

Stock Code: 6803

Old Company English Name : KD Holding Corp.

ECOVE[●]

ECOVE Environment Corp.

2020 Annual General Shareholders' Meeting

Meeting Handbook
(Translation)

Notice to readers

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

May 28, 2020

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

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ECOVE Environment Corporation
Procedure for the 2020 Annual General
Shareholders' Meeting

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

Agenda of 2020 Annual General Shareholders' Meeting
ECOVE Environment Corporation
(Translation)

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**

1. Report Items

- (1) Business Report of 2019. (Please refer to page 12~page 14)
- (2) Audit committee's review report of 2019. (Please refer to page 40)
- (3) The directors' & employees' remuneration of 2019. (Please refer to page 41)
- (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 page 42)
- (5) The Company's "Ethical Corporate Management Best Practice Principles". (Please refer to page 43~page 46)

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 page 12 to page 38)

Resolved :

(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.

Resolved :

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	<ul style="list-style-type: none"> -Attorney at-law in Taiwan -Attorney at-law in China -EMBA National Taiwan University -L.L.B. Fujen Catholic University 	<ul style="list-style-type: none"> -Arbitrator of CAAI 	<ul style="list-style-type: none"> -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	<ul style="list-style-type: none"> -Ph. D. Aeronautics and Astronautics, New York University, USA 	<ul style="list-style-type: none"> -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 	<ul style="list-style-type: none"> -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	<ul style="list-style-type: none"> - Doctor of Engineering, Tulane University - Bachelor of Science, Department of Chemical Engineering, National Taiwan University 	<ul style="list-style-type: none"> - 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 Central University - Professor, Department of Chemical Engineering, National Central University 	<ul style="list-style-type: none"> - Independent Director, ECOVE Environment Corp. - Chairman, Safety and Health Technology Center 	No	0
Independent Director	Shan-Shan Chou	<ul style="list-style-type: none"> - Doctor, Institute of Environmental Engineering, National Chiao Tung University 	<ul style="list-style-type: none"> - Chairman, WaterPark Environment Corporation - Director, Industrial Technology Research Institute Adjunct Associate - Associate Professor, College of Engineering, National Chiao Tung University 	<ul style="list-style-type: none"> - Chairman, KuanShan WaterPark Environmental Protection Technology Co., Ltd. - Director, WaterPark Environment Corporation - Independent Director, GSD Technologies Co., Ltd. 	No	0

Category	Candidate Name	Education	Experience	Present Position	Have served as an independent director for 3 consecutive terms	Share
Independent Director	James Tsai	<ul style="list-style-type: none"> -Master in Accounting, Graduate Institute of Accounting, National Chengchi University -Master in Law, College of Law, National Chengchi University 	<ul style="list-style-type: none"> -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 	<ul style="list-style-type: none"> -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. -Independent Director of the Board, Sunny Friend Environmental Technology Co., Ltd. -Independent Director of the Board, Chien Kuo Construction Co., Ltd. 	No	0

Result of the Election :

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 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.

Resolved:

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

Explanatory Notes :

Please refer to page 47 for the comparison table between the existing provisions and amendments of "Articles of Incorporation".

Resolved :

5. Special Motion

6. Meeting Adjourned

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.

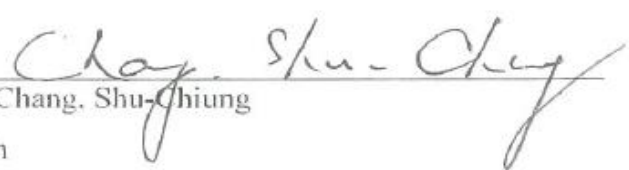
F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely 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)	<u>31,158</u>	<u>-</u>	<u>(2,076)</u>	<u>-</u>
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		
<u>For the year ended December 31, 2018</u>											
Balance at January 1, 2018		\$ 668,106	\$ 2,161,029	\$ 527,495	\$ 145	\$ 1,359,148	\$ 704	\$ -	\$ 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)

		Years ended	
Notes	2019	December 31	
		2018	
<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	\$	1,679,523	\$ 1,543,162

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.

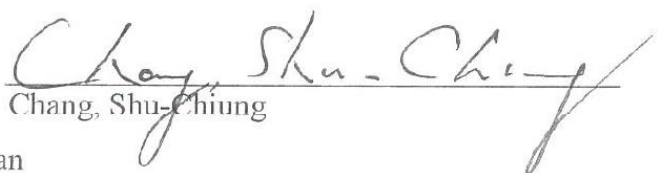
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting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

				Year ended December 31				
				2019		2018		
Items	Notes	AMOUNT	%	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	<u>When establishing the prevention programs, ECOVE shall analyze which 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. The prevention programs adopted by ECOVE shall at least include preventive measures against the following: Omitted below	<u>The Group shall establish an assessment mechanism for the risk of dishonest behavior, 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 ECOVE 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.</u> 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.</p> <p><u>ECOVE</u> and his business group shall clearly specify in their rules, external documents, and company websites, the ethical corporate management policies and the commitment by the board of directors and the management to actively implement such policies, and shall carry out the policies in internal management and in commercial activities.</p> <p>Documented information should be produced and properly maintained for the aboved-mentioned ethical management policies, statements, commitments, and executions.</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 with sufficient resources and competent personnel. The unit is 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 and regularly (at least once a year) report to the board of directors :</p> <ol style="list-style-type: none"> 1. Omitted. 2. Regularly analyze and evaluate the risk of unethical behaviors in the business scope, and adopt 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</u> Corp. 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</u> Corp. 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</u> Corp. 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</u> Corp. 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</u> Corp 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</u> Corp. 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>

ECOVE Environment Corporation Articles of Incorporation

Amended on June 26, 2017

Chapter I General

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

Chapter II Capitals

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

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

Chapter III Shareholders' Meeting

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

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

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

Chapter IV Directors and Audit Committee

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

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

Article 17-1 Two to three of the aforementioned directors shall be independent directors. The directors (including independent directors) shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.

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

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

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

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

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

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

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

Unless otherwise provided by the Company Act, the board resolution shall be

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

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

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

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

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

Article 22 Deleted.

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

Chapter V Human Resources

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

Article 25 Deleted.

Chapter VI Financial Reports

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

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

Article 27 Deleted.

Chapter VII Profit Allocation

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

Article 29 When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, with the resolution of the board of directors, distribute at least 0.01% of the income before tax to pay to the employees as remuneration, and distribute no more than 2% of the income before tax to pay to the board of directors as remuneration. The remuneration could be stock or cash, and the employee remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions.

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

Article 30 The Company shall, after all taxes and dues have been paid and its losses have been covered and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. Furthermore, in accordance with the provisions of laws and regulations and the rules prescribed by the central competent authority, a special reserve shall be set aside. If there is recovery of the balance of special reserve, the recovered amount shall be included in the distribution of the profit for the current year.

The allocable profit for the current year, which is the balance after the profit distribution and covering losses aforementioned as the preceding Paragraph, together with the undistributed retained earnings accrued from prior years shall be referred to as accumulated distributable earnings, which shall be distributed as dividends to shareholders according to shareholders' resolutions. In order to meet the requirements in business expansion and industry growth, fulfilling future operating needs and stabilizing financial structure is the priority of the Company's dividend policy. Thus, the distribution of the accumulated distributable earnings accords to the shareholders' resolutions. And, the amount of shareholders' bonus shall not be less than 20% of accumulated distributable earnings of the Company, and in particular cash dividend shall not be less than 5%.

Article 31 Deleted.

Chapter VIII Miscellaneous

- Article 32 The internal organizational bylaws and procedural rules shall be set out separately.
- Article 33 All matters that are not provided for herein shall be subject to the Company Act and other applicable laws and regulations.
- Article 34 These Articles of Incorporation were approved at the promoters' meeting by all promoters on December 8, 1999.
The first amendment was approved on June 27, 2002,
Article 17-1 of this Articles of Incorporation was amended in accordance with Article 183 of the Securities and Exchange Act,
the second amendment on June 20, 2007,
the third amendment on June 26, 2009,
the fourth amendment on June 17, 2010,
the fifth amendment on June 25, 2013,
the sixth amendment on June 23, 2014
the seventh amendment on June 21, 2016
The eighth amendment on June 26, 2017
- Article 35 This Articles of Incorporation shall become effective upon the approval by the shareholders' meeting. The same shall apply to the amendment hereto.

ECOVE Environment Corporation
Chairman J. J. Liao

ECOVE Environment Corporation
Rules Governing Procedure for Shareholders' Meetings

Amended on June 26, 2009

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

- Article 9 If the shareholders' meeting is convened by the board of directors, the agenda of the meeting shall be determined by the board of directors. The shareholders' meeting shall proceed in the order of proposed agenda. Such order shall not be changed without the approval of the shareholders' meeting.
The above provision applies is also applicable to the Meeting which is convened by the person who does not belong to the Board of Directors.
Before the proposed agenda (including extempore motions) is decided, without the approval of the shareholders' meeting, the chair shall not announce the adjournment of the shareholders' meeting.
Members of the board shall provide help to shareholders to vote a Chairman with majority of present shareholders in accordance of the statutory process when the Chairman adjourn the Meeting in violation of Rules and Procedures.
After the adjournment of the shareholders' meeting, the shareholders shall not elect another chair to continue the shareholders' meeting at the same location or at another location.
- Article 10 Before an attending shareholder makes a statement, he or she shall first fill out a statement slip indicating the subject of his or her statement, the shareholder's account number (or the attendance identification number) and the shareholder's name. The chair shall determine the order in which the shareholders shall make the statement.
Where an attending shareholder only submits a statement slip but did not make any statement, he or she shall be deemed to have not spoken. Where the content of the oral statement is different from that indicated on the statement slip, the content of the oral statement shall prevail.
When an attending shareholder is making a statement, the other shareholders shall not interrupt unless otherwise agreed to by the chair and the speaking shareholder. In case of violation, the chair shall stop the disturbance.
- Article 11 For every proposal discussed, unless otherwise agreed to by the chair of the shareholders' meeting, each shareholder shall not speak for more than twice and each time shall not exceed 5 minutes. Any shareholder violating the abovementioned rule or whose statement exceeds the scope of the proposal, the chair may interrupt and stop such shareholder from speaking.
- Article 12 Where a juristic person is delegated to attend the shareholders' meeting, such juristic person can only appoint one person to attend the shareholders' meeting.
Where a juristic person appoints more than 2 representatives to attend the shareholders' meeting, only one of such representatives may speak for each proposal.
- Article 13 When an attending shareholder speaks, the chair may answer such shareholder directly or appoint a related person to answer.
- Article 14 With respect to the discussion of a proposal, where the chair is of the opinion that a matter has been sufficiently discussed to the extent that a vote may proceed, he or she may conclude the discussion and bring the matter to vote.

- Article 15 People supervise and count the votes for the voting of a proposal shall be appointed by the chair, provided that the person supervising the vote shall be a shareholder of the Company. The result of the vote shall be announced on site and shall be recorded in the meeting minutes.
- Article 16 During the course of the shareholders' meeting, the chair may announce a break at the times that he or she deems appropriate.
- Article 17 Unless otherwise provided by the Company Act or by the Articles of Incorporation, a proposal shall be adopted by a majority vote of the shareholders present. When voting for a proposal, if no objection is expressed when the chair puts the matter before the shareholders present at the shareholders' meeting, the proposal shall be deemed to have been adopted. The effect of such adoption shall be the same as adoption by votes. If there's any objection, shareholder shall vote for it in accordance of above rules.
- Article 18 Where there is an amendment proposal or alternative proposal for the same issue, the chair shall determine the order of voting of such proposals together with the original proposal for the same issue. However, if a proposal has been approved, the other proposals shall be deemed to have been vetoed and need not be voted again.
- Article 19 The chair may direct the rectifiers (or security personnel) to assist in maintaining order at the shareholders' meeting. When the rectifiers (or security personnel) provide assistance to maintain the order at the shareholders' meeting, they shall wear the badge indicating that they are the rectifiers.
- Article 20 The Rules shall come into force upon the adoption by the shareholders' meeting. The same shall apply to the amendment hereof.

ECOVE Environment Corporation
Rules Governing the Election of Directors

Issued on June 12, 2006
Amended on June 23, 2014
Amended on June 21, 2016

- Article 1 Unless otherwise provided in other laws and regulations or the Articles of Incorporation, or any material matters as prescribed by the competent authority, the directors of this Company shall be elected in accordance with rules specified herein.
- Article 2 The directors shall be elected among people with legal capacity at the shareholders' meeting. The position number is defined by the Articles of Incorporation.
The directors (including independent directors) shall be elected by adopting the candidate nomination system specified in Article 192-1 of the Company Law.
- Article 3 The voting of independent directors and non-independent directors shall be held in the lump while elected separately. The persons with the most votes shall be elected respectively for the positions.
Independent directors shall possess professional knowledge and maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company. Their professional qualifications, shareholdings, the positions they may concurrently hold, independence and other matters they shall follow are ruled by Laws and regulations.
- Article 4 The election of directors shall be made in cumulative vote, voters may have their ballots casted in their attendance card number. Each share shall enjoy as many votes as the number of directors' positions up for election. Shareholders may concentrate their full share of votes on one or several candidates.
The board of directors shall prepare the ballot with the amount equals to the number of positions of directors. The ballot shall be marked with Company's chops and the number of voting rights of each voter, and dealt to shareholders who attend the board.
- Article 5 If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available and the Chairman shall draw lots on behalf of the candidate who is not present.
- Article 6 Before the voting process commences, the chair shall appoint a number of supervising personnel and vote counting personnel to handle the relevant matters.
- Article 7 The ballot box shall be prepared by the board of directors and shall be inspected by the supervising personnel before the voting process in front of all attending shareholders.

- Article 8 The voter shall indicate the shareholder account name and account number if the candidate is a shareholder, national identity card number and name if the candidate is not a shareholder on each ballot. Where the candidate is a government agency or a juristic person, the column of the candidate on the ballot shall include the name of the government agency or juristic person and the name of the representatives of the said government or juristic person may also be included therein. Where there are more than one representative, the voter shall specify the name of the representative additionally.
- Article 9 Where any of the following events occurs, the vote shall be deemed null and void:
1. Votes that are not made in accordance with the Rules.
 2. Unwritten blank votes put in the ballot box.
 3. Illegible writing that cannot be recognized or writings that have been altered.
 4. The name, shareholder account number or the national identity card number of the candidate written on the ballot and any items of the number of allocated voting rights have been altered.
 5. If the candidate is a shareholder, when its shareholder account number and name are different from those indicated on the shareholders' roster. If the candidate is not a shareholder, when the name and national identity card number are incorrect upon verification.
 6. Where the name of the candidate written on the ballot is the same as another shareholder, failure to inscribe the shareholder account number or national identity card number.
 7. In addition to the name, shareholder account number or national identity card number and the number of allocated voting rights, the ballot includes other drawings or writing.
 8. The number of candidate inscribed on the ballot exceeds the number of position available for election, or indication of two or more candidates on the same ballot.
 9. Where the total number of allocated voting rights exceeds the number of voting rights entitled to by the said shareholder.
- Article 10 When the total number of votes is less than the number of the allocated voting rights, the difference in number shall be deemed as waivers of right to vote.
- Article 11 The votes shall be opened at the shareholders' meeting after the votes are completed. The result shall be announced by the chair at the shareholders' meeting.
- The Company shall issue a notice of election to the elected directors respectively.
- Article 12 Matters that are not provided for in the Rules shall be governed by the Law and by the Company's Articles of Incorporation.
- Article 13 The Rules shall come into force upon the adoption by the shareholders' meeting. The same shall apply to the amendment hereof.

**ECOVE Environment Corporation
Shareholdings of All Directors**

Record Date: March 30, 2020

Title	Name	Shares	%	Representative
Chairman	CTCI Corporation	38,457,105	57.31	J. J. Liao
Director	CTCI Corporation			Y. P. Shih
Director	Parkwell Investment Limited	1,060,000	1.58	Kuan Shen Wang
Director	Yangming Liu	0	0.00	NA
Director	Eugene Chien	0	0.00	NA
Director	Wen whe Pan	0	0.00	NA
Independent Director	Shean Bii Chiu	0	0.00	NA
Independent Director	Shuh Woei Yu	0	0.00	NA
Independent Director	James Tsai	0	0.00	NA
Total number of shares held by all Directors		39,517,105	58.89	

- (1) Total shares issued as of March 30, 2020: 67,105,148, common shares and the total paid-up capital of March 30, 2020: NT\$671,051,480.
- (2) The minimum required combined shareholding of all Directors by law: 5,368,411 shares.

Others

The process of proposals raised by shareholders during this annual general meeting:

- 1) According to Article 172-1 of The Company Act, shareholders with more than 1% ownership interest are entitled to raise a maximum of one proposal less than 300 words to the company in writing, which will be addressed during the annual general meeting.
- 2) This year's annual general meeting was open to shareholders' proposals from March 16 to March 25, 2020, and these dates have been published on the Market Observation Post System in compliance with the relevant regulations.
- 3) The Company did not receive any proposals from shareholders.