

**Taiwan Cogeneration Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2015 and 2014 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders  
Taiwan Cogeneration Corporation

We have reviewed the accompanying consolidated balance sheets of Taiwan Cogeneration Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2015 and 2014 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

May 8, 2015

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.*

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars, Except Par Value)

	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)		March 31, 2014 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 934,857	6	\$ 986,522	6	\$ 940,434	6
Notes receivable (Note 7)	-	-	9	-	-	-
Notes receivable from related parties (Notes 4 and 29)	1,617	-	1,091	-	-	-
Accounts receivable (Notes 4 and 7)	288,296	2	348,102	2	189,222	1
Finance lease receivables, net (Notes 4 and 8)	28,217	-	38,324	-	38,919	1
Accounts receivable from related parties (Notes 4 and 29)	99,821	1	56,039	1	167,397	1
Amounts due from customers for construction contracts (Notes 4, 9 and 21)	-	-	-	-	449,284	3
Amounts due from related parties for construction contracts (Notes 4, 9, 21 and 29)	276,794	2	310,387	2	373,992	3
Other receivables (Note 4)	5,986	-	28,668	-	4,423	-
Other receivables from related parties (Notes 4 and 29)	5,990	-	5,279	-	5,000	-
Inventories (Notes 4 and 10)	10,543	-	12,659	-	16,082	-
Prepayments to suppliers	13,880	-	52,925	1	33,390	-
Prepaid value-added tax	54,196	-	57,618	1	77,450	1
Prepaid construction costs (Note 21)	13,050	-	13,432	-	34,145	-
Other financial assets (Notes 11 and 30)	19,189	-	34,661	-	38,905	-
Other current assets	<u>3,751</u>	<u>-</u>	<u>4,820</u>	<u>-</u>	<u>5,504</u>	<u>-</u>
Total current assets	<u>1,756,187</u>	<u>11</u>	<u>1,950,536</u>	<u>13</u>	<u>2,374,147</u>	<u>16</u>
<b>NON-CURRENT ASSETS</b>						
Available-for-sale financial assets - non-current (Notes 4, 12 and 28)	255,200	2	242,000	2	259,800	2
Investments accounted for using equity method (Notes 4, 14 and 30)	12,903,207	83	12,666,584	81	11,716,157	77
Property, plant and equipment (Notes 4 and 15)	511,198	3	546,745	3	636,481	4
Intangible assets (Notes 4 and 16)	14,913	-	14,475	-	16,831	-
Deferred tax assets (Note 4)	123,245	1	126,563	1	160,568	1
Refundable deposits	41,259	-	26,514	-	32,537	-
Long-term finance lease receivables, net (Notes 4 and 8)	-	-	-	-	28,261	-
Net defined benefit assets (Note 4)	<u>2,717</u>	<u>-</u>	<u>2,698</u>	<u>-</u>	<u>2,530</u>	<u>-</u>
Total non-current assets	<u>13,851,739</u>	<u>89</u>	<u>13,625,579</u>	<u>87</u>	<u>12,853,165</u>	<u>84</u>
<b>TOTAL</b>	<u>\$ 15,607,926</u>	<u>100</u>	<u>\$ 15,576,115</u>	<u>100</u>	<u>\$ 15,227,312</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 17)	\$ 47,000	-	\$ 351,000	2	\$ 430,910	3
Notes payable	19,057	-	37,066	-	80,745	-
Notes payable to related parties (Note 29)	5	-	23	-	-	-
Accounts payable	41,727	-	39,801	-	27,425	-
Construction costs payable (Note 9)	486,108	3	524,357	4	572,182	4
Accounts payable to related parties (Note 29)	10,213	-	1,035	-	765	-
Other payables (Note 18)	73,058	1	93,222	1	85,904	1
Current tax liabilities (Note 4)	-	-	-	-	7,166	-
Amounts due to related parties for construction contracts (Notes 4, 9, 21 and 29)	28,875	-	-	-	61,430	-
Provisions - current (Notes 4, 19 and 21)	51,474	1	69,862	1	60,015	-
Current portion of long-term borrowings (Notes 17, 28 and 30)	270,000	2	360,000	2	590,000	4
Other current liabilities	<u>21,951</u>	<u>-</u>	<u>22,336</u>	<u>-</u>	<u>3,004</u>	<u>-</u>
Total current liabilities	<u>1,049,468</u>	<u>7</u>	<u>1,498,702</u>	<u>10</u>	<u>1,919,546</u>	<u>12</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 17, 28 and 30)	2,860,000	18	2,610,000	17	2,218,000	15
Provisions - non-current (Notes 4, 19 and 21)	-	-	-	-	28,261	-
Deferred tax liabilities (Note 4)	11,293	-	10,036	-	74,658	-
Net defined benefit liabilities (Notes 4 and 20)	76,602	1	80,542	-	77,508	1
Guarantee deposits received	<u>23,359</u>	<u>-</u>	<u>20,439</u>	<u>-</u>	<u>18,395</u>	<u>-</u>
Total non-current liabilities	<u>2,971,254</u>	<u>19</u>	<u>2,721,017</u>	<u>17</u>	<u>2,416,822</u>	<u>16</u>
Total liabilities	<u>4,020,722</u>	<u>26</u>	<u>4,219,719</u>	<u>27</u>	<u>4,336,368</u>	<u>28</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION</b>						
Share capital						
Common stock	<u>5,890,486</u>	<u>38</u>	<u>5,890,486</u>	<u>38</u>	<u>5,890,486</u>	<u>39</u>
Capital surplus	<u>499,694</u>	<u>3</u>	<u>499,694</u>	<u>3</u>	<u>499,694</u>	<u>4</u>
Retained earnings						
Legal reserve	889,965	6	889,965	6	813,357	5
Special reserve	2,146,955	14	2,146,955	14	57,431	-
Unappropriated earnings	<u>2,108,989</u>	<u>13</u>	<u>1,885,737</u>	<u>12</u>	<u>3,587,445</u>	<u>24</u>
Total retained earnings	<u>5,145,909</u>	<u>33</u>	<u>4,922,657</u>	<u>32</u>	<u>4,458,233</u>	<u>29</u>
Other equity	<u>51,115</u>	<u>-</u>	<u>43,559</u>	<u>-</u>	<u>42,531</u>	<u>-</u>
Total equity	<u>11,587,204</u>	<u>74</u>	<u>11,356,396</u>	<u>73</u>	<u>10,890,944</u>	<u>72</u>
<b>TOTAL</b>	<u>\$ 15,607,926</u>	<u>100</u>	<u>\$ 15,576,115</u>	<u>100</u>	<u>\$ 15,227,312</u>	<u>100</u>

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

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Note 29)	\$ 208,921	68	\$ 226,102	59
Cogeneration plant operation and maintenance	29,254	10	25,472	7
Interest on financial leases	874	-	1,832	1
Research, consulting and construction services (Notes 9 and 29)	<u>68,053</u>	<u>22</u>	<u>126,954</u>	<u>33</u>
Total operating revenue	<u>307,102</u>	<u>100</u>	<u>380,360</u>	<u>100</u>
OPERATING COSTS (Note 23)				
Cost of goods sold (Notes 10 and 29)	164,861	54	170,936	45
Cogeneration plant operation and maintenance (Note 29)	30,579	10	27,593	7
Research, consulting and construction services (Note 9)	<u>62,663</u>	<u>20</u>	<u>116,622</u>	<u>31</u>
Total operating costs	<u>258,103</u>	<u>84</u>	<u>315,151</u>	<u>83</u>
PROFIT FROM OPERATIONS	48,999	16	65,209	17
OPERATING EXPENSES (Note 23)	<u>42,895</u>	<u>14</u>	<u>59,697</u>	<u>15</u>
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	<u>6,104</u>	<u>2</u>	<u>5,512</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 29)	3,134	1	4,679	1
Gain from bargain purchase - acquisition of associates (Note 14)	-	-	374,480	98
Other gains and losses (Note 23)	(5,058)	(1)	8,355	2
Finance costs (Note 23)	(12,409)	(4)	(8,206)	(2)
Share of the profit or loss of associates (Note 14)	<u>234,154</u>	<u>76</u>	<u>230,546</u>	<u>61</u>
Total non-operating income and expenses	<u>219,821</u>	<u>72</u>	<u>609,854</u>	<u>160</u>
PROFIT BEFORE TAX	225,925	74	615,366	162
INCOME TAX EXPENSE (Note 24)	<u>(2,980)</u>	<u>(1)</u>	<u>(58,595)</u>	<u>(16)</u>
NET PROFIT	<u>222,945</u>	<u>73</u>	<u>556,771</u>	<u>146</u>

(Continued)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 275	-	\$ -	-
Share of remeasurement of defined benefit plans of associates	79	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	(47)	-	-	-
	<u>307</u>	<u>-</u>	<u>-</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(3,919)	(1)	2,468	1
Unrealized gain on available-for-sale financial assets	13,200	4	26,600	7
Share of unrealized loss on available-for-sale financial assets of associates	(1,409)	-	(422)	-
Share of exchange differences on translating foreign operations of associates	1,232	-	1,157	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 24)	(1,548)	(1)	(5,066)	(1)
	<u>7,556</u>	<u>2</u>	<u>24,737</u>	<u>7</u>
Other comprehensive income for the period, net of income tax	<u>7,863</u>	<u>2</u>	<u>24,737</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 230,808</u>	<u>75</u>	<u>\$ 581,508</u>	<u>153</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$0.38</u>		<u>\$0.95</u>	
Diluted	<u>\$0.38</u>		<u>\$0.94</u>	

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

(Concluded)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation (Note 22)						Other Equity		
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Cash Flow Hedges	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2014	\$ 5,890,486	\$ 499,694	\$ 813,357	\$ 57,431	\$ 3,030,674	\$ (5,573)	\$ 29,858	\$ (6,491)	\$ 10,309,436
Net profit for the three months ended March 31, 2014	-	-	-	-	556,771	-	-	-	556,771
Other comprehensive income for the three months ended March 31, 2014	-	-	-	-	-	2,049	21,728	960	24,737
Total comprehensive income for the three months ended March 31, 2014	-	-	-	-	556,771	2,049	21,728	960	581,508
BALANCE AT MARCH 31, 2014	<u>\$ 5,890,486</u>	<u>\$ 499,694</u>	<u>\$ 813,357</u>	<u>\$ 57,431</u>	<u>\$ 3,587,445</u>	<u>\$ (3,524)</u>	<u>\$ 51,586</u>	<u>\$ (5,531)</u>	<u>\$ 10,890,944</u>
BALANCE AT JANUARY 1, 2015	\$ 5,890,486	\$ 499,694	\$ 889,965	\$ 2,146,955	\$ 1,885,737	\$ 6,245	\$ 40,102	\$ (2,788)	\$ 11,356,396
Net profit for the three months ended March 31, 2015	-	-	-	-	222,945	-	-	-	222,945
Other comprehensive income for the three months ended March 31, 2015	-	-	-	-	307	(3,253)	9,786	1,023	7,863
Total comprehensive income for the three months ended March 31, 2015	-	-	-	-	223,252	(3,253)	9,786	1,023	230,808
BALANCE AT MARCH 31, 2015	<u>\$ 5,890,486</u>	<u>\$ 499,694</u>	<u>\$ 889,965</u>	<u>\$ 2,146,955</u>	<u>\$ 2,108,989</u>	<u>\$ 2,992</u>	<u>\$ 49,888</u>	<u>\$ (1,765)</u>	<u>\$ 11,587,204</u>

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

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 225,925	\$ 615,366
Adjustments for:		
Depreciation expenses	33,181	32,850
Amortization expenses	883	836
Interest expenses	12,380	8,171
Interest income	(1,498)	(2,016)
Share of profit of associates	(234,154)	(230,546)
Loss (gain) on disposal of property, plant and equipment	(2,173)	7
Unrealized loss (gain) on foreign currency exchange-net	1,879	(2,004)
Gain from bargain purchase	-	(374,480)
Realized gain on the transactions with associates	(6,066)	(7,843)
Changes in operating assets and liabilities		
Notes receivable	9	-
Notes receivable from related parties	(526)	-
Accounts receivable	59,806	97,012
Accounts receivable from related parties	(43,782)	(132,809)
Amounts due from customers for construction contracts	-	(36,993)
Amounts due from related parties for construction contracts	33,627	90,004
Other receivables	21,461	3,025
Other receivables from related parties	(711)	(2,000)
Inventories	2,116	(1,210)
Prepaid construction costs	382	(16,339)
Prepayments to suppliers	39,045	1,856
Other current assets	1,069	(1,214)
Finance lease receivables	10,107	9,150
Prepaid value-added tax	3,422	(7,702)
Net defined benefit assets	(19)	(26)
Notes payable	(18,009)	18,660
Notes payable to related parties	(18)	(64)
Accounts payable	1,926	(10,103)
Construction costs payable	(38,249)	(243,131)
Accounts payable to related parties	9,178	(990)
Amounts due to related parties for construction contracts	28,875	61,430
Other payables	(20,453)	20,180
Provisions	(18,388)	(28,699)
Other current liabilities	(385)	(49,147)
Net defined benefit liabilities	(3,665)	948
Interest received	2,719	2,054
Interest paid	(12,125)	(7,968)
Net cash generated from (used in) operating activities	87,769	(193,735)

(Continued)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of associates	\$ -	\$ (880,000)
Payments for property, plant and equipment	(23)	(36,741)
Proceeds from disposal of property, plant and equipment	4,562	1
Decrease (increase) in refundable deposits	(14,745)	5,687
Decrease in other financial assets	15,472	6,928
Payments for intangible assets	<u>(1,321)</u>	<u>(1,378)</u>
Net cash generated from (used in) investing activities	<u>3,945</u>	<u>(905,503)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	295,545
Repayments of short-term borrowings	(304,000)	-
Proceeds from long-term borrowings	470,000	915,000
Repayments of long-term borrowings	(310,000)	(176,000)
Proceeds from guarantee deposits received	<u>2,920</u>	<u>5,239</u>
Net cash generated from (used in) financing activities	<u>(141,080)</u>	<u>1,039,784</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(2,299)</u>	<u>2,284</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(51,665)	(57,170)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<u>986,522</u>	<u>997,604</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$ 934,857</u>	<u>\$ 940,434</u>

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

(Concluded)



# **TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. GENERAL INFORMATION**

Taiwan Cogeneration Corporation (the “Corporation” and its subsidiaries are collectively referred to as the “Group”) was established by Taiwan Power Corporation (“TPC”) and several local companies on May 7, 1992. The Corporation’s stock was traded on the GreTai Securities Market from May 8, 2000 to August 24, 2003 and has been traded on the Taiwan Securities Exchange (“TSE”) since August 25, 2003. The Corporation is engaged in the following businesses:

- a. Engineering, planning, design, procurement, installation, construction and financial planning of cogeneration systems, and environmental protection and procurement of fuel for cogeneration systems and related businesses;
- b. Operation and management of cogeneration plants;
- c. Research and development, technical services and consultation services related to cogeneration;
- d. Manufacture, assembly, sale, lease, installation, and repair of cogeneration equipment;
- e. Investment in cogeneration plants and trading of related equipment;
- f. Businesses with respect to power generation other than utility; and
- g. Electric equipment installation.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the board of directors on May 7, 2015.

### **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) Endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulation Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group’s accounting policies.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

<b>New, Revised or Amended Standards and Interpretations</b>		<b>Effective Date Issued by IASB (Note 1)</b>
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9	Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures	January 1, 2018
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016 (Note 4)
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11	Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
Amendment to IAS 1	Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	January 1, 2016
Amendment to IAS 19	Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets	January 1, 2014
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21	Levies	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Note 4: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

##### **Statement of Compliance**

This consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

##### **Classification of Current and Non-current Assets and Liabilities**

Current assets include cash, cash equivalents and assets that are expected to be converted into cash or consumed within one year from the balance sheet date; assets other than current assets are non-current assets. Current liabilities include liabilities incurred for trading purposes and obligations that are expected to be settled within one year from the balance sheet date; liabilities other than current liabilities are non-current liabilities. However, the operating cycle of the construction business is longer than one year (normally two to three years); thus, assets and liabilities related to the construction business are classified as either current or non-current based on the operating cycle.

##### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 13 for the detailed information of subsidiaries (including the percentage of ownership and main business).

## **Foreign Currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

The financial statements of the foreign associates prepared in foreign currencies were translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - period-end rates; profit and loss - average rates for the period; stockholders' equity - historical rate. The resulting differences are recorded as other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including those of the associates operations in other countries or the currency used was not New Taiwan dollars) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

## **Impairment of Accounts Receivable**

Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate. The carrying amount of the accounts receivable is adjusted through the use of an allowance account.

## **Inventories**

Inventories include raw materials and maintenance supplies. Inventories are stated at the lower of weighted average cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items.

## **Available-for-sale Financial Assets**

Available-for-sale financial assets include unlisted shares. Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in other comprehensive income is recognized in income or loss for the period. An impairment loss is recognized when there is objective evidence that the financial asset is impaired. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

Cash dividends are recognized upon shareholders' resolutions. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

## **Investment in Associates**

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and

other comprehensive income of the associate. When an indication of impairment is identified in an investment, a loss is recognized.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When a group entity makes transactions with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### **Property, Plant and Equipment**

Properties are stated at cost less accumulated depreciation. Major additions, replacements and betterments are capitalized; while maintenance and repairs are expensed currently.

Depreciation is provided on a straight-line basis over the following estimated service lives which range as follows: buildings, 15 to 50 years; machinery and equipment, 3 to 15 years; transportation equipment, 2 to 8 years; other equipment, 2 to 6 years; leasehold improvements, lease terms. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Upon sale or disposal of properties, the related cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are included in non-operating gains or losses.

### **Intangible Assets**

Computer software is amortized on a straight-line basis over 1 to 5 years. Other intangible asset represents the Grade A comprehensive construction registration certificate of Shang Min. Due to its renewable nature, it has an indefinite useful life; thus, it is not amortized but tested for impairment, at least, annually. The useful life of such asset is reviewed at each balance sheet date to determine whether events and circumstances continue to support the assessment of the indefinite useful life.

### **Impairment of Assets**

When the carrying amount of an asset (mainly including long-term equity investments accounted for under equity method, properties, intangible assets and other assets) exceeds its recoverable amount, the excess is recognized as an impairment loss. A reversal of the impairment loss is recognized if there is a subsequent recovery in the value of the asset. However, the carrying amount after reversal cannot exceed the original cost less accumulated depreciation or amortization.

### **Provisions**

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **a. Onerous contracts**

When the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract, the present obligations arising under onerous contracts are recognized and measured as provisions.

b. Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation the estimate is done by the management of the Group.

**Construction Contracts**

When the outcome of a construction contract can be estimated reliably, revenue and costs from construction services are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent of the amount that can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion of costs incurred to date to the estimated total costs of the contract.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for construction contracts. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the amounts due to customers for construction contracts. Amounts received before the related work is performed are included in the consolidated balance sheet as amounts due to customers for construction contracts, a liability account. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under amounts due from customers for construction contracts.

**Revenue Recognition**

Sales of energy and revenue from cogeneration plant operation and maintenance are determined based on customers' monthly consumption of power, steam, hot water and ice water generated by the cogeneration system.

Leases of cogeneration plants are accounted for by sales-type lease method.

Revenues from research and consulting are recognized by the percentage of completion method.

Revenues are measured at the fair value of the consideration received or receivable from customers. However, when the consideration is in the form of receivables that are collectible within one year, the fair value of the consideration need not be determined by discounting all future cash receipts using an imputed rate of interest, provided the difference between the fair value and the nominal amount of the consideration is insignificant and revenue transactions are frequent.

**Employee Benefits**

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis. Interim period income tax expense is calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

a. Current tax

Current tax liability depends on current taxable income. Taxable income is different from the net income before tax on the consolidated statement of comprehensive income for the reason that certain revenue and expenses are taxable or deductible items in other period, or not taxable or deductible items according to the Income Tax Law. The Group's current tax liabilities are calculated by the legislated tax rate on balance sheet date.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings as the status of appropriations of earnings is uncertain.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized.

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Available-for-sale financial assets

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the value of unquoted shares. Available-for-sale financial assets were valued using a discounted cash flow analysis based on going concern assumptions supported.

b. Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

c. Realizability of the deferred tax asset

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.



## 6. CASH AND CASH EQUIVALENTS

	March 31, 2015	December 31, 2014	March 31, 2014
Cash on hand	\$ 1,895	\$ 1,995	\$ 2,645
Checking accounts and demand deposits	239,268	394,655	263,098
Cash equivalents			
Time deposits	<u>693,694</u>	<u>589,872</u>	<u>674,691</u>
	<u>\$ 934,857</u>	<u>\$ 986,522</u>	<u>\$ 940,434</u>

Cash equivalents include time deposits with high liquidity, readily convertible into a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

The market interest rates of cash in bank at the end of the reporting period were as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Bank balance	0.43%-1.25%	0.7%-1.33%	0.57%-1.45%

## 7. NOTES AND ACCOUNTS RECEIVABLE

	March 31, 2015	December 31, 2014	March 31, 2014
Notes receivable	\$ <u>-</u>	\$ <u>9</u>	\$ <u>-</u>
Accounts receivable	<u>\$ 288,296</u>	<u>\$ 348,102</u>	<u>\$ 189,222</u>

The average credit terms range from 30 to 90 days. In determining the recoverability of notes and accounts receivable, the Group considers significant change in the credit quality of the notes and accounts receivable from the date credit was initially granted up to the end of the reporting period. The Group did not recognize an allowance for impairment loss against all notes and accounts receivables because of historical experience.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Less than 60 days	\$ 102,913	\$ 170,984	\$ 152,158
61-90 days	23,815	23,116	28,452
91-120 days	7,557	154,011	8,612
121-180 days	-	-	-
More than 181 days	<u>154,011</u>	<u>-</u>	<u>-</u>
	<u>\$ 288,296</u>	<u>\$ 348,111</u>	<u>\$ 189,222</u>

The above aging analysis was based on the invoice date.

The aging of receivables that were past due but not impaired was as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
0-60 days	\$ -	\$ -	\$ -
61-90 days	-	-	-
91-120 days	7,557	154,011	8,612
121-180 days	-	-	-
181-240 days	<u>154,011</u>	<u>-</u>	<u>-</u>
	<u>\$ 161,568</u>	<u>\$ 154,011</u>	<u>\$ 8,612</u>

The above aging analysis was based on the invoice date.

Accounts receivables included retentions receivable from construction contracts which are not bearing interest and are expected to remain as receivables until the conditions specified in each contract are satisfied for the payment of such amounts during the warranty periods, which are within the normal operating cycle of the Group, usually more than twelve months after the reporting period. As of March 31, 2015, December 31, 2014 and March 31, 2014, retentions receivable of \$6,776 thousand, \$2,371 thousand and \$0 thousand, respectively, are expected to be recovered after more than twelve months. Refer to Note 9 for details of construction contracts.

## 8. FINANCE LEASE RECEIVABLES

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Finance lease receivables</u>			
Not later than one year	\$ 29,285	\$ 40,267	\$ 43,928
Later than one year and not later than five years	<u>-</u>	<u>-</u>	<u>29,285</u>
	29,285	40,267	73,213
Less: Allowance for uncollectible lease payments	<u>(1,068)</u>	<u>(1,943)</u>	<u>(6,033)</u>
Present value of minimum lease payments receivable	<u>\$ 28,217</u>	<u>\$ 38,324</u>	<u>\$ 67,180</u>
Current	\$ 28,217	\$ 38,324	\$ 38,919
Non-current	<u>-</u>	<u>-</u>	<u>28,261</u>
	<u>\$ 28,217</u>	<u>\$ 38,324</u>	<u>\$ 67,180</u>

The Group entered into build-operate-transfer (“BOT”) agreements for cogeneration plants with several companies. Pursuant to the agreements, the Group shall construct cogeneration plants and lease the plants through capital lease arrangements to these companies, and the Group also shall be responsible for operating and maintaining the plants, effective for a 14-year to 16-year periods and expiring from 2010 to 2015.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The average effective interest rate contracted was approximately 10% as of March 31, 2015, December 31, 2014 and March 31, 2014.

The finance lease receivables as of March 31, 2015, December 31, 2014 and March 31, 2014 were neither past due nor impaired.

## 9. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	March 31, 2015	December 31, 2014	March 31, 2014
Amount due from customers for construction contracts			
Construction costs incurred plus recognized profits less recognized losses to date	\$ 2,601,901	\$ 2,547,694	\$ 2,768,801
Less: Progress billings	<u>(2,325,107)</u>	<u>(2,237,307)</u>	<u>(1,945,525)</u>
Amount due from customers for construction contracts	<u>\$ 276,794</u>	<u>\$ 310,387</u>	<u>\$ 823,276</u>
Amount due from customers for construction contracts			
Related parties	\$ 276,794	\$ 310,387	\$ 373,992
Others	<u>-</u>	<u>-</u>	<u>449,284</u>
	<u>\$ 276,794</u>	<u>\$ 310,387</u>	<u>\$ 823,276</u>
Amount due to customers for construction contracts			
Progress billings	\$ 30,000	\$ -	\$ 1,351,069
Less: Construction costs incurred plus recognized profits less recognized losses to date	<u>(1,125)</u>	<u>-</u>	<u>(1,289,639)</u>
Amount due to customers for construction contracts	<u>\$ 28,875</u>	<u>\$ -</u>	<u>\$ 61,430</u>
Amount due to customers for construction contracts			
Related parties	\$ 28,875	\$ -	\$ 61,430
Others	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 28,875</u>	<u>\$ -</u>	<u>\$ 61,430</u>
Retentions receivable (included in accounts receivable)	<u>\$ 6,776</u>	<u>\$ 2,371</u>	<u>\$ -</u>
Retentions payable (included in construction costs payable)	<u>\$ 16,851</u>	<u>\$ 22,862</u>	<u>\$ 30,249</u>

The contract revenues recognized for the three months ended March 31, 2015 and 2014 were \$53,555 thousand and \$112,556 thousand, respectively. The contract costs recognized for the three months ended March 31, 2015 and 2014 were \$57,171 thousand and \$109,889 thousand, respectively.

The amounts due from customers for construction contracts as of March 31, 2015, December 31, 2014 and March 31, 2014 were neither past due nor impaired.

# 10. INVENTORIES

	March 31, 2015	December 31, 2014	March 31, 2014
Raw materials	\$ 8,333	\$ 10,139	\$ 11,215
Maintenance supplies	<u>2,210</u>	<u>2,520</u>	<u>4,867</u>
	<u>\$ 10,543</u>	<u>\$ 12,659</u>	<u>\$ 16,082</u>

The costs of goods sold for the three months ended March 31, 2015 included inventory write-downs of \$712 thousand.

As of March 31, 2015, December 31, 2014 and March 31, 2014, the maintenance supplies were all aged over twelve months.

# 11. OTHER FINANCIAL ASSETS

	March 31, 2015	December 31, 2014	March 31, 2014
Government bonds	\$ 82	\$ 83	\$ 79
Restricted deposit	<u>19,107</u>	<u>34,578</u>	<u>38,826</u>
	<u>\$ 19,189</u>	<u>\$ 34,661</u>	<u>\$ 38,905</u>

The market rates of government bonds and restricted deposit at the end of the reporting period were as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Government bonds	2.00%	2.00%	2.00%
Restricted deposit	0.87%	0.4%-0.94%	0.57%-1.45%

Refer to Note 30 for the carrying amount of other financial assets pledged by the Group to secure borrowings of the Group.

# 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Non-current</u>			
Domestic investments			
Unlisted shares			
Kaohsiung Arena Development Corporation			
("KADC")	<u>\$ 255,200</u>	<u>\$ 242,000</u>	<u>\$ 259,800</u>

Refer to Note 28 for fair value information relating to available-for-sale financial assets.

### 13. SUBSIDIARIES

Name of Investor	Name of Subsidiary	Main Businesses and Products	Percentage of Ownership		
			March 31, 2015	December 31, 2014	March 31, 2014
The Corporation	Star Energy Corporation ("SEC")	Undertaking and installing of power and water resources engineering projects	100	100	100
The Corporation	Taiwan Cogeneration International Corporation ("TCIC")	Investment in foreign countries and international trading	100	100	100
SEC	Shang Min Construction Corp. ("Shang Min")	Undertaking of civil engineering and construction projects	100	100	100

On August 11, 2014, the Corporation's board of directors decided that the subsidiary, SEC, should merge the sub-subsidiary, Shang Min in order to stabilize the Group's management and increase operational efficiency. Basis of merger date was April 30, 2015. As of May 8, 2015, the merger is still in process.

TCIC had established a branch in the Philippines mainly to expand local engineering business.

### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Investments in associates</u>			
Listed companies			
Ta-Yuan Cogeneration Company ("TYC")	\$ 478,743	\$ 473,330	\$ 466,854
Sun Ba Power Corporation ("Sun Ba")	5,482,798	5,336,198	4,624,124
Star Energy Power Corporation ("SEPC")	2,445,285	2,381,691	2,383,482
Kuo Kuang Power Company Ltd. ("KKPC")	2,373,276	2,367,678	2,371,463
Star Buck Power Corporation ("SBPC")	<u>1,877,171</u>	<u>1,856,416</u>	<u>1,628,074</u>
	12,657,273	12,415,313	11,473,997
Associates that are not individually material	<u>245,934</u>	<u>251,271</u>	<u>242,160</u>
	<u>\$ 12,903,207</u>	<u>\$ 12,666,584</u>	<u>\$ 11,716,157</u>

The amounts of profit or loss of associates recognized by the Group under equity method were as follows:

	For the Three Months Ended March 31	
	2015	2014
Sun Ba	\$ 144,758	\$ 106,383
SEPC	64,094	43,059
SBPC	14,736	40,350
TYC	6,806	5,807
KKPC	5,598	36,387
Associates that are not individually material	<u>(1,838)</u>	<u>(1,440)</u>
	<u>\$ 234,154</u>	<u>\$ 230,546</u>

a. Material associates

	<b>Proportion of Ownership and Voting Rights</b>		
	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
TYC	29.31%	29.31%	29.31%
Sun Ba	43.00%	43.00%	38.00%
KKPC	35.00%	35.00%	35.00%
SEPC	40.50%	40.50%	40.50%
SBPC	41.27%	41.27%	38.27%

The fair values of the investment in associate with published price quotation determined based on the closing price at the balance sheet date were summarized as follows:

<b>Name of Associate</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
TYC	<u>\$ 875,063</u>	<u>\$ 687,549</u>	<u>\$ 685,987</u>

Summarized financial information in respect of each of the Group's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

TYC

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Current assets	\$ 840,457	\$ 704,800	\$ 610,126
Non-current assets	2,166,235	2,184,567	2,109,211
Current liabilities	(590,804)	(558,786)	(549,942)
Non-current liabilities	<u>(782,554)</u>	<u>(715,714)</u>	<u>(576,622)</u>
Equity	1,633,334	1,614,867	1,592,773
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,633,334</u>	<u>\$ 1,614,867</u>	<u>\$ 1,592,773</u>
Proportion of the Group's ownership	29.31%	29.31%	29.31%
Equity attributable to the Group	<u>\$ 478,743</u>	<u>\$ 473,330</u>	<u>\$ 466,854</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Operating revenue	<u>\$ 336,339</u>	<u>\$ 322,786</u>
Net profit for the period	\$ 23,219	\$ 19,811
Other comprehensive income	<u>(4,752)</u>	<u>(1,439)</u>
Total comprehensive income for the period	<u>\$ 18,467</u>	<u>\$ 18,372</u>

## Sun Ba

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Current assets	\$ 5,087,739	\$ 4,571,482	\$ 5,837,470
Non-current assets	15,467,678	15,113,266	15,454,701
Current liabilities	(2,596,267)	(2,087,074)	(3,231,530)
Non-current liabilities	<u>(4,977,481)</u>	<u>(4,952,726)</u>	<u>(5,606,252)</u>
Equity	12,981,669	12,644,948	12,454,389
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,981,669</u>	<u>\$ 12,644,948</u>	<u>\$ 12,454,389</u>
Proportion of the Group's ownership	43.00%	43.00%	38.00%
Equity attributable to the Group	\$ 5,582,118	\$ 5,437,327	\$ 4,732,668
Unrealized gain or loss with associates	(101,407)	(103,216)	(108,544)
Goodwill	<u>2,087</u>	<u>2,087</u>	<u>-</u>
Carrying amount	<u>\$ 5,482,798</u>	<u>\$ 5,336,198</u>	<u>\$ 4,624,124</u>

### **For the Three Months Ended March 31**

	<b>2015</b>	<b>2014</b>
Operating revenue	<u>\$ 3,019,912</u>	<u>\$ 3,596,881</u>
Net profit for the period	\$ 336,646	\$ 307,231
Other comprehensive income	<u>76</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 336,722</u>	<u>\$ 307,231</u>

## SEPC

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Current assets	\$ 2,085,354	\$ 2,943,471	\$ 1,748,317
Non-current assets	8,225,884	7,921,824	8,650,794
Current liabilities	(1,208,826)	(1,933,391)	(1,064,438)
Non-current liabilities	<u>(2,812,350)</u>	<u>(2,800,163)</u>	<u>(3,195,258)</u>
Equity	6,290,062	6,131,741	6,139,415
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,290,062</u>	<u>\$ 6,131,741</u>	<u>\$ 6,139,415</u>
Proportion of the Group's ownership	40.50%	40.50%	40.50%
Equity attributable to the Group	\$ 2,547,475	\$ 2,483,355	\$ 2,486,463
Unrealized gain or loss with associates	<u>(102,190)</u>	<u>(101,664)</u>	<u>(102,981)</u>
Carrying amount	<u>\$ 2,445,285</u>	<u>\$ 2,381,691</u>	<u>\$ 2,383,482</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Operating revenue	\$ <u>1,603,957</u>	\$ <u>1,442,568</u>
Net profit for the period	\$ 158,259	\$ 116,265
Other comprehensive income	<u>62</u>	<u>-</u>
Total comprehensive income for the period	\$ <u>158,321</u>	\$ <u>116,265</u>

#### KKPC

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Current assets	\$ 1,246,089	\$ 953,749	\$ 1,179,139
Non-current assets	8,532,635	8,520,194	8,836,571
Current liabilities	(1,392,464)	(911,827)	(1,596,797)
Non-current liabilities	<u>(2,239,356)</u>	<u>(2,444,256)</u>	<u>(2,329,387)</u>
Equity	6,146,904	6,117,860	6,089,526
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>6,146,904</u>	\$ <u>6,117,860</u>	\$ <u>6,089,526</u>
Proportion of the Group's ownership	35.00%	35.00%	35.00%
Equity attributable to the Group	\$ 2,151,416	\$ 2,141,251	\$ 2,131,334
Goodwill	19,304	19,304	19,304
Investment premium	<u>202,556</u>	<u>207,123</u>	<u>220,825</u>
Carrying amount	\$ <u>2,373,276</u>	\$ <u>2,367,678</u>	\$ <u>2,371,463</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Operating revenue	\$ <u>1,317,446</u>	\$ <u>1,347,667</u>
Net profit for the period	\$ 29,044	\$ 117,011
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the period	\$ <u>29,044</u>	\$ <u>117,011</u>

#### SBPC

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Current assets	\$ 1,846,172	\$ 2,347,005	\$ 2,496,583
Non-current assets	10,181,415	10,464,801	10,436,174
Current liabilities	(857,311)	(1,354,163)	(1,289,244)
Non-current liabilities	<u>(5,726,659)</u>	<u>(6,052,726)</u>	<u>(6,374,066)</u>
Equity	5,443,617	5,404,917	5,269,447
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>5,443,617</u>	\$ <u>5,404,917</u>	\$ <u>5,269,447</u>

(Continued)



	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Proportion of the Group's ownership	41.27%	41.27%	38.27%
Equity attributable to the Group	\$ 2,246,729	\$ 2,230,757	\$ 2,016,761
Unrealized gain or loss with associates	<u>(369,558)</u>	<u>(374,341)</u>	<u>(388,687)</u>
Carrying amount	<u>\$ 1,877,171</u>	<u>\$ 1,856,416</u>	<u>\$ 1,628,074</u> (Concluded)

	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Operating revenue	<u>\$ 1,007,056</u>	<u>\$ 1,455,125</u>
Net profit for the period	\$ 35,703	\$ 114,009
Other comprehensive income	<u>2,997</u>	<u>15,859</u>
Total comprehensive income for the period	<u>\$ 38,700</u>	<u>\$ 129,868</u>

The board of directors of the Corporation passed a resolution on January 16, 2014 to acquire 5.5% ownership of Sun Ba, and 5.5% ownership of SEPC from Summit Global Management Taiwan B.V. for \$495,000 thousand and \$222,500 thousand, respectively. The Corporation also acquired 4.6% ownership of SBPC from Sumitomo Corporation for \$162,500 thousand. As of March 12, 2014, the Corporation had completed the acquisition. A bargain purchase gain of \$374,480 thousand from the acquisition of Sun Ba, SEPC and SBPC was recognized separately in the consolidated statement of comprehensive income.

The board of directors of the Corporation passed a resolution on June 30, 2014 to acquire 3% ownership of SBPC from China Development Industrial Bank for \$135,630 thousand. As of August 4, 2014, the Corporation had completed the acquisition.

The board of directors of the Corporation passed a resolution on October 1, 2014 to acquire 5% ownership of Sun Ba from China Development Industrial Bank, for \$628,500 thousand. As of October 31, 2014, the Corporation had completed the acquisition.

On July 2, 2014, Chang-bin Gas-fired Power Plant of SEPC, an associate of the Group, had encountered a malfunction in electric generator. Generator No. 1 had suffered fractures in its screw between the bolt rotor and the end plate, causing the core meltdown. The cost of the repair was \$287,000 thousand. According to the insurance contract, the claim amount of the impaired asset and loss on business interruption can be reasonably estimated at \$262,000 and \$205,000 thousand, respectively. The cost of the repair and insurance claim mentioned above had been recognized in 2014. Chang-bin Gas-fired Power Plant resumed work on December 8, 2014.

The Company's share of profit (loss) and other comprehensive income (loss) of investees was recorded based on the reviewed financial statements for the three months ended March 31, 2015 and 2014.

Refer to Note 30 for the carrying amount of investments accounted for using equity method pledged as security for bank borrowings of the Group.

b. Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2015	2014
The Group's share of:		
Profit from continuing operations	\$ (1,838)	\$ (1,440)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ (1,838)</u>	<u>\$ (1,440)</u>

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the three months ended March 31, 2015 and 2014 were based on the associates' financial statements reviewed by auditors for the same periods.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment and Machinery	Transportation Equipment	Other Equipment	Leasehold Improvements	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2015	\$ 214,502	\$ 78,954	\$ 1,862,164	\$ 7,606	\$ 49,529	\$ 22,459	\$ -	\$ 2,235,214
Additions	-	-	-	-	23	-	-	23
Disposals	-	-	(12,635)	(6,039)	(1,421)	-	-	(20,095)
Balance at March 31, 2015	<u>214,502</u>	<u>78,954</u>	<u>1,849,529</u>	<u>1,567</u>	<u>48,131</u>	<u>22,459</u>	<u>-</u>	<u>2,215,142</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2015	-	45,742	1,575,231	6,608	41,066	19,822	-	1,688,469
Depreciation expense	-	922	30,328	32	1,728	171	-	33,181
Disposals	-	-	(11,057)	(5,234)	(1,415)	-	-	(17,706)
Balance at March 31, 2015	-	<u>46,664</u>	<u>1,594,502</u>	<u>1,406</u>	<u>41,379</u>	<u>19,993</u>	<u>-</u>	<u>1,703,944</u>
Carrying amounts at March 31, 2015	<u>\$ 214,502</u>	<u>\$ 32,290</u>	<u>\$ 255,027</u>	<u>\$ 161</u>	<u>\$ 6,752</u>	<u>\$ 2,466</u>	<u>\$ -</u>	<u>\$ 511,198</u>
<u>Cost</u>								
Balance at January 1, 2014	\$ 214,502	\$ 78,954	\$ 1,852,846	\$ 7,509	\$ 48,743	\$ 19,279	\$ 282	\$ 2,222,115
Additions	-	-	261	-	29	3,180	33,271	36,741
Disposals	-	-	(33,566)	-	(75)	-	-	(33,641)
Balance at March 31, 2014	<u>214,502</u>	<u>78,954</u>	<u>1,819,541</u>	<u>7,509</u>	<u>48,697</u>	<u>22,459</u>	<u>33,553</u>	<u>2,225,215</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2014	-	41,805	1,488,137	6,225	34,201	19,149	-	1,589,517
Depreciation expense	-	1,028	29,764	138	1,792	128	-	32,850
Disposals	-	-	(33,566)	-	(67)	-	-	(33,633)
Balance at March 31, 2014	-	<u>42,833</u>	<u>1,484,335</u>	<u>6,363</u>	<u>35,926</u>	<u>19,277</u>	<u>-</u>	<u>1,588,734</u>
Carrying amounts at March 31, 2014	<u>\$ 214,502</u>	<u>\$ 36,121</u>	<u>\$ 335,206</u>	<u>\$ 1,146</u>	<u>\$ 12,771</u>	<u>\$ 3,182</u>	<u>\$ 33,553</u>	<u>\$ 636,481</u>

## 16. INTANGIBLE ASSETS

	March 31, 2015	December 31, 2014	March 31, 2014
Computer software	\$ 2,913	\$ 2,475	\$ 4,831
Others	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
	<u>\$ 14,913</u>	<u>\$ 14,475</u>	<u>\$ 16,831</u>

	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2015	\$ 9,086	\$ 12,000	\$ 21,086
Additions	1,321	-	1,321
Disposals	<u>(663)</u>	<u>-</u>	<u>(663)</u>
Balance at March 31, 2015	<u>9,744</u>	<u>12,000</u>	<u>21,744</u>

Accumulated amortization

Balance at January 1, 2015	6,611	-	6,611
Amortization	883	-	883
Disposals	<u>(663)</u>	<u>-</u>	<u>(663)</u>
Balance at March 31, 2015	<u>6,831</u>	<u>-</u>	<u>6,831</u>
Carrying amounts at March 31, 2015	<u>\$ 2,913</u>	<u>\$ 12,000</u>	<u>\$ 14,913</u>

Cost

Balance at January 1, 2014	\$ 8,515	\$ 12,000	\$ 20,515
Additions	1,378	-	1,378
Disposals	<u>(1,116)</u>	<u>-</u>	<u>(1,116)</u>
Balance at March 31, 2014	<u>8,777</u>	<u>12,000</u>	<u>20,777</u>

Accumulated amortization

Balance at January 1, 2014	4,226	-	4,226
Amortization	836	-	836
Disposals	<u>(1,116)</u>	<u>-</u>	<u>(1,116)</u>
Balance at March 31, 2014	<u>3,946</u>	<u>-</u>	<u>3,946</u>
Carrying amounts at March 31, 2014	<u>\$ 4,831</u>	<u>\$ 12,000</u>	<u>\$ 16,831</u>

## 17. BORROWINGS

### a. Short-term borrowings

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 47,000</u>	<u>\$ 351,000</u>	<u>\$ 430,910</u>

The ranges of interest rate on line of credit borrowings were as follows:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Line of credit borrowings	1.6%-1.9%	1.2%-2.35%	1.2%-1.695%

b. Long-term borrowings

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
<u>Secured borrowings</u>			
Repayable in annual installments through August 2018	\$ 910,000	\$ 910,000	\$ 1,040,000
Repayable in quarterly installments through December 2019	665,000	700,000	-
<u>Revolving unsecured borrowings</u>			
Revolving through August 2016	785,000	800,000	-
Revolving through November 2016	470,000	-	500,000
Revolving through December 2016	300,000	300,000	-
Revolving through November 2017	-	220,000	-
Revolving through August 2015	-	-	300,000
Revolving through October 2015	-	-	233,000
Revolving through May 2016	-	-	140,000
Revolving through August 2015	-	40,000	100,000
Revolving through November 2016	-	-	495,000
	<u>3,130,000</u>	<u>2,970,000</u>	<u>2,808,000</u>
Less: Current portion	<u>(270,000)</u>	<u>(360,000)</u>	<u>(590,000)</u>
	<u>\$ 2,860,000</u>	<u>\$ 2,610,000</u>	<u>\$ 2,218,000</u>

The ranges of interest rate on long-term borrowings were as follows:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Secured borrowings	1.658%-1.974%	1.658%-1.974%	1.658%
Revolving unsecured borrowings	1.22%-1.325%	1.22%-1.47%	1.18%-1.35%

**18. OTHER PAYABLES**

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Bonus to the employees and directors	\$ 42,145	\$ 38,233	\$ 49,834
Salaries or bonus	13,400	35,805	12,054
Payable for annual leave	7,678	9,218	10,217
Professional fees	5,039	3,569	4,952
Others	<u>4,796</u>	<u>6,397</u>	<u>8,847</u>
	<u>\$ 73,058</u>	<u>\$ 93,222</u>	<u>\$ 85,904</u>

## 19. PROVISIONS

	March 31, 2015	December 31, 2014	March 31, 2014
Current			
Onerous contracts	\$ 29,041	\$ 39,458	\$ 40,981
Warranties	<u>22,433</u>	<u>30,404</u>	<u>19,034</u>
	<u>\$ 51,474</u>	<u>\$ 69,862</u>	<u>\$ 60,015</u>
Non-current			
Onerous contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,261</u>
	<b>Onerous Contracts</b>	<b>Warranties</b>	<b>Total</b>
Balance at January 1, 2015	\$ 39,458	\$ 30,404	\$ 69,862
Usage	<u>(10,417)</u>	<u>(7,971)</u>	<u>(18,388)</u>
Balance at March 31, 2015	<u>\$ 29,041</u>	<u>\$ 22,433</u>	<u>\$ 51,474</u>
Balance at January 1, 2014	\$ 78,701	\$ 38,274	\$ 116,975
Additional provisions recognized	-	178	178
Usage	<u>(9,459)</u>	<u>(19,418)</u>	<u>(28,877)</u>
Balance at March 31, 2014	<u>\$ 69,242</u>	<u>\$ 19,034</u>	<u>\$ 88,276</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Corporation, SEC and Shang Min adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The defined benefit plan adopted by the Corporation, SEC and Shang Min in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation, SEC and Shang Min contribute amounts equal to 6.5%, 3% and 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name and are managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Three Months Ended March 31	
	2015	2014
Cost of revenues	<u>\$ 1,368</u>	<u>\$ 1,309</u>
Operating expenses	<u>\$ 3,029</u>	<u>\$ 1,286</u>

The amounts recognized in profit or loss in respect of the defined benefit plans for the three months ended March 31, 2015 included the adjustments of the Group's initial application of 2013 version of IAS 19. The adjustments to past service cost, which amounted to \$2,054 thousand, did not have material impact; thus the financial statements were not restated.

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31, 2014</b>
Discount rates	1.75%
Expected rates of salary increase	3.00%
The average duration of the defined benefit obligation	11.8 years

## **21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

The Group classified their assets and liabilities in the construction operations as current or non-current according to the length of the operating cycle of these construction operations.

The following table details the amounts expected to be collected or repaid within one year after the balance sheet date.

March 31, 2015

	<b>Less than One Year</b>	<b>More than One Year</b>	<b>Total</b>
<u>Assets</u>			
Amounts due from customers for construction contracts	\$ 120,973	\$ 155,821	\$ 276,794
Prepaid construction costs	<u>13,050</u>	<u>-</u>	<u>13,050</u>
	<u>\$ 134,023</u>	<u>\$ 155,821</u>	<u>\$ 289,844</u>
			(Continued)

	<b>Less than One Year</b>	<b>More than One Year</b>	<b>Total</b>
<u>Liabilities</u>			
Amounts due to customers for construction contracts	\$ -	\$ 28,875	\$ 28,875
Provisions-warranties	<u>565</u>	<u>21,868</u>	<u>22,433</u>
	<u>\$ 565</u>	<u>\$ 50,743</u>	<u>\$ 51,308</u>
			(Concluded)

December 31, 2014

	<b>Less than One Year</b>	<b>More than One Year</b>	<b>Total</b>
<u>Assets</u>			
Amounts due from customers for construction contracts	\$ 136,376	\$ 174,011	\$ 310,387
Prepaid construction costs	<u>13,432</u>	<u>-</u>	<u>13,432</u>
	<u>\$ 149,808</u>	<u>\$ 174,011</u>	<u>\$ 323,819</u>

<u>Liabilities</u>			
Provisions-warranties	<u>\$ 746</u>	<u>\$ 29,658</u>	<u>\$ 30,404</u>

March 31, 2014

	<b>Less than One Year</b>	<b>More than One Year</b>	<b>Total</b>
<u>Assets</u>			
Amounts due from customers for construction contracts	\$ 823,276	\$ -	\$ 823,276
Prepaid construction costs	<u>34,145</u>	<u>-</u>	<u>34,145</u>
	<u>\$ 857,421</u>	<u>\$ -</u>	<u>\$ 857,421</u>

<u>Liabilities</u>			
Amounts due to customers for construction contracts	\$ 61,430	\$ -	\$ 61,430
Provisions-warranties	<u>5,380</u>	<u>13,654</u>	<u>19,034</u>
	<u>\$ 66,810</u>	<u>\$ 13,654</u>	<u>\$ 80,464</u>

## 22. EQUITY

### a. Share capital

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Numbers of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>589,049</u>	<u>589,049</u>	<u>589,049</u>
Shares issued	<u>\$ 5,890,486</u>	<u>\$ 5,890,486</u>	<u>\$ 5,890,486</u>

The issued common stock has par value at \$10 per share and entitled to the right to vote and receive dividends.

### b. Capital surplus

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Issuance of share	\$ 460,000	\$ 460,000	\$ 460,000
Conversion of bonds	32,494	32,494	32,494
Arising on share-based payments	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>
	<u>\$ 499,694</u>	<u>\$ 499,694</u>	<u>\$ 499,694</u>

The capital surplus generated from shares issued in excess of par (including additional paid-in capital from issuance of common shares and conversion of bonds) may be used to offset a deficit, transferred to capital or distributed in cash when the Corporation has no deficit. Capitalization of such capital surplus is limited to a certain percentage of the Corporation's paid-in capital.

The capital surplus generated from long-term investments may not be used for any purpose.

### c. Retained earnings and dividend policy

Under the Corporation's Articles of Incorporation, the legal reserve should be set aside at 10% of annual net income, less any accumulated deficit, and appropriate special reserve, if any, in accordance with law. The remainder of the income should be appropriated as follows:

- 1) 1% as bonus to directors and supervisors;
- 2) Not less than 1% as bonus to employees; and
- 3) The remainder, together with the unappropriated earnings of prior years to be distributed to the stockholders.

The Corporation has adopted a balanced dividend policy. Cash dividends shall not be less than 20% of the total dividends, with the balance paid in stock. However, the ratio of cash dividends may be decreased to be less than 20%, with the balance paid in stock, which should be resolved by the stockholders, if the expenditure for a new important investment plan reaches \$300 million or above and the Corporation is unable to obtain other funds to meet the cash needs of the plan.



The appropriations of earnings for 2014 had been proposed by the board of directors on March 24, 2015. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (\$)</b>
Legal reserve	\$ 172,844	
Special reserve	599,760	
Cash dividends	942,478	\$1.6

The 2014 appropriations of earnings and the amounts of bonus to employees and bonus to directors and supervisors \$28,675 thousand and \$9,558 thousand, respectively, will be resolved in the shareholders' meeting scheduled on June 17, 2015.

The appropriations of earnings for 2013 had been approved in the shareholders' meeting on June 19, 2014. The appropriations and dividends per share were as follows:

- 1) Legal reserve \$76,608 thousand;
- 2) Reversal of special reserve \$57,431 thousand;
- 3) Special reserve resulted from IFRS adjustment \$2,146,955 thousand;
- 4) Cash dividend \$706,858 thousand; and
- 5) The bonus to employees and directors \$22,305 thousand and \$7,469 thousand, respectively.

There was no difference between the amounts of the bonus to employees and directors resolved in the shareholders' meetings in 2014 and the amounts recognized in the financial statements for the year ended December 31, 2013.

The estimated amounts of accrued bonus to employees and to directors and supervisors for the three months ended March 31, 2015 were \$2,934 thousand and \$978 thousand, respectively. The bonuses to employees and to directors for the three months ended March 31, 2015 were calculated at 3% and 1% of net income, net of the 10% deduction for legal reserve and special reserve.

The estimated amounts of accrued bonus to employees and to directors and supervisors for the three months ended March 31, 2014 were \$15,045 thousand and \$5,015 thousand, respectively. The bonuses to employees and to directors for the three months ended March 31, 2014 were calculated at 3% and 1% of net income, net of the 10% deduction for legal reserve.

Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

For information relating to the bonus to employees and bonus to directors and supervisors as proposed by the board of directors and resolved by the stockholders in the annual regular meeting, please visit the Market Observation Post System website of the Taiwan Stock Exchange.

Under the Company Law, legal reserve shall be appropriated until the reserve equals the paid-in capital. Such reserve may be used to offset a deficit. When the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash when the Corporation has no deficit.

## 23. NET PROFIT

### a. Other income

	For the Three Months Ended March 31	
	2015	2014
Interest income	\$ 1,498	\$ 2,016
Others	<u>1,636</u>	<u>2,663</u>
	<u>\$ 3,134</u>	<u>\$ 4,679</u>

### b. Other gains and losses

	For the Three Months Ended March 31	
	2015	2014
Gain on foreign exchange	\$ 252	\$ 8,765
Loss on foreign exchange	(7,464)	(321)
Gain (loss) on disposal of property, plant and equipment	2,173	(7)
Others	<u>(19)</u>	<u>(82)</u>
	<u>\$ (5,058)</u>	<u>\$ 8,355</u>

### c. Financial costs

	For the Three Months Ended March 31	
	2015	2014
Interest expenses	\$ 12,380	\$ 8,171
Others	<u>29</u>	<u>35</u>
	<u>\$ 12,409</u>	<u>\$ 8,206</u>

The amounts and interest rates of interest capitalized were as follows:

	For the Three Months Ended March 31	
	2015	2014
Amount	<u>\$ 34</u>	<u>\$ 552</u>
Interest rate	1.33%	1.31%-1.315%

d. Depreciation and amortization

<b>For the Three Months Ended March 31</b>		
	<b>2015</b>	<b>2014</b>
Property, plant and equipment	\$ 33,181	\$ 32,850
Intangible assets	<u>883</u>	<u>836</u>
	<u>\$ 34,064</u>	<u>\$ 33,686</u>
An analysis of depreciation by function		
Cost of revenues	\$ 32,630	\$ 32,333
Operating expenses	<u>551</u>	<u>517</u>
	<u>\$ 33,181</u>	<u>\$ 32,850</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 883</u>	<u>\$ 836</u>

e. Employee benefits expense

<b>For the Three Months Ended March 31</b>		
	<b>2015</b>	<b>2014</b>
Post-employment benefits		
Defined contribution plans	\$ 1,251	\$ 1,440
Defined benefit plans	<u>4,397</u>	<u>2,595</u>
	5,648	4,035
Termination benefits	<u>50,304</u>	<u>75,771</u>
Total employee benefits expense	<u>\$ 55,952</u>	<u>\$ 79,806</u>
An analysis of employee benefits expense by function		
Cost of revenues	\$ 25,078	\$ 34,760
Operating expenses	<u>30,874</u>	<u>45,046</u>
	<u>\$ 55,952</u>	<u>\$ 79,806</u>
Termination benefits		
Wages and salaries	\$ 44,862	\$ 69,539
Labor and health insurance	3,628	4,078
Other employee benefits	<u>1,814</u>	<u>2,154</u>
	<u>\$ 50,304</u>	<u>\$ 75,771</u>

## 24. INCOME TAX

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax		
In respect of the current year	\$ -	\$ -
Deferred tax	<u>2,980</u>	<u>58,595</u>
Income tax expense recognized in profit or loss	<u>\$ 2,980</u>	<u>\$ 58,595</u>

### b. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Deferred tax</u>		
Exchange difference on translating foreign operations	\$ (666)	\$ 419
Unrealized gain on available-for-sale financial instruments	2,244	4,522
Actuarial gains on defined benefit retirement plan	47	-
Share of other comprehensive income of associates	<u>(30)</u>	<u>125</u>
Income tax recognized in other comprehensive income	<u>\$ 1,595</u>	<u>\$ 5,066</u>

### c. Integrated income tax

Under the Income Tax Law, the income tax paid by the Corporation may be used by the individual resident stockholders of both the Corporation and the Corporation's domestic corporate stockholders as income tax credits. Annual distributable net earnings that are not distributed to stockholders in the following year are subject to an additional income tax at the rate of 10%. The additional income tax paid may be used by stockholders (with the exception of the domestic corporate stockholders for which dividends received from domestic investee companies are exempt from income tax) as tax credits when the then undistributed earnings are ultimately distributed. Related information was as follows:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ 537	\$ 537	\$ 537
Unappropriated earnings generated on and after January 1, 1998	<u>2,108,452</u>	<u>1,885,200</u>	<u>3,586,908</u>
	<u>\$ 2,108,989</u>	<u>\$ 1,885,737</u>	<u>\$ 3,587,445</u>
Imputation credit account ("ICA")	<u>\$ 36,901</u>	<u>\$ 26,361</u>	<u>\$ 82,194</u>

	<b>For the Year Ended December 31</b>	
	<b>2015 (Expected)</b>	<b>2014 (Actual)</b>
Creditable ratio for distribution of earning	1.40%	6.78%

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Corporation is calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Corporation is based on the balance of ICA as of the date of dividends distribution. Therefore, the expected creditable ratio for the 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

d. Income tax assessment

The Corporation's income tax returns through 2013 have been assessed by the tax authorities. The SEC's income tax returns through 2013 have been assessed by the tax authorities, except 2010. Shang Min's tax returns through 2012 have been assessed by the tax authorities.

## 25. EARNINGS PER SHARE

	<b>Unit: NT\$ Per Share</b>	
	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Basic earnings per share	<u>\$ 0.38</u>	<u>\$ 0.95</u>
Diluted earnings per share	<u>\$ 0.38</u>	<u>\$ 0.94</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

### Net Profit for the Year

	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Earnings used in the computation of basic earnings per share	\$ 222,945	\$ 556,771
Effect of potentially dilutive ordinary shares		
Bonus issue to employees	<u>-</u>	<u>-</u>
Earnings used in the compensation of diluted earnings per share	<u>\$ 222,945</u>	<u>\$ 556,771</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Weighted average number of ordinary shares in computation of basic earnings per share	589,049	589,049
Effect of potentially dilutive ordinary shares:		
Bonus issue to employees	<u>1,240</u>	<u>2,531</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>590,289</u>	<u>591,580</u>

The Corporation offered to settle bonuses paid to employees by payment of cash or shares, thus, the Corporation assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, provided the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## **26. EXPLANATORY COMMENTS ABOUT THE SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS**

The operation of the cogeneration plant has seasonal characteristic and the electricity price is in accordance with TPC's requirement. During the summer months, which are June, July, August, and September, the selling price of the electricity is higher. The rest of the month are considered non-summer month. Based on the past experience, the parent company sells the electricity and the steam it produced to energy users. The remaining electricity is resold to TPC, and revenue is recognized monthly. Hence, the peak sales period is from June to September.

Research, consulting and construction services do not have seasonal characteristics. Based on the past experience, the Company's consolidated revenue is recognized based on the progress of each construction project.

## **27. CAPITAL MANAGEMENT**

The Corporation manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged in 5 years.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 28. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying value of the financial assets and financial liabilities not carried at fair value is approximately equal to the fair value.

- b. Fair value of financial instruments that are measured at fair value measurements recognized in the consolidated balance sheets

- 1) Fair value hierarchy

### March 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unlisted securities - ROC				
Equity securities	\$ -	\$ -	\$ 255,200	\$ 255,200

### December 31, 2014

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unlisted securities - ROC				
Equity securities	\$ -	\$ -	\$ 242,000	\$ 242,000

### March 31, 2014

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unlisted securities - ROC				
Equity securities	\$ -	\$ -	\$ 259,800	\$ 259,800

- 2) Reconciliation of Level 3 fair value measurements of financial instruments

### For the three months ended March 31, 2015

	Available-for-sale Financial Assets - Equity Instruments
Balance at January 1, 2015	\$ 242,000
Recognized in other comprehensive income	13,200
Balance at March 31, 2015	\$ 255,200

For the three months ended March 31, 2014

	<b>Available-for-sale Financial Assets - Equity Instruments</b>
Balance at January 1, 2014	\$ 233,200
Recognized in other comprehensive income	<u>26,600</u>
Balance at March 31, 2014	<u>\$ 259,800</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed on the table below. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in WACC or discount for lack of marketability used in isolation would result in increase in fair value.

**March 31, 2015**

Long-term revenue growth rates	0%-2.37%
Long-term pre-tax operating margin	37.39%-41.54%
WACC	9.31%
Discount for lack of marketability	16.39%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would decrease/increase as follows.

**March 31, 2015**

Long-term revenue growth rates	
1% increase	<u>\$ 24,800</u>
1% decrease	<u>\$ (23,800)</u>
WACC	
0.5% increase	<u>\$ (33,800)</u>
0.5% decrease	<u>\$ 39,600</u>

c. Categories of financial instruments

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
<u>Financial assets</u>			
Loans and receivables (Note 1)	\$ 1,374,687	\$ 1,479,302	\$ 1,364,312
Available-for-sale	255,200	242,000	259,800
<u>Financial liabilities</u>			
Amortized cost (Note 2)	3,722,957	3,929,776	3,929,444



Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, account receivables, other receivables and other financial assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term borrowings, notes payable, accounts payable, construction costs payable and part of other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, accounts receivable, accounts payables and loans. The Group's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

a) Foreign currency risk

The carrying amount of the Group's major monetary assets and monetary liabilities transactions in currencies other than the entity's functional currency were as follows:

(In Thousands of Foreign Currencies)

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Assets</u>			
USD	\$ 15,985	\$ 11,920	\$ 11,699
<u>Liabilities</u>			
USD	1,389	1,225	987

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. If New Taiwan dollars strengthened 1% against the U.S. dollars, the Group's pre-tax profit for the three months ended March 31, 2015 and 2014 would have decreased/increased by \$4,568 thousand and \$3,264 thousand, respectively.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rate at the end of the reporting period were as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Fair value interest rate risk			
Financial assets	\$ 721,993	\$ 643,749	\$ 743,950
Cash flows interest rate risk			
Financial assets	1,230	1,230	-
Financial liabilities	3,177,000	3,321,000	3,238,910

### Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates have 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2015 would have decreased/increased by \$7,943 thousand, which was mainly attributable to the Group's exposure to interest rates on its demand deposits.

If interest rates have 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2014 would have decreased/increased by \$8,097 thousand, which was mainly attributable to the Group's exposure to interest rates on its demand deposits.

### 2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties or third parties breached the contracts. Contracts with positive fair values at the consolidated balance sheet date are evaluated for credit risk. The Group only transacts with financial institutions and companies with good credit ratings; thus, no material credit risk is anticipated.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2015, December 31, 2014 and March 31, 2014, the available unutilized short-term borrowings facilities were \$5,208,956 thousand, \$5,044,956 thousand and \$4,888,280 thousand, respectively.

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

#### March 31, 2015

	<b>Within One Year</b>	<b>2 to 3 Years</b>	<b>3 to 4 Years</b>	<b>5+ Years</b>	<b>Total</b>
Short-term borrowings	\$ 47,000	\$ -	\$ -	\$ -	\$ 47,000
Non-interest bearing	545,957	-	-	-	545,957
Long-term borrowings	<u>270,000</u>	<u>2,095,000</u>	<u>765,000</u>	<u>-</u>	<u>3,130,000</u>
	<u>\$ 862,957</u>	<u>\$ 2,095,000</u>	<u>\$ 765,000</u>	<u>\$ -</u>	<u>\$ 3,722,957</u>

December 31, 2014

	<b>Within One Year</b>	<b>2 to 3 Years</b>	<b>3 to 4 Years</b>	<b>5+ Years</b>	<b>Total</b>
Short-term borrowings	\$ 351,000	\$ -	\$ -	\$ -	\$ 351,000
Non-interest bearing	608,776	-	-	-	608,776
Long-term borrowings	<u>360,000</u>	<u>1,810,000</u>	<u>800,000</u>	<u>-</u>	<u>2,970,000</u>
	<u>\$ 1,319,776</u>	<u>\$ 1,810,000</u>	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ 3,929,776</u>

March 31, 2014

	<b>Within One Year</b>	<b>2 to 3 Years</b>	<b>3 to 4 Years</b>	<b>5+ Years</b>	<b>Total</b>
Short-term borrowings	\$ 430,910	\$ -	\$ -	\$ -	\$ 430,910
Non-interest bearing	690,534	-	-	-	690,534
Long-term borrowings	<u>590,000</u>	<u>1,568,000</u>	<u>650,000</u>	<u>-</u>	<u>2,808,000</u>
	<u>\$ 1,711,444</u>	<u>\$ 1,568,000</u>	<u>\$ 650,000</u>	<u>\$ -</u>	<u>\$ 3,929,444</u>

## 29. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties were disclosed below:

a. Operating transactions

<b>Related Parties Types</b>	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Sales		
Investors that have significant influence over the Group	<u>\$ 56,913</u>	<u>\$ 45,115</u>
Research, consulting and construction revenue		
Investors that have significant influence over the Group	<u>\$ 10,079</u>	<u>\$ 42,515</u>
Associates	<u>\$ 50,907</u>	<u>\$ 5,554</u>
Cost of goods sold		
Investors that have significant influence over the Group	<u>\$ 17,010</u>	<u>\$ 19,585</u>
Cogeneration plant operation and maintenance cost		
Associates	<u>\$ 107</u>	<u>\$ 69</u>

b. Non-operating transactions

<b>Related Parties Types</b>	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Other income		
Associates	<u>\$ 1,443</u>	<u>\$ 1,620</u>

<b>Related Parties Types</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Notes receivable from related parties			
Associates	<u>\$ 1,617</u>	<u>\$ 1,091</u>	<u>\$ -</u>
Accounts receivable from related parties			
Investors that have significant influence over the Group	\$ 53,916	\$ 24,893	\$ 159,593
Associates	<u>45,905</u>	<u>31,146</u>	<u>7,804</u>
	<u>\$ 99,821</u>	<u>\$ 56,039</u>	<u>\$ 167,397</u>
Amounts due from related parties for construction contracts			
Investors that have significant influence over the Group	\$ 257,678	\$ 306,698	\$ 373,992
Associates	<u>19,116</u>	<u>3,689</u>	<u>-</u>
	<u>\$ 276,794</u>	<u>\$ 310,387</u>	<u>\$ 373,992</u>
Other receivables from related parties			
Investors that have significant influence over the Group	\$ 5,990	\$ 5,000	\$ 5,000
Associates	<u>-</u>	<u>279</u>	<u>-</u>
	<u>\$ 5,990</u>	<u>\$ 5,279</u>	<u>\$ 5,000</u>
Notes payable to related parties			
Associates	<u>\$ 5</u>	<u>\$ 23</u>	<u>\$ -</u>
Accounts payable to related parties			
Investors that have significant influence over the Group	<u>\$ 10,213</u>	<u>\$ 1,035</u>	<u>\$ 765</u>
Amounts due to related parties for construction contracts			
Investors that have significant influence over the Group	\$ -	\$ -	\$ 60,490
Associates	<u>28,875</u>	<u>-</u>	<u>940</u>
	<u>\$ 28,875</u>	<u>\$ -</u>	<u>\$ 61,430</u>

The transaction with related parties for operating purpose was based on each contract.

c. Compensation of directors, supervisors and management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Short-term employee benefits	\$ 9,850	\$ 11,622
Post-employment benefits	<u>650</u>	<u>469</u>
	<u>\$ 10,500</u>	<u>\$ 12,091</u>

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral mainly for long-term debt, performance guarantee of power transmission and distribution projects, and establishment of branch office:

	March 31, 2015	December 31, 2014	March 31, 2014
Investments accounted for using equity method	\$ 3,408,312	\$ 3,375,105	\$ 2,371,463
Restricted deposit (recorded as other financial assets)	19,107	34,578	38,826
Government bonds (recorded as other financial assets)	<u>82</u>	<u>83</u>	<u>79</u>
	<u>\$ 3,427,501</u>	<u>\$ 3,409,766</u>	<u>\$ 2,410,368</u>

### 31. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

- a. Commitments for construction projects undertaken were approximately \$665 million.
- b. Commitments for construction expenditure and purchase of equipment were approximately \$681 million.
- c. Unused letters of credit of \$45 million.
- d. Under a Coal Purchase Agreement, the Group shall purchase 35 thousand tons of coal based on an agreed price.
- e. Under operating lease agreements for office premises, future minimum rental payments of the Group were as follows:

Year	Amount
Nine-month period ending December 31, 2015	\$ 16,375
2016	21,833

- f. On March 15, 2013, the Fair Trade Commission (“FTC”) concluded Sun Ba, SEPC, SBPC, and KKPC and other competing independent power producer companies (IPPs) had jointly refused to lower the power purchase electricity rates and affected the power supply and demand in the market. Therefore, the FTC fined Sun Ba, SEPC, SBPC, and KKPC \$530 million, \$430 million, \$130 million and \$410 million for violation of the Fair Trade Act. After evaluation of the legal analysis made by an engaged attorney regarding the FTC’s ruling, these corporations believed the relationship among these corporations and other IPPs did not constitute a competitor relationship, and despite not having competitor relationship, these corporations neither jointly refused to lower the power purchase electricity rates, nor affected the power supply and demand in the market. These corporations appealed the FTC’s ruling before the appeal deadline to protect these corporations’ benefits. These corporations appealed for an administrative appeal procedure to rescind the aforementioned penalty in Petitions and Appeals Committee of Executive Yuan (“PACEY”). On September 12, 2013, the PACEY made a decision on the administrative appeal of these corporations; except that the fine would be reconsidered by the FTC according to applicable laws, the Corporation’s appeal was dismissed.
  - 1) On November 5, 2013, the FTC ruled an amended fine of \$500 million, \$400 million, \$100 million and \$380 million to Sun Ba, SEPC, SBPC, and KKPC (“Second FTC’s Ruling”). These corporations do not agree with the amount re-fined by FTC. These corporations made another appeal for revocation of the amended fine. On May 13, 2014, the PACEY made a decision on the

administrative appeal of these corporations, revoked the Second FTC's Ruling, and request FTC to reconsider the fine according to applicable laws within two months. On July 9, 2014, the FTC levied a fine of \$489 million, \$392 million, \$100 million and \$371 million against Sun Ba, SEPC, SBPC, and KKPC ("Third FTC's Ruling"). The Corporations appealed the Third FTC's Ruling to PACEY for revocation of the amended fine. The final decision on the administrative appeal is subject to the decision made by the Supreme Administrative Court as follows.

- 2) These corporations petitioned to the Taipei High Administrative Court for revocation of the Original FTC's Ruling and revocation of the appeal decision made by the Executive Yuan regarding the Concerted Action. On October 29, 2014, the Taipei High Administrative Court revoked the Original FTC's Ruling and revoked the appeal decision made by the PACEY on September 12, 2013 regarding the Concerted Action. However, on November 27, 2014, the FTC appealed to the Supreme Administrative Court and the appeal is still under investigation.

### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

#### March 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 15,985	31.30	<u>\$ 500,351</u>
Investments accounted for using equity method			
PHP	328,717	0.6987	<u>\$ 229,682</u>

#### Financial liabilities

Monetary items			
USD	1,389	31.30	<u>\$ 43,489</u>

#### December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,920	31.65	<u>\$ 377,280</u>
Investments accounted for using equity method			
PHP	330,006	0.7094	<u>\$ 234,097</u>

#### Financial liabilities

Monetary items			
USD	1,225	31.65	<u>\$ 38,700</u>

March 31, 2014

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,699	30.47	<u>\$ 356,468</u>
Investments accounted for using equity method			
PHP	335,219	0.6776	<u>\$ 227,157</u>
<u>Financial liabilities</u>			
Monetary items			
USD	987	30.47	<u>\$ 30,091</u>

The Group is mainly exposed to USD. The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>Foreign Currencies</b>	<b>For the Three Months Ended March 31, 2015</b>		<b>For the Three Months Ended March 31, 2014</b>	
	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
USD	31.52 (USD:NTD)	<u>\$ 6,117</u>	30.27 (USD:NTD)	<u>\$ 8,231</u>

### 33. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Guantian cogeneration plant ("GCP")
- Diesel cogeneration plant ("DCP")
- Segment of research, consulting and construction services ("RCC")

a. Segment revenues and results

The analysis of the Group's revenue and results from continuing operations by reportable segment was as follows:

	<b>For the Three Months Ended March 31, 2015</b>			
	<b>GCP</b>	<b>DCP</b>	<b>RCC</b>	<b>Total</b>
Revenue from customers	<u>\$ 208,921</u>	<u>\$ 30,128</u>	<u>\$ 68,053</u>	<u>\$ 307,102</u>
Segment profit (loss)	<u>\$ 39,734</u>	<u>\$ (1,053)</u>	<u>\$ (4,960)</u>	\$ 33,721
Unallocated operating expenses				(26,014)
Interest income				1,498
Interest expense				(12,231)
Investment income recognized using equity method, net				234,154
Other non-operating income and gains				2,310
Other non-operating expenses and losses				<u>(7,513)</u>
Income before income tax				<u>\$ 225,925</u>
Depreciation	<u>\$ 32,530</u>	<u>\$ -</u>	<u>\$ 141</u>	
Amortization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96</u>	
	<b>For the Three Months Ended March 31, 2014</b>			
	<b>GCP</b>	<b>DCP</b>	<b>RCC</b>	<b>Total</b>
Revenue from customers	<u>\$ 226,102</u>	<u>\$ 27,304</u>	<u>\$ 126,954</u>	<u>\$ 380,360</u>
Segment profit (loss)	<u>\$ 49,547</u>	<u>\$ (835)</u>	<u>\$ (268)</u>	\$ 48,444
Unallocated operating expenses				(43,378)
Interest income				2,016
Interest expense				(7,725)
Investment income recognized using equity method, net				230,546
Other non-operating income and gains				385,908
Other non-operating expenses and losses				<u>(445)</u>
Income before income tax				<u>\$ 615,366</u>
Depreciation	<u>\$ 31,942</u>	<u>\$ -</u>	<u>\$ 431</u>	
Amortization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96</u>	

Segment revenue reported above represents revenue generated from external customers.

Segment profit represents the profit earned by each segment without realized inter-company profit, net investment income recognized under the equity method, interest income, part of interest expense, other non-operating income and gains and other non-operating expenses and losses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.



b. Segment assets

	<b>March 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Segment assets</u>		
GCP	\$ 658,212	\$ 817,722
DCP	40,849	80,169
RCC	<u>588,876</u>	<u>1,116,571</u>
	1,287,937	2,014,462
Unallocated assets		
Investments accounted for using equity method	12,903,207	11,716,157
Others	<u>1,416,782</u>	<u>1,496,693</u>
	<u>\$ 15,607,926</u>	<u>\$ 15,227,312</u>