

**Minutes of 2019 Annual General Meeting of Shareholders of
ECOVE Environment Corporation
(Original company name : KD Holding Corporation)
(Translation)**

(This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)

Time and Date of Meeting: 9:00 a.m., May 30, 2019

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

**Total outstanding shares of ECOVE Environment Corp. (excluding the shares without voting right as stipulated in Article 179 of the Company Act) :
67,105,148 shares**

Total shares represented by shareholders present : 48,681,554 shares

Percentage of shares held by shareholders present : 72.54%

Attendees :

**Shean Bii Chiu (Independent Director, Audit Committee convener),
Eugene Chien (Director), Shuh Woei Yu (Independent Director),
Kuan Shen Wang (Director), Yang ming Liu (Director), Y. P. Shih
(Director & General Manager), Shyu-Rong Ueng (CPA), Frank Kung
(Attorney-at-law)**

Chairman : J. J. Liao, the Chairman of the Board of Directors

Recorder : C. N. Jiang

**The aggregate shareholding of the shareholders present constituted a quorum.
The Chairman called the meeting to order.**

Chairman's Address : (Omitted)

1. Report Items

- (1) Business Report of 2018. (Please refer to Attachment 1)
- (2) Audit committee's review report of 2018. (Please refer to Attachment 5)
- (3) The directors' & employees' remuneration of 2018. (Please refer to Attachment 6)
- (4) As at 31/12/2018, the aggregate amount of guarantees provided by the company was NT\$1,143,589 thousands and the highest amount for a single enterprise was NT\$1,143,589 thousands which are all under its respective ceiling. (Please refer to Attachment 7)

2. Ratification Items

(1) To Ratify 2018 Business Report, Financial Statements and Consolidated Financial Statements (Proposed by the Board of Directors)

Explanatory Notes :

The Company's 2018 business report, financial statements and consolidated financial statements have been approved by the Board of Directors, with the financial statements having been audited and certified by Mr. Shyu-Rong Ueng and Ms. Shu-Chiung Chang, the CPA of the PricewaterhouseCoopers.

The above-mentioned documents subsequently examined by Audit Committee pursuant to Article 228 of the Company Act. The Business Report and Financial Statements are hereby submitted for ratification. (Please refer to Attachment 1 ~ Attachment 3)

Voting Results : 47,531,554 shares were represented at the time of voting

Voting Results	% of the total represented share present
Votes in favor : 47,420,782 votes (among which 45,805,507 were exercised through e-voting)	99.76%
Votes against : 9,444 votes (among which 9,444 were exercised through e-voting)	0.01%
Votes invalid : 0 vote	0.00%
Votes abstained : 101,328 votes (among which 13,878 were exercised through e-voting)	0.21%

Resolved, that 2018 Business Report and Financial Statements be and hereby were ratified as submitted.

(2) To Ratify the Company's Distribution of 2018 earnings (Proposed by the Board of Directors)

Explanatory Notes :

- 1) The Table for 2018 Estimated Profit Distribution is compiled as follows in accordance with the Company Act and Articles of Incorporation (Please refer to Attachment 4) and has been approved by the Audit Committee and Board of Directors of the Company.
- 2) It is proposed to allocate shareholders' cash dividends of NT\$726,077,701 (NT\$10.82 per share based on common share outstanding is 67,105,148 shares). Upon the approval of the Annual General Meeting of shareholders, it is proposed that the Board of Directors will be authorized to determine the record date to distribute the cash dividend and other relevant issues.
- 3) In case that the total common shares outstanding may change and the ultimate cash to be distributed to each common share may need to be adjusted, it is proposed that the Board of Directors will be authorized to do adjustment.
- 4) The distribution of cash dividends will be calculated to new Taiwan dollar and round it to the nearest dollar. It is proposed that any difference will be booked as the other income or expense of the Company.

Voting Results : 47,531,554 shares were represented at the time of voting

Voting Results	% of the total represented share present
Votes in favor : 47,420,782 votes (among which 45,805,507 were exercised through e-voting)	99.76%
Votes against : 9,444 votes (among which 9,444 were exercised through e-voting)	0.01%
Votes invalid : 0 vote	0.00%
Votes abstained : 101,328 votes (among which 13,878 were exercised through e-voting)	0.21%

Resolved, that the Company's distribution of 2018 earnings be and hereby was ratified as submitted.

3. Discuss Items

(1) To approve the amendment of the Company's "Regulations Governing the Acquisition and Disposal of Assets" (Proposed by the Board of Directors)

Explanatory Notes:

Please refer to Attachment 8 for the comparison table between the existing provisions and amendments of "Regulations Governing the Acquisition and Disposal of Assets".

Voting Results : 47,531,554 shares were represented at the time of voting

Voting Results	% of the total represented share present
Votes in favor : 47,409,611 votes (among which 45,794,336 were exercised through e-voting)	99.74%
Votes against : 7,615 votes (among which 7,615 were exercised through e-voting)	0.01%
Votes invalid : 0 vote	0.00%
Votes abstained : 114,328 votes (among which 26,878 were exercised through e-voting)	0.24%

Resolved, that the above proposal be and hereby was approved as proposed.

(2) To approve the amendment of the Company's "Regulations Governing Loaning of Funds" (Proposed by the Board of Directors)

Explanatory Notes:

Please refer to Attachment 9 for the comparison table between the existing provisions and amendments of "Regulations Governing Loaning of Funds".

Voting Results : 47,531,554 shares were represented at the time of voting

Voting Results	% of the total represented share present
Votes in favor : 47,404,321 votes (among which 45,789,046 were exercised through e-voting)	99.73%
Votes against : 12,618 votes (among which	0.02%

12,618 were exercised through e-voting)	
Votes invalid : 0 vote	0.00%
Votes abstained : 114,615 votes (among which 27,165 were exercised through e-voting)	0.24%

Resolved, that the above proposal be and hereby was approved as proposed.

(3) To approve the amendment of the Company’s “Regulations Governing Making of Endorsements/Guarantees” (Proposed by the Board of Directors)

Explanatory Notes:

Please refer to Attachment 10 for the comparison table between the existing provisions and amendments of “Regulations Governing Making of Endorsements/Guarantees”.

Voting Results : 47,531,554 shares were represented at the time of voting

Voting Results	% of the total represented share present
Votes in favor : 47,404,608 votes (among which 45,789,333 were exercised through e-voting)	99.73%
Votes against : 12,615 votes (among which 12,615 were exercised through e-voting)	0.02%
Votes invalid : 0 vote	0.00%
Votes abstained : 114,331 votes (among which 26,881 were exercised through e-voting)	0.24%

Resolved, that the above proposal be and hereby was approved as proposed.

4. Special Motion : None.

5. Meeting Adjourned : At 9:27 a.m., May 30, 2019.

ECOVE ENVIRONMENT CORPORATION

Business Report of 2018

From 2018/01/01 to 2018/12/31

1、Business Performance:

For the year end of 2018, the standalone operating revenue was NT\$788,260 thousands, the consolidated operating revenue was NT\$4,847,096 thousands, and the consolidated profit after tax was NT\$806,912 thousands.

Consolidated operating revenue breakdown is as follows:

(Unit : NT\$ thousands)

Waste Disposal Revenues	1,901,614
Sales of Electricity	1,105,607
Service Concession Revenues	577,006
Removal & Trans. Revenues	78,749
Others	1,184,120
Total	4,847,096

2、Performance Review :

Compared to year of 2017, the consolidated operating revenue of year 2018 has increased by NT\$367,509 thousands to NT\$4,847,096 thousands. ECOVE Environment Services Corporation, one of the subsidiary has acquired the rectification project of the Gaonan plant and Kinding plant which is the major reason cause the increasing of revenue; and the newly merged subsidiary, ECOVE Solar Energy Corporation has contributed NT\$83,629 thousands to consolidated revenue in the third quarter of 2018.

Consolidated and standalone operating revenue breakdown is as follows:

(Unit : NT\$ thousands)

Consolidated Operating Revenues for 2018	4,847,096
Consolidated Operating Revenues for 2017	4,479,587
Increase from 2017 to 2018	367,509
Percentage of increase	8.20%
Operating Revenues for 2018	788,260
Operating Revenues for 2017	791,864
Decrease from 2017 to 2018	3,604
Percentage of decrease	0.46%
Net Profit After Tax for 2018	806,912
Net Profit After Tax for 2017	761,339
Increase from 2017 to 2018	45,573
Percentage of increase	5.99%

3、 Business Prospect of Year 2019：

Looking back year 2018, ECOVE fully demonstrated the fervent ambition on "Qualitative Change" for business promotion and execution. In addition to developing the existing business steadily, ECOVE has successfully won the Macau Incinerator Center 45 months O&M contract. For new business development, we continuously strive for opportunities, for example, we won the Taoyuan Biomass BOT Project, which allows us to step in the field of bioenergy and state-of-art circular economy facility establishment. We also successfully invested a solvent distillation plant and turned it into a waste solvent recycling plant through process modification, expanding our recycling business. Regarding the ECOVE brand promotion, in addition to the domestic sector, we have also achieved concrete results in establishing overseas markets such as Malaysia, Thailand, Vietnam and India. In future, ECOVE will endeavor on the following three business area to enhance sustainable development and expand abroad.

A. Energy from Waste and Waste Management Business

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

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

B. Solar Power Business

Besides maintain stable operation of domestic existing project, the new award project will be implemented as scheduled and expand business to the reclaimed landfill, floating or other ground-mounted projects. Following government's expansion policy ECOVE will continuously and cautiously seeks opportunity for investing mega-scale project. For overseas market, in addition to maintaining stable operation of existing project in the U.S, following the national green energy policies, ECOVE will continuously develop suitable targets for major countries and emerging markets, and introduce strategic investment partners to expand investment scale and reduce financial burden and risk.

C. Recycling Business

Besides implements the waste IPA recycling plan, ECOVE will continuously study various market conditions, integrate technical resources inside and outside the group, and identify other potential recycling items domestic or overseas, including the recovery of valuable raw materials from industrial waste, wastewater, or municipal waste. In addition to promoting the successful development model of the IPA recycling project, ECOVE will also actively evaluate the target for mergers and acquisitions.



REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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



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

Accuracy of service revenue

Description

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

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

How our audit addressed the matter

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

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

Other matter-Non-consolidated financial statements

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

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

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

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

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

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

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

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

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



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

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

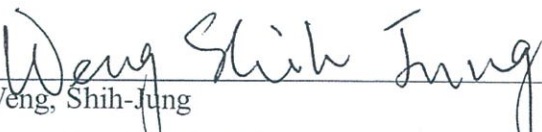
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

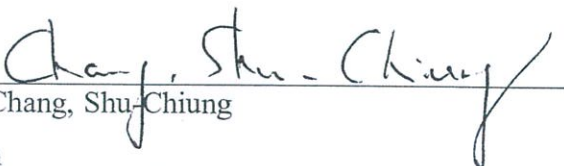


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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear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

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


Weng, Shih-Jung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2019

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

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

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

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

(Continued)

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

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

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

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

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

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

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of New Taiwan dollars)

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

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

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

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

(Continued)

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

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

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



REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ECOVE ENVIRONMENT CORPORATION

Opinion

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

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2018 and 2017, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

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

Key audit matters

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

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

Service revenue of subsidiaries accounted for under the equity method

As at December 31, 2018, the investments in subsidiaries, ECOVE Wujih Energy Corp., ECOVE Environmental Services Corp., ECOVE Waste Management Corp., ECOVE Miaoli Energy Corp. and SINO GAL-Waste Services Co., Ltd., were accounted for under the equity method and amounted to \$3,255,272, constituting 66% of the Company's total assets and are material to the non-consolidated financial statements. Thus, we consider the accuracy of service revenue of subsidiaries accounted for under the equity method as a key audit matter.

Description

Please refer to Note 4(28) for accounting policies on operating revenue.

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

How our audit addressed the matter

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

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



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

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

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

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

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

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

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

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



資誠

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

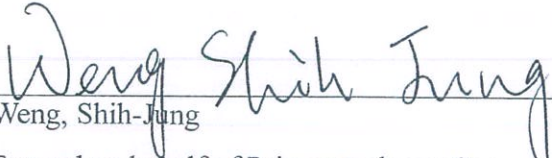
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

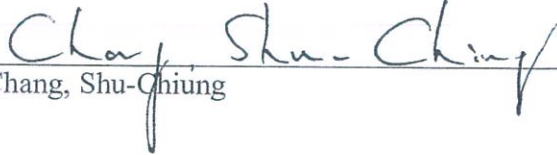
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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


Weng, Shih-Jung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2019

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

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

ECOVE ENVIRONMENT CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 210,529	4	\$ 745,686	16
1110	Financial assets at fair value through profit or loss - current	6(2)	2,045	-	98,073	2
1120	Current financial assets at fair value through other comprehensive income	6(3)	20,017	-	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	24,849	1
1200	Other receivables		673	-	710	-
1210	Other receivables - related parties	7	119,072	3	7,974	-
1410	Prepayments		891	-	-	-
1470	Other current assets	8	-	-	10,000	-
11XX	Current Assets		<u>353,227</u>	<u>7</u>	<u>887,292</u>	<u>19</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	543	-	-	-
1543	Financial assets carried at cost - non-current	12(4)	-	-	543	-
1550	Investments accounted for using equity method	6(4)	4,555,274	93	3,819,621	81
15XX	Non-current assets		<u>4,555,817</u>	<u>93</u>	<u>3,820,164</u>	<u>81</u>
1XXX	Total assets		<u>\$ 4,909,044</u>	<u>100</u>	<u>\$ 4,707,456</u>	<u>100</u>

(Continued)

ECOVE ENVIRONMENT CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ 480	-	\$ -	-
2200	Other payables		18,802	1	19,380	1
2220	Other payables - related parties	7	1,292	-	842	-
2230	Current income tax liabilities		7,485	-	1,388	-
21XX	Current Liabilities		<u>28,059</u>	<u>1</u>	<u>21,610</u>	<u>1</u>
Non-current liabilities						
2640	Accrued pension liabilities	6(5)	2,747	-	2,207	-
2XXX	Total Liabilities		<u>30,806</u>	<u>1</u>	<u>23,817</u>	<u>1</u>
Equity						
Share capital						
		6(7)				
3110	Common stock		671,051	14	668,106	14
Capital surplus						
		6(8)				
3200	Capital surplus		2,193,473	44	2,161,029	46
Retained earnings						
		6(9)				
3310	Legal reserve		603,629	12	527,495	11
3320	Special reserve		32,284	1	145	-
3350	Unappropriated retained earnings		1,380,044	28	1,359,148	29
Other equity interest						
3400	Other equity interest		(2,243)	-	(32,284)	(1)
3XXX	Total equity		<u>4,878,238</u>	<u>99</u>	<u>4,683,639</u>	<u>99</u>
Significant contingent liabilities						
and unrecognised contract						
commitments						
Significant events after the						
balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 4,909,044</u>	<u>100</u>	<u>\$ 4,707,456</u>	<u>100</u>

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

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

				Year ended December 31				
				2018		2017		
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(4)	\$	788,260	100	\$	791,864	100
5900	Gross profit			788,260	100	791,864	100	
	Operating expenses							
6200	General and administrative expenses	6(12) and 7	(50,275)	(7)	(49,795)	(7)
6000	Total operating expenses		(50,275)	(7)	(49,795)	(7)
6900	Operating profit			737,985	93	742,069	93	
	Non-operating income and expenses							
7010	Other income	6(10) and 7		48,283	6	18,285	2	
7020	Other gains and losses	6(11)		29,807	4	3,638	1	
7000	Total non-operating income and expenses			78,090	10	21,923	3	
7900	Profit before income tax			816,075	103	763,992	96	
7950	Income tax expense	6(14)	(9,163)	(1)	(2,653)	-
8200	Profit for the year		\$	806,912	102	\$	761,339	96
	Other comprehensive income							
	Components of other comprehensive income that will not be reclassified to profit or loss							
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(5)	\$	37	-	\$	2,184	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(2,591)	-	-	-	
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(1,193)	-	(8,170)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss							
8361	Cumulative translation differences of foreign operations			2,922	-	(33,896)	(4)
8362	Unrealized loss on valuation of available-for-sale financial assets			-	-	(710)	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss			-	-	337	-	
8300	Other comprehensive loss for the year		(\$	825)	-	(\$	40,255)	(5)
8500	Total comprehensive income for the year		\$	806,087	102	\$	721,084	91
	Basic earnings per share							
9750	Basic earnings per share	6(15)	\$	12.04		\$	11.41	
	Diluted earnings per share							
9850	Diluted earnings per share	6(15)	\$	12.04		\$	11.39	

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

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

	Share capital		Retained earnings				Other equity interest			Total equity
	Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealised gains (losses) on valuation of financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	
<u>For the year ended December 31, 2017</u>										
Balance at January 1, 2017		\$ 664,614	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	\$ -	(\$ 32,615)	\$ 4,682,057
Profit for the year		-	-	-	-	761,339	-	-	-	761,339
Other comprehensive loss		-	-	-	-	(5,986)	(33,896)	-	(373)	(40,255)
Total comprehensive income		-	-	-	-	755,353	(33,896)	-	(373)	721,084
Appropriation of 2016 earnings	6(9)									
Legal reserve		-	-	84,809	-	(84,809)	-	-	-	-
Cash dividends		-	-	-	-	(757,173)	-	-	-	(757,173)
Share-based payment transactions		-	183	-	-	-	-	-	-	183
Employee stock options exercised	6(6)(7)	3,492	33,996	-	-	-	-	-	-	37,488
Balance at December 31, 2017		\$ 668,106	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	\$ -	(\$ 32,988)	\$ 4,683,639
<u>For the year ended December 31, 2018</u>										
Balance at January 1, 2018		\$ 668,106	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	\$ -	(\$ 32,988)	\$ 4,683,639
Effect of retrospective application and retrospective restatement	12(4)	-	-	-	-	1,799	-	(34,787)	32,988	-
Balance at 1 January after adjustments		668,106	2,161,029	527,495	145	1,360,947	704	(34,787)	-	4,683,639
Profit for the year		-	-	-	-	806,912	-	-	-	806,912
Other comprehensive income(loss)		-	-	-	-	(1,782)	2,922	(1,965)	-	(825)
Total comprehensive income		-	-	-	-	805,130	2,922	(1,965)	-	806,087
Appropriation of 2017 earnings	6(9)									
Legal reserve		-	-	76,134	-	(76,134)	-	-	-	-
Special reserve		-	-	-	32,139	(32,139)	-	-	-	-
Cash dividends		-	-	-	-	(647,313)	-	-	-	(647,313)
Share-based payment transactions		-	5,055	-	-	-	-	-	-	5,055
Employee stock options exercised	6(6)(7)	2,945	27,389	-	-	-	-	-	-	30,334
Disposal of financial assets measured at fair value through other comprehensive income		-	-	-	-	(30,447)	-	30,883	-	436
Balance at December 31, 2018		\$ 671,051	\$ 2,193,473	\$ 603,629	\$ 32,284	\$ 1,380,044	\$ 3,626	(\$ 5,869)	\$ -	\$ 4,878,238

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

ECOVE ENVIRONMENT CORPORATION
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Years ended December 31		
	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 816,075	\$ 763,992
Adjustments			
Adjustments to reconcile profit (loss)			
Interest income	6(10)	(3,886)	(4,362)
Dividend income	6(10)	(645)	(1,145)
Salary expense-employee stock options	6(6)(13)	687	-
Gain on valuation of financial assets	6(2)	(310)	(280)
Share of profit of associates and joint ventures accounted for under equity method	6(4)	(788,260)	(791,864)
Proceeds from capital reduction of investee company	6(11)	(29,402)	(3,610)
Impairment loss	6(11) and 12(4)	-	13
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		96,338	304,569
Other receivables		(470)	145
Other receivables-related parties		(24,040)	(4,859)
Prepayments		(891)	-
Other current assets		10,000	(10,000)
Changes in operating liabilities			
Notes payable		480	-
Other payables		(578)	(337)
Other payables - related parties		450	(199)
Preference share liabilities-non-current		577	733
Cash inflow generated from operations		76,125	252,796
Interest received		2,141	2,226
Dividends received		708,551	801,406
Income tax paid		(3,066)	(1,365)
Net cash flows from operating activities		<u>783,751</u>	<u>1,055,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,223	1,816
(Increase) decrease in other receivables-related parties		(87,029)	29,000
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		9,484	-
Acquisition of financial assets measured at fair value through other comprehensive income		(7,243)	-
Increase in available-for-sale financial assets-current		-	(10,301)
Decrease in other current financial assets		-	95,948
Proceeds from disposal of investee company	12(4)	-	3,610
Increase in investments accounted for using the equity method-sub-sidiaries	6(4)	(619,364)	(89,474)
Proceeds from reduction of capital of investee company	6(4)	-	176,400
Net cash flows (used in) from investing activities		<u>(701,929)</u>	<u>206,999</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Employee stock options exercised		30,334	37,488
Cash dividends paid	6(9)	(647,313)	(757,173)
Net cash flows used in financing activities		<u>(616,979)</u>	<u>(719,685)</u>
Net (decrease) increase in cash and cash equivalents		(535,157)	542,377
Cash and cash equivalents at beginning of year		745,686	203,309
Cash and cash equivalents at end of year		<u>\$ 210,529</u>	<u>\$ 745,686</u>

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

ECOVE Environment Corporation
Proposed Profit Distribution Table
Year 2018

Unit : NT\$

Item	Total
Unappropriated retained earnings of previous years	603,562,048
Less : Remeasurement arising on defined benefit plans are recognised in retained earnings in 2018	-1,781,933
Less : Disposal of investments in equity instruments designated at fair value through other comprehensive income in 2018	-30,447,267
Add : Effect of retrospective restatement under IFRS 9 at January 1, 2018	1,799,310
Add : Net income of 2018	806,912,254
Less : 10% legal reserve	-80,691,225
Add : Special reserve	30,040,793
Retained earnings available for distribution as of December 31,2018	1,329,393,980
Cash dividends (Based on 67,105,148 outstanding shares at January 31, 2019, NT\$10.82 per share)	-726,077,701
Unappropriated retained earnings	603,316,279

Notes :

1. Distribution will be made primarily by 2018 retained earnings; the insufficient amount will be reimbursed by undistributed retained earnings before 2017.
2. For the proposed distribution date, shares for distribution are based on outstanding shares by the end of January 31, 2019; the actual shares for distribution will be based on the actual outstanding shares on the record date.

Audit Committee's Review Report

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

ECOVE Environment Corporation.

Chairman of the Audit Committee: Shean Bii Chiu



Dated March 8th, 2019

ECOVE Environment Corporation
The Directors' and Employees' Remuneration of 2018

- (1) It is processed in accordance with the Article 29 of "Articles of Incorporation" of the Company.
- (2) The 2018 pre-tax profit before remuneration distribution amounts to NT \$821,618,274. The Board of Directors of the Company resolved that NT\$5,200,000 (contribution rate :0.63%) of the directors' remuneration and NT\$343,308 (contribution rate:0.04%) of the employees' remuneration will be distributed by cash. There is no difference between the amount of employees' compensation and directors' remuneration recognized in the 2018 financial statements.

ECOVE Environment Corporation
The Balance of the Company's Guarantees and Endorsements
December 31, 2018

unit : NT\$ Thousand

Target \ Item	Guarantees and Endorsements	
	as of 2018/12/31	as of 2017/12/31
ECOVE Solar Energy Corp.	1,143,589	631,253
Total	1,143,589	631,253

Note: 2018.12.31 Net worth : 4,878.238 millions

1. The ceiling on the total amount of endorsements or guarantees made by the Company is TWD 14,634.714 millions.
2. The ceiling on the total amount of endorsements or guarantees for any single entity is 9,756.476 millions.

ECOVE Environment Corporation
Table of Amendments to “Regulations Governing the Acquisition and Disposal of Assets”

Article	Existing Provisions	Amendments
Article 2.0	<p>Scope of Assets</p> <p>The term "assets" as used in the procedure includes the following:</p> <p>2.1 Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>2.2 Real property (including land, houses and buildings, investment property, right-of use of land, and construction enterprise inventory) and equipment.</p> <p>2.3 Memberships.</p> <p>2.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p><u>(New paragraph)</u></p> <p><u>2.5</u> Derivatives.</p> <p><u>2.6</u> Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p><u>2.7</u> Other major assets.</p>	<p>Scope of Assets</p> <p>The term "assets" as used in the procedure includes the following:</p> <p>2.1 Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>2.2 Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</p> <p>2.3 Memberships.</p> <p>2.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p><u>2.5 Right-of-use assets.</u></p> <p><u>2.6</u> Derivatives.</p> <p><u>2.7</u> Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p><u>2.8</u> Other major assets.</p>
Article 3.0	<p>Definitions</p> <p>3.1 "Derivatives" as mentioned hereunder refers to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>assets</u>, interest rates, foreign exchange rates, <u>indexes or other interests</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sale service contracts, long-term lease or long-term purchase (sales) contracts.</p> <p>3.2 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and</p>	<p>Definitions</p> <p>3.1 "Derivatives" as mentioned hereunder refers to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified</u> interest rate, <u>financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>3.2 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution</p>

Article	Existing Provisions	Amendments
	<p>other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under <u>Paragraph 8 of Article 156</u> of the Company Act.</p> <p>3.3 ...</p> <p>3.4 ...</p> <p>3.5 ...</p> <p>3.6 ...</p> <p>3.7 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>not be a related party of any party to the transaction.</u></p>	<p>Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under <u>Article 156-3</u> of the Company Act.</p> <p>3.3 ...</p> <p>3.4 ...</p> <p>3.5 ...</p> <p>3.6 ...</p> <p>3.7 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>meet the following requirements:</u></p> <p><u>A. May not have previously received a final and unappeasable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>B. May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>C. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>A. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>B. When examining a case, they shall appropriately plan and execute adequate working procedures, in</u></p>

Article	Existing Provisions	Amendments
	<p data-bbox="280 1003 488 1037"><u>(New paragraph)</u></p> <p data-bbox="280 1503 488 1536"><u>(New paragraph)</u></p> <p data-bbox="280 1753 488 1787"><u>(New paragraph)</u></p>	<p data-bbox="1015 181 1477 427"><u>order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p data-bbox="983 434 1477 680"><u>C. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p data-bbox="983 687 1477 999"><u>D. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p> <p data-bbox="903 1005 1477 1498"><u>3.8 Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p data-bbox="903 1505 1477 1751"><u>3.9 Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p data-bbox="903 1758 1477 2101"><u>3.10 Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>

Article	Existing Provisions	Amendments
Article 7.1	<p>7.1 Procedure for the acquisition or disposition of real property or equipment</p> <p>7.1.1 Evaluation Procedure</p> <p>A. In the acquisition or disposition of real property, the Company shall refer to the target estate’s announced current value, appraised value, and the transaction price of real property in the target property’s neighborhood to determine the terms and conditions of trade and its transaction price, and then prepare an analysis report for presenting to the board of directors for final decision.</p> <p>B. In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>a. Where due to special circumstances, it is necessary to give a limited price, specified price or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed <u>for any future changes</u> to the terms and conditions of the transaction</p> <p>b. ...</p>	<p>7.1 Procedure for the acquisition or disposition of real property or equipment, <u>or the right-of-use assets thereof</u></p> <p>7.1.1 Evaluation Procedure</p> <p>A. In the acquisition or disposition of real property <u>or the right-of-use assets thereof</u>, the Company shall refer to the target estate’s announced current value, appraised value, and the transaction price of real property <u>or the right-of-use assets thereof</u> in the target property’s neighborhood to determine the terms and conditions of trade and its transaction price, and then prepare an analysis report for presenting to the board of directors for final decision.</p> <p>B. In acquiring or disposing of real property, equipment, or <u>right-of-use assets thereof</u> where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof</u> held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>a. Where due to special circumstances, it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed <u>whenever there is any subsequent change</u> to the terms and conditions of the transaction.</p> <p>b. ...</p>

Article	Existing Provisions	Amendments
	<p>c. ... d. ...</p> <p>7.1.2 Operating Procedure The acquisition or disposal of real property and equipment by the Company shall be executed in accordance with the Company’s Management Regime regarding Property, Plant and Equipment Circulation.</p> <p>7.1.3 Authorization Limit The authorization for the acquisition or disposition of real property and equipment shall be governed by “ECOVE Environment Corporation’s Authorization for the Acquisition or Disposal of Assets.” (Please see Attachment)</p>	<p>c. ... d. ...</p> <p>7.1.2 Operating Procedure The acquisition or disposal of real property and equipment <u>or right-of-use assets thereof</u> by the Company shall be executed in accordance with the Company’s Management Regime regarding Property, Plant and Equipment Circulation.</p> <p>7.1.3 Authorization Limit The authorization for the acquisition or disposition of real property and equipment <u>or right-of-use assets thereof</u> shall be governed by “ECOVE Environment Corporation’s Authorization for the Acquisition or Disposal of Assets.” (Please see Attachment)</p>
Article 7.3	<p>7.3 Procedure for the acquisition or disposition of <u>memberships or intangible asset</u></p> <p>7.3.1 Evaluation Procedure</p> <p>A. The Company shall consult fair market value or the report from professional appraisers in acquiring or disposing of <u>membership or intangible assets.</u></p> <p>B. Where the company acquires or disposes of intangible assets or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>7.3.2 Operation Procedure The Company shall refer to fair market value or the report from professional appraisers in acquiring or disposing of intangible assets or</p>	<p>7.3 Procedure for the acquisition or disposition of intangible asset <u>or right-of-use assets thereof or memberships</u></p> <p>7.3.1 Evaluation Procedure</p> <p>A. The Company shall consult fair market value or the report from professional appraisers in acquiring or disposing of <u>intangible assets s or right-of-use assets thereof or membership.</u></p> <p>B. Where the company acquires or disposes of intangible assets <u>or right-of-use assets thereof</u> or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a <u>domestic</u> government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>7.3.2 Operation Procedure The Company shall refer to fair market value or the report from professional appraisers in acquiring or disposing of intangible assets <u>or</u></p>

Article	Existing Provisions	Amendments
	membership, and prepare an analysis report for the approval of the General Manager.	<u>right-of-use assets thereof</u> or membership, and prepare an analysis report for the approval of the General Manager.
Article 7.4	<p>7.4 Related Party Transaction</p> <p>7.4.2 When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisor:</p> <p>A. ...</p> <p>B. ...</p> <p>C. With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 7.4.3 and 7.4.4.</p> <p>D. ...</p> <p>E. ...</p> <p>F. ...</p> <p>G. ...</p> <p><u>When the company acquires or disposes the equipment for business use with its subsidiaries,</u> the company's board of directors may delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p>	<p>7.4 Related Party Transaction</p> <p>7.4.2 When the company intends to acquire or dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of <u>domestic government bonds</u> or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisor:</p> <p>A. ...</p> <p>B. ...</p> <p>C. With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 7.4.3 and 7.4.4.</p> <p>D. ...</p> <p>E. ...</p> <p>F. ...</p> <p>G. ...</p> <p><u>With respect to the types of transactions listed below, when the company and its subsidiaries, or between its subsidiaries in which the company directly or indirectly holds 100 percent of the issued shares or authorized capital,</u> the company's board of directors may delegate the chairman to decide such matters when the transaction is within a certain amount and have</p>

Article	Existing Provisions	Amendments
	<p>7.4.3 The evaluation of the transaction cost</p> <p>A. The company acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p>a. ...</p> <p>b. ...</p> <p>B. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in paragraph A.</p> <p>C. Where the company acquires real property from a related party and appraises the cost of the real property in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>7.4.4 When the results of the company's appraisal conducted in accordance with Article 7.4.3 item A and B of are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 7.4.5. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>A. Where the related party acquired undeveloped land or leased land for development, it may submit</p>	<p>the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p><u>A. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p><u>B. Acquisition or disposal of real property right-of-use assets held for business use.</u></p> <p>7.4.3 The evaluation of the transaction cost</p> <p>A. The company acquires real property <u>or right-of-use assets thereof</u> from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p>a. ...</p> <p>b. ...</p> <p>B. Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in paragraph A.</p> <p>C. Where the company acquires real property <u>or right-of-use assets thereof</u> from a related party and appraises the cost of the real property <u>or right-of-use assets thereof</u> in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>7.4.4 When the results of the company's appraisal conducted in accordance with Article 7.4.3 item A and B of are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 7.4.5. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>A. Where the related party acquired undeveloped land or leased land for development, it may submit</p>

Article	Existing Provisions	Amendments
	<p>proof of compliance with one of the following conditions:</p> <p>a. ...</p> <p>b. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale.</p> <p><u>c. Completed leasing transactions by unrelated parties within the preceding year involving other floors of the same property, the transaction terms and conditions are similar after calculation of reasonable price discrepancies in floor prices in accordance with standard real property market practices.</u></p> <p>B. Where the company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>C. Completed transactions involving neighboring or closely valued parcels of land in this paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year</p>	<p>proof of compliance with one of the following conditions:</p> <p>a. ...</p> <p>b. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale <u>or leasing practices.</u> <u>(Item deleted)</u></p> <p>B. Where the company acquiring real property, <u>or obtaining real property right-of-use assets through leasing,</u> from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>C. Completed transactions involving neighboring or closely valued parcels of land in this paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year</p>

Article	Existing Provisions	Amendments
	<p>preceding the date of occurrence of the acquisition of the real property.</p> <p>7.4.5 Where the company acquires real property from a related party and the results of appraisals conducted in accordance with Article 7.4.3 and 7.4.4 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>A. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>B. ...</p> <p>C. ...</p> <p>The company that has set aside a special reserve under item A of Article 7.4.5 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence</p>	<p>preceding the date of occurrence of the acquisition of the real property <u>or obtainment of the right-of-use assets thereof</u>.</p> <p>7.4.5 Where the company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with Article 7.4.3 and 7.4.4 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>A. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property <u>or right-of-use assets thereof</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>B. ...</p> <p>C. ...</p> <p>The company that has set aside a special reserve under item A of Article 7.4.5 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall</p>

Article	Existing Provisions	Amendments
	<p>indicating that the acquisition was not an arms length transaction.</p> <p>7.4.6 Where the company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with paragraph 3, and this paragraph does not apply:</p> <p>A. The related party acquired the real property through inheritance or as a gift.</p> <p>B. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</p> <p>C. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. <u>(New item)</u></p>	<p>also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p>7.4.6 Where the company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with paragraph 3, and this paragraph does not apply:</p> <p>A. The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift.</p> <p>B. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction.</p> <p>C. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>D. The real property right-of-use assets for business use are <u>acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>
Article 7.5	<p>7.5 Total Amount of the Real Property for Non-Operational Use or the Securities, Limit on Individual Security</p> <p>7.5.1 The Company shall not purchase any real property for non-business use.</p>	<p>7.5 Total Amount of the Real Property <u>or The Right-of-Use Assets Thereof</u> for Non-Operational Use or the Securities, Limit on Individual Security</p> <p>7.5.1 The Company shall not purchase any real property <u>or the right-of-use assets thereof</u> for non-business use.</p>
Article 7.6	<p>7.6 The Management and Control Procedures of Subsidiary's acquisition and Disposition of Real Property</p> <p>7.6.4 If the provision regarding the <u>20 percent of</u> paid-in capital requirement under Article 7.9.1 applies to the Subsidiary that is not a domestic public company, the paid-in capital or</p>	<p>7.6 The Management and Control Procedures of Subsidiary's acquisition and Disposition of Real Property <u>or The Right-of-Use Assets Thereof</u></p> <p>7.6.4 If the provision regarding the paid-in capital requirement under Article 7.9.1 applies to the Subsidiary that is not a domestic public company, the paid-in capital or total asset shall be</p>

Article	Existing Provisions	Amendments
	total asset shall be that of the Company.	that of the Company.
Article 7.9	<p>7.9 Public Announcement and Reporting</p> <p>7.9.1 Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:(the announcement on the designated website should be in accordance with the format stipulated by Supervisory Organization):</p> <p>A. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property_ from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>B. ...</p> <p>C. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>D. Where equipment for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>a. For a public company whose</p>	<p>7.9 Public Announcement and Reporting</p> <p>7.9.1 Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:(the announcement on the designated website should be in accordance with the format stipulated by Supervisory Organization):</p> <p>A. Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property_ <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>B. ...</p> <p>C. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>D. Where equipment <u>or right-of-use assets thereof</u> for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>a. For a public company whose</p>

Article	Existing Provisions	Amendments
	<p>paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>b. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>E. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>F. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>a. Trading of government bonds.</p> <p>b. Where done by professional investors—securities trading on <u>foreign or domestic securities</u> exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p>	<p>paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>b. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>E. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party,</u> and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>F. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>a. Trading of <u>domestic</u> government bonds.</p> <p>b. Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (<u>excluding subordinated debt</u>) <u>that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds,</u> or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory</p>

Article	Existing Provisions	Amendments
	<p data-bbox="459 360 863 600">c. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p data-bbox="427 611 839 674">The amount of transactions above shall be calculated as follows:</p> <p data-bbox="459 685 512 712">a. ...</p> <p data-bbox="459 719 512 745">b. ...</p> <p data-bbox="459 752 855 1032">c. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year.</p> <p data-bbox="459 1070 512 1097">d. ...</p> <p data-bbox="341 1108 432 1135">7.9.2 ...</p> <p data-bbox="341 1144 432 1171">7.9.3 ...</p> <p data-bbox="341 1180 432 1207">7.9.4 ...</p> <p data-bbox="341 1216 432 1243">7.9.5 ...</p> <p data-bbox="341 1252 432 1279">7.9.6 ...</p> <p data-bbox="341 1288 855 1603">7.9.7 The paid-in capital or total assets of the company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to <u>20 percent or more of</u> paid-in capital or <u>10 percent or more of</u> total assets, it reaches a threshold requiring public announcement and regulatory filing.</p> <p data-bbox="341 1612 863 2101">7.9.8 For the calculation of 10 percent of total assets under the procedure, the total assets stated in the most recent individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than NT\$10—for the calculation of transaction amounts of 20 percent of paid-in capital under Article 4, Article 6, and Article 8, 10 percent of equity attributable to</p>	<p data-bbox="1098 181 1461 353">recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p data-bbox="1066 360 1469 600">c. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p data-bbox="1034 611 1445 674">The amount of transactions above shall be calculated as follows:</p> <p data-bbox="1066 685 1118 712">a. ...</p> <p data-bbox="1066 719 1118 745">b. ...</p> <p data-bbox="1066 752 1461 1068">c. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets thereof</u> within the same development project within the preceding year.</p> <p data-bbox="1066 1077 1118 1104">d. ...</p> <p data-bbox="948 1113 1038 1140">7.9.2 ...</p> <p data-bbox="948 1149 1038 1176">7.9.3 ...</p> <p data-bbox="948 1184 1038 1211">7.9.4 ...</p> <p data-bbox="948 1220 1038 1247">7.9.5 ...</p> <p data-bbox="948 1256 1038 1283">7.9.6 ...</p> <p data-bbox="948 1292 1461 1570">7.9.7 The paid-in capital or total assets of the company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing.</p> <p data-bbox="948 1610 1469 2101">7.9.8 For the calculation of 10 percent of total assets under the procedure, the total assets stated in the most recent individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than NT\$10—for the calculation of transaction amounts of 20 percent of paid-in capital under Article 4, Article 6, and Article 8, 10 percent of equity attributable to</p>

Article	Existing Provisions	Amendments
	<p>owners of the parent shall be substituted.</p>	<p>owners of the parent shall be substituted; <u>for calculations under the provisions of the procedure regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.</u></p>
Attachment 2	<p>The Authorization for the Acquisition or Disposal of Assets</p> <p>2. These Rules apply to investments in non-liquid financial assets, management of available funds and investments in liquid financial assets, derivatives, real property and equipment.</p> <p>3. The authorization for acquiring or disposing the abovementioned assets shall be made in accordance with the followings:</p> <p style="padding-left: 40px;">(4) Real property and equipment</p> <p style="padding-left: 80px;">Where the Company plans to acquire or dispose of real property or equipment for business use, the authorization procedure shall comply with the guidelines of Authorization of the Company. In particular, the acquisition and disposal of real property shall be made after the proposal has been submitted to and approved by the board of directors.</p> <p style="padding-left: 40px;">(5) When the company acquires or disposes the equipment for business use with its Parent or Subsidiary Company, the Chairman could be authorized to execute in advance and report to the next board meeting if the transaction amount is less than NT\$600 million.</p>	<p>The Authorization for the Acquisition or Disposal of Assets</p> <p>2. These Rules apply to investments in non-liquid financial assets, management of available funds and investments in liquid financial assets, derivatives, real property and equipment, <u>or right-of-use assets thereof.</u></p> <p>3. The authorization for acquiring or disposing the abovementioned assets shall be made in accordance with the followings:</p> <p style="padding-left: 40px;">(4) Real property and equipment, <u>or right-of-use assets thereof</u></p> <p style="padding-left: 80px;">Where the Company plans to acquire or dispose of real property or equipment, <u>or right-of-use assets thereof</u> for business use, the authorization procedure shall comply with the guidelines of Authorization of the Company. In particular, the acquisition and disposal of real property <u>or the right-of-use assets thereof</u> shall be made after the proposal has been submitted to and approved by the board of directors.</p> <p style="padding-left: 40px;">(5) When the company acquires or disposes the equipment <u>or the right-of-use assets thereof</u> for business use with its Parent or Subsidiary Company, the Chairman could be authorized to execute in advance and report to the next board meeting if the transaction amount is less than NT\$600 million.</p>

ECOVE Environment Corporation
Table of Amendments to “Regulations Governing Loaning of Funds”

Article	Existing Provisions	Amendments
2.0	<p>2.0 Range</p> <p>2.1 Entities to which the Company may Loan Funds and Evaluation Standards for Loaning Funds to Others: The Company may loan funds to the following companies, which needs a short-term loan arrangement for business transaction.</p> <p>2.1.1 Subsidiaries of the Company.</p> <p>2.1.2 Jointly invested companies, to which all capital contributing shareholders loan funds in proportion to their shareholding percentages.</p> <p>2.2 Total Amount of Loan and Limit for Individual Borrower</p> <p>The total Amount of loan and limit for individual borrower, made between foreign companies in which the Company directly or indirectly holds 100% of the voting shares, shall not exceed 60% of the Company’s net worth.</p>	<p>2.0 Range</p> <p>2.1 Entities to which the Company may Loan Funds and Evaluation Standards for Loaning Funds to Others: The Company may loan funds to the following companies, which needs a short-term loan arrangement for business transaction.</p> <p>2.1.1 Subsidiaries of the Company.</p> <p>2.1.2 Jointly invested companies, to which all capital contributing shareholders loan funds in proportion to their shareholding percentages.</p> <p>2.2 Total Amount of Loan and Limit for Individual Borrower</p> <p>The total Amount of loan and limit for individual borrower, made between foreign companies <u>or between foreign company and Company</u>, in which the Company directly or indirectly holds 100% of the voting shares , shall not exceed <u>100%</u> of the Company’s net worth and <u>term of loan shall not exceed five years.</u></p>
3.0	<p>3.0~3.4(omitted)</p> <p>3.5 “Date of occurrence” in these Rules means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the <u>transaction</u>, whichever date is earlier.</p>	<p>3.0~3.4(omitted)</p> <p>3.5 “Date of occurrence” in these Rules means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the <u>loan</u> , whichever date is earlier.</p>
7.0	<p>7.0~7.9(omitted)</p> <p>7.10 The Company shall comply with the Rules in loaning funds to others. In the event where the person in charge or manager</p>	<p>7.0~7.9(omitted)</p> <p>7.10 The Company shall comply with the Rules in loaning funds to others. In the event where the person in charge or manager</p>

Article	Existing Provisions	Amendments
	<p>violates any Articles of the Rules, the Company shall make the appropriate sanctions in accordance with the rewards and sanctions provisions of the Employment Manuals.</p> <p>7.11 The Rules shall be approved by the audit committee, the board of directors and the shareholders' meeting. The same shall apply to amendments hereto. <u>If the Company has independent director or directors, when the Rules is submitted to the board of directors for discussion pursuant to the preceding paragraph, each independent director's opinions shall be taken into consideration. Any comments regarding the independent director's agreement or objections and the reasons for objections shall be included in the board of directors' meeting minutes.</u></p>	<p>violates any Articles of the Rules, the Company shall make the appropriate sanctions in accordance with the rewards and sanctions provisions of the Employment Manuals. <u>The responsible person of a company who has violated the provisions of the preceding article 2.1 and article 2.2 shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.</u></p> <p>7.11 The Rules shall be approved by <u>more than half of all members of the</u> audit committee, the board of directors and the shareholders' meeting. The same shall apply to amendments hereto. <u>If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u> <u>The terms "all audit committee members" in paragraph 1 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p>

ECOVE Environment Corp.
Table of Amendments to Regulations Governing Making of
Endorsements/ Guarantees

Article	Existing Provisions	Amendments
3.0	3.0~3.4(omitted) 3.5 Date of occurrence The date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the <u>transaction</u> , whichever date is earlier.	3.0~3.4 (omitted) 3.5 Date of occurrence The date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the <u>guarantees</u> , whichever date is earlier.
7.0	7.0~7.8(omitted) 7.8.1. Threshold upon which the Company shall announce and report: A. (omitted) B. (omitted) C. (omitted) D. The balance of endorsements/guarantees by the Company and its Subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, <u>investment of a long-term nature in</u> , and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement. E. (omitted) 7.9~7.10(omitted) 7.11 Formulation and amendment of the Rules The Rules shall be approved by the audit committee, the board of directors and the shareholders' meeting. The same shall	7.0~7.8 (omitted) 7.8.1. Threshold upon which the Company shall announce and report: A. (omitted) B. (omitted) C. (omitted) D. The balance of endorsements/guarantees by the Company and its Subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, <u>carrying amount of the investment using the equity method</u> , and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement. E. (omitted) 7.9~7.10 (omitted) 7.11 Formulation and amendment of the Rules The Rules shall be approved by <u>more than half of all members of the audit committee</u> , the board of directors and the

Article	Existing Provisions	Amendments
	<p>apply to amendments hereto.</p> <p><u>If the Company has independent director or directors, when the Rules is submitted to the board of directors for discussion pursuant to the preceding paragraph, each independent director's opinions shall be taken into consideration. Any comments regarding the independent director's agreement or objections and the reasons for objections shall be included in the board of directors' meeting minutes.</u></p>	<p>shareholders' meeting. The same shall apply to amendments hereto.</p> <p><u>If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p><u>The terms "all audit committee members" in paragraph 1 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p>