd., expanded the production of turnkey high-volume bottle washing equipment, and transformed polyester into into functional fiber to serve the niche market. In the field of new energy, the Company's joint venture, GDCC, actively involved itself in the investment, development, construction and operations of solar photovoltaic plants. In 2017, GDCC completed construction, grid connection and electricity sales of several rooftop photovoltaic plants in Taiwan and launched development of several franchise projects, including large-scale projects. The power farm in New Jersey, United States has been successfully connected to the grid for over a year and currently generating electricity up to the expected efficiency. In the new energy sector, our joint venture with G.D. Development Corporation actively pursued the investment, development, construction, and operations of solar photovoltaic power plants. G.D. Development also completed construction, grid connection, and electricity sales for several domestic photovoltaic power plants and has obtained development rights for several more plants which are currently under active development in 2017.

### 2. Overview of the 2018 Business Plan

Recycling resources has become a global trend. Protecting the Earth's environment is our mission

in life and we will intensify our arrangement in the three core industries to be the leader in the recycling of resources in Taiwan.

#### (1) EfW and Waste Management

The Company shall continue to pursue tenders for large-scale comprehensive processing facilities and business opportunities in revamping existing Energy-from-Waste plants or outsourced operations in Taiwan. In foreign locations, the Company plans to forge strong partnerships with local companies to advance development and select appropriate targets to duplicate its successful model of public-private partnership (PPP) in BOT projects for Energy-from-Waste plants and sophisticated O&M capabilities overseas as it advances into ASEAN, India, and mainland China.

#### (2) Photovoltaic Power

The Company follows the development of technologies in the industry and selects high quality equipment to increase operating efficiency. The Company will continue our careful selection of targets in the domestic photovoltaic power market and expand from rooftop PV to ground-level and water-level PV. We also follow the government's green energy policy to expand the scale of operations. In foreign markets, the Company will use our successful experience in the United States project to actively develop suitable projects in other areas.

#### (3) Circular Economy

In addition to the existing polyester recycling-to-fiber operations, ECOVE will also evaluate the various investment opportunities in circular economy sector, such as biomass power generation and waste solvent recovery. With the Group's engineering capabilities, the Company assists the Group in the commercialization of the equipment, creating opportunities in the domestic market as well as keeping updated of the the newest movement in the international market.

#### Future Development

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

Finally, I wish you all health and prosperity.  
Chairman

J. J. Liao

## II. Company Profile

**2.1 Date of Incorporation:** Dec. 13, 1999

### 2.2 Company History

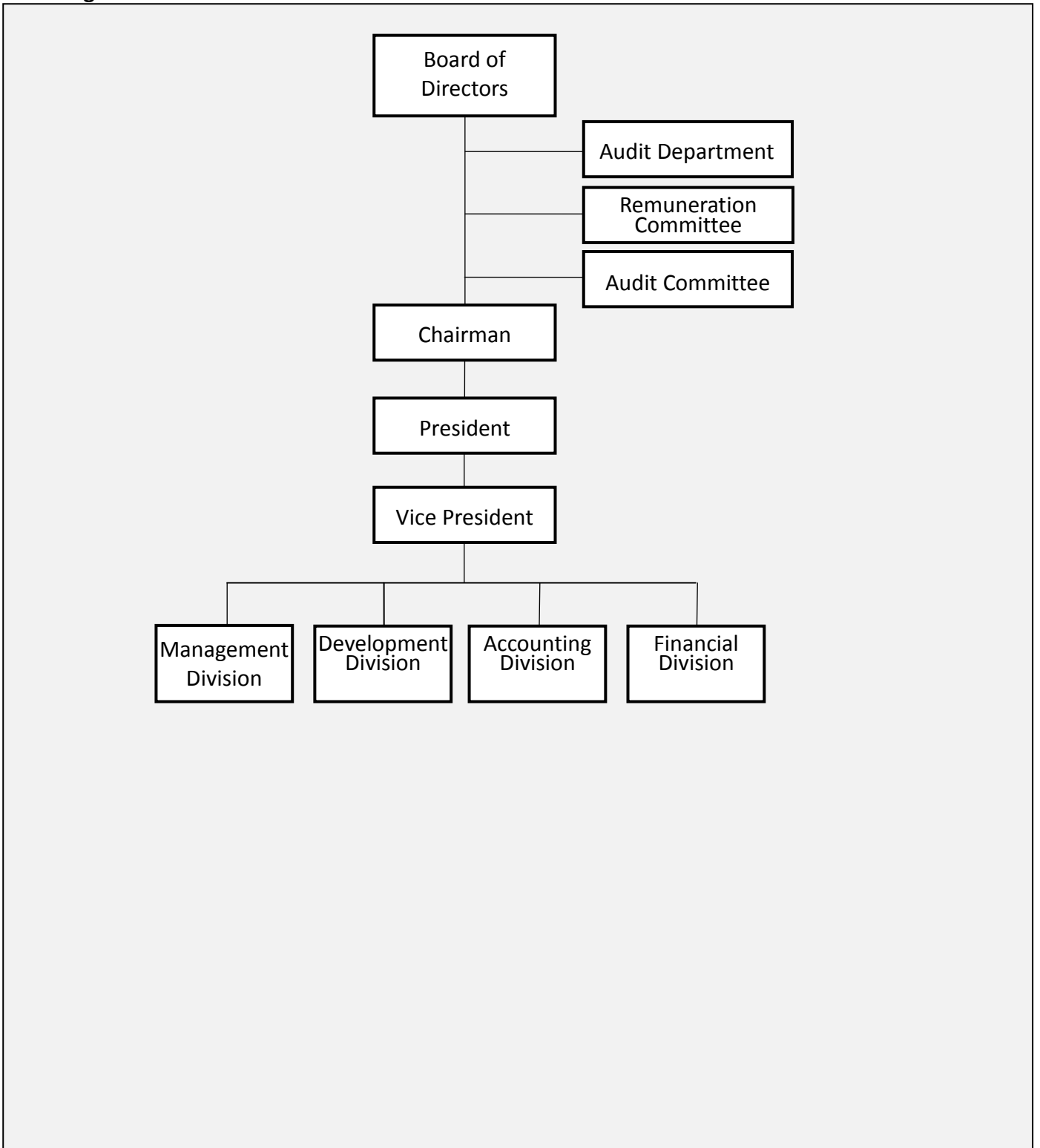
2017.01	Tainan Chengxi EfW Plant (O&M by Subsidiary ECOVE Environment Services Corp.) received “Excellence Waste Management of Carbon Footprint Labeling Award” from Tainan City Government
2017.02	Keelung, Shulin, Houli, and Wujih EfW Plants (O&M by Subsidiary ECOVE Environment Services Corp.) received “Badge of Accredited Healthy Workplace” from Ministry of Safety and Health
2017.05	ECOVE Environment Corp. ranked the 250th in the CommonWealth Magazine 2016 Top 2000 Enterprises Survey
2017.05	ECOVE Environment Corp. listed in Top 5% Companies for 3rd Corporate Governance Assessment
2017.05	ECOVE Environment Corp. listed in Top 40 for 13rd Global Views Monthly CSR Award
2017.06	Ecove Environment Corp. held its Annual General Meeting of Shareholders on June 26, 2017 and 9 directors (including 3 independent directors) for the 7th term of the Board of Directors were elected in the Meeting. At the same day, J. J. Liao was elected chairman, Y. P. Shih was appointed general manager and three independent directors was appointed to be members of the 3rd term salary compensation committee.
2017.06	Sustainability Report is certified with AA1000
2017.07	Keelung, Miaoli, Houli and Wujih EfW Plants (O&M by Subsidiary ECOVE Environment Services Corp.) received “2016 EfW Excellent Performance and Special Performance Award” from EPA
2017.08	ECOVE Environment Corp. ranked the 3rd in medium-size enterprise sector of Wealth Magazine 2017 Excellence in CSR
2017.09	Tainan Chengxi EfW Plant (O&M by Subsidiary ECOVE Environment Services Corp.) received “Product Carbon Labelling and Excellence Carbon Footprint Emission Coefficient” from EPA
2017.10	Tainan Science Park EfW Plant (O&M by Subsidiary ECOVE Environment Services Corp.) received “26th Corporate Environment Protection Silver Award” and consecutive 3 years received “Environmental Protection Honor Award” from EPA
2017.10	Tainan Science Park EfW Plant (O&M by Subsidiary ECOVE Environment Services Corp.) received “Health Promotion Award” from Ministry of Science and Technology
2017.11	ECOVE Environment Corp. received the world’s first BSI 8001 circular economy certification from BSI
2017.11	ECOVE Environment Corp. received “Circular Economy Sustainability Award” from BSI
2017.11	ECOVE Environment Corp. received with four Achievements in 2017 TCSA : Taiwan Top 50 Corporate Sustainability Awards Gold Award in service industry sector of Taiwan CSR Award Transparency and Integrity Award

	Circular Economy Leadership Award
2017.11	Keelung EfW Plants (O&M by Subsidiary ECOVE Environment Services Corp.) received "2017 Environmental Education Evaluation". Miaoli EfW Plant received "2017 Environmental Education Evaluation Excellence and Five Star Award"
2017.11	Keelung EfW Plants (O&M by Subsidiary ECOVE Environment Services Corp.) received "Corporate and Group Green Purchasing Award"
2018.01	Tainan Chengxi EfW Plant (O&M by Subsidiary ECOVE Environment Services Corp.) received "SH family Certificate of Appreciation" from Tainan Labor Affairs Bureau

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organization Chart



### 3.1.2 Operations and functions of the various departments

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

### 3.2 Directors and Management Team

#### 3.2.1 Directors

April 2<sup>nd</sup>, 2018

Title	Nationality	Name	Male/ Female	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Rep. of juridical person)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C.	J. J. Liao (Rep. of CTCI Corporation)	Male	Jun. 26, 2017	3	Jun. 26, 2017	38,457,105 (59,500)	57.4562 (0.0889)	38,457,105 (500)	57.4562 (0.0007)	250	0.0004	0	0	-President of ECOVE Environment Corp. -Chairman of ECOVE Environmental Services Corp. -Chairman of ECOVE Wujih Energy Corp. -Chairman of ECOVE Miaoli Energy Corp. -Chairman of ECOVE Waste Management Corp. -Managing Director of ECOVE Environment Consulting Corp. -Director of SINOGAL-Waste Services Co., Ltd. -Chairman of G.D. Development Corp.	-Director of ECOVE Environmental Services Corp. -Director of ECOVE Wujih Energy Corp. -Director of ECOVE Miaoli Energy Corp. -Director of ECOVE Waste Management Corp. -Director of G.D. Development Corp. -Vice Chairman of (Cayman) -Chairman of Yuan Ding Resources Management Corp.	-	-	-
Director	R.O.C.	Y. P. Shih (Rep. of CTCI Corporation)	Male	Jun. 26, 2017	3	Jun. 26, 2017	38,457,105 (25,000)	57.4562 (0.0374)	38,457,105 (61,000)	57.4562 (0.0911)	0	0	0	0	-M.S., Civil Engineering, University of Washington -B.S., Environmental Engineering, National Chung Hsing University, Taiwan -Vice President of ECOVE Environment Corp. -President of ECOVE Waste Management Corp.	-President of ECOVE Environment Corp. -Chairman of ECOVE Environmental Services Corp. -Chairman of ECOVE Wujih Energy Corp. -Chairman of ECOVE Miaoli Energy Corp. -Chairman of ECOVE Waste Management Corp. -Managing Director of ECOVE Environment Consulting Corp. -Director of SINOGAL-Waste Services Co., Ltd.	-	-	-

																	Director of BoReTech Co., Ltd. (Cayman) Director/President of Yuan Ding Resources Management Corp.			
Director	R.O.C.	Kuan Shen Wang (Rep. of Parkwell Investment Corp.)	Male	Jun. 26, 2017	3	Jun. 23, 2014	1,060,000 (0)	1.5837 (0.00)	1,060,000 (0)	1.5837 (0.00)	0	0	0	0	-Master in Management, S.M. of MIT Sloan School -Managing Director of United Capital Management	-Independent Director of Quanta Storage Inc. -Director of Gintech Energy Corporation -Supervisor of Chime Ball Technology Co., Ltd.	-	-	-	
Director	R.O.C.	Yangming Liu	Male	Jun. 26, 2017	3	Sep. 30, 2009	0	0	0	0	0	0	0	0	-Attorney at-law in China -EMBA National Taiwan University -L.L.B. Fujen Catholic University -Arbitrator of CAAI	-Senior Partner, LIU & Co. Law Offices -Director, Sunshine Social Welfare Foundation -Chief Legal Counsel for Beijing DHH Law Firm - Asian-Pacific Region -Director, Association of Cross-Strait Legal Exchange	-	-	-	
Director	R.O.C.	Wen Whe Pan	Male	Jun. 26, 2017	3	Jun. 17, 2011	0	0	0	0	0	0	0	0	-Ph.D. Polymer Fiber, North Carolina State University -Vice Chairman, So Yang Co. Enterprises, Ltd. -Supervisor, Board of Director, Unimicron Corporation -Engineering Leader, Laboratory Supervisor, Sumitomo Electric Industries Ltd.	-President and COO, Gintech Energy Corporation -Board of Director, Chung Wei Investment Co., Ltd -Board of Director, Utech Solar Corporation -Chairman of G.D. Development Corp.	-	-	-	
Director	R.O.C.	Eugene Chien	Male	Jun. 26, 2017	3	Jun. 22, 2015	0	0	0	0	0	0	0	0	-Ph. D. Aeronautics and Astronautics, New York University, USA -Minister of Foreign Affairs/Minister of Transportation and Communications -Minister of the Environmental Protection Administration -Representative, Taipei Representative Office in the U.K./Legislator,	-Chairman, Taiwan Institute for Sustainable Energy(TAISE) -Independent Director of EVA Airways Corp. -Independent Director of Far Eastern Department Stores Ltd. -Chairman, CTCL Education Foundation	-	-	-	



															Legislative Yuan (Parliament) -Professor and Dean, College of Engineering, Tamkang University				
Independent Director	R.O.C.	Shean Bii Chiu	Male	Jun. 26, 2017	3	Sep. 30, 2009	0	0	0	0	0	0	0	0	-PH. D in Finance, University of Washington (Seattle) U.S.A. -MBA, University of Washington (Seattle) U.S.A. -Chairman of Department of Finance, National Taiwan University -Chairman of Pension Fund Association, R.O.C.	-Professor, Department of Finance, National Taiwan University -Independent Director of Airmate (Cayman) International Co. Limited -Independent Director of Long Chen Paper Co., Ltd.	-	-	-
Independent Director	R.O.C.	Shuh Woei Yu	Male	Jun. 26, 2017	3	Jun. 26, 2017	0	0	0	0	0	0	0	0	-Doctor of Engineering, Tulane University -Bachelor of Science, Department of Chemical Engineering, National Taiwan University -Professor, Graduate Institute of Environmental Engineering, National Central University -General Director, Center for Environmental Safety and Health Technology Development, Industrial Technology Research Institute -General Director, Center for Industrial Safety and Health Technology /Development, Industrial Technology Research Institute -Professor, Department of Chemical Engineering, National Central University	-Chairman, Safety and Health Technology Center	-	-	-
Independent	R.O.C.	James Tsai	Male	Jun. 26,	3	Jun. 26,	0	0	0	0	0	0	0	0	-Master in Accounting,	-Board Director, Trans	-	-	-

Director			2017		2017									Graduate Institute of Accounting, National Chengchi University -Master in Law, College of Law, National Chengchi University -Vice CEO, CEO, Deputy Chairman, PricewaterhouseCoopers, Taiwan -President, PricewaterhouseCoopers Management Consulting Company Ltd. -Vice Chairman, Fuh Hwa Securities Investment Trust Co., Ltd. -Managing Director, Accounting Research and Development Foundation, and Chairman, Auditing Standards Committee -Director and Managing Director, Taiwan Corporate Governance Association -Consultant, Public Service Pension Fund Supervisory Board	Globe Life Insurance Inc. -Independent Director of the Board, Sunny Friend Environmental Technology Co., Ltd. -Independent Director of the Board, Zenitron Corp. -Independent Director of the Board, Tanvex BioPharma, Inc. -Board Director, Tuntex Incorporation -Board Director, Orient Recreation and Development Corp. -Board Director, FCB Leasing Co.,Ltd. -Board Director, FCB International Leasing Co., Ltd. -Board Director, FCB Leasing(Xiamen) Co., Ltd. -Chairman, Wan Shi Da Enterprise Co., Ltd. -Chairman, Jia Guang Enterprise Co., Ltd. -Associate Professor, Department of Accounting, National Chengchi University			
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### 3.2.2 Major shareholders of the institutional shareholders

April 2<sup>nd</sup>, 2018

Name of institutional shareholders	Major shareholders of the institutional shareholders
CTCI Corporation	CTCI Foundation (7.97%) 、 Fubon Life Insurance Co., Ltd. (6.70%) 、 CTBC BANK CO., LTD. (CTCI Corporation Employee Stock Ownership Trust) (6.41%) 、 Blackrock Global Funds-Asian Growth Leaders (4.13%) 、 CTBC BANK CO., LTD. (Sustainability Employee Stock Ownership Trust) (3.44%) 、 Chunghwa Post Co., Ltd. (2.83%) 、 Cathay Life Insurance Co.,Ltd. (2.39%) 、 KGI Bank (2.20%) 、 AMERICAN FUNDS DEVELOPING WORLD GROWTH AND INCOME FUND (2.18%) 、 USI Corporation (1.99%)
Parkwell Investment Corp.	Hong Kong Parkwell Investment Corp. (99.97%)

### 3.2.3 Major shareholders of the major shareholders that are juridical persons

April 2<sup>nd</sup>, 2018

Name of juridical persons	Major shareholders of the juridical persons
CTCI Foundation (7.97%)	N/A
Fubon Life Insurance Co., Ltd. (6.70%)	Fubon Financial Holding Co., Ltd.(100%)
CTBC BANK CO., LTD. (CTCI Corporation Employee Stock Ownership Trust) (6.41%)	N/A
Blackrock Global Funds-Asian Growth Leaders (4.13%)	N/A
CTBC BANK CO., LTD. (Sustainability Employee Stock Ownership Trust) (3.44%)	N/A
Chunghwa Post Co., Ltd. (2.83%)	Ministry of Transportation and Communications(100%)
Cathay Life Insurance Co.,Ltd. (2.39%)	Cathay Financial Holding Co., Ltd.(100%)
KGI Bank (2.20%)	China Development Financial Holding Corp. (100%)
AMERICAN FUNDS DEVELOPING WORLD GROWTH AND INCOME FUND (2.18%)	Shin Kong Financial Holding Co.,Ltd.(100%)
USI Corporation (1.99%)	Hong Kong Business Cheng Lee Properties Limited(25.28%)、Asia Polymer Corporation(8.53%)、Citigroup (Taiwan) Commercial Bank is entrusted to custody of the Norwegian central bank(1.75%)、Guangdong Xinghua Investment Co., Ltd(1.73%)、Lin Su Shan Shan (1.67%)、Taita Chemical Co., Ltd.(1.27%)、Wu Xiao-Chun(1.04%)、US JP Morgan Chase Bank Taipei Branch entrusted custody of the advanced star fund company series of funds advanced total international stock index fund investment special account(1.00%)、Standard Chartered International Commercial Bank Sales Department Fighting Vatican Group Company Manager Van Gogh Emerging Markets Stock Index Fund Investment Special Account(1.00%)、Yu Wen-Xuan (0.94%)、Yu Wen-Cong (0.94%)、Yu Wen-Yu(0.94)
Hong Kong Parkwell Investment Corp. (99.97%)	LAM YIN TO(50%)、NG SIU PANG(50%)

## Professional qualifications and independence analysis of directors and supervisors

April 2<sup>nd</sup>, 2018

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

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

in the top five in holdings.

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

### 3.2.4 Management Team

April 2<sup>th</sup>, 2018

Title	Nationality	Name	Male/ Female	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C.	Y. P. Shih (Note 1)	Male	Jun. 26, 2017	61,000	0.0911	0	0	0	0	-M.S., Civil Engineering, University of Washington -Environmental Engineering, National Chung Hsing University, Taiwan -Leader, Environmental Protection Administration, EY -Technical Specialist, Environmental Protection Administration, EY -President of ECOVE Waste Management Corp.	-Chairman of ECOVE Environmental Services Corp. -Chairman of ECOVE Wujih Energy Corp. -Chairman of ECOVE Miaoli Energy Corp. -Chairman of ECOVE Waste Management Corp. -Managing Director of ECOVE Environment Consulting Corp. -Director of SINO GAL-Waste Services Co., Ltd. -Director of BoReTech Co., Ltd. (Cayman) -Director/President of Yuan Ding Resources Management Corp.	-	-	-
Executive Vice President	R.O.C.	F. H. Lee (Note 2)	Male	Jun. 22, 2016	52,422	0.0783	0	0	0	0	-M.S., Civil Engineering, National Cheng Kung University -EMBA, National Chengchi University -President of ECOVE Miaoli Energy Corporation -President of BoReTech Co., Ltd. (Zhejiang)	—	-	-	-
Financial Officer	R.O.C.	Melissa Liu (Note 3)	Female	Jan.1, 2014	0	0	0	0	0	0	-Bachelor of International Business, National Taiwan University -Section leader of Far Eastern International Bank -Deputy Manager of Finance Dept., CTCI Corporation	—	-	-	-
Financial Officer	R.O.C.	Catherine Huang (Note 3)	Female	Aug. 15, 2017	40,000	0.0598	0	0	0	0	-Bachelor of International Trade, Tunghai University -Master of Library and Information Study, McGill University -Financial & Accounting Manager, Sinogal Waste Services Co., Ltd. -Section Manager of Finance Dept., CTCI Corporation	—	-	-	-
Accounting Officer	R.O.C.	Tanching Yao	Female	Nov. 3, 2015	0	0	0	0	0	0	-LYIT Department of International Trade - Accounting Officer of BoReTech Co., Ltd. -Section manager of Accounting Dept., CTCI Corp.	-Accounting Officer of ECOVE Miaoli Energy Corporation -Accounting Officer of G.D. Development Corp. -Accounting Officer of Yuan Ding Resources Management Corp.	-	-	-

Note1: Y. P. Shih Promoted to President on June 26, 2017, expose only the information during the job.

Note2: EVP F. H. Lee retired on April 30, 2017, expose only the information during the job.

Note3: Changes in position of Financial Officer on Aug. 15, 2017, only exposes information during her employment.



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

#### 3.3.1 Remuneration of Directors

April 2<sup>nd</sup>, 2018; Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary	
		Base Compensation(A)		Pension Fund(B)		Compensation of directors [中鼎-EMO會計1](C)		Allowances(D)				Salary, Bonuses, and Allowances (E)		Pension Fund (F)		Compensation of employees [中鼎-EMO會計2](G)							
		ECOV E	All Consolidated Entities	ECOV E	All Consolidated Entities	ECOV E	All Consolidated Entities	ECOV E	All Consolidated Entities	ECOV E	All Consolidated Entities	ECOV E	All Consolidated Entities	ECOV E	All Consolidated Entities	ECOV E		All Consolidated Entities		ECOV E	All Consolidated Entities		
														Cash	Stock	Cash	Stock						
Sixth (Note1)																							
Chairman	John H. Lin (Rep. of CTCL Corporation)																						
Director	Michael Yang (Rep. of CTCL Corporation)																						
Director	Ming Cheng Hsiao (Rep. of CTCL Corporation)																						
Director	Yangming Liu	5,600	5,600	0	0	5,200	5,200	972	1,538	1.55	1.62	6,127	6,127	236	236	74	0	74	0	2.39	2.47	None	
Director	Wen Whe Pan																						
Director	Kuan Shen Wang (Rep. of Parkwell Investment Corp.)																						
Independent director	Hsin Huai Chow																						
Independent director	Shean Bii Chiu																						
Independent director	Eugene Chien																						

Seventh																					
Chairman	J. J. Liao																				
Director	Y. P. Shih																				
Director	Kuan Shen Wang																				
Director	Yangming Liu																				
Director	Wen-Whe Pan																				
Director	Eugene Chien																				
Independent director	Shean-Bii Chiu																				
Independent director	Shuh Woei Yu																				
Independent director	James Tsai																				
Note: In addition to the disclosure in the above table, the remuneration received by the company's directors for providing services to all companies in the financial report (such as serving as a non-employee consultant) in the most recent year: 0																					

### Remuneration class

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities
Under NT\$ 2,000,000	(Rep. of CTCI Corporation) John H. Lin, Michael Yang, Ming Cheng Hsiao, J. J. Liao, Y. P. Shih, Yangming Liu, Wen Whe Pan, Eugene Chien, Hsin Huai Chow, Kuan Shen Wang(Rep. of Parkwell Investment Corp.)	(Rep. of CTCI Corporation) John H. Lin, Michael Yang, Ming Cheng Hsiao, J. J. Liao, Y. P. Shih, Yangming Liu, Wen Whe Pan, Eugene Chien, Hsin Huai Chow, Kuan Shen Wang(Rep. of Parkwell Investment Corp.)	(Rep. of CTCI Corporation) John H. Lin, Michael Yang, Ming Cheng Hsiao, Yangming Liu, Wen Whe Pan, Eugene Chien, Hsin Huai Chow, Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Shean-Bii Chiu, Shuh Woei Yu,	(Rep. of CTCI Corporation) John H. Lin, Michael Yang, Ming Cheng Hsiao, Yangming Liu, Wen Whe Pan, Eugene Chien, Hsin Huai Chow, Kuan Shen Wang(Rep. of Parkwell Investment Corp.) Shean-Bii Chiu, Shuh Woei Yu,

	Shean-Bii Chiu, Shuh Woei Yu, James Tsai	Shean-Bii Chiu, Shuh Woei Yu, James Tsai	James Tsai J. J. Liao Y. P. Shih	James Tsai J. J. Liao, Y. P. Shih
NT\$2,000,000 ~ NT\$5,000,000	-	-	-	-
NT\$5,000,000 ~ NT\$10,000,000	-	-	-	-
NT\$10,000,000 ~ NT\$15,000,000	-	-	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total				

### 3.3.2 Compensation of President and Executive Vice President

December 31<sup>st</sup>, 2017; Unit: NT\$ thousands; thousand shares

Title	Name	Salary(A)		Pension Fund (B) (Note)		Bonuses and Allowances (C)		Compensation of employees[中鼎-EMO會計3] (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the president and executive vice president from an invested company other than the company's subsidiary
		ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities	ECOVE		All Consolidated Entities		ECOVE	All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	J.J Liao(Note1)													
President	Yun-Peng Shih(Note1)	4,427	4,427	237	237	4,309	4,309	103	0	103	0	1.19	1.19	None
Vice President	F.H. Lee(Note2)													

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

Note1: President J.J Liao was promoted to chairman on June 26, 2017 and Yun-Peng Shih took over as President.

Note2: The Vice President of F.H. Lee retired on April 30, 2017, only exposing information during his employment.

#### Remuneration class

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

**Compensation of employees[中鼎-EMO會計4] to Management Team**

December 31<sup>st</sup>, 2017 Unit: NT\$ thousands

	Title	Name	Compensation of employees[中鼎-EMO會計5] - in Stock (Fair Market Value)	Compensation of employees[中鼎-EMO會計6] - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Chairman	J.J Liao	0	208	208	0.03
	President	Yun-Peng Shih				
	Vice President	F.H. Lee(Note1)				
	Finance Manager	Melissa Liu(Note2)				
	Finance Manager	Chung-Lei Huang				
	Accounting Manager	Tan-Ching Yao				

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

Note1: The Vice President of F.H. Lee retired on April 30, 2017, only exposing information during his employment.

Note2: The financial manager changed on August 15, 2017, and only disclosed the information of the new and old financial supervisors during their employment.

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

Unit: NT\$ thousands

Title	2016		2017	
	ECOVE	All Consolidated Entities	ECOVE	All Consolidated Entities
	Ratio to net income (%)	Ratio to net income (%)	Ratio to net income (%)	Ratio to net income (%)
Directors	1.39	1.39	1.55	1.62
Presidents and Vice President	0.97	1.37	1.19	1.19

#### 1. The compensation of Directors

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

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

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

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

#### 2. The compensation of Presidents and Vice President.

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

Employee bonuses are determined based on the Company's Articles of Incorporation and the annual bonus is determined based on the operating performance of the year with agreement of the Company's Personnel Committee and Remuneration Committee through a resolution of the Board. Employees' stock options include general and bonus stock options. The general stock options, given to outstanding individuals with direct contributions to the Company, are calculated by rank, seniority and annual performance evaluation, decided by the Chairperson and approved by the Remuneration Committee and the Board of Directors.

### 3. Association between remuneration and future risks

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

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

A total of 7 meetings of the board of directors were held in the previous period, Directors' attendance was as follows: (As of April 2<sup>nd</sup>, 2018)

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	J. J. Liao (Rep. of CTCL Corporation)	5	0	100	2017.6.26 Reelection, Newly Elected, 5 Meetings should be attended during the disclosure period
Director	Y. P. Shih (Rep. of CTCL Corporation)	5	0	100	2017.6.26 Reelection, Newly Elected, 5 Meetings should be attended during the disclosure period
Director	Kuan Shen Wang (Rep. of Parkwell Investment Corp.)	6	1	86	2017.6.26 Re-election, Reappointment, 7 Meetings should be attended during the disclosure period
Director	Yangming Liu	6	1	86	2017.6.26 Re-election, Reappointment, 7 Meetings should be attended during the disclosure period
Director	Wen Whe Pan	6	1	86	2017.6.26 Re-election, Reappointment, 7 Meetings should be attended during the disclosure period
Director	Eugene Chien	7	0	100	2017.6.26 Re-election, Reappointment, 7 Meetings should be attended during the disclosure period
Independent Director	Shean Bii Chiu	7	0	100	2017.6.26 Re-election, Reappointment, 7 meetings should be attended during the disclosure period
Independent Director	Shuh Woei Yu	5	0	100	2017.6.26 Reelection, Newly Elected, 5 meetings should be attended during the disclosure period
Independent Director	James Tsai	5	0	100	2017.6.26 Reelection, Newly Elected, 5 meetings should be attended during the disclosure period
Chairman	John H. Lin (Rep. of CTCL Corporation)	2	0	100	2017.6.26 Re-election, retiring, and attending 2 meetings during the disclosure period
Director	Michael Yang (Rep. of CTCL Corporation)	1	1	50	2017.6.26 Re-election, retiring, and attending 2 meetings during the disclosure period
Director	Ming Cheng Hsiao (Rep. of CTCL Corporation)	2	0	100	2017.6.26 Re-election, retiring, and attending 2 meetings during the disclosure period
Independent Director	Hsin Huai Chow	2	0	100	2017.6.26 Re-election, retiring, and attending 2 meetings during the disclosure period

Other mentionable items:

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

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

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

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

(1)Directors' Names: Wen Whe Pan



Contents of motion: The 19th meeting of the 6th term Board of Directors (2017.03.15): Admit of the endorsement of external guarantees.

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

(2) Directors' Names: Y. P. Shih

Contents of motion: The 1st meeting of the 7th term Board of Directors (2017.06.26): Approval of the appointment of the general manager (& spokesperson) of the company.

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

(3) Directors' Names: Shean Bii Chiu, Shuh Woei Yu and James Tsai

Contents of motion: The 1st meeting of the 7th term Board of Directors (2017.06.26): Approval of the appointment of Compensation Committee Members

Causes for avoidance and voting should be specified: independent director Shean Bii Chiu, Shuh Woei Yu and James Tsai recused themselves during discussion of and voting on this item because of the interested party relationship.

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

Contents of motion: The 2nd meeting of the 7th term Board of Directors (2017.08.04): Admit of the endorsement of external guarantees.

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

(5) Directors' Names: J. J. Liao

Contents of motion: The 2nd meeting of the 7th term Board of Directors (2017.08.04): Approval of setting up the management strategy committee.

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

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

Contents of motion: The 3rd meeting of the 7th term Board of Directors (2017.11.01): Admit of the endorsement of external guarantees.

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

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

Contents of motion: The 4th meeting of the 7th term Board of Directors (2017.12.13): Admit of the endorsement of external guarantees.

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

(8) Directors' Names: J. J. Liao and Y. P. Shih

Contents of motion: The 4th meeting of the 7th term Board of Directors (2017.12.13): Approval to loan to CTCI Corp .

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

(9) Directors' Names: J. J. Liao and Y. P. Shih

Contents of motion: The 4th meeting of the 7th term Board of Directors (2017.12.13): Approval of the average salary increase rate of 2018.

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

(10) Directors' Names: J. J. Liao and Y. P. Shih

Contents of motion: The 4th meeting of the 7th term Board of Directors (2017.12.13): Approval

of the remuneration of the management officers of the Company.

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

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

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

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

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

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

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

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

(1) The Company amended the Board of Directors Meetings Procedure, Compensation Committee Rules of Procedure, Audit Committee Meetings Procedure, Organization Guidelines of Audit Committee, Rules and Procedures of Board of Directors Meetings, and Duties and Responsibilities of Independent Directors at the Third Meeting of the Seventh Board on November 1, 2017 to reinforce the competencies of the Board of Directors (Audit Committee) and improve information transparency. The amendments are summarized as the follows: 1. At least one independent director shall be present at any meeting of the Board, and for matters that are required to gain approval of the Board through a resolution, all independent directors shall be present at the meetings or appoint another independent director to attend the meetings as a proxy. 2. When the Audit Committee carries out discussions and voting for a decision, the non-committee member attendees shall leave the premise. 3. The independent directors serving in the Audit Committee shall disclose their interests concerning the Company and when there is conflict of interest, shall abstain from relevant discussions and voting, and the process shall be recorded in the meeting minutes. 4. Terms regarding public disclosure of the operations of the Remuneration Committee are added.

(2) The Company has completed the 2017 Board of Directors Performance Evaluation Report with participation of the full Board, and the results and recommendations for improvement have been reported at the Fifth Meeting of the Seventh Board on March 8, 2018.

(3) To reassure the directors, the Company continuously insures our directors (with increased coverage) with Directors Liability Insurance, which is expected to minimize the impact to the Company and shareholders.

Independent Directors Attend the Status of Board of Directors in the Recent Year							
BOD Date Name of Director	The 19 <sup>th</sup> Meeting of the 6 <sup>th</sup> term BOD 2017.03.15	The 20 <sup>th</sup> Meeting of the 6 <sup>th</sup> term BOD 2017.05.11	The 1st Meeting of the 7 <sup>th</sup> term BOD 2017.06.26	The 2nd Meeting of the 7 <sup>th</sup> term BOD 2017.08.04	The 3rd Meeting of the 7 <sup>th</sup> term BOD 2017.11.01	The 4th Meeting of the 7 <sup>th</sup> term BOD 2017.12.13	The 5th Meeting of the 7 <sup>th</sup> term BOD 2018.03.08
Hsin Huai Chow (Note 1)	In person	In person	-	-	-	-	-
Eugene Chien (Note 2)	In person	In person	-	-	-	-	-
Shean Bii Chiu	In person	In person	In person	In person	In person	In person	In person
Shuh Woei Yu/Male (Note 3)			In person	In person	In person	In person	In person
James Tsai/Male (Note 3)			In person	In person	In person	In person	In person

Note 1 : Hsin Huai Chow was retired Director on June 26, 2017, and attending two board meetings during the disclosure period.

Note 2 : Hsin Huai Chow was retired Director on June 26, 2017, and attending two board meetings during the disclosure period.

Note 3 : Shuh Woei Yu and James Tsai/Male was elected Director on June 26, 2017, and attending five board meetings during the disclosure period.

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

#### (1) The Audit Committee Operations

The Company has elected three independent directors and established the Audit Committee in lieu of supervisors on June 23, 2014. A total of 6 meetings of the Audit Committee were held in the previous period. Independent Directors' attendance was as follows: (As of March 31, 2018)

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Independent Director	Shean Bii Chiu	6	0	100	2017.6.26 Re-election, Reappointment, 6 meetings should be attended during the disclosure period
Independent Director	Shuh Woei Yu	4	0	100	2017.6.26 Reelection, Newly Elected, 4 meetings should be attended during the disclosure period
Independent Director	James Tsai	4	0	100	2017.6.26 Reelection, Newly Elected, 4 meetings should be attended during the disclosure period
Independent Director	Hsin Huai Chow	2	0	100	2017.6.26 Re-election, retiring, and attending 2 meetings during the disclosure period
Independent Director	Eugene Chien	2	0	100	2017.6.26 Re-election, retiring, and attending 2 meetings during the disclosure period

Other mentionable items:

1. If there are the following matters, the dates of meetings, sessions, contents of motions, the Audit Committee' resolutions and the Company's response to the Audit Committee's opinion should be specified:

(1) The matter referred to in Article 14-5 of Securities and Exchange Act.

(2) The resolution that was not approved by the Audit Committee but be undertaken upon the consent of two-thirds or more of all directors.

As at the date of publication of the annual report, the Company did not have any of the above (1). The matters listed in Article 14.5 of the Securities and Futures Act are as follows:

BOD Meetings	Sessions, contents of motions/ the Audit Committee' resolutions and the Company's response to the Audit Committee's opinion	The matter referred to in Article 14-5 of Securities and Exchange Act	Resolution that was not approved by the Audit Committee but be undertaken upon the consent of two-thirds or more of all directors
The 19 <sup>th</sup> meeting of the 6 <sup>th</sup> term Board of Directors 2017.03.15	1.Admit of the endorsement of external guarantees.	√	X
	2.Approval of the distribution plan of the 2016 directors' and employees' remuneration.	√	X
	3.Approval of the fiscal 2016 business report, financial reports and consolidated reports.	√	X
	4.Approval of the distribution plan of Fiscal 2016 earnings.	√	X
	5.Approval of the "Statement of Internal Control System for the Year 2016"	√	X

	6.Approval of the amendment to the “Rules Governing Procedure for Loaning of Funds” , “Rules Governing Procedure for Relational Transaction” and “Internal Audit Systems” of the Company.	V	X
	7.Approval of the update of the Company’s paid-in capital registration.	V	X
	8.Approval of the amendment to the “Rules Governing Procedure for Loaning of Funds” of subsidiaries.	V	X
	The Audit Committee’ resolutions (2017.03.15, The 16th meeting of the 1st term) : All members of the Audit Committee agreed 1. ~8.		
	The Company’s response to the Audit Committee’s opinion : All present members of the board adopted the resolution.		
The 20 <sup>th</sup> meeting of the 6 <sup>th</sup> term Board of Directors 2017.05.11	1.Approval of the amendment to the Company’s “Internal Control Systems and the Internal Rules”.	V	X
	2.Approval of the update of the Company’s paid-in capital registration.	V	X
	The Audit Committee’ resolutions (2017.05.11, The 17th meeting of the 1st term) : All members of the Audit Committee agreed 1. ~2.		
	The Company’s response to the Audit Committee’s opinion : All present members of the board adopted the resolution.		
The 2 <sup>nd</sup> meeting of the 7 <sup>th</sup> term Board of Directors 2017.08.04	1.Admit of the endorsement of external guarantees.	V	X
	2.Approval of the consolidated financial reports as of June 30, 2017.	V	X
	3.Approval of the update of the Company’s paid-in capital registration.	V	X
	4.Approval of replacing financial officer of the Company	V	X
	The Audit Committee’ resolutions (2017.08.04, The 1st meeting of the 2nd term) : All members of the Audit Committee agreed 1. ~4.		
	The Company’s response to the Audit Committee’s opinion : All present members of the board adopted the resolution.		
The 3 <sup>rd</sup> meeting of the 7 <sup>th</sup> term Board of Directors 2017.11.01	1.Admit of the endorsement of external guarantees.	V	X
	2.Approval of the amendment to the Company’s “Internal Control Systems” and “The Internal Rules.	V	X
	3.Approval of the update of the Company’s paid-in capital registration.	V	X
	4.Approval to invest waste isopropanol recycling industry.	V	X
	The Audit Committee’ resolutions (2017.11.01, The 2nd meeting of the 2nd term) : All members of the Audit Committee agreed 1. ~4.		
	The Company’s response to the Audit Committee’s opinion : All present members of the board adopted the resolution.		
The 4 <sup>th</sup> meeting of the 7 <sup>th</sup> term Board of	1.Admit of the endorsement of external guarantees.	V	X
	2.Approval of the budget of 2018.	V	X
	3.Approval of the Year 2018 Audit Plan.	V	X

Directors 2017.12.13	4.Approval of the amendment to the Company's "The Internal Rules.	V	X
	5.Approval of the amendment to the Company's "Internal Control Systems".	V	X
	6.Approval of funds lending CTCI Corp. for working capital requirement.	V	X
	The Audit Committee's resolutions (2017.12.13, The 3rd meeting of the 2nd term) : All members of the Audit Committee agreed 1.~6.		
	The Company's response to the Audit Committee's opinion : All present members of the board adopted the resolution.		
The 5 <sup>th</sup> meeting of the 7 <sup>th</sup> term Board of Directors 2018.03.08	1.Admit of the endorsement of external guarantees.	V	X
	2.Approval of the distribution plan of the 2017 directors' and employees' remuneration.	V	X
	3.Approval of the fiscal 2017 business report, financial reports and consolidated reports.	V	X
	4.Approval of the distribution plan of Fiscal 2017 earnings.	V	X
	5.Approval of the "Statement of Internal Control System for the Year 2017"	V	X
	6.Approval of the update of the Company's paid-in capital registration.	V	X
	7.Approval of equity participation on capital injection of the G.D. International Corp.	V	X
	The Audit Committee's resolutions (2018.03.08, The 4th meeting of the 2nd term) : All members of the Audit Committee agreed 1.~7.		
	The Company's response to the Audit Committee's opinion : All present members of the board adopted the resolution.		

2. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None
3. Communications between Independent Directors and the Company's Internal Audit officer and CPA
  - A. After having presented the audit and follow-up reports to the Chairman, the Internal Audit officer submits the same reports via e-mail for review by the Independent Directors on a monthly basis. The Internal Audit officer communicates with the Independent Directors in person quarterly. There was no further issue after responding their comments.
  - B. The Internal Audit officer presents the findings of audit reports in the meetings of the Audit Committee and the Board of Directors. All the Independent Directors have adequate access to how audit performs. The communication channel between Independent Directors and the Internal Audit officer functioned well.

(2) The State of participation in board meetings by the supervisors:

None

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

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

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



Evaluation Item	Operation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons																																																																		
	Yes	No	Summary Statement																																																																			
			<p>standards including but not limited to the following two aspects: 1. basic qualifications and value and 2. professional knowledge and skills.</p> <p>In order to achieve the ideal goal of corporate governance, the board should have the following capabilities:1.Operational judgment. 2. Accounting and financial analysis capabilities. 3. Management capabilities.4. Crisis management capability. 5. Industry knowledge. 6. International market outlook. 7. Leadership. 8. Decision-making capacity.</p> <p>The following measures have been taken by the Company to implement diversification of the members of the Board of Directors: The Company is an investment holding company. In accordance with requirements for "general investment" in the Company's operations, the members of the Board of Directors include professors in finance and economics, practicing attorneys, and business personnel in related fields.</p> <p>The Company's implementation of the board member diversity policy is shown below:</p> <table border="1" data-bbox="772 1077 1713 1492"> <thead> <tr> <th>Core Item</th> <th>Note 1</th> <th>Note 2</th> <th>Note 3</th> <th>Note 4</th> <th>Note 5</th> <th>Note 6</th> <th>Note 7</th> <th>Note 8</th> <th>Note 9</th> <th>Note 10</th> </tr> </thead> <tbody> <tr> <td>Name of Director</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>J. J. Liao</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Y. P. Shih</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Shean Bii Chiu</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Eugene Chien</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> </tbody> </table>	Core Item	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8	Note 9	Note 10	Name of Director											J. J. Liao	Male	v	v	v	v	v	v	v	v		Y. P. Shih	Male	v	v	v	v	v	v	v	v		Shean Bii Chiu	Male	v	v	v	v		v	v	v		Eugene Chien	Male	v	v	v	v		v	v	v		
Core Item	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8	Note 9	Note 10																																																												
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Evaluation Item	Operation Status												Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons	
	Yes	No	Summary Statement											
(2) In addition to the establishment of the Remuneration Committee and Audit Committee, does the Company have other functional committees?	V		Kuan-Sheng Wang	Male	v	v	v	v	v	v	v	v		None
			Wen Whe Pan	Male	v	v	v	v		v	v	v		
(3) Is there performance appraisal of the board of directors, which is carried out annually?	V		Yang-Ming Liu	Male	v	v	v	v		v	v	v	v	None
			Shuh Woei Yu	Male	v	v	v	v	v	v	v	v		
			James Tsai	Male	v	v	v	v		v	v	v		
			Note 1: Male/Female Note 2: Operational judgment Note 3: Accounting and financial analysis capabilities Note 4: Management capabilities Note 5: Crisis management capability Note 6: Industry knowledge Note 7: International market outlook Note 8: Leadership Note 9: Decision-making capacity Note 10: Legal capacity											
			(2) The Company has established the Remuneration Committee and Audit Committee but no other functional committees.											
			(3) The Company established the "Board of Directors Performance Evaluation Guidelines" at the 18th meeting of the 6th Board of Directors on December 12, 2016. Related regulations are as follows: Article 3 (Frequency and length of evaluation)											

Evaluation Item	Operation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary Statement	
			<p>The Company's Board of Directors shall conduct at least one internal Board of Directors performance evaluation every year. The internal Board of Directors performance evaluation shall be conducted at the end of each year in accordance with the evaluation procedures and standards set forth in the Guidelines to evaluate the performance of the preceding year.</p> <p>The Company shall appoint external professional and independent institutions or an external team of experts and scholars at least once every three years to evaluate the performance of the Board of Directors. The performance evaluation shall be conducted at the end of the year.</p> <p>Article 4 (Scope and methods of evaluation)</p> <p>The scope of the performance evaluation of the Company's Board of Directors is the performance of the entire Board.</p> <p>The methods of evaluation include self-evaluation of the Board, self-evaluation of the members of the Board, or other appropriate methods.</p> <p>The performance evaluation of the Company's board of directors covers five major aspects: “participation in company operations”, “quality of board decisions”, “board composition and structure”, “director selection and continuing education” and “Internal control”, including a total of 29 self-assessment indicators.</p> <p>From 2018, the Company sends out a “Board Performance Self-Assessment Questionnaire” to all board members at the beginning of each year to assess the overall operation of the board in the preceding year. The Company's administrative unit of the board of directors then analyzes and reviews the “Board Performance Self-assessment Questionnaire” submitted by the directors and forward the results to the board of directors</p>	

Evaluation Item	Operation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary Statement	
(4) Is there regular assessment of the independence of the certified public accountant every year?	V		<p>(including suggestions for reinforcement or improvement). The assessment procedure as described in the preceding paragraph and the results of self-evaluation by the board of directors are also disclosed on the Company's website. The results of the Company's “2017 Board Performance Evaluation” are as follows: Four out of the five aspects received 100% satisfaction from all directors. Only the aspect of “director selection and continuing education” are deemed to need further improvement. The results show that the board of directors of the Company has been operating with good effectiveness. The above evaluation results were reported and reviewed by the 5th meeting of the 7th board of directors at the March 8, 2018 Board of Directors Meeting.</p> <p>(4) To fulfill Corporate Governance, the Company has established “Evaluation of engaged Certified Public Accountant Regulation” in the 8th meeting of the 5th board of director on December 18, 2012. According to this regulation, the Company exams and evaluates CPA's independence and capability annually, and submit a report to the Audit Committee and Board of Directors. The report was approved by the Audit Committee in the 16th meeting of the 1st on March 15, 2017 and by the Board of Directors in the 19th meeting of the 6th on March 15, 2017, the evaluation items please refer to the 【note 1】 .</p> <p>After assessed, CPAs Shih-Jung Weng and Shu-Chiung Chang from PricewaterhouseCoopers were qualified. Both CPAs do not have any direct interest relationship with either the Board of Directors or the Company, and believed to have more than sufficient capabilities on auditing, taxation and time cost efficiency.</p>	None

Evaluation Item	Operation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary Statement	
4. Has the TWSE-listed or TPEX-listed company established a dedicated or part-time corporate governance unit, or personnel responsible for corporate governance affairs (including but not limited to providing information required for Directors and Supervisors to carry out their tasks, organize meetings of the Board of Directors and shareholder meetings, implement company registration and changes, compile meeting minutes for the Board of Directors meetings and shareholder meetings, etc.)?	V		<p>The Chairman of the Company also serves as the corporate governance officer. Planning and implementation of corporate governance related affairs are handled by the General Management Office. The Chairman makes the decisions and supervises the operations of the General Management Office.</p> <p>The Company's corporate governance operations have been disclosed on the Company's website. The Company's corporate governance administration are summarized below:</p> <ol style="list-style-type: none"> <li>a. Carry out issuance and revision of the Company's procedures and guidelines for operations and corporate governance, which are forwarded to the board of directors for approval.</li> <li>b. Invite accountants, independent directors, auditing supervisors and accounting supervisors to participate in communication meetings and provide opinions on the internal control system. Communication records have been disclosed on the Company's website. <a href="http://www.ecove.com">http://www.ecove.com</a>)</li> <li>c. Convene of the board of directors meeting, prepare the required documents and review the compliance of subsequent resolutions in accordance with the Company's Rules of Procedure for the Board of Directors Meeting.</li> <li>d. Convene of the shareholders' meeting, prepare the required documents and review the compliance of subsequent resolutions in accordance with the Company's Rules of Procedure for the Shareholde.</li> </ol>	None

Evaluation Item	Operation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary Statement	
			e. Plan and implement the annual continuing education program for directors. f. Set up an annual plan for improvement of corporate governance based on the "Corporate Governance Assessment" indicators.	
5. Does the Company establish communication channel for stakeholders(Including but not limited to shareholders, employees, customers and suppliers), set up a dedicated section in its corporate website for stakeholders, and properly respond to CSR-related issues concerned by stakeholders?	V		The Company has established a stakeholder section on the company website to respond properly to inquiries from stakeholders (including but not limited to important corporate social responsibility issues).	None
6. Does the Company entrust the professional stock affair agency for the shareholder affairs?	V		The Company has appointed the Stock Transfer Agency Department of KGI Securities to process affairs related to shareholder meetings.	None
7. Information Disclosure (1)Does the Company set up a website to disclose information regarding the Company’s finance, business and corporate governance status?	V		(1) The company has established a website to disclose information regarding the company's financial, business, and corporate governance status. The Company's website: <a href="http://www.ECOVEhc.com.tw">www.ECOVEhc.com.tw</a>	None
(2)Is there any other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons,	V		(2) The Company has established a Chinese and English website and assigned dedicated personnel for the collection and disclosure of company information. The Company also established a spokespersons mailbox on the company website to implement the spokesperson system, and published Chinese and English presentation materials and recordings of investor conferences, shareholder meeting information in Chinese and English, annual	

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

Evaluation Item	Operation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary Statement	
measures that should be prioritized for improvement with regard to the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year.			<ul style="list-style-type: none"> <li>a. Convene Annual General Shareholders’ Meeting before the end of May.</li> <li>b. Executive Board of Directors performance self-assessment of 2017.</li> </ul> <p>(2) Among the corporate governance evaluation items for which the Company has not yet made improvements, the prioritized item to be completed first is Board of Directors Adds Female Directors.</p>	



[Note 1] Assessments on the Independence of CPA

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

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

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

#### 1. Remuneration Committee members' information

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

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

Note 2:

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

2. The state of operations of the Remuneration Committee

a. This committee is comprised of 3 members.

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

A total of 4 meetings of the Remuneration Committee were held in the previous period: (As of March 31, 2018)

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Convener	Hsin Huai Chow	1	0	100	2017.6.26 Re-election, retiring, and attending 1 meetings during the disclosure period
Member	Eugene Chien	1	0	100	2017.6.26 Re-election, retiring, and attending 1 meetings during the disclosure period
Convener	Shean Bii Chiu	4	0	100	2017.6.26 Re-election, Reappointment, 4 meetings should be attended during the disclosure period
Member	Shuh Woei Yu	3	0	100	2017.6.26 Reelection, Newly Elected, 3 meetings should be attended during the disclosure period
Member	James Tsai	3	0	100	2017.6.26 Reelection, Newly Elected, 3 meetings should be attended during the disclosure period

Other mentionable items:

1. If the board of directors declined to adopt, or modified, a recommendation of the remuneration committee, the dates of meetings, sessions, contents of motions, resolutions of the Board Meeting and the Company's response to remuneration committee' opinion should be specified (If the remuneration passed by the board of directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None
2. If there are objections or reservations to any discussion matters or extraordinary motions expressed by any member of the Committee, recorded or provided in written forms, the dates of meetings, sessions, contents of motions, all members' opinion and the Company's response to members' opinion should be specified: None

### 3.4.5 Corporate Social Responsibility (CSR)

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
<p>1. Implementing corporate governance</p> <p>(1) Has the Company set up corporate social responsibility (CSR) policies or systems and reviewed the effectiveness of CSR actions?</p> <p>(2) Does the company provide educational training on corporate social responsibility on a regular basis?</p> <p>(3) Has the Company established a dedicated unit or appointed a</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company passed the "CSR Promotion and CSR Report Publication Procedures" in November 2010, which serve as a set of principles for implementation. The material issues in the CSR Report are set with reference to the GRI Standards and the AA1000 verification standards and principles with stakeholders' concerns on the issues and the degree of impact of these issues on the Company taken into considerations to establish a systematic process for the relevant activities.</p> <p>(2) The company organizes lectures to promote environmental education and raise awareness on corporate social responsibility through training, announcements and activities.</p> <p>(3) The Company attaches great importance to the implementation of corporate social responsibility and our contributions to society and the environment. Therefore, we set up</p>	<p>None</p> <p>None</p> <p>None</p>

Evaluation Item	Implementation Status		Summary Statement	Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
unit for promoting CSR? Is the unit authorized by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors?			<p>the CSR Committee in 2014. The General Management Office takes the responsibility to coordinate and communicate among the various work groups and holds meetings with each work group to track the results. This system enables the Company to achieve effective implementation of corporate social responsibility activities. The CSR Committee is the main decision-making and promotion unit of ECOVE's corporate social responsibility practices. The Chairman of the Company serves as the Chairman of the Committee and the highest ranking executives as the members of the Committee. The Committee reports to the board of directors regularly once a year on the effectiveness of CSR-related activities. The CSR Committee meets regularly every year or as needed. The regular meeting is held in the fourth quarter each year to review the CSR activities of the current year and discuss the main the issues for the next year. Unscheduled meetings are held as needed. Three work groups were set up under the Committee for Business Management, Social Engagement and Environmental Protection and formed by personnel from departments relevant to the issues.</p> <p>Operation and Execution Process:</p> <p><b>2017 Care in Greater Depth</b></p> <ul style="list-style-type: none"> <li>• Business Management - Build brand website and reinforce risk management</li> <li>• Corporate Commitment - employee care and training, talent development, CSR report improvement plan, awards in pursuit</li> <li>• Social Engagement - education for rural students, subscription for MRT priority tickets,</li> </ul>	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and	V		<p>purchasing gifts from shelter factories, donations, community relations, volunteer activities</p> <ul style="list-style-type: none"> <li>• Environmental Protection-replacement of old vehicles, purchase of environmentally-friendly vehicles, promotion of environmental education, energy saving and carbon reduction campaign - Healthy Lifestyle Activities</li> </ul> <p><b>2018 Discovering Happiness</b></p> <ul style="list-style-type: none"> <li>• Internalization and promotion of brand culture - increase brand exposure and CSR visibility</li> <li>• One Factory, One Footprint, Continuous Environmental Education (20 schools)-environmental education programs and activities.</li> <li>• Volunteer Activities - Set up the Goodwill Club; employees take the initiative to organize activities.</li> <li>• Equipment Update (EGR) - A Gas Exhaust Recirculation System (EGR) update is expected to be implemented at the Wujih Plant.</li> </ul> <p>(4) The Company has established self-disciplinary regulations including the Corporate Governance Practice Principles, ECOVE Environment Corporation Ethical Corporation Ethical Corporate Managements Best Practice Principles, ECOVE Environment Corporation Code of Business Conduct and Ethics for the Board of Directors and Managers, ECOVE Environment Corporation Code of Employees Ethics and Conduct, and Related Party Transaction Management. The Work Rules also include specific performance evaluation and the reward and punishment system. The Company has established performance management regulations and related reward and punishment regulations. Employees' performance are thoroughly reflected in the year-end bonus to encourage employees with outstanding</p>	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
disciplinary system?			performance. Supervisors may provide appropriate assistance for improving performance or rotations to change the content of work for employees with poor performance ratings based on actual conditions and reasons for the poor performance. Article 99 of the Company's Articles of Incorporation stipulates that if the company makes profit during the year, a portion of the profit shall be allocated with priority to offset the accumulated losses, a portion no less than 0.1 percent shall be allocated for employee compensations and no more than 2 percent shall be allocate for compensations of the directors. Employee compensations may be paid in the forms of stock or cash and the subjects of payment may include employees of subsidiaries who meet certain criteria.	
2. Developing sustainable environment				
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(1) As a member of the society, ECOVE is committed to energy-saving and carbon reduction. From the view of the entire resource recycling industry, the Company is constantly pursuing the development and application of new technologies to reduce energy consumption and prevent pollution. In daily operations, the Company advocates energy-saving and emphasizes the importance of cutting down use of paper, electricity and water.	None
(2) Does the company establish proper environmental management systems based	V		(2) For pollution prevention, the EfW plants operated by the Company have established quality and environmental management systems (ISO 9001 and ISO 14001). For resource recycling,	None



Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
<p>on the characteristics of their industries?</p> <p>(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy efficiency, carbon and GHG reduction?</p>	V		<p>2016 statistics show that the plants have sold a total of 908.2 million kWh of electricity back to Taiwan Power Company, which achieved a reduction of GHG emission equivalent to 450,000 metric tons of CO<sub>2</sub> emissions. In 2017, the Company processed a total of 1,857,743 metric tons of waste at the contracted EfW plants. Among the processed waste, general waste accounted for 1,496,753 metric tons and general industrial waste 348,607 metric tons. In equivalent, ECOVE ESC processed a volume of general waste generated by approximately 7.9 million people and industrial waste from 16,500 businesses in a year.</p> <p>(3) With regard to greenhouse gases, according to the 2016 self-inspection, the Energy-from-Waste plants operated by the Company emitted a total of 792,634.5 metric tons of carbon dioxide. And according to the 2017 self-inspection, the Energy-from-Waste plants operated by the Company emitted a total of 698,243.9 metric tons of carbon dioxide (excluding the Shulin and Gangshan plants). The Company's Wujih Plant has obtained the ISO 14064-1 verification of greenhouse gas emissions. Miaoli Plant and Tainan Plant have obtained the PAS 2050 certification and submitted carbon emission reduction plans for main sources of emissions in order to effectively reduce greenhouse gas emissions. With 2014 set as the base year, the goal is to cut down the total annual carbon emission by 1 percent.</p>	None

Evaluation Item	Implementation Status		Summary Statement	Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>To lower power consumption, the Company has installed variable frequency converters, switched to T5 or LED lighting equipment, implemented separate lighting management, installed automatic lighting devices, managed air-conditioning temperature settings, and reset rotating equipment from continuous operations to controlled start-up and shut-down at optimal times or temperature-automated start-up and shut-down.</p> <p>With regard to water resource management, the waste water of incineration plants under the Company's management including waste water from the boiler, production process, cleaning, general waste water, or vehicle-washing waste water is 100% recycled and reused through the waste water recycling system in the Plants to achieve the goal of "zero waste water discharge".</p>	
<p>3. Asserting social welfare</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	V		<p>(1) The Company does not have restrictions for gender, age, race, political inclinations, or religious beliefs with regard to appointments and promotions. All individuals are equal and have equal rights and opportunities as long as they are capable and qualified for the positions. Appointed personnel are required to be older than the age of child workers stipulated by the Labor Standards Act. The Company has not appointed child workers. Article 10 of the Company's Code of Practice for Corporate Social Responsibility also stipulates that the Company complies with the international human rights conventions.</p>	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
	V		Please see appendix for details.	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		(2) The Company has established sexual harassment prevention and processing regulations with clear complaint methods and channels to promptly process related complaints.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The Company establishes safety and health education training plans each year and implements the programs in accordance with plans. The Company also organizes Occupational Safety Week and Health Week events to establish a culture for safety through participation of all employees.	None
(4) Does the company set up a communication channel with employees on a regular basis,	V		(4) The Company organizes labor-management meetings and appoints committee members from labor and management to convene regular committee meetings in accordance with	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		regulations. The meetings are used to regulate and improve labor-management relations. The Company organizes regular employee discussions between high-level management and all departments each year. Both parties of labor and management are able to conduct face-to-face communication to promptly and resolutely improve and resolve problems. Employees can also express their opinions regularly through internal channels.	
(5) Does the company provide its employees with career development and training sessions?	V		(5) The Company implements general and professional training to increase employees' qualities and work skills. It also provides subsidies for on-the-job training for employees to establish an excellent corporate culture through education and training.	None
(6) Has the company established any consumer protection mechanisms and grievance procedures for issues arising from research development, procurement, production, operation and services?	V		(6) The Company has established a quality management system based on ISO 9001 international standards and implements the system effectively to ensure the operations and performance meet quality targets.	None

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

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
time if the said supplier has violated the Company's corporate social responsibility policy and significantly impacted the environment and society?				
4. Strengthening information disclosure (1) Does the company disclose relevant and reliable information relating to CSR on its official website or the Market Observation Post System (MOPS)?	V		(1) The Company has published the Corporate Social Responsibility Report (CSR Report) since 2010 and it continues to do so to demonstrate the Company's ideals and policies for corporate social responsibilities as well as its hard work and performance in customer care, employee welfare, environmental protection, and social welfare. Please refer to the Company's website for complete information on the Corporate Social Responsibility Report compiled by the Company.	None
1. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please describe any discrepancy between the principles and their implementation: The Company has established Corporate Social Responsibility Implementation Principles in accordance with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies for all employees, managers, and members of the board to follow.				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
2. Other important information to facilitate better understanding of the Company's corporate social responsibility practices				
(1) Rebranding and resource recycling: The Company completed rebranding in 2017 to increase its influence on the market and its visibility on the global market. It also actively invested in the resource recycling economy. Resource recycling refers to the cycled use of waste through regenerative processes. The Company hopes to reduce consumption of the Earth's resources through active participation in the recycling industry and create a beautiful and clean environment.				
(2) Embrace challenge and triumph through innovation: The Company and its subsidiaries have actively pursued international markets in recent years. In terms of talent cultivation, it has enhanced its expertise and international exposure and encouraged employees to advance their studies in internal or external training to increase their capabilities. In 2015, there were 566 instances of employee participation in external training and 10,552 instances of internal training. The Company invested a total of NT\$2.116 million on training, which demonstrated the Company's emphasis on education and training. In addition, the Company introduced a global education platform "CTCI Academy" (GTS) that allows employees to take video courses at anytime from anywhere, regardless of whether they are off duty or on business trips.				
(3) Implement safety and sanitation: ECOVE has established risk management, complied with regulations, conducted communication and training, and adopted a policy for continuous improvement by prioritizing safety and health. Its subsidiary ECOVE Environment Services Corporation (since 2009), the head office, and all Energy-from-Waste plants operated by the Group (a total of 10 certification points including Keelung Plant, Hsintien Plant, Shulin Plant, South Taoyuan Plant, Miaoli Plant, Houli Plant, Wujih Plant, Tainan Plant, Southern Taiwan Science Park Plant, and the head office) have obtained OHSAS 18001 and TOSHMS certification. The Group also responded to the policy of the Ministry of Labor in 2011 by fully converting TOSHMS standards to CNS 15506 in order to continue building a comprehensive management system and a secure work environment, provide employees with healthy and safe work environment to fully implement and formulate a culture for safety.				
(4) Promote social welfare: The Company actively participates in social welfare services such as events for communities near Energy-from-Waste plants, hosting environmental protection activities, promoting resource recycling and reuse etc. We also teamed up with external public welfare groups in 2016 and donated magazines to 14 elementary schools in extremely remote areas of Keelung, Miaoli, Taichung, and Tainan and published two journal papers. The Group also worked with schools to give lectures and uses its activism to contribute to education and caring to provide				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Statement	
			environmental education to schoolchildren in remote areas which exceeds the value of "book donations".	
			(5) We also actively integrate the promotion of environmental education with the geography, culture, and natural features of each plant. The Company continues to invest in the promotion of environmental education. We organized the environmental education tours, environmental protection mini-courses, environmental education writing classes, environmental education camps, training of environmental education volunteers, and training camps for the environmental protection instructors for Environmental Protection Bureaus of county and city governments. We organized a total of 158 educational and interactive events with approximately 6,300 total participants.	
			(6) ECOVE actively promotes green life and teaches employees to reduce their carbon footprint in their daily lives. Only by the implementation of personal efforts can we create a sustainable environment and instill the effects and influence of our green commitment into everyone's heart.	
			3. If the corporate social responsibility reports have received assurance from external institutions, they should state so below:	
			(1) Inspection standards for passage of CSR reports: The "ECOVE 2014 CSR Report" was completed in 2015 to disclose the Company's implementation of corporate social responsibility policies. An external entity, the BSI Group, was appointed to independently certify the CSR Report in accordance with AA 1000 standards.	
			(2) ECOVE and its subsidiaries have acquired the following certifications for quality, safety, health, and environmental management: <ul style="list-style-type: none"> <li>• All Energy-from-Waste plants operated by ECOVE Environment Services Corporation have acquired ISO 9001: 2008 quality management system certification.</li> <li>• All Energy-from-Waste plants operated by ECOVE Environment Services Corporation have acquired ISO 14001: 2004 environmental management system certification.</li> <li>• ECOVE Environment Services Corporation and all Energy-from-Waste plants it operates have acquired OHSAS 18001: 2007 occupational health and safety management system certification.</li> <li>• ECOVE Environment Services Corporation and all Energy-from-Waste plants it operates have acquired CNS 15506: 2011 Taiwan Occupational Safety &amp; Health Management System certification.</li> </ul>	



Evaluation Item	Implementation Status			Summary Statement	Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No			
				<ul style="list-style-type: none"> <li>• Tainan Energy-from-Waste Plant, operated by ECOVE Environment Services Corporation, has acquired the product carbon footprint certification.</li> <li>• Shulin, Miaoli, and Southern Taiwan Science Park Energy-from-Waste Plants, operated by ECOVE Environment Services Corporation, have acquired the PAS 2050 carbon footprint certification.</li> <li>• The Southern Taiwan Science Park Energy-from-Waste Plant operated by ECOVE Environment Services Corporation has acquired ISO 5001 energy management system certification.</li> <li>• The Keelung and Southern Taoyuan Energy-from-Waste Plants operated by ECOVE Environment Services Corporation have acquired ISO 9001: 2015 quality management system certification.</li> <li>• The Keelung and Southern Taoyuan Energy-from-Waste Plants operated by ECOVE Environment Services Corporation have acquired ISO 14001: 2015 environmental management system certification.</li> <li>• HD Resource Management has acquired ISO 9001: 2008 quality management system certification.</li> <li>• HD Resource Management has acquired ISO 14001: 2004 environmental management system certification.</li> <li>• HD Resource Management has acquired OHSAS 18001: 2007 occupational health and safety management system certification.</li> <li>• The Miaoli Plant, operated by ECOVE Environment Services Corporation, has assisted the Environmental Protection Administration (EPA) in developing regulations on carbon footprint product classification for "waste processing services" and has obtained product carbon footprint certification from the EPA.</li> </ul>	

### 3.4.6 The Ethical Corporate Management

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

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX -Listed Companies" and reasons
	Yes	No	Summary Statement	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?			(3) The Company has established effective accounting systems and internal control systems for business activities with higher risk of involvement in unethical conducts and conducts regular reviews to ensure that the design and enforcement of the systems remain effective. The Company's internal audit personnel shall periodically review the status of the Company's compliance with the foregoing provisions and prepare audit reports for submission to the board of directors.If unethical corporate management incidents are discovered, they may be reported. The Company shall keep the identity of the informants and the content strictly confidential.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1) The Company carefully evaluates the past records regarding the ethics of transaction counterparties and it also requests suppliers (or contractors) to sign a statement that includes the ethical requirements such as "abide by domestic regulations and regulations of related countries involved the transaction" and "no bribery and illegal donations" when signing a contract.	None
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(2) The Company's Administration Division (not under the Board of Directors) is responsible for ethical corporate management and it reports to the Board of Directors once every year on the status of the "implementation of ethical corporate management". The latest report to the Board of Directors was conducted on December 13, 2017.	

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX -Listed Companies" and reasons
	Yes	No	Summary Statement	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The company has established policies to prevent conflict of interests, provide appropriate channels for filing related complaints and implement the policies accordingly. Related regulations are provided in the Company's "Enforcement Rules of Ethical Conduct" (published in the annual report) under "5.2 Prevention of Conflicts of Interest", "5.5 Procedures for Determining Unethical Conduct", and "5.6 Report and Punishment Measures for Violation of the Enforcement Rules".	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?			(4) The Company has established effective accounting policies and internal control systems and employs information processing to manage anomalies. The Company also established a dedicated independent audit unit to carry out various auditing operations in the annual audit plan and to deliver auditing reports and follow-up reports to independent directors. If they have opinions on the review, they communicate through face-to-face consultation, telephone, or email and attend the meetings of the audit committee and board of directors to make reports. They also supervise related units to take appropriate improvement measures for the defects in the internal control system and anomalies discovered in audits and follow-up on the improvement measures until they have been improved.	
(5) Does the company regularly hold internal and external educational trainings on operational			(5) The Company educates new employees on the ideals of "ethical governance" and organizes legal courses from time to time to enhance the	

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX -Listed Companies" and reasons
	Yes	No	Summary Statement	
integrity?			promotion of ethical corporate management.	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company has established "Report Management Regulations" to be implemented along with the "Employee Reward and Punishment Regulations". The "Report Management Regulations" have established clear reporting channels and assigned dedicated personnel to investigate the reported misconducts. There are two types of prosecution channels that can be reported to the company. One is the "Third Party Reporting Platform" and the other is the "Employee Opinion Platform" built on the company's website.</p> <p>(2) The Company has established investigation procedures for reported cases and related confidentiality mechanisms in the "Report Management Regulations" (published in the annual report). E.g. the provision of a third-party report platform to provide employees and external parties a channel to report unethical conduct under their names or anonymously.</p> <p>(3) The Company requires "all related personnel who have knowledge of the reported case shall be obligated to maintain the confidentiality of the reporter."</p>	None
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?</p>	V		The Company has disclosed information related to "ethical corporate management policies" in the annual report, the company website and MOPS.	None

Evaluation Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX-Listed Companies” and reasons
	Yes	No	Summary Statement	
5.			If the company has established its own ethical corporate principles based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe the difference between operation practice and the ethical corporate principles: According to the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX--Listed Companies”, the Company has obtained the approval of the “Ethical Corporate Management Best Practice Principles” (the “Principle”) in the 6th meeting of the 6th term Board of Directors in December 16th, 2014. The all employees, officers and board members should comply with the Principle.	
6.			Other important information to facilitate understanding of the company’s good faith management implementation.(e.g. To announce the company’s determination to implement good faith management to business vendors, to invite vendors to participate in related education, and to review and revise the company’s ethical corporate management best practice principles): The Company strictly observed “Company Act”,“ Securities and Exchange Act”, related rules for TWSE/ TPEX -Listed Companies and other commerce ordinances to implement the good faith management. Review and revise the Company’s internal management principles including “Corporate Governance Principles”, “Ethical Corporate Management Best Practice Principles“, “Code of Ethics for Directors and Managers“, “Employee Code of Ethics and Conduct“, and based on the development of ethical corporate management principles.	

### 3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the MOPS website at <http://mops.twse.com.tw> or ECOVE Environment’s website at [www.ecove.com](http://www.ecove.com).

### 3.4.8 Other Important Information Regarding Corporate Governance

#### (1) Training program for directors

Title	Name	Study period		Sponsoring Organization	Course	Training hours
Chairman Director	J. J. Liao Michael Yang	2017/05/06	2017/05/06	Taiwan M&A and Private Equity Association	Mergers & Acquisitions Master Talks: Business Leaders' Master Talks	6.0
		2017/08/11	2017/08/11	Taiwan Corporate Governance Association	The key tasks of risk management in the use of innovative technology by the board of directors	3.0
		2017/09/28	2017/09/28	Mr. Xu Yuandong Commemorates Financial Forum and Taipei Exchange	Due Diligence and Corporate Governance	3.0
Director	Y. P. Shih	2017/08/11	2017/08/11	Taiwan Corporate Governance Association	The key tasks of risk management in the use of innovative technology by the board of directors	3.0
		2017/09/28	2017/09/28	Mr. Xu Yuandong Commemorates Financial Forum and Taipei Exchange	Due Diligence and Corporate Governance	3.0
		2017/11/24	2017/11/24	Taiwan Corporate Governance Association	Evaluation of Board Effectiveness from the Perspective of Directors	2.0
		2017/12/08	2017/12/08	Taiwan Corporate Governance Association	Board of Directors Focuses on Strategies, Competitiveness, Risk and Crisis Issues	1.0
		2017/12/15	2017/12/15	Taiwan Corporate Governance Association	How Directors Do Their Best Practices	3.0
Director	Kuan Shen Wang	2017/05/12	2017/05/12	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection	3.0
		2017/08/24	2017/08/24	Securities & Futures Institute	Enterprise Financial Crisis Early Warning and Type Analysis	3.0
Director	Wen Whe Pan	2017/05/12	2017/05/12	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection	3.0
		2017/08/09	2017/08/09	Taiwan Corporate Governance Association	Corporate Governance and Criminal Risk Management	3.0
Director	Minyang Liu	2017/05/12	2017/05/12	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection	3.0

		2017/10/20	2017/10/20	Taiwan Corporate Governance Association	How do directors fulfill their duty of loyalty (including judgment analysis and best practice)	3.0
Director	Eugene Chien	2017/01/19	2017/01/19	Taiwan Institute for Sustainable Energy(TAISE)	Looking to the world, to the corporate sustainability	2.0
		2017/04/27	2017/04/27	Taiwan Institute for Sustainable Energy(TAISE)	Deepening Taiwan and Creating a Sustainable Future	2.0
		2017/07/12	2017/07/12	Taiwan Corporate Governance Association	Play the effectiveness of the board	3.0
		2017/07/28	2017/07/28	Taiwan Institute for Sustainable Energy(TAISE)	On the way to CSR	2.0
Independent Director	Shean Bii Chiu	2017/05/12	2017/05/12	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection	3.0
		2017/11/17	2017/11/17	Taiwan Corporate Governance Association	How Directors Do Their Best "Attentions"	3.0
Independent Director	Shuh Woei Yu	2017/07/21	2017/07/21	Taiwan Corporate Governance Association	Board Effectiveness Evaluation Plays a Role of Board Self-discipline and Creates Value for Enterprises	3.0
		2017/08/15	2017/08/15	Taiwan Corporate Governance Association	How can a director assist a company in dealing with a crisis	3.0
		2017/08/29	2017/08/29	Taiwan Corporate Governance Association	The Trend of CSR and Sustainable Governance	3.0
		2017/10/13	2017/10/13	Taiwan Corporate Governance Association	Board Function and Board Performance Evaluation	3.0
Independent Director	James Tsai	2017/06/29	2017/06/29	Taiwan of Academy Banking and Finance	Board of Supervisors Operational Practice and Corporate Governance Seminar (No. 56)	3.0
		2017/07/07	2017/07/07	Taiwan Corporate Governance Association	How to Do Well Detection and Prevention and Reinforce Corporate Governance	3.0
		2017/09/04	2017/09/04	Insurance Institute of the Republic of China	Insurance Financial Reporting Epoch - IFRS 17 Seminar	4.0

(2) Internal Material Information Disclosure Procedure

According to the letter of Financial Supervisory Commission dated March 16<sup>th</sup>, 2009 and consulting with "Internal Material Information Disclosure Procedure" which is announced by Taiwan Stock Exchange Corporation (TWSE), the Company has formulated the "Regulations Governing Prevention of



Insider Trading” (the “Regulation”). The Regulation is the code of conduct for Directors, Supervisors, Managerial personnel, and the persons regulated under the Regulation and it includes the scope of Internal Material Information, and the laws, regulations, orders that people forenamed should comply with. The Company has provided the Regulation to all Directors and Supervisors, and also disseminates all employees.

(3) Code of Corporate Social Responsibility Best Practice Principles

## **ECOVE Environment Corporation Corporate Social Responsibility Best Practice Principles**

**Amended on Dec. 16, 2014**

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

proper communication and allowing their participation, and adequately responds to the important CSR issues which such parties are concerned about.

- Article 7 The Company establishes effective corporate governance framework and relevant ethical standards so as to enhance corporate governance.
- Article 8 The Company follows relevant environmental laws and regulations and international standards to properly protect the environment and endeavors to promote a sustainable environment when engaging in business activities.
- Article 9 To utilize water resources more efficiently, the Company properly and sustainably utilizes water resource, and adopts relevant management measures.
- Article 10 The Company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, respects internationally recognized principles of the labor force's human rights. The human resources policies of the Company are founded on the principles of the labor force's human rights and contain appropriate management methods and procedures.  
The Company ensures that its employment policies do not contain differential treatments based on gender, race, age, marital and family status, and achieves equality in terms of compensation, employment conditions, and training and promotion opportunities.
- Article 11 The Company provides information for its employees so that the employees have knowledge of their rights under the labor laws of the countries where the company has business operations.
- Article 12 The Company provides safe and healthful work environments for its employees, including necessary health and first-aid facilities and endeavors to curb dangers to employees for safety and health and to prevent occupational accidents. Also, the Company organizes training on safety and health for its employees on a regular basis.
- Article 13 The Company creates an environment conducive to the development of its employees' careers and establishes effective training programs to foster career skills.
- Article 14 The Company establishes a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information and express their opinions on the Company's operations, management and decisions. The Company respects the employee representatives' rights to bargain for the working conditions, and provides the employees with necessary information

and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

The Company, by reasonable means, informs employees of operation changes that might have material impacts.

Article 15 The Company provides a clear and effective procedure for accepting client complaints and handles the complaints fairly and timely, complies with relevant laws and regulations for protecting information provided by clients.

Article 16 The Company assesses the impact its suppliers have on society as well as the environment in terms of production and manufacturing process, and, if necessary, cooperates with its suppliers to jointly foster a stronger sense of CSR.

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

Relevant information relating to CSR which it discloses includes:

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

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

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

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

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

(4) Code of Ethics and Conduct

## **ECOVE Environment Corporation Code of Ethics and Conduct**

### 1.0 Purpose

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

### 2.0 Scope

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

### 3.0 Definition

3.1 Vendor: Including suppliers, third parties and subcontractors.

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

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

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

### 4.0 Responsibility

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

### 5.0 Operation Procedure

5.1 Prohibition of bribes offering and acceptance, and blackmailing

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

colleagues.

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

## 5.2 Preventing conflicts of interest

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

5.2.1 Avoid personal gain during business operations :

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

5.2.2 Avoid part-time job and/or competing with ECOVE :

- ECOVE employees shall not accept other company’s employment during tenure.
- Direct or indirect relationship with competitors shall be avoid, including part-time/full-time employment and contractor of companies in the same business, ECOVE’s clients or vendors, ECOVE’s competitors and its supplier.
- Effects on ECOVE clients and/or vendors lead to disadvantage of ECOVE shall not occur.

5.2.3 The measures of relatives’ employment of related industries :

- To avoid disadvantaging ECOVE and conflicting with interests of ECOVE, ECOVE employees shall not sharing confidential information with their relatives who is employed by a company in the related industries, and their companies as well.
- ECOVE employees shall proactively submit to Human Resource Department in written form if his/her relatives hold a business relationship with ECOVE.

5.2.4 ECOVE employees shall submit to Executive Management Office in advance if he/she is a director of the board, supervisor or consultant of a company in the related industries, excluding those of ECOVE affiliates.

## 5.3 Protection of business confidentiality and intellectual property rights

5.3.1 All types of documents and information shall not be altered or modified by ECOVE employees.

- 5.3.2 ECOVE employees shall not discuss their work with non-ECOVE employees and leak confidential information which has not been revealed by ECOVE to others.

The article above is still valid after resigning or retiring.

- 5.3.3 Before ECOVE patent or confidential information is revealed, ECOVE employees shall not disclose it in any ways, including disclosing it in ECOVE.

The disclosure in ECOVE should be authorized or assigned, and the disclosure out of ECOVE should be done after subscribing the contract of confidentiality.

#### 5.4 Fair trade with vendors

##### 5.4.1 Vendor selection

- Vendors shall be fairly selected based on the technical specification, quality, duration and business requirements with the most competitive price. ECOVE employees shall not choose vendors with preference and ignore ECOVE's interests.
- Employees participating in vendor selection shall avoid doing any activity that might be seen as the cause for vendor selection result.
- Employees participating in vendor selection shall not provide any information relating to the contract or proposal to irrelevant third parties.
- ECOVE's goals in procurement are "Best price, suitable quality, and prompt delivery". ECOVE employees should assist our vendors to accomplish the quality and quantity of their products or services.

##### 5.4.2 Dealing with vendors

- ECOVE employees should treat all vendors in positivity, fairness, and politeness.
- ECOVE employees shall not disclose confidential information to vendors.
- ECOVE employees should avoid contacting vendors due to non-business-related affairs.

#### 5.5 Steps to determine the ethicalness of behavior

##### 5.5.1 Ethical Decision Making

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

- Assess that if there is any adverse effect to ECOVE, other people, and

yourself, due to the behaviors, according to the section 5.5.2 in Guideline.

- Taking action after assessing the above statement ,and should be noted the following principles :
  - The action plan shall comply with laws and regulations.
  - The action plan shall meet ECOVE’s policies.
  - ECOVE’s employees may consult ethic-responsible department before deciding to take the action.

#### 5.5.2 Questions to consider)

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

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

### 5.6 Reporting and disciplinary procedures for violation

#### 5.6.1 Disciplinary system

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

#### 5.6.2 Reporting system

- ECOVE employees who discover any violation of this Conduct or other unethical activities shall report under their real name or anonymously according to “Accusation Management Regulations”.



- Reporter shall provide specific descriptions and relevant evidences on the concerned person, matter, time, place and object for further investigation. Reporting channels including: Online reporting (<https://www.reportnow.com.tw/ctci>) and email ([ctci@reportnow.com.tw](mailto:ctci@reportnow.com.tw)).
- The reporting channel stated above is run by an independent third-party service provider to ensure the unethical activities being reported is conveyed truthfully. ECOVE promise to keep the confidentiality of reporters' identity, protecting reporters from inappropriate disciplinary actions due to their whistle-blowing.
- ECOVE may not conduct investigation or further action if reporters could not provide descriptions and relevant evidences on the concerned person involved. Such reporters may be penalized for malicious complaints.

## 6.0 Reference Document

KCP-174 ECOVE Employees Reward and Punishment Regulations

KCP-173 Accusation Management Regulations

## **ECOVE Environment Corporation Accusation Management Regulations**

### 1.0 Purpose

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

### 2.0 Scope

#### 2.1 Accuser

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

#### 2.2 Scope of accusation

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

### 3.0 Definition

#### 3.1 Individual accusation

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

#### 3.2 Joint accusation

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

#### 3.3 Blackmail

The accusation letter proposed anonymously.

### 4.0 Responsibility

#### 4.1 Human Resources Unit

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

#### 4.2 Investigation Group

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

#### 4.3 Management Division

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

#### 4.4 Each Division

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

## 5.0 Operation context

### 5.1 Operation procedure

Subject to Attachment 1 - Flow Chart of this Regulation.

### 5.2 Accusation

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

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

### 5.3 Case acceptance

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

### 5.4 Investigation

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

### 5.5 Punishment

After Human Resources Unit has received the investigation report, it shall convene the meeting pursuant to "ECOVE Employees Reward and Punishment Regulations" to hear the accusation case, and propose punishment suggestions according to the preceding

Regulation. Then Human Resources Unit will submit the complete report contents to the Chairman for review and decision.

#### 5.6 Response

For any accusation case, Human Resources Unit shall respond to the accuser in writing on the handling result thereof. For false accusation or fling abuses, the responding content shall include the reminder on relevant legal responsibility.

#### 5.7 Confidentiality obligation

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

#### 6.0 Reference document

KCP-174 Employees Reward and Punishment Regulations

#### 7.0 Attachment

Attachment 1 Work Flow

Attachment 2 Accusation Preliminary Examination Proposal

### 3.4.9 Internal Control System

#### (1) Statement of Internal Control System

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

Date: March 8, 2018

ECOVE Environment Corporation (ECOVE) states the following with regard to its internal control system during fiscal year 2017, based on the findings of a self-assessment:

1. ECOVE is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. ECOVE has established such a system aimed at providing reasonable assurance of the achievement of the following objectives :
  - (1) Effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security).
  - (2) Reliability, timeliness, transparency, and regulatory compliance of reporting.
  - (3) Compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes in environment or circumstances. The internal control system of ECOVE contains self-monitoring mechanisms, however, and ECOVE takes immediate remedial actions in response to any identified deficiencies.
3. ECOVE judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations divide internal control into five elements based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. ECOVE has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, ECOVE believes that, as of December 31, 2017, its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for (1) knowing about the achievement degree of operational effectiveness and efficiency, (2) reliability timeliness, transparency, and regulatory compliance of reporting, and (3) compliance with applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will be a major part of ECOVE's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of ECOVE held on March 8, 2018, the nine attending directors all affirmed the content of this Statement.

ECOVE Environment Corporation

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

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

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

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

**3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings**

1. Major resolutions of Shareholders' Meeting of Year 2017
  - (1) Adoption of the Company's 2016 Business Report, Financial Statements and Consolidated Financial Statements.  
Action Arisen : The resolution has been made and implemented.
  - (2) Adoption of the Company's distribution plan of 2016 earnings  
Action Arisen : The ex-dividend date was on August 1<sup>st</sup>, 2017, and cash dividend was paid on August 23<sup>st</sup>, 2017. In accordance with the total amount of common shares outstanding, the cash dividend per share had been adjusted to NT\$11.33659144 actually.
  - (3) Approval of amendment to the "Procedure for Acquisition and Disposition of Assets" of the Company.  
Action Arisen : The resolution has been made and implemented.
  - (4) Approval of amendment to the "Articles of Incorporation" of the Company.  
Action Arisen : The resolution has been made and implemented.
  - (5) Election of board directors for the 7<sup>th</sup> term.  
Action Arisen : Nine Directors (including 3 independent directors) have been elected.
  - (6) Approval of removing the non-competition restrictions on board directors newly-elected.  
Action Arisen : The resolution has been made and implemented.
2. Major resolutions of the Board Meeting in recent years until the annual report being published:
  - 2017.03.15 Admit of the endorsement of external guarantees.  
Approval of the distribution plan of the 2016 directors' and employees' remuneration.  
Approval of the Fiscal 2016 business report, financial reports and consolidated reports.  
Approval of the distribution plan of Fiscal 2016 earnings.  
Approval of "Statement of Internal Control System for the Year 2016".  
Approval of the amendment to the Company's "Internal Control Systems", "internal rules" and "Internal Audit Systems".  
Approval of the election of board directors for the 7<sup>th</sup> term.  
Approval of the removing the non-competition restrictions on board directors newly-elected.  
Approval of the convening of the 2017 Annual General Meeting.  
Approval of the update of the Company's paid-in capital registration.  
Approval of the "Procedure for Acquisition and Disposition of Assets" of the ECOVE Waste Management Corp., ECOVE Environment Services Corp., ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp..
  - 2017.05.11 Report on Consolidated financial reports as of March 31, 2016.  
Approval of examination of director candidates for the 7<sup>th</sup> term.  
Approval of amendment to the "Articles of Incorporation" of the Company.  
Approval of revise the convening of the 2017 Annual General Meeting.  
Approval of the amendment to the Company's "Internal Control Systems", "internal rules" and "Internal Audit Systems".  
Approval of the update of the Company's paid-in capital registration.

- 2017.06.26 Election of Chairman of 7<sup>th</sup> term.  
Approval of the appointment of the President(& spokesman) of the Company.  
Approval of the appointment of the members of the “Remuneration Committee”.  
Approval of the ex-dividend record date of 2017.
- 2017.08.04 Report on Consolidated financial reports as of June 30, 2016  
Admit of the endorsement of external guarantees.  
Approval of setting up the Management Strategy Committee.  
Approval of the update of the Company’s paid-in capital registration.  
Approval of replacing financial officer of the Company.  
Approval of the removing the non-competition restrictions on new managerial officer.
- 2017.11.01 Report on Consolidated financial reports as of September 30, 2016  
Admit of the endorsement of external guarantees.  
Approval of the amendment to the Company’s “Internal Control Systems” and “Internal Audit Systems”.  
Approval of the update of the Company’s paid-in capital registration.  
Approval to invest waste isopropanol recycling industry.
- 2017.12.13 Admit of the endorsement of external guarantees.  
Approval of the budget of 2018.  
Approval of the Year 2018 Audit Plan.  
Approval of the amendment to the Company’s “Internal Control Systems” and “Internal Audit Systems”.  
Approval of loan CTCL Corp. for working capital requirement.  
Approval of the average salary increase rate of 2017.  
Approval of the remuneration of the management officers of the Company.
- 2018.03.08 Admit of the endorsement of external guarantees.  
Approval of the distribution plan of the 2017 directors’ and employees’ remuneration.  
Approval of the Fiscal 2017 business report, financial reports and consolidated reports.  
Approval of the distribution plan of Fiscal 2017 earnings.  
Approval of “Statement of Internal Control System for the Year 2017”.  
Approval of the convening of the 2018 Annual General Meeting.  
Approval of the update of the Company’s paid-in capital registration.  
Approval of equity participation on capital injection of the G.D. International Corp.

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

**3.4.13 Resignation or Dismissal of the Company’s Key Individuals, Including the Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D**

2018.04.02

Title	Name	Date of Appointment	Date of Dismissal	Reasons for Resignation or Dismissal
Chairman	John Lin	June 17, 2011	June 26, 2017	Position Adjustment
President	J. J. Liao	Aug. 20, 2014	June 26, 2017	Position Adjustment
Vice President	Y. P. Shih	June 22, 2016	June 26, 2017	Position Adjustment
Executive Vice President	F. H. Lee	June 22, 2016	April 30, 2017	Retirement
Financial Officer	Melissa Liu	Jan. 01, 2014	Aug. 15, 2017	Position Adjustment

### 3.5 Professional fee of CPA

#### 3.5.1 Information of CPA

Accounting Firm	Name of CPA		Audit Period	Note
PriceWaterHouseCoopers	Shyu-Rong Ueng	Shu-Chiung Chang	2017.01.01-2017.12.31	Financial report and check

#### 3.5.2 Public Expenses of CPA

Unit: NT\$ thousands

	Item	Audit Fee	Non-audit Fee	Total
1	Amount (NTD) Less than 2,000,000	1,480	734	2,214
2	2,000,000 ~ 4,000,000 (inclusive of 2,000,000)			
3	4,000,000 ~ 6,000,000 (inclusive of 4,000,000)			
4	6,000,000 ~ 8,000,000 (inclusive of 6,000,000)			
5	8,000,000 ~ 10,000,000 (inclusive of 8,000,000)			
6	More than 10,000,000 (inclusive of 10,000,000)			

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Note
			System Design	Registration	Human Resource	Other	Total		
PriceWaterHouseCoopers	Shyu-Rong Ueng	1,480	0	120	0	614	734	2017.01.01-2017.12.31	Note1
	Shu-Chiung Chang							2017.01.01-2017.12.31	

Note1: When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: Translation fee of financial reports NT\$560 thousand, employee stock option issuance report service fee NT\$120 thousand, and the consultant fee of Consolidated Financial Report Template NT\$54 thousand.

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



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

**3.6 Information on replacement of CPA : None**

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

### 3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

#### 3.8.1

Unit: Share

Title	Name	2017		As of April 2 <sup>nd</sup> , 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	CTCI Corporation(Note 1)	0	0	0	0
	Representative: John H. Lin(Chairman)(Note 2)	0	0	0	0
	Representative: Michael Yang(Note 2)	0	0	0	0
	Representative: Ming Cheng Hsiao (Note 2)	0	0	0	0
	Representative: J. J. Liao(Chairman)(Note 3)	(59,000)	0	0	0
	Representative: Y. P. Shih (Note 4)	0	0	36,000	0
Director	Parkwell Investment Corp.	0	0	0	0
	Representative: Kuan Shen Wang	0	0	0	0
Director	Yangming Liu	0	0	0	0
Director	Wen Whe Pan	0	0	0	0
Director	Eugene Chien (Note 5)	0	0	0	0
Independent Director	Shean Bii Chiu	0	0	0	0
Independent Director	Shuh Woei Yu(Note 6)	0	0	0	0
Independent Director	James Tsai(Note 6)	0	0	0	0
Independent Director	Hsin Huai Chow (Note 2)	0	0	0	0
Executive Vice President	F. H. Lee (Note 7)	0	0	0	0
Financial Officer	Melissa Liu (Note 8)	0	0	0	0
Financial Officer	Catherine Huang (Note 8)	0	0	0	0
Accounting Officer	Tanching Yao	0	0	0	0

Note1: Major shareholder.

Note 2:June 26, 2017 retiring director.

Note 3:June 26, 2017 elected as director and chairman.

Note 4:June 26, 2017 elected as director and appointed president.

Note 5:June 26, 2017 elected as director.

Note 6:June 26, 2018 elected as independent director.

Note 7:June 22, 2016 as Vice President, and April 30, 2017 Retired.

Note 8:Aug. 15, 2017 Position adjustment.

#### 3.8.2 Shares Trading with Related Parties:

None

#### 3.8.3 Shares Pledge with Related Parties:

None

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

April 2<sup>nd</sup>, 2018

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
CTCI Corporation	38,457,105	57.46	0	0	0	0	GRQ Investment Corporation	The same enterprise group	-
Rep. : John T. Yu	0	0	0	0	0	0	GRQ Investment Corporation	Chairman of GRQ Investment Corporation	-
Fubon Life Insurance Co., Ltd.	4,567,507	6.82	0	0	0	0	Fubon Financial Holding Venture Capital Corp.	The same enterprise group	-
Rep. : M. H. Tsai	0	0	0	0	0	0	Fubon Financial Holding Venture Capital Corp.	Director of Fubon Financial Holding Venture Capital Corp.	-
Nan Shan Life Insurance Co., Ltd.	1,750,000	2.61	0	0	0	0	None	None	-
Rep. : Y. C. Du	0	0	0	0	0	0	None	None	-
Parkwell Investment Corp.	1,060,000	1.58	0	0	0	0	None	None	-
Rep. : S. J. Chiu	0	0	0	0	0	0	None	None	-
Fubon Financial Holding Venture Capital Corp.	469,856	0.70	0	0	0	0	Fubon Life Insurance Co., Ltd.	The same enterprise group	-
Rep. : F. H. Lin	0	0	0	0	0	0	Fubon Life Insurance Co., Ltd.	Vice Chairman of Fubon Life Insurance Co., Ltd.	-
President International Development Corporation	460,000	0.69	0	0	0	0	None	None	-
Rep. : Zhixian Luo	0	0	0	0	0	0	None	None	-
Taiwan Life Insurance Co, Ltd.	337,774	0.50	0	0	0	0	None	None	-
Rep. : H. K. Huang	0	0	0	0	0	0	None	None	-
GRQ Investment Corporation	243,918	0.36	0	0	0	0	CTCI Corporation	The same enterprise group	-
Rep. : John T. Yu	0	0	0	0	0	0	CTCI Corporation	Chairman of CTCI Corporation	-
Shui Yun Zhang	228,000	0.34	0	0	0	0	None	None	-
Dun Yao Wen	227,746	0.34	0	0	0	0	None	None	-

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

As of April 2<sup>nd</sup>, 2018

Affiliated Company	Investment of the Company		Directors, Managements Direct and Indirect Investment of the Company		Total Investment	
	Share	%	Share	%	Share	%
ECOVE Environment Services Corporation Corporation	14,065,936	93.15	1,000	0.01	14,066,936	93.16
ECOVE Wujih Energy Corporation	29,400,000	98.00	600,000	2.00	30,000,000	100.00
ECOVE Waste Management Corporation	2,000,000	100.00	0	0.00	2,000,000	100.00
ECOVE Miaoli Energy Corporation	56,249,000	74.999	1,000	0.001	56,250,000	75.00
G.D. Development Corporation	30,531,145	49.998	1,096	0.002	30,532,241	50.00
Yuan Ding Resources Corporation	2,700,000	60.00	1,800,000	40.00	4,500,000	100.00
Boretech Resource Recovery Engineering Company Limited (Cayman)*	13,333,333	20.00	6,666,667	10.00	20,000,000	30.00

\*Under equity method.

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### (1) Issued Shares

As of April 2<sup>nd</sup>, 2018

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

Note 1: 2014.04.15 MOEA Ruling Ref. No. 10301064930

Note 2: 2014.06.04 MOEA Ruling Ref. No. 10301099890

Note 3: 2014.09.05 MOEA Ruling Ref. No. 10301181770

Note 4: 2014.11.28 MOEA Ruling Ref. No. 10301246650

Note 5: 2015.03.31 MOEA Ruling Ref. No. 10401055110

Note 6: 2015.06.01 MOEA Ruling Ref. No. 10401095880

Note 7: 2015.08.26 MOEA Ruling Ref. No. 10401178670

Note 8: 2015.11.26 MOEA Ruling Ref. No. 10401246910

Note 9: 2016.04.12 MOEA Ruling Ref. No. 10501064000

Note 10: 2016.07.14 MOEA Ruling Ref. No. 10501133770

Note 11: 2016.11.29 MOEA Ruling Ref. No. 10501271530

Note 12: 2017.03.31 MOEA Ruling Ref. No. 10601041590

Note 13: 2017.06.01 MOEA Ruling Ref. No. 10601070050

Note 14: 2017.08.28 MOEA Ruling Ref. No. 10601121260

Note 15: 2017.11.20 MOEA Ruling Ref. No. 10601158200

Note 16: 2018.03.29 MOEA Ruling Ref. No. 10701031800

#### Type of Stock

As of April 2<sup>nd</sup>, 2018

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	66,932,898	13,067,102	80,000,000	Listed TPEx stock

#### 4.1.2 Status of Shareholders

As of April 2<sup>nd</sup>, 2018

Item	Government Agencies	Financial Institutions	Other Juridical Person	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	4	58	6,497	66	6,625
Shareholding (shares)	0	6,712,281	41,754,677	17,023,219	1,442,721	66,932,898
Percentage (%)	0.00	10.03	62.38	25.43	2.16	100.00

#### 4.1.3 Shareholding Distribution Status

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

As of April 2<sup>nd</sup>, 2018

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	1,433	268,621	0.40
1,000 ~ 5,000	4,542	7,947,207	11.87
5,001 ~ 10,000	379	2,848,505	4.26
10,001 ~ 15,000	101	1,282,991	1.92
15,001 ~ 20,000	48	873,238	1.30
20,001 ~ 30,000	37	930,711	1.39
30,001 ~ 50,000	23	810,562	1.21
50,001 ~ 100,000	12	552,750	0.83
100,001 ~ 200,000	28	1,865,914	2.79
200,001 ~ 400,000	11	1,532,493	2.29
400,001 ~ 600,000	5	1,255,438	1.88
600,001 ~ 800,000	2	929,856	1.39
800,001 ~ 1,000,000	0	0	0
1,000,001 or over	4	45,834,612	68.47
Total	6,625	66,932,898	100.00

(2) Special Shares:None

#### 4.1.4 List of Major Shareholders

As of April 2<sup>nd</sup>, 2018

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
CTCI Corporation	38,457,105	57.46
Fubon Life Insurance Co., Ltd.	4,567,507	6.82
Nan Shan Life Insurance Co., Ltd.	1,750,000	2.61
Parkwell Investment Limited	1,060,000	1.58
Fubon Financial Holding Venture Capital Corp.	469,856	0.70
President international Development Corporation	460,000	0.69
Taiwan Life Insurance Co, Ltd.	337,774	0.50
GRQ Investment Corporation	243,918	0.36
Shui Yun Zhang	228,000	0.34
Dun Yao Wen	227,746	0.34

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

Item \ Year	2016	2017(Note 1)	As of March 31 <sup>st</sup> , 2018(Note 2)
<b>Market Price per Share</b>			
Highest Market Price	193.50	183.00	175
Lowest Market Price	153.00	162.00	164.5
Average Market Price	176.49	172.53	169.78
<b>Net Worth per Share</b>			
Before Distribution	70.45	70.10	72.65
After Distribution	59.06	60.41	N/A
<b>Earnings per Share</b>			
Weighted Average Shares	66,271	66,739	66,892
Diluted Earnings Per Share	12.80	11.41	2.68
<b>Dividends per Share</b>			
Cash Dividends	11.37	9.69	N/A
Stock Dividends			
• Dividends from Retained Earnings	0	0	0
• Dividends from Capital Surplus	0	0	0
Accumulated Undistributed Dividends	0	0	0
<b>Return on Investment</b>			
Price / Earnings Ratio	13.79	15.12	63.35
Price / Dividend Ratio	15.52	17.81	N/A
Cash Dividend Yield Rate	6.44	5.62	N/A

Note 1: The Board of Directors has approved the 2016 earnings distribution and has not been resolved by the Shareholder's Resolution in 2017.

Note 2: As of the date of publication, financial Report was unreviewed by CPA in March 31<sup>st</sup>, 2018.

#### 4.1.6 Dividend Policy and Implementation Status

##### (1) Dividend Policies under Articles of Incorporation

###### Article 29

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

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

###### Article 30

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

balance of special reserve, the recovered amount shall be included in the distribution of the profit for the current year.

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

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

- (2) Proposed Distribution of Dividend: Due to the board of directors resolution on 8 March 2018, the Company has decided to distribute the cash dividends NT\$ 647,313 thousand (NT\$ 9.68 per share) to common shareholders.
- (3) The Company adopts a dividend policy of high earnings appropriation rate, and stipulates that at least 80% of total attributable earnings should be appropriated as dividends. In recent years, the Company distributes all of its dividends in the form of cash. Historical information about dividends distribution is available on the Company's website.

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

#### **4.1.8 Employee and Directors' Remuneration**

- (1) Dividend Policies under Articles of Incorporation

##### Article 29

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

- (2) The estimation basis on remuneration to Employees and Directors, the calculating basis on the number of shares for share bonus and accounting treatment for the differences between the actual distributing amounts and estimations:
  - a. Employee and Directors' Remuneration: Estimation of employee and Directors' remuneration is based on prior experience and is recognized as current expenses.
  - b. Stock Compensation: None.
  - c. If the amount remains variable at the date of Shareholders' meeting in the following year, it shall be recorded in the following year as change in accounting estimation.
- (3) Profit Distribution of Year 2016 Approved in Board of Directors Meeting for Employee and Directors' Remuneration:
  - a. The appropriation of 2017 earnings had been proposed by the Board of Directors during



their meeting on March 8, 2018. The Board of Directors approved NT\$ 5,200 thousands for the directors' remuneration and NT\$ 359 thousands for the employees' remuneration respectively, and this will be distributed by cash. Employees' compensation and directors' and supervisors' remuneration of 2017 as resolved by the meeting of board of directors were in agreement with those amounts recognised in the 2017 financial statements.

- b. Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: None
- c. Recounted EPS after Recommended Distribution of Employee and Directors' and Supervisors' Remuneration: NT\$11.41 per share.

(4) Information of 2016 Earnings Set Aside to Employee Bonus and Directors' and Supervisors' Remuneration:

Unit: NT\$ thousands

	Actual Distribution (A)	Recognized Estimated Amount (B)	Variance (C=A-B)
Remuneration for Employees (Cash)	475	475	0
Remuneration for Directors (Cash)	5,200	5,200	0

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

(5) The Information of Top Ten Recipients of Employee Bonuses in 2015:

Name	Title	Amount(NT\$)
J.J Liao	President	475,477
B.J Liang	Special Assistant of President	
Mike Chiu	Manager	
Chia-Lin Chan	Audit Manager	
Melissa Liu	Finance Manager	
Chung-Lei Huang	Finance Manager	
Tan-Ching Yao	Accounting Manager	
C.N Jiang	Stock Affair Specialist	
C.T Lee	Executive Specialist	

Note 1: The original financial supervisor Melissa Liu was dismissed on August 15<sup>th</sup>, 2017 due to internal job changes. Chung-Lei Huang, the new financial supervisor, took office on August 15<sup>th</sup>, 2017.

Note 2: The total number of employees in the company that meet the needs of the employees in the year of 2016 is 8, including the number of managers, which reveals the distribution of 2016 employees' remuneration in 2017.

**4.1.9 Issuance of Corporate Bonds:**None

**4.2 Issuance of Corporate Bonds:** None

**4.3 Preferred Shares:** None

**4.4 Issuance of Depository Receipt:** None

## 4.5 Employee Stock Options

### 4.5.1 Issuance of Employee Stock Options

As of April 2<sup>nd</sup>, 2018

Type of Stock Option	4 <sup>th</sup> Tranche (Note2)	5th Tranche																		
Effective Date by Regulatory Agency	2011/05/27	2012/06/12																		
Issue date	2011/06/17	2012/06/28																		
Units issued	1,200 units	1,200 units																		
Option shares to be issued as a percentage of outstanding shares (%)	1.7961	1.7961																		
Duration	The duration for options is 6 years, during which employees may not transfer, pledge, or gift their options except to heirs. Upon the expiration of the grant period, unexercised options are deemed forfeited and the subscribers may no longer claim right to exercise the option and purchase those shares.																			
Conversion measures	issue new common share																			
Conditional conversion periods and percentages	<p>Subscribers may exercise their options by the following schedule and proportion:</p> <table border="1"> <thead> <tr> <th>The availability period</th> <th colspan="2">The ceiling of option exercisable (accumulate)</th> </tr> <tr> <td></td> <th>Regular</th> <th>Reward</th> </tr> </thead> <tbody> <tr> <td>Less than 2 years</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>In 2 years after the grant</td> <td>50%</td> <td>25%</td> </tr> <tr> <td>In 3 years after the grant</td> <td>75%</td> <td>50%</td> </tr> <tr> <td>In 4 years after the grant</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table>		The availability period	The ceiling of option exercisable (accumulate)			Regular	Reward	Less than 2 years	0%	0%	In 2 years after the grant	50%	25%	In 3 years after the grant	75%	50%	In 4 years after the grant	100%	100%
The availability period	The ceiling of option exercisable (accumulate)																			
	Regular	Reward																		
Less than 2 years	0%	0%																		
In 2 years after the grant	50%	25%																		
In 3 years after the grant	75%	50%																		
In 4 years after the grant	100%	100%																		
Converted shares	1,134,500 Shares	969,250 Shares																		
Exercised amount	NT\$133,209,000	NT\$112,884,860																		
Number of shares yet to be converted	0 Share	230,750 Shares																		
Adjusted exercise price for those who have yet to exercise their rights	N/A	NT\$103																		
Unexercised shares as a percentage of total issued shares (%)	0	0.34538%																		
Impact on possible dilution of shareholdings	Dilution to Shareholders' Equity is limited.																			

Note 1: The expiration date of the 4<sup>th</sup> Tranche Employee Stock Options is Jun 16<sup>th</sup> 2017. The exercise date is rescheduled to April 28<sup>th</sup> 2017 due to 2017 shareholders' meeting.

Note 2: According to the March 29<sup>th</sup>, 2018 the Ministry of Economic Affairs (Ref. No. 10701031800) to change the number of shares issued has 66,810,648 shares.

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

As of March 31<sup>st</sup>, 2018

Title	Name	No. of Option Shares (thousand shares)	Option Shares as a Percentage of Shares issued (%)	Exercised				Unexercised			
				No. of Shares Converted (thousand shares)	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares issued (%)	No. of Shares Converted (thousand shares)	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares issued (%)
Chairman	J. J. Liao	289,000	0.4326	209,000	4th	23,279	0.3128	59,000	5 <sup>th</sup> NT\$103	6,077	0.0883
President	S. Y. Shih				NT\$132.1						
Executive Vice President	F. H. Lee <sup>(Note 1)</sup>				~ NT\$106.3						
Financial Officer	Catherine Huang <sup>(Note 2)</sup>				5 <sup>th</sup> NT\$122.8						
Senior Manager	B. J. Liang	63,000	0.0943	51,000	4th	5,863	0.0763	12,000	5 <sup>th</sup> NT\$103	1,236	0.0180
Manager	Mike Chiou				NT\$132.1						
Specialist	C. N. Jiang				~ NT\$106.3						
Specialist	C. T. Lee				5 <sup>th</sup> NT\$122.8						

Note 1: Be newly appointed on June 22<sup>nd</sup>, 2016, and Retirement on April 30<sup>th</sup>, 2017.

Note 2: Be newly appointed on Aug. 15<sup>th</sup>, 2017.

Note 3 : According to the March 29<sup>th</sup>, 2018 the Ministry of Economic Affairs to change the number of shares issued has 66,810,648 shares.

**4.6 Status of New Restricted Employee Shares: None**

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

**4.8 Financing Plans and Implementation: None**

## V. Operations Overview

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

### 5.1 Business content

#### 5.1.1 Business Scope:

(1) ECOVE Environment Corporation and Subsidiaries

a. Revenue distribution

Unit: NT\$ thousands

Year Item	2016		2017	
	Amount	%	Amount	%
Waste Treatment	1,352,508	27.29	1,615,440	36.06
Electricity	1,939,443	39.14	1,101,068	24.58
Concession Service	604,171	12.19	583,221	13.02
Waste Collection	123,040	2.49	144,543	3.23
Others	936,403	18.89	1,035,315	23.11
Total	4,955,565	100.00	4,479,587	100.00

(2) ECOVE Environment Corporation: General investment.

(3) ECOVE Environment Services Corporation Corp.

a. Main Businesses

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

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

b. Revenue distribution

Unit: NT\$ thousands

Year Item	2016		2017	
	Amount	%	Amount	%
Energy-from-Waste plant related income	2,077,255	72.34	2,045,243	69.81
Others	794,459	27.66	884,504	30.19
Total	2,871,714	100.00	2,929,747	100.00

c. The Company's Current Products and Services

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

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

(4) ECOVE Wujih Energy Corporation

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

Unit: NT\$ thousands

Item \ Year	2016		2017	
	Amount	%	Amount	%
Electricity	85,643	13.02	82,179	11.29
Waste Treatment	328,926	49.99	406,621	55.89
Concession Service	243,373	36.99	238,776	32.82
Total	657,942	100.00	727,576	100.00

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

(5) ECOVE Waste Management Corporation

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

Unit: NT\$ thousands

Item \ Year	2016		2017	
	Amount	%	Amount	%
Waste Treatment	830,700	83.80	984,123	85.02
Waste Collection	153,414	15.48	171,951	14.85
Comprehensive planning to clean up revenue	7,199	0.72	1,499	0.13
Total	991,313	100.00	1,157,573	100.00

- c. The Company's Current Products and Services

- i. Waste acceptance and management: Management services consist mainly of the acceptance, reporting, coordination and commissioned processing of general waste and general industrial waste.
  - ii. General waste disposal: Includes the disposal and transshipment of waste and ashes from various municipalities, Energy-from-Waste plants, science and industrial parks, various institutions and schools.
- d. New Products and Services Under Development  
Resource recycling and reuse

(6) ECOVE Miaoli Energy Corporation

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

b. Revenue distribution

Unit: NT\$ thousands

Year \ Item	2016		2017	
	Amount	%	Amount	%
Concession Service	360,797	100.00	348,186	100.00
Total	360,797	100.00	348,186	100.00

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

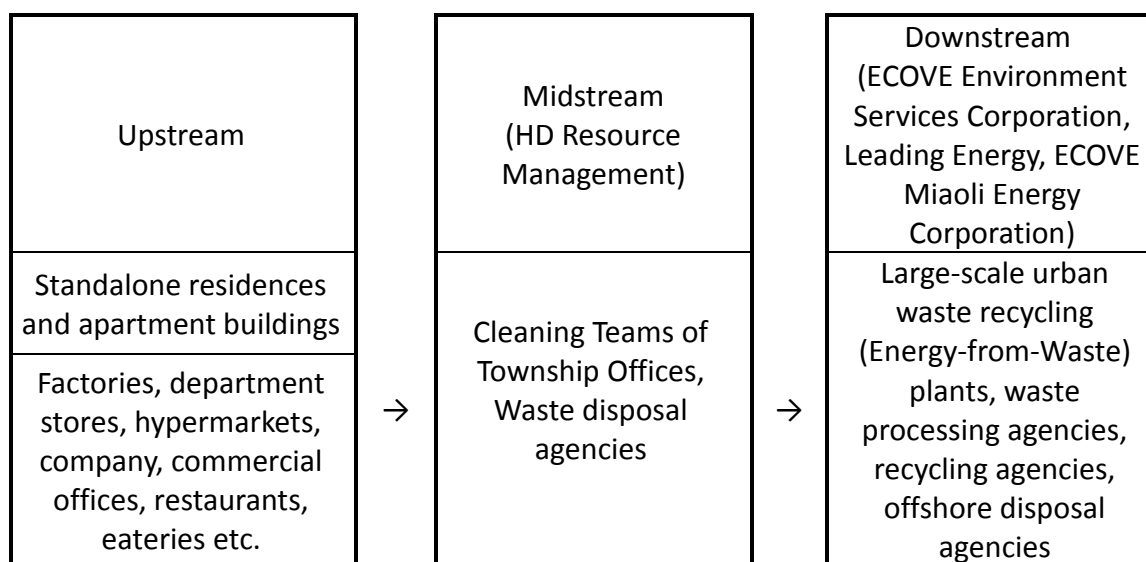
### 5.1.2 Industry Overview

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

#### (1) Current State and Development of the Industry

The 24 Energy-from-Waste plants in Taiwan processed a total of 6,248,814 metric tons of waste in 2017. The waste accepted by Energy-from-Waste plants operated by ECOVE Environment Services Corporation amounted to 1,845,360 metric tons and the total processed waste amounted to 1,857,743 metric tons. General waste constituted 1,496,753 metric tons of processed waste and general industrial waste amounted to 348,607 metric tons. ECOVE Environment Services Corporation processed the equivalent of waste produced by 7.9 million people in a year. HD Resource Management accepted a total of 329,415 metric tons of waste, which constituted around 29.44%. At the same time, we also own the only two BOT Energy-from-Waste plants in Taiwan and we hold a unique position in the domestic waste disposal market.

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



#### (3) Business Development Trends:

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

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

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

#### (4) Competition:

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

### 5.1.3 Overview of Technologies and R&D

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



management of each plant can be readily available through mobile devices. Any irregularity shall be promptly processed to increase the performance of operations and management. As of now, we have acquired a total of 24 domestic patents and 11 patents in Mainland China.

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

i. Research and Development Expenses in Past Two Years

Unit: NT\$ thousands

Item/Year	2016	2017
Operating Revenue	2,871,714	2,929,747
R&D Expense	2,658	4,088
R&D Expense as percentage of Operating Revenue (%)	0.09	0.14

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

ii. Successfully developed technologies and products in recent years

Year	Research and development achievements
2017	<ul style="list-style-type: none"> <li>a. Application and acquisition of the " Treatment of iodine fumes by incineration and combustion " patent in Taiwan.</li> <li>b. Acquisition a new type of patent of the " Treatment of iodine purple fumes by incineration and combustion " in Taiwan.</li> <li>c. Acquired a new patent of " Advanced incinerator exhaust gas denitrification system with energy-saving effect " in Taiwan.</li> <li>d. Acquired a new patent of " Multi-purpose robot with self-propelled and wall-cutter " in Taiwan.</li> </ul>
2016	<ul style="list-style-type: none"> <li>a. Acquisition a new type of patent of the " Screening two-stage exhaust gas deacidification system on slaked lime line " in Taiwan.</li> <li>b. Acquisition a new type of patent of the " Screening two-stage exhaust gas deacidification system on slaked lime line " in China.</li> <li>c. Acquisition of the approval of the "automated bubbling fluidized bed Energy-from-Waste" patent in China.</li> <li>d. Acquisition of the "distributed air-flow fluidized air dispersion design" patent in Taiwan.</li> <li>e. Acquisition of the " Automatically controlled bubble fluidized bed incinerator " patent in Taiwan.</li> <li>f. Acquisition of the " Automatically controlled bubble fluidized bed incinerator " patent in China.</li> <li>g. Acquisition of the " High-performance unsymmetrical distribution and combustion oxygen supply jet system " patent in Taiwan.</li> </ul>
2015	<ul style="list-style-type: none"> <li>a. Application and acquisition of the "Sodium bicarbonate on-line milling and flue gas de-acidification system" patent in Taiwan.</li> <li>b. Application and acquisition of the " Sodium bicarbonate on-line milling and flue gas de-acidification system" patent in China.</li> <li>c. Application for the approval of the "Combustion control system</li> </ul>

Year	Research and development achievements
	for stabilizing the production of steam of incineration plants" patent in Taiwan. d. Application for the approval of the "cleaning tool for high-pressure boiler discharge valves" patent in Taiwan.

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

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

Project Plant	Project
Shulin	Upgraded the PLCs and variable frequency converters of the garbage cranes and ash cranes.
Tainan	Reevaluated and analyzed the distribution of the air-conditioning system of the plant and increased the temperature of the chiller by 2 degrees. Installed split air-conditioners in areas with low usage efficiency to reduce the load of the chiller and optimize the air-conditioning system for power conservation.
Tainan	Upgraded the PLC of the steam turbine.
Tainan	Upgraded the PLC of the bag filter.
Miaoli	Improved the retainer ring on the limit switch of the rotating soot blower in the boiler.
Miaoli	Replaced the regular A/C power supply to key motor controls with uninterruptible power supply to prevent trips from sudden drops in voltage and insufficient suction of the magnetic switch.
Miaoli	Adding a three-axle vibration sensor on the vibrating conveyor to monitor the ash bridging status.
Miaoli	Converted the variable frequency controls on the secondary air fan to save energy and resolve current issues of remaining secondary air flow to the storage pit.
Miaoli	Adjusted the settings for SAH temperature restricted by the valve discharge pressure that in response to changes in the calorific value of waste. The settings could not be lowered to the minimum design value and a pump was added on the discharge pipe extending from the bottom of the surge tank to the first stage SAH for the water discharge pressure to meet the original design requirements and for the SAH temperature to be lowered to the original design value in order to resolve the issue of overheated boiler bed.
Houli	Adopted cooling water temperature control for the operations of the cooling water fan.
Houli	Upgrading the PLC, variable frequency converter and HMI of the PLC in Houli Plant.
Hsintien /Shulin	Established regulations in 2007 for the maintenance of batteries of the UPS and charging and discharging capacity experiments to extend the life of the batteries.
Hsintien /Shulin	Hsintien and Shulin Plants converted to T5 energy efficient lighting equipment in 2007 and saved approximately NT\$100,000 on electricity charges each year. The conversion has been expanded to other plants.

#### 5.1.4 Short & Long Term Development Plans

##### (1) ECOVE Environment Corporation

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

a. In other invested companies (non-shareholding), the "G.D. Development Corporation",

established jointly with the international leading solar panel manufacturer Gintech Energy Corporation, has maintained stable operations in the recent investment project in the United States, and shall dedicate its effort to domestic expansion under the assistance of government policies and global green energy development trends while integrating the Group's overseas resources to expand into new areas. The subsidiary "Boretech", which specializes in recycling PET bottles, will continue to enhance the system technologies of the entire plant and the competitiveness of supply and sales. It shall also improve the production line to achieve food grade standards, diversification and customized specifications and further expand the mature technology into recycling for other polyester materials.

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

(2) ECOVE Environment Services Corporation Corp.

a. Short-Term Business Plans

i. Taiwan

(a) Actively pursue ROT or OT projects in Energy-from-Waste plants in Taiwan with expiring operation contracts and provide upgrade, maintenance and other technical services for the mechanical and electric equipment in old Energy-from-Waste plants.

(b) Maintain and intensify current services for mechanical and electric equipment at Taoyuan International Airport to open up more opportunities for services.

(c) Actively pursue T&C service opportunities in routes that are near completion in response to the continued construction and plans for urban (New Taipei City, Taoyuan and Taichung) MRT systems while pursuing maintenance work for general mechanical and electric equipment (mechanical and electric equipment/fire-fighting/air-conditioning).

(d) Comply with government policies to actively promote reclaimed water and sewage system construction and use mergers or participation of the Group in tenders for development.

ii. Overseas:

(a) ECOVE Environment Services Corporation has won the tender for the operations and management of the Energy-from-Waste power generation plant and special and hazardous waste processing station in Macao. These will be used as the base for pursuing design or improvement projects in related environmental protection sectors of the Macao government.

(b) The third-party operation supervision of the existing market of execution area has become saturated, and currently focus on other first-tier cities (such as Beijing and Guangzhou) to conduct business.

(c) Participate in the development of the Energy-from-Waste market in Southeast Asia along with the Group.

b. Long-Term Business Plans

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

(3) ECOVE Wujih Energy Corporation

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

(4) ECOVE Waste Management Corporation

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

(5) ECOVE Miaoli Energy Corporation

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

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

(1) ECOVE: The Company is an investment holding company and it is not applicable as a single industry.

#### A. ECOVE Environment Corporation and Subsidiaries

##### i. By Major business Categories

Unit: NT\$ thousands

Area \ Year	2016		2017	
	Amount	%	Amount	%
Taiwan	3,542,940	71.49	3,538,665	79.00
Macau	1,330,841	26.86	826,888	18.46
China	81,784	1.65	114,034	2.55
Total	4,955,565	100.00	4,479,587	100.00

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

#### B. ECOVE Environment Services Corporation

##### i. By Major business Categories

Unit: NT\$ thousands

Area \ Year	2016		2017	
	Amount	%	Amount	%
Taiwan	2,721,624	94.77	2,697,184	92.06
Macau	107,214	3.73	172,039	5.87
China	42,876	1.50	60,524	2.07
Total	2,871,714	100.00	2,929,747	100.00

##### ii. Market Share

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

- a. There are currently 24 large-scale waste resource recycling plants in Taiwan and the designed capacity of the ones operated and maintained by ECOVE Environment Services Corporation has reached a market share of 26.4% compared with the total designed capacity in Taiwan; it is the largest in Taiwan.
- b. There are a total of 7 third-party supervision projects for Energy-from-Waste plants in China and the total designed capacity amounts to 9,360 metric tons/day. We are the leader in the industry in China.

##### iii. Future Supply, Demand and Growth of the Market

- a. With regard to domestic Energy-from-Waste plants, the contracts for private operations are expiring and as government policy has suspended the construction of new waste Energy-from-Waste plants, the service of the old plants are expected to be extended and tenders will be reopened. ECOVE Environment Services Corporation will continue to consolidate contracts at current operating plants while also actively pursuing the new tenders for other plants.
- b. There are currently over 300 Energy-from-Waste plants in operation in China and there is a shortage in manpower and expertise of the supervising competent authority. Therefore, the market for third-party supervision still has tremendous potential for growth.
- c. A large quantity of Energy-from-Waste plants will be built in Southeast Asia and China and we expect our overseas market scale to exceed the market scale in Taiwan. ECOVE Environment Services Corporation is now actively pursuing related businesses.
- d. Due to the government's promotion of reclaimed water and sewage system projects, the market for operation services is expected to grow. ECOVE Environment Services Corporation will actively pursue the opportunities.

iv. Competitive Niches

ECOVE Environment Services Corporation has been in the domestic Energy-from-Waste industry for over 20 years and it is the most experienced operations and manage company for Energy-from-Waste plants. Moreover, its parent company CTCI is the largest professional designer and builder of Energy-from-Waste plants in Taiwan. ECOVE Environment Services Corporation retains resources and capabilities for integration and improvement of technologies and it will be beneficial to future pursuits of reopened tenders for the operations and management of Energy-from-Waste plants.

ECOVE Environment Services Corporation has developed technologies and management capabilities through its experience in the operation and maintenance of Energy-from-Waste plants. It can also provide the clients with superior and more comprehensive services in water resource industries, track industries and mechanical and electrical engineering technologies.

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

a. Favorable Factors

- Starting from 2018, the contracts for operations and management of Energy-from-Waste plants across Taiwan will expire one after another. As Taiwan's most professional and experienced operator, we shall be in a position to expand our market share.
- We can provide clients with more diversified services and increase the quality of services through technical and experience exchanges between various subsidiaries.

b. Unfavorable Factors and Countermeasures

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

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

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

Countermeasure: Fully abide by related laws and regulations in the operation and maintenance of various plants in order to prevent pollutions from occurring; conduct

good-neighborly relations tasks regularly.

C. ECOVE Wujih Energy Corporation

i. By Major business Categories

Unit: NT\$ thousands

Area \ Year	2016		2017	
	Amount	%	Amount	%
Taiwan	657,942	100.00	727,576	100.00

ii. Market Share

Leading Energy is a dedicated BOT project company and it operates an Energy-from-Waste plant with a daily capacity of 900 metric tons to process the waste delivered by Taichung City Government (600mt/day) and the general industrial waste it independently collects (300mt/day) in 20 years of operation period. According to statistics of the Environmental Protection Administration of the Executive Yuan in 2017, current domestic medium to large-scale urban Energy-from-Waste plants in operations process a total of approximately 6.24 million metric tons of waste a year. The annual processing capacity of Wujih Plant is approximately 301,000 metric tons and it constitutes 4.81% of the total processing capacity of the 24 Energy-from-Waste plants in Taiwan. In terms of the volume of electricity sales, the total amount electricity sold by Energy-from-Waste plants in an entire year amounts to approximately 2.5 billion kilowatt/hours while the Wujih Plant sells approximately 142 million kilowatt/hours per year, constituting 5.69% of the total amount of electricity sold. In terms of power generation, the annual power generated amounts to approximately 176 million kilowatt/hours, which is 5.52% of the 3.19 billion kilowatt/hours generated by the 24 Energy-from-Waste plants in a year.

iii. Future Supply, Demand and Growth of the Market

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

iv. Competitive Niches

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

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

a. Favorable Factors

- The other Energy-from-Waste plants operated by ECOVE Environment Services Corporation are able to provide more diversified services such as assistance in dispatching waste disposal services to prevent waste from piling up due to an



overhaul at a single Energy-from-Waste plant. On the other hand, it can also increase the number of clients.

- The supply of general waste is guaranteed by the Taichung City Government and the source of industrial waste independently collected by the plant is controlled by HD Resource Management. The arrangements maintain the stability of the processed volume and power generation at the plant.

b. Unfavorable Factors and Countermeasures

- Equipment degradation lowers Energy-from-Waste processing efficiency

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

D. ECOVE Waste Management Corporation

i. By Major business Categories

Unit: NT\$ thousands

Area \ Year	2016		2017	
	Amount	%	Amount	%
Taiwan	991,313	100.00	1,157,573	100.00

ii. Market Share

HD Resource Management is a company dedicated to industrial waste clearance and disposal. In 2017, HD Resource Management received a total of 329,415 metric tons of waste for operation and management. Its national market share in industrial waste collection and processing services is approximately 29.44%.

iii. Future Supply, Demand and Growth of the Market

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

iv. Competitive Niches

Based on the core values in 16 years of waste collection, management and disposal operations, HD Resource Management independently developed a waste management information system and allowed waste disposal operators who enter the plants to jointly use the system online in order to improve management efficiency and competitiveness.

HD Resource Management also plans to use its abundance experience as a stepping stone to expand to waste resources recycling operations in order to provide waste generating entities or disposal operators with more comprehensive services.

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

a. Favorable Factors

- Advantages in integration

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

- Brand Advantages

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

- Low Financial Risks

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

b. Unfavorable Factors and Countermeasures

- High Dependence on Policy

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

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

E. ECOVE Miaoli Energy Corporation

i. By Major business Categories

Unit ; NT\$ thousands

Area \ Year	2016		2017	
	Amount	%	Amount	%
Taiwan	360,797	100.00	348,186	100.00

ii. Market Share

Fortune Energy is a dedicated BOT project company and it operates an Energy-from-Waste plant with a daily capacity of 500 metric tons to process the waste delivered by Miaoli County Government (500mt/day, including general industrial waste independently collected by Miaoli County Government) in 20 years of operation period. According to statistics of the Environmental Protection Administration of the Executive Yuan in 2017, current domestic medium to large-scale urban Energy-from-Waste plants in operations process a total of approximately 6.249 million metric tons of waste a year. The annual processing capacity of Miaoli Plant is approximately 170,000 metric tons and it constitutes 2.72% of the total processing capacity of the 24 Energy-from-Waste plants in Taiwan. In terms of the volume of electricity sales, the total amount electricity sold by Energy-from-Waste plants in an entire year amounts to approximately 2.5 billion kilowatt-hours while Miaoli Plant sells approximately 76 million kilowatt-hours per year, constituting 3.00% of the total amount of electricity sold. In terms of power generation, the annual power generated amounts to approximately 95.03 million kilowatt-hours, which

is 2.98% of the 3.19 billion kilowatt/hours generated by the 24 Energy-from-Waste plants in a year.

iii. Future Supply, Demand and Growth of the Market

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

iv. Competitive Niches

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

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

a. Favorable Factors

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

b. Unfavorable Factors and Countermeasures

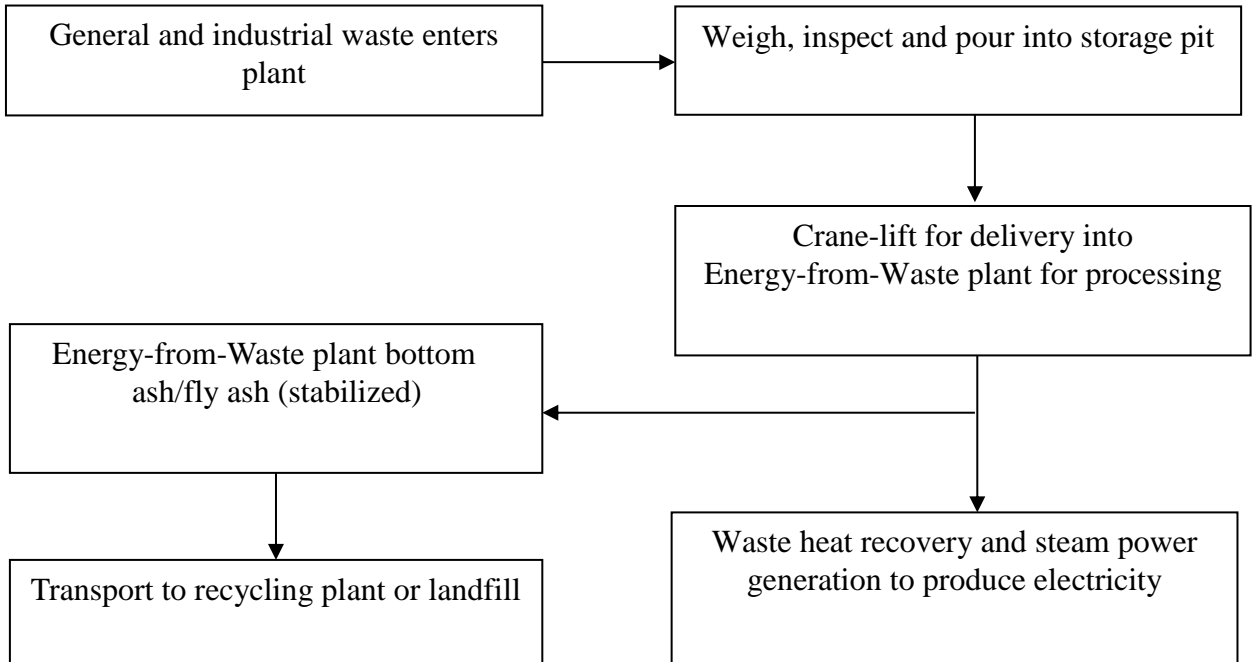
- The increase in general industrial waste increases equipment degradation

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

### 5.2.2 The Company's Main Services Purposes and Service Sequences

HD Resource Management Corporation

Sino Environmental Services Corp.,  
Leading Energy Corporation,  
Fortune Energy Corporation



- (1) ECOVE: The Company is an investment holding company and its main business is general investment; therefore it is not applicable as a single industry.
- (2) ECOVE Environment Services Corporation Corp.
- a. Usage of Primary Products (Services)
    - i. The Company's main business is to provide operation and management services as well as Energy-from-Waste plant for the disposal of waste to various urban waste resource recycling plants and Energy-from-Waste plants of municipality governments.
    - ii. The Company also generates power from the Energy-from-Waste plant of waste to provide power for civilian use.
  - b. Production Process of Primary Products (Services)
 

The Company's main service is to dispose of waste and generate electricity from the Energy-from-Waste plant of waste. Place waste into the Energy-from-Waste plant for Energy-from-Waste and recover the heat generated in the boiler in the process to produce steam. The steam is used to power the turbine generator to generate electricity. The remaining electricity is transmitted into the power grid of Taiwan Power Corporation after deducting the self-use electricity.
- (3) ECOVE Wujih Energy Corporation
- a. Usage of Primary Products (Services)
    - i. The Company operates Wujih Energy-from-Waste Plant by means of a special permit and its main service is the disposal of waste produced by civilians and industrial entities. It is a stable environmental protection service industry that is less affected by economic cycles.
    - ii. Electricity is generated in the process of Energy-from-Waste plant of waste. Except for the self-use electricity, all remaining electricity is sold to Taiwan Power Company.
  - b. Production Process of Primary Products (Services)
 

The Company's main service is the disposal of waste delivered by Taichung City Government and general industrial waste collected by waste disposal agencies. The heat generated in the Energy-from-Waste plant the process is transmitted through the heat exchanger to the boiler to produce steam. The steam is used to power the turbine generator to generate electricity. The remaining electricity is transmitted into the power grid of Taiwan Power Corporation after deducting the self-use electricity.
- (4) ECOVE Waste Management Corporation
- a. Usage of Primary Products (Services)
  - b. The Company's main service is the disposal/management of general waste and industrial waste in order to provide clean and comfortable life and work environment.
  - c. Production Process of Primary Products (Services)
 

HD Resource Management collects or manages general waste and industrial waste produced in residential buildings and industrial entities to deliver to landfills or Energy-from-Waste plants for disposal. In addition, the Company also transports ash produced by Energy-from-Waste plants to landfills for final disposal or to reuse plants for reuse.
- (5) ECOVE Miaoli Energy Corporation
- a. Usage of Primary Products (Services)
    - i. The Company operates Miaoli Energy-from-Waste Plant by means of a special permit and its main service is the disposal of waste produced by civilians and industrial entities. It is a stable environmental protection service industry that is less affected by economic cycles.
    - ii. Electricity is generated in the process of Energy-from-Waste plant of waste. Except for the self-use electricity, all remaining electricity is sold to Taiwan Power Company.
  - b. Production Process of Primary Products (Services)
 

The Company's main service is the disposal of waste delivered by Miaoli County Government

and general industrial waste collected by waste disposal agencies. The heat generated in the Energy-from-Waste plant the process is transmitted through the heat exchanger to the boiler to produce steam. The steam is used to power the turbine generator to generate electricity. The remaining electricity is transmitted into the power grid of Taiwan Power Corporation after deducting the self-use electricity.

### 5.2.3 State of Supply of Main Materials:

ECOVE Environment Corporation is an investment holding company and its subsidiaries ECOVE Environment Services Corporation, Leading Energy, HD Resource Management and Fortune Energy are all environmental protection services providers. None of them have production activities and this item is therefore not applicable.

### 5.2.4 Major Suppliers and Clients

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

(2) (Major Clients (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years):

#### A. ECOVE Environment Corporation and Subsidiaries

The information of main sales customer in the last two years

Unit: NT\$ thousands

Item	2016				2017			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Environmental Protection Bureau of Taichung City Government	438,520	8.85	-	Environmental Protection Bureau of Taichung City Government	429,519	9.59	-
2	CTCI Corp.	436,350	8.81	The ultimate parent	CTCI Corp.	172,185	3.84	The ultimate parent
3	Others	4,080,695	82.34	-	Others	3,877,883	86.57	-
	Total	4,955,565	100.00		Total	4,479,587	100.00	

#### B. ECOVE Environment Services Corporation Corp.

The information of main sales customer in the last two years

Unit: NT\$ thousands

Item	2016				2017			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	ECOVE Waste Management Corporation	437,334	15.23	A subsidiary	ECOVE Waste Management Corporation	541,683	18.49	A subsidiary
2	CTCI Corp.	434,634	15.14	The ultimate parent	CTCI Corp.	159,287	5.44	The ultimate parent
3	Others	1,999,746	69.63	-	Others	2,228,777	76.07	-
	Total	2,871,714	100.00		Total	2,929,747	100.00	

- A. ECOVE Wujih Energy Corporation : None
- B. ECOVE Waste Management Corporation : None
- C. ECOVE Miaoli Energy Corporation : None

### 5.2.5 Production over the Last Two Years

None

### 5.2.6 Shipments and Sales over the Last Two Years

- (1) ECOVE Environment Corporation and Subsidiaries

Unit: NT\$ thousands

Shipments & Sales Major Products	2016		2017	
	Local	Export	Local	Export
Waste Treatment	1,352,508	0	1,615,440	0
Electricity	821,253	1,118,190	649,965	451,103
Concession Service	604,171	0	583,221	0
Waste Collection	123,040	0	144,543	0
Others	641,968	294,435	545,496	489,819
Total	3,542,940	1,412,625	3,538,665	940,922

- (2) ECOVE Environment Services Corporation Corp.

Unit: NT\$ thousands

Shipments & Sales Major Products	2016		2017	
	Local	Export	Local	Export
Energy-from-Waste plant related income	2,077,255	0	2,045,243	0
Others	644,369	150,090	651,941	232,563
Total	2,721,624	150,090	2,697,184	232,563

- (3) ECOVE Wujih Energy Corporation

Unit: NT\$ thousands

Shipments & Sales Major Plant	2016		2017	
	Local	Export	Local	Export
The plant of Wujih	657,942	0	727,576	0
Total	657,942	0	727,576	0

- (4) ECOVE Waste Management Corporation

Unit: NT\$ thousands

Shipments & Sales Major Products	Year	2016		2017	
		Local	Export	Local	Export
Waste Treatment		830,700	0	984,123	0
Waste Collection		153,414	0	171,951	0
Comprehensive planning to clean up revenue		7,199	0	1,499	0
Total		991,313	0	1,157,573	0

## (5) ECOVE Miaoli Energy Corporation

Unit: NT\$ thousands

Shipments & Sales Major Plant	Year	2016		2017	
		Local	Export	Local	Export
The plant of Miaoli		360,797	0	348,186	0
Total		360,797	0	348,186	0

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

## (1) ECOVE Environment Corporation and Subsidiaries

April 2<sup>nd</sup>, 2018

Year		2016	2017	As of April 2 <sup>nd</sup> , 2018
Number of Employees		10	9	9
Average Age		49.95	49.21	49.37
Average service seniority		4.99	5.57	5.73
Ratio of employees at each level of educational degree	Master	50.00	55.56	55.56
	Bachelor	50.00	44.44	44.44
	Senior High School and below	0.00	0.00	0.00

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



## (2) ECOVE Environment Services Corporation Corp.

April 2<sup>nd</sup>, 2018

Year		2016	2017	As of April 2 <sup>nd</sup> , 2018
Number of Employees		645	663	702
Average Age		41.16	41.34	41.15
Average service seniority		9.08	8.72	8.43
Ratio of employees at each level of educational degree	Master	12.56	11.92	12.54
	Bachelor	63.56	65.46	64.81
	Senior High School and below	23.88	22.62	22.65

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

## (3) ECOVE Wujih Energy Corporation

April 2<sup>nd</sup>, 2018

Year		2016	2017	As of April 2 <sup>nd</sup> , 2018
Number of Employees		4	3	2
Average Age		38.96	43.88	46.15
Average service seniority		2.84	4.58	6.06
Ratio of employees at each level of educational degree	Master	50.00	66.67	100.00
	Bachelor	50.00	33.33	0.00
	Senior High School and below	0.00	0.00	0.00

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

## (4) ECOVE Waste Management Corporation

April 2<sup>nd</sup>, 2018

Year		2016	2017	As of April 2 <sup>nd</sup> , 2018
Number of Employees		41	44	45
Average Age		42.61	41.96	42.07
Average service seniority		9.33	8.67	8.63
Ratio of employees at each level of educational degree	Master	14.63	18.18	17.78
	Bachelor	41.46	38.64	40.00
	Senior High School and below	43.91	43.18	42.22

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

(5) ECOVE Miaoli Energy Corporation

April 2<sup>nd</sup>, 2018

Year	2016	2017	As of April 2 <sup>nd</sup> , 2018
Number of Employees	5	5	5
Average Age	42.87	42.36	42.52
Average service seniority	5.58	6.11	6.27
Ratio of employees at each level of educational degree	Master	20.00	20.00
	Bachelor	80.00	80.00
	Senior High School and below	0.00	0.00

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

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

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

### 5.3.3 Safety of the Work Environment and Employees' Personal Safety

#### (1) Safety, Health and Environmental Policy

- Risk management
- Implement regulations
- Communication training
- Continuous improvement

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

The Group's safety and health policy is handled and promoted by the subsidiary company ECOVE ESC. Since ECOVE ESC is the manufacturer of the incineration plant on behalf of the company, all units within the scope of verification must comply with the policies formulated by the plant. Therefore, ECOVE WEC ( The Uri Plant), ECOVE MEC (Miaoli Factory) and ECOVE WMC (Refuse Bottom Dregs Removal and Removal) are all in the scope of the verified workplace, except for the specification of industry characteristics, and the standards of CNS 15506 and OHSAS18001:2007 The requirements and policies are formulated to ensure that the municipal incinerator can effectively control and control the employees' possible injuries and diseases, process changes, procurement, contractors, and property and other safety and health during the process of waste incineration, power generation, waste gas, and waste disposal. Risks and non-compliance with the prescribed matters, the purpose of which is to provide basic guidelines for the effective and appropriate operation and management of the health management system, and to continuously improve the safety and health performance of the entire organization, and to establish safety and health management priorities, policies, objectives and targets, and gradually improve. Safety and health management system, implement risk prevention, elimination, reduction, control, and continuous improvement EC, in order to achieve the goal of sustainable development and thus to establish high quality and environmental health and safety pioneer model.

#### (2) Safety, Health and Environmental Organization.

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

#### (3) Safety, Health and Environmental Management System

ECOVE Environment Services Corporation has completed the establishment of the system in December 2009 and has since obtained TOSHMS and OHSAS18001:2007 certification. It was certified again in 2012. The Company maintains the spirit for continuous improvement in the safety, health and environmental management system and actively improves safety and health risk management, incident prevention, energy and resource conservation, employee health and prevention of various hazards. The Company also establishes annual safety, health and

environmental targets, in order to provide detailed and feasible improvement plans and executes them to lower potential safety, health and environmental risks. ECOVE ESC and various generations of operation plants successfully passed the validation of CNS 15506 °

(4) Safety, Health and Environmental Management Operations

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

(5) Statistical Analysis of Occupational Hazards

The data for statistical analyses of occupational hazards of the Company and subsidiaries are based on the disabling injury frequency rate per million work hour from the Department of Labor and the Company reports online for statistical analyses in accordance with regulations of the Ministry of Labor. Seriously and critically review and analyze the work safety accidents or false alarms that occurred in the past, and combine safety and health performance management KPIs to avoid the occurrence of the same events. The same cases where the content specification has been announced and reviewed have occurred again. The points will be deducted from the security KPI of the project during the month, and if the cause is inconsistent with the behavior of colleagues, it will enter the evaluation of the people's assessment meeting. The employee will calculate the minimum performance of the project in the quarter, and The Occupational Safety and Health Committee worked together to develop improvement plans; in the statistical analysis, it was found that the reporting of false alarms should be given more encouragement in order to effectively and prioritize improvements to reduce the occurrence of worker safety accidents. Therefore, the company performed safety and health performance management. The KPI project specifically incorporates activities such as internal dynamic inspections and joint audits. It is expected that problems can be detected by digging around to use false alarm events or staff counseling to prevent the occurrence of workers' safety incidents, and set annual safety and health goals. Let all my colleagues recognize and work together toward the goal. The company encourages various projects to participate in the Ministry of Labor to organize statistical work on non-disaster time. It has successively been awarded with no-fault labor time certification. Among them, the Tainan plant operated by the ECOVE ESC has participated in the statistics of the No-Hazard Work Hours of the Ministry of Labor since 1995. Accumulative to 106 years of disaster-free record has reached 1.44 million man hours, ECOVE ESC upholds the "people-oriented" core value, invests the necessary manpower and resources for the safety and health of employees, and creates a safe and healthy working environment. Continued business philosophy, to meet every disaster-free working hours and go all out.

(6) Awards

The Company continues to work hard for safety, sanitation and employee health and has received awards from related government agencies. The awards received are summarized as follows:

The company and its subsidiaries have continued to strive for safety and health and employee health. In recent years, they have been honored by government agencies and the awards are summarized as follows:

- ECOVE ESC was awarded the National Occupational Safety and Health Award \_ Enterprise Standard Award in 2016 by the Ministry of Labor. Some of the operation plants include: Tainan EfW Plant was awarded the "2015 Implementation of the Safety at Work Excellent Unit Award" by the Ministry of Labor, and South Science EfW Plant was awarded the 2015 Southern District Science Park Occupational Safety and Health Excellence Award, and South Science EfW Plant was awarded "2016 Southern Science Park Occupational Safety and Health Excellence Unit Award". Some of the personnel include: Keelung Efw plant Junxian Chang, Houli EfW plant Fangyu Wang won the "2015 annual promotion of occupational safety, health and excellent personnel \_ technology award" by the Ministry of Labor, Tainan EfW Plant Kaimeng Lu won the Tainan municipal government "2015 implementation of occupational safety "Persons with Good Health Award", Taoyuan EfW plant Yideng Tseng was awarded the "2016 Promotion of Occupational Safety and Health Excellent Personnel \_ Merit Award" by the Ministry of Labor, and Wujih EfW plant Guixing Lin was awarded the "2016 Promotion of Occupational Safety and Health Excellent Personnel" by the Ministry of Labor. The award and Zeng Yuhong of Southern Science Park EfW Plant won the "2016 Southern District Science Park Occupational Safety and Health Talents".
- Wujih EfW Plant was awarded the Ministry of Labor entrusted the Republic of China Industrial Safety and Health Association awarded 840,000 proofs of non-disaster work hours, the General Office of Taipei was awarded the Ministry of Labor entrusted by the Republic of China Industrial Safety and Health Association issued 720000 non-disaster work hours certification, Keelung Incineration Plant was awarded The Ministry of Labor entrusted the Republic of China Industrial Safety and Health Association with the issuance of 600,000 proofs of working hours without disasters and the affirmation of the "2017 National Safe and Healthy Week campaign plan" issued by the Ministry of Labor.

#### 5.3.4 Code of Ethics for Employees

##### (1) Purpose

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

##### (2) Area

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

##### (3) Principle of good faith

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

##### (4) The principle of fairness

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

##### (5) Work environment

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

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

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

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

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

(2) Compete with the company.

(7) Fair trade

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

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

(8) Insider trading

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

(9) Confidentiality responsibility

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

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

(10) Correct document records and reports

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

(11) Protecting and Using Company Assets Properly

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

(12) Political Contributions and Activities

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

(13) Copyright

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

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

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

(15) Exemption from applicable procedures

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

(16) 16. Execution

This Code shall be implemented after the resolution of the board of directors is passed and shall

be disclosed in the annual report, the open specification and the public information observing station.

#### 5.4 Environmental Protection Expenditure Information

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

A. ECOVE: Not Applicable.

B. ECOVE Environment Services Corporation Corp.

i. Permit for Installing Polluting Facilities, Permit for Pollution Drainage

The Company has a total of seven fixed pollutant operation permits, five water pollutant prevention permits, one toxic chemicals approval certification, one Class B Industrial Waste Disposal Permits, and three industrial waste disposal plan.

ii. Establishment of Dedicated Environmental Protection Unit and Personnel

The Company's employees have obtained twenty-two Class A Dedicated Air Pollution Control Specialist certificates, four Class A Wastewater Treatment Technician certificates, two Class B Dedicated Wastewater and Sewage Treatment Specialist certificates and thirteen Waste Disposal Technician certificates.

C. ECOVE Wujih Energy Corporation

i. Permit for Installing Polluting Facilities, Permit for Pollution Drainage

The Company has a total of one fixed pollutant operation permit, one water pollutant prevention permits, one waste disposal permit, and one industrial waste disposal plan.

ii. Establishment of Dedicated Environmental Protection Unit and Personnel (Including dedicated environmental protection personnel at ECOVE Environment Services Corporation)

Two Class A Waste Disposal Technicians, One Class B Waste Disposal Technicians, three Class A Dedicated Air Pollution Control Specialists and one Class B Dedicated Wastewater and Sewage Treatment Specialist.

D. ECOVE Waste Management Corporation

i. Waste Disposal Permits

One Class A Waste Disposal Permit

ii. Establishment of Dedicated Environmental Protection Unit and Personnel

One Class A Waste Disposal Technicians and one Class B Waste Disposal Technician.

E. ECOVE Miaoli Energy Corporation

i. Waste Disposal Permits

The Company has a total of one fixed pollutant operation permit, one water pollutant prevention permits, one waste disposal approval document, and one industrial waste disposal plan approval letter.

ii. Establishment of Dedicated Environmental Protection Unit and Personnel

One Class A Waste Disposal Technicians, three Class A Dedicated Air Pollution Control Specialists and one Class A Dedicated Wastewater and Sewage Treatment Specialist.



(2) Investment and Implementation Status of Primary Equipment for Prevention of Environmental Pollution

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

December 31<sup>st</sup>, 2017; Unit: NT\$1,000

Equipment Name	Quantity	Obtainment Date	Investment Cost	Book Value	Usage and Anticipated Benefit
Energy-from-Waste plant and Related Pollution Prevention Equipment	1	2004.09.06	2,676,083	573,616	Compliance with related laws and regulations on Energy-from-Waste plant, air and wastewater pollution prevention

- D. ECOVE Waste Management Corporation

December 31<sup>st</sup>, 2017; Unit: NT\$1,000

Equipment Name	Quantity	Obtainment Date	Investment Cost	Book Value	Usage and Anticipated Benefit
Waste Disposal Trucks Weighing Over 35 Tons	44	2001.08-2017.10	69,055	20,076	Compliance with related environmental protection laws and regulations applicable to waste disposal industries
Waste Disposal Trucks Weighing Under 26 Tons	12	2003.09-2017.12	31,649	13,119	Compliance with related environmental protection laws and regulations applicable to waste disposal industries

- E. ECOVE Miaoli Energy Corporation

December 31<sup>st</sup>, 2017; Unit: NT\$1,000

Equipment Name	Quantity	Obtainment Date	Investment Cost	Book Value	Usage and Anticipated Benefit
Energy-from-Waste plant and Related Pollution Prevention Equipment	1	2008.02.29	2,279,910	1,193,344	Compliance with related laws and regulations on Energy-from-Waste plant, air and wastewater pollution prevention

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

## 5.5 Relations between labor and employer

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

#### (1) Employee Welfare

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

#### (2) Measures for Employee Training

The Company and subsidiaries have established occupational skills training systems in accordance with the Company's vision, mission and long-term business goals and it also developed occupational training plans for each expertise and level. The training methods include courses, online learning, the knowledge base etc. with the goal of enhancing employees' professional knowledge and skills as well as language, computer, management and leadership skills. The training is managed through a Global Training System (GTS) to strengthen online learning functions to allow employees to learn from the occupational training system and development plans from anywhere. In addition, the Company also provides recommendation for outstanding employees to study at domestic or foreign colleges or institutions to further enhance employees' professional skills and allow employees to develop international business capabilities by working with staff from foreign companies. The total annual training fee for the employees of the Company and its subsidiaries was close to NT\$1.581 million and the average annual training hours for each employee exceeded 37.30 hours. The man-hours and expenses for various types of training are as follows:

Type	Sessions	Total Participants	Total hours (hour)	Total Expenses (NT\$1,000)
Training for New Employees	60	551	1,505	3
Professional Skills Training	905	6,853	18,435	1,247
Managerial Training	79	3557	2,335	209
Self-Development Training	76	2,419	4,731	122
Total	1,120	13,380	27,006	1,581

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

organize management courses in accordance with the status and development requirements of the Company and allow unit supervisors to assign personnel to participate in the courses.

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

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

### (3) Implementation Status of the Pension System

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

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

### (4) Labor Agreement Status

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

### (5) Employee Benefit Protection Measures

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

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

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

## 5.6 Important Contracts

ECOVE owns four main subsidiary companies including ECOVE Environment Services Corporation, Leading Energy, HD Resource Management and Fortune Energy. The important contracts for each individual company are described below:

### (1) (ECOVE Environment Services Corporation Corp.

Nature of Contract	Counterparty	Commencement/Expiration Date	Content	Restrictions
Operations Service Contract	Taichung City Government Environmental Protection Bureau	2001.8.15~2021.8.14	Operations and Management Services for Houli Waste Resource Recycling Plant	None
Operations Service Contract	ECOVE Wujih Energy Corporation	2004.9.10~2024.9.9	Operations and Management Services for Wujih BOT Waste Resource Recycling Plant	None
Operations Service Contract	Keelung City Government Environmental Protection Bureau	2006.3.27~2026.3.26	Operations and Management Services for Keelung Waste Resource Recycling Plant	None
Operations Service Contract	ECOVE Miaoli Energy Corporation	2008.2.29~2028.2.28	Operations and Management Services for Miaoli BOT Energy-from-Waste Plant	None
Technical service contract	Taiwan Sugar Corp. Department of Environmental Protection-Environmental Protection Business Operation Center	2017.7.7~2021.11.9	Assist in the improvement of the effectiveness of Gangshan Plant	None

### (2) ECOVE Wujih Energy Corporation

Nature of Contract	Counterparty	Commencement date/expiration date	Content	Restrictions
Waste Resources Recycling Plant Construction and Operations	Taichung City Government	2000.9~2004.9 (Construction) 2004.9.6~2024.9.5 (Operations)	The construction and operations of Wujih BOT Waste Resource Recycling Plant were carried out through private investment and the special operations permit is valid for 20 years starting on the commercial operations date (September 6, 2004)	None

Nature of Contract	Counterparty	Commencement date/expiration date	Content	Restrictions
Qualified Cogeneration Power System Electricity Sales	Taiwan Power Company	The annual contract which commenced on August 2, 2004 is automatically renewed each year before its expiry if both parties file no objections.	According to the regulations in the Energy Administration Act, the electricity produced by the qualified cogeneration system at Wujih Plant is sold to Taiwan Power Company	None
Operations Services	ECOVE Environment Services Corporation Corp.	2004.9.10~2024.9.9	Operations and management of Wujih BOT Waste Resource Recycling Plant	None

(3) HD Resource Management

Nature of Contract	Counterparty	Commencement/Expiration Date	Content	Restrictions
Waste disposal and processing	Taiwan Semiconductor Manufacturing Company	2016.5.1~2019.4.30	Industrial waste disposal and processing	None
Waste disposal and processing	Innolux Corporation	2017.8.1~2019.4.30	Industrial waste disposal and processing	None
Waste management services	Gengliang Environmental Protection Enterprise Co., Ltd.	2016.1.1~2018.12.31 No objection before expiration, one year extension	Houli EfW plant delegate waste disposal and processing	None
Entrusted to receive waste services	Department of Environmental Protection, Miaoli County Government	2016.2.1~2018.1.31 If no objection, one year extension	Receiving and managing waste into Miaoli EfW Plant	None

(4) ECOVE Miaoli Energy Corporation

Nature of Contract	Counterparty	Commencement/Expiration Date	Content	Restrictions
Waste Resources Recycling Plant Construction and Operations	Miaoli County Government	2008.2.29~2028.2.28	The construction and operations of Miaoli BOT Energy-from-Waste Plant were carried out through private investment and the special operations permit is valid for 20 years starting on the commercial operations date (February 29, 2008)	None

Nature of Contract	Counterparty	Commencement/Expiration Date	Content	Restrictions
Qualified Cogeneration Power System Electricity Sales	Taiwan Power Company	The annual contract which commenced on January 4, 2010 is automatically renewed each year before its expiry if both parties have no objections	According to the regulations in the Energy Administration Act, the electricity produced by the qualified cogeneration system at Miaoli Plant is sold to Taiwan Power Company	None
Operations Services	ECOVE Environment Services Corporation Corp.	2008.2.29~2028.2.28	The operations of Miaoli BOT Energy-from-Waste Plant shall be 20 years starting on the commercial operations date (February 29, 2008)	None

## VI. Financial Information

### 6.1 Condensed Financial Statement for the Recent 5 Years

#### 6.1.1 Condensed Consolidated Balance Sheet

##### 1. Condensed Consolidated Balance Sheet –International Financial Reporting Standards

Unit: NT\$ thousands

Year		Five-Year Financial Summary				
		2013 (adjusted) (Note 1)	2014 (adjusted) (Note 1)	2015	2016	2017
Item						
Current Assets		3,218,309	3,323,216	3,883,204	3,881,133	3,705,572
Property, Plant and Equipment		52,927	60,915	51,075	54,433	73,244
Intangible Assets		0	0	0	0	0
Other Assets		3,767,244	3,851,352	3,721,835	3,385,661	3,278,313
Total Assets		7,038,480	7,235,483	7,656,114	7,321,227	7,057,129
Current Liabilities	Before distribution	1,479,002	1,638,459	1,958,674	1,417,281	1,326,188
	After distribution	2,060,950	2,245,708	2,598,026	2,174,453	(Note2)
Non-current Liabilities		1,128,803	912,233	785,792	639,172	500,059
Total Liabilities	Before distribution	2,607,805	2,550,692	2,744,466	2,056,453	1,826,247
	After distribution	3,189,753	3,157,941	3,383,818	2,813,625	(Note2)
Equity Attributable to Shareholders of The Parent		3,992,247	4,231,476	4,438,954	4,682,057	4,683,639
Capital Stock		639,595	649,865	658,627	664,614	668,106
Capital Surplus		1,871,722	1,977,434	2,069,266	2,126,850	2,161,029
Retained Earnings	Before distribution	1,481,692	1,592,699	1,686,052	1,888,608	1,886,788
	After distribution	899,744	985,450	1,046,700	1,131,435	(Note2)
Other Equities		(762)	11,478	25,009	1,985	(32,284)
Treasury Stocks		0	0	0	0	0
Non-controlling Interests		438,428	453,315	472,694	582,717	547,243
Total Equity	Before distribution	4,430,675	4,684,791	4,911,648	5,264,774	5,230,882
	After distribution	3,848,727	4,077,542	4,272,296	4,507,602	(Note2)

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

Note2: The 2017 earnings distribution has not been resolved by the Shareholder's Meeting, hence not applicable.

## 2. Condensed Balance Sheet - International Financial Reporting Standards

Unit: NT\$ thousands

Year		Five-Year Financial Summary				
		2013 (adjusted) (Note 1)	2014 (adjusted) (Note 1)	2015	2016	2017
Item						
Current Assets		633,275	331,043	514,494	749,527	887,292
Property, Plant and Equipment		0	0	0	0	0
Intangible Assets		0	0	0	0	0
Other Assets		3,416,083	3,942,182	3,943,102	3,957,046	3,820,164
Total Assets		4,049,358	4,273,225	4,457,596	4,706,573	4,707,456
Current Liabilities	Before distribution	53,266	40,554	18,276	20,858	21,610
	After distribution	635,214	647,803	657,628	778,031	(Note2)
Non-current Liabilities		3,845	1,195	366	3,658	2,207
Total Liabilities	Before distribution	57,111	41,749	18,642	24,516	23,817
	After distribution	639,059	648,998	657,994	781,689	(Note2)
Equity Attributable to Shareholders of The Parent		3,992,247	4,231,476	4,438,954	4,682,057	4,683,639
Capital Stock		639,595	649,865	658,627	664,614	668,106
Capital Surplus		1,871,722	1,977,434	2,069,266	2,126,850	2,161,029
Retained Earnings	Before distribution	1,481,692	1,592,699	1,686,052	1,888,608	1,886,788
	After distribution	899,744	985,450	1,046,700	1,131,435	(Note2)
Other Equities		(762)	11,478	25,009	1,985	(32,284)
Treasury Stocks		0	0	0	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	Before distribution	3,992,247	4,231,476	4,438,954	4,682,057	4,683,639
	After distribution	3,410,299	3,624,227	3,799,602	3,924,884	(Note2)

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

Note2: The 2016 earnings distribution has not been resolved by the Shareholder's Meeting, hence not applicable.



## 6.1.2 Condensed Statement of Comprehensive Income

### 1. Condensed Consolidated Income Statement - International Financial Reporting Standards

Unit: NT\$ thousands

Item \ Year	Five-Year Financial Summary				
	2013	2014 (adjusted) (Note 1)	2015	2016	2017
Operating Revenues	3,750,376	3,925,027	4,078,753	4,955,565	4,479,587
Gross Profit	990,143	1,033,231	1,059,988	1,800,412	1,259,257
Operating Income	825,748	862,832	894,114	1,627,183	1,077,417
Non-Operating Income & Expenses	23,249	69,663	74,765	30,943	38,926
Income Before Income Tax	848,997	932,495	968,879	1,658,126	1,116,343
Net Income from continuing operations	728,819	796,686	838,559	1,430,668	959,424
Net Income(Loss)	728,819	796,686	838,559	1,430,668	959,424
Other Comprehensive Income (Income after tax)	26,356	33,473	5,678	(31,661)	(53,608)
Total Comprehensive Income	755,175	830,159	844,237	1,399,007	905,816
Net Income Attributable to Shareholders of The Parent	620,318	678,857	710,370	848,097	761,339
Net Income Attributable to Non-controlling Interests	108,501	117,829	128,189	582,571	198,085
Total Comprehensive Income (Loss) Attributable to Shareholders of the Parent	643,979	705,195	714,133	818,884	721,084
Total Comprehensive Income (Loss) Attributable to Non-controlling Interests	111,196	124,964	130,104	580,123	184,732
Earnings Per Share (NT\$)	10.06	10.55	10.84	12.80	11.41

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

## 2. Condensed Income Statement - International Financial Reporting Standards

Unit: NT\$ thousands

Item	Year	Five-Year Financial Summary				
	2013	2014 (adjusted) (Note 1)	2015	2016	2017	
Operating Revenues	658,217	710,483	731,917	880,677	791,864	
Gross Profit	658,217	710,483	731,917	880,677	791,864	
Operating Income	607,715	658,495	685,246	832,195	742,069	
Non-Operating Income & Expenses	14,627	23,899	27,153	19,023	21,923	
Income Before Income Tax	622,342	682,394	712,399	851,218	763,992	
Net Income from continuing operations	620,318	678,857	710,370	848,097	761,339	
Net Income(Loss)	620,318	678,857	710,370	848,097	761,339	
Other Comprehensive Income (Income after tax)	23,661	26,338	3,763	(29,213)	(40,255)	
Total Comprehensive Income	643,979	705,195	714,133	818,884	721,084	
Net Income Attributable to Shareholders of The Parent	620,318	678,857	710,370	848,097	761,339	
Net Income Attributable to Non-controlling Interests	0	0	0	0	0	
Total Comprehensive Income (Loss) Attributable to Shareholders of the Parent	643,979	705,195	714,133	818,884	721,084	
Total Comprehensive Income (Loss) Attributable to Non-controlling Interests	0	0	0	0	0	
Earnings Per Share (NT\$)	10.06	10.55	10.84	12.80	11.41	

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

### 6.1.3 Auditors' Opinions in Past Five Years:

CPA Firm/Year	2013	2014	2015	2016	2017
PriceWaterhouseCoopers	Huei-Shyang Wang Shu-Chiung Chang	Huei-Shyang Wang Shu-Chiung Chang	Shyh-Rong Ueng Shu-Chiung Chang	Shyh-Rong Ueng Shu-Chiung Chang	Shyh-Rong Ueng Shu-Chiung Chang
Auditing Opinion	unqualified opinion	unqualified opinion	modified unqualified opinion	unqualified opinion	unqualified opinion

## 6.2 Financial Analysis for the Recent 5 Years

### 1. Consolidated Financial Ratio Analysis -International Financial Reporting Standards

Item		Five-Year Financial Summary				
		Year	2012	2013 (adjusted) (Note 1)	2014 (adjusted) (Note 1)	2015
Financial Structure (%)	Debt to Asset Ratio	37.05	35.25	35.85	28.09	25.88
	Long-term Funds to Properties, Plants and Equipment Ratio	10,504.05	9,188.25	11,155.05	10,846.26	7,824.45
Liquidity (%)	Current ratio	217.60	202.83	198.26	273.84	279.42
	Quick ratio	213.42	196.92	189.75	262.32	259.95
	Interest Coverage Ratio	3,835.63	6,581.06	9,679.58	28,575.46	29,163.86
Operating Performance	Accounts Receivable Turnover (times)	4.17	4.19	4.05	4.93	4.60
	Average Collection Period (days)	87.53	87.11	90.12	74.03	79.34
	Inventory Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Accounts Payable Turnover (times)	5.45	5.06	4.22	4.13	4.68
	Average Inventory Turnover Period (Days)	N/A	N/A	N/A	N/A	N/A
	Properties, Plant and Equipment Turnover (times)	65.83	68.96	72.84	93.94	70.17
	Total Assets Turnover (times)	0.53	0.55	0.55	0.66	0.62
Profitability	Return on Assets (%)	9.05	9.68	9.65	11.39	10.63
	Return on Equity (%)	16.47	16.51	16.39	18.60	16.26
	Income before tax to Capital Ratio (%)	133.60	143.75	147.16	249.49	167.09
	Net Margin (%)	16.54	17.30	17.42	17.11	17.00
	Earnings per share (NT\$)	10.06	10.55	10.84	12.80	11.41
Cash flow	Cash flow Ratio (%)	101.73	73.06	62.34	61.68	90.49
	Cash flow adequacy Ratio (%)	211.78	217.90	223.77	215.38	183.67
	Cash reinvestment Ratio (%)	16.88	10.76	10.54	3.90	7.58
Leverage	Operating leverage	4.54	4.55	4.56	3.05	4.16
	Financial leverage	1.03	1.02	1.01	1.00	1.00

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

## 2. Financial Ratio Analysis -International Financial Reporting Standards

Item \ Year		Five-Year Financial Summary				
		2013 (adjusted) (Note 1)	2014 (adjusted) (Note 1)	2015	2016	2017
Financial Structure (%)	Debt to Asset Ratio	1.41	0.98	0.42	0.52	0.51
	Long-term Funds to Properties, Plants and Equipment Ratio	N/A	N/A	N/A	N/A	N/A
Liquidity (%)	Current ratio	1,188.89	816.30	2,815.13	3,593.47	4,105.93
	Quick ratio	1,188.86	816.27	2,815.13	3,593.47	4,105.93
	Interest Coverage Ratio	22,414.16	138,797.97	393,690.61	N/A	N/A
Operating Performance	Accounts Receivable Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Average Collection Period (days)	N/A	N/A	N/A	N/A	N/A
	Inventory Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Accounts Payable Turnover (times)	N/A	N/A	N/A	N/A	N/A
	Average Inventory Turnover Period (Days)	N/A	N/A	N/A	N/A	N/A
	Properties, Plant and Equipment Turnover (times)	7,565.71	N/A	N/A	N/A	N/A
	Total Assets Turnover (times)	0.16	0.17	0.17	0.19	0.17
Profitability	Return on Assets (%)	15.75	16.32	16.28	18.51	16.17
	Return on Equity (%)	16.47	16.51	16.39	18.60	16.26
	Income before tax to Capital Ratio (%)	97.94	105.19	108.20	128.08	114.35
	Net Margin (%)	94.24	95.55	97.06	96.03	96.15
	Earnings per share (NT\$)	10.06	10.55	10.84	12.80	11.41
Cash flow	Cash flow Ratio (%)	1,510.72	1,126.10	3,597.77	1,296.98	4,882.29
	Cash flow adequacy Ratio (%)	114.32	105.69	110.23	93.86	103.04
	Cash reinvestment Ratio (%)	6.42	(Note2)	0.77	(Note2)	6.36
Leverage	Operating leverage	1.08	1.08	1.07	1.06	1.07
	Financial leverage	1.00	1.00	1.00	1.00	1.00

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

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

The formulas for the above table:

1. Financial Structure

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

2. Liquidity

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

3. Operating Performance

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

4. Profitability Analysis

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

5. Cash Flow

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

6. Leverage Ratio

- (1) Operating Leverage =  $(\text{Net Sales} - \text{Variable Operating Costs and Expenses}) / \text{Operating Income}$
- (2) Financial Leverage =  $\text{Operating Income} / (\text{Operating Income} - \text{Interest Expenses})$

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

#### Audit Committee's Review Report

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements (both consolidated and individual), and proposal for allocation of profits. The CPA firm of PriceWaterhouseCoopers was retained to audit ECOVE Environment Corporation's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of ECOVE Environment Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

ECOVE Environment Corporation.



Chairman of the Audit Committee: Shean Bii Chiu

Dated March 8<sup>th</sup>, 2018.

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

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

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

# I. Review of Financial Conditions, Operating Results, and Risk Management

## 7.1 Analysis of Financial Status

### 7.1.1 Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2016	2017	Difference	
				Amount	%
Current Assets		3,881,133	3,705,572	(175,561)	(4.52)
Non-current Assets		3,440,094	3,351,557	(88,537)	(2.57)
<b>Total Assets</b>		<b>7,321,227</b>	<b>7,057,129</b>	<b>(264,098)</b>	<b>(3.61)</b>
Current Liabilities		1,417,281	1,326,188	(91,093)	(6.43)
Non-current Liabilities		639,172	500,059	(139,113)	(21.76)
<b>Total Liabilities</b>		<b>2,056,453</b>	<b>1,826,247</b>	<b>(230,206)</b>	<b>(11.19)</b>
Equity attributable to owners of the parent		4,682,057	4,683,639	1,582	0.03
Non-controlling interest		582,717	547,243	(35,474)	(6.09)
<b>Total Equity</b>		<b>5,264,774</b>	<b>5,230,882</b>	<b>(33,892)</b>	<b>(0.64)</b>
Note: The analysis of the changes in the increase or decrease of the proportion of up to 20% and the amount of which amounts to more than ten million: Non-current Liabilities decreased: The company repaid bank loans of 176,000 thousands.					

### 7.1.2 The evaluation basis of the balance sheet valuation items

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



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

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

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

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

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

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

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

Machinery and equipment	3~20 years
Transportation equipment	3~7 years
Other equipment	3~5 years

## 7.2 Financial Performance

### (1) Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2016	2017	Difference	
				Amount	%
Operating Revenue		4,955,565	4,479,587	(475,978)	(9.60)
Less: Sales Returns		0	0	0	0.00
Net Operating Revenue		4,955,565	4,479,587	(475,978)	(9.60)
Operating Costs		(3,155,153)	(3,220,330)	65,177	2.07
Gross Profit		1,800,412	1,259,257	(541,155)	(30.06)
Operating Expenses		(173,229)	(181,840)	8,611	4.97
Operating Income		1,627,183	1,077,417	(549,766)	(33.79)
Non-operating Income and expenses		30,943	38,926	7,983	25.80
Profit before Income Tax		1,658,126	1,116,343	(541,783)	(32.67)
Income Tax Expense		(227,458)	(156,919)	(70,539)	(31.01)
Non-controlling Interest		(582,571)	(198,085)	(384,486)	(66.00)
Income attributable to owners of the parent		848,097	761,339	(86,758)	(10.23)
<p>Note: The reason for the difference percentage does not exceed 20% and is less NT10,000 thousands is below:</p> <p>Note 1: Reduction in operating gross profit: Mainly due to the rudimentary sales adjustment pricing method in the first quarter of 2016, the revenue and gross profit increased in 2016 due to clarification and recognition with the owner.</p> <p>Note 2: Increase in income tax expense: The income tax of the main pre-tax net profit of the 2016 due to SINO GAL's power sales adjustment.</p> <p>Note 3: Increase in net profit of non-controlling interests: In 2016, SINO GAL's profit due to adjustments to power sale sales increased, resulting in an increase in non-controlling equity in 2016.</p>					

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

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

### 7.3 Cash Flow

#### (1) Cash Flow Analysis for the Past 2 Year

Unit: NT\$ thousands

Item \ Year	2016	2017	Difference ratio (%)
Cash Flow Ratio (%)	61.68	90.49	46.71
Fund Flow Adequacy Ratio (%)	215.38	183.67	(14.72)
Cash Re-investment Ratio (%)	3.90	7.58	94.36

Explanation to changes:

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

#### (2) Analysis of Cash Liquidity

The cash inflow of Year 2017 is NT\$428,011 thousands. The cash balance in the end of the year is NT\$1,657,955 thousands. Cash liquidity is fine.

#### (3) Analysis of Cash Liquidity for the Coming Year

Unit: NT\$ thousands

Cash Balance at Beginning for the Year	Expected Net Cash Outflow from Operating Activities	Expected Cash Inflow (Outflow)	Expected Cash Surplus (Deficit)	Leverage of Expected Cash Deficit	
				Investment Plans	Financing Plans
1,657,955	1,068,961	(326,047)	1,331,908	-	-

1. Analysis of change in cash flow in Year 2018:

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

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

### 7.4 Major Capital Expenditure Items:

None

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

#### (1) Reinvestment Policy:

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

#### (2) Reinvestment Profits or Losses and Improvement Plans

The Company adopts the equity method for reinvestments based on long-term strategic goals.

The profits generated by reinvestments in 2017 amounted to NT\$ 21,101 thousands based on the equity method. The Company shall continue to conduct prudent assessments of investment projects based on the principle of long-term strategies.

(3) Investment Plans in the Upcoming Year

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

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

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

(1) Interest rate

Item	2016	2017
Interest Income	17,567	16,170
Interest Expense	5,823	3,841
Investment gain on money market fund	736	1,283
Sales	4,955,565	4,479,587
Net Income before Tax	1,658,126	1,116,343

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

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

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

A. ECOVE Environment Corporation

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

The concrete methods as below,

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

B. Sino Environment Services Corporation

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

C. ECOVE Wujih Energy Corporation

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

D. HD Resources Management Corporation

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

E. ECOVE Miaoli Energy Corporation

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

(2) Foreign exchange rates:

None

(3) Assessment of inflation

Item	2016	2017
Consumer price index	100.00	100.62

Consumer Price Index Annual Growth Rate (%)	1.4	0.62
--	-----	------

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

In 2017, the consumer price index was 100.62 with an annual growth rate of 0.62%. The reason was affected by the rising cigarette tax effect from the fourth quarter, resulting in a 2.18% increase in miscellaneous items and a 1.73% increase in international transportation costs as a result of rising crude oil prices. Accounting and Statistics calculates that the annual growth rate of the consumer price index for 2018 is 1.21%. The Taiwan Economic Research Institute believes that the economic growth rate of 2018 for the whole year will be approximately the same as that of 2017, mainly due to the continued expansion of private investment, the timely launch of government forward-looking infrastructure, and the increase in corporate profits and salary to facilitate consumer growth. It is expected that the prices of international raw materials will remain stable, and it will be difficult for domestic prices to rise sharply.

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

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

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

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

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

training and education (such as VR education and training for 3D models, tours, and educational applications). The amount of investment this year was approximately NT\$6 million.

#### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

None

#### **7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales**

None

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

None

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

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

#### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

Not Applicable

#### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

None

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

CTCI has the 57.46% stake and Parkwell Investment Corp. has 1.58% stake of the company. CTCI is the biggest shareholder and the only one which take stake over 10%. Both of CTCI and Parkwell Investment Corp. don't plan to sell their stake recently. Considering that there may be a large amount of risk of equity transfer or replacement, the company will continue to strive to expand revenue and profits to gain the support and trust of major shareholders and investing public.

#### **7.6.11 Effects of, Risks Relating to and Response to Changes in Control over the Company**

None

#### **7.6.12 Litigation or Non-litigation Matters**

(1)

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

After CTCI remitted in NTD 73,253 thousands to bank for exempting from the execution of the guarantee bond and filed a lawsuit to Taiwan Taipei District Court, Environmental Protection Administration returned the amount of NTD 9,299 thousands to CTCI. As a result, CTCI reduced the

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

- b. CTCI Corporation, Ishikawajima-Harima Heavy Industries Co., Ltd., Resource Engineering Services Inc. and East Construction Industry Co., Ltd were joint venture in the CPC Northern LNG Receiving Terminal Project and entered into a contract on July 23, 2004. CTCI claimed for additional costs, including direct and indirect costs, in the total amount of NTD 82,390 thousands for delay resulted from CPC Corporation's contractor for another project and filed a lawsuit to Taipei District Court on March 5, 2010. After reviewing related document itself, CTCI reduced the claim amount to NTD 71,448,016 on March 1, 2011. The judgments of Taipei District Court and Taiwan High Court were not awarded to CTCI. CTCI appealed to Taiwan Supreme Court. The judgment of Taiwan Supreme Court sustained CTCI's appeal and remanded for retrial. This lawsuit now is under the trial of Taiwan High Court. However, Taiwan High Court did not award to CTCI. CTCI appealed to Taiwan Supreme Court again. Finally Taiwan Supreme Court rejected CTCI's appeal. There is no material impact to CTCI's finance as well as business development so far.
- c. CTCI Arabia Ltd., a subsidiary of CTCI Corporation, filed a lawsuit with Sinopec E&C Middle East Co. Ltd. in 2015, resulting in failure to complete the work under the "IBN RUSHD-II Aromatic Project" contractual agreement. Loss of work, compensation amounting to NT\$836,921 (Saudi Uruguay Dollars \$97,500). At the same time, Sinopec E&C Middle East Co. Ltd. submitted to CTCI Arabia Ltd. a loss suffered as a result of the termination of the "IBN RUSHD-II Aromatic Project" contract, which required a compensation amount of NT\$721,039 (Saudi Uruguay) \$84,000 Qian Yuan), a lawyer appointed by CTCI Arabia Ltd., a subsidiary company, stated that this case was examined by the International Court of Arbitration ("ICC") of the International Chamber of Commerce, and that the subsidiary company - CTCI Arabia Ltd. is actively fighting this lawsuit. There is no material impact to CTCI's finance as well as business development so far.

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

(2) Affiliated enterprises:

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

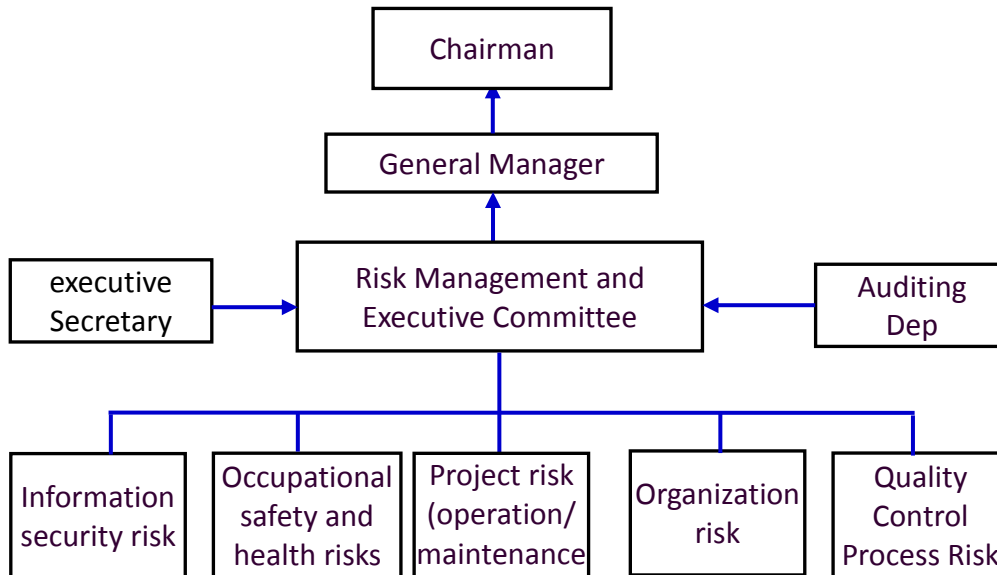


**7.6.13 Directors, supervisors, managers and shareholders holding more than 10% shares whether take place that the Article 157 of the securities law and the company is currently handling the situation in the last two years:**

None

**7.6.14 Risk management organization framework**

Organization chart



**Responsibility**

(1) Risk Management Executive Committee

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

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

(2) Each Unit Risk Management Committee

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

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

(3) All employees

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

(4) Executive Secretary

Appointed by the chief member of the Risk Management Executive Committee to be

responsible for the consolidation and tracking of the comprehensive management risk management committee to ensure the continued effectiveness of the risk management mechanism.

(5) Auditing Department

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

### 7.6.15 Other Major Risks

(1) Risks Associated with Limited Growth in Operations

A. ECOVE Waste Management Corporation:

To pursue business growth, the HD Resource Management also actively pursues resource recycling opportunities based on collaboration with existing Energy-from-Waste plants. It searches for waste material that can be reused. After hard work from multiple parties, pig excrement and urine as well as ashes from Energy-from-Waste plant were selected and the Company is now actively pursuing technologies to shape future business opportunities. It hopes to use its foundations in Taiwan to expand to markets in China and Southeast Asia to achieve the goal of sustainable development.

B. ECOVE Wujih Energy Corporation:

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

C. ECOVE Environment Services Corporation Corp.:

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

D. ECOVE Miaoli Energy Corporation:

Miaoli County Government delivers a guaranteed amount of processable waste to Miaoli Plant in accordance with contract regulations. However, due to the exceptional performance of waste reduction efforts in Miaoli County, the amount of waste produced by the County cannot satisfy the requirements for daily Energy-from-Waste by the Plant. In recent years, the Miaoli Plant has been allowed to accept general industrial waste for full-load operations of the Energy-from-Waste plant and maximize the profits in the sale of electricity. The current waste delivery and operation of the Energy-from-Waste plant have been balanced but the Company should still note the risk of long-term shortage in the volume of waste.

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

### A. ECOVE Wujih Energy Corporation:

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

### B. ECOVE Environment Services Corporation Corp.:

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

### C. ECOVE Miaoli Energy Corporation:

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

## 7.7 Other: None

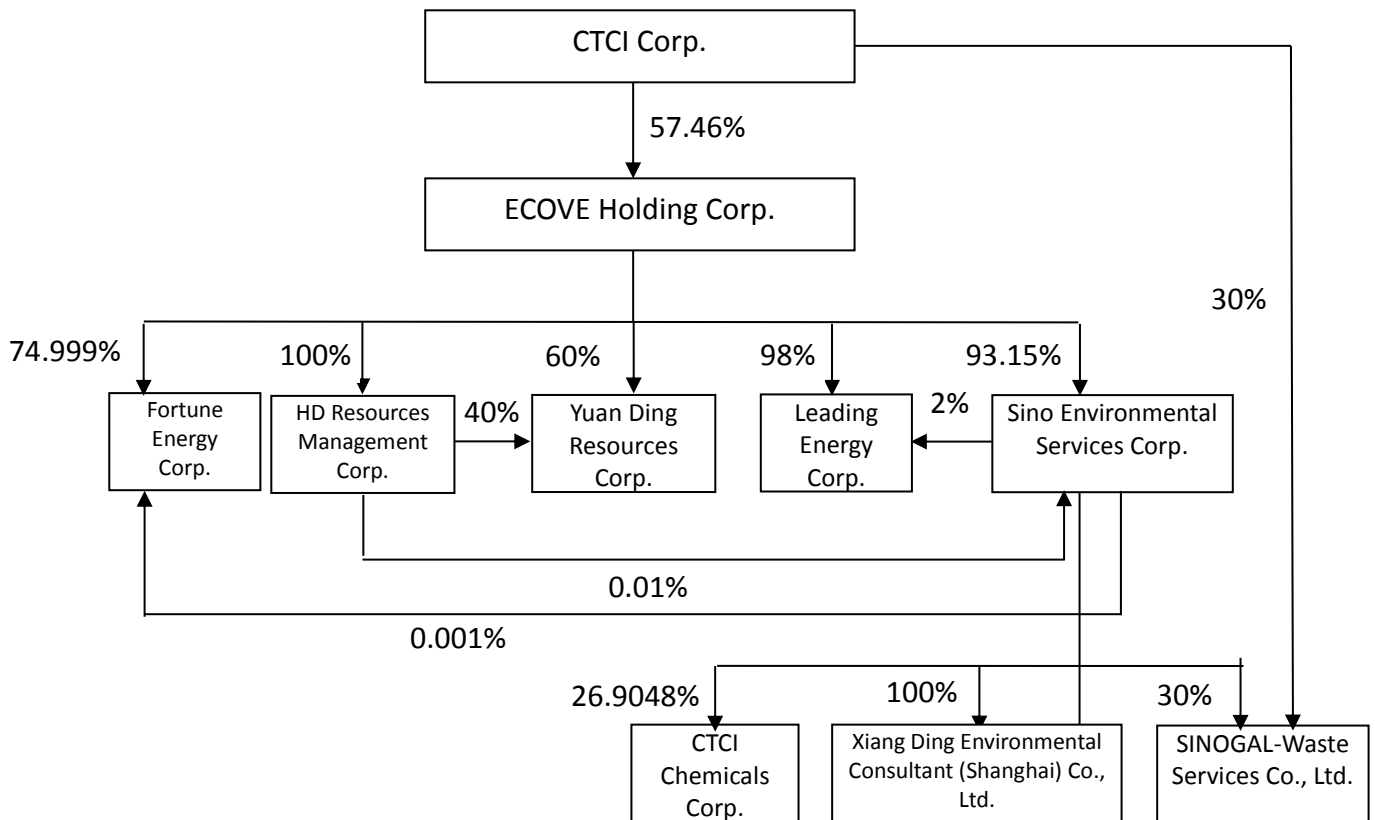
## VIII. Special Disclosure

### 8.1.1 Summary of Affiliated Companies

#### (1) Consolidated Business Report of Affiliates

##### i. Organizational chart of the affiliates

March 30<sup>th</sup>, 2018



ii. General information of the affiliates:

March 31<sup>st</sup>, 2018 ; Unit: \$Thousands

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
CTCI Corp.	1979.04.06	89, Sec. 6, Zhongshan North Rd., Taipei	NTD 7,632,738	The design, survey, construction and inspection of various engineering and construction projects, plants, machinery and equipment and environmental protection projects.
ECOVE Environment Services Corporation	1994.05.24	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 151,000	Refuse Energy-from-Waste plant's operation, machinery and equipment maintenance, etc.
ECOVE Wujih Energy Corporation	2000.05.19	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 300,000	Waste services equipment installation, co-generation, waste services and other environmental services, etc.
ECOVE Waste Management Corporation	2001.06.01	No.69, Ln. 373, Changchun St., Wujih Dist., Taichung City, Taiwan	NTD 20,000	Waste services, equipment and mechanical installation, waste clear, international trade and other environmental services, etc.
CTCI Chemicals Corp.	1999.08.04	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 71,000	Industrial chemicals' wholesale manufacturing and retail.
SINOGAL-Waste Services Co., Ltd.	2009.06.25	Rua Dr. Pedro Jose Lobo, ns 1-3, Edificio Banco Luso Internacional, 15 andar, salas 1501 e 1510, em Macau	MOP 4,000	Management of waste recycling site and maintenance of related mechanical and equipment etc.
ECOVE Miaoli Energy Corporation	2002.11.07	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 750,000	Waste services equipment installation, co-generation, waste services and other environmental services, etc.
ECOVE Environment Consulting Corporation	2013.10.25	Room 2206-G, NO.89, East Yunling Rd., Putuo District, Shanghai city	USD 140	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.
Yuan Ding Resources Corp.	2013.12.13	10Fl, 89, Sec. 6, Zhongshan North Rd., Taipei	NTD 45,000	Waste services, waste clean, other environmental services, and environmental pollution services, etc.

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

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

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

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

April 2<sup>nd</sup>, 2018

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

Company	Title	Name of Representative	Shareholding	
			Shares	%
CTCI Chemical Corporation	Chairman	Innovest Investment Corporation Representative: S. P. Jen	1,657,207	23.34
	Director	Innovest Investment Corporation Representative: M. H. Wang M. L. Lee Y. W. Chen	1,657,207	23.34
		Shelly Chou	576,910	8.13
	Supervisor	GRQ Investment Corporation Representative: H.C. Ko	480,661	6.77
	President	Sam Kuo	10,143	0.14
SINO GAL - Waste Services Co., Ltd.	Chairman	CONSULGAL–CONSULTORES DE ENGENHARIA E GESTÃO, S.A	MOP 800,000	20.00
		CONSULASIA–CONSULTORES DE ENGENHARIA E GESTÃO, LIMITADA	MOP 800,000	20.00
	Director	Representative: Pereira Taveira Pinto, Carlos Manuel		
		CTCI Corporation	MOP 1,200,000	30.00
		ECOVE Environment Services Corporation	MOP 1,200,000	30.00
	Director	Representative: Y. P. Shih Hsiu Hua Tiao Patrick Lin		
President	Peter Wang	0	0.00	
ECOVE Environment Consulting Corporation	Managing Director	ECOVE Environment Services Corp. Representative: Y. P. Shih	USD 140,000	100.00
	Supervisor	ECOVE Environment Services Corp. Representative: Patrick Lin	USD 140,000	100.00
	President	Eric Wang		



## 8.1.2 Operation overview of the Company and affiliates

### Operation overview of the Company and affiliates

December 31<sup>st</sup>, 2017; Unit: NT\$ Thousands

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Earnings Per Share (NT\$)
ECOVE Environment Services Corporation Corp.	151,000	1,926,471	1,005,174	921,297	2,929,747	356,252	369,656	24.48
ECOVE Waste Management Corporation	20,000	455,056	354,082	100,974	1,157,573	47,625	44,366	22.18
ECOVE Wujih Energy Corporation	300,000	1,486,901	232,973	1,253,928	727,576	353,100	295,010	9.83
CTCI Chemicals Corp.	71,000	339,200	108,973	230,227	458,455	73,005	57,982	8.17
SINOGAL-Waste Services Co., Ltd.	14,951	418,050	205,825	212,225	708,712	168,554	193,550	(Note1)
ECOVE Miaoli Energy Corporation	750,000	1,637,139	293,228	1,343,911	348,186	185,022	150,527	2.01
ECOVE Environment Consulting Corporation	4,147	68,264	53,985	14,279	114,034	12,280	9,135	(Note2)
Yuan Ding Resources Corp.	45,000	39,223	62	39,161	-	(163)	45	0.01

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

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

### 8.1.3 Consolidated Financial Statements of Affiliated Enterprises of the Company: None

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

(1) Lending to others: (as of March 31<sup>st</sup>, 2018)

Unit: NTD thousands

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

Note 1 : Number for items explain as follows :

■ Company : 0

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

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

Note 3 : The highest balance during period

Note 4 : Description for Lending to others as follows :

■1 : Having business relationship

■2 : Operational needs

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

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

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

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

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

(3) Derivative Transactions Information: None

**8.1.4 Consolidated Financial Statements of Affiliated Enterprises of the Company:**

**Please refer to Appendix I.**

**Appendix I:**

**Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016**

**Appendix II:**

**Non-Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016**

**8.2 Private placement of securities in the most recent year and up to the date of annual report publication:**

None

**8.3. Holding or disposal of this company's shares by a subsidiary company in the last year, up to the publication date of this report:**

None

**8.4. Other Necessary Supplemental Information:**

(1) Key performance index specific to the industry:

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

Definitions	2018 Goal	Actual Achievements	KPI (%)
This year each project participated the Safety and Health Award $\geq 3$	Annual safety and health award more than 3 awards	Southern Taiwan Science Park Energy-from-Waste Plant was awarded "2016 Outstanding Unit Award for Occupational Safety and Health of Southern Taiwan Science Park" 、 Tsang Yung Teng, Taoyuan Energy-from-Waste Plant Honored by the Ministry of Labor for "Promoting 2016 Occupational Safety and Health Personnel _ Merit Award"; Lin Guixing of Wujih Energy-from-Waste plant was awarded the "Personal Safety and Health Excellent Personnel 2016 Achievement Award" issued by the Ministry of Labor. Zeng Yuhong, Southern Taiwan Science Park Energy-from-Waste Plant received "2016 Southern Occupational Safety and Health Professionals in Science Park"	100

(2) Pledged Items for Listing:

Pledged Items for Listing	Implementation of Pledged Items
I. The Company pledges to incorporate in the "Operating Procedures on the Asset Acquisition or Disposal" that "the Company may not relinquish future annual capital increases in the three controlled companies, namely, ECOVE Waste Management Corp., ECOVE Wujih Energy Corporation and ECOVE Environment Services Corporation Corp.; in the event that the Company is required to relinquish capital increase or disposition of the aforementioned companies in the future due to strategic alliance considerations or under the approval of Taipei Exchange, a special resolution is required in the Meeting of the Board of Directors of ECOVE Environment Corp.." In	The Company had passed amendments "Operating Procedures on the Asset Acquisition or Disposal" in the No. 4-13 Meeting of the Board of Directors and the Shareholders' Meeting on March 24, 2010. The amendment stipulates that the Company may not relinquish future annual capital increases in the three controlled companies; in the event that the Company is required to relinquish capital increase or disposition of the aforementioned companies in the future due to strategic alliance considerations or under the approval of Taipei Exchange, a special resolution is required in the Meeting of the

Pledged Items for Listing	Implementation of Pledged Items
<p>addition, in the event of any amendments to the processing regulations, they shall be disclosed on the important information announcements on the Market Observation Post System and reported to the Taipei Exchange for future reference.</p>	<p>Board of Directors of the Company. (Related attachments have been submitted in the 2010 Q2 Application) As of the first quarter of 2018, the Company has never relinquished participation in capital increases or disposed of ECOVE Waste Management Corp., ECOVE Wujih Energy Corp., and ECOVE Environmental Services Cprp.</p>
<p>II. The Company pledges to disclose operating income that originates from the parent company CTCI Corporation in the notes of the consolidated financial statements of each quarter starting from the 2009 consolidated financial statements. However, the reason of payment operating costs to CTCI Corporation were not indicated; the CPA should be asked to review the aforementioned items in the audit (or review) of financial statements in each quarter.</p>	<p>The Company has operating income from the parent company CTCI Corporation but no related operating costs because the relative cost of such income is the cost of contracting, repairs and procurement paid by ECOVE Environmental Services Corp. to non-affiliates in the process of providing services as well as the related personnel and administrative expenses from operations. The CPA of PricewaterhouseCoopers Taiwan has been asked to review the aforementioned items and the supplementary description has been provided in the affiliate transaction report in the disclosure items of the consolidated financial statements from 2009 to 2015. Related content shall continue to be disclosed in the upcoming financial statements for the first quarter of 2018.</p>

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

**(3) Material Event Impact on Shareholders' Equity or Share Price in Recent Years until the Annual Report being published**

As the 6<sup>th</sup> term of the office of the directors expired in 2017, the Company elected new directors for 7<sup>th</sup> term in the 2017 Annual General Meeting of Shareholders on June 26, 2017.

The new directors are as below:

J. J. Liao, Representative of CTCI Corp.

Y. P. Shih, Representative of CTCI Corp.

Kuan Shen Wang, Representative of Parkwell Investment Corp.

Yangming Liu

Wen Whe Pan

Eugene Chie

Shean Bii Chiu

Shuh Woei Yu

James Tsai

At the same day, J. J. Liao was elected chairman, Y. P. Shih was appointed general manager.

**ECOVE ENVIRONMENT CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2017 AND 2016**

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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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

***Opinion***

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

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

***Basis for opinion***

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

***Key audit matters***

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



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

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

### **Accuracy of service revenue**

#### Description

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

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

#### How our audit addressed the matter

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

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

### ***Other matter-Non-consolidated financial statements***

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



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

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

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

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

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

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

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

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



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


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


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



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

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

  
Weng, Shih Jung

  
Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2018

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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)

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

(Continued)

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

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

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

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

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

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

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

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

For the year ended December 31, 2016

Balance at January 1, 2016

Capital collected in advance transferred to common stock

Appropriation of 2015 earnings

Legal reserve

Cash dividends

Profit for the year

Share-based payment transactions

Employee stock options exercised

Cumulative translation differences of foreign operations

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

Other comprehensive loss for the year

Balance at December 31, 2016

For the year ended December 31, 2017

Balance at January 1, 2017

Appropriation of 2016 earnings

Legal reserve

Cash dividends

Profit for the year

Share-based payment transactions

Employee stock options exercised

Cumulative translation differences of foreign operations

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

Other comprehensive loss for the year

Balance at December 31, 2017

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

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

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

(Continued)



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

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

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

- (1) ECOVE Environment Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 13, 1999, and consolidated investee-Chang Ting Corporation in December, 2005.
- (2) The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in waste management. The Company’s shares were issued through an initial public offering on December 3, 2007, and have been listed in the Taiwan OTC market since May 27, 2010.
- (3) CTCI Corporation, the Company’s ultimate parent company, holds 57.57% equity interest in the Company as of December 31, 2017.

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

These consolidated financial statements were authorised by the Board of Directors on March 8, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 9, 'Financial instruments'

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

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarised below:

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
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 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

#### IFRS 16, 'Leases'

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### (1) Compliance statement

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

## (2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Available-for-sale financial assets measured at fair value.
  - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

## (3) Basis of consolidation

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

B. Subsidiaries included in the consolidated financial statements:

Name of the investor	Name of the investee	Main Activities	Ownership percentage (%)		Note
			December 31, 2017	December 31, 2016	
ECOVE Environment Corp.	ECOVE Waste Management Corp.	Environmental engineering	100.00	100.00	
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Environmental engineering	74.999	74.999	
ECOVE Environment Service Corp.			0.001	0.001	
ECOVE Environment Corp.	ECOVE Environment Service Corp.	Environmental engineering	93.15	93.15	
ECOVE Waste Management Corp.			0.01	0.01	
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Environmental engineering	98.00	98.00	
ECOVE Environment Service Corp.			2.00	2.00	
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Environmental engineering	60.00	60.00	
ECOVE Waste Management Corp.			40.00	40.00	
ECOVE Environment Service Corp.	SINOGAL-Waste Services Co., Ltd.	Environmental engineering	30.00	30.00	Note
ECOVE Environment Service Corp.	ECOVE Environment Consulting Corp.	Environmental engineering	100.00	100.00	

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

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

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

E. Significant restrictions: None.

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

As of December 31, 2017 and 2016, the non-controlling interest amounted to \$547,243 and \$582,717, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2017		December 31, 2016	
		Amount	Ownership (%)	Amount	Ownership (%)
ECOVE Miaoli Energy Corp.	Taiwan	\$ 335,978	25.00%	\$ 333,686	25.00%
SINOGAL-Waste Services Co., Ltd.	Macau	148,558	70.00%	179,496	70.00%

Summarized financial information of the subsidiaries:

Balance sheets

	<u>ECOVE Miaoli Energy Corp.</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets	\$ 173,463	\$ 233,261
Non-current assets	1,463,676	1,587,043
Current liabilities	( 225,856)	( 240,728)
Non-current liabilities	( 67,372)	( 244,832)
Total net assets	<u>\$ 1,343,911</u>	<u>\$ 1,334,744</u>

	<u>SINOGAL-Waste Services Co., Ltd.</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets	\$ 408,081	\$ 422,535
Non-current assets	9,969	15,569
Current liabilities	( 151,175)	( 127,214)
Non-current liabilities	( 54,650)	( 54,467)
Total net assets	<u>\$ 212,225</u>	<u>\$ 256,423</u>

Statements of comprehensive income

	<u>ECOVE Miaoli Energy Corp.</u>	
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Revenue	\$ 348,186	\$ 360,797
Profit before income tax	181,563	188,060
Income tax expense	( 31,036)	( 32,219)
Profit for the year	150,527	155,841
Other comprehensive loss, net of tax	( 1,107)	( 3)
Total comprehensive income for the year	<u>\$ 149,420</u>	<u>\$ 155,838</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 37,355</u>	<u>\$ 38,959</u>
Dividends paid to non-controlling interest	<u>\$ 35,063</u>	<u>\$ 40,072</u>



<u>SINO GAL-Waste Services Co., Ltd.</u>		
<u>For the years ended December 31,</u>		
	<u>2017</u>	<u>2016</u>
Revenue	\$ 708,712	\$ 1,274,862
Profit before income tax	171,864	749,154
Income tax benefit (expense)	21,686	( 20,458)
Profit for the year	193,550	728,696
Other comprehensive loss, net of tax	( 16,329)	( 2,784)
Total comprehensive income for the year	\$ 177,221	\$ 725,912
Comprehensive income attributable to non-controlling interest	\$ 124,055	\$ 508,138
Dividends paid to non-controlling interest	\$ 154,993	\$ 409,260

Statements of cash flows

<u>ECOVE Miaoli Energy Corp.</u>		
<u>For the years ended December 31,</u>		
	<u>2017</u>	<u>2016</u>
Net cash provided by operating activities	\$ 271,944	\$ 341,555
Net cash provided by (used in) investing activities	66,943	( 15,837)
Net cash provided by (used in) financing activities	( 316,254)	( 327,479)
Increase (decrease) in cash and cash equivalents	22,633	( 1,761)
Cash and cash equivalents, beginning of year	5,670	7,431
Cash and cash equivalents, end of year	\$ 28,303	\$ 5,670

<u>SINO GAL-Waste Services Co., Ltd.</u>		
<u>For the years ended December 31,</u>		
	<u>2017</u>	<u>2016</u>
Net cash provided by operating activities	\$ 197,859	\$ 278,756
Net cash (used in) provided by investing activities	( 67,533)	99,779
Net cash used in financing activities	( 215,274)	( 583,438)
Decrease in cash and cash equivalents	( 84,948)	( 204,903)
Cash and cash equivalents, beginning of year	88,123	293,026
Cash and cash equivalents, end of year	\$ 3,175	\$ 88,123

(4) Foreign currency translation

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

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(10) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- (a) Significant financial difficulty of the issuer or debtor;
  - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
  - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
  - (e) The disappearance of an active market for that financial asset because of financial difficulties;
  - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
  - (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
  - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

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

(12) Inventories

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

(13) Investments accounted for under the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in "capital surplus" in proportion to its ownership.
- D. When the Group disposes its investment in an associate, and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Investment accounted for using the equity method-joint ventures

The Group accounts for its interest in a joint venture using the equity method. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group

does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

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

Machinery and equipment	3~20	years
Transportation equipment	3~7	years
Other equipment	3~5	years

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

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

effective interest method.

(18) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Offsetting financial instruments

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

(20) Provisions for other liabilities

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

(21) Employee benefits

A. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).



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

#### B. Termination benefits

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

#### C. Employees' compensation directors' and supervisors' remuneration

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

### (22) Employee share-based payment

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

### (23) Income tax

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

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures, to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

#### (24) Share capital

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

#### (25) Dividends

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

#### (26) Revenue recognition

##### A. Service concession arrangements

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

to the government without consideration. The Group allocates the fair value of the consideration received or receivable in respect of the service concession arrangement between construction services and operating services provided based on their relative fair values, and recognises such allocated amounts as revenues in accordance with IAS 11, 'Construction Contracts', and IAS 18, 'Revenue', respectively.

- (b) The consideration received or receivable from the grantor in respect of the service concession arrangement is recognised at its fair value. Such considerations are recognised as a financial asset or an intangible asset based on how the considerations from the grantor to the operator are made as specified in the arrangement. The Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services, and recognised profit or loss the effective interest method in accordance with IAS 39.

B. Other revenue (revenue other than service concession arrangements)

Revenues are recognised when the earning process is substantially completed and is realised or realisable. Costs and expenses are recognised as incurred.

(27) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(28) Operating segments

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

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

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

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash on hand and petty cash	\$ 10,032	\$ 9,815
Checking accounts and demand deposits	378,457	516,032
Time deposits	1,269,466	704,097
Total	<u>\$ 1,657,955</u>	<u>\$ 1,229,944</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. Cash and cash equivalents amounting to \$10,000 are pledged to others as collateral for tender guarantee, and were classified as other current assets. Please refer to Note (8).

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

<u>Items</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current items		
Financial assets held for trading		
Mutual funds	\$ 436,637	\$ 766,850
Valuation adjustments of financial assets held for trading	373	528
Total	<u>\$ 437,010</u>	<u>\$ 767,378</u>

The Group recognized net gain of \$1,127 and \$932 on financial assets held for trading for the years ended December 31, 2017 and 2016, respectively.

### (3) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Currents items		
Listed stocks	\$ 143,111	\$ 105,228
Bonds	30,394	30,394
Valuation adjustment	(36,653)	(35,962)
Total	<u>\$ 136,852</u>	<u>\$ 99,660</u>

A. The Group recognized \$430 and \$457 in other comprehensive loss fair value change for the years ended December 31, 2017 and 2016, respectively.

B. Due to the global financial crisis in year 2008, listed stocks amounting to \$60,304 that were initially classified as ‘financial assets at fair value through profit or loss’ were reclassified to ‘available-for-sale financial assets’ on July 1, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:

(a) The above reclassified assets that have not yet been disposed of are as follows:

	December 31, 2017 Book value/ Fair value	December 31, 2016 Book value/ Fair value
Listed stocks	\$ 54,147	\$ 52,216

(b) The changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income (loss) were \$0 and \$1,931, respectively, for the year ended December 31, 2017, and were \$0 and \$11,661, respectively, for the year ended December 31, 2016. The accumulated total changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income before January 1, 2016 were \$0 and (\$19,749), respectively.

(c) If the above listed stocks had not been reclassified to ‘available-for-sale financial assets’ on July 1, 2008, the gain (loss) from changes in fair value of these assets that should have been recognised in profit or loss is as follows:

	For the years ended December 31,	
	2017	2016
Listed stocks	\$ 1,931	\$ 11,661

(4) Accounts receivable

	December 31, 2017	December 31, 2016
Accounts receivable	\$ 679,504	\$ 589,993
Long-term accounts receivable - due in one year	267,720	257,265
	\$ 947,224	\$ 847,258

For details on the long-term accounts receivable – due in one year, please refer to Note 6(9).

(5) Financial assets carried at cost

Items	December 31, 2017	December 31, 2016
TSC Venture Management, Inc.	\$ -	\$ 2,160
Team Win Opto- Electronics Co., Ltd.	2,261	2,261
Eastern Pacific Energy Sdn. Bhd.	81	81
Less: Accumulated impairment	( 1,799)	( 3,946)
Total	\$ 543	\$ 556

- A. Based on the Group's intention, its investment in the above stocks should be classified as 'available-for-sale financial assets'. However, as the above stocks are not traded in an active market, and no sufficient industry information of companies similar to above stocks or above stock's financial information can be obtained, the fair value of the investment in above stocks cannot be measured reliably. Thus, the Group classified such stocks as 'financial assets measured at cost'.
- B. As of December 31, 2017 and 2016, no financial assets measured at cost held by the Group were pledged to others.
- C. The Group invested and owned 10% equity of the Eastern Pacific Energy Sdn. Bhd. amounting to \$81 (RM\$10 thousand) in August 1, 2016. In 2017, the Group has provided impairment loss amounting to \$13 due to Eastern Pacific Energy Sdn. Bhd. was assessed impairment based on objective evidences.
- D. TSC Venture Management, Inc. has resolved at the stockholders' meeting in June, 2016 to reduce the capital and return the amount of \$540. The difference with book value of \$0 is \$540, which is shown in other income. In June, 2017, the shareholders at their meeting resolve to dissolve and distribute remained property amounting to \$3,610. The difference is \$3,610 when compared with its carrying amount of \$0 and is recognised in gains on disposal of investments.

(6) Other current assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Restricted bank deposits	\$ 10,000	\$ -
Other financial assets (Note)	185,910	409,591
	<u>\$ 195,910</u>	<u>\$ 409,591</u>

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

(7) Investments accounted for under the equity method

	<u>2017</u>	<u>2016</u>
At January 1	\$ 594,024	\$ 618,183
Addition of investments accounted for using the equity method	89,474	-
Disposal of investments accounted for using the equity method	( 5,309)	-
Share of profit or loss of investments accounted for using the equity method	21,101	7,093
Earnings distribution of investments accounted for using the equity method	( 13,137)	( 11,714)
Changes in capital surplus	196	-
Changes in other equity items	( 19,839)	( 19,538)
At December 31	<u>\$ 666,510</u>	<u>\$ 594,024</u>

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates:		
CTCI Chemicals Corp.	\$ 61,943	\$ 59,325
GranSino Environmental Technology Co., Ltd.	-	5,411
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	293,441	307,197
Joint ventures:		
G.D. Development Corp.	<u>311,126</u>	<u>222,091</u>
	<u>\$ 666,510</u>	<u>\$ 594,024</u>

#### A. Associates

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

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2017</u>	<u>December 31, 2016</u>		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Is.	20.00%	20.00%	Associates	Equity method

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

#### Balance sheet

	<u>Boretech Resource Recovery Engineering Co., Ltd. (Cayman)</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets	\$ 334,230	\$ 671,333
Non-current assets	747,923	672,862
Current liabilities	( 2,673)	( 201,038)
Total net assets	<u>\$ 1,079,480</u>	<u>\$ 1,143,157</u>
Share in associate's net assets	<u>\$ 215,896</u>	<u>\$ 228,631</u>
Carrying amount of the associate	<u>\$ 293,441</u>	<u>\$ 307,197</u>

Statement of comprehensive income

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the years ended December 31,	
	2017	2016
Revenue	\$ -	\$ 1,328,848
Loss for the period from continuing operations	( 13,126)	( 80,300)
Other comprehensive loss, net of tax	( 35,701)	( 60,888)
Total comprehensive loss	(\$ 48,827)	(\$ 141,188)

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

As of December 31, 2017 and 2016, the carrying amount of the Group's individually immaterial associates amounted to \$61,943 and \$64,736, respectively.

	For the years ended December 31,	
	2017	2016
Total comprehensive income	\$ 15,557	\$ 14,108

B. Joint venture

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2017	December 31, 2016		
G.D. Development Corp.	Taiwan	50%	50%	Joint venture	Equity method



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

Balance sheet

	G.D. Development Corp.	
	December 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 101,988	\$ 18,271
Other current assets	11,483	51,128
Current assets	113,471	69,399
Non-current assets	1,031,074	875,101
Total assets	<u>\$ 1,144,545</u>	<u>\$ 944,500</u>
Current financial liabilities	\$ 197,049	\$ 160,402
Other current liabilities	51,160	71,867
Current liabilities	\$ 248,209	\$ 232,269
Non-current liabilities	274,084	268,049
Total liabilities	522,293	500,318
Total net assets	<u>\$ 622,252</u>	<u>\$ 444,182</u>
Share in joint venture's net assets	\$ 311,126	\$ 222,091
Carrying amount of the joint venture	<u>\$ 311,126</u>	<u>\$ 222,091</u>

Statement of comprehensive income

	G.D. Development Corp.	
	For the years ended December 31,	
	2017	2016
Revenue	\$ 59,167	\$ 38,754
Depreciation and amortisation	(\$ 24,060)	(\$ 14,829)
Interest income	\$ 1,153	\$ 920
Interest expense	(\$ 4,694)	(\$ 5,614)
Profit before income tax	\$ 27,601	\$ 26,416
Income tax expense	( 2,762)	( 2,865)
Profit for the period	24,839	23,551
Other comprehensive loss, net of tax	( 25,111)	( 7,455)
Total comprehensive (loss) income	<u>(\$ 272)</u>	<u>\$ 16,096</u>

- C. The Group holds 50% equity of the joint venture - G.D. Development Corp., the main activity of which is energy technology services.
- D. The Board of Directors had resolved to invest in G.D. Development Corp., in December, 2016. The Group invested in G.D. Development Corp., amounting to \$89,474 in February, 2017.

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

(8) Property, plant and equipment

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

	<u>Machinery</u>	<u>Transportation</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>				
Cost	\$ 86,383	\$ 104,058	\$ 4,864	\$ 195,305
Accumulated depreciation	( 48,929)	( 91,521)	( 3,780)	( 144,230)
	<u>\$ 37,454</u>	<u>\$ 12,537</u>	<u>\$ 1,084</u>	<u>\$ 51,075</u>
<u>Year ended December 31, 2016</u>				
Opening net book amount	\$ 37,454	\$ 12,537	\$ 1,084	\$ 51,075
Additions	7,371	9,416	2,743	19,530
Disposals	( 249)	( 504)	-	( 753)
Depreciation charge	( 10,534)	( 4,079)	( 633)	( 15,246)
Net exchange differences	( 137)	( 21)	( 15)	( 173)
Closing net book amount	<u>\$ 33,905</u>	<u>\$ 17,349</u>	<u>\$ 3,179</u>	<u>\$ 54,433</u>
<u>At December 31, 2016</u>				
Cost	\$ 82,439	\$ 99,240	\$ 6,115	\$ 187,794
Accumulated depreciation	( 48,534)	( 81,891)	( 2,936)	( 133,361)
	<u>\$ 33,905</u>	<u>\$ 17,349</u>	<u>\$ 3,179</u>	<u>\$ 54,433</u>

(9) Other non-current assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Long-term accounts receivable	\$ 2,682,643	\$ 2,939,908
Less: Current portion	( 267,720)	( 257,265)
	2,414,923	2,682,643
Long-term prepaid rents	43,297	49,273
Accrued recovery cost	24,091	25,764
Refundable deposits	12,916	11,472
Air pollution fee	54,267	-
Prepayments for business facilities	40,500	-
Others	2,193	4,078
	<u>\$ 2,592,187</u>	<u>\$ 2,773,230</u>

A. The Group entered into contracts with certain governments (grantors) for service concession arrangements. The consideration received or receivable from the grantor in respect of the service concession arrangement is recognized at its fair value. Such considerations are recognized as a financial asset based on how the considerations from the grantor to the operator are made as specified in the arrangement. Assets that are expected to be realized within twelve months from

the balance sheet date are classified as “accounts receivable” (please refer to Note 6(4)); assets that are expected to be realized over twelve months from the balance sheet date are classified as “long-term accounts receivable”. The other terms of the agreement is as follows:

- (a) The subsidiary, ECOVE Wujih Energy Corp., obtained the operation for the construction of Wujih Refuse Incineration Plant by build - operate - transfer (BOT) mode since April, 2000. In September, 2000, the “Waste incineration, Taichung City commission contract” between ECOVE Wujih Energy Corp. and Taichung City Government had been signed. The operating period is for 20 years starting from September 6, 2004. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended, but not to exceed 50 years. In order to work the “Waste Incineration Taichung City Commission Contract”, ECOVE Wujih Energy Corp. obtained the land-use right of Wujih Refuse Incineration Plant. Therefore, duration of the land-use right has continued for 20 years since the plant began operating.
  - (b) The subsidiary, ECOVE Miaoli Energy Corp., obtained the operation for the construction of Miaoli County Refuse Incineration Plant by build - operate - transfer (BOT) mode since August, 2002. In September, 2002, the “Waste Incineration Commission Contract” between ECOVE Miaoli Energy Corp. and Miaoli County Government had been signed. The operating period is for 20 years starting February 29, 2008. However, according to the contract, if it is expired in advance or extended during construction or operation, duration of the operation will be deemed to be matured or extended. In order to work the “Waste Incineration Miaoli County Commission Contract”, ECOVE Miaoli Energy Corp. obtained the land-use right of Miaoli Refuse Incineration Plant. Therefore, duration of the land-use right is from September 13, 2002 to March 12, 2026.
  - (c) ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. needs to deal with the guarantee tonnage of waste from government according to the contract during construction or operation.
  - (d) Per Service cost is calculated and adjusted based on the “Waste Incineration Commission Contract”, “Index of Average Regular Earnings of Employees–Manufacturing” and “Consumer Price Index”.
- B. Long-term prepaid rents are due to ECOVE Wujih Energy Corp. and ECOVE Miaoli Energy Corp. obtaining the land-use right according to the “BOT”. As of December 31, 2017 and 2016, ECOVE Wujih Energy Corp. needs to pay long-term prepaid rent amounting to \$24,461 and \$28,130, respectively. As of December 31, 2017 and 2016, ECOVE Miaoli Energy Corp. needs to pay long-term prepaid rent amounting to \$18,836 and \$21,143, respectively.
- C. Accrued recovery cost are due to the contracts for the operation and maintenance service of refuse incineration plant between the subsidiaries, ECOVE Environment Service Corp. and SINO GAL - Waste Services Co., Ltd., and the grantors, requiring recovery of refuse incineration plant, related machinery and equipment when the contract expires. The Group has estimated the related recovery cost when the service contracts expire and amortizes it over the contract lives.

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

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

(10) Accounts payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Materials payable	\$ 54,641	\$ 62,559
Sub-contract costs payable	57,627	101,738
Incinerator equipment costs payable	40,936	57,672
Maintenance costs payable	338,051	402,384
Others	128,432	76,588
	<u>\$ 619,687</u>	<u>\$ 700,941</u>

(11) Other payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accrued payroll	\$ 272,125	\$ 256,035
Other payables	111,131	86,193
	<u>\$ 383,256</u>	<u>\$ 342,228</u>

(12) Other current liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other current liabilities		
Long-term liabilities-current portion	\$ 176,000	\$ 176,000
Receipts in advance	36,605	37,024
	<u>\$ 212,605</u>	<u>\$ 213,024</u>

(13) Long-term borrowings

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

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Financing amount</u>	<u>Actual spending</u>	<u>2016 (Note 1, 2)</u>
Mega International Commercial Bank secured loans	From November, 2010 to April, 2019, interest is calculated and paid monthly	1.3862%	\$ 681,000	\$681,000	\$ 356,000
Less: Current portion					( 176,000)
					<u>\$ 180,000</u>

Note 1. Collateral: Secured by the assets and equity, including machineries and other equipment constructed or acquired, under the Miaoli County Government project of “Miaoli BOT Incinerator Build-operate plan”.

Note 2. 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%.

(14) Other non-current liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Net defined benefit liability	\$ 36,059	\$ 28,248
Accrued recovery costs	92,034	106,942
Guaranteed deposits received	166,555	127,674
Others	32,073	25,123
	<u>\$ 326,721</u>	<u>\$ 287,987</u>

For details of the accrued recovery costs, please refer to Note 6(9) C.

(15) Pensions

A. Defined benefit pension plan

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

pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 240,044	\$ 241,839
Fair value of plan assets	( 203,985)	( 213,591)
Net defined benefit liability	<u>\$ 36,059</u>	<u>\$ 28,248</u>

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2016			
At January 1	\$ 242,255	(\$ 221,388)	\$ 20,867
Current service cost	6,858	-	6,858
Interest expense (income)	4,118	( 3,763)	355
	<u>253,231</u>	<u>( 225,151)</u>	<u>28,080</u>
Remeasurements:			
Change in financial assumptions	5,733	-	5,733
Experience adjustments	( 650)	1,658	1,008
	<u>5,083</u>	<u>1,658</u>	<u>6,741</u>
Pension fund contribution	-	( 6,573)	( 6,573)
Paid pension	( 16,475)	16,475	-
At December 31	<u>\$ 241,839</u>	<u>(\$ 213,591)</u>	<u>\$ 28,248</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.



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

	Years ended December 31,	
	2017	2016
Discount rate	0.90%~1.10%	1.30%~1.50%
Future salary increases	2.50%~3.00%	2.50%~3.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	<u>(\$ 6,638)</u>	<u>\$ 6,904</u>	<u>\$ 6,162</u>	<u>(\$ 5,968)</u>
December 31, 2016				
Effect on present value of defined benefit obligation	<u>(\$ 6,888)</u>	<u>\$ 7,170</u>	<u>\$ 6,444</u>	<u>(\$ 6,236)</u>

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to \$5,709.

#### B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were \$24,781 and \$25,694, respectively.
- (c) SINOGAL-Waste Services Co., Ltd. has a funded defined contribution plan, covering all regular employees. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the local government are based on employees' monthly salaries and wages. The pension costs under the defined contribution pension plan for the years ended December 31, 2017 and 2016, were \$7,956 and \$8,119, respectively.

(16) Share-based payment

A. For the years ended December 31, 2017 and 2016, the Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Third plan of employee stock options	2010.6.18	1,200 units	6 years	Service of 2 years
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

B. The above employee stock options are as follows:

(a) Details of the third plan of employee stock options outstanding as of December 31, 2017 and 2016, are as follows: This plan has been completed.

Stock options	For the years ended December 31,			
	2017		2016	
	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	-	NT\$ -	131.75	NT\$ 67.50
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	-	-
Options exercised	-	-	( 131.75)	67.50
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	-	67.50
Options exercisable at end of period	-	-	-	67.50

(b) Details of the fourth plan of employee stock options outstanding as of December 31, 2017 and 2016, are as follows:

Stock options	For the years ended December 31,			
	2017		2016	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	215.25	NT\$ 106.30	413.25	NT\$ 112.30
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	( 0.25)	-
Options exercised	( 212.25)	106.30	( 197.75)	111.30
Options revoked	-	-	-	-
Options outstanding at end of period	<u>3.00</u>	106.30	<u>215.25</u>	106.30
Options exercisable at end of period	<u>3.00</u>	106.30	<u>215.25</u>	106.30

- c) Details of the fifth plan of employee stock options outstanding as of December 31, 2017 and 2016, are as follows:

Stock options	For the years ended December 31,			
	2017		2016	
	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	435.25	NT\$ 110.00	713.50	NT\$ 116.20
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	( 9.00)	-
Options exercised	( 137.00)	108.95	( 269.25)	114.80
Options revoked	-	-	-	-
Options outstanding at end of period	<u>298.25</u>	103.00	<u>435.25</u>	110.00
Options exercisable at end of period	<u>298.25</u>	103.00	<u>435.25</u>	110.00

- C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2017 and 2016 was NT\$171.9 and NT\$172.65 (in dollars), respectively.
- D. As of December 31, 2017 and 2016, the range of exercise prices of stock options outstanding was NT\$103.0~NT\$110.0 and NT\$67.5~NT\$110.0 (in dollars), respectively; the weighted-average remaining contractual period was as follows:

Type of arrangement	December 31, 2017	December 31, 2016
Third plan of employee stock options	-	-
Fourth plan of employee stock options	-	0.50 year
Fifth plan of employee stock options	0.50 year	1.50 years

- E. For the stock options granted after January 1, 2008, with compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The information is as follows:

Type of arrangement	Grant date	Market value (Note)	Exercise price	Expected price volatility	Expected duration	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
Third plan of employee stock options	2010.6.18	NT\$ 94.0	NT\$ 94.0	33.68%	4.50 years	0%	0.93%	NT\$ 27.66
Fourth plan of employee stock options	2011.6.17	NT\$146.0	NT\$146.0	38.65%	4.50 years	0%	1.05%	NT\$ 48.82
Fifth plan of employee stock options	2012.6.28	NT\$145.0	NT\$145.0	33.63%	4.60 years	0%	1.00%	NT\$ 42.79

Note: The Company had been officially listed in the OTC market on May 27, 2010 whose net value was measured at fair value before being listed in the OTC market and measured at market value after being listed in the OTC market.

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

	For the years ended December 31,	
	2017	2016
Equity-settled	\$ -	\$ 1,863

(17) Share capital

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

	2017	2016
At January 1	66,461,398	65,839,365
Convertible bonds	-	23,283
Employee stock options exercised	349,250	598,750
At December 31	66,810,648	66,461,398

- B. As of December 31, 2017, the Company's authorized capital was \$800,000, consisting of 80,000 thousand shares of ordinary stock (including 6,000 thousand shares reserved for employee stock options), and the paid-in capital was \$668,106 with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.

- C. As of December 31, 2017 and 2016, the associate of the Group both held 276 thousand shares.

(18) 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:

	Share premium	Employee stock options	Others	Total
At January 1, 2017	\$ 1,936,651	\$ 189,886	\$ 313	\$ 2,126,850
Share-based payment transaction	-	183	-	183
Employee stock options exercised	35,318	( 1,322)	-	33,996
At December 31, 2017	<u>\$ 1,971,969</u>	<u>\$ 188,747</u>	<u>\$ 313</u>	<u>\$ 2,161,029</u>
At January 1, 2016	\$ 1,877,736	\$ 191,217	\$ 313	\$ 2,069,266
Share-based payment transaction	-	1,761	-	1,761
Employee stock options exercised	58,915	( 3,092)	-	55,823
At December 31, 2016	<u>\$ 1,936,651</u>	<u>\$ 189,886</u>	<u>\$ 313</u>	<u>\$ 2,126,850</u>

C. Please refer to Note 6(16) for detailed information about capital reserve from employee stock options.

(19) Retained earnings

As of December 31, 2017 and 2016, the Company's retained earnings are set forth below:

	2017	2016
At January 1	\$ 1,445,777	\$ 1,314,258
Profit for the period	761,339	848,097
Legal reserve appropriated	( 84,809)	( 71,037)
Appropriation of earnings	( 757,173)	( 639,352)
Remeasurement on post employment benefit obligations, net of tax	( 5,986)	( 6,189)
At December 31	<u>\$ 1,359,148</u>	<u>\$ 1,445,777</u>

A. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, upon the resolution of the Board of Directors, distribute at least 0.01% of the income before tax as employees' remuneration, and distribute no more than 2% of the income before tax as Directors' as 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 imputation tax system requires that any undistributed current earnings of the Company are subject to an additional 10% corporate income tax if the earnings are not distributed in the following year.
- F. The Company recognised dividends of \$757,173 (NT\$11.37 per share) and \$639,352 (NT\$9.69



per share) in 2017 and 2016, respectively. In addition, based on the Board of Directors' meeting in July 7, 2017, 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\$11.37 per share to NT\$11.33659144 per share.

G. The appropriation of 2016 and 2015 earnings had been resolved at the stockholders' meeting on June 26, 2017 and June 21, 2016, respectively.

Details are summarized below:

	2016	2015
Legal reserve	\$ 84,809	\$ 71,037
Cash dividends	<u>757,173</u>	<u>639,352</u>
Total	<u>\$ 841,982</u>	<u>\$ 710,389</u>

H. The appropriation of 2017 earnings had been proposed by Board of Directors during their meeting on March 8, 2018. Details are summarized below:

	2017	
	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 76,134	\$ -
Special reserve	32,139	-
Cash dividends	<u>647,313</u>	<u>9.69</u>
Total	<u>\$ 755,586</u>	<u>\$ 9.69</u>

The appropriation of 2017 earnings has not been resolved at the stockholders' meeting as of March 8, 2018.

I. For information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6 (22).

(20) Operating revenue

	For the years ended December 31,	
	2017	2016
Operating revenue		
Waste Treatment	\$ 1,705,201	\$ 1,352,508
BOT operating revenue	457,652	464,855
Electricity	1,101,068	1,939,443
BOT finance revenue	129,309	139,316
Waste Collection	144,543	123,040
Others	<u>941,814</u>	<u>936,403</u>
Total	<u>\$ 4,479,587</u>	<u>\$ 4,955,565</u>

(21) Expenses by nature

	For the years ended December 31,	
	2017	2016
Employee benefit expense	\$ 1,000,133	\$ 1,025,145
Depreciation charges on property, plant and equipment	17,820	15,246
Amortisation	13,082	13,936
Incinerator equipment costs	283,938	306,224
Material	695,204	749,618
Sub-contract costs	826,312	698,586
Insurances	29,692	36,594
Other expenses	535,989	483,033
	<u>\$ 3,402,170</u>	<u>\$ 3,328,382</u>

(22) Employee benefit expense

	For the years ended December 31,	
	2017	2016
Salaries	\$ 864,374	\$ 874,010
Employee stock options	-	1,863
Labor and health insurance fees	52,290	54,196
Pension costs	39,665	41,026
Other personnel expenses	43,804	54,050
	<u>\$ 1,000,133</u>	<u>\$ 1,025,145</u>

- A. As of December 31, 2017 and 2016, the Group had 912 and 929 employees, respectively.
- B. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, upon the resolution of the board of directors, distribute at least 0.01% of the income before tax as employees' compensation, and distribute no more than 2% of the income before tax as Directors' remuneration. The remuneration could be in the form of stock or cash, and the employees' compensation could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employees' compensation or the Directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.
- C. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at \$359 and \$475, respectively; directors' and supervisors' remuneration was accrued at \$5,200 and \$5,200, respectively. The aforementioned amounts were recognised in salary and other expenses.
- The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.01% and 2% of distributable profit of current year as of the end of December 31, 2017. 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 2016 as resolved at the meeting of Board of Directors were \$475 and \$5,200, respectively, in agreement with those amounts recognised in the 2016 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.

(23) Income tax

A. Components of income tax expense:

	For the years ended December 31,	
	2017	2016
Current tax:		
Current tax on profits for the period	\$ 182,620	\$ 218,595
Prior year income tax (over) under estimation	( 24,081)	35
Total current tax	158,539	218,630
Deferred tax:		
Origination and reversal of temporary differences	( 1,234)	8,660
Foreign exchange adjustments	( 386)	168
Income tax expense	<u>\$ 156,919</u>	<u>\$ 227,458</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 185,234	\$ 231,042
Expenses disallowed by tax regulation	( 4,234)	( 3,619)
Prior year income tax (over) under estimation	( 24,081)	35
Income tax expense	<u>\$ 156,919</u>	<u>\$ 227,458</u>

Note: The basis for computing the applicable tax rate is the rate applicable in Taiwan.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credit are as follows:

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unused absences costs	\$ 3,232	(\$ 80)	\$ -	\$ 3,152
Unrealised pension costs	2,954	13	1,835	4,802
Unrealised maintenance costs	10,943	( 2,639)	-	8,304
Unrealised exchange loss	722	2,093	-	2,815
Subtotal	<u>\$ 17,851</u>	<u>(\$ 613)</u>	<u>\$ 1,835</u>	<u>\$ 19,073</u>
—Deferred tax liabilities:				
Unrealised foreign investment gain	(\$ 14,395)	\$ 1,430	\$ -	(\$ 12,965)
Unrealised concession arrangements gain	( 156,790)	417	-	( 156,373)
Subtotal	<u>( 171,185)</u>	<u>1,847</u>	<u>-</u>	<u>( 169,338)</u>
Total	<u>(\$ 153,334)</u>	<u>\$ 1,234</u>	<u>\$ 1,835</u>	<u>(\$ 150,265)</u>

	2016			
	January 1	Recognised in other		December 31
		profit or loss	income	
Temporary differences:				
— Deferred tax assets:				
Unused absences costs	\$ 3,204	\$ 28	\$ -	\$ 3,232
Unrealised pension costs	2,326	8	620	2,954
Unrealised maintenance costs	10,281	662	-	10,943
Unrealised exchange loss	-	722	-	722
Subtotal	<u>\$ 15,811</u>	<u>\$ 1,420</u>	<u>\$ 620</u>	<u>\$ 17,851</u>
— Deferred tax liabilities:				
Unrealised exchange gain	(\$ 358)	\$ 358	\$ -	\$ -
Unrealised foreign investment gain	( 5,233)	( 9,162)	-	( 14,395)
Unrealised concession arrangements gain	( 155,514)	( 1,276)	-	( 156,790)
Subtotal	<u>( 161,105)</u>	<u>( 10,080)</u>	<u>-</u>	<u>( 171,185)</u>
Total	<u>(\$ 145,294)</u>	<u>(\$ 8,660)</u>	<u>\$ 620</u>	<u>(\$ 153,334)</u>

D. As of December 31, 2017, the Company's and its subsidiaries' income tax returns through 2015 have been assessed and approved by the Tax Authority.

E. Unappropriated retained earnings:

	December 31, 2017	December 31, 2016
Earnings generated in and after 1998	<u>\$ 1,359,148</u>	<u>\$ 1,445,777</u>

F. As of December 31, 2017 and 2016, the balance of the imputation tax credit account was \$171,860 and \$132,342, respectively. The creditable tax rate was 9.15% for 2016. Under the amendments to the Income Tax Act which were promulgated by the President of the Republic of China on February 7, 2018, the imputation tax system will be abolished and the imputation credit account and its related record, calculation and penal provisions will no longer be applicable beginning January 1, 2018. Therefore, no creditable tax rate is applicable for the appropriation of 2017 earnings.

(24) Earnings per share

For the year ended December 31, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 761,339	66,739	NT\$ 11.41
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	110	
Employees' bonus	-	3	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	\$ 761,339	66,852	NT\$ 11.39

For the year ended December 31, 2016			
	Amount after tax	Weighted average number of ordinary shares outstanding shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 848,097	66,271	NT\$ 12.80
<u>Diluted earnings per share:</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	241	
Employees' bonus	-	3	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	\$ 848,097	66,515	NT\$ 12.75

(25) Operating leases

- A. The Group leases offices and dormitories under non-cancellable operating lease agreements. These leases have terms expiring between 1 year and 16 years. The Group recognised rental expenses of \$39,701 and \$35,162, for these leases for the years ended December 31, 2017 and 2016, respectively.

B. In order to build the refuse incineration plant, the Group obtained the land-use right amounting to \$114,902. For the years ended December 31, 2017 and 2016, the rent is amortized on a straight-line basis during construction or operation both amounting to \$5,976.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Less than one year	\$ 23,256	\$ 19,654
More than one year but not less than five years	18,723	20,030
More than five years	<u>4,726</u>	<u>6,689</u>
	<u>\$ 46,705</u>	<u>\$ 46,373</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 57.57% of the Company's shares. The remaining 42.43% of the shares are widely held by the public.

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

<u>Names of related parties</u>	<u>Relationship with the Group</u>
CTCI Corp.	The ultimate parent
CTCI Machinery Corp.	Associates
Resources Engineering Services Inc.	Associates
E&C Engineering Corp.	Associates
G.D. Development Corp.	Joint ventures

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

#### A. Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
The ultimate parent	\$ 172,185	\$ 436,350
Associates	-	1,994
	<u>\$ 172,185</u>	<u>\$ 438,344</u>

(a) The prices on the operating, removal and transportation contracts entered into with related parties are set through negotiation by both parties. The collection terms were 30 days and approximately the same as those with third parties.

(b) According to Financial-Supervisory-Securities-Firms No. 0990100279 of the GreTai Securities Market:

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

B. Purchases of goods and services

	For the years ended December 31,	
	2017	2016
The ultimate parent	\$ 5,143	\$ 14,545
Associates	134,157	133,722
	<u>\$ 139,300</u>	<u>\$ 148,267</u>

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

C. Period-end balances arising from sales of services

	December 31, 2017	December 31, 2016
The ultimate parent	<u>\$ 8,122</u>	<u>\$ 84,531</u>

D. Period-end balances arising from purchases of services

	December 31, 2017	December 31, 2016
The ultimate parent	\$ 4,426	\$ 5,126
Associates	23,656	22,478
	<u>\$ 28,082</u>	<u>\$ 27,604</u>

E. Other receivables-related parties

(a) Reclassified from accounts receivable

	December 31, 2017	December 31, 2016
The ultimate parent	<u>\$ 40,426</u>	<u>\$ 17,886</u>

Certain accounts receivable from related parties which are not on regular collection terms, were reclassified to "other receivables-related parties" whose aging is from 121 to 365 days.



(b) Others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates (Note)	\$ 196	\$ 593
Joint ventures	7,213	3,617
	<u>\$ 7,409</u>	<u>\$ 4,210</u>

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

F. Loans to related parties

(a) Receivables from related parties

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates		
CTCI Machinery Corp.	\$ 7,006	\$ 55,051
Resources Engineering Services Inc.	-	78,070
E & C Engineering Corp.	7,006	85,078
Joint ventures	-	29,013
	<u>\$ 14,012</u>	<u>\$ 247,212</u>

(b) Other income

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest income		
The ultimate parent (Note 1)	\$ 1,295	\$ 213
Associates (Note 2)	1,778	1,986
Joint ventures (Note 3)	508	465
	<u>\$ 3,581</u>	<u>\$ 2,664</u>
Personnel's transfer from related parties	\$ 385	\$ 59
Associates	3,458	2,995
Joint ventures	<u>\$ 3,843</u>	<u>\$ 3,054</u>

Note 1: The terms of lending include interest to be calculated and received monthly, using the annual rate of 0.81% and 0.87% for the years ended December 31, 2017 and 2016, respectively.

Note 2: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.01% and 1.01%~1.09% for the years ended December 31, 2017 and 2016, respectively.

Note 3: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.8% for the years ended December 31, 2017 and 2016.

## G. Other payables-related parties

### (a) Operating expenses

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
The ultimate parent	\$ 12,003	\$ 8,403

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

### (b) As of December 31, 2017 and 2016, the unpaid amounts are as follows (shown as other payables):

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
The ultimate parent	\$ 8,905	\$ 2,193
Associates	-	8
	<u>\$ 8,905</u>	<u>\$ 2,201</u>

## H. Endorsements and guarantees for others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Joint ventures	\$ 631,253	\$ 667,708

### (4) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Salaries and other short-term employee benefits	\$ 41,326	\$ 40,826
Post-employment benefits	94	403
Share-based payments	-	327
Total	<u>\$ 41,420</u>	<u>\$ 41,556</u>

## 8. PLEDGED ASSETS

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

Assets	Book value		Purposes
	December 31, 2017	December 31, 2016	
Other current assets			
Restricted bank deposits	\$ 10,000	\$ -	Guarantee for bid
Other non-current assets			
Long-term prepaid rents- land-use right	18,836	21,143	Guarantee for long-term loans
Refundable deposits	12,916	11,472	Guarantee for rent, performance guarantee, tender bond and staff dormitory
	<u>\$ 41,752</u>	<u>\$ 32,615</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those items which have been disclosed in Notes 6(9), (13), (25), and 7(3)H, the significant commitments and contingent liabilities of the Group as of December 31, 2017 were as follows:

- (1) The subsidiaries had entered into lines of credit agreements with several banks for guarantee payments under various service contracts. The subsidiaries had either issued guarantee notes or promissory notes for amounts drawn down under the line of credit agreements. As of December 31, 2017, the total amount of guarantee notes and promissory notes issued amounted to \$1,139,745.
- (2) As of December 31, 2017, for contractual guarantee, performance guarantee and waste collection, the subsidiaries have a performance letter of guarantee issued by the bank amounting to \$880,642.
- (3) As of December 31, 2017, the subsidiaries had outstanding commitments for service contracts amounting to \$99,670.
- (4) As of December 31, 2017, the subsidiaries had unused letters of credit for importing materials and sub-contract amounting to \$35,983.
- (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 that reversed the Taiwan High Administrative Court's ruling and remanded the case to the Taiwan High Administrative Court and is currently awaiting judgement.

It is ECOVE Environmental Service Corp.'s appointed lawyers opinion that the original action is unlawful and ineffective, thus, no expense was accrued.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) The appropriation of 2017 earnings had been proposed at the Board of Directors' meeting on March 8, 2018, please refer to Note 6(19)H for detailed information.
- (2) The amendments to the Income Tax Act were promulgated by the President of the Republic of China on February 7, 2018 effective from January 1, of which are significant to the Company as follows:
  - A. Under the amendments, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by 3% and 3%, respectively, as of December 31, 2017, and increase current income tax expense accordingly.
  - B. Under the amendments to the Income Tax Act, the imputation tax system will be abolished and the imputation credit account will be adjusted to zero beginning January 1, 2018.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2017 and 2016 were as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Total borrowings	\$ 180,000	\$ 356,000
Total equity	\$ 5,230,882	\$ 5,264,774
Gearing ratio	<u>3%</u>	<u>7%</u>

## (2) Financial instruments

### A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, accounts payable, other payables and current portion of long-term borrowings) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

### B. Financial 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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.
- (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, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### C. Significant financial risks and degrees of financial risks

#### (a) Market risk

##### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and CNY. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- 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:

	<u>December 31, 2017</u>		
	Foreign Currency		
	<u>Amount</u>	<u>Exchange</u>	<u>Book value</u>
	<u>(in thousands)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 7,589	29.848	\$ 226,516
MOP : NTD	42,918	3.738	160,417
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	13,608	3.738	50,866

December 31, 2016			
Foreign Currency			
	Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 5,640	32.199	\$ 181,602
JPY : NTD	31,816	0.277	8,813
MOP : NTD	33,587	4.032	135,423

Financial liabilities

Monetary items

MOP : NTD	177	4.032	714
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- v. The unrealised exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016 amounted to \$16,850, and \$4,026, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2017			
Sensitivity analysis			
	Extent of variation	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1.00%	\$ 2,265	\$ -
MOP : NTD	1.00%	1,604	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1.00%	509	-

For the year ended December 31, 2016

	Sensitivity analysis		
	Extent of variation	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1.00% \$	1,816 \$	-
JPY : NTD	1.00%	88	-
MOP : NTD	1.00%	1,354	-
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
MOP : NTD	1.00%	7	-

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. 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.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2017 and 2016, 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. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.



- ii. The credit quality information of financial assets that are neither past due nor impaired is as follows:

	<u>December 31, 2017</u>		
	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>
Notes receivable	\$ -	\$ -	\$ 234
Accounts receivable	783,286	1,666	162,272
Accounts receivable-related parties	-	8,122	-
Other receivables	-	-	2,238
Other receivables-related parties	-	-	21,421
Long-term other receivables	<u>2,416,858</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,200,144</u>	<u>\$ 9,788</u>	<u>\$ 186,165</u>

	<u>December 31, 2016</u>		
	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>
Notes receivable	\$ -	\$ -	\$ 138
Accounts receivable	671,466	1,501	174,291
Accounts receivable-related parties	-	84,531	-
Other receivables	-	-	10,066
Other receivables-related parties	-	-	251,422
Long-term other receivables	<u>2,686,721</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,358,187</u>	<u>\$ 86,032</u>	<u>\$ 435,917</u>

Group 1: Government.

Group 2: Listed companies.

Group 3: Others.

- iii. The ageing analysis of financial assets that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Other receivables</u>		
<u>-related parties</u>		
Up to 30 days	\$ 1,317	\$ 3,061
31 to 90 days	23,958	9,551
91 to 180 days	6,094	3,600
Over 181 days	<u>9,057</u>	<u>1,674</u>
	<u>\$ 40,426</u>	<u>\$ 17,886</u>

(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 so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- 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.

<u>Non-derivative financial liabilities</u>		
<u>December 31, 2017</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 647,769	\$ -
Other payables	392,161	-
Long-term borrowings ( including current portion)	178,442	4,074
Other non-current liabilities	166,555	-

<u>Non-derivative financial liabilities</u>		
<u>December 31, 2016</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Accounts payable	\$ 728,545	\$ -
Other payables	344,429	-
Long-term borrowings ( including current portion)	178,440	184,990
Other non-current liabilities	127,674	-

(3) Fair value estimation

- A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2) A.
- B. 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: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. 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 (that is, as prices) or indirectly (that is, derived from prices). The fair value of the Group's investment in corporate bonds and convertible bonds is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data. The Group has no investments in any financial instruments belonging to level 3.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2017 and 2016:

December 31, 2017	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:					
Financial assets at fair value through profit or loss					
Equity securities	\$ 437,010	\$ 437,010	\$ -	\$ -	\$ 437,010
Available-for-sale financial assets					
Equity securities	109,435	109,435	-	-	109,435
Bond securities	<u>27,417</u>	<u>-</u>	<u>27,417</u>	<u>-</u>	<u>27,417</u>
Total	<u>\$ 573,862</u>	<u>\$ 546,445</u>	<u>\$ 27,417</u>	<u>\$ -</u>	<u>\$ 573,862</u>

December 31, 2016	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:					
Financial assets at fair value through profit or loss					
Equity securities	\$ 767,378	\$ 767,378	\$ -	\$ -	\$ 767,378
Available-for-sale financial assets					
Equity securities	72,332	72,332	-	-	72,332
Bond securities	<u>27,328</u>	<u>-</u>	<u>27,328</u>	<u>-</u>	<u>27,328</u>
Total	<u>\$ 867,038</u>	<u>\$ 839,710</u>	<u>\$ 27,328</u>	<u>\$ -</u>	<u>\$ 867,038</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. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- F. For the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2.
- G. For the years ended December 31, 2017 and 2016, there were no input and output into Level 3.
- H. Specific valuation techniques used to value financial instruments include:
  - (a) Quoted market prices or dealer quotes for similar instruments.
  - (b) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

### 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: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

14. OPERATING SEGMENT FINANCIAL INFORMATION

(1) General information

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

(2) Segmental income, assets and liabilities

The segmental financial information provided to the Chief Operating Decision-Maker is as follows:

	For the years ended December 31,	
	2017	2016
Revenue from external customers	\$ 4,479,587	\$ 4,955,565
Inter-segment revenue	1,506,241	1,281,276
Total segment revenue	<u>\$ 5,985,828</u>	<u>\$ 6,236,841</u>
Segment income	<u>\$ 1,077,417</u>	<u>\$ 1,627,183</u>
Depreciation	<u>\$ 17,820</u>	<u>\$ 15,246</u>
Amortisation	<u>\$ 13,082</u>	<u>\$ 13,936</u>

(3) Reconciliation information of segmental income

A reconciliation of adjusted EBITDA for reportable segment and income from continuing operations before income tax is provided as follows:

	For the years ended December 31,	
	2017	2016
Adjusted EBITDA for reportable segment	\$ 1,077,417	\$ 1,627,183
Unrealized gain on financial instruments	( 155)	195
Financial cost, net	( 3,841)	( 5,823)
Others	42,922	36,571
Income from continuing operations before income tax	<u>\$ 1,116,343</u>	<u>\$ 1,658,126</u>

(4) Information on products and services

The Company and its subsidiaries are operating in an environmental-friendly industry. In addition, no product information is disclosed.

(5) Geographical information

Geographical information for the years ended December 31, 2017 and 2016 is as follows:

	2017		2016	
	<u>Operating revenue</u>	<u>Non-current assets</u>	<u>Operating revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 3,538,665	\$ 2,643,421	\$ 3,542,940	\$ 2,807,028
Macau	826,888	16,071	1,330,841	16,076
China	114,034	5,939	81,784	4,559
Total	<u>\$ 4,479,587</u>	<u>\$ 2,665,431</u>	<u>\$ 4,955,565</u>	<u>\$ 2,827,663</u>

Non-current assets consists of property, plant and equipment and other non-current assets.

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2017 and 2016 is as follows:

	For the years ended December 31,	
	<u>2017</u>	<u>2016</u>
Customer A	\$ 244,048	\$ 252,014
Customer B	172,185	436,350
Customer C	429,519	438,520
Customer D	348,186	360,797

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2017

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2017 (Note 3)	Balance at December 31, 2017 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	ECOVE Environment Corp.	G.D. Development Corp.	Other receivables-related parties	"	30,000	-	-	2	"	-	For operational needs	-	-	468,364	1,873,456	-
0	"	CTCI Corp.	"	"	430,000	430,000	-	"	"	"	"	"	"	468,364	1,873,456	-
1	ECOVE Waste Management Corp.	CTCI Corp.	"	"	14,000	14,000	-	"	"	"	"	"	"	10,097	40,390	-
1	"	CTCI Machinery Corp.	"	"	14,000	14,000	7,000	1.01%	"	"	"	"	"	10,097	40,390	-
1	"	E&C Engineering Corp.	"	"	14,000	14,000	7,000	1.01%	"	"	"	"	"	10,097	40,390	-
2	ECOVE Environmental Services Corp.	CTCI Corp.	"	"	156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-
2	"	CTCI Machinery Corp.	"	"	156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-
2	"	E&C Engineering Corp.	"	"	156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-
2	"	Resources Engineering Services Inc.	"	"	156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-

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

(1)The Company is '0'.

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

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

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2017.

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 or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.



ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2017

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees/ provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2017 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2017 (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.	G.D. Development Corp.		6	\$ 9,367,278	\$ 667,708	\$ 631,253	\$ 447,960	\$ -	13.48%	\$ 14,050,917	N	N	N	-

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

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

(5)Mutual guarantee of the trade as required by the construction contract.

(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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

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

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

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

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

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

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

December 31, 2017

Table 3  
Marketable securities (Note 1)  
Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by ECOVE Environment Corp.	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	December 31, 2017			Footnote (Note 4)
	Type	Name			Number of shares/ denominations	Book value (Note 3)	Ownership (%)	
"	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	1,975,027	\$ 29,990	\$ -	-
"	"	Prudential Financial Money Market Fund	"	"	4,327,402	67,902	68,039	-
				Adjustment		181		
"	Common Stock	Taiwan Cement Corp.	"	Available-for-sale financial assets-current	429,780	\$ 16,671	\$ 15,665	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	515,941	20,877	9,184	-
				Adjustment		(12,699)		
"	"	Teamwin Opto-Electronics Co., Ltd.	N/A	Financial assets carried at cost-non-current	150,000	\$ 2,261	\$ 475	-
"	"	Eastern Pacific Energy Sdn. Bhd	The Chairman of the Company is the Board of director	"	10,000	81	68	-
				Less: Accumulated impairment		(1,799)		
						\$ 543	\$ 543	
ECOVE Wujih Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	3,749,545	\$ 57,020	\$ 57,020	-
"	"	Prudential Financial Money Market Fund	"	"	269,008	4,229	4,229	-
"	Common Stock	Taiwan Cement Corp.	"	Available-for-sale financial assets-current	432,280	15,757	15,757	-

Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)			December 31, 2017			Footnote (Note 4)
Securities held by	Type	Name	General ledger account	Number of shares/denominations	Book value (Note 3)	Ownership (%)	Fair value	
ECOVE Environmental Services Corp.	Fund	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss-current	18,013,095	\$ 185,054	-	\$ 185,054	-
"	Common Stock	CTCI Corp.	Available-for-sale financial assets-current	1,028	46	-	46	-
"	"	Taiwan Cement Corp.	"	1,138,156	41,486	-	41,486	-
"	"	Gintech Energy Corp.	"	642,135	11,430	-	11,430	-
"	Bonds	BP capital PLC	"	6,000,000	27,417	-	27,417	Note 5
ECOVE Waste Management Corp.	Fund	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss-current	2,647,496	41,626	-	41,626	-
"	"	FSITC Taiwan Money Market Fund	"	2,663,263	40,500	-	40,500	-
"	Common Stock	Taiwan Cement Corp.	Available-for-sale financial assets-current	435,310	15,867	-	15,867	-
ECOVE Miaoli Energy Corp.	Fund	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss-current	230,205	3,501	-	3,501	-
"	"	Prudential Financial Money Market Fund	"	445,647	7,007	-	7,007	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IAS 39 'Financial instruments : recognition and measurement'.

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.

Note 5: The book value of bonds and funds are denominated in CNY.

**ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES**

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

For the year ended December 31, 2017

**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, 2017		Addition (Note 3)		Disposal (Note 3)		Balance as at December 31, 2017		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Book value	Gain (loss) on disposal	Number of shares	Amount
ECOVE Environment Corp.	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	10,798,064	\$ 163,520	6,107,815	\$ 92,640	226,251	\$ 226,170	\$ 81	1,975,027	\$ 29,990
"	FSITC Money Market Fund	"	-	-	1,128,720	199,400	-	-	199,489	199,400	89	-	-
ECOVE Wujih Energy Corp.	FSITC Taiwan Money Market Fund	"	-	-	2,294,153	34,726	10,469,369	159,000	136,904	136,726	178	3,749,545	57,000
ECOVE Environmental Services Corp.	Jih Sun Money Market Fund	"	-	-	-	-	18,891,919	277,750	277,800	277,750	50	-	-
"	Yuanta De-Bao Money Market Fund	"	-	-	-	-	19,645,541	234,000	234,018	234,000	18	-	-
"	Franklin Templeton Sinoam Money Market Fund	"	-	-	25,361,234	259,500	35,071,305	360,000	434,643	434,470	173	18,013,095	185,030

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 year ended December 31, 2017

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)	Percentage of total notes/accounts receivable (payable)	Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance			
ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	Affiliate	(Waste disposal)	406,621	56%	30 days quarterly	No significant difference	\$	74,952	25%	-	
"	ECOVE Environmental Services Corp.	"	Cost of services	255,219	39%	"	"	(	82,066	85%	-	
ECOVE Environmental Services Corp.	CTCI Corp.	Ultimate parent company	(Operating revenue)	159,287	5%	"	"	"	48,548	7%	-	
"	ECOVE Wujih Energy Corp.	Affiliate	"	255,219	9%	"	"	"	82,066	12%	-	
"	ECOVE Miaoli Energy Corp.	"	"	140,878	5%	"	"	"	23,149	4%	-	
"	ECOVE Waste Management Corp.	"	"	541,683	18%	"	"	"	98,012	15%	-	
"	CTCI Chemicals Corp.	"	Purchases	112,222	5%	"	"	(	21,876	4%	-	
ECOVE Waste Management Corp.	ECOVE Environmental Services Corp.	"	Waste disposal cost	541,683	50%	"	"	(	98,012	55%	-	
"	ECOVE Wujih Energy Corp.	"	"	406,621	37%	"	"	(	74,952	42%	-	
ECOVE Miaoli Energy Corp.	ECOVE Environmental Services Corp.	"	Cost of services	140,878	91%	"	"	(	23,149	97%	-	

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2017

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	3	Operating revenue	\$ 406,621	30 days quarterly	9.08%
1	"	"	"	Accounts receivable	74,952	"	1.06%
2	ECOVE Environmental Services Corp.	ECOVE Wujih Energy Corp.	"	Operating revenue	255,219	"	5.70%
2	"	ECOVE Misaoi Energy Corp.	"	"	140,878	"	3.14%
2	"	ECOVE Waste Management Corp.	"	"	541,683	"	12.09%
2	"	ECOVE Wujih Energy Corp.	"	Accounts receivable	82,066	"	1.16%
2	"	ECOVE Waste Management Corp.	"	"	98,012	"	1.39%

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2017

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income(loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	\$	Number of shares	Ownership (%)	Book value			
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	\$ 425,085	\$ 601,485	\$	29,400,000	98.00%	\$ 1,228,849	\$ 295,010	\$ 289,110	A subsidiary
ECOVE Environment Corp.	ECOVE Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance, etc.	339,921	339,921		14,065,936	93.15%	853,832	369,656	339,968	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%	100,974	44,366	44,366	A subsidiary
ECOVE Environment Corp.	ECOVE Miaoli Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	1,012,483	1,012,483		56,249,000	74.999%	1,007,915	150,527	112,894	A subsidiary
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	27,000	27,000		2,700,000	60.00%	23,496	45	26	A subsidiary
ECOVE Environment Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Island	Share holding and investment.	309,489	309,489		13,333,333	20.00%	293,441	(13,126)	(6,615)	An investee under equity method

		Initial investment amount			Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017		Investment income(loss) recognised by the Company for the year ended December 31, 2017		Footnote
Investor	Investee	Location	Main business activities	Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value	December 31, 2017	December 31, 2017		
ECOVE Environment Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	\$ 279,465	\$ 189,991	28,269,632	49.998%	\$ 311,114	\$ 24,839	\$ 12,115	An investee which has a 50% interest in a joint venture	
ECOVE Environmental Services Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	6,000	9,600	600,000	2.00%	25,079	295,010	5,900	Affiliate	
ECOVE Environmental Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	61,943	57,982	15,601	Affiliate	
ECOVE Environmental 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	150,527	2	Affiliate	
ECOVE Environmental Services Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	8	8	1,096	0.002%	12	24,839	-	Affiliate	
ECOVE Environmental Services Corp.	SINOGAL-Waste Services Co., Ltd.	Macau	Management of waste recycling site and maintenance of related mechanical and equipment etc.	4,964	4,964	-	30.00%	63,667	193,550	58,065	A subsidiary	
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%	61	369,656	25	Affiliate	
ECOVE Waste Management Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	18,000	18,000	1,800,000	40.00%	15,664	45	18	Affiliate	



**ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES**  
Information on investments in Mainland China

For the year ended December 31, 2017

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)(2)B	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
GranSino Environmental Technology Co., Ltd.	Environmental technical advisory, urban environmental sanitation and processing equipment technology R&D, environmental pollution control equipment maintenance, and construction management, etc.	\$ 22,193	I	\$ 10,874	\$ -	\$ 10,874	\$ -	-	\$ -	\$ -	\$ 3,377	Note 4
ECOVE Environment Consulting Corp.	Technical development, advisory and service in environmental field; environmental pollution control equipment and related parts wholesale, import and export, etc.		I	4,147	-	4,147	9,135	93.16%	8,510	14,279	-	"
ECOVE Environment Corp.		\$ 4,147										

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

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

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2017' column:

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

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

Note 4: Invested by ECOVE Environmental Services Corp.

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

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

For the year ended December 31, 2017

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Interest during the year ended		
	Amount	%	Amount	%	Balance at December 31, 2017	%	Balance at December 31, 2017	Purpose	Maximum balance during the year ended December 31, 2017	Balance at December 31, 2017	Interest rate	December 31, 2017	Others
ECOVE Environment Consulting Corp.	\$ 60,524	2.07%	-	-	\$ 48,603	7.39%	-	-	\$ -	-	-	\$ -	-

**ECOVE ENVIRONMENT CORPORATION**  
**NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**AND REPORT OF INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2017 AND 2016**

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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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ECOVE ENVIRONMENT CORPORATION

***Opinion***

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

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2017 and 2016, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

***Basis for opinion***

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

***Key audit matters***

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



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

**Investments accounted for using equity method-service revenue**

On December 31, 2017, the investments in subsidiaries, ECOVE Wujih Energy Corp., ECOVE Environmental Services Corp., ECOVE Waste Management Corp., ECOVE Miaoli Energy Corp., and SINO GAL-Waste Services Co., Ltd., were accounted for using equity method and amounted to \$3,191,570, representing 68% of total assets and are material to financial statements. Thus, we consider accuracy of service revenue of subsidiaries, as a key audit matter.

Description

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

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

How our audit addressed the matter

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

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



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

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

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

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

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

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

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

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



資誠

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

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

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



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

  
Weng, Shih-Jung

  
Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2018

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

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



**ECOVE ENVIRONMENT CORPORATION**  
**NON-CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
1100	Cash and cash equivalents 6(1)	\$ 745,686	16	\$ 203,309	4
1110	Financial assets at fair value through profit or loss - current 6(2)	98,073	2	402,362	9
1125	Available-for-sale financial assets - current 6(3)	24,849	1	15,259	-
1200	Other receivables	710	-	521	-
1210	Other receivables - related parties 7	7,974	-	32,128	1
1470	Other current assets	10,000	-	95,948	2
11XX	<b>Current Assets</b>	<u>887,292</u>	<u>19</u>	<u>749,527</u>	<u>16</u>
<b>Non-current assets</b>					
1543	Financial assets carried at cost - noncurrent 6(4)	543	-	556	-
1550	Investments accounted for using equity method 6(5)	3,819,621	81	3,956,490	84
15XX	<b>Non-current assets</b>	<u>3,820,164</u>	<u>81</u>	<u>3,957,046</u>	<u>84</u>
1XXX	<b>Total assets</b>	<u>\$ 4,707,456</u>	<u>100</u>	<u>\$ 4,706,573</u>	<u>100</u>

(Continued)

**ECOVE ENVIRONMENT CORPORATION**  
**NON-CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
2200	Other payables	\$ 19,380	1	\$ 19,717	1
2220	Other payables - related parties	7 842	-	1,041	-
2230	Current income tax liabilities	1,388	-	100	-
21XX	<b>Current Liabilities</b>	<u>21,610</u>	<u>1</u>	<u>20,858</u>	<u>1</u>
<b>Non-current liabilities</b>					
2640	Accrued pension liabilities	6(6) 2,207	-	3,658	-
25XX	<b>Non-current liabilities</b>	<u>2,207</u>	<u>-</u>	<u>3,658</u>	<u>-</u>
2XXX	<b>Total Liabilities</b>	<u>23,817</u>	<u>1</u>	<u>24,516</u>	<u>1</u>
<b>Equity</b>					
<b>Share capital</b> 6(8)					
3110	Common stock	668,106	14	664,614	14
<b>Capital surplus</b> 6(9)					
3200	Capital surplus	2,161,029	46	2,126,850	45
<b>Retained earnings</b> 6(10)(13)					
3310	Legal reserve	527,495	11	442,686	9
3320	Special reserve	145	-	145	-
3350	Unappropriated retained earnings	1,359,148	29	1,445,777	31
<b>Other equity interest</b>					
3400	Other equity interest	( 32,284)	( 1)	1,985	-
3XXX	<b>Total equity</b>	<u>4,683,639</u>	<u>99</u>	<u>4,682,057</u>	<u>99</u>
<b>Significant contingent liabilities</b> 9					
<b>and unrecognised contract</b>					
<b>commitments</b>					
<b>Significant events after the</b> 11					
<b>balance sheet date</b>					
3X2X	<b>Total liabilities and equity</b>	<u>\$ 4,707,456</u>	<u>100</u>	<u>\$ 4,706,573</u>	<u>100</u>

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

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

Items	Notes	Years ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(5)	\$ 791,864	100	\$ 880,677	100
5900 <b>Gross profit</b>		791,864	100	880,677	100
<b>Operating expenses</b>					
6200 General & administrative expenses	6(11)(12) and 7	( 49,795)	( 7)	( 48,482)	( 6)
6000 <b>Total operating expenses</b>		( 49,795)	( 7)	( 48,482)	( 6)
6900 <b>Operating profit</b>		742,069	93	832,195	94
<b>Non-operating income and expenses</b>					
7010 Other income	7	18,285	2	18,846	2
7020 Other gains and losses		3,638	1	177	-
7000 <b>Total non-operating income and expenses</b>		21,923	3	19,023	2
7900 <b>Profit before income tax</b>		763,992	96	851,218	96
7950 Income tax expense	6(13)	( 2,653)	-	( 3,121)	-
8200 <b>Profit for the year</b>		\$ 761,339	96	\$ 848,097	96
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(6)	\$ 2,184	-	(\$ 3,096)	-
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		( 8,170)	( 1)	( 3,093)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Cumulative translation differences of foreign operations		( 33,896)	( 4)	( 22,755)	( 3)
8362 Unrealized loss on valuation of available-for-sale financial assets	6(3)	( 710)	-	( 4,456)	-
8380 Total share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		337	-	4,187	-
8300 <b>Other comprehensive loss for the year</b>		(\$ 40,255)	( 5)	(\$ 29,213)	( 3)
8500 <b>Total comprehensive income for the year</b>		\$ 721,084	91	\$ 818,884	93
9750 <b>Basic earnings per share</b>	6(14)	\$ 11.41		\$ 12.80	
9850 <b>Diluted earnings per share</b>	6(14)	\$ 11.39		\$ 12.75	

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

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

	Notes	Share Capital			Retained Earnings			Other Equity Interest		Total equity
		Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on valuation of available-for-sale financial assets	
<b>For the year ended December 31, 2016</b>										
Balance at January 1, 2016	6(8)	\$ 658,394	\$ 233	\$ 2,069,266	\$ 371,649	\$ 145	\$ 1,314,258	\$ 57,355	(\$ 32,346)	\$ 4,438,954
Capital collected in advance transferred to common stock	6(10)	233	( 233 )	-	-	-	-	-	-	-
Appropriation of 2015 earnings ( Note 1)		-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	71,037	-	( 71,037 )	-	-	-
Cash dividends		-	-	-	-	-	( 639,352 )	-	-	( 639,352 )
Profit for the year	6(9)	-	-	-	-	-	848,097	-	-	848,097
Share-based payment transaction	6(8)(9)	5,987	-	1,761	-	-	-	-	-	1,761
Employee stock options exercised		-	-	55,823	-	-	-	-	-	61,810
Cumulative translation differences of foreign operations		-	-	-	-	-	-	( 22,755 )	-	( 22,755 )
Unrealized gain or loss on available-for-sale financial assets		-	-	-	-	-	-	-	( 269 )	( 269 )
Other comprehensive loss for the year		-	-	-	-	-	( 6,189 )	-	-	( 6,189 )
Balance at December 31, 2016		\$ 664,614	\$ -	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	(\$ 32,615)	\$ 4,682,057
<b>For the year ended December 31, 2017</b>										
Balance at January 1, 2017	6(10)	\$ 664,614	\$ -	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	(\$ 32,615)	\$ 4,682,057
Appropriation of 2016 earnings ( Note 2)		-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	84,809	-	( 84,809 )	-	-	-
Cash dividends		-	-	-	-	-	( 757,173 )	-	-	( 757,173 )
Profit for the year	6(9)	-	-	-	-	-	761,339	-	-	761,339
Share-based payment transaction	6(8)(9)	3,492	-	183	-	-	-	-	-	183
Employee stock options exercised		-	-	33,996	-	-	-	-	-	37,488
Cumulative translation differences of foreign operations		-	-	-	-	-	-	( 33,896 )	-	( 33,896 )
Unrealized gain or loss on available-for-sale financial assets		-	-	-	-	-	-	-	( 373 )	( 373 )
Other comprehensive loss for the year		-	-	-	-	-	( 5,986 )	-	-	( 5,986 )
Balance at December 31, 2017		\$ 668,106	\$ -	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	(\$ 32,988)	\$ 4,683,639

Note 1: The directors' and supervisors' remuneration of \$5,200 and the employees' remuneration (bonus) of \$228 for the year ended December 31, 2015 has been deducted from the statement of comprehensive income.

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

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

**ECOVE ENVIRONMENT CORPORATION**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2017	2016
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 763,992	\$ 851,218
Adjustments			
Adjustments to reconcile profit (loss)			
Interest income		( 4,362 )	( 3,840 )
Dividend income		( 1,145 )	( 3,389 )
Salary expense-employee stock options	6(7)(12)	-	422
Gain on valuation of financial assets	6(2)	( 280 )	( 252 )
Share of profit of associates and joint ventures accounted for under equity method	6(5)	( 791,864 )	( 880,677 )
Impairment loss	6(4)	13	-
Other income	6(4)	( 3,610 )	( 540 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		304,569	( 349,919 )
Other receivables		145	112
Other receivables-related parties		( 4,859 )	( 69 )
Other current assets		( 10,000 )	-
Changes in operating liabilities			
Other payables		( 337 )	5,078
Other payables - related parties		( 199 )	( 33 )
Preference share liabilities-non-current		733	196
Cash inflow (outflow) generated from operations		252,796	( 381,693 )
Interest received		2,226	3,921
Dividends received		801,406	653,215
Income tax paid		( 1,365 )	( 4,919 )
Net cash flows from operating activities		<u>1,055,063</u>	<u>270,524</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest received		1,816	462
Other current financial assets		95,948	137,895
Increase in investments accounted for using the equity method-sub-sidiaries	6(5)	( 89,474 )	-
Proceeds from reduction of capital of investee company	6(5)	176,400	196,000
Proceeds from capital reduction of investee company	6(4)	-	540
Increase in available-for sale financial assets-current		( 10,301 )	-
Other receivables-related parties		29,000	-
Increase in financial assets carried at cost - noncurrent	6(4)	-	( 81 )
Decrease in financial assets at cost	6(4)	3,610	-
Net cash flows from investing activities		<u>206,999</u>	<u>334,816</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Employee stock options exercised		37,488	61,810
Cash dividends paid	6(10)	( 757,173 )	( 639,352 )
Net cash flows used in financing activities		( 719,685 )	( 577,542 )
Net increase in cash and cash equivalents		542,377	27,798
Cash and cash equivalents at beginning of year		203,309	175,511
Cash and cash equivalents at end of year		<u>\$ 745,686</u>	<u>\$ 203,309</u>

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

ECOVE ENVIRONMENT CORPORATION  
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

- (1) ECOVE Environment Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 13, 1999, and consolidated investee-Chang Ting Corporation in December, 2005.
- (2) The main business activity of the Company was waste management. However, the Board of Directors resolved to change its main activity to investment holding on March 27, 2007. The Company’s shares were issued through an initial public offering on December 3, 2007, and have been listed in the Taiwan OTC market since May 27, 2010.
- (3) CTCI Corporation, the Company’s ultimate parent company, holds 57.57% equity interest in the Company as of December 31, 2017.

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

The financial statements were authorised by the Board of Directors on March 8, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

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

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

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 9, 'Financial instruments'

- A. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- B. The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

When adopting the new standards endorsed by the FSC effective from 2018, the Company will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarised below.

In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets and financial assets at cost in the amounts of \$24,849 and \$543, respectively, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$25,392.



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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
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 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these non-consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

## (2) Basis of preparation

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

## (3) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(4) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(6) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(7) Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(8) Impairment of financial assets

- A. The Company assesses at each balance sheet date whether there is objective evidence that a

financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

- (a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(9) Derecognition of financial assets

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

(10) Investments accounted for using equity method /subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised gains on transactions between the Company and its subsidiaries had been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profits or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the associate, the Company continues recognizing its share of further losses.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or

indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- G. The Company accounts for its interest in a joint venture using equity method. Unrealised profits and losses arising from the transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the joint venture. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.
- H. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(11) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

## (12) Employee benefits

### A. Pensions

#### (a) Defined contribution plans

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

#### (b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

### B. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates.

## (13) Employee share-based payment

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

(14) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(15) Share capital

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

(16) Dividends

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

(17) Revenue recognition

Revenue is recognized when the earning process is substantially completed and is realized or realizable. Costs and expenses are recognized as incurred.



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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Checking accounts	\$ 555	\$ 562
Demand deposits	11,285	10,235
Time deposits	<u>733,846</u>	<u>192,512</u>
	<u>\$ 745,686</u>	<u>\$ 203,309</u>

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

B. Cash and cash equivalents amounting to \$10,000 as pledged to others as collateral for tender guarantee, which were classified as other current assets. Please refer to Note (8).

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

<u>Items</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current items		
Financial assets held for trading		
Mutual funds	\$ 97,892	\$ 402,090
Valuation adjustments of financial assets held for trading	<u>181</u>	<u>272</u>
Total	<u>\$ 98,073</u>	<u>\$ 402,362</u>

The Company recognised net gain of \$280 and \$252 on financial assets held for trading for the years ended December 31, 2017 and 2016, respectively.

(3) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Currents items		
Listed stocks	\$ 37,548	\$ 27,247
Valuation adjustment	<u>(12,699)</u>	<u>(11,988)</u>
Total	<u>\$ 24,849</u>	<u>\$ 15,259</u>

A. The Company recognised \$710 and \$4,456 in other comprehensive loss for fair value change for the years ended December 31, 2017 and 2016, respectively.

B. Due to the global financial crisis in year 2008, listed stocks amounting to \$7,298 that were initially classified as ‘financial assets at fair value through profit or loss’ were reclassified to ‘available-for-sale financial assets’ on July 1, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:

(a) The above reclassified assets that have not yet been disposed of are as follows:

	December 31, 2017 Book value/ Fair value	December 31, 2016 Book value/ Fair value
Listed stocks	\$ 6,553	\$ 6,319

(b) The changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income were \$0 and \$234, respectively, for the year ended December 31, 2017, and were \$0 and \$1,411, respectively, for the year ended December 31, 2016.

(c) If the above listed stocks had not been reclassified to ‘available-for-sale financial assets’ on July 1, 2008, the gain (loss) from changes in fair value of these assets that should have been recognised in profit or loss is as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Listed stocks	\$ 234	\$ 1,411

(4) Financial assets carried at cost

Items	December 31, 2017	December 31, 2016
Non-current items:		
TSC Venture Management, Inc.	\$ -	\$ 2,160
Team Win Opto-Electronics Co., Ltd.	2,261	2,261
Eastern Pacific Energy Sdn. Bhd.	81	81
Less: Accumulated impairment	( 1,799)	( 3,946)
Total	\$ 543	\$ 556

A. Based on the Company’s intention, its investment in the above stocks should be classified as ‘available-for-sale financial assets’. However, as the above stocks are not traded in an active market, and no sufficient industry information of companies similar to above stocks or above stock’s financial information can be obtained, the fair value of the investment in above stocks cannot be measured reliably. Thus, the Company classified such stocks as ‘financial assets carried at cost’.

B. As of December 31, 2017 and 2016, no financial assets measured at cost held by the Company were pledged to others.

C. The Company invested and owned 10% equity of the Eastern Pacific Energy Sdn. Bhd. amounting to \$81 (RM\$10 thousand) in August 1, 2016. In 2017, the Company has provided impairment loss amounting to \$13 due to Eastern Pacific Energy Sdn. Bhd. was assessed impairment against the objective evidences.

D. TSC Venture Management, Inc. has resolved at the stockholders' meeting in June, 2016 to reduce the capital and return the amount of \$540. The difference with book value of \$0 is \$540, which is shown in other income. In June, 2017, the shareholders at their meeting resolve to dissolve and distribute remained properties amounting to \$3,610. The difference is \$3,610 if comparing with its carrying amount of \$0 and is recognised in other income.

(5) Investments accounted for using the equity method

	<u>2017</u>	<u>2016</u>
At January 1	\$ 3,956,490	\$ 3,941,961
Addition of investments accounted for using the equity method	89,474	-
Proceeds from reduction of capital of investee company	( 176,400)	( 196,000)
Share of profit or loss of investments accounted for using equity method	791,864	880,677
Earnings distribution of investments accounted for using equity method	( 800,261)	( 649,826)
Changes in capital surplus	183	1,339
Changes in other equity items	( 41,729)	( 21,661)
At December 31	<u>\$ 3,819,621</u>	<u>\$ 3,956,490</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Subsidiaries:		
ECOVE Wujih Energy Corp.	\$ 1,228,849	\$ 1,367,122
ECOVE Environmental Services Corp.	853,832	946,785
ECOVE Waste Management Corp.	100,974	88,797
ECOVE Miaoli Energy Corp.	1,007,915	1,001,040
Yuan Ding Resources Corp.	23,496	23,470
Associate:		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	293,441	307,197
Joint venture:		
G.D. Development Corp.	311,114	222,079
	<u>\$ 3,819,621</u>	<u>\$ 3,956,490</u>

## A. Subsidiaries

(i) The basic information of the subsidiaries that are material to the Company is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2017	December 31, 2016		
ECOVE Wujih Energy Corp.	Taiwan	98.00%	98.00%	Subsidiaries	Equity method
ECOVE Environmental Services Corp.	"	93.15%	93.15%	"	"
ECOVE Waste Management Corp.	"	100.00%	100.00%	"	"
ECOVE Miaoli Energy Corp.	"	74.999%	74.999%	"	"

(ii) The summarized financial information of the subsidiaries that are material to the Company is as follows:

### Balance sheets

	ECOVE Wujih Energy Corp.	
	December 31, 2017	December 31, 2016
Current assets	\$ 487,473	\$ 446,285
Non-current assets	999,428	1,150,220
Current liabilities	( 134,991)	( 107,506)
Non-current liabilities	( 97,982)	( 93,977)
Total net assets	<u>\$ 1,253,928</u>	<u>\$ 1,395,022</u>
Share in subsidiary's net assets	<u>\$ 1,228,849</u>	<u>\$ 1,367,122</u>
Carrying amount of the subsidiary	<u>\$ 1,228,849</u>	<u>\$ 1,367,122</u>

	ECOVE Environmental Services Corp.	
	December 31, 2017	December 31, 2016
Current assets	\$ 1,633,911	\$ 1,890,288
Non-current assets	292,559	249,503
Current liabilities	( 860,907)	( 979,798)
Non-current liabilities	( 144,266)	( 143,604)
Total net assets	<u>\$ 921,297</u>	<u>\$ 1,016,389</u>
Share in subsidiary's net assets	<u>\$ 858,206</u>	<u>\$ 946,785</u>
Carrying amount of the subsidiary	<u>\$ 853,832</u>	<u>\$ 946,785</u>

ECOVE Waste Management Corp.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets	\$ 400,990	\$ 346,426
Non-current assets	54,066	39,222
Current liabilities	( 224,289)	( 197,320)
Non-current liabilities	( 129,793)	( 99,531)
Total net assets	<u>\$ 100,974</u>	<u>\$ 88,797</u>
Share in subsidiary's net assets	<u>\$ 100,974</u>	<u>\$ 88,797</u>
Carrying amount of the subsidiary	<u>\$ 100,974</u>	<u>\$ 88,797</u>

ECOVE Miaoli Energy Corp.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets	\$ 173,463	\$ 233,261
Non-current assets	1,463,676	1,587,043
Current liabilities	( 225,856)	( 240,728)
Non-current liabilities	( 67,372)	( 244,832)
Total net assets	<u>\$ 1,343,911</u>	<u>\$ 1,334,744</u>
Share in subsidiary's net assets	<u>\$ 1,007,915</u>	<u>\$ 1,001,040</u>
Carrying amount of the subsidiary	<u>\$ 1,007,915</u>	<u>\$ 1,001,040</u>

Statement of comprehensive income

ECOVE Wujih Energy Corp.

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Revenue	<u>\$ 727,576</u>	<u>\$ 657,942</u>
Profit for the period from continuing operations	\$ 295,010	\$ 282,563
Other comprehensive (loss) income, net of tax	( 1,798)	3,393
Total comprehensive income	<u>\$ 293,212</u>	<u>\$ 285,956</u>
Dividend received from subsidiary	<u>\$ 249,220</u>	<u>\$ 221,392</u>

	ECOVE Environmental Services Corp.	
	For the years ended December 31,	
	2017	2016
Revenue	\$ 2,929,747	\$ 2,871,714
Profit for the period from continuing operations	\$ 369,656	\$ 489,858
Other comprehensive loss, net of tax	( 24,072)	( 7,463)
Total comprehensive income	\$ 345,584	\$ 482,395
Dividend received from subsidiary	\$ 410,681	\$ 283,881

	ECOVE Waste Management Corp.	
	For the years ended December 31,	
	2017	2016
Revenue	\$ 1,157,573	\$ 991,313
Profit for the period from continuing operations	\$ 44,366	\$ 37,634
Other comprehensive income, net of tax	3,486	954
Total comprehensive income	\$ 47,852	\$ 38,588
Dividend received from subsidiary	\$ 35,172	\$ 24,346

	ECOVE Miaoli Energy Corp.	
	For the years ended December 31,	
	2017	2016
Revenue	\$ 348,186	\$ 360,797
Profit for the period from continuing operations	\$ 150,527	\$ 155,841
Other comprehensive loss, net of tax	( 1,107)	( 3)
Total comprehensive income	\$ 149,420	\$ 155,838
Dividend received from subsidiary	\$ 105,188	\$ 120,207

## B. Associate

(i) The basic information of the associate that is material to the Company is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2017	December 31, 2016		
Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Is.	20.00%	20.00%	Associate	Equity method

(ii) The summarized financial information of the subsidiaries that are material to the Company is as follows:

Balance sheets

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	December 31, 2017	December 31, 2016
Current assets	\$ 334,230	\$ 671,333
Non-current assets	747,923	672,862
Current liabilities	( 2,673)	( 201,038)
Total net assets	<u>\$ 1,079,480</u>	<u>\$ 1,143,157</u>
Share in associate's net assets	<u>\$ 215,896</u>	<u>\$ 228,631</u>
Carrying amount of the associate	<u>\$ 293,441</u>	<u>\$ 307,197</u>

Statement of comprehensive income

	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	
	For the years ended December 31,	
	2017	2016
Revenue	\$ -	\$ 1,328,848
Loss for the period from continuing operations	( 13,126)	( 80,300)
Other comprehensive loss, net of tax	( 35,701)	( 60,888)
Total comprehensive loss	<u>(\$ 48,827)</u>	<u>\$ 141,188</u>

C. Joint venture

(i) The basic information of the joint venture that is material to the Company is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2017	December 31, 2016		
G.D. Development Corp.	Taiwan	49.998%	49.997%	Joint venture	Equity method

- (ii) The summarized financial information of the joint venture that is material to the Company is as follows:

Balance sheets

	<u>G.D. Development Corp.</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash and cash equivalents	\$ 101,988	\$ 18,271
Other current assets	11,483	51,128
Current assets	<u>113,471</u>	<u>69,399</u>
Non-current assets	1,031,074	875,101
Total assets	<u>\$ 1,144,545</u>	<u>\$ 944,500</u>
Current financial liabilities	\$ 197,049	\$ 160,402
Other current liabilities	51,160	71,867
Current liabilities	<u>248,209</u>	<u>232,269</u>
Non-current liabilities	274,084	268,049
Total liabilities	<u>522,293</u>	<u>500,318</u>
Total net assets	<u>\$ 622,252</u>	<u>\$ 444,182</u>
Share in joint venture's net assets	<u>\$ 311,114</u>	<u>\$ 222,079</u>
Carrying amount of the joint venture	<u>\$ 311,114</u>	<u>\$ 222,079</u>

Statement of comprehensive income

	<u>G.D. Development Corp.</u>	
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Revenue	\$ 59,167	\$ 38,754
Depreciation and amortisation	(\$ 24,060)	(\$ 14,829)
Interest income	\$ 1,153	\$ 920
Interest expense	(\$ 4,694)	(\$ 5,614)
Profit before income tax	\$ 27,601	\$ 26,416
Income tax expense	( 2,762)	( 2,865)
Profit for the period	24,839	23,551
Other comprehensive loss, net of tax	( 25,111)	( 7,455)
Total comprehensive (loss) income	<u>(\$ 272)</u>	<u>\$ 16,096</u>



- D. The Company holds 49.998% equity of the joint venture – G.D. Development Corp., the main activity of which is energy technology services.
- E. The Board of Directors of subsidiary, ECOVE Wujih Energy Corp., has proposed a capital reduction of \$180,000 and \$200,000 in March 2017 and May 2016, and resolved by the stockholders during their meeting in June 2017 and 2016. The Company received proceeds from the capital reduction in proportion to its ownership of \$176,400 and \$196,000, respectively.
- F. In December 31, 2016, the Board of Directors of the Company resolved to increase investment in G.D. Development Corp. of \$89,474 in February 2017.

(6) Pensions

A. Defined benefit pension plan

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

- (b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of funded defined benefit obligations	\$ 3,248	\$ 5,278
Fair value of plan assets	( 1,041)	( 1,620)
Net defined benefit liability	<u>\$ 2,207</u>	<u>\$ 3,658</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended			
December 31, 2017			
At January 1	\$ 5,278	(\$ 1,620)	\$ 3,658
Current service cost	879	-	879
Interest expense ( income )	74	( 23)	51
	<u>6,231</u>	<u>( 1,643)</u>	<u>4,588</u>
Remeasurements:			
Change in financial assumptions	72	-	72
Experience adjustments	( 2,263)	7	( 2,256)
	<u>( 2,191)</u>	<u>7</u>	<u>( 2,184)</u>
Pension fund contribution	-	( 197)	( 197)
Paid pension	( 792)	792	-
At December 31	<u>\$ 3,248</u>	<u>(\$ 1,041)</u>	<u>\$ 2,207</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended			
December 31, 2016			
At January 1	\$ 1,818	(\$ 1,452)	\$ 366
Current service cost	345	-	345
Interest expense ( income )	31	( 25)	6
	<u>2,194</u>	<u>( 1,477)</u>	<u>717</u>
Remeasurements:			
Change in financial assumptions	93	-	93
Experience adjustments	2,991	12	3,003
	<u>3,084</u>	<u>12</u>	<u>3,096</u>
Pension fund contribution	-	( 155)	( 155)
At December 31	<u>\$ 5,278</u>	<u>(\$ 1,620)</u>	<u>\$ 3,658</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

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

	Years ended December 31,	
	2017	2016
Discount rate	1.00%	1.40%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 46)	\$ 47	\$ 38	(\$ 37)
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 78)	\$ 80	\$ 66	(\$ 64)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(g) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2018 amounts to \$167.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2017 and 2016, were \$699 and \$676, respectively.

(7) Share-based payment-employee compensation plan

A. For the years ended December 31, 2017 and 2016, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Third plan of employee stock options	2010.6.18	1,200 units	6 years	Service of 2 years
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

B. The above employee stock options are as follows:

(a) Details of the third plan of employee stock options outstanding as of December 31, 2017 and 2016 are as follows: This plan has been completed.

	For the years ended December 31,			
	2017		2016	
Stock options	No. of units (shares in thousand)	Weighted- average exercise price (in dollars)	No. of units (shares in thousand)	Weighted- average exercise price (in dollars)
Options outstanding at beginning of period	-	-	131.75	NT\$ 67.50
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	-	-
Options exercised	-	-	( 131.75)	NT\$ 67.50
Options revoked	-	-	-	-
Options outstanding at end of period	-	-	-	NT\$ 67.50
Options exercisable at end of period	-	-	-	NT\$ 67.50

(b) Details of the fourth plan of employee stock options outstanding as of December 31, 2017 and 2016 are set forth below:

	For the years ended December 31,			
	2017		2016	
Stock options	No. of units (shares in thousand)	Weighted- average exercise price (in dollars)	No. of units (shares in thousand)	Weighted- average exercise price (in dollars)
Options outstanding at beginning of period	215.25	NT\$ 106.30	413.25	NT\$ 112.30
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	( 0.25)	-
Options exercised	( 212.25)	NT\$ 106.30	( 197.75)	NT\$ 111.30
Options revoked	-	-	-	-
Options outstanding at end of period	<u>3.00</u>	NT\$ 106.30	<u>215.25</u>	NT\$ 106.30
Options exercisable at end of period	<u>3.00</u>	NT\$ 106.30	<u>215.25</u>	NT\$ 106.30

(c) Details of the fifth plan of employee stock options outstanding as of December 31, 2017 and 2016 are as follows:

	For the years ended December 31,			
	2017		2016	
Stock options	No. of units (shares in thousand)	Weighted- average exercise price (in dollars)	No. of units (shares in thousand)	Weighted- average exercise price (in dollars)
Options outstanding at beginning of period	435.25	NT\$ 110.00	713.50	NT\$ 116.20
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	( 9.00)	-
Options exercised	( 137.00)	NT\$ 108.95	( 269.25)	NT\$ 114.80
Options revoked	-	-	-	-
Options outstanding at end of period	<u>298.25</u>	NT\$ 103.00	<u>435.25</u>	NT\$ 110.00
Options exercisable at end of period	<u>298.25</u>	NT\$ 103.00	<u>435.25</u>	NT\$ 110.00

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2017 and 2016 was NT\$171.9 and NT\$172.65 (in dollars), respectively.

D. As of December 31, 2017 and 2016, the range of exercise prices of stock options outstanding was NT\$103 ~ NT\$106.3, NT\$67.50 ~ NT\$110.00 and (in dollars), respectively; the weighted-average remaining contractual period was as follows:

Type of arrangement	December 31, 2017	December 31, 2016
Third plan of employee stock options	-	-
Fourth plan of employee stock options	-	0.50 years
Fifth plan of employee stock options	0.50 years	1.50 years

E. For the stock options granted after January 1, 2008, with compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The information is as follows:

Type of arrangement	Grant date	Market value (Note)	Exercise price	Expected price volatility	Expected duration	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
Third plan of employee stock options	2010.6.18	NT\$ 94.0	NT\$ 94.0	33.68%	4.50 years	0%	0.93%	NT\$ 27.66
Fourth plan of employee stock options	2011.6.17	NT\$146.0	NT\$146.0	38.65%	4.50 years	0%	1.05%	NT\$ 48.82
Fifth plan of employee stock options	2012.6.28	NT\$145.0	NT\$145.0	33.63%	4.60 years	0%	1.00%	NT\$ 42.79

Note: The Company had been officially listed in the OTC market on May 27, 2010 whose net value was measured at fair value before being listed in the OTC market and measured at market value after being listed in the OTC market.

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

	For the year ended December 31, 2017	For the year ended December 31, 2016
Equity-settled	\$ -	\$ 422

(8) Share capital

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

	2017	2016
At January 1	66,461,398	65,839,365
Convertible bonds	-	23,283
Employee stock options exercised	349,250	598,750
At December 31	66,810,648	66,461,398

B. As of December 31, 2017, the Company's authorized capital was \$800,000, consisting of 80,000 thousand shares of ordinary stock (including 6,000 thousand shares reserved for employee stock options), and the paid-in capital was \$668,106 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(9) 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:

	Share premium	Employee stock options	Others	Total
At January 1, 2017	\$ 1,936,651	\$ 189,886	\$ 313	\$ 2,126,850
Share-based payment transaction	-	183	-	183
Employee stock options exercised	35,318	( 1,322)	-	33,996
At December 31, 2017	<u>\$ 1,971,969</u>	<u>\$ 188,747</u>	<u>\$ 313</u>	<u>\$ 2,161,029</u>
At January 1, 2016	\$ 1,877,736	\$ 191,217	\$ 313	\$ 2,069,266
Share-based payment transaction	-	1,761	-	1,761
Employee stock options exercised	58,915	( 3,092)	-	55,823
At December 31, 2016	<u>\$ 1,936,651</u>	<u>\$ 189,886</u>	<u>\$ 313</u>	<u>\$ 2,126,850</u>

C. Please refer to Note 6(7) for detailed information about capital reserve from employee stock warrants.

(10) Retained earnings

As of December 31, 2017 and 2016, the Company's retained earnings are set forth below:

	2017	2016
At January 1	\$ 1,445,777	\$ 1,314,258
Legal reserve	( 84,809)	( 71,037)
Appropriations of earnings	( 757,173)	( 639,352)
Profit, attributable to owner of the parent	761,339	848,097
Remeasurement on post employment benefit obligations, net of tax	( 5,986)	( 6,189)
At December 31	<u>\$ 1,359,148</u>	<u>\$ 1,445,777</u>

- A. When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, with the resolution of the board of directors, distribute at least 0.01% of the income before tax to pay to the employees as remuneration, and distribute no more than 2% of the income before tax to pay to the board of directors as remuneration. The remuneration could be stock or cash, and the employee remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employee remuneration or the board of directors' remuneration shall be submitted to the shareholders 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 ten percent of such profits as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. Furthermore, in accordance with the provisions of laws and regulations and the rules prescribed by the central competent authority, a special reserve shall be set aside. If there is recovery of the balance of special reserve, the recovered amount shall be included in the distribution of the profit for the current year.

The allocable profit for the current year, which is the balance after the profit distribution and covering losses aforementioned 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 imputation tax system requires that any undistributed current earnings of the Company are subject to an additional 10% corporate income tax if the earnings are not distributed in the following year.
- F. The Company recognized dividends of \$757,173 (NT \$ 11.37 per share) and \$639,352 (NT \$ 9.69 per share) in 2017 and 2016, respectively. In addition, based on the Board of Directors' meeting in July 7, 2017, 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\$11.37 per share to NT\$11.33659144 per share.
- G. The appropriation of 2016 and 2015 earnings had been resolved at the stockholders' meeting on June 26, 2017 and June 21, 2016, respectively.

Details are summarized below:

	2016	2015
Legal reserve	\$ 84,809	\$ 71,037
Cash dividends	757,173	639,352
Total	<u>\$ 841,982</u>	<u>\$ 710,389</u>

- H. The appropriation of 2017 earnings had been proposed by the Board of Directors during their meeting on March 8, 2018. Details are summarized below:

	2017	
	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 76,134	\$ -
Special reserve	32,139	-
Cash dividends	647,313	9.69
Total	<u>\$ 755,586</u>	<u>\$ 9.69</u>

The appropriation of 2017 earnings has not been resolved at the stockholders' meeting as of March 8, 2018.

- I. For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(12).

(11) Expenses by nature

	For the years ended December 31,	
	2017	2016
Employee benefit expense	\$ 42,417	\$ 39,522
Services	2,341	3,169
Insurances	100	91
Other expenses	4,937	5,700
Total operating expenses	<u>\$ 49,795</u>	<u>\$ 48,482</u>

(12) Employee benefit expense

	For the years ended December 31,	
	2017	2016
Salaries	\$ 33,533	\$ 31,297
Employee stock options	-	422
Labor and health insurance fees	1,329	1,177
Pension costs	1,629	1,027
Other personnel expenses	5,926	5,599
	<u>\$ 42,417</u>	<u>\$ 39,522</u>

As of December 31, 2017 and 2016, the Company has 18 and 19 employees, respectively.

- A. According to the Articles of Incorporation of the Company, when net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, with the resolution of the board of directors, distribute at least 0.01% of the income before tax to pay to the employees as remuneration, and distribute no more than 2% of the income before tax to pay to the board of directors as remuneration. The remuneration could be stock or cash, and the employee remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions. A report of the distribution of employee remuneration or the board of directors' remuneration shall be submitted to the shareholders at the shareholders' meeting.
- B. For the years ended December 31, 2017 and 2016, employees' compensation (bonus) was accrued at \$359 and \$475, respectively; directors' and supervisors' remuneration was accrued at \$5,200 and \$5,200, respectively. The aforementioned amounts were recognized in salary expenses and other expense.

For the year ended December 31, 2017, employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.01% and 2% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration for 2016 amounting to \$475 and \$5,200, respectively, as resolved by the meeting of board of directors were in agreement with those amounts recognised in the 2016 financial statements.

Information about employees' compensation (bonus) 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.

(13) Income tax

A. Components of income tax expense

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Current tax:		
Current tax on profits for the period	\$ 2,737	\$ 2,426
Origination and reversal of temporary differences	-	666
Prior year income tax (over) under estimation	( 84)	29
Income tax expense	<u>\$ 2,653</u>	<u>\$ 3,121</u>

B. Reconciliation of difference between the financial income and taxable income:

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Income before tax calculated using statutory tax	\$ 129,879	\$ 145,373
Prior year income tax (over) under estimation	( 84)	29
Effect of exempt income	( 127,142)	( 142,281)
Income tax expense	<u>\$ 2,653</u>	<u>\$ 3,121</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

	<u>2016</u>		
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>December 31</u>
Temporary differences:			
– Deferred tax assets:			
Unrealized foreign investment losses	\$ 666	(\$ 666)	\$ -

D. As of December 31, 2017, the Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

E. Unappropriated retained earnings:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Earnings generated in and after 1998	<u>\$ 1,359,148</u>	<u>\$ 1,445,777</u>

F. As of December 31, 2017 and 2016, the balance of the imputation tax credit account was \$171,860 and \$132,342, respectively. The creditable tax rate was 9.15% for 2016. Under the amendments to the Income Tax Act which were promulgated by the President of the Republic of China on February 7, 2018, the imputation tax system will be abolished and the imputation credit account and its related record, calculation and penal provisions will no longer be applicable beginning January 1, 2018. Therefore, no creditable tax rate is applicable for the appropriation of 2017 earnings.

(14) Earnings per share

	<u>For the year ended December 31, 2017</u>		
	<u>Net income</u>	<u>Weighted-average outstanding shares (in thousands)</u>	<u>Earnings per share</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 761,339	66,739	\$ 11.41
<u>Diluted earnings per share:</u>			
Dilutive effect of common stock equivalents			
Employee stock options	-	110	
Employee bonus	-	3	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 761,339</u>	<u>66,852</u>	<u>\$ 11.39</u>
	<u>For the year ended December 31, 2016</u>		
	<u>Net income</u>	<u>Weighted-average outstanding shares (in thousands)</u>	<u>Earnings per share</u>
<u>Basic earnings per share:</u>			
Profit attributable to owners of the parent	\$ 848,097	66,271	\$ 12.80
<u>Diluted earnings per share:</u>			
Dilutive effect of common stock equivalents			
Employee stock options	-	241	
Employee bonus	-	3	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 848,097</u>	<u>66,515</u>	<u>\$ 12.75</u>

(15) Operating leases

The Company leases offices to others under non-cancellable operating lease agreements. The leases have terms expiring between one and two years. The Company recognized rental expenses of \$965 and \$661 for the years ended December 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Not later than one year	\$ 220	\$ 220

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by CTCI Corporation (incorporated in R.O.C.), which owns 57.57% of the Company's shares. The remaining 42.43% of the shares are widely held.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
CTCI Corp.	The ultimate parent
ECOVE Wujih Energy Corp.	Subsidiaries
ECOVE Environmental Services Corp.	Subsidiaries
ECOVE Waste Management Corp.	Subsidiaries
ECOVE Miaoli Energy Corp.	Subsidiaries
Boretch Resource Recovery Engineering Co., Ltd. (Cayman)	Associates
G.D. Development Corp.	Joint ventures

(3) Significant transactions and balances with related parties

A. Directors' and supervisors' remuneration (shown in "other income")

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
ECOVE Wujih Energy Corp.	\$ 2,177	\$ 2,290
ECOVE Environmental Services Corp.	6,250	5,055
Subsidiaries	749	515
	<u>\$ 9,176</u>	<u>\$ 7,860</u>

B. Other revenue/receivables from related parties

(a) Receivables from related parties

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
-Loans to related parties		
G.D. Development Corp.	\$ -	\$ 29,013
-Others		
G.D. Development Corp.	6,745	3,115
Subsidiaries (note)	<u>1,229</u>	<u>-</u>
	<u>\$ 7,974</u>	<u>\$ 32,128</u>

(b) Other revenue

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest revenue		
The ultimate parent	\$ 1,295	\$ -
Joint ventures (Note 1)	<u>508</u>	<u>465</u>
	<u>\$ 1,803</u>	<u>\$ 465</u>
Personnel transfers revenue		
G.D. Development Corp. (Note 2)	\$ 3,458	\$ 2,995
Associates (Note 2)	<u>385</u>	<u>59</u>
	<u>\$ 3,843</u>	<u>\$ 3,054</u>

Note 1: The terms of lending include interest to be calculated and received monthly, using the annual rate of 1.8% both for the years ended December 31, 2017 and 2016.

Note 2: For personnel transfers from related parties.

C. Operating expenses/Other payables-related parties

(a) Operating expenses

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
CTCI Corp. (Notes 1 and 2)	\$ 5,068	\$ 4,897
Subsidiaries (Note 2 and 3)	<u>1,269</u>	<u>1,360</u>
	<u>\$ 6,337</u>	<u>\$ 6,257</u>

Note 1: For both of the years ended December 31, 2017 and 2016, the Company paid directors' and supervisors' remuneration amounting to \$2,800.

Note 2: For personnel transfers from related parties, information system service expense and office rent.



Note 3: Amortization of rent and administrative expense of the office in Neihu.

(b) As of December 31, 2017 and 2016, the Company has unpaid obligations to related parties as follows: (shown in “other payables”)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
CTCI Corp	\$ 785	\$ 693
Subsidiaries	57	348
	<u>\$ 842</u>	<u>\$ 1,041</u>

D. Endorsements and guarantees for others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
G.D. Development Corp.	\$ 631,253	\$ 667,708

(4) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Salaries and other short-term employee benefits	\$ 22,484	\$ 16,917
Share-based payments	-	73
Total	<u>\$ 22,484</u>	<u>\$ 16,990</u>

#### 8. PLEGDED ASSETS

The Company’s assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31,2017</u>	<u>December 31,2016</u>	
Other current assets			
Restricted cash in banks	\$ 10,000	\$ -	Guaranteed for bid

#### 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Please refer to Note 7(3)D for detailed information.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) The appropriation of 2017 earnings had been proposed at the Board of Directors’ meeting on March 8, 2018, please refer to Note 6(10)H for detailed information.

- (2) The amendments to the Income Tax Act were promulgated by the President of the Republic of China on February 7, 2018 effective from January 1, of which are significant to the Company as follows:
- A. Under the amendments, the Company's applicable income tax rate will be raised from 17% to 20%.
  - B. Under the amendments to the Income Tax Act, the imputation tax system will be abolished and the imputation credit account will be adjusted to zero beginning January 1, 2018.

## 12. OTHERS

### (1) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

### (2) Financial instruments

#### A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, other receivables and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

#### B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.
- (b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of

excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2017		
	Foreign currency Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 104	\$ 29.848	\$ 3,105

	December 31, 2016		
	Foreign currency Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 100	\$ 32.199	\$ 3,220

- ii. The unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2017 and 2016 amounted to (\$128) and \$27, respectively.

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

	Year ended December 31, 2017		
	Sensitivity analysis		
	Extent of variation	Effect on Profit or loss	Effect on Equity
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	1.00%	\$ 31	\$ -

	Year ended December 31, 2016		
	Sensitivity analysis		
	Extent of variation	Effect on Profit or loss	Effect on Equity
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	1.00%	\$ 32	\$ -

#### Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

- ii. The credit quality information of financial assets that are neither past due nor impaired is as follows:

	<u>December 31, 2017</u>		
	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>
Other receivables	\$ -	\$ -	\$ 710
Other receivables-related parties	-	-	7,974
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,684</u>

	<u>December 31, 2016</u>		
	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>
Other receivables	\$ -	\$ -	\$ 521
Other receivables-related parties	-	-	32,128
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,649</u>

Group 1: Government.

Group 2: Listed companies.

Group 3: Others.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial liabilities</u>		
<u>December 31, 2017</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Other payables (related parties)	\$ 20,222	\$ -

<u>Non-derivative financial liabilities</u>		
<u>December 31, 2016</u>	<u>Up to 1 year</u>	<u>Over 1 year</u>
Other payables (related parties)	\$ 20,758	\$ -

(3) Fair value estimation

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 11(2)A.

B. 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: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Company's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of the Company's investment in corporate bonds and convertible bonds is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data. The Company has no investments in any financial instruments belonging to level 3.

The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2017 and 2016.

December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$ 98,073	\$ -	\$ -	\$ 98,073
Available-for-sale financial assets				
Equity securities	<u>24,849</u>	<u>-</u>	<u>-</u>	<u>24,849</u>
Total	<u>\$ 122,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,922</u>

December 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$ 402,362	\$ -	\$ -	\$ 402,362
Available-for-sale financial assets				
Equity securities	<u>15,259</u>	<u>-</u>	<u>-</u>	<u>15,259</u>
Total	<u>\$ 417,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,621</u>

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

Market quoted price	Listed shares	Open-end fund
	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. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- F. For the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2.
- G. For the years ended December 31, 2017 and 2016, there were no input and output into Level 3.
- H. Specific valuation techniques used to value financial instruments include:
- (a) Quoted market prices or dealer quotes for similar instruments.
  - (b) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

### 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: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in inland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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



ECOVE ENVIRONMENT CORPORATION  
Details of cash and equivalents  
December 31, 2017  
(Expressed in thousands of New Taiwan dollars)

Item	Summary		Amount
Demand deposits			
—USD	USD\$3	Exchange rate 29.848	\$ 90
—NTD			11,195
			<u>11,285</u>
Checking accounts			<u>555</u>
Time deposits			
—USD	USD\$101	Exchange rate 29.848	3,015
—NTD			730,831
			<u>733,846</u>
			<u>\$ 745,686</u>

ECOVE ENVIRONMENT CORPORATION

Details of financial assets at fair value through profit or loss-current

December 31, 2017

(Expressed in thousands of New Taiwan dollars)

	Number of shares (thousand share)	Par value (in dollars)	Acquisition costs	Fair value		Note
				Amount	Price (in dollars)	
Financial commodities						
Prudential Financial Money Market Fund	4,327	\$ 15.69	\$ 67,902	\$ 15.72	\$ 68,039	-
FSITC Taiwan Money Market Fund	1,975	15.18	29,990	15.21	30,034	-
			\$ 97,892	\$ 97,892	\$ 98,073	-

ECOVE ENVIRONMENT CORPORATION  
Details of available-for-sale financial assets-current  
December 31, 2017  
(Expressed in thousands of New Taiwan dollars)

Financial Commodities	Summary	Number of Shares	Par value (in dollars)	Amount	Acquisition costs	Accumulated impairment	Fair value		Notes
							Price (in dollars)	Amount	
Taiwan Cement Corp.	Stocks	429,780	\$ 10.0	\$ 4,298	\$ 16,671	\$ -	\$ 36.45	\$ 15,665	-
Gentech Energy Corp.	"	515,941	10.0	5,159	20,877	-	17.80	9,184	-
Less: Valuation adjustment				(	12,699)				
				\$	24,849				

ECOVE ENVIRONMENT CORPORATION

Details of financial assets measured at cost-non-current

December 31, 2017

(Expressed in thousands of New Taiwan dollars)

Name	Beginning of the period		Additions		Reductions		End of the period		Pledged to others as collaterals
	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts	
TSC Venture Mangement, Inc.	216,000	\$ 2,160	-	\$ -	( 216,000)	(\$ 2,160)	-	\$ -	N/A
Teamwin Opto-Electronics Co., Ltd.	150,000	2,261	-	-	-	-	150,000	2,261	"
Eastern Pacific Energy Sdn.Bhd.	10,000	81	-	-	-	-	10,000	81	"
		4,502		\$ -		(\$ 2,160)		2,342	
Less: Accumulated impairment		( 3,946)		-		-		( 1,799)	
		\$ 556		-		-		\$ 543	

ECOVE ENVIRONMENT CORPORATION

Details of investments accounted for using the equity method

For the year ended December 31, 2017

(Expressed in thousands of New Taiwan dollars)

Name	Beginning of the period		Additions (reductions)		Investment (loss)	Balance at December 31, 2017		Value per share	Pledged to other as collaterals
	Number of shares (per share)	Amounts	Number of shares (per share)	Amounts		Number of shares (per share)	interest held %		
ECOVE Wujih Energy Corp.	47,040,000	\$ 1,367,122	( 17,640,000)	(\$ 427,383)	\$ 289,110	29,400,000	98.00	\$ 1,228,849	N/A
ECOVE Environmental Services Corp.	14,065,936	946,785	-	( 432,921)	339,968	14,065,936	93.15	853,832	"
ECOVE Waste Management Corp.	2,000,000	88,797	-	( 32,189)	44,366	2,000,000	100.00	100,974	"
ECOVE Miaoli Energy Corp.	56,249,000	1,001,040	-	( 106,019)	112,894	56,249,000	74.999	1,007,915	"
Yuan Ding Resources Corp.	2,700,000	23,470	-	-	26	2,700,000	60.00	23,496	"
Boretch Resource Recovery Engineering Co., Ltd. (Cayman)	13,333,333	307,197	-	( 7,141)	( 6,615)	13,333,333	20.00	293,441	"
G.D. Development Corp.	20,051,545	222,079	8,218,087	76,920	12,115	28,269,632	49.998	311,114	"
		<u>\$ 3,956,490</u>		<u>(\$ 928,733)</u>	<u>\$ 791,864</u>			<u>\$ 3,819,621</u>	<u>\$ 3,752,453</u>

ECOVE ENVIRONMENT CORPORATION  
Details of operating expenses  
For the year ended December 31, 2017  
(Expressed in thousands of New Taiwan dollars)

<u>Accounts</u>	<u>General &amp; Administrative expenses</u>
Salaries	\$ 33,533
Pension costs	1,629
Services	2,341
Other expenses	12,292
	<u>\$ 49,795</u>

ECOVE ENVIRONMENT CORPORATION  
Details of employee benefit expenses  
For the year ended December 31, 2017  
(Expressed in thousands of New Taiwan dollars)

Nature	Function	2017	2016
		Operating expense	Operating expense
Employee benefit expense			
Salaries		\$ 33,533	\$ 31,719
Labor and health insurance fees		1,329	1,177
Pension costs		1,629	1,027
Other personnel expenses		5,926	5,599
Depreciation		-	-
Amortization		-	-

As of December 31, 2017 and 2016, the Company has 18 and 19 employees, respectively.

ECOVE ENVIRONMENT CORPORATION

Loans to others

For the year ended December 31, 2017

Expressed in thousands of NTID  
(Except as otherwise indicated)

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Yes	Maximum outstanding balance during the year ended December 31, 2017 (Note 3)	Balance at December 31, 2017 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
		G.D. Development Corp.	Other receivables- related parties			\$	\$	\$		2	\$	For operational needs	\$	\$	\$		
0	ECOVE Environment Corp.					30,000	-	-	-						468,364	1,873,456	-
0	"	CTCI Corp.		"		430,000	430,000	-	-	"	"	"	"	"	468,364	1,873,456	-
1	ECOVE Waste Management Corp.	CTCI Corp.		"		14,000	14,000	-	-	"	"	"	"	"	10,097	40,390	-
1	"	CTCI Machinery Corp.		"		14,000	14,000	7,000	1.01%	"	"	"	"	"	10,097	40,390	-
1	"	E&C Engineering Corp.		"		14,000	14,000	7,000	1.01%	"	"	"	"	"	10,097	40,390	-
2	ECOVE Environmental Services Corp.	CTCI Corp.		"		156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-
2	"	CTCI Machinery Corp.		"		156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-
2	"	E&C Engineering Corp.		"		156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-
2	"	Resources Engineering Services Inc.		"		156,000	140,000	-	-	"	"	"	"	"	92,130	368,519	-



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

(1)The Company is '0'.

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

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

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2017.

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 amounts or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

ECOVE ENVIRONMENT CORPORATION

Provision of endorsements and guarantees to others

For the year ended December 31, 2017

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 2

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees/ provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2017 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2017 (Note 5)	Amount of endorsements/ guarantees secured with collateral (Note 6)	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.	G.D. Development Corp.		6	\$ 9,367,278	\$ 667,708	\$ 631,253	\$ 447,960	\$ 14,050,917	N	N	N	-

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

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

(5)Mutual guarantee of the trade as required by the construction contract.

(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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

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

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

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

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

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

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

ECOVE ENVIRONMENT CORPORATION

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

December 31, 2017

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by ECOVE Environment Corp.	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	Number of shares/ denominations	December 31, 2017		Footnote (Note 4)
	Type	Name				Book value (Note 3)	Ownership (%)	
"	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	1,975,027	\$ 29,990	\$ 30,034	-
"	"	Prudential Financial Money Market Fund	"	"	4,327,402	67,902	68,039	-
				Adjustment		181		
"	Common Stock	Taiwan Cement Corp.	"	Available-for-sale financial assets-current	429,780	\$ 16,671	\$ 15,665	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	"	515,941	20,877	9,184	-
				Adjustment		(12,699)		
"	"	Teamwin Opto-Electronics Co., Ltd.	N/A	Financial assets carried at cost-non-current	150,000	\$ 2,261	\$ 475	-
"	"	Eastern Pacific Energy Sdn. Bhd	The Chairman of the Company is the Board of director	"	10,000	81	68	-
				Less: Accumulated impairment		(1,799)		
						\$ 543	\$ 543	
ECOVE Wujih Energy Corp.	Fund	FSITC Taiwan Money Market Fund	N/A	Financial assets at fair value through profit or loss-current	3,749,545	\$ 57,020	\$ 57,020	-
"	"	Prudential Financial Money Market Fund	"	"	269,008	4,229	4,229	-
"	Common Stock	Taiwan Cement Corp.	"	Available-for-sale financial assets-current	432,280	15,757	15,757	-

Marketable securities ( Note 1 )		Relationship with the securities issuer ( Note 2 )			December 31, 2017			Footnote ( Note 4 )
Securities held by	Type	Name	General ledger account	Number of shares/ denominations	Book value ( Note 3 )	Ownership (%)	Fair value	
ECOVE Environmental Services Corp.	Fund	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss-current assets-current	18,013,095	\$ 185,054	-	\$ 185,054	-
"	Common Stock	CTCI Corp.	Ultimate parent company	1,028	46	-	46	-
"	"	Taiwan Cement Corp.	N/A	1,138,156	41,486	-	41,486	-
"	"	Gintech Energy Corp.	The Chairman of CTCI Corp. is the director	642,135	11,430	-	11,430	-
"	Bonds	BP capital PLC	N/A	6,000,000	27,417	-	27,417	Note 5
ECOVE Waste Management Corp.	Fund	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss-current	2,647,496	41,626	-	41,626	-
"	"	FSITC Taiwan Money Market Fund	"	2,663,263	40,500	-	40,500	-
"	Common Stock	Taiwan Cement Corp.	"	435,310	15,867	-	15,867	-
ECOVE Miaoli Energy Corp.	Fund	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss-current	230,205	3,501	-	3,501	-
"	"	Prudential Financial Money Market Fund	"	445,647	7,007	-	7,007	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IAS 39 'Financial instruments : recognition and measurement'.

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.

Note 5: The book value of bonds and funds are denominated in CNY.

ECOVE ENVIRONMENT CORPORATION

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

For the year ended December 31, 2017

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2017		Addition (Note 3)		Disposal (Note 3)		Balance as at December 31, 2017		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
ECOVE Environment Corp.	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	10,798,064	\$ 163,520	6,107,815	\$ 92,640	14,930,852	\$ 226,251	81	\$ 226,170	
"	FSITC Money Market Fund	"	-	-	1,128,720	199,400	-	-	1,128,720	199,489	89	199,400	
ECOVE Wujih Energy Corp.	FSITC Taiwan Money Market Fund	"	-	-	2,294,153	34,726	10,469,369	159,000	9,013,977	136,904	178	136,726	
ECOVE Environmental Services Corp.	Jih Sun Money Market Fund	"	-	-	-	-	18,891,919	277,750	18,891,919	277,800	50	277,750	
"	Yuanta De-Bao Money Market Fund	"	-	-	-	-	19,645,541	234,000	19,645,541	234,018	18	234,000	
"	Franklin Templeton Sinoam Money Market Fund	"	-	-	25,361,234	259,500	35,071,305	360,000	42,419,444	434,643	173	434,470	
												1,975,027	\$ 29,990

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

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

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

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

**ECOVE ENVIRONMENT CORPORATION**

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2017

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)	Percentage of total notes/accounts receivable (payable)	Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance			
ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	Affiliate	(Waste disposal revenue)	\$ 406,621 (	56% )	30 days quarterly	No significant difference	\$	74,952	25%	-	
"	ECOVE Environmental Services Corp.	"	Cost of services	255,219 (	39% )	"	"	(	82,066)	85%	(	
ECOVE Environmental Services Corp.	CTCI Corp.	Ultimate parent company	(Operating revenue)	159,287 (	5% )	"	"		48,548	7%	-	
"	ECOVE Wujih Energy Corp.	Affiliate	"	255,219 (	9% )	"	"	"	82,066	12%	**	
"	ECOVE Miaoli Energy Corp.	"	"	140,878 (	5% )	"	"	"	23,149	4%	-	
"	ECOVE Waste Management Corp.	"	"	541,683 (	18% )	"	"	"	98,012	15%	-	
"	CTCI Chemicals Corp.	"	Purchase	112,222	5%	"	"	(	21,876)	4%	(	
ECOVE Waste Management Corp.	ECOVE Wujih Energy Corp.	"	Waste disposal cost	541,683	50%	"	"	(	98,012)	55%	(	
"	ECOVE Environmental Services Corp.	"	"	406,621	37%	"	"	(	74,952)	42%	(	
ECOVE Miaoli Energy Corp.	ECOVE Environmental Services Corp.	"	Cost of services	140,878	91%	"	"	(	23,149)	97%	(	

ECOVE ENVIRONMENT CORPORATION

Significant inter-company transactions during the reporting period  
For the year ended December 31, 2017

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 6

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction terms		Amount	General ledger account	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				30 days	quarterly				
1	ECOVE Wujih Energy Corp.	ECOVE Waste Management Corp.	3	Operating revenue	\$	406,621	Operating revenue	30 days quarterly	9.08%
1	"	"	"	Accounts receivable		74,952	Accounts receivable	"	1.06%
2	ECOVE Environmental Services Corp.	ECOVE Wujih Energy Corp.	"	Operating revenue		255,219	Operating revenue	"	5.70%
2	"	ECOVE Miaoli Energy Corp.	"	"		140,878	"	"	3.14%
2	"	ECOVE Waste Management Corp.	"	"		541,683	"	"	12.09%
2	"	ECOVE Wujih Energy Corp.	"	Accounts receivable		82,066	Accounts receivable	"	1.16%
2	"	ECOVE Waste Management Corp.	"	"		98,012	"	"	1.39%

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

ECOVE ENVIRONMENT CORPORATION  
Information on investees

For the year ended December 31, 2017

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2017		Net profit (loss) of the investees for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
ECOVE Environment Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	\$ 425,085	\$ 601,485	29,400,000	98.00%	\$ 1,228,849	\$ 295,010	\$ 289,110	A subsidiary
ECOVE Environment Corp.	ECOVE Environmental Services Corp.	Taiwan	Refuse incineration plant's operation, machinery and equipment maintenance, etc.	339,921	339,921	14,065,936	93.15%	853,832	369,656	339,968	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%	100,974	44,366	44,366	A subsidiary
ECOVE Environment Corp.	ECOVE Miaoili Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	1,012,483	1,012,483	56,249,000	74.999%	1,007,915	150,527	112,894	A subsidiary
ECOVE Environment Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	27,000	27,000	2,700,000	60.00%	23,496	45	26	A subsidiary
ECOVE Environment Corp.	Boretech Resource Recovery Engineering Co., Ltd. (Cayman)	Cayman Island	Share holding and investment.	309,489	309,489	13,333,333	20.00%	293,441	( 13,126 )	( 6,615 )	An investee under equity method



		Initial investment amount			Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended		Investment income/(loss) recognised by the Company for the year ended		Footnote
Investor	Investee	Location	Main business activities	Balance as at December 31, 2016	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	December 31, 2017	December 31, 2017		
ECOVE Environment Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	279,465	189,991	28,269,632	49.998%	\$ 311,114	24,839	12,115	An investee which has a 50% interest in a joint venture	
ECOVE Environmental Services Corp.	ECOVE Wujih Energy Corp.	Taiwan	Waste services equipment installation, co-generation, waste services and other environmental services, etc.	\$ 6,000	\$ 9,600	600,000	2.00%	\$ 25,079	\$ 295,010	\$ 5,900	Affiliate	
ECOVE Environmental Services Corp.	CTCI Chemicals Corp.	Taiwan	Industrial chemicals' wholesale manufacturing and retail.	24,851	24,851	1,910,241	26.9048%	61,943	57,982	15,601	Affiliate	
ECOVE Environmental 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	150,527	2	Affiliate	
ECOVE Environmental Services Corp.	G.D. Development Corp.	Taiwan	Energy technology services etc.	8	8	1,096	0.002%	12	24,839	-	Affiliate	
ECOVE Environmental 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%	63,667	193,550	58,065	A subsidiary	
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%	61	369,656	25	Affiliate	
ECOVE Waste Management Corp.	Yuan Ding Resources Corp.	Taiwan	Waste services, waste clean, other environmental services, and environmental pollution services, etc.	18,000	18,000	1,800,000	40.00%	15,664	45	18	Affiliate	

**ECOVE ENVIRONMENT CORPORATION**  
Information on investments in Mainland China  
For the year ended December 31, 2017

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)(2)B	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
Gransino Environmental Technology Co., Ltd.	Environmental technical advisory, urban environmental sanitation and processing equipment technology R&D, environmental pollution control equipment maintenance, and construction management, etc.	22,193	1	10,874	-	10,874	-	-	-	-	3,377	Note 4
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	9,135	93.16%	8,510	14,279	-	"
Company name												
ECOVE Environment Corp.	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	4,147		4,147		4,147						
	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)											
	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA											
		\$		\$		\$					\$	
		4,147		4,147		4,147					3,377	Note 4

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

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

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2017' column:

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

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

Note 4: Invested by ECOVE Environmental Services Corp.

ECOVE ENVIRONMENT CORPORATION

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas  
For the year ended December 31, 2017

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Interest during the year ended December 31, 2017	Others
	Amount	%	Amount	%	Balance at December 31, 2017	%	Balance at December 31, 2017	Maximum balance during the year ended December 31, 2017	Balance at December 31, 2017	Interest rate		
ECOVE Environment Consulting Corp.	\$ 60,524	2.07%	-	-	\$ 48,603	7.39%	\$ -	\$ -	\$ -	-	\$ -	-