

ECOVE Environment Corporation
Minutes of 2020 Annual General Meeting of Shareholders
(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 28, 2020

**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 : 49,545,560 shares

Percentage of shares held by shareholders present : 73.83%

Attendees :

**Shean Bii Chiu (Independent Director, Audit Committee convener),
Shuh Woei Yu (Independent Director), James Tsai (Independent
Director), Eugene Chien (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 ECOVE Environment Corp.

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 2019. (Please refer to attachment 1)
- (2) Audit committee's review report of 2019. (Please refer to attachment 5)

- (3) The directors' & employees' remuneration of 2019. (Please refer to attachment 6)
- (4) As at 2019.12.31, the aggregate amount of guarantees provided by the company was NT\$2,949,862 thousands and the highest amount for a single enterprise was NT\$2,106,562 thousands which are all under its respective ceiling. (Please refer to attachment 7)
- (5) The Company's "Ethical Corporate Management Best Practice Principles". (Please refer to attachment 8)

2. Ratification Items

(1) To Ratify 2019 Business Report, Financial Statements and Consolidated Financial Statements (Proposed by the Board of Directors)

Explanatory Notes :

The Company's 2019 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 : 49,545,560 shares were represented at the time of voting

| Voting Results | % of the total represented share present |
|---|--|
| Votes in favor : 49,522,490 votes (among which 7,345,179 were exercised through e-voting) | 99.95% |
| Votes against : 5,848 votes (among which 5,848 were exercised through e-voting) | 0.01% |
| Votes invalid : 0 vote | 0.00% |
| Votes abstained : 17,222 votes (among which 17,222 were exercised through e-voting) | 0.03% |

Resolved, that 2019 Business Report and Financial Statements be and hereby were ratified as submitted.

(2) To Ratify the Company's Distribution of 2019 earnings (Proposed by the Board of Directors)

Explanatory Notes :

- 1) The Table for 2019 Profit Distribution is compiled as follows in accordance with the Company Act and Articles of Incorporation (Please refer to page 39) 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\$726,748,753 (NT\$10.83 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. After being approved at the Meeting, the cash dividends to common share holders will be distributed on a record date to be determined by the Board of Directors.
- 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 adjust the cash to be distributed to each common share.
- 4) The distribution of cash dividends will be calculated to new Taiwan dollar and round it to the nearest dollar. It is proposed that any difference will be booked as the other income or expense of the Company.

Voting Results : 49,545,560 shares were represented at the time of voting

| Voting Results | % of the total represented share present |
|---|--|
| Votes in favor : 49,519,490 votes (among which 7,342,179 were exercised through e-voting) | 99.94% |
| Votes against : 10,848 votes (among which 10,848 were exercised through e-voting) | 0.02% |
| Votes invalid : 0 vote | 0.00% |
| Votes abstained : 15,222 votes (among which 15,222 were exercised through e-voting) | 0.03% |

Resolved, that the Company's distribution of 2019 earnings be and hereby was ratified as submitted.

3. Election Item

(1) Election of the Company's 8th term Directors (Proposed by the Board of Directors)

Explanatory Notes :

- (1) The planned tenure of the Company's 7th Directors will expire on June 25, 2020. The Directors election will be held in the Annual General Meeting of 2020 thus the expiration of the current directors' tenure will end early on the election day and assumed their office.
- (2) Pursuant to Article 17 and 17-1 of the "Articles of Incorporation", it is proposed to elect 9 directors (including 3 independent directors) for the 8th term that is to be effective from May 28, 2020 to May 27, 2023.
- (3) The election is in accordance with "Rules Governing the Election of Directors".
- (4) According to the "Articles of Incorporation" of the company, the election of directors is based on a candidate nomination system, which is elected by the shareholders' meeting on the list of candidates. Please refer to the following table for the relevant information of the company's 8th director candidate.

Relevant information about the 8th director candidate of the company

| Category | Candidate Name | Education | Experience | Present Position | Share |
|----------|--|---|---|---|------------|
| Direct | CTCI Corporation Rep. : J. J. Liao | MBA, EMBA Program in Finance, National Taiwan University M.S., Civil Engineering, National Central University B.S., Environmental Engineering and Science, Feng-Chia University | President, ECOVE Environment Corp. Chairman, ECOVE Environmental Services Corp. Chairman, ECOVE Wujih Energy Corp. Chairman, ECOVE Miaoli Energy Corp. Chairman, ECOVE Waste Management Corp. Managing Director, ECOVE Environment Consulting Corp. Director, SINO GAL Waste Services Co., Ltd. Chairman, ECOVE Solar Energy Corp. | Chairman, ECOVE Environment Corp. Director, ECOVE Environmental Services Corp. Director, ECOVE Wujih Energy Corp. Director, ECOVE Miaoli Energy Corp. Director, ECOVE Waste Management Corp. Director, ECOVE Solar Energy Corp. Vice Chairman, BORETECH Resource Recovery Engineering Co., Ltd. (Cayman) Director, ECOVE Solvent Recycling Corp. Director, EVER ECOVE Corp Director, CTCI Foundation | 38,457,105 |

| Category | Candidate Name | Education | Experience | Present Position | Share |
|----------|---|---|--|---|------------|
| Direct | CTCI Corporation Rep. : Yun-Peng Shih | M.S., Civil Engineering, University of Washington B.S., Environmental Engineering, National Chung Hsing University, Taiwan | Leader, Environmental Protection Administration, Executive Yuan Technical Specialist, Environmental Protection Administration, Executive Yuan President, ECOVE Waste Management Corp. Vice President, ECOVE Environment Corp. | President & Director, ECOVE Environment Corp. Chairman, ECOVE Environmental Services Corp. Chairman, ECOVE Wujih Energy Corp. Chairman, ECOVE Miaoli Energy Corp. Chairman, ECOVE Waste Management Corp. Managing Director, ECOVE Environment Consulting Corp. Director, SINO GAL-Waste Services Co., Ltd. Director, BORETECH Resource Recovery Engineering Co., Ltd. (Cayman) Chairman, Yuan Ding Resources Management Corp. Chairman, ECOVE Solvent Recycling Corp. Chairman, ECOVE Solar Energy Corp. Chairman, ECOVE Solar Power Corp. Director, ECOVE South Corp. Ltd. | 38,457,105 |
| Direct | Kuan Shen Wang | Master in Management, S.M. of MIT Sloan School | Managing Director, United Capital Management | Director, ECOVE Environment Corp. Managing Director, United Capital Management Independent Director, Quanta Storage Inc. Supervisor, Chime Ball Technology Co., Ltd. | 0 |
| Direct | Bing Shen | MBA, Harvard Business School | Executive Director, Morgan Stanley Group Executive Vice President, China Development Industrial Bank President, CDIB & Partners Investment Holding Corp. | Director, CTCI Corp. (Until May28, 2020) Independent Director, Far Eastern International Bank Independent Director, Far Eastern New Century Corporation Independent Director, ELITE Material Co., Ltd. | 0 |

| Category | Candidate Name | Education | Experience | Present Position | Share |
|----------|----------------|--|--|---|-------|
| Direct | Yangming Liu | -Attorney at-law in Taiwan -Attorney at-law in China -EMBA National Taiwan University -L.L.B. Fujen Catholic University | -Arbitrator of CAAI | -Director, ECOVE Environment Corp. -Senior Partner, LIU & Co. Law Offices -Director, Sunshine Social Welfare Foundation -Chief Legal Counsel, Beijing DHH Law Firm - Asian-Pacific Region -Director, Association of Cross-Strait Legal Exchange | 0 |
| Director | Eugene Chien | -Ph. D. Aeronautics and Astronautics, New York University, USA | -Minister of Foreign Affairs/Minister of Transportation and Communications -Minister of the Environmental Protection Administration -Representative, Taipei Representative Office in the U.K./Legislator, Legislative Yuan (Parliament) -Professor and Dean, College of Engineering, Tamkang University | -Director, ECOVE Environment Corp. -Chairman, Taiwan Institute for Sustainable Energy(TAISE) -Independent Director, EVA Airways Corp. -Independent Director, Far Eastern Department Stores Ltd. -Chairman, CTCI Education Foundation | 0 |

Relevant information about the 8th independent director candidate of the company

| Category | Candidate Name | Education | Experience | Present Position | Have served as an independent director for 3 consecutive terms | Share |
|----------------------|----------------|---|--|--|--|-------|
| Independent Director | Shuh Woei Yu | -Doctor of Engineering, Tulane University -Bachelor of Science, Department of Chemical Engineering, National Taiwan University | -General Director, Center for Environmental Safety and Health Technology Development, Industrial Technology Research Institute -General Director, Center for Industrial Safety and Health Technology Development, Industrial Technology Research Institute -Professor, Graduate Institute of Environmental Engineering, National | -Independent Director, ECOVE Environment Corp. -Chairman, Safety and Health Technology Center | No | 0 |

| | | | | | | |
|----------------------|----------------|---|---|--|----|---|
| | | | Central University -Professor, Department of Chemical Engineering, National Central University | | | |
| Independent Director | Shan-Shan Chou | -Doctor, Institute of Environmental Engineering, National Chiao Tung University | -Chairman, WaterPark Environment Corporation -Director, Industrial Technology Research Institute Adjunct Associate -Associate Professor, College of Engineering, National Chiao Tung University | -Chairman, KuanShan WaterPark Environmental Protection Technology Co., Ltd. -Director, WaterPark Environment Corporation -Independent Director, GSD Technologies Co., Ltd. | No | 0 |
| Independent Director | James Tsai | -Master in Accounting, Graduate Institute of Accounting, National Chengchi University -Master in Law, College of Law, National Chengchi University | -Vice CEO, CEO, Deputy Chairman, PricewaterhouseCoopers, Taiwan -President, PricewaterhouseCoopers Management Consulting Company Ltd. -Vice Chairman, Fuh Hwa Securities Investment Trust Co., Ltd. -Managing Director, Accounting Research and Development Foundation, and Chairman, Auditing Standards Committee -Director and Managing Director, Taiwan Corporate Governance Association -Consultant, Public Service Pension Fund Supervisory Board | -Independent Director, ECOVE Environment Corp. -Associate Professor, Department of Accounting, National Chengchi University -Board Director, Trans Globe Life Insurance Inc. -Chairman, Jia Guang Enterprise Co., Ltd. -Chairman, Wan Shi Da Enterprise Co., Ltd. -Board Director, Orient Recreation and Development Corp. -Board Director, FCB Leasing Co., Ltd. -Board Director, FCB International Leasing Co., Ltd. -Board Director, Tuntex Incorporation -Independent Director of the Board, Tanvex BioPharma, Inc. | No | 0 |

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | Independent Director of the Board, Sunny Friend Environmental Technology Co., Ltd. | | |
| | | | | Independent Director of the Board, Chien Kuo Construction Co., Ltd. | | |

Result of the Election: The list of the newly elected directors with indication of votes received by each of them is as follows :

| Title | Shareholder No. (or Identification No.) | Name | Votes Received |
|----------|---|---|------------------|
| Director | 1 | J. J. Liao Representative of CTCI Corp. Ltd. | 50,812,968 votes |
| Director | 1 | Y. P. Shih Representative of CTCI Corp. Ltd. | 42,911,766 votes |
| Director | J12067**** | Kuan Shen Wang | 44,007,354 votes |
| Director | A11090**** | Bing Shen | 44,209,654 votes |
| Director | R10006**** | Eugene Chien | 43,797,058 votes |
| Director | Y12041**** | Yang ming Liu | 43,596,574 votes |

The list of the newly elected independent directors with indication of votes received by each of them is as follows :

| Title | Shareholder No. (or Identification No.) | Name | Votes Received |
|----------------------|---|----------------|------------------|
| Independent Director | E10115**** | Shuh Woei Yu | 44,474,092 votes |
| Independent Director | Y22004**** | Shan-Shan Chou | 43,161,091 votes |
| Independent Director | F12271**** | James Tsai | 43,362,825 votes |

4. Discuss Items

(1) To approve the lifting of newly-elected directors of non-competition restrictions (Proposed by the Board of Directors)

Explanatory Notes :

(1) Pursuant to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such and act and secure its approval.

(2) It is proposed the shareholders' meeting to approve the lifting of newly-elected directors of non-competition restrictions from the date the newly-elected directors taking office.

| Category | Candidate Name | Competitive conduct to be released |
|----------|---------------------------------------|--|
| Director | CTCI Corporation Rep. : J. J. Liao | -Director, ECOVE Environmental Services Corp. -Director, ECOVE Wujih Energy Corp. -Director, ECOVE Miaoli Energy Corp. -Director, ECOVE Waste Management Corp. -Director, ECOVE Solar Energy Corp. -Vice Chairman, BORETECH Resource Recovery Engineering Co., Ltd. (Cayman) -Director, ECOVE Solvent Recycling Corp. -Director, EVER ECOVE Corp -Director, CTCI Foundation |
| Director | CTCI Corporation Rep. : Y. P. Shih | -Chairman, ECOVE Environmental Services Corp. -Chairman, ECOVE Wujih Energy Corp. -Chairman, ECOVE Miaoli Energy Corp. -Chairman, ECOVE Waste Management Corp. -Managing Director, ECOVE Environment Consulting Corp. -Director, SINO GAL-Waste Services Co., Ltd. -Director, BORETECH Resource Recovery Engineering Co., Ltd. (Cayman) -Chairman, Yuan Ding Resources Management Corp. -Chairman, ECOVE Solvent Recycling Corp. -Chairman, ECOVE Solar Energy Corp. -Chairman, ECOVE Solar Power Corp. -Director, ECOVE South Corp. Ltd. |
| Director | Kuan Shen Wang | -Managing Director, United Capital Management -Independent Director, Quanta Storage Inc. |
| Director | Bing Shen | -Independent Director, Far Eastern International Bank -Independent Director, Far Eastern New Century Corporation -Independent Director, ELITE Material Co., Ltd. |

| Category | Candidate Name | Competitive conduct to be released |
|----------------------|----------------|--|
| Director | Yangming Liu | -Senior Partner, LIU & Co. Law Offices -Director, Sunshine Social Welfare Foundation -Chief Legal Counsel, Beijing DHH Law Firm - Asian-Pacific Region -Director, Association of Cross-Strait Legal Exchange |
| Director | Eugene Chien | -Chairman, Taiwan Institute for Sustainable Energy(TAISE) -Independent Director, EVA Airways Corp. -Independent Director, Far Eastern Department Stores Ltd. -Chairman, CTCI Education Foundation |
| Independent Director | Shuh Woei Yu | -Chairman, Safety and Health Technology Center |
| Independent Director | Shan-Shan Chou | -Chairman, KuanShan WaterPark Environmental Protection Technology Co., Ltd. -Director, WaterPark Environment Corporation -Independent Director, GSD Technologies Co., Ltd. |
| Independent Director | James Tsai | -Associate Professor, Department of Accounting, National Chengchi University -Board Director, Trans Globe Life Insurance Inc. -Chairman, Jia Guang Enterprise Co., Ltd. -Chairman, Wan Shi Da Enterprise Co., Ltd. -Board Director, Orient Recreation and Development Corp. -Board Director, FCB Leasing Co., Ltd. -oard Director, FCB International Leasing Co., Ltd. -Board Director, Tuntex Incorporation -Independent Director of the Board, Tanvex BioPharma, Inc. -Independent Director of the Board, Sunny Friend Environmental Technology Co., Ltd. -Independent Director of the Board, Chien Kuo Construction Co., Ltd. |

Voting Results : 49,545,560 shares were represented at the time of voting

| Voting Results | % of the total represented share present |
|---|--|
| Votes in favor : 49,500,580 votes (among which 7,323,269 were exercised through e-voting) | 99.90% |
| Votes against : 26,852 votes (among which 26,852 were exercised through e-voting) | 0.05% |
| Votes invalid : 0 vote | 0.00% |
| Votes abstained : 18,128 votes (among which 18,128 were exercised through e-voting) | 0.03% |

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

(2) To approve the amendment of the company's "Articles of Incorporation" (Proposed by the Board of Directors)

Explanatory Notes :

Please refer to attachment 9 for the comparison table between the existing provisions and amendments of "Articles of Incorporation".

Voting Results : 49,545,560 shares were represented at the time of voting

| Voting Results | % of the total represented share present |
|---|--|
| Votes in favor : 49,465,464 votes (among which 7,288,153 were exercised through e-voting) | 99.83% |
| Votes against : 61,918 votes (among which 61,918 were exercised through e-voting) | 0.12% |
| Votes invalid : 0 vote | 0.00% |
| Votes abstained : 18,178 votes (among which 18,178 were exercised through e-voting) | 0.03% |

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

5. Special Motion : None.

6. Meeting Adjourned : At 9:25 a.m., May 28, 2020.

In the minutes of this shareholders' meeting, only the essential points of the proceedings are recorded; for the content and procedures of the meeting, meeting video and audio shall prevail.

ECOVE ENVIRONMENT CORPORATION

Business Report of 2019

From 2019/01/01 to 2019/12/31

1、Business Performance:

For the year end of 2019, the standalone operating revenue was NT\$814,178 thousands, the consolidated operating revenue was NT\$5,321,559 thousands, and the consolidated profit after tax was NT\$811,312 thousands.

Consolidated operating revenue breakdown is as follows:

(Unit : NT\$ thousands)

| | |
|-----------------------------|-----------|
| Waste Disposal Revenues | 2,083,973 |
| Sales of Electricity | 1,573,189 |
| Service Concession Revenues | 573,898 |
| Removal & Trans. Revenues | 90,286 |
| Others | 1,000,213 |
| Total | 5,321,559 |

2、Performance Review :

Compared to year of 2018, the consolidated operating revenue of year 2019 has increased by NT\$474,463 thousands to NT\$5,321,559 thousands. Both of the revenue of NT\$268,829 thousands contributed by newly merged subsidiary-ECOVE Solar Energy Corp. in the third quarter of year 2018 , and the raise of purchase price of business waste in year 2019 , were the major two reasons caused the increase of revenue.

Consolidated and standalone operating revenue breakdown is as follows:

(Unit : NT\$ thousands)

| | |
|--|-----------|
| Consolidated Operating Revenues for 2019 | 5,321,559 |
| Consolidated Operating Revenues for 2018 | 4,847,096 |
| Increase from 2018 to 2019 | 474,463 |
| Percentage of increase | 9.79% |
| Operating Revenues for 2019 | 814,178 |
| Operating Revenues for 2018 | 788,260 |
| Increase from 2018 to 2019 | 25,918 |
| Percentage of increase | 3.29% |
| Net Profit After Tax for 2019 | 811,312 |
| Net Profit After Tax for 2018 | 806,912 |
| Increase from 2018 to 2019 | 4,400 |
| Percentage of increase | 0.55% |

3、Business Outlook of Year 2020：

Looking back year 2019, ECOVE fully demonstrated the fervent ambition on "Qualitative Change" for business promotion and execution. In addition to expanding the existing business steadily, ECOVE has successfully extended the Macau Special and Hazardous Waste Treatment Facility O&M contract. For new business development, we continuous strive for opportunities. For example, we won the Macau Kitchen Waste Treatment Facility O&M contract, which allows us to use enzyme to treat local waste and produce organic fertilizer. The solvent distillation plant that we invest has also obtained certificate for operation, which means it can start serving high-tech companies and have a role in circular supply chain. 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 the future, ECOVE will endeavor on the following three business area to enhance sustainable development and expand abroad.

A. Waste Management and EfW

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, and we hope to integrate upstream and downstream business resources to improve our competitiveness. Regarding overseas market, ECOVE keeps developing the business in ASEAN, China and India by cooperating with local government and teaming up with local enterprises. Moreover, ECOVE actively participated in relevant forums and followed government's southbound policy, replicating successful PPP (BOT) business model and the mature O&M (including ROT) capabilities for overseas market.

B. Recycling

Besides implementing 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.

C. Renewable Energy

Besides maintaining stable operation of domestic existing project, the new awarded project will be implemented as scheduled, and we will expand business to the reclaimed landfill, floating or other ground-mounted projects. Combining resources from cooperation partners, ECOVE will continuously and cautiously seeks opportunity for investing mega-scale project. Furthermore, for electricity deregulation and green energy needs, ECOVE did its best to explore the market. 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..

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, 2019 and 2018, 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, based on our audits and the audit reports of other independent accountants, as described in the other matters section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, 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. Based on our audits and the audit reports of other independent accountants, as described in the other matters section of our report, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Accuracy of service revenue

Description

Please refer to Note 4(29) for accounting policies on operating revenue, and Note 6(22) 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\$ 2,602,026 thousand for the year ended December 31, 2019, presenting 49% of operating revenue for the year ended December 31, 2019. 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.

Business combinations

Description

The Company holds 100% of shares in ECOVE Solar Energy Corporation and obtained the control over it after acquiring 50% of its shares by cash on September 20, 2018. This business combination transaction adopted acquisition method under company's accounting policies, please refer to Notes 4(31) and 6(30). The acquisition price allocation was measured and allocated to identifiable assets acquired and liabilities assumed in the business combination of acquiring ECOVE Solar Energy Corporation based on the assets appraisal report provided by the external expert who was appointed by the Company.

As the assumptions of the acquisition price allocation in the business combination involves estimates by management, which are significant to the financial statements, we consider the business combination a key audit matter.

How our audit addressed the matter

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

- A. Inquired management for the procedures of the acquisition, including the motivation and price of the acquisition as well as obtaining evaluation basis of the fair values for assets and liabilities, accounting policies and relevant internal control procedures.
- B. Reviewed and verified the business combination contract and the voucher of consideration payment.
- C. Evaluated the reasonableness of the acquisition price allocation by reviewing the valuation method and key assumptions adopted based on the assets appraisal report of the business combination.
- D. Obtained the accounting entries of business combination and ensured the assets acquired and liabilities assumed in the business combination were recognised in accordance with the abovementioned assets appraisal report and the related information was fully disclosed in the notes of financial statements.

Other matter – Scope of the Audit

We did not audit the financial statements of certain investees accounted for using equity method that are included in the consolidated financial statements. The balance of the investees accounted for using equity method was NT\$48,614 thousand, constituting 0.5% of consolidated total assets as of December 31,

2019, and share of loss of associates and joint ventures accounted for using equity method of the investees of NT\$(722) thousand for the year ended December 31, 2019, constituting (0.07%) of consolidated total comprehensive income. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of the other independent accountants.

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, 2019 and 2018.

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 not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

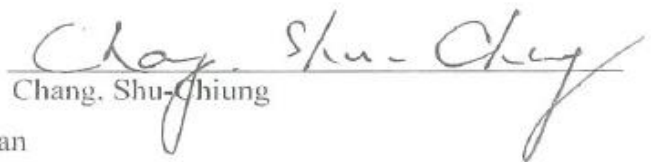
F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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


Weng, Shih-Jung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 11, 2020

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, except as otherwise indicated)

| Assets | Notes | December 31, 2019 | | December 31, 2018 | | |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 1,679,523 | 18 | \$ 1,543,162 | 17 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 10,933 | - | 183,288 | 2 |
| 1120 | Total current financial assets at fair value through other comprehensive income | 6(3) | 124,032 | 1 | 102,201 | 1 |
| 1136 | Current financial assets at amortised cost | 6(4) | 247,014 | 3 | 301,238 | 3 |
| 1150 | Notes receivable, net | | 481 | - | 1,321 | - |
| 1170 | Accounts receivable, net | 6(5) | 1,194,176 | 12 | 1,041,171 | 12 |
| 1180 | Accounts receivable - related parties, net | 7 | 571 | - | 1,717 | - |
| 1200 | Other receivables | | 103,685 | 1 | 4,741 | - |
| 1210 | Other receivables - related parties | 7 | 30,818 | - | 24,646 | - |
| 130X | Inventories | | 72,507 | 1 | 63,854 | 1 |
| 1410 | Prepayments | 6(6) | 92,113 | 1 | 266,503 | 3 |
| 1470 | Other current assets | 8 | - | - | 40,940 | - |
| 11XX | Current Assets | | <u>3,555,853</u> | <u>37</u> | <u>3,574,782</u> | <u>39</u> |
| Non-current assets | | | | | | |
| 1517 | Total non-current financial assets at fair value through other comprehensive income | 6(3) | 543 | - | 543 | - |
| 1550 | Investments accounted for under equity method | 6(7) | 418,868 | 4 | 405,718 | 4 |
| 1600 | Property, plant and equipment, net | 6(8) and 8 | 2,858,835 | 30 | 2,131,233 | 24 |
| 1755 | Right-of-use assets | 6(9) | 102,256 | 1 | - | - |
| 1780 | Intangible assets | 6(30) | 136,153 | 2 | 136,153 | 2 |
| 1840 | Deferred income tax assets | 6(28) | 26,367 | - | 22,295 | - |
| 1900 | Other non-current assets | 6(10) and 8 | 2,441,942 | 26 | 2,804,983 | 31 |
| 15XX | Non-current assets | | <u>5,984,964</u> | <u>63</u> | <u>5,500,925</u> | <u>61</u> |
| 1XXX | Total assets | | <u>\$ 9,540,817</u> | <u>100</u> | <u>\$ 9,075,707</u> | <u>100</u> |

(Continued)

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| Liabilities and Equity | Notes | December 31, 2019 | | December 31, 2018 | | |
|---|--|-------------------|---------------------|-------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| Current liabilities | | | | | | |
| 2100 | Short-term borrowings | 6(11) | \$ 305,000 | 3 | \$ 52,000 | 1 |
| 2130 | Current contract liabilities | 6(22) | 50,005 | 1 | 140,580 | 2 |
| 2150 | Notes payable | | - | - | 1,032 | - |
| 2170 | Accounts payable | 6(12) | 652,577 | 7 | 535,797 | 6 |
| 2180 | Accounts payable - related parties | 7 | 27,892 | - | 23,411 | - |
| 2200 | Other payables | 6(13) | 421,493 | 4 | 467,937 | 5 |
| 2220 | Other payables - related parties | 7 | 3,365 | - | 6,481 | - |
| 2230 | Current income tax liabilities | | 96,809 | 1 | 130,245 | 1 |
| 2280 | Current lease liabilities | 7 | 25,523 | - | - | - |
| 2300 | Other current liabilities | 6(14)(15) | 151,939 | 2 | 139,437 | 1 |
| 21XX | Current Liabilities | | <u>1,734,603</u> | <u>18</u> | <u>1,496,920</u> | <u>16</u> |
| Non-current liabilities | | | | | | |
| 2540 | Long-term borrowings | 6(15) | 1,427,563 | 15 | 1,423,587 | 16 |
| 2570 | Deferred income tax liabilities | 6(28) | 210,864 | 2 | 204,300 | 2 |
| 2580 | Non-current lease liabilities | 7 | 44,102 | - | - | - |
| 2600 | Other non-current liabilities | 6(16) | 530,882 | 6 | 529,541 | 6 |
| 25XX | Non-current liabilities | | <u>2,213,411</u> | <u>23</u> | <u>2,157,428</u> | <u>24</u> |
| 2XXX | Total Liabilities | | <u>3,948,014</u> | <u>41</u> | <u>3,654,348</u> | <u>40</u> |
| Equity attributable to owners of parent | | | | | | |
| Share capital | | | | | | |
| 3110 | Common stock | 6(19) | 671,051 | 7 | 671,051 | 8 |
| Capital surplus | | | | | | |
| 3200 | Capital surplus | 6(20) | 2,208,031 | 23 | 2,193,473 | 24 |
| Retained earnings | | | | | | |
| 3310 | Legal reserve | 6(21) | 684,320 | 7 | 603,629 | 7 |
| 3320 | Special reserve | | 2,243 | - | 32,284 | - |
| 3350 | Unappropriated retained earnings | | 1,408,234 | 15 | 1,380,044 | 15 |
| Other equity interest | | | | | | |
| 3400 | Other equity interest | | 12,487 | - | (2,243) | - |
| 31XX | Equity attributable to owners of the parent | | <u>4,986,366</u> | <u>52</u> | <u>4,878,238</u> | <u>54</u> |
| 36XX | Non-controlling interest | 4(3) | <u>606,437</u> | <u>7</u> | <u>543,121</u> | <u>6</u> |
| 3XXX | Total equity | | <u>5,592,803</u> | <u>59</u> | <u>5,421,359</u> | <u>60</u> |
| Significant contingent liabilities and unrecognised contract commitments | | | | | | |
| Significant events after the balance sheet date | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 9,540,817</u> | <u>100</u> | <u>\$ 9,075,707</u> | <u>100</u> |

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | | | | Year ended December 31 | | | |
|-------|--|-----------------|--|------------------------|-------------|--------------------|-------------|
| Items | | Notes | | 2019 | | 2018 | |
| | | | | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(22) and 7 | | \$ 5,321,559 | 100 | \$ 4,847,096 | 100 |
| 5000 | Operating costs | 6(26)(27) and 7 | | (3,977,155) | (75) | (3,539,458) | (73) |
| 5900 | Gross profit | | | <u>1,344,404</u> | <u>25</u> | <u>1,307,638</u> | <u>27</u> |
| | Operating expenses | 6(26)(27) and 7 | | | | | |
| 6200 | General & administrative expenses | | | (172,357) | (3) | (178,722) | (4) |
| 6000 | Total operating expenses | | | <u>(172,357)</u> | <u>(3)</u> | <u>(178,722)</u> | <u>(4)</u> |
| 6900 | Operating profit | | | <u>1,172,047</u> | <u>22</u> | <u>1,128,916</u> | <u>23</u> |
| | Non-operating income and expenses | | | | | | |
| 7010 | Other income | 6(23) and 7 | | 97,127 | 2 | 40,169 | 1 |
| 7020 | Other gains and losses | 6(24) | | 6,997 | - | 41,733 | 1 |
| 7050 | Finance costs | 6(25) | | (34,083) | (1) | (7,483) | - |
| 7060 | Share of profit of associates and joint ventures accounted for under equity method | 6(7) | | <u>32,747</u> | <u>1</u> | <u>31,435</u> | <u>-</u> |
| 7000 | Total non-operating income and expenses | | | <u>102,788</u> | <u>2</u> | <u>105,854</u> | <u>2</u> |
| 7900 | Profit before income tax | | | <u>1,274,835</u> | <u>24</u> | <u>1,234,770</u> | <u>25</u> |
| 7950 | Income tax expense | 6(28) | | (212,685) | (4) | (254,298) | (5) |
| 8200 | Profit for the period | | | <u>\$ 1,062,150</u> | <u>20</u> | <u>\$ 980,472</u> | <u>20</u> |
| | Other comprehensive income | | | | | | |
| | Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans | 6(17) | | (\$ 7,367) | - | (\$ 3,212) | - |
| 8316 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(3) | | 31,158 | - | (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 | | | (1) | - | (31) | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(28) | | <u>1,459</u> | <u>-</u> | <u>1,379</u> | <u>-</u> |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | | <u>25,249</u> | <u>-</u> | <u>(3,940)</u> | <u>-</u> |
| | Components of other comprehensive income that will be reclassified to profit or loss | | | | | | |
| 8361 | Cumulative translation differences of foreign operations | | | (20,411) | - | 233 | - |
| 8300 | Total other comprehensive income (loss) for the period | | | <u>\$ 4,838</u> | <u>-</u> | <u>(\$ 3,707)</u> | <u>-</u> |
| 8500 | Total comprehensive income for the period | | | <u>\$ 1,066,988</u> | <u>20</u> | <u>\$ 976,765</u> | <u>20</u> |
| | Profit attributable to: | | | | | | |
| 8610 | Owners of the parent | | | \$ 811,312 | 15 | \$ 806,912 | 17 |
| 8620 | Non-controlling interest | | | 250,838 | 5 | 173,560 | 3 |
| | Total | | | <u>\$ 1,062,150</u> | <u>20</u> | <u>\$ 980,472</u> | <u>20</u> |
| | Comprehensive income attributable to: | | | | | | |
| 8710 | Owners of the parent | | | \$ 819,645 | 15 | \$ 806,087 | 16 |
| 8720 | Non-controlling interest | | | 247,343 | 5 | 170,678 | 4 |
| | Total | | | <u>\$ 1,066,988</u> | <u>20</u> | <u>\$ 976,765</u> | <u>20</u> |
| | Earnings per share (in dollars): | 6(29) | | | | | |
| 9750 | Total basic earnings per share | | | \$ | 12.09 | \$ | 12.04 |
| 9850 | Total diluted earnings per share | | | \$ | 12.06 | \$ | 12.04 |

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

| | Equity attributable to owners of the parent | | | | | | | | | | |
|---|---|-------------------|---------------------|-------------------|------------------|----------------------------------|--|---|---------------------|--------------------------|---------------------|
| | Notes | Retained Earnings | | | | | Other equity interest | | | Non-controlling interest | Total equity |
| | | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Cumulative translation differences of foreign operations | Unrealized gain or loss on valuation of available-for-sale financial assets | Total | | |
| For the year ended December 31, 2018 | | | | | | | | | | | |
| Balance at January 1, 2018 | | \$ 668,106 | \$ 2,161,029 | \$ 527,495 | \$ 145 | \$ 1,359,148 | \$ 704 | \$ - | \$ 4,716,627 | \$ 547,243 | \$ 5,263,870 |
| Effect of retrospective application and retrospective restatement | | - | - | - | - | 1,799 | - | (34,787) | (32,988) | - | (32,988) |
| Balance at 1 January, 2018 after adjustments | | <u>668,106</u> | <u>2,161,029</u> | <u>527,495</u> | <u>145</u> | <u>1,360,947</u> | <u>704</u> | <u>(34,787)</u> | <u>4,683,639</u> | <u>547,243</u> | <u>5,230,882</u> |
| Profit for the year | | - | - | - | - | 806,912 | - | - | 806,912 | 173,560 | 980,472 |
| Other comprehensive loss income | | - | - | - | - | (1,782) | 2,922 | (1,965) | (825) | (2,882) | (3,707) |
| Total comprehensive income(loss) | | - | - | - | - | 805,130 | 2,922 | (1,965) | 806,087 | 170,678 | 976,765 |
| Appropriation of 2017 earnings | 6(21) | | | | | | | | | | |
| Legal reserve | | - | - | 76,134 | - | (76,134) | - | - | - | - | - |
| Special reserve | | - | - | - | 32,139 | (32,139) | - | - | - | - | - |
| Cash dividends | | - | - | - | - | (647,313) | - | - | (647,313) | (183,364) | (830,677) |
| Share-based payment transactions | 6(20) | - | 5,055 | - | - | - | - | - | 5,055 | 308 | 5,363 |
| Employee stock options exercised | 6(20) | 2,945 | 27,389 | - | - | - | - | - | 30,334 | - | 30,334 |
| Disposal of financial assets at fair value through other comprehensive income | | - | - | - | - | (30,447) | - | 30,883 | 436 | 31 | 467 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | | - | - | - | - | - | - | - | - | 8,225 | 8,225 |
| Balance at December 31, 2018 | | <u>\$ 671,051</u> | <u>\$ 2,193,473</u> | <u>\$ 603,629</u> | <u>\$ 32,284</u> | <u>\$ 1,380,044</u> | <u>\$ 3,626</u> | <u>(\$ 5,869)</u> | <u>\$ 4,878,238</u> | <u>\$ 543,121</u> | <u>\$ 5,421,359</u> |

(Continued)

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

| | Equity attributable to owners of the parent | | | | | | | | | | |
|---|---|-------------------|---------------------|-------------------|-----------------|----------------------------------|--|---|---------------------|--------------------------|---------------------|
| | Notes | Retained Earnings | | | | | Other equity interest | | | Non-controlling interest | Total equity |
| | | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Cumulative translation differences of foreign operations | Unrealized gain or loss on valuation of available-for-sale financial assets | Total | | |
| <u>For the year ended Decemcer 31, 2019</u> | | | | | | | | | | | |
| Balance at January 1, 2019 | | \$ 671,051 | \$ 2,193,473 | \$ 603,629 | \$ 32,284 | \$ 1,380,044 | \$ 3,626 | (\$ 5,869) | \$ 4,878,238 | \$ 543,121 | \$ 5,421,359 |
| Profit for the year | | - | - | - | - | 811,312 | - | - | 811,312 | 250,838 | 1,062,150 |
| Other comprehensive income(loss) | | - | - | - | - | (5,508) | (16,307) | 30,148 | 8,333 | (3,495) | 4,838 |
| Total comprehensive income(loss) | | - | - | - | - | 805,804 | (16,307) | 30,148 | 819,645 | 247,343 | 1,066,988 |
| Appropriation of 2018 earnings | 6(21) | | | | | | | | | | |
| Legal reserve | | - | - | 80,691 | - | (80,691) | - | - | - | - | - |
| Reversal of special reserve | | - | - | - | (30,041) | 30,041 | - | - | - | - | - |
| Cash dividends | | - | - | - | - | (726,078) | - | - | (726,078) | (184,766) | (910,844) |
| Share-based payment transactions | 6(20) | - | 14,421 | - | - | - | - | - | 14,421 | 879 | 15,300 |
| Disposal of financial assets at fair value through other comprehensive income | | - | - | - | - | (886) | - | 886 | - | - | - |
| Difference between consideration and carrying amount of subsidiaries acquired | 6(20) | - | 137 | - | - | - | - | 3 | 140 | (140) | - |
| Balance at December 31, 2019 | | <u>\$ 671,051</u> | <u>\$ 2,208,031</u> | <u>\$ 684,320</u> | <u>\$ 2,243</u> | <u>\$ 1,408,234</u> | <u>(\$ 12,681)</u> | <u>\$ 25,168</u> | <u>\$ 4,986,366</u> | <u>\$ 606,437</u> | <u>\$ 5,592,803</u> |

ECOVE ENVIRONMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

| | Notes | Years ended | |
|---|-----------|--------------------|------------------|
| | | 2019 | 2018 |
| | | <u>December 31</u> | |
| | | 2019 | 2018 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 1,274,835 | \$ 1,234,770 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(8)(26) | 189,789 | 73,778 |
| Depreciation - right-of-use | 6(9)(26) | 35,419 | - |
| Amortization | 6(26) | 9,675 | 14,462 |
| Interest expense | 6(25) | 33,505 | 7,483 |
| Interest expense - lease liabilities | 6(9) | 578 | - |
| Dividend income | 6(23) | (8,857) | (3,657) |
| Interest income | 6(23) | (11,990) | (16,390) |
| Salary expense-employee stock options | 6(18)(27) | 14,677 | 4,885 |
| Gain on valuation of financial assets | 6(24) | (2,849) | (1,564) |
| Gain on disposal of investment | 6(24) | - | 26,481 |
| Profit from lease modification | 6(24) | (28) | - |
| Share of profit of associates and joint ventures accounted for under equity method | 6(7) | (32,747) | (31,435) |
| Gain on disposal of property, plant and equipment | 6(24) | 411 | (4,387) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss | | 170,448 | 250,721 |
| Notes receivable, net | | 840 | (1,087) |
| Accounts receivable, net | (| 153,005) | (80,446) |
| Accounts receivable - related parties, net | | 1,146 | 6,405 |
| Other receivables | (| 45,270) | 3,432 |
| Other receivables-related parties | | 16,848 | 30,195 |
| Inventories | (| 8,653) | (18,503) |
| Prepaid expense | | 10,207 | (23,847) |
| Other current assets | | - | (30,940) |
| Other non-current assets | | 333,383 | 254,209 |
| Changes in operating liabilities | | | |
| Current contract liabilities | (| 90,575) | 140,580 |
| Notes payable | (| 1,032) | 843 |
| Accounts payable | | 116,780 | (89,136) |
| Accounts payable - related parties | | 4,481 | (4,671) |
| Other payables | (| 40,109) | 52,181 |
| Other payables - related parties | (| 3,116) | (2,424) |
| Other current liabilities | | 6,620 | (25,302) |
| Other non-current liabilities | (| 11,566) | 2,380 |
| Cash inflow generated from operations | | 1,809,845 | 1,716,054 |
| Interest received | | 12,488 | 13,400 |
| Dividends received | | 23,067 | 17,654 |
| Interest paid | (| 39,840) | (8,436) |
| Income tax paid | (| 246,360) | (172,789) |
| Net cash flows from operating activities | | <u>1,559,200</u> | <u>1,565,883</u> |

(Continued)

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

| | Notes | <u>Years ended</u> | |
|--|-------|---------------------|-----------------------------------|
| | | <u>2019</u> | <u>December 31</u> <u>2018</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Proceeds from disposal of financial assets measured at fair value through other comprehensive income | | \$ 9,326 | \$ 48,206 |
| Acquisition of financial assets at fair value through other comprehensive income | | - | (16,258) |
| Decrease (increase) in financial assets at amortised cost | | 50,837 | (115,328) |
| Increase in other receivables-related parties | | (23,000) | 7,000 |
| Interest received | | 75 | 2,570 |
| Increase in investments accounted for under equity method-non-subsidiaries | | - | (77,500) |
| Acquisition of property, plant and equipment | 6(8) | (122,081) | (135,302) |
| Proceeds from disposal of property, plant and equipment | | 72 | 4,569 |
| Increase in refundable deposits | | (617) | (589) |
| Net cash flow from acquisition of subsidiaries (net of cash acquired) | 6(30) | - | (206,659) |
| Increase in other non-current assets | | (662,727) | (154,398) |
| Net cash flows used in investing activities | | (748,115) | (643,689) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Decrease in short-term loans | | (256,300) | (91,000) |
| Increase in short-term loans | | 509,300 | - |
| Proceeds from long-term loans | | 185,700 | 87,000 |
| Repayment of long-term loans | | (168,856) | (258,933) |
| Repayment of lease liabilities | | (30,244) | - |
| Increase in deposits received (shown in other non-current liabilities) | | (3,480) | 22,189 |
| Employee stock options exercised | | - | 30,334 |
| Cash dividends paid | | (910,844) | (830,677) |
| Increase in non-controlling interests | | - | 4,100 |
| Net cash flows used in financing activities | | (674,724) | (1,036,987) |
| Net increase (decrease) in cash and cash equivalents | | 136,361 | (114,793) |
| Cash and cash equivalents at beginning of year | | 1,543,162 | 1,657,955 |
| Cash and cash equivalents at end of year | | <u>\$ 1,679,523</u> | <u>\$ 1,543,162</u> |

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 of December 31, 2019 and 2018, 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, based on our audits and the audit reports of other independent accountants, as described in the other matters section of our report, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2019 and 2018, 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 *Auditor’s responsibilities for the audit of the non-consolidated financial statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audit reports of other independent accountants, as described in the other matters section of our report, 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, 2019, 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 \$2,826,345, constituting 56% 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(29) 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.

Business combinations

Description

The Company holds 100% of shares in ECOVE Solar Energy Corporation and obtained the control over it after acquiring 50% of its shares by cash on September 20, 2018. This business combination transaction adopted acquisition method under company's accounting policies, please refer to Notes 4(31) and 6(30) for accounting policies of the acquisition method on business combinations. The acquisition price allocation was measured and allocated to identifiable assets acquired and liabilities assumed in the business combination of acquiring ECOVE Solar Energy Corporation based on the assets appraisal report provided by the external expert who was appointed by the Company.

As the assumptions of the acquisition price allocation in the business combination involves estimates by management, which are significant to the financial statements, we consider the business combination a key audit matter.

How our audit addressed the matter

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

- A. Inquired management for the procedures of the acquisition, including the motivation and price of the acquisition as well as obtaining evaluation basis of the fair values for assets and liabilities, accounting policies and relevant internal control procedures.
- B. Reviewed and verified the business combination contract and the voucher of consideration payment.
- C. Evaluated the reasonableness of the acquisition price allocation by reviewing the valuation method and key assumptions adopted based on the assets appraisal report of the business combination.
- D. Obtained the accounting entries of business combination and ensured the assets acquired and liabilities assumed in the business combination were recognised in accordance with the abovementioned assets appraisal report and the related information was fully disclosed in the notes of financial statements.

Other matter – Scope of the Audit

We did not audit the financial statements of certain investees accounted for using equity method that are included in the non-consolidated financial statements. The balance of the investees accounted for using equity method was NT\$48,614 thousand, constituting 1% of non-consolidated total assets as of December 31, 2019, and share of loss of associates and joint ventures accounted for using equity method of the investees of NT\$(722) thousand for the year ended December 31, 2019, constituting

(0.09%) of non-consolidated total comprehensive income. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of the other independent accountants.

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.

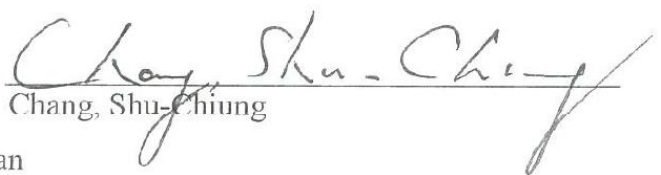
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting 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.

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 11, 2020

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

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

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

| Assets | Notes | December 31, 2019 | | December 31, 2018 | | |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 293,202 | 6 | \$ 210,529 | 4 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | - | - | 2,045 | - |
| 1120 | Financial assets at fair value through other comprehensive income - current | 6(3) | 21,880 | - | 20,017 | - |
| 1200 | Other receivables | | 230 | - | 673 | - |
| 1210 | Other receivables - related parties | 7 | 239,554 | 5 | 119,072 | 3 |
| 1410 | Prepayments | | - | - | 891 | - |
| 11XX | Current Assets | | <u>554,866</u> | <u>11</u> | <u>353,227</u> | <u>7</u> |
| Non-current assets | | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6(3) | 543 | - | 543 | - |
| 1550 | Investments accounted for using equity method | 6(4) | 4,461,061 | 89 | 4,555,274 | 93 |
| 1755 | Right-of-use assets | 6(5) | <u>1,325</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 15XX | Non-current assets | | <u>4,462,929</u> | <u>89</u> | <u>4,555,817</u> | <u>93</u> |
| 1XXX | Total assets | | <u>\$ 5,017,795</u> | <u>100</u> | <u>\$ 4,909,044</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, 2019 | | December 31, 2018 | |
|--|-------------------------------------|-------|---------------------|------------|---------------------|------------|
| | | | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | |
| 2150 | Notes payable | | \$ - | - | \$ 480 | - |
| 2200 | Other payables | | 18,547 | 1 | 18,802 | 1 |
| 2220 | Other payables - related parties | 7 | 1,371 | - | 1,292 | - |
| 2230 | Current income tax liabilities | | 6,828 | - | 7,485 | - |
| 2280 | Current lease liabilities | 7 | 773 | - | - | - |
| 21XX | Current Liabilities | | <u>27,519</u> | <u>1</u> | <u>28,059</u> | <u>1</u> |
| Non-current liabilities | | | | | | |
| 2580 | Non-current lease liabilities | 7 | 533 | - | - | - |
| 2640 | Accrued pension liabilities | 6(6) | 3,377 | - | 2,747 | - |
| 25XX | Non-current liabilities | | <u>3,910</u> | <u>-</u> | <u>2,747</u> | <u>-</u> |
| 2XXX | Total Liabilities | | <u>31,429</u> | <u>1</u> | <u>30,806</u> | <u>1</u> |
| Equity | | | | | | |
| Share capital | | 6(8) | | | | |
| 3110 | Common stock | | 671,051 | 13 | 671,051 | 14 |
| Capital surplus | | 6(9) | | | | |
| 3200 | Capital surplus | | 2,208,031 | 44 | 2,193,473 | 44 |
| Retained earnings | | 6(10) | | | | |
| 3310 | Legal reserve | | 684,320 | 14 | 603,629 | 12 |
| 3320 | Special reserve | | 2,243 | - | 32,284 | 1 |
| 3350 | Unappropriated retained earnings | | 1,408,234 | 28 | 1,380,044 | 28 |
| Other equity interest | | | | | | |
| 3400 | Other equity interest | | 12,487 | - | (2,243) | - |
| 3XXX | Total equity | | <u>4,986,366</u> | <u>99</u> | <u>4,878,238</u> | <u>99</u> |
| Significant events after the balance sheet date | | 11 | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 5,017,795</u> | <u>100</u> | <u>\$ 4,909,044</u> | <u>100</u> |

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

| Items | Notes | Year ended December 31 | | | |
|---|-----------------|------------------------|------|------------|------|
| | | 2019 | | 2018 | |
| | | AMOUNT | % | AMOUNT | % |
| 4000 Operating revenue | 6(4) | \$ 814,178 | 100 | \$ 788,260 | 100 |
| 5900 Gross profit | | 814,178 | 100 | 788,260 | 100 |
| Operating expenses | | | | | |
| 6200 General & administrative expenses | 6(13)(14) and 7 | (49,663) | (6) | (50,275) | (7) |
| 6000 Total operating expenses | | (49,663) | (6) | (50,275) | (7) |
| 6900 Operating profit | | 764,515 | 94 | 737,985 | 93 |
| Non-operating income and expenses | | | | | |
| 7010 Other income | 6(11) and 7 | 53,640 | 7 | 48,283 | 6 |
| 7020 Other gains and losses | 6(12) | 636 | - | 29,807 | 4 |
| 7050 Finance costs | 6(5) and 7 | (21) | - | - | - |
| 7000 Total non-operating income and expenses | | 54,255 | 7 | 78,090 | 10 |
| 7900 Profit before income tax | | 818,770 | 101 | 816,075 | 103 |
| 7950 Income tax expense | 6(15) | (7,458) | (1) | (9,163) | (1) |
| 8200 Profit for the year | | \$ 811,312 | 100 | \$ 806,912 | 102 |
| Other comprehensive income | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans | 6(6) | (\$ 73) | - | \$ 37 | - |
| 8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(3) | 6,072 | 1 | (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 | | 18,641 | 2 | (1,193) | - |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | 24,640 | 3 | (3,747) | - |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 Cumulative translation differences of foreign operations | | (16,307) | (2) | 2,922 | - |
| 8300 Other comprehensive income for the year | | \$ 8,333 | 1 | (\$ 825) | - |
| 8500 Total comprehensive income for the year | | \$ 819,645 | 101 | \$ 806,087 | 102 |
| Basic earnings per share (in dollars) | | | | | |
| 9750 Basic earnings per share | 6(16) | \$ 12.09 | | \$ 12.04 | |
| Diluted earnings per share (in dollars) | | | | | |
| 9850 Diluted earnings per share | 6(16) | \$ 12.06 | | \$ 12.04 | |

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

| | Notes | 2019 | 2018 | | | | | | | |
|---|-------|-------------------|---------------------|-------------------|------------------|---------------------|----------------------|---------------------|-------------|---------------------|
| For the year ended December 31, 2018 | | | | | | | | | | |
| Balance at January 1, 2018 | | \$ 668,106 | \$ 2,161,029 | \$ 527,495 | \$ 145 | \$ 1,359,148 | \$ 704 | \$ - | (\$ 32,988) | \$ 4,683,639 |
| Effect of retrospective application and retrospective restatement | | - | - | - | - | 1,799 | - | (34,787) | 32,988 | - |
| Balance at 1 January after adjustments | | <u>668,106</u> | <u>2,161,029</u> | <u>527,495</u> | <u>145</u> | <u>1,360,947</u> | <u>704</u> | <u>(34,787)</u> | <u>-</u> | <u>4,683,639</u> |
| Profit (loss) | | - | - | - | - | 806,912 | - | - | - | 806,912 |
| Other comprehensive income | | - | - | - | - | (1,782) | 2,922 | (1,965) | - | (825) |
| Total comprehensive income | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>805,130</u> | <u>2,922</u> | <u>(1,965)</u> | <u>-</u> | <u>806,087</u> |
| Appropriation of 2017 earnings | 6(10) | | | | | | | | | |
| 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 | | 2,945 | 27,389 | - | - | - | - | - | - | 30,334 |
| Disposal of financial assets at fair value through other comprehensive income | | - | - | - | - | (30,447) | - | 30,883 | - | 436 |
| Balance at December 31, 2018 | | <u>\$ 671,051</u> | <u>\$ 2,193,473</u> | <u>\$ 603,629</u> | <u>\$ 32,284</u> | <u>\$ 1,380,044</u> | <u>\$ 3,626</u> | <u>(\$ 5,869)</u> | <u>\$ -</u> | <u>\$ 4,878,238</u> |
| For the year ended December 31, 2019 | | | | | | | | | | |
| Balance at January 1, 2019 | | \$ 671,051 | \$ 2,193,473 | \$ 603,629 | \$ 32,284 | \$ 1,380,044 | \$ 3,626 | (\$ 5,869) | \$ - | \$ 4,878,238 |
| Profit (loss) | | - | - | - | - | 811,312 | - | - | - | 811,312 |
| Other comprehensive income | | - | - | - | - | (5,508) | (16,307) | 30,148 | - | 8,333 |
| Total comprehensive income | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>805,804</u> | <u>(16,307)</u> | <u>30,148</u> | <u>-</u> | <u>819,645</u> |
| Appropriation of 2018 earnings | 6(10) | | | | | | | | | |
| Legal reserve | | - | - | 80,691 | - | (80,691) | - | - | - | - |
| Reversal of special reserve | | - | - | - | (30,041) | 30,041 | - | - | - | - |
| Cash dividends | | - | - | - | - | (726,078) | - | - | - | (726,078) |
| Share-based payment transactions | | - | 14,421 | - | - | - | - | - | - | 14,421 |
| Disposal of financial assets at fair value through other comprehensive income | | - | - | - | - | (886) | - | 886 | - | - |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | | - | 137 | - | - | - | - | 3 | - | 140 |
| Balance at December 31, 2019 | | <u>\$ 671,051</u> | <u>\$ 2,208,031</u> | <u>\$ 684,320</u> | <u>\$ 2,243</u> | <u>\$ 1,408,234</u> | <u>(\$ 12,681)</u> | <u>\$ 25,168</u> | <u>\$ -</u> | <u>\$ 4,986,366</u> |

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

| | Notes | 2019 | 2018 |
|--|------------|--------------------|--------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 818,770 | \$ 816,075 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Salary expense-employee stock options | 6(7)(14) | 1,947 | 687 |
| Depreciation - right-of-use assets | 6(5) | 754 | - |
| Interest income | 6(11) | (2,526) | (3,886) |
| Dividend income | 6(11) | (1,563) | (645) |
| Gains on valuation of financial assets | 6(2)(12) | (712) | (310) |
| Profit from lease modification | 6(12) | (5) | - |
| Share of profit of associates and joint ventures accounted for under equity method | 6(4) | (814,178) | (788,260) |
| Gains on disposals of investments | 6(12) | - | (29,402) |
| Interest expense - lease liabilities | 6(5) and 7 | 21 | - |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss | | 2,757 | 96,338 |
| Other receivables | | 260 | (470) |
| Other receivables-related parties | (| 7,357) | (24,040) |
| Prepayments | | 891 | (891) |
| Other current assets | | - | 10,000 |
| Changes in operating liabilities | | | |
| Notes payable | (| 480) | 480 |
| Other payables | (| 255) | (578) |
| Other payables - related parties | | 79 | 450 |
| Preference share liabilities-non-current | | 557 | 577 |
| Cash (outflow) inflow generated from operations | (| 1,040) | 76,125 |
| Interest received | | 937 | 2,141 |
| Dividends received | | 1,265,949 | 708,551 |
| Income tax paid | (| 8,118) | (3,066) |
| Income tax refund received | | 3 | - |
| Net cash flows from operating activities | | <u>1,257,731</u> | <u>783,751</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Interest received | | 1,647 | 2,223 |
| Increase in other receivables-related parties | (| 113,000) | (87,029) |
| Proceeds from disposal of financial assets measured at fair value through other comprehensive income | | 4,209 | 9,484 |
| Acquire financial assets measured at fair value through other comprehensive income | | - | (7,243) |
| Increase in investments accounted for using equity method | 6(4) | (341,046) | (619,364) |
| Net cash flows used in investing activities | | <u>(448,190)</u> | <u>(701,929)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Repayment of lease liabilities | (| 790) | - |
| Employee stock options exercised | | - | 30,334 |
| Cash dividends paid | 6(10) | (726,078) | (647,313) |
| Net cash flows used in financing activities | | <u>(726,868)</u> | <u>(616,979)</u> |
| Net increase (decrease) in cash and cash equivalents | | 82,673 | (535,157) |
| Cash and cash equivalents at beginning of year | | 210,529 | 745,686 |
| Cash and cash equivalents at end of year | | <u>\$ 293,202</u> | <u>\$ 210,529</u> |

ECOVE Environment Corporation
Profit Distribution Table
Year 2020

| Item | Unit : NT\$ Total |
|--|----------------------|
| Unappropriated retained earnings of previous years | 603,316,279 |
| Less : Remeasurement arising on defined benefit plans are recognised in retained earnings in 2019 | -5,508,420 |
| Less : Disposal of investments in equity instruments designated at fair value through other comprehensive income in 2019 | -885,737 |
| Add : Net income of 2019 | 811,312,445 |
| Less : 10% legal reserve | -80,491,829 |
| Add : Special reserve | 2,242,935 |
| Retained earnings available for distribution as of December 31,2019 | 1,329,985,673 |
| Cash dividends (Based on 67,105,148 outstanding shares at January 31, 2020, NT\$10.83 per share) | -726,748,753 |
| Unappropriated retained earnings | 603,236,920 |

Notes :

1. Distribution will be made primarily by 2019 retained earnings; the insufficient amount will be reimbursed by undistributed retained earnings before 2018.
2. For the proposed distribution date, shares for distribution are based on outstanding shares by the end of January 31, 2020; 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 2019 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 11th, 2020

ECOVE Environment Corporation
The Directors' and Employees' Remuneration of 2019

- (1) It is processed in accordance with the Article 29 of "Articles of Incorporation" of the Company.
- (2) The 2019 pre-tax profit before remuneration distribution amounts to NT \$824,299,207. The Board of Directors of the Company resolved that NT\$5,200,000 (contribution rate :0.63%) of the directors' remuneration and NT\$329,256 (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 2019 financial statements.

ECOVE Environment Corporation
The Balance of the Company's Guarantees and Endorsements
December 31, 2019

unit : NT\$ Thousand

| Item | Guarantees and Endorsements | |
|--|-----------------------------|------------------|
| | as of 2019/12/31 | as of 2018/12/31 |
| ECOVE Solar Energy Corporation | 2,106,562 | 1,143,589 |
| ECOVE Solar Power Corporation | 317,000 | |
| EVER ECOVE Corporation | 220,500 | |
| ECOVE Solvent Recycling Corporation | 155,800 | |
| ECOVE South Corporation Ltd. | 150,000 | |
| Total | 2,949,862 | 1,143,589 |
| <p>Note: 2019.12.31 Net worth : NT\$4,986.37 millions</p> <p>1. The ceiling on the total amount of endorsements or guarantees made by the Company is NT\$14,959.10 millions.</p> <p>2. The ceiling on the total amount of endorsements or guarantees for any single entity is NT\$9,972.73 millions.</p> | | |

ECOVE Environment Corporation

Table of Amendments to “Ethical Corporate Management Best Practice Principles”

| Article | Existing Provisions | Amendments |
|--|--|--|
| Article 1 Purpose and scope | <u>KD Corp.</u> Ethical Corporate Management Best Practice Principles (“the Principles”) are adopted to assist <u>KD Corp.</u> to foster a corporate culture of ethical management, sound development and good commercial practices. These Principles are applicable to <u>KD’s</u> subsidiaries, and other institutions or juridical persons which are substantially controlled by <u>KD Corp.</u> (“Hereinafter referred to as business group”). | Ethical Corporate Management Best Practice Principles (“the Principles”) are adopted to assist <u>ECOVE</u> to foster a corporate culture of ethical management, sound development and good commercial practices. These Principles are applicable to <u>ECOVE’s</u> subsidiaries, and other institutions or juridical persons which are substantially controlled by <u>ECOVE</u> (“Hereinafter referred to as business group”). |
| Article 5.0 Policy | <u>KD Corp.</u> shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism, so as to create an operational environment for sustainable development. | <u>ECOVE</u> shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith <u>approved by BOD</u> , and establish good corporate governance and risk control and management mechanism, so as to create an operational environment for sustainable development. |
| Article 6 Prevention program | <u>KD Corp.</u> should in their own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct (“prevention programs”), including operational procedures, guidelines, and training. When establishing the prevention programs shall comply with relevant laws and regulations of the territory where the business group are operating. | <u>ECOVE</u> should in their own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct (“prevention programs”), including operational procedures, guidelines, and training. When establishing the prevention programs, <u>ECOVE</u> shall comply with relevant laws and regulations of the territory where the business group are operating. |
| Article 7 Scope of prevention program | When establishing the prevention programs, <u>ECOVE</u> shall analyze which business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures. The prevention programs adopted by <u>ECOVE</u> shall at least include preventive measures against the following: Omitted below | The Group shall establish an assessment mechanism for the risk of dishonest behavior, <u>regularly analyze and evaluate the business activities</u> within their business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures <u>and regularly review the appropriateness and effectiveness of the prevention programs</u> . The prevention programs adopted by <u>ECOVE</u> shall <u>in accordance with the standards or guidelines generally adopted at home and abroad</u> , at least include preventive measures against the following: Omitted below |

| Article | Existing Provisions | Amendments |
|--|---|---|
| <p>Article 8 Commitment and implementation</p> | <p><u>KD</u> and his business group shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p> | <p><u>ECOVE Corp. shall require the directors and senior management to issue a statement that follows the Ethical Corporate Management Policy and to abide by it on the terms of employment.</u> <u>ECOVE</u> and his business group shall clearly specify in their rules, external documents, <u>and company websites,</u> the ethical corporate management policies and the commitment by <u>the board of directors</u> and the management to actively implement such policies, and shall carry out the policies in internal management and in commercial activities. <u>Documented information should be produced and properly maintained for the aboved-mentioned ethical management policies, statements, commitments, and executions.</u></p> |
| <p>Article 17 Roles and responsibilities</p> | <p>The directors, independent directors, supervisors, managers, employees, mandataries, and substantial controllers of CTCI shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. To achieve sound ethical corporate management, <u>KD Corp.</u> may establish a dedicated unit under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters:</p> <ol style="list-style-type: none"> 1. Omitted. 2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business. <p>Omitted below</p> | <p>The directors, independent directors, supervisors, managers, employees, mandataries, and substantial controllers of CTCI shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. To achieve sound ethical corporate management, <u>ECOVE</u> may establish a dedicated unit under the board of directors <u>with sufficient resources and competent personnel.</u> <u>The unit is</u> responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters <u>and regularly (at least once a year) report to the board of directors :</u></p> <ol style="list-style-type: none"> 1. Omitted. 2. <u>Regularly analyze and evaluate the risk of unethical behaviors in the business scope, and adopt</u> programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business. <p>Omitted below</p> |

| Article | Existing Provisions | Amendments |
|---|---|--|
| <p>Article 20 Accounting and Internal Control</p> | <p><u>KD Corp.</u> shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>The internal audit unit of <u>KD Corp.</u> shall <u>periodically examine the compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors.</u> The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p> <p>New Addition</p> | <p><u>ECOVE Corp.</u> shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>The internal audit unit of <u>ECOVE Corp.</u> shall <u>formulate relevant audit plans based on the assessment results of the risk of unethical behavior, including the object, scope, project, frequency, etc., and examine the compliance plan accordingly.</u> The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary. <u>The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and reduced to writing in the form of an audit report to be submitted to the board of directors.</u></p> |
| <p>Article 23 Whistleblowing System</p> | <p><u>KD Corp</u> shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistleblowing system shall include at least the following:</p> <ol style="list-style-type: none"> 1. Omitted. 2. Dedicated personnel or unit appointed to handle whistleblowing system. Any tip involving a director or senior <u>manager</u> shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted. <p>New Addition</p> <ol style="list-style-type: none"> 3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents. 4. Confidentiality of the identity of whistleblowers and the content of reported cases. | <p><u>ECOVE Corp.</u> shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistleblowing system shall include at least the following:</p> <p>Omitted.</p> <ol style="list-style-type: none"> 2. Dedicated personnel or unit appointed to handle whistleblowing system. Any tip involving a director or senior <u>management</u> shall be reported to the independent directors <u>(or supervisors)</u>. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted. 3. <u>After the investigation of the case is completed, the follow-up measures to be taken shall be determined according to the seriousness of the case and, if necessary, report to the authority or transfer to the judicial organization for investigation.</u> 4. Documentation of case acceptance, investigation processes, investigation results, and relevant documents. 5. Confidentiality of the identity of whistleblowers and the content of reported cases, <u>and allow anonymous reporting.</u> |

| Article | Existing Provisions | Amendments |
|---------|--|---|
| | <p><u>5.</u> Measures for protecting whistleblowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p><u>6.</u> Whistleblowing incentive measures. When material misconduct or likelihood of material impairment to CTCL comes to awareness upon investigation, the dedicated personnel or unit handling the whistleblowing system shall immediately prepare a report and notify the independent directors in written form.</p> | <p><u>6.</u> Measures for protecting whistleblowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p><u>7.</u> Whistleblowing incentive measures. When material misconduct or likelihood of material impairment to CTCL comes to awareness upon investigation, the dedicated personnel or unit handling the whistleblowing system shall immediately prepare a report and notify the independent directors <u>(or supervisor)</u> in written form.</p> |

**ECOVE Environment Corporation
Table of Amendments to “Articles of Incorporation”**

| Article | Existing Provisions | Amendments |
|------------|---|---|
| Article 7 | <p><u>The shares of the Company shall be name-bearing shares duly signed and sealed by a minimum of three directors, assigned serial numbers and clearly identified all items as required under Article 162 of the Company Law and issued after having been authenticated by the competent authority or the registration institution issuing the shares.</u></p> <p><u>The stock certificates of the Company may be made without physical certificates. However, the stock of the Company shall be registered with the securities centralized depository institution.</u></p> | <p><u>The Company had issued shares. The share issued is exempted from printing any share certificate and shall be registered the issued shares with a centralized securities depository enterprise and follow the regulations of that enterprise.</u></p> |
| Article 15 | <p>Except as <u>provided in Article 157 Item 3 and Article 179 Paragraph 2 of the Company Act</u>, the shareholder shall have one voting right for each share owned in the Company.</p> <p>When the Company convenes a shareholders’ meeting, the shareholders may exercise its voting right in writing or electronically.</p> | <p>Except as <u>otherwise provided by the Company Act and other ordinances</u>, the shareholder shall have one voting right for each share owned in the Company.</p> <p>When the Company convenes a shareholders’ meeting, the shareholders may exercise its voting right in writing or electronically.</p> |
| Article 34 | <p>These Articles of Incorporation were enacted on December 8, 1999.</p> <p>...</p> <p>The eighth amendment on June 26, 2017.</p> | <p>These Articles of Incorporation were enacted on December 8, 1999.</p> <p>...</p> <p>The eighth amendment on June 26, 2017.</p> <p>The ninth amendment on May 28, 2020</p> |