Stock Code：8926

TAIWAN COGENERATION CORP.

Annual Report 2018

Printing Date：April 22, 2019

Market Observation Website：http://mops.twse.com.tw

Company Website：http://www.cogen.com.tw

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V、Overseas Listings and Access to the Listing Information：None。

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I. Letter to Shareholders

Dear Shareholders:

Thanks to your support over the years, the assistance of directors and supervisors, and the concerted effort of all employees, Taiwan Cogeneration Corporation can maintain steady growth and development. Please accept my deepest gratitude for your support and assistance on behalf of Taiwan Cogeneration Corporation.

1. 2018 Business Report

(1)Business performance

The 2018 consolidated net profit was NT$668,864,000, NT$298,203,000 less than that of the 2017 net revenue at NT$967,067,000. Despite the income increase of the Guantian Power Plant due to TPC's increase in emergency procurement and the rise of electricity tariffs and gas prices in April, the income from re-investments reduced as a result of Star Energy's investment in TPC's solar energy project in the Changhua Coastal Industrial Park and JDN's terrestrial pipelines project for offshore wind farms; the significant increase in tax expenses due to an income tax raise from 17% to 20% of IPP; and the huge expense on the life extension overhaul and propeller replacement of Kuo Kuang Power Co., Ltd. at the end of 2018. Based on the total number of shares at 589,049,000 shares at the end of the year, EPS is NT$1.14. The table below shows the operational performance in the past two years.

Unit: NT$1,000

Item	2018	2017
Operating revenues	3,814,274	1,209,414
Profit from operations	262,794	99,263
Non-Operating Income	413,374	888,279
Profit before income tax	676,168	987,542
Income tax expense	7,304	20,475
Net profit	668,864	967,067
EPS	1.14	1.65

(2)Status of budget execution

Referring to the "Regulations Governing the Publication of Financial Forecasts of Public Companies", we did not need to disclose financial forecasts in 2018.

(3)Revenue and expenditure and profitability analysis

By the end of 2018, the gross profit was higher than that of 2017 as a result of the income from the Guantian Power Plant and Energy Star. However, the overall profit was lower than that of 2017 as the income from re-investments reduced. In financial structure and solvency, this Company constantly seeks profitable and cheap capital, and the overall financial structure is steady.

The table below shows the analysis of the consolidated financial and income ratios:

Item		2018	2017
Financial structure analysis	Debt to total assets (%)	29	22
	Long-term capital to property, plant& equipment (%)	1,715	2,572
Solvency	Current ratio (%)	134	211
	Quick ratio (%)	67	159
Profitability analysis	Return on assets (%)	4	7
	Return on equity (%)	6	8
	Profit margin (%)	18	80

(4)Status of research and development

The focus of research in 2017 included:

1) Research of the policies and operations of independent power plants, cogeneration, and the research of the feasibility and strategies of undertaking electricity projects in Saudi Arabia.
2) Improvement of the operation and maintenance as well as equipment of power plants and cogeneration plants.
3) Technology and investment in renewable energy (photovoltaics (PV), onshore wind power, offshore wind power, geothermal power, biomass energy, and so on), energy storage cells greenhouses.

2. 2019 Business Plan overview

(1)2019 business policy

The 2019 business plan below has been established in accordance with the present macro environment and conditions.

1. Timely increasing investments in offshore wind farms, onshore wind farms, geothermal power plants, and PV plants with reference to the government's renewable energy policy; and progressively accumulating engineering experience and performance, and forming or strengthening a PV and wind power team with plant construction know-how and maintenance capacity. Major targets of development include:
   A. Participating in offshore wind farm development projects through co-development or joint venturing; and actively striving for investments, construction contracts, and operation and maintenance contracts.
   B. Aggressively expanding the scale of onshore wind farm plans; searching for land, incorporating with wind farms with good wind power conditions; and promoting development and investment projects through self-development or investment strategies; and assigning subsidiary Star Energy to undertake EPC projects to gain profit from projects.
   C. Aggressively expanding low-to-medium heat water geothermal projects, continuingly promoting the Qingshui Geothermal Power Plant BOT Project and the Mt. Datun Geothermal Power Plant Development Project and assessing and developing other low-to-medium heat water geothermal projects; progressively developing the geothermal business and allying with professional shareholders and strategic partners to stringently control development risks. Constantly communicating with competent authorities to promote the establishment of a special act for geothermal power plants to protect the mining rights and geothermal mineral rights, promote reasonable electricity prices, and increase investment incentives.
   D. Focusing on the development of large PV projects and prioritizing projection construction, operation, and maintenance to Star Energy, in order to establish a vertical integration business model.
2. Assisting investee RP Energy (RPE) in generation sets re-planning and slope remediation. And will confirming own investment benefits and continuingly monitoring RPE risks.
3. Timely increasing investments in domestic and overseas IPPs and domestic cogeneration plants.
   A. Domestic IPPs and cogeneration plants: Keeping track on the regulations and information in relation to power industry liberalization, grid supply and demand, cogeneration, and TPC procurement and construction projects, continuingly search for sites with fuel supply and grid incorporation, capturing the latest technology and market condition of high-efficiency generation sets, making time development, and striving for EPC business opportunities.
   B. Overseas IPPs: Aggressively selecting and assessing overseas potential investment markets, discerning the political and economic environments and investment conditions of target markets, carefully selecting eligible investment partners for development, and searching for domestic and foreign quality enterprises for strategic alliances to expand the professional capacity for overseas business cultivation.
4. Providing various technical support and labor services for three IPP investees: Star Energy Power Corporation, Sun Ba Power Corporation, and Star Buck Power Corporation.
5. Supervising investee Star Energy Corporation to aggressively expand business scale.

6. Optimizing our financial structure and credit.
7. Timely adjusting the mode of operations of Guan-Tien Cogeneration Plant and cultivating more new energy subscribers in pace with the trend of global energy price volatility in order to improve overall operational performance.

(2)Business objectives

1) Projected 2019 production and sales

Major Project / Year			2019 (projected)
Electricity	(1,000kWh)	Production	302,669
		Sales	267,039
Steam	Tons	Production	310,988
		Sales	310,988

Note: Electricity Sales = Output (including re-sales of purchased electricity) – Electricity Consumption of Cogeneration Plant

2) Basis of 2019 production and sales prediction
The annual production and sales of electricity and steam have been estimated based on the status of operations over the years, the assessment of subscriber energy demand, and consideration of the sale of surplus electricity to Taiwan Power Company.

(3)Important production and marketing policies

1) Marketing strategies
   A. Providing integrated services, including fund arrangements, technical support, plant construction, and operation and maintenance, guided by investments and supported with engineering in order to demonstrate our advantages and ensure long-term benefits.
   B. Search for and carefully select energy subscribers with the appeal to provision of reliable and stable electricity and energy in order to strive for cooperation partners with a win-win strategy between the company and subscribers.
   C. Offering flexible options for cooperation (e.g. BOT, BOO, and JV) to meet the needs of individual customers.
   D. Continuously expanding the scale of IPPs and the scope of business with reference to the government's power industry liberalization policy.
   E. Developing renewable energy markets.
   F. Developing energy services relating to energy conservation.
   G. Keeping track on the power plant construction projects in emerging countries to cultivate the overseas electricity market.
2) Production strategies
   A. Optimizing steady operation of generation sets, improving the response ability of on-duty staff, and reducing failure frequency to ensure good production and sales performance.
   B. Reducing operating cost with economic operation and enhancing operational efficiency with the circular economy without affecting the normal operation of generation sets.
   C. Cultivating cogeneration customers and promoting cogeneration technical service solutions to increase operating income.
   D. Complying with OHS regulatory requirements, optimizing environmental management according to ISO 14001, continuingly promoting the healthy workplace, and building a friendly workplace through technological exchange in coordination with the observation tour on working in confined spaces in Guantian Industrial Park organized by the Tainan City Labor Affairs Bureau.
   E. Diversifying unimpeded grievance channels, enhancing customer service efficiency and reducing customer grievances to fulfill customer demands in all aspects.
   F. Accumulating and collating maintenance and repair experience over the years and

promoting domestic production of key equipment and parts to lower purchasing cost and control supply delay time; planning improvement measures based on the plant use and maintenance and repair experience to ensure smooth operation and extend the lifespan of equipment and parts.

3. Future development strategy
   (1)Enhancing operational performance: Reducing operating cost and thereby increasing overall profit by strengthening the operation and maintenance of existing power plants and enhancing equipment efficiency. Enhancing income from re-investments and strengthening the budget control and reducing operating cost of departments by enhancing control and evaluation of investees.
   (2)Proactive business cultivation: Developing business models based on electricity-related projects through development, investment, construction, operation, and vertical integration, with focus on the renewal energy business, including onshore/offshore wind power, PV power, and geothermal energy development. Making preparations for and timely investments in large LPG IPP development, and striving for project undertaking to accumulate rich project performance to striving for EPC business opportunities.
   (3)Reinforcing governance and corporate social responsibility (CSR): Reinforcing governance, optimizing regulations and systems, and reducing operational risks to become a benchmark enterprise for governance. Practicing CSR and publishing CSR reports every year to disclose operations-related information to strengthen stakeholder communication.
   (4)Strengthening human resources: In response to business objectives and strategies, strategically recruiting the required core workforce, reinforcing core technology inheritance, and building mechanisms to strengthen connection among the performance management and assessment; the promotion, transfer and reward; and the training and development of employees.
   (5)Addressing power industry liberalization: Keeping track on the direction of legislation of bylaws to the Electricity Act; dealing with policy, regulation, and market changes; adjusting the focus and strategy of business development; maintaining competitiveness; and waiting for opportunities to prepare for future competitions in the electricity market.

4. Influences of market competitions, legal environment, and macro environment
   (1)Market competitions: The amendment of the Electricity Act to liberalize the electricity business and encourage renewal energy development brings more market opportunities and rivals as well. Taking the advantage of our outstanding all-round management team, quality, and technology, we will invest in related business to increase organizational profit.
   (2)Legal environment: The amended Electricity Act was promulgated on January 26, 2017, with focus on promoting energy transformation, encouraging renewable energy development, and legislating limits on the carbon emission coefficient of power generation. With respect to the 2025 electricity portfolio planned by the government, we will change the generation structure toward zero or low carbon emission, such as using renewable energy and natural gas. We will keep track on the impacts on business operations of amendments to related laws and regulations and timely adjust business development strategies in order to protect the rights and interest of the company and shareholders and to make preparations for future market competitions.
   (3)Macro environment: With respect to the government's electricity portfolio, business opportunities in renewable energy and services in relation to energy conservation will increase. Furthermore, in response to the grid connection of massive renewable energy, auxiliary services are expected to increase in the future to create more opportunities for building independent gas combined cycled power plants. We will continue investments in cogeneration systems, IPPs, and renewable energy at a steady pace in order to ensure overall organizational benefits.

Please comment and looking forward to your continuous support.

Chairman: Min-chieh Chang   Manager: Guang-shun Yu   Financial Manager: Zhi-jie Hsu

II. Company Profile

1. Date of establishment: 7 May 1992

2. Company history

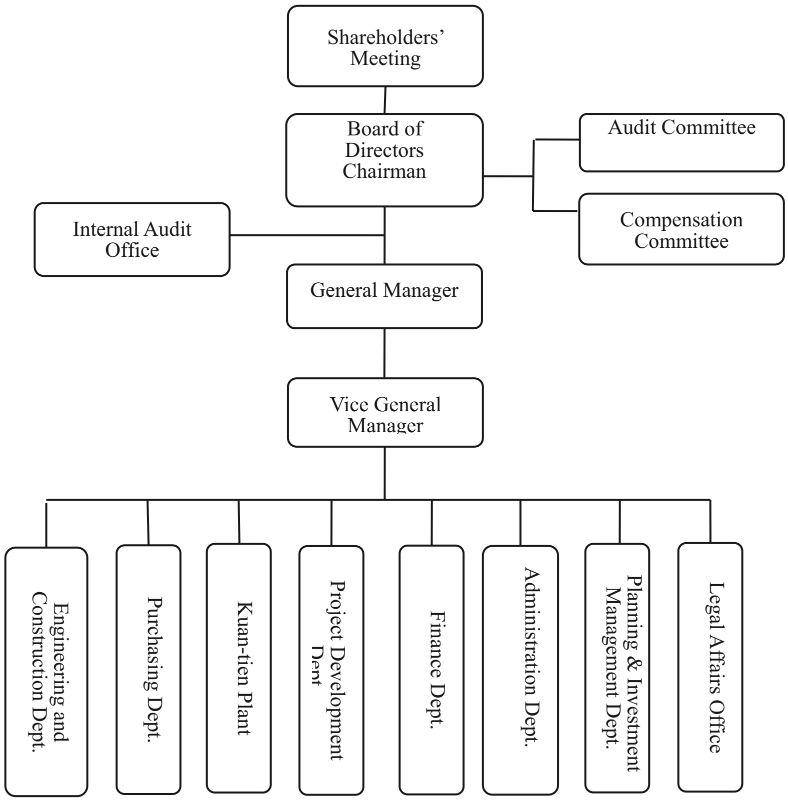
1992	Established as a professional cogeneration power plant by Taiwan Power Company, Mega Bank, China Development Industrial Bank, and a number of domestic E&M manufacturers with NT$1 billion under the direction of the Ministry of Economic Affairs.
1996	• Commercial operation of Ta-Yuan Cogeneration Plant I of joint-venture Ta-Yuan Cogeneration Corporation • Re-invested in Star Energy Corporation
1997	• Commercial operation Imei Cogeneration Plant I in Nankan and President Cogeneration Plant in Yangmei on a BOT basis. • Public offering and capital increase with cash by issuing new shares at NT$263 million on April 24.Authorized capital increased to NT$1.263 billion after capital increase.
1998	• Commercial operation of Achem Technology Cogeneration Plant in Yangmei and Universal Textile Cogeneration Plant on a BOT basis. • Independent investments in Guan-tien Cogeneration Plant.
1999	• Commercial operation Imei Cogeneration Plant II in Nankang on a BOT basis. • Capital increase with earnings at NT$63 million. Authorized capital to NT$1.326 billion after capital increase.
2000	• Commercial operation of Ta-Yuan Cogeneration Plant II built through joint venture in January. • IPO on the OTC market on May 8, the first IPP to go public in Taiwan. • Approved to establish Fong Der Gas-Fired Power Plant of Sun Ba Power Corporation and Changbin Gas-Fired Power Plant of Star Energy Power Corporation on July 5 to officially enter the electricity market. • Capital increase with earnings at NT$55 million in October. Authorized capital increased to NT$1.381 billion after capital increase. • Completion of Guan-tien Cogeneration Plant in December.
2001	• Capital increase with cash at NT$900 million in April. Authorized capital increased to NT$2.281 billion after capital increase. • Capital increase with earnings at NT$256 million in October. Authorized capital increased to NT$2.537 billion after capital increase. • Established Taiwan Cogeneration International Corporation through re-investments.
2002	• Issued convertible corporate bonds at NT$900 million in July. • Capital increase with earnings at NT$313 million in August. Authorized capital increased to NT$2.85 billion after capital increase. • Capital increase with cash from issuing new shares at NT$300 million in September. Authorized capital increased to NT$3.15 billion after capital increase.
2003	Listed on Taiwan Stock Exchange on August 25.
2004	• Commercial operation of Fong Der Gas-Fired Power Plant of Sun Ba Power Corporation and Chang-bin Gas-Fired Power Plant of Star Energy Power Corporation • Converted corporate bonds to equity at NT$70 million. • Capital increase with earnings at NT$262 million in October. Authorized capital increased to NT$3.481 billion after capital increase.
2005	• Established Sun Ba International Power Corporation through re-investments. • Converted corporate bonds to equity at NT$507 million.
2006	• Re-invested in Star Buck Power Corporation.

	• Converted corporate bonds to equity at NT$87 million.
2007	• Maturity of convertible corporate bonds at NT$900 million in July. • Converted corporate bonds to equity at NT$209 million. • Capital increase with earnings at NT$225 million in September. Authorized capital increased to NT$4.509 billion after capital increase.
2008	• Established Redondo Peninsula Energy, Inc. in the Philippines through Taiwan Cogeneration International Corporation under joint venture. • Capital increase with earnings and capital surplus at NT$284 million in July. Authorized capital increased to NT$4.793 billion after capital increase. • Capital increase with cash from issuing new shares at NT$500 million in September. Authorized capital increased to NT$5.293 billion after capital increase.
2009	Commercial operation of Star Buck Gas-Fired Power Plant invested and built on an EPC contract by Taiwan Cogeneration Corporation at the end of June as scheduled. Taiwan Cogeneration Corporation became Taiwan's only company with an EPC record for building gas-fired power plants.
2010	Capital increase with earnings at NT$212 million in September. Authorized capital increased to NT$5.505 billion after capital increase.
2011	• Acquired 35% of stake of Kuo Kuang Power Co., Ltd. in January. • MPGC, a wholly-owned subsidiary of the largest power distribution company Meralco in the Philippines, invested in July; 50% of stake held by Redondo Peninsula Energy, Inc. re-invested by Taiwan Cogeneration Corporation. The stake of original shareholders Taiwan Cogeneration Corporation and Therma Power Inc. reduced from 50% to 25%. • Capital increase with earnings at NT$385 million in September. Authorized capital increased to NT$5.89 billion after capital increase.
2013	Four IPPs re-invested by Taiwan Cogeneration Corporation amended the electrical sales agreement with Taiwan Power Company. Star Energy, Sun Ba, and Kuo Kuang completed the amendment procedure in January, and Star Buck completed the procedure in March.
2014	• Increased Acquisition5.5% of stake of Sun Ba, 5.5% of stake of Star Energy, and 4.6% of stake of Star Buck in March. • Increased Acquisition3% of stake of Star Buck in August. • Increased Acquired 5% of stake of Sun Ba in October.
2017	Established Yiyuan Corporation in June, 2017 through re-investment.
2018	Established TCC Green Energy Corporation in November, 2018 through re-investment.

III. Governance

1. Organization

(1) Organization structure



(2) Functions and duties of departments

Department	Functions and Duties
Internal Audit Office	1. Assist the Board of Directors and management to inspect and review defects in the internal control system and measure the effectiveness and efficiency of operations. 2. Make timely recommendations for improvement to ensure the internal control system is continuing effective and for the reference of reviewing and correcting the internal control system.
Planning & Investment Management Department	1. Planning (1) Business planning ➢ Drawing up short-term, medium-term, and long-term business development plans and directions for business development. ➢ Planning the overall operation system, operation organization, and operation improvements. ➢ Providing assistance by shareholders' meeting. (2) Corporate social responsibility ➢ Promoting CSR-related work ➢ Assessing the concerns and expectations of stakeholders. ➢ Promoting corporate image. ➢ Preparing and publishing the CSR report. (3) Risk management ➢ Assessing internal and external situations and promoting the risk management plan. 2. Re-investment management (1) Control of re-invested business ➢ Supervising routine operations. ➢ Coordinating business and acting as a contact window. ➢ Analyzing and reporting proposals and resolutions of the general meeting of shareholders' meeting and board of directors of investees. ➢ Communicating with and contacting representatives of corporate shareholders. (2) Follow-up and review of the performance of investees ➢ Consolidating information regarding the operations and financial positions of investees every month. ➢ Assessing the annual performance of investees. ➢ Proposing improvement or settlement measures when performance is undesirable. (3) Establishment and revisions of relevant regulations of investees. (4) Establishment of a performance evaluation system for investees. (5) Coordination of the regulations and internal audit system of investees.
Engineering and Construction Department	1. Project planning: Use of project management skills and planning engineering details in coordination with commercial operation. 2. Plant construction: Project management including construction, progress, and budget control. 3. Preparing technical specifications. 4. Project development: Coordination of the development of projects under progress.

Purchasing Department	1. Duty: Procurement and outsourcing of IPP-related equipment and spare parts; supplies and materials; project design; construction projects; property, plant & equipment (PP&E), labor service, insurance, professional services, and others. 2. Scope of procurement and contracting (1) Setting the base price. (2) Price and contract negotiations. (3) Contract signed (4) Contract performance and performance bond. (5) Applications for payments. (6) Supplier/contractor management and evaluation. (7) Handling performance disputes. (8) Market information gathering.
Project Development Department	1. Business expansion (1) Cogeneration plants (2) Government and independent power plants. (3) Renewable energy and new energy (4) Labor services including enquiries and consultation. 2. Feasibility study of investment projects (1) Project environmental survey. (2) Technical feasibility study. (3) Economic and financial feasibility study. (4) Risk assessment. (5) Social acceptance assessment. (6) Submission of feasibility study reports. 3. Business retention (1) Production of business reports (2) Customer contacts. 4. Contract negotiations and execution (1) Negotiations for the provisions of various contracts required for the abovementioned business development activities or provide such assistance. . (2) Preparation of tendering documents, contract execution, and application for and transfer of pre-payments. (3) Contract documentation and document management. 5. Research and development (1) Gathering and collection of new energy technologies. (2) Market survey and gathering and preliminary analysis of market information. (3) Research of business diversification. (4) Research of regulations relating to business expansion.
Administration Department	1. General affairs (1) Management and maintenance of organizational property, equipment, and offices, including property insurance. Dispatch and maintenance of company cars. (2) Procurement, management, and registration of OA items and gifts, operator service, and access management. (3) Management of documents and contracts by DCC, mail room management, company seal management. (4) Office revolving capital management; organization of the family day, year-end party, and New Year reunion, and other general affairs. 2. Human resources management: Human resources planning, recruitment and hiring, wage management, training and

	development, performance management, benefit plans, employee relationship management, and establishment of related regulations and systems. 3. Shareholder services: Arrangements and notification of the general meeting of shareholders, BOT meetings, and functional committee meetings; amendment of regulations relating to the board of directors and shareholder services; handling license or permit change, affairs relating to shareholder services; and production of the annual report and handbook for the annual general meeting of shareholders. 4. Information: Construction and maintenance of IT systems, construction of network and telecommunication infrastructures, protection of information security and system management, and provision of IT services and equipment.
Guan-tien Plant	1. Operation: Routine plant operation, equipment trouble shooting, improvement and assessment of equipment operation, performance of cogeneration subscriber agreement, settlement of customer grievances and assistance for customer service, visits on new subscribers, and cultivation of new business. 2. Maintenance: Periodic and non-periodic maintenance, preventive maintenance, and planning and implementation of equipment process improvement of the plant. 3. Overhaul: Purchase requisition of parts for the annual overhaul, project contracting, and implementation of the plant. 4. ESH: Gathering of information on cases regarding environmental protection, occupational safety, and fire; control and implementation of countermeasures, preventive measures, reporting, and improvement assessment; and coordination with the audits by industrial safety and environmental authorities.
Finance Department	1. Financing and fund-raising: Planning financing and raising funds for projects; execution and management of financing agreements; planning and placement of capital increase; planning and placement of capital increase with earnings and issuing corporate bonds; and project financial assessment. 2. Capital dispatch and cashier: Capital dispatch and control; principal repayment and interest payment, transactions with banks, planning capital collection and payment; and custody of cash and securities. 3. Risk control: Planning and implementing hedging for foreign exchange rates and interest rates; L/C issuance and redemption; and gathering and analysis of forex and interest rates and financial market information. 4. Budget and account review: Planning and supervision of budget, review and approval of certificates of payment; analysis and assessment of operational performance; and establishment of related systems. 5. Accounting and taxation: Preparation of financial statements and statement of accounts; declaration of business tax and income tax; planning and management of accounting and taxation; management of contracts in progress; and disclosure and reporting of organizational information.
Legal Affairs Office	1. Legal consultation for the board of directors and the general meeting of shareholders. 2. Consultation for the establishment and amendment of the articles

	of incorporation. 3. Reviewing and expressing opinions for contracts of the company and settling disputes. 4. Other affairs relating to the research of legal and regulatory requirements.

2. Profile of directors, supervisors, general manager, vice general managers, assistant managers, department heads, and branch heads

(1) Profiles of directors and supervisors

Profiles of Directors and Supervisors (1)

By 22 April 2019

Title[1]	Nationality/ Registration	Name	Gender	Elected (inaugurated) date[2]	Tenure	Date of initial elected office[2]	Shareholdings at the time of elected office		Current shareholdings		Current shareholdings of spouse/minor children		Shareholdings in the name of a third party		Education and experience[3]	Concurrent positions in this and other companies	Other officers, directors, or supervisors of the company who is a spouse or relative within the 2nd degree under the Civil Code		
							Quantity	Proportion	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Title	Name	Relationship
Directors	ROC	Taiwan Power Company	–	2017.6.30	3 years	1992.4.14	162,954,279	27.66%	162,954,279	27.66%	–	–	–	–	–	–	–	–	–
	ROC	Representative: Min-chieh Chang (Chairman)	Male	2017.6.30	3 years	Supervisor on 2006.11.21 Director on 2008.06.30 Relieved from director on 2008.10.01	0	0.00%	0	0.00%	–	–	–	–	BA in Accounting, Tamkang University MBA, National Cheng Chi University Accounting Director and vice general manager of Taiwan Power Company	–	–	–	–
	ROC	Representative: Chien-Yih Chen	Male	2017.6.30	3 years	2018.8.31	0	0.00%	0	0.00%	–	–	–	–	MS, Department of Electrical Engineering, National Cheng Kung University Director, Power Generation Division, Taiwan Power Company Director, Distribution and Service Division, Taiwan Power Company	Vice President, Taiwan Power Company CEO, HEP and Fire Fossil Generation Department	–	–	–
	ROC	Representative: Jao-hua Hsu	Male	2017.6.30	3 years	2015.5.19	0	0.00%	0	0.00%	–	–	–	–	PhD in Civil Engineering, National Chung Hsing University Special Assistant to Chairman and Chief Secretary of Board of Directors, Director, Department of Corporate Planning, Taiwan Power Company	Chief Engineer, Taiwan Power Company	–	–	–

	ROC	Representative: Yuh-ming Lee	Male	2017.6.30	3 years	2016.1.15	0	0.00%	0	0.00%	–	–	–	–	PhD in Environmental Engineering & Environmental System Analysis, John Hopkins University, USA	Professor, Graduate Institute of Environmental Resources, National Taipei University.	–	–	–
	ROC	Representative: Shen-ren Shao	Male	2017.6.30	3 years	2016.1.15	0	0.00%	0	0.00%	–	–	–	–	PhD in Electrical Engineering, National Kaohsiung University of Applied Science Director, Taipei Power Supply Branch, Director, Transmission System Division, Taiwan Power Company	Chief Engineer, Taiwan Power Company	–	–	–
	ROC	Representative: Guo-xin Chang	Male	2017.6.30	3 years	2016.12.08	0	0.00%	6,000	0.001%	–	–	–	–	BSc. Communications Engineering, National Chiao Tung University PhD in Electrical Engineering, Texas A&M University Chairman, Smart Grid International Communication Standard	Chairman, Star Buck Power Corporation	–	–	–
	ROC	TECO Corporation	–	2017.6.30	3 years	1992.4.14	11,527,432	1.96%	11,527,432	1.96%	–	–	–	–	–	–	–	–	–
Director	ROC	Representative: Hong-xiang Lin	Male	2017.6.30	3 years	Supervisor on 2014.6.30	0	0.00%	0	0.00%	–	–	–	–	MSc. in Mechanical Engineering, University of Houston Deputy CEO, Industrial Product and System Sector, TECO Corporation	AM, TECO Electric & Machinery Co., Ltd.	–	–	–
	ROC	Yuan June Investment Corporation	–	2017.6.30	3 years	2017.6.30	345,000	0.06%	345,000	0.06%	—	—	—	—	—	—	–	–	–
Director	ROC	Representative: Sheng-chun Wang	Male	2017.6.30	3 years	2017.6.30	2,417,337	0.41%	2,417,337	0.41%	—	—	—	—	MA, Department of Management, Boston University, USA	Chairman, Yuan Jing Investment Corporation Director, Hunya Foods	–	–	–

Director	ROC	Jin Hong Investment Corporation	–	2017.6.30	3 years	2014.6.30	11,114,,214	1.89%	11,114,214	1.89%	–	–	–	–	–	–	–	–	–
	ROC	Representative: Wei Ting	Female	2018.9.1	3 years	2016.1.25	114	0.00002%	114	0.00002%	68,000	0.012%	–	–	PhD, Accounting, Tam Kang University. Instructor and Assistant Professor, Department of Accounting, Tam Kang University. Associate Professor, Department of Accounting, Chung Yuan Christian University.	Associate Professor, Department of Accounting, Tam Kang University.	–	–	–
Director	ROC	Huei-chu Liao	Female	2017.6.30	3 years	2017.6.30	0	0.00%	0	0.00%	—	—	—	—	PhD in Economics, Ohio State University, USA	Professor, Department of Economics, Tamkang University	—	—	—
Independent director	ROC	Xiao-dong Chang	Male	2017.6.30	3 years	2014.6.30	0	0.00%	0	0.00%	–	–	–	–	MSc. in Management Science, National Chiao Tung University GM, Chunghwa Telecom Co., Ltd.	Consultant, Chunghwa Telecom Co., Ltd. Director, China Development Industrial Bank	–	–	–
Independent director	ROC	Hsin-huei Yen	Male	2017.6.30	3 years	2017.6.30	0	0.00%	0	0.00%	—	—	—	—	PhD in Accounting, National Taiwan University, Taiwan	Professor, Department of Accounting, Tam Kang University. Independent Director, Taiwan Life Insurance and Taiwan Property Insurance Independent Director, Vivotek Inc Independent Director, CoAsia Microelectronics Corporation Supervisor, Taiwan Flower Biotechnology Co., Ltd.	–	–	–

Independent director	ROC	Yao-wen Lin	Male	2017.7.27	3 years	2017.7.27	0	0.00%	0	0.00%	—	—	—	—	MA in Public Policy, National Sun Yat Sen University, Taiwan	Chairperson, New Culture Foundation Independent Director, Long Da Construction & Development Corporation Director, Kaohsiung World Games Sports Foundation	–	–	–

Table 1 Major Shareholders of Corporate shareholders

By 22 April 2019

Corporate shareholder[1]	Major Shareholders of Corporate shareholder[2]
Taiwan Power Company	Ministry of Economic Affairs: 94.04% Bank of Taiwan Co., Ltd. Co., Ltd. :2.62% First Commercial Bank, Ltd.: 0.84% Chang Hwa Commercial Bank, Ltd.: 0.71% Hua Nan Commercial Bank, Ltd.: 0.45% Taiwan Cooperative Bank Co., Ltd.: 0.24% Land Bank of Taiwan Co., Ltd.: 0.16% Taiwan Provincial Education Association: 0.11% Taipei City Government: 0.10% TRA Employee Welfare Committee: 0.08%
TECO Corporation	希爾契斯特 International Stock Value Custodian Account at Bank of Taiwan: 4.50% 希爾契斯特 International Stock Value Custodian Account at Bank of Taiwan: 2.34% PJ Asset Management Co., Ltd.: 2.26% Edgbaston Asia Securities Trust Custodian Account at Bank of Taiwan: 2.25% WGI Emerging Markets Fund, LLC. Custody Account at Standard Chartered Bank: 1.96% 希爾契斯特 International Stock Value Custodian Account at Bank of Taiwan: 1.52% Oriental Light Investment Limited: 1.52% Chunghwa Post Co., Ltd.: 1.50% Yaskawa Electric Corporation of Japan: 1.48% PGIA Integrated International ETF in Custody of JPMorgan Chase Taipei Branch Trust Account: 1.47%
Jin Hong Investment Corporation	Wu-liang Chang: 99.71% Hua-sheng Chang: 0.29%
Yuan June Investment Corporation	Sheng-jun Wang: 90% Wen-rong Liu: 10%

Table 2 Major Shareholders of Corporate Shareholders in Table 1

By 22 April 2019

Corporate shareholder[1]	Major shareholders of corporate shareholder[2]
Bank of Taiwan Co., Ltd.	Taiwan Financial Holdings Co., Ltd.: 100%
First Commercial Bank, Ltd.	First Financial Holding Co., Ltd.: 100%。
Chang Hwa Commercial Bank, Ltd.	Taishin Financial Holding Co., Ltd.: 22.55% Ministry of Finance: 12.19% Lungyen Life Service Corporation, Ltd.: 3.92% First Commercial Bank, Ltd.: 2.86% National Development Council, Executive Yuan: 2.75% Cheng ChangCo., Ltd.: 1.84% Chunghwa Post Co., Ltd.: 1.79% Vanguard Emerging Markets ETF Custody Account at Standard Chartered Bank: 1.07% Taiwan Business Bank Co., Ltd.: 0.99% Lee's Investment Co., Ltd.: 0.99%
Hua Nan Commercial Bank, Ltd.	Hua Nan Financial Holdings Co., Ltd.: 100%
Taiwan Cooperative Bank Co., Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.:100%

Land Bank of Taiwan Co., Ltd.	Ministry of Finance: 100%
Oriental Light Investment Limited	Guang Yuan Industrial Co., Ltd.: 39.28% He-hui Huang-Lin: 35.01% Ming Yeh Investment (HK) Ltd.: 12.73% Tong He International Investment Corporation: 6.00% Others: 6.98%
Yaskawa Electric Corporation of Japan	Japan Trustee Services Bank (Trust): 8.97% The Master Trust Bank of Japan (Trust): 8.84% Mizuho Bank: 3.04% Japan Trustee Services Bank (Sumitomo Mitsui Trust Bank Pension Trust): 2.99% Meiji Yasuda Life Insurance Company: 2.92% THE BANK OF NEW YORK，NON-TREATY JASDEC ACCOUNT 2.43% Japan Trustee Services Bank (Branch of Sumitomo Mitsui Trust Bank, The Bank of Fukuoka Pension Trust) 2.39% SAJAP: 1.73% Japan Trustee Services Bank (Trust 5): 1.60% Trust & Custody Services Bank (Securities Investment Trust): 1.59%

[1]When a major shareholder in Table 1 is a corporate shareholder, specify the name of such corporate shareholders.

[2]Fill in the name of the major shareholders (top ten shareholdings) and their shareholdings of such corporate shareholders.

Profiles of Directors and Supervisors (2)

By 22 April, 2018

Qualification / Name[1]	With 5 or more years of experience and the following professional qualifications			Status of independence[2]										Number of Concurrent independent director to other IPO companies
	Public/private college/university instructors or higher levels in commerce, law, finance, accounting or subjects required by the business of the company	Passed the qualification examination with proper licensing by the national government as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the company	Experience of Commerce, law, finance, accounting or others as required by the company	1	2	3	4	5	6	7	8	9	10	
Min-chieh Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Chein-Yih Chen			✓	✓	✓	✓	✓			✓	✓	✓		None
Jao-hua Hsu			✓	✓	✓	✓	✓			✓	✓	✓		None
Yuh-ming Lee	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Shen-ren Shao			✓	✓	✓	✓	✓			✓	✓	✓		None
Guo-xin Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Hong-xiang Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Sheng-chun Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Wei Ting	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Huei-chu Liao	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Xiao-dong Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Hsin-huei Yen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	two
Yao-wen Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	one

[1] The number of fields may be adjusted depending on the content.

[2] Check "✓" the qualifications appropriate to each director and supervisor who meet such qualifications two years before assumption of office or at the time of assumption.

(1) Not an employee of the company or its affiliates.
(2) Not a director or supervisor of an affiliate of the company (except for independent directors of the company or its parent company or a subsidiary established in accordance with this Act or the local laws).
(3) Not holding more than 1% of the outstanding shares issued by the company or among the top 10 natural person shareholders by the person or his/her spouse or underage children, or in the name of a third party.
(4) Not a spouse, the kindred at the second tier under the Civil Code, or the next of kin within the fifth tier under the Civil Code as specified in (1) through (3).
(5) Not a director, supervisor or employee of a corporate shareholder holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in business or financial relation with the company.
(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the company or a spouse to the aforementioned persons; except for members of the compensation committee exercising their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
(8) Not a spouse or the kindred at the second tier under the Civil Code to any other director.
(9) Not under any of the categories stated in Article 30 of the Company Act.
(10) Not being elected as representative to the government or an institution under Article 27 of the Company Act.

Profiles of general manager, vice general managers, assistant managers, department and branch heads

By 22 April 2018

Title[1]	Nationality	Name	Gender	Date of office	Shareholdings		Shareholdings of spouse and minor children		Shareholdings in the name of a third party		Education and experience[2]	Positions in other Company	Manager who is a spouse or relative at the 2nd degree under the Civil Code		
					Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Title	Name	Relationship
General Manager	ROC	Guang-shun Yu	Male	2016.06	135,864	0.02%	285,417	0.05%	-	-	BSc. in Mechanical Engineering, Chung Yuan Christian University Manager, Engineering & Construction Department, Taiwan Cogeneration Corporation		N/A	N/A	N/A
Vice General Manager	ROC	Yi-tong Chen	Male	2015.01	-	-	-	-	-	-	MA in Energy Planning and Economics, Asian Institute of Technology BSc. in Mechanical Engineering, National Taiwan Institute of Technology Chief, Planning Section, New Business Development Office, Taiwan Power Company.	Director, Kuo Kuang Power Co., Ltd. Director, Taiwan Cogeneration Corporation International Company	N/A	N/A	N/A
Vice General Manager	ROC	Shu-shen Lin	Male	2016.06	-	-	-	-	-	-	PhD in Mechanical Engineering, Technische Universität München, Deutschland TA of Thermal Power Equipment Seminar, Mechanical Engineering, Technische Universität München, Deutschland	GM, Star Energy Power Corporation Chairperson, Yi Yuan Corporation Director, Redondo Peninsula Energy, Inc., the Philippines	N/A	N/A	N/A
Manager, Business Development Department	ROC	Ming-zhou Cheng	Male	2018.08	-	-	132	0.00002%	-	-	Department of Mechanical Engineering, Lien Ho Junior College of Technology	Director, Star Buck Power Plant Chairperson, TCC Green Energy Corporation Director of Xinguang Electric Energy Corporation.	N/A	N/A	N/A
Manager, Procurement Department	ROC	Yi-liang Ou	Male	2016.08	-	-	-	-	-	-	BSc., Department of Industrial Engineering, Tung Hai University	Director, Star Energy Power Corporation	N/A	N/A	N/A
Manager, Planning and Re-investment Department	ROC	Yi-xie Huang	Male	2016.06	-	-	-	-	-	-	PhD, Department of Electrical Engineering, National Taiwan University of Technology	Director, Sun Ba Power Corporation	N/A	N/A	N/A
Manager, Administration Department	ROC	Jia-ling Tsai	Female	2016.06	-	-	-	-	-	-	MSc. in Material Science, UCLA, USA. BSc., Department of Chemical Engineering, National Central University Project Manager, Planning and Business Department, Taiwan Cogeneration Department Manager, Corporate Planning Department, Taiwan Cogeneration Department	Director, Ta-Yuan Cogeneration Corporation	N/A	N/A	N/A
Manager, Financial Department	ROC	Zhi-jie Hsu	Male	2013.07	-	-	-	-	-	-	BA, Department of Accounting, Soochow University Deputy Manager, Financial Department, Sun Ba Power Corporation	Manager, Financial Department, Sun Ba Power Corporation Supervisor, Star Energy Power Corporation	N/A	N/A	N/A
Plant Manager, Guan-tien Plant	ROC	Bao-wen Kao	Male	2018.08	-	-	-	-	-	-	MS, Department of Marine Engineering, National Taiwan Ocean University	GM, Star Buck Power Plant. Director, Star Energy Corporation	N/A	N/A	N/A

[1]Data shall include general manager, vice general managers, assistant managers, and department and branch heads and those, regardless of titles, in a position equivalent to general manager, vice general managers, or assistant managers.

[2]Experience relating to the current position(s), such as a position in the CPA firm or its affiliates certifying the financial statements of the company, shall be specified, including title(s) and duties.

3. Remuneration for directors (including independent directors), supervisors, general manager, and vice general managers

(1) Remuneration for directors (including independent directors)

Remuneration for directors (including independent directors)
(on the same increment and disclosed collectively)
(expressed in NT$1,000)

Title	Name[1]	Director Remuneration								Percent of the total A to D in the net earnings after tax (*10)		Pay for director who is concurrently an employee								Percent of the total A to G in the net profit after tax (*10)		Related remuneration from investees other than the subsidiaries (*11)
		Remuneration (A) (*2)		Retirement Allowance (B)		Remuneration from distribution of earnings(C) (*3)		Business execution expenses(D) (*4)				Salaries, bonuses, and special expenses, etc. (E) (*5)		Retirement Allowance (F)		Employee profit sharing from earnings distribution (G) (*6)						
		Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*7)	Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*7)	Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*7)	Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*7)	Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*7)	Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*7)	Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*7)	Taiwan Cogeneration Cash	Taiwan Cogeneration Stock	All firms disclosed in the consolidated financial statements (*7) Cash	All firms disclosed in the consolidated financial statements (*7) Stock	Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*7)	
Main Shareholder	Taiwan Cogeneration Corporation	6,067	6,067	0	0	7,393	7,393	1,901	1,901	2.28%	2.28%	0	0	0	0	0	0	0	0	0	0	3,324
Chairman	Representative: Min-chieh Chang																					
Director	Representative: Jao-hua Hsu																					
Director	Representative: Shen-ren Shao																					
Director	Representative: Guo-xin Chang																					
Director	Representative: Yuh-ming Lee																					
Director	Representative: Chien-Yih Chen																					
Former Director	Representative: Zhen-yong Wang																					
Director	TECO Corporation																					
Director	Representative: Hong-xiang Lin																					
Director	Yuan June Investment Corp																					
Director	Representative: Sheng-chun Wang																					
Director	Jin Hong Investment Co., Ltd.																					
Director	Representative: Wei Ting																					
Director	Huei-chu Liao																					
Former Director	Representative: Yong-qing Chen																					
Independent Director	Xiao-dong Chang																					
Independent Director	Yao-wen Lin																					
Independent Director	Hsin-huei Yen																					
Pay for services (such as non-employee consultant) specified in the financial statements provided by directors in the previous year not specified above																						

Range of Remuneration

Increment of remuneration to Taiwan Cogeneration Directors	Name of Director			
	Sum of the First Four Types of Remuneration (A+B+C+D)		Sum of the First Seven Types of Remuneration (A+B+C+D+E+F+G)	
	This Company (Note 8)	All companies in the financial statements (Note 9) H	This Company (*8)	All firms in the consolidated financial statements (*9) I
Below NT$2,000,000	Jao-hua Hsu, Shen-ren Shao, Guo-xin Chang, Yuh-ming Lee, Chien-Yih Chen , Zhen-yong Wang, TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng-chun Wang, Jin Hong Investment Co., Ltd., Wei Ting, Yong-qing Chen, Huei-chu Liao, Xiao-dong Chang, Yao-wen Lin, Hsin-huei Yen	Jao-hua Hsu, Shen-ren Shao,Guo-xin Chang, Yuh-ming Lee, Chien-Yih Chen , Zhen-yong Wang, TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng- chun Wang, Jin Hong Investment Co., Ltd., Wei Ting, Yong-qing Chen,Huei-chu Liao,Xiao-dong Chang, Yao-wen Lin,Hsin-huei Yen	Jao-hua Hsu, Shen-ren Shao,Guo-xin Chang, Yuh-ming Lee, Chien-Yih Chen , Zhen-yong Wang, TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng- chun Wang, Jin Hong Investment Co., Ltd., Wei Ting, Yong-qing Chen,Huei-chu Liao,Xiao-dong Chang, Yao-wen Lin,Hsin-huei Yen	Jao-hua Hsu, Shen-ren Shao,Guo-xin Chang, Yuh-ming Lee, Chien-Yih Chen , Zhen-yong Wang, TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng- chun Wang, Jin Hong Investment Co., Ltd., Wei Ting, Yong-qing Chen,Huei-chu Liao,Xiao-dong Chang, Yao-wen Lin,Hsin-huei Yen
NT$2,000,000 (included) - 5,000,000 (excluded)	Min-chieh Chang	Min-chieh Chang	Min-chieh Chang	Min-chieh Chang
5,000,000 (included) - 10,000,000 (excluded)	Taiwan Power Company	Taiwan Power Company	Taiwan Power Company	Taiwan Power Company
10,000,000 (included) - 15,000,000 (excluded)				
15,000,000 (included) - 30,000,000 (excluded)				
30,000,000 (included) - 50,000,000 (excluded)				
50,000,000 (included) - 100,000,000 (excluded)				
100,000,000 and above				
Total	19(including corporate shareholders)	19(including corporate shareholders)	19(including corporate shareholders)	19(including corporate shareholders)

Note 1: Fill in the name of each director individually (the name of corporate shareholders and their representatives shall also be listed individually) and the amount of remuneration to each shall be disclosed in aggregate. A director who is concurrently the general manager or a vice general manager of the company shall be stated in this table and the table below (3-1 or 3-2).

Note 2: Refer to the remuneration (including salary, duty allowances, redundancy pay, bonuses, awards, etc.) of directors in the previous year.

Note 3: Fill in the amount of remuneration for directors approved by the board of directors in the latest fiscal year.

Note 4: Refer to the remuneration for related Business execution expenses (including attendance fee, special disbursement, all types of allowances, accommodation, company car, and other subsidies in kind). If the company provides housing, company car and other means of transportation or the spending is exclusive to a particular person, disclose the nature and the cost of the asset, the actual rent or rent assessed with reference to fair market price, fuel subsidies and other payments. When drivers are assigned to directors, please specify the pay of such drivers. Such pay shall not be included in the remuneration to directors.

Note 5: When a director is concurrently an employee (including serving as the general manager, vice general manager, other officers, and regular employees)of the company, this refers to the salaries, duty allowances, pensions, bonuses, awards, attendance fee, special disbursements, all types of allowances, housing, company car, and other subsidies in kind. If the company provides housing, company car and other means of transportation or the spending is exclusive to a particular person, disclose the nature and the cost of the asset, the actual rent or rent assessed with reference to fair market price, fuel subsidies and other payments. When drivers are assigned to directors, please specify the pay of such drivers. Such pay shall not be included in the remuneration to directors. In addition, the salary payment adopted under IFRS 2 "Share-based Payment" includes employee stock option certificates, restricted stock awards, and subscription of common stocks issued for cash. They shall be included in the remuneration for directors.

Note 6: When a director is concurrently an employee (including serving as the manager, vice general managers, other officers, and regular employees) and receive employee compensation (including stock and cash) in the previous year, the company shall disclose the amount of employee compensation approved by the board of directors in the previous year. If the compensation cannot be estimated, the company shall calculate the proposed distribution balance this year based on the amount of actual distribution in the previous year. The company shall also fill in Schedule 1-3.

Note 7: The company shall disclose the total amount of all types of remunerations paid to directors by all firms (including this company) in the consolidated financial statements.

Note 8: The name of each director shall be disclosed in the increment appropriate to the total amount of remunerations for each director.

Note 9: The name of each director shall be disclosed in the increment appropriate to the total amount of remunerations for each director received from all firms (including this company) disclosed in the consolidated financial statements.

Note 10: "Net earnings after tax" refers to the net profit after tax in the previous year. When IFRS is applied, this shall refer to the net profit after tax in the individual financial statement or consolidated financial statement of the previous year.

Note 11a: The amount of remunerations a director receives from investees other than subsidiaries shall be specified in this column.

Note 11b: When a director receives remunerations from an investee other than a subsidiary, the amount of such remunerations shall be combined in column I of the Increments of Remuneration table, and the column shall be renamed "All Investment Business".

Note 11c: Remuneration here refers to the remuneration and pay (including the pay for an employee, a director, and a supervisor) and pay for professional practice that a director receives from an investee other than a subsidiary as its director, supervisor, or manager.

*The concept of remuneration disclosed in the above table is different from that of the Income Tax Act. All information disclosed is informative and does not serve as evidence for taxation.

(2) Remuneration for the general managers and vice general managers

Remuneration for the General Managers and Vice General Managers
(on the same increment and disclosed collectively)
(expressed in NT$ Thousand)

Title	Name	Salary (A) (Note 2)		Severance Pay/ Retirement Allowance (B)		Bonuses & Special expenses (C) (Note 3)		Amount of Employee profit sharing from earnings distribution (D) (Note 4)				Sum of the First Four Types of Remuneration (A+B+C+D) (Note 8)		Related remuneration from investees other than the subsidiaries (Note 9)
		TCC	All firms disclosed in the consolidated financial statements (*5)	TCC	All firms disclosed in the consolidated financial statements (*5)	TCC	All firms disclosed in the consolidated financial statements (*5)	Taiwan Cogeneration		All firms disclosed in the consolidated financial statements (*5)		Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*5)	
								Cash	Stock	Cash	Stock			
General Manager	Guang-shun Yu	7,549	7,549	0	0	2,678	2,678	1,727	0	1,727	0	1.78 %	1.78%	179
Vice GM	Yi-tong Chen													
Vice GM	Shu-shen Lin													

*Regardless of titles, positions equivalent to a general manager or a vice general manager (e.g. general manager, CEO, director, etc.) shall all be disclosed.

Range of Remuneration

Range of remuneration to Taiwan Cogeneration General Managers and Vice General Managers	Name of General Managers and Vice General Managers	
	The Company (Note 6)	All companies in the financial statements (Note 7) E
Below NT$2,000,000		
NT$2,000,000 (included) - 5,000,000 (excluded)	Guang-shun Yu, Yi-tong Chen, Shu-shen Lin	Guang-shun Yu, Yi-tong Chen, Shu-shen Lin
5,000,000 (included) - 10,000,000 (excluded)		
10,000,000 (included) - 15,000,000 (excluded)		
15,000,000 (included) - 30,000,000 (excluded)		
30,000,000 (included) - 50,000,000 (excluded)		
50,000,000 (included) - 100,000,000 (excluded)		
100,000,000 and above		
Total	3 persons	3 persons

Note 1: Fill in the name of each general manager or vice general manager individually (the name of corporate shareholders and their representatives shall also be listed individually) and the amount of remuneration to each shall be disclosed in aggregate. A director who is concurrently the general manager or a vice general manager of the company shall be stated in this table and the above table below (1-1).

Note 2: Refer to the salary, duty allowances, and severance pay of general managers and vice general managers in the previous year.

Note 3: Refer to the amount of bonuses, awards, attendance fees, special disbursements, duty allowances, housing, company car, other subsidies in kind, and other remunerations paid to a general manager or vice general manager in the previous year. If the company provides housing, company car and other means of transportation or the spending is exclusive to a particular person, disclose the nature and the cost of the asset, the actual rent or rent assessed with reference to fair market price, fuel subsidies and other payments. When drivers are assigned to supervisors, please specify the pay of such drivers. Such pay shall not be included in the remuneration to supervisors. In addition, the salary payment adopted under IFRS 2 “Share-based Payment” includes employee stock option certificates, restricted stock awards, and subscription of common stocks issued for cash. They shall be included in the remuneration for general managers and vice general managers.

Note 4: Refers to the compensation for employees (including stock and cash) distributed to general managers and vice general managers approved by the board of directors in the previous year. If the compensation cannot be estimated, the company shall calculate the proposed distribution balance this year based on the amount of actual distribution in the previous year. The company shall also fill in Schedule 1-3. Where IFRS is applied, “net earnings after tax” refers to the net profit after tax in the previous year. When IFRS is applied, this shall refer to the net profit after tax in the individual financial statement or consolidated financial statement of the previous year.

Note 5: The total amount of all types of remunerations paid to each general manager and vice general manager by all firms (including this company) disclosed in the consolidated financial statement.

Note 6: The name of each general manager and vice general manager shall be disclosed in the increment appropriate to the total amount of remunerations for each general manager and vice general manager.

Note 7: The name of each general manager and vice general manager shall be disclosed in the increment appropriate to the total amount of remunerations for each general manager and vice general manager received from all firms (including this company) disclosed in the consolidated financial statements.

Note 8: “Net earnings after tax” refers to the net profit after tax in the previous year. When IFRS is applied, this shall refer to the net profit after tax in the individual financial statement or consolidated financial statement of the previous year.

Note 9a: The amount of remunerations a general manager or vice general manager receives from investees other than subsidiaries shall be specified in this column.

Note 9b: When a general manager or vice general manager receives remunerations from an investee other than a subsidiary, the amount of such remunerations shall be combined in column E of the Increments of Remuneration table, and the column shall be renamed “All Investees”.

Note 9c: Remuneration here refers to the remuneration and pay (including the pay for an employee, a director, and a supervisor) and pay for professional practice that a supervisor receives from an investee other than a subsidiary as its director, supervisor, or manager.

*The concept of remuneration disclosed in the above table is different from that of the Income Tax Act. All information disclosed is informative and does not serve as evidence for taxation.

(3) Compensation for Officers (expressed in NT$1,000)

By 22 April 2019

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio in net earnings after tax (%)
Managers	General Manager	Guang-shun Yu	0	2,120	2,120	0.32%
	Vice GM	Yi-tong Chen				
	Vice GM	Shu-shen Lin				
	Manager	Zhi-jie Hsu				

Note 1: The name and title of managers shall be disclosed individually. However, the distribution of profit can be disclosed in aggregate.

Note 2: Refers to the compensation for employees (including stock and cash) approved by the board of directors in the previous year. If the compensation cannot be estimated, the company shall calculate the proposed distribution balance this year based on the amount of actual distribution in the previous year. The company shall also fill in Schedule 1-3. Where IFRS is applied, “net earnings after tax” refers to the net profit after tax in the previous year. When IFRS is applied, this shall refer to the net profit after tax in the individual financial statement or consolidated financial statement of the previous year.

Note 3: Referring to Letter Tai-Cai-Zheng-San-Zi No. 0920001301 (Taiwan-Finance-Securities-III-0920001301) of the Financial Supervisory Commission dated 27 March 2003, the scope of managers is as follows:

(1) General manager and equivalent level;
(2) Vice general manager and equivalent level;
(3) Assistant manager and equivalent level;
(4) Financial supervisor;
(5) Accounting supervisor;
(6) Other officers and authorized personnel.

Note 4: In addition to Table 1-2, directors, general managers, and vice general managers receiving compensation for employees (including stock and cash) shall be disclosed in this table.

(4) A comparative description with analysis on the ratio taken by the gross total of remuneration paid by this company and all firms disclosed in the consolidated financial statements to the directors, general managers and vice general managers of this company to the net earnings after tax over the past two years, including a description of the policies, criteria and composition of remuneration; the procedures to determine remuneration, their interrelationship with business performance and future risks.

Title	2017 The ratio taken by the gross total of remuneration paid by this company and all firms disclosed in the consolidated financial statements to the directors, general managers and vice general managers of this company to the net earnings after tax	2018 The ratio taken by the gross total of remuneration paid by this company and all firms disclosed in the consolidated financial statements to the directors, general managers and vice general managers of this company to the net earnings after tax
Directors	2.8%	4.1%
Supervisors		
General managers and vice GMs		

Note 1: The composition of the salary of general managers and vice general managers includes: base salary, duty allowances, and food allowance. A general manager or vice general manager is salaried based on his/her educational attainments, work experience, work performance, and service length.

Note 2: Interrelationship with future risks: None.

4. Status of governance

(1) The operation of the board of director (BOD)

A. In 2017, BOD held seven meetings (A), the attendance of directors and supervisors is as follows.

Title	Name (Note 1)	Attendance in person (B)	Attendances through proxy	Actual attendance rate (%)[B/A] (Note 2)	Remarks
Chairman (Taipower)	Min-chieh Chang	7		100%	
Director (Taipower)	Chien-yih Chen	1	2	33.3%	Office started on 2018/8/31
Director (Taipower)	Jao-hua Hsu	6	1	85.7%	
Former Director (Taipower)	Zhen-yong Wang	4		100%	Office relieved on 2018/8/31
Director (Taipower)	Shen-ren Shao	5	2	71.4%	
Director (Taipower)	Yuh-ming Lee	6	1	85.7%	
Director (Taipower)	Guo-xin Chang	6	1	85.7%	
Director (TECO Corporation)	Hong-xiang Lin	6	1	85.7%	
Director (Yuan Jing Investments)	Sheng-chun Wang	7		100%	
Director	Huei-chu Liao	7		100%	
Director (Jin Hong Investments)	Wei Ting	3		100%	Office started on 2018/9/01
Former Director (Jin Hong Investments)	Yong-qing Chen	2	2	50%	Office relieved on 2018/9/01
Independent Director	Xiao-dong Chang	7		100%	
Independent Director	Hsin-huei Yen	6	1	85.7%	
Independent Director	Yao-wen Lin	7		100%	

Note 1: For corporate directors and supervisors, disclose their names and the name of their representatives.

Note 2: (1) If a director or supervisor resigns before the end of a fiscal year, the service termination date should be stated in the remarks section. The actual attendance rate (%) is calculated with the number of BOT meetings when they are on BOD and the actual number of BOT meetings attended by a member (including as a guest).

(2) When there is a BOD re-election before the end of a fiscal year, the name of former and current BOD members should both be listed, including the status of a director: former, new, or re-elected, and the re-election date. The actual attendance rate (%) is calculated with the number of BOT meetings in the term and the actual number of BOT meetings attended by a member (including as a guest).

B. When BOD is under any one of the following circumstances as specified in Article 14-3 of the Securities and Exchange Act, the date, session, and proposal of BOD meeting; the opinion of independent directors; and the BOD's response to such opinions shall be specified:

Date	Session	Proposal and Resolution	Independent Director Opinion	Response to Independent Director Opinion
2018.03.23	5th Meeting of the 10th Board	2017 Remuneration Distribution Proposal for Employees, Directors and Supervisors Resolution: Passed as proposed.	N/A	N/A
		Proposal on the Internal Control System Statement on December 31, 2017. Resolution: Passed as proposed.	N/A	N/A
2018.06.22	7th Meeting of the 10th Board	2017 Remuneration Distribution Proposal for Directors and Supervisors Resolution: Passed as proposed.		
2018.08.10	8rd Meeting of the 10th Board	Proposal to amend the item and content of the 2018 internal control system. Resolution: Passed as proposed.	Amended item 2.2 of the purchase requisition procedure to "The supplier proposed by the requesting and purchasing units shall meet the supplier selection requirements."	Approved as advised by independent directors.
		Proposal to participate in the cash capitalization by issuing new shares of Yi Yuan Corporation with an investment of NT$229,500,000. Resolution: Withdrawn for re-discussion.	1. It seems that partner shareholder JY Technology Company is financially insufficient to support the fund required for "Qingshui Geothermal Power Company". The management should be aware of this. 2. Can Taiwan Cogeneration directly invest a large amount of fund in "Qingshui Geothermal Power Company" to facilitate taking over the company in the future. 3. Request JY Technology to find the geothermal sources after a limited number of drillings. Otherwise, it should pay all the expenses or reduce charges progressively.	The proposal was withdrawn for re-discussion as advised by independent directors.
2018.9.21	1st provision board meeting of 2018	Proposal to participate in the cash capitalization by issuing new shares of Yi Yuan Corporation with an investment of NT$229,500,000. Resolution: 1. Participate in the cash capitalization by issuing new shares of Yi Yuan Corporation with an investment of NT$127,500,000. However, the drilling operation will be suspended. 2. When another cash capitalization is required after Q3 2019, a new proposal shall be submitted to the Audit Committee and BOD for discussion.	1. Risk control capacity: The old wells are inefficient after dirt accumulation and heat depletion. CPC Taiwan and TPC have related experience and understand the site best. Why did they give up this project and turn to the Renzhe Geothermal Development Project? Although wrong generator selection, dirt accumulation, and heat	Reduced the amount of investment to NT$127,500,000 and suspended the drilling of new wells as advised by independent directors.

			depletion due to a temperature drop as tailwater fails to refill are the reasons presented by the management, if we are capable of resolving these problems, and so are those two companies. 2. Although the heat from new wells is up to an installed capacity of 4.2MWe, the R&D fund for two wells is over NT$100 million, this suggests a higher investment risk. Although Feng Yu Drilling promises a 50% discount after the second well, and the government feedback fund reduces from 4% to 2%, the actual amount is little. We are incapable of reviewing and comparing if the drilling quotation is fair, and not even have we hired experts to supervise this. Shareholder JY Technology has no operational performance, isn't it possible that the investment is a plan to let Feng Yu Drilling undertake the drilling project? 3. To reduce risk, we recommend shut down the drilling of new wells temporarily, and get heat from the existing wells after washing. This way, we can reduce the amount of investment.	
2018.12.22	10th Meeting of the 10th Board	Proposal to recognize the amendment to the resolution of the fifth proposal discussed at the 4th meeting of the 10th BOD on December 22, 2017 from "Establishment of a Franchised/General SPV by Taiwan Cogeneration and Energy Star" to "Establishment of a Franchised/General SPV by Taiwan Cogeneration" to administer the green energy business.	The TCC Green Energy Corporation established by Taiwan Cogeneration does not match the resolution made at the 4th meeting of the 10th BOD on December 22, 2017, we appreciate the management to discuss the procedures to remedy the problem.	Proposed for recognition as advised by independent directors.
		Proposal to approve the CPA assessment, CPA appointment, and the fees for CPA audit and certification service for the financial statements and taxes. Resolutions 1. Appointment of CPAs Rui-xuan He and	N/A	N/A

		Jian-xin Hsieh of Deloitte Taiwan as the CPAs for 2019. 2. The audit and certification fees for 2019 totaled NT$3.935 million, and an additional NT$70,000 for each additional company.		
		Proposal of Chairperson Evaluation in 2019 Resolution: Passed as proposed.	N/A	N/A
		Proposal of Operational and Performance Rewards for Chairperson in 2018 Resolution: Passed as proposed.	N/A	N/A

C. Other board resolutions for the records or written statements regarding the objection or qualified opinion of independent directors: None

D. When there is avoidance of conflicts of interest by a director, the name of that director, the involved proposal(s), the cause(s) of the avoidance of conflicts of interest, and the participation in voting of that director shall be specified.
Chairman Ming-chieh Chang avoided from the Proposal of Chairperson Evaluation and Raise in 2019 and Proposal of Operational and Performance Rewards for Chairperson in 2018 without voting.

E. Targets for BOD competency improvement in the present and previous years (such as establishing an audit committee and enhancing information transparency) and performance evaluation:
1) We amended the Rules of Procedure for BOD Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies: “The BOD meeting attendance of directors is disclosed on MOPS after the meeting” has been updated in the Rules of Procedure accordingly.
2) A compensation committee has been established for directors to regularly review the annual and long-term performance indicators, and the policy, system, standard, and structure of salary/remuneration for directors and supervisors according to the Compensation Committee Charter. The Compensation Committee held four committee meetings in 2018. Please refer to the “Operations of Compensation Committee” section for details regarding the proposals passed at the committee meetings.
3) Since 2015 we began to establish the Governance Best Practice, Insider Trading Prevention Regulations, Code of Ethics, Corporate Social Responsibility Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and the Ethical Corporate Management Best Practice Principles to strengthen BOD competency, and the implementation outcomes are reported to BOD. These regulations, guidelines and principles are established to provide a dependable reference for BOD to determine the strategy for business operations, practice CSR, supervise organizational operations and management in order to pursue sustainable development and increase long-term value for shareholders.
4) We established the BOD Performance Assessment Regulations in November 2016 for directors to measure the overall performance of BOD through self-assessment in terms of five aspects: director involvement in organizational operations, BOD quality improvement, BOD organization and structure, director election and further education, and internal control. In addition, directors are requested to measure their acknowledgment of organizational objectives and missions, awareness of their roles and responsibilities, involvement in organizational operations, internal relations development and communication, director expertise and further education, and internal control. Outcomes are reported to BOD for approval and reference. Based on the 2018 assessment outcomes, the achievement rate of performance indicators have been achieved, suggesting BOD performance was “good.”
5) We established the first Audit Committee on July 27, 2017 to supervise: the fair

expression of financial statements; CPA appointment (dismissal), independence, and performance; the effectiveness of implementation of the internal control system; compliance performance; and the control of existing and potential risks. The Audit Committee held seven meetings in 2018 to discuss the following proposals before making suggestions and submitting to BOD for approval. These proposals included: 2017 business report and financial statements, 2017 earnings distribution, 2018 budget amendment, 2017 internal control system self-assessment report and Statement of Internal Control made on December 31, 2017, amendment to the item and content of the 2018 internal control system, participation in the cash capitalization by issuing new shares of Yi Yuan Corporation, amendment to the "Authorization Table" annexed to the Authorization Regulations and the "Asset Acquisition and Disposal Operating Procedure", and the 2019 business plan and budget.

Note 1: For corporate directors and supervisors, disclose their names and the name of their representatives.

Note 2: (1) If a director or supervisor resigns before the end of a fiscal year, the service termination date should be stated in the remarks section. The actual attendance rate (%) is calculated with the number of BOT meetings when they are on BOD and the actual number of BOT meetings attended by a member (including as a guest).

(2) When there is a BOD re-election before the end of a fiscal year, the name of former and current BOD members should both be listed, including the status of a director: former, new, or re-elected, and the re-election date. The actual attendance rate (%) is calculated with the number of BOT meetings in the term and the actual number of BOT meetings attended by a member (including as a guest).

(2) Operation of Audit Committee

We established the Audit Committee on July 27, 2017. Three committee were held in the previous accounting year (A), and the attendance record of independent directors is tabulated below:

Title	Name	Attendance in Person (B)	Attendance through Proxy	Attendance Rate in Person (B/A) (%) (Note)	Note
Independent Director a	Hsin-huei Yen	7		100%	
Independent Director b	Xiao-tong Chang	7		100%	
Independent Director c	Yao-wen Lin	7		100%	

Annotations:

(1) Should the Audit Committee be operated under any one of the following circumstances, the date and session committee meeting, the proposal content, the opinion of committee members; and the committee's response to such opinions shall be specified:

A. Matters specified in Article 14-5 of the Securities and Exchange Act

BOD Meeting Date/Session	BOD Proposal and Audit Committee Resolutions	Audit Committee Opinion	Response to Audit Committee Opinion
2018.03.23 5nd meeting of the 10th BOD	1.Proposal of Approval of the 2017 Business Report and Financial Statements.	N/A	Approved by all attending directors.
	2.Proposal of the Approval of the "Statement of Internal Control" on December 31, 2017 Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.
2018.8.10 8th meeting of the 10th BOD	Proposal of Amendment of the Items and Contents of the 2018 Internal Control System Audit Committee Resolution: Approved as proposed.	Text proofreading and amendment of item 2.2 of the CP-104 Purchase Requisition Regulations: "The supplier proposed by the requesting and purchasing units shall meet the supplier selection requirements."	Approved by all attending directors. Approved as the review results of the Audit Committee.
	CPA Assessment, CPA Appointment, and the Fees for CPA Audit and Certification Service for the Financial Statements and Taxes in 2019 Audit Committee Resolution: Approved as amended.	N/A	Approved by all attending directors. Approved as the review results of the Audit Committee.
2018.12.21 10th meeting of the 10th BOD	Approval of the 2019 Annual Audit Program Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.

B.Other matters unapproved by the Audit Committee but resolved by over two thirds of all directors: None

(2) When there is avoidance of conflicts of interest by an independent director, the name of that independent director, the involved proposal(s), the cause(s) of the avoidance of conflicts of interest, and the participation in voting of that independent director shall be specified: None.

(3) Communication between independent directors and the internal chief auditor and accountant (shall include communication on the company's material financial and sales affairs, including the topics,

methods, and results of communication):

A. Method(s) of communication between independent directors and the internal chief auditor and accountant
   1) Apart from submitting to independent directors for review each month an audit report covering the status of the annual audit program and the follow-up of recommended improvements, the chief auditor will report the amendments to the annual internal controls.
   2) The CPA of this company shall attend as a guest the audit committee meeting or other communication meetings at least once half-yearly to report the status and outcomes of review or audit of the financial statements and present or discuss the impacts, if any, on the presentation of financial statements of the latest amendments of laws.

B. Summary of past communication between independent directors and the internal chief auditor
   Our independent directors maintain good communication with the internal chief auditor, and the material issues communicated in this year are tabulated below:

Date	Focus of Communication	Communication Results
2017.8.4	Independent directors suggested the responsible department to make the amendments to the internal control system made in 2017.	The management is advised to review and make revision as proposed by independent directors.
2017.12.12	Discussion and communication of the proposal of amendment of the internal control system in 2017 and the 2018 annual audit program.	No comment for the amendments to the internal control system of 2017. Suggestions for the 2018 audit program: 1. The related party trading audit should be implemented after the first half of the year. 2. The Audit Office should determine the audit items and audit frequency in the future annual audit program according to the risk assessment results. The Audit Office has adjusted the program implementation time as advised by independent directors and drawn up a solid risk assessment approach.
2018.3.21	Discussion and communication of the self-assessment report on the internal control system in 2017.	No comment from independent directors.
2018.8.8	Amendment to the internal control system of 2018.	The management is advised to review and make revision as proposed by independent directors.
2018.12.18	Discussion and communication of the 2019 annual audit program.	No comment from independent directors.

C. Summary of past communication between independent directors and the CPA
   Our independent directors maintain good communication with the CPA, and the material issues communicated in 2017 are tabulated below:

Date/Meeting	Focus of Communication	Communication Results
2018.03.22 4st Meeting of the 1st Audit Committee	Report, discussion and communication on the audit outcomes of the consolidated and individual financial statements of 2017 and the status of internal audit.	No objection
2018.08.10 CPA and Governance Body Communication Meeting	1. Report, discussion and communication on the audit outcomes of the Q2 consolidated financial statements of 2018 and the status of internal audit. 2. Presentation of the impacts of the	No objection

	latest amendments of related laws and regulations.	
2018.12.18 10nd Meeting of the 1st Audit Committee	Discussion and communication of the schedule, foci and key items of financial statement audits in 2018.	The Audit Committee agreed with the CPA's advice of the key audit items for the 2018 financial statements: (1) affiliates involved in disciplinary actions, appeals, and litigious events in relation to the Fair Trade Act; and (2) income assessment of construction contracts.

(3) Operation of Compensation Committee

A. The Compensation Committee consist of five members.

B. The term of the current committee is between June 30, 2017 and June 29, 2020. Four committee meetings were held in the previous year (A), and the attendance record of members is tabulated below:

Title	Name	Attendance in Person (B)	Attendance Through Proxy	Actual Attendance Rate (%) (B/A) (Note)	Note
Convener	Xiao-dong Chang	4		100%	
Member	Hsin-huei Yen	1		100%	Inaugurated on 2018/08/10
Member	Yao-wen Lin	1		100%	Inaugurated on 2018/08/10
Member	Cong-wei Liu	4		100%	
Member	Su-qin Zhuang	4		100%	

Annotations

1. When BOD ignores or modifies recommendations made by the Compensation Committee, the date and session of the BOD meeting, the proposal contents, BOD resolutions, and response to the recommendations of the Compensation Committee (e.g. the compensation approved by BOD is higher than that recommended by the Compensation Committee, the difference and reasons shall be specified): None
2. When members object to or hold opinions against a committee resolution for the record or in writing, the date and session of the committee meeting, the proposal content, the opinions of all members, and the response to such opinions shall be specified: None.

Note

1. Should a member resign before the end of an accounting year, the service termination date should be stated in the remarks section. The actual attendance rate (%) is calculated based on the number of Compensation Committee meetings held in that year and the actual number of meetings attended.
2. Should a re-election of committee members be held before the end of an accounting year, the name of the new and current members should both be listed in the remarks section and their status: current, new, or re-elected, and the date of re-election shall be specified. The actual attendance rate (%) is calculated based on the number of Compensation Committee meetings held in that year and the actual number of meetings attended.

C. Organization, responsibility, and operation of the Compensation Committee: The organization of the 3rd Compensation Committee with three committee members was approved by BOD on June 30, 2017. In addition, BOD approved the appointment of two independent directors as member of the Compensation Committee on August 10, 2018. Its responsibility is to review the annual and long-term performance indicators, and the policy, system, standard, and structure of remuneration for directors and executives according to the Compensation Committee Charter; and review the salary for directors and executives. In 2017, after passing the Proposal of Employee Assessment and Raise in 2017, the 2016 Remuneration Distribution Proposal for Directors, Supervisors and Employees, the Proposal of Salary Determination for the 10th Board Chairperson, the Proposal of the Outcomes of 2017 General Goals and 2018 General Goals, the Proposal of Amendment of the Employee Salary Determination Regulations, the Proposal of Full-Scale Raise in 2018, and the Proposal of Performance Rewards, the committee referred them to BOD for approval.

4. Dates, sessions, proposals, and resolutions of the Compensation Committee meetings in the previous year and the Company's treatment of the opinions of Compensation Committee members

Compensation Committee Meeting	Contents and Follow-Up of Proposal	Resolution	Company's Treatment of Compensation Committee Members
3rd meeting of the 3rd Compensation Committee on March 27, 2018	1. 2017 BOD Performance Report	Approved for recordation by all committee members.	Submission to board meeting for approval of recordation by all attending directors.
	2. 2017 Earnings Distribution for Employees, Directors, and Supervisors	Approved by all committee members.	Submission to board meeting for approval of all attending directors.
4th meeting of the 3rd Compensation Committee on June 21, 2018	1. Amendment of the Power Plant Allowance in the "Employee Wage Regulations".	Approved as proposed by all committee members and submitted to BOD for resolution. In addition, to make timely differentiation and reward the work performance of employees in the month, establishing principles for pay differentiation is advised, and BOD should authorize the chairperson to directly approve such principles directly for the reference of implementation.	Submission to board meeting for approval of all attending directors.
	2. Amendment to authorize the chairperson to approve the release of remuneration calculated with respect to the "Regulations for Appointment, Dismissal, and Remuneration of Officers".	The recommended amendments to Article 6.4 of the attending members are as follows: "All remunerations for officers shall be submitted to BOD for approval. However, the chairperson shall be authorized to approve and release the pension and redundancy pay calculated with respect to these Regulations prior to reporting to BOD.	Submission to board meeting for approval of all attending directors.
	3. The 2017 Earnings Distribution for Directors and Supervisors	Approved by all committee members.	Submission to board meeting for approval of all attending directors.
	4. The 2018 Salary Adjustment for Officers with Outstanding Performance.	Approved by all committee members and amended points 2 and 3 in the explanation.	Submission to board meeting for approval of all attending directors.
	5. The 2017 Earnings Distribution for Top Tier Officers.	Approved by all committee members.	Submission to board meeting for approval of all attending directors.
	6. The 2018 Salary Adjustment for General Managers	Approved by all committee members and amended points 2 and 3 in the explanation.	Submission to board meeting for approval of all attending directors.
5th meeting of the 3rd Compensation Committee on August 10, 2018	Salary for the new officer of the business development department.	Approved by all committee members.	Submission to board meeting for approval of all attending directors.

5. Information on the Members of the Compensation Committee

Identity Category (Note 1)	Qualification / Name	Have a minimum of 5 years of experience and the following professional qualifications			Status of independence (Note 2)								Role in the compensation committee of other public companies	Remarks
		Lecturer of the above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Passed the qualification examination with proper licensing by the national government as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Commerce, law, finance, accounting or other experiences required by the Company	1	2	3	4	5	6	7	8		
Independent Director	Xiao-dong Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Hsin-huei Yen	✓			✓	✓	✓	✓	✓	✓	✓	✓	one	
Independent Director	Yao-wen Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Other	Cong-wei Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Other	Su-qin Zhuang			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	

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

Note 2: Members fulfilling the following qualifications two years before assumption of office or at the time of assumption office shall tick "✓" the appropriate box.

(1) Not an employee of this Company or its affiliates.

(2) Not a director or supervisor of this Company or its affiliate, except for independent directors of the company or its parent company or a subsidiary established in accordance with this Act or the local laws.

(3) Not a natural person itself, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the company or among the top 10 natural person shareholders.

(4) Not a spouse, kindred at the second tier under the Civil Code, or the next of kin within the third tier under the Civil Code as specified in (1) through (3).

(5) Not a director, supervisor or employee of a corporate shareholder whic holds more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.

(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in business or financial relation with the company.

(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the company or a spouse to the aforementioned persons.

(8) Not under any one of the categories stated in Article 30 of the Company Act.

(4) Status of governance and the variations and causes of variations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, Governance Best Practice"

Indicator	Status (NB)			Variations and causes of variations from "Governance Best Practice"
	Yes	No	Summary Description	
1. Has the company defined and disclosed its governance best practice principles in accordance with the "Governance Best Practice"?	V		We established the Governance Best Practice Principles on August 11, 2015 and amended related articles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies on September 30, 2016. The amendment was passed by the 1st provisional BOD meeting in 2017 and disclosed on MOPS.	No material variation from the "Governance Best Practice".
2. Structure of shareholdings and shareholder's equity (1) Does the company establish and implement internal procedures for handling shareholder suggestions, questions, disputes and litigation? (2) Does the company keep an up-to-date list of its dominant shareholders and the parties with ultimate control over its dominant shareholders? (3) Does the company establish and implement a risk control mechanism and firewall between its affiliates? (4) Does the Company establish internal rules to prevent insider trading?	V V V V		(1) We have established and implemented the spokesperson mechanism and procedures or handling stakeholder opinions. (2) We report the shareholding of major shareholders every month and list all important corporate shareholders of major shareholders in the annual report. (3) We and our affiliates operate independently and abide by the internal control system. We have also established the "Rules Governing Financial and Business Operations Between this Company and Affiliates" and the "Investee Management Regulations" to exert investee management in order to achieve risk management between this company and our affiliates. (4) We have established the "Insider Trading Prevention Regulations" and "Code of Ethics" to prohibit trading securities with undisclosed information.	No material variation from the "Governance Best Practice".
3. Organization and functions of the board of director (1) Does the company establish and implement a defined policy to diversify board membership?	V		(1) We have defined in the Governance Best Practice Principles a policy to diversify board membership. We have also drawn up appropriate and comprehensive policies based on organizational operations, operational styles, and development needs. Currently, BOD is composed of members of different genders, ages, and professional backgrounds required by organizational operations 1) Regarding the directors of the 10th BOD, in gender diversity, there is two female directors; in expertise diversity, directors Ming-chieh Chang, Hong-xiang Lin, and Xiao-dong Chang are specialized in operational management and decision-making; directors Ming-chieh Chang, Jao-hua Hsu, Sheng-ren Xiao, Guo-xin Chang, Chien-Yih Chen, Yuh-ming Lee, Xiao-dong Chang and Yao-wen Lin are specialized in operational management and power plant specific knowledge; directors Ming-chieh Chang, Sheng-chun Wang, Wei Ting, Huei-zhu Liao, and Hsin-huei Yen are specilized in finance and accounting. In addition, directors Yuh-ming Lee and Huei-zhu Liao are environmental protection professionals who give quite lots of good advice for our pursuit of environmental sustainability. 2) Currently, 15% of board members are female, accounting for 23% of	No material variation from the "Governance Best Practice".

Indicator	Status (NB)			Variations and causes of variations from "Governance Best Practice"
	Yes	No	Summary Description	
			the seats for independent directors. The service length of two independent directors is less than three years, and one is between four and six years. None of them has served for over nine years. Three directors are aged between 30 and 50, and ten are over 50. 3) BOD has disclosed the BOD composition diversification policy on the corporate website and MOPS.	
(2) In addition to a compensation committee and an audit committee required by law, does the company voluntarily establish other functional committees?		V	(2) We have also established a compensation committee by law. We also established an audit committee by law on July 27, 2017. We will further establish other functional committees with respect to organizational operations.	
(3) Does the company establish a method to evaluate BOD performance and evaluate BOD performance every year?	V		(3) We established the BOD Performance Assessment Regulations in November 19, 2016 to define the need to assess BOD performance every year based on the organizational status and needs in terms of five aspects: (1) involvement in organizational operations, (2) BOD quality improvement, (3) BOD organization and structure, (4) director election and further education, and (5) internal control. In addition, directors are requested to measure their own performance in six aspects: (1) acknowledgment of organizational objectives and missions, (2) awareness of their roles and responsibilities, (3) involvement in organizational operations, (4) internal relations development and communication, (5) director expertise and further education, and (6) internal control. The Administration Department assesses BOD performance with an internal questionnaire manipulated every January in terms of board operation, director's involvement, and director self-assessment. Results are reported to BOD. The directors may propose methods for improvement if they have any suggestions. The assessment results also form part of the reference for director nomination and selection. The 2018 score met the standard ("Credit" for 80% and higher) of performance indicators. Based on the 2018 assessment results, BOD performance was "good."	
(4) Does the company regularly evaluate the independence of certified public accountants?	V		(4) We evaluate CPAs every December in terms of professionalism, independence, and fairness of CPA fee. In the independence aspect, CPAs are required to submit a (1) "Statement of Compliance with Audit Independence", (2) a statement of non-stakeholder (not being a director, supervisor, shareholder of this company or not being salaried by this company), (3) a statement of no discipline record at competent authorities or Taiwan CPA, and (4) no customers in related industries or who are competitors of this company. The assessment found that CPAs Rui-xuan He and Jian-xin Hsieh of Deloitte Taiwan meet the requirements for professionalism, independency, and the fairness of CPA fees. CPAs for AY2018 were hired with the approval of the 10th meeting of the 10th BOD on December 21, 2018.	

Indicator	Status (NB)			Variations and causes of variations from "Governance Best Practice"
	Yes	No	Summary Description	
4. Does a public company establish or assign a dedicated (concurrent) governance unit or individual to take charge of company's governance affairs (including but not limited to providing directors and supervisors with the data required for business operations, handling affairs relating to holding a BOT meeting or a general meeting of shareholders, processing company registration and change registration, and producing minutes for BOT meetings and general meetings of shareholders)?	V		Revision 2 of our Governance Best Practice Principles was passed on July 27, 2017 by the 1st provisional BOD meeting of 2017. In this revision, we define that Vice General Manager Yi-tong Chen (with over three years of field experience in legal affairs, stock service, and financial management) of the responsible department shall supervise governance-related affairs, including (1) registration and change registration of the company; (2) affairs in relation to board meetings and AGMs, and assistance with compliance with laws and regulations in relation to board meetings and AGMs; (3) production of the minutes of board meetings and AGMs; (4) provision of data required for business operations for directors and the latest legal trends in relation to organizational operations to help directors with legal compliance. The 2018 performance included: (1) assist directors in carrying out their duties and provide them with the required data; (2) provide BOD with information relating to further education and arrange further education courses for directors on 2018.6.22; (3) assist with the procedures for discussion, discussion, and compliance of BOD meetings and AGM; (4) provide the agenda and information for BOD meetings and AGM; upload minutes and related information, and handle company change registration.	No material variation from the "Governance Best Practice".
5. Does the company establish channels for communication with stakeholder (including but not limited to shareholders, employees, customers, and suppliers), set up a stakeholder section in the corporate website, and respond appropriately to important CSR issues and concerns raised by shareholders?	V		Our stakeholders included government agencies, shareholders, customers/electricity users, employees, and suppliers. To enhance stakeholder communication, we have established the spokesperson system and set up a stakeholder section on the corporate website (http://www.cogen.com.tw/csr/Stakeholder). The eight major topics that concerned stakeholders include: sustainability strategy, governance, risk control, operational performance, electricity industry policies and countermeasures, customer relations, supplier stability and reliability, and workplace safety. Through channels including public hearings, investor conferences, satisfaction survey, various communication and grievance helplines and emails, we maintain unimpeded communications with stakeholders and address topics that concern them.	No material variation from the "Governance Best Practice".
6. Does the company appoint a transfer agency to organize meetings of shareholder?	V		We have assigned KGI Securities Co., Ltd. to organize meetings of shareholders.	No material variation from the "Governance Best Practice".
7. Information disclosure (1) Does the company set up a website to disclose its financial and governance information? (2) Does the company try other means to disclose information (such as setting up an English website, designating personnel to gather and disclose organizational information, effectively implementing the spokesperson system, and posting investor	 V V		(1) We disclose our financial, business, and governance information on the corporate website at http://www.cogen.com.tw. (2) We have established the spokesperson system to disclose material information in both Chinese and English versions according to the regulations of the competent authority. Every year, we hold investor conferences as necessary and provide presentations at such conferences, inform stakeholders of our operational performance (four investor conferences were held in 2018), and set up a bilingual corporate website	No material variation from the "Governance Best Practice".

Indicator	Status (NB)			Variations and causes of variations from “Governance Best Practice”
	Yes	No	Summary Description	
conferences on the corporate website)?			to disclose information in both Chinese and English.	
8. Is there any other material information that will help stakeholders to understand governance practices at the company (including but not limited to employee rights, employee care, supplier relations, stakeholder rights, further education for directors and supervisors, the status of implementation of the risk management policy and risk measurement measures, the status of implementation of the customer policy, and the purchase of liability insurance for directors and supervisors)?	V		1. We arrange further education courses for directors and executives every year. On 2018.6.22 we organized the “Green Economy, Low Carbon, and Innovation: A Global Trend and Business Opportunities”. In 2018, the length of further education courses taken by directors complied with that specified in the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies”. 2. We hold labor-management meetings to maintain the rights and benefits of employees and establish an employee welfare committee to care for employees in various aspects, including arranging health examinations to take care of the physical and mental health of employees and organizing employee travels for employees to relieve work stress. In 2018, apart from organizing health talks and the weight loss competition, we purchased blood pressure meets in offices to promote the health of employees. 3. We proactively and aggressively implement corporate and make continual improvement of related internal control system. 4. We have established a stakeholder section on the corporate website for stakeholders to express their opinions and make recommendations. We have also set up the email and report hotlines to ensure unimpeded communication. 5. We established the Risk Management Implementation Plan and perform rolling review every year to update the risk management plan to enforce risk control and prevent risk from impacting organizational operations. In 2018, we completed the review of the risk control measures and implementation in Q1 2017 and established the 2018 Risk Management Plan. 6. We conduct the customer satisfaction survey every year to respond to and handle their opinions properly. 7. Apart from establishing the regulations for reporting unethical behaviors and report emails and hotlines, we organize ethical management courses every year. On 2018.12.13, we arranged the “Ethical Management and CSR: Perspective of Global Risk Trends” course. Besides officers and employees, we invited suppliers to the course in order to implement ethical management and enforce CSR. 8. We buy liability insurance for all BOD members. In 2018, we reported the insurance status at the 6th meeting of the 10th BOD on 2018.5.10.	No material variation from the “Governance Best Practice”.
9. Please specify the status of improvements and the prioritized improvements with reference to the Corporate Governance Evaluation results announced by the	V		In the 5th Corporate Governance Evaluation in 2018, we were ranked among the top 20% out of a total of 861 enterprises, suggesting that our governance was outstanding. We have a bilingual corporate website to disclose	No material variation from the “Governance Best Practice”.

Indicator	Status (NB)			Variations and causes of variations from "Governance Best Practice"
	Yes	No	Summary Description	
Corporate Governance Center of Taiwan Stock Exchange Corporation in the previous year. (Not listed on the evaluated companies, thus no need to answer this item.)			information in both Chinese and English, including information on governance, finance, business, and CSR. In addition, we published the CSR report and acquired the external assurance to make continual improvement of governance.	

Note: Please answer to all items in each indicator, regardless of a "yes" or "no" answer.

(5) CSR performance

Indicator	Implementation (Note 1)			Variations and the cause(s) of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Description (Note 2)	
1. Implementation governance (1) Does the company establish a defined corporate social responsibility policy or system, and review the effectiveness of their implementation?	V		(1) Our Corporate Social Responsibility Best Practice Principles was approved by BOD. We have also established the CSR Steering Committee to administer the establishment and planning of CSR-related policies, including establishment and review the CSR policy, system and management approaches, and annual work planning. The committee also holds meetings regularly to review CSR effectiveness and report the committee status to BOD regularly.	No material variation from the Corporate Social Responsibility Best Practice Principles for TWSE/ TPEx Listed Companies.
(2) Does the Company organize CSR training and education activities regularly?	V		(2) We arrange CSR education and training activities every year. In 2018 we hired external instructors to offer courses including "Green Economy, Low Carbon, and Innovation: A Global Trend and Business Opportunities", "Ethical Management and CSR: Perspective of Global Risk Trends", and "CSR Report Production". We also sent staff to participate in external talks, including "2018 GRI Taipei Annual Congress", "Conference on Green Energy and Practice" and "Mentors Training Course".	
(3) Does the company establish a dedicated (concurrent) department to implement corporate social responsibility? Does BOD delegate senior management to handle CSR matters and report on its implementation?	V		(3) In 2017 we established the CSR Steering Committee, with the chairperson and the general manager as the committee chief and deputy committee chief respectively, and members including vice general managers and subsidiary chairpersons. We also established the executive secretary post filled by the manager of the Planning and Investment Management Department, which is concurrently the CSR responsible unit to help the CSR Steering Committee to administer the establishment and planning CSR-related work, including establishment and review the CSR policy, system and management approaches, and work planning for promoting and implementing CSR to ensure the timeliness and accuracy of CSR information disclosures and report to BOD the status of CSR implementation annually (the 2018 CSR report was presented at the board meeting on 2018.12.22).	
(4) Does the company establish a fair wage and remuneration policy, combine employee performance valuation with the CSR policy, and establish clear and effective reward and punishment system?	V		(4) We have established a reasonable compensation policy and defined and effective reward and punishment system. According to Article 36 of our Articles of Incorporation, should there be profit after the annual closing of books, no less than 0.5% shall be appropriated as the reward for employees and not more than 1% as the reward for directors, and the ratio of appropriation of the latter shall not be higher than that of the former. According to the Reward Approval	

Indicator	Implementation (Note 1)			Variations and the cause(s) of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Description (Note 2)	
			Regulations, the employee performance reward consists of two parts: equity sharing and performance evaluation. Every year, we include CSR-related items to the KPIs and the KPI achievement of departments and personal performance of employees in the performance assessment. The outstanding performance or malfeasant of employees are administered according to the Reward and Punishment Regulations.	
2. Development of a sustainable environment (1) Is the company dedicated to improving the efficiency of use of resources and encouraging the use of recycled materials with low impact on the environment?	V		(1) We use a circulating fluidized bed (CFB) boiler at the Kuan Tien Plant. Due to the CFB characteristics, besides coal, we can use scrap tires, waste solvents, and waste pulps as auxiliary fuels. In consideration of the economic efficiency of operations and resource recycling, the Kuan Tien Plant selects the eco-friendliest, most economical, and the most socially beneficial option: scrap tires as the auxiliary fuel to help the government dispose of scrap tires, prevent dengue fever, enhance resource efficiency, and reduce environmental hazards. In addition, the application for pulverized fuel ash (PFA) recycling by the Kuan Tien Plant and its vendors has been approved, and we received guidance from the Taiwan Construction Research Institute to co-develop the use of PFA in concrete to produce CLSM to replace backfill materials after compaction. This CLSM is suitable for use on subgrade and pipeline bases. In 2018, all PFA output at 25,299t were recycled. Apart from forming a circular economy, we made eco-friendliness a reality and achieved CSR.	No material variation from the Corporate Social Responsibility Best Practice Principles for TWSE/ TPEx Listed Companies.
(2) Does the company establish an environmental management system appropriate to the characteristics of its industry?	V		(2) Our Kuan Tien Plant is operated in accordance with related laws and regulations and has acquired ISO 14001 certification for the environmental management system. Apart from reducing environmental impacts, Kuan Tien Plant keeps its commitment for environmental sustainability. The plant establishes its environmental policy to ensure sustainable development in terms of (1) compliance with environmental regulations and respect for international treaties; (2) pollution prevention to reduce the environmental impact of pollutants; (3) total participation and enforcement of environmental awareness in routine work; and (4) continual improvement.	
(3) Does the company pay attention to the influence of climate change on organizational operations, conduct GHG inventories, and establish a policy for energy conservation, carbon reduction, and GHG reduction?	V		(3) Apart from keeping constant track on the potential impacts of climate change on our business activities, we consider climate change in our risk management plan to timely adjust our business strategy, business management, and business planning. Every year we inventory GHGs at all major operating locations and pass the	

Indicator	Implementation (Note 1)			Variations and the cause(s) of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Description (Note 2)	
			external assurance (according to ISO 14064-1 and ISO 14064-3). The emissions of major operating locations in the past two years are as follows: The 2017 Scope 1 emissions were about 397,723 tCO_2e and Scope 2 about 5,050 tCO_2e; and the 2018 Scope 1 emissions were about 420,510 tCO_2e and Scope 2 about 3,133 tCO_2e. In addition, in response to the government policy to cut electricity consumption, the planned 5-year total energy conservation rate was 5% between 2015 and 2019. During 2015 to 2018, our total energy conservation rate was 4.46% (although we have achieved the 5-year target in 2017, as the Bureau of Energy amended the standards for reporting and energy item recognition in 2017, we adjusted the previously reported items and recalculated the results), with an annual average of 1.11%, achieving the 1% annual target. In the future, we will continue to assess environmental equipment renewal and system efficiency upgrading to practice our energy conservation and emissions reduction plan.	
3. Protection of social welfare (1) Does the company establish management policies and procedures in accordance with relevant laws and international conventions on human rights?	V		(1) Apart from establishing various management systems with respect to the Labor Standards Act, we contribute the pension preparation fund by law and hold regular labor-management meetings, and comply with international human rights conventions such as the UN Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights to protect the rights and interest of employees and maintain employment equality.	No material variation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.
(2) Does the company establish employee grievance mechanisms and channels and handle complaints properly?	V		(2) We have established mechanisms and channels for employee grievances, including the dedicated report line and email for human rights grievances and violation of ethics and integrity. We have also established related regulations, such as the Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment, Personnel Evaluation Committee Regulations, and Ethics and Integrity Violation Reporting Regulations, to properly address employee grievances and protect their rights and interest.	
(3) Does the Company provide employees with a safe and healthy work environment and arrange regular safety and health education for employees?	V		(3) We provide employees with a safe and healthy work environment, emphasize the safety and sanitation of the office environment, and arrange health examinations for employees every year. Concrete actions also include: A. Taipei Office (including the wholly owned investee Star Energy Corporation) 1) Security control: Access control at the main entrance, driveway, and foyer; security checkpoints; and CCTV in all elevators.	

Indicator	Implementation (Note 1)			Variations and the cause(s) of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Description (Note 2)	
			2) Safety checks: Biennial public safety checks by professional service providers and reporting. 3) Emergency power supply: Emergency generators in the basement to supply electricity for emergency lighting and escape signs. 4) Fire exercise and inspection: Two fire safety checks and two drills every year. Self-inspection of fire equipment every quarter, and reporting through fire protection engineers. 5) Cleaning: Cleaning every floor daily; cleaning refrigerators and public equipment, garbage classification and disposal by professional service providers, and carpet cleaning and disinfection twice a year. 6) Health management center with nursing staff and on-site physicians to provide employees with health consultation and irregular health education activities. 7) Employee health examinations every year and individual health education and consultation by health examination institutions. 8) To enhance workplace safety, Star Energy has established the OHS Committee with requirements higher than the regulatory requirements. The committee passed OHSAS 18001 certification in 2017 and acquire ISO14001 certification for the environmental management system in 2018. B. Kuan Tien Plant 1) Although there are only 43 employees in the plant, we have established the OHS Committee as usually to practice HSE management. The committee discusses topics in relation to work-related injuries and OHS plans regularly. In 2017, the plant passed ISO14001 certification for its environmental and health management system. 2) Work environment monitoring, sulfuric acid tank site test, dust test, noise dose test, and regular noise test by professional service providers biannually. 3) Outsourced building public safety checks and reporting by professional service providers every year. 4) Two fire and disaster drills every year. 5) Self-inspection of public hazard articles in the monthly	

Indicator	Implementation (Note 1)			Variations and the cause(s) of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Description (Note 2)	
			security supervision and reporting to the local fire authority for recordation. 6) Continuous review and improvement of the workplace environment to ensure worker safety.	
(4) Does the company establish a mechanism for regular employee communications and notify employees of changes that may have a major impact on operations in a reasonable manner?	V		(4) We establish periodic employee communication mechanisms including the executive meeting, department meeting, and labor-management meeting. In addition, we make announcements over the KM platform and email and the intranet and extranet to timely notify employees of various information.	
(5) Does the company establish an effective career development plan for employees?	V		(5) Every year we arrange professional and management training activities based on the competence needs of employees. We also encourage employees to receive further education and learning.	
(6) Does the company establish a consumer protection policy to protect customer rights and interests and a grievance mechanism based on its R&D, purchasing, production, operating and service processes?	V		(6) Apart from setting up a bilingual (Chinese and English) website to provide description of our products and services and disclose different types of information, we have set up a dedicated line and email for stakeholder, such as customers and suppliers, communication. All grievances are replied by responsible staff.	
(7) Does the company conform with relevant international laws and standards on the marketing and labeling of products and services?	V		(7) Due to the characteristics of our business, we do not have product marketing or labeling. The quality and content of products and services are subject to relevant laws, regulations, and standards.	
(8) Does the company evaluate past environmental and social records of suppliers before conducting business with them?	V		(8) We have established a well-planned Supplier Management and Evaluation Mechanism. For each procurement project or construction project, we carefully select suppliers in terms of social aspect indicators including ethics and integrity, product quality, environmental protection, and labor work safety.	
(9) Do the company include clauses for immediate termination or rescission in contracts when a supplier violates its CSR policy and causes significant impacts on the environment and society?	V		(9) We request all suppliers to sign the CSR Undertaking for them to comply with requirements covering service responsibility, human rights maintenance, ethics and integrity, and environmental protection. We also re-state that we will terminate the contracts with suppliers violating CSR.	
4. Reinforcing information disclosure (1) Does the company disclose critical and reliable CSR-related information on its website and the Market Observation Post System website?	V		We have set up a CSR section on our bilingual website to disclose in detail the topics and information that concern stakeholders.	No material variation from the Corporate Social Responsibility Best Practice Principles for TWSE/ TPEx Listed Companies.
5. If the company has established own corporate social responsibility guidelines with reference to the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies,” please specify the variations in practice. We have established and implemented our own “Corporate Social Responsibility Best Practice Principles” without no variation from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies”.				
6. Other pertinent information that helps the general public understand CSR operations: (1) We publish a CSR report every year to fully disclose related information. The CSR report is available for download from MOPS or our corporate website				

<table>
<tr><td rowspan="2">Indicator</td><td colspan="3">Implementation (Note 1)</td><td rowspan="2">Variations and the cause(s) of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies</td></tr>
<tr><td>Yes</td><td>No</td><td>Description
(Note 2)</td></tr>
<tr><td colspan="5">(http://www.cogen.com.tw/csr/csr_report).
(2) We have established a CSR section on our corporate website to disclose information covering environmental sustainability, CAR performance, topics that concern stakeholders, and employee benefits. We also provide the CSR reports over the years for reference.
(3) Our efforts and performance in CSR promotion in 2018 are as follows:
1) In 2018, we participated in the Taiwan Corporate Sustainability Awards (TCSA) and won the TOP50 Corporate Sustainability Awards. In addition, we also won the Gold Award in the energy industry at the Taiwan Corporate Sustainability Awards for CSR report published in that year.
2) In February 2018, we donated NT$1 million for post-disaster recovery in support of the disaster release of the Hualien earthquake and social contribution.
3) We supported the home service program of the Genesis Social Welfare Foundation by offering hospital visit and volunteer services and making donations. We also started the chain and uniform receipt donation in the office to support vulnerable groups and practice CSR.
4) In 2017 the Kuan Tien Plant passed ISL 140001 certification.
5) We made green procurement reporting in 2018 and was invited to the “Private Enterprises and Private Groups ECO Label Achievement Commendation” organized by the environmental protection bureau to receive a certificate of appreciation.</td></tr>
<tr><td colspan="5">7. If the company’s products or the CSR report have been verified by a certification authority, please specify:
After third-party assurance, the 2018 CSR report prepared with respect to the core option for disclosure specified in the GRI Standards of Global Sustainability Standards Board (GSSB) was audited for limited assurance by Deloitte Taiwan in accordance with the SAES No. 1 Assurance Engagements Other than Audits or Reviews of Historical Financial Information (established with reference to ISA 3000 Revised) released by the Accounting Research and Development Foundation.</td></tr>
</table>

Note 1: Please answer to all items in each indicator, regardless of a “yes” or “no” answer.
Note 2: If a CSR report is available, please specify the method to access the CSR report or its index.

(6) Performance in Ethical Corporate Management

Indicator	Operation(Note 1)			Variations and Causes of Variations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Description	
1. Establishment of ethical management policies and plans				No material variation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"
(1) Does the company demonstrate its ethical management policies in its regulations and documents communicating? Do BOD and management proactively fulfill their commitments in the business policy?	V		(1) We value ethnical behaviors of employees and have thus established the Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, and the Code of Ethics and Conduct to define our policies and practices for ethical management based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies. We have also established the Personnel Management Procedure—Recruitment and Employment and the Recruitment and Employment SOP to specify that "conduct" is one of the requirements for new employee selection. In the Personnel Management Rules, we request employees not to offer or accept undue or improper advantage in any form when carrying out their duties in order to fulfill our commitment to ethnical management.	
(2) Does the company establish plans to prevent unethical behaviors and specify and implement operating procedures, code of conduct, punishment for violation, and grievance mechanisms in such plans?	V		(2) We have established the Personnel Management Rules, the Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, the Code of Ethics and Conduct, the Regulations for Reporting Violations of Ethnical Management, and the Internal Material Information Processing Operating Procedure to prevent unethical behaviors.	
(3) Does the company take actions to prevent business activities identified with higher risks of unethical behaviors as specified in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" or in other scope of business?	V		(3) To prevent high-risk unethical behaviors in business activities, we have specifically specified the contract general terms in related procedures in coordination with the ethnical management concept of the internal control system. In addition, provisions of the "Regulations for Reporting Violations of Ethnical Management" are included in these terms to prevent unethical behaviors.	
2. Implementation of ethical management (1) Does the company evaluate the ethical record of its transaction parties and explicitly include clauses on ethical	V		(1) We have established a well-planned Supplier Management and Evaluation Mechanism. We have also specified in the contracts signed with suppliers that we may terminate the	No material variation from the "Ethical Corporate Management Best Practice Principles for

Indicator	Operation(Note 1)			Variations and Causes of Variations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Description	
conduct in contracts?			contract with any suppliers involved with unethical behaviors at any time. Any commissions, kickbacks, or other undue advantages received should be reported immediately, related evidence should be provided, and investigations should be cooperated. We have also set up reporting mechanisms and channels.	TWSE/TPEx Listed Companies"
(2) Does the company establish a dedicated (concurrent) corporate ethics unit supervised by and regularly reports to BOD?	V		(2) We have established the Ethical Corporate Management Best Practice Principles to ensure the ethical management policy is effectively implemented. We also review effectiveness and make continual improvement, Our Legal Affairs Office is also responsible for promoting business ethics and integrity and reports to BOD regularly. According to the 2018 performance in business ethics and integrity as reported to BOD by the office on March 26, 2019, this Company was operated according to our Ethical Corporate Management Best Practice Principles.	
(3) Does the company establish and implement a policy to prevent conflicts of interest and provide suitable channels for reporting such conflicts?	V		(3) We have specified the need to avoid conflicts of interest in the "Ethical Corporate Management Best Practice Principles", "Rules for Procedure of BOD Meetings". And "Personnel Management Rules". They all are implemented exactly.	
(4) Does the company establish an effective accounting system and internal control system to ensure ethical management is regularly audited by an internal audit unit or a public auditor?	V		(4) We have established an effective accounting system and internal control system. Every year all units conduct self-assessment of internal control, and the audit unit will audit them regularly and report to BOD.	
(5) Does the company regularly organize internal and external education and training activities for ethical management?	V		(5) We organize education and training activities on business ethics and integrity regularly. In 2018, we organized the "Understanding Amendments to the Company Act" course, hired external instructors to give the "Ethical Management and CSR: Perspective of Global Risk Trends" course, and sent staff to external training such as the "Business Ethics Forum" to publicize business ethics and integrity. In 2018 officers and employees participated in related education and training activities 88 times, totaling 339.5 hours.	
3. Operation of the corporate whistleblower system (1) Does the company establish an explicit whistleblower and incentive scheme and convenient reporting channels, and assign appropriate personnel to investigate the target of the	V		(1) We have established the reporting regulations and a range of communication and grievance channels, including a report box, a report hotline, and stakeholder grievance box, and will assign special staff to handle all whistleblower	No material variation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"

Indicator	Operation(Note 1) Yes	No	Description	Variations and Causes of Variations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"
whistleblower complaint? (2) Does the company establish a standard operating procedure to investigate whistleblower complaints and related mechanisms to ensure confidentiality? (3) Does the company establish measures to protect whistleblowers against retaliation?	 V V		complaints. (2) We have established reporting regulations including the standard operating procedure for investigation and confidentiality mechanism. (3) We have established reporting regulations and measures to protect whistleblowers against retaliation.	
4. Reinforcing information disclosure (1) Does the company disclose its ethical management principles and effectiveness on the corporate website and the Market Observation Post System website?	V		We have established the "Ethical Corporate Management Best Practice Principles" and have disclosed them on the corporate website and Market Observation Post System.	No material variation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"
5. If the company has established own ethical management principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies," please specify the status of operation and variations: We have stablished and implemented the "Ethical Corporate Management Best Practice Principles", and no variation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" is found.				
6. Other material information that helps to understand the operation of the company's ethical management (such as the company review of the of its ethical management principles): (1) On March 26, 2018 the Legal Affairs Office reported to BOD that business ethics and integrity were operated faithfully according to the Ethical Corporate Management Best Practice Principles, including policy implementation, system establishment, training activities, and reporting channels. (2) In June 2018, the Internal Audit Office reported to BOD the audit results of business ethics and integrity and that related recommendations had been properly replied. (3) On June 12, 2017 we amended the Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, and the Code of Ethical Conduct in response to the establishment of the Audit Committee. (4) In June 2017 we published our third CSR report to disclose/publicize our ethnical corporate management policy and related reporting channels. The report won the TCSA Corporate Social Responsibility Report Awards, marking the external recognition of our efforts to establish a sound communication channels with stakeholders. (5) Apart from being ranked among the top 5% at the 4th (2017) Corporate Governance Evaluation, we won the 2018 TCSA TOP50 Corporate Sustainability Awards and the Top 100 of the Excellence in Corporate Social Responsibility 2018 from *CommonWealth Magazine* (14th in the Little Giant category). We swear to be a benchmarking enterprise of governance and ethnical corporate management.				

Note 1: Please answer to all items in each indicator, regardless of a "yes" or "no" answer.

(7) Should the governance best practice principles and related regulations be established, disclose their access: Please visit related section (Governance→Corporate Regulations) on our corporate website at http://www.cogen.com.tw/eng/manages/.

(8) Other material information that is helpful for understanding the status of implementation of governance may be disclosed together: None.

(9) Information to be disclosed to support the status of implementation of the internal control system: Audit

A. Internal control system statement

Taiwan Cogeneration Corporation
Statement of Internal Control System

Date: March 26, 2019

With regards to the results of the 2018 self-evaluation on the internal control system, we hereby declare as follows:

1. We acknowledge and understand that it is the responsibility of our BOD and executives to establish, implement, and maintain an internal control system, and we have established such a system. Its purpose is to fairly ensure the effectiveness and efficiency of operations (including profitability, performance and security of assets); the reliability, timeliness, and transparency of financial reporting; and the achievement of legal compliance.
2. There is limitation inherent to each internal control system, however perfect the design is. As such, an effective internal control system can only fairly ensure the achievement of the aforementioned goals. Furthermore, the effectiveness of an internal control system may variate as the macro environment and situation change. By equipping our internal control system with a self-monitoring mechanism, we can take immediate corrective actions against any defects once identified.
3. Referring to the criteria for determining the effectiveness of an internal control system as specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (the "Criteria"), we judge the effectiveness of design and implementation of our internal audit system. With regard to the management control process, the Criteria divided an internal control system into five elements: a) control environment, b) risk evaluation, c) control operation, d) information and communication, and e) monitoring. Each element in turn contains certain audit items, and shall be referred to the Criteria for details.
4. We have evaluated the effectiveness of design and implementation of our internal control system with the such criteria.
5. In respect of the findings from the above evaluation, we hold that the design and implementation of our internal control system (including the supervision and management of subsidiaries) by 31 December 2018 were effective to achieve the above goals in terms of the effect and efficiency of operations; the reliability, timeliness, and transparency of financial reporting; and the achievement of legal compliance.
6. This statement shall form an integral part of the annual report and the prospectus on this company and will be disclosed to the public. If there is any fraud, concealment and unlawful practice found in the above contents, we shall be liable to the legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement of declaration was approved unanimously by the BOD meeting held on March 26, 2019 with the presence of all directors attended the meeting.

Taiwan Cogeneration Corporation
Signature of Chairman: Ming-jie Chang
Signature of General Manager: Guang-shun Yu

B. The company auditing its internal control system by a CPA shall disclose the CPA audit report: None.

(10) Punishments, major defects, and improvements in the previous year and by the date of report publication of the company or its personnel by the law or for violation of the regulations of the internal control system:

After receiving a report that our employees had received undue advantage from suppliers, the Investigation Bureau conducted a search of this company on December 4, 2018, seized related evidence, and took related persons back to the bureau for some statements. Based on the no comment during investigation principle, we are still in the dark about the entire incident. Currently, one employee has been remanded in absolute isolation, and one bailed.

We will follow the instructions of the court in the future. Internally, we have discharged the employee who has violated the Ethical Corporate Management Best Practice Principles and relieved his immediate supervisor from the present post. We have also established and amended related mechanisms and regulations to prevent the recurrence of similar incidents.

(11) Important resolutions made by the general meeting of shareholders and BOD in the previous year and by the date of report publication:

Date	**Meeting**	**Resolutions**
2018.05.10	BOD Meeting	Approval of the proposal to approve for recordation of the 2017 Q1 financial statement.
2018.06.20	General Meeting of Shareholders	Important resolutions 1. Management presentations (1) 2017 Business Report (2) Supervisor's review report on the 2017 financial statements (3) Status of the Company's external endorsements and/or guarantees. (4) Status report on the compensation for employees and remuneration for directors and supervisors in 2017. Minutes and status of implementation: Shareholders made no comment for the above reports presented by the chairperson and management. 2. Adoption (1) Adoption of the Resolution on the 2017 Business Report and Financial Statements. Minutes and status of implementation: Based on the voting results of all attending shareholders, there are 329,940,768 votes for the adoption, 126,906 votes against the adoption, and 17,976,128 abstained votes, with the pros at 94.79%. The above reports were adopted as proposed. (2) Adoption of the Proposal for Distribution of 2017 Profit Minutes and status of implementation: Based on the voting results of all attending shareholders, there are 330,079,150 votes for the proposal, 186,853 votes against the proposal, and 17,777,799 abstained votes, with the pros at 94.83%. The above proposal was adopted as proposed. BOD determined the base date of profit distribution was July 16, 2018 and the date of dividend distribution was August 8, 2018.
2018.06.22	BOD Meeting	1. Determination of the ex-dividend date for cash dividend of 2017 and related matters. 2. The proposal of the 2017 earnings distribution for directors and supervisors.
2018.08.10	BOD Meeting	Approval of the proposal to approve for recordation of the Q2 2018 consolidated financial statements.
2018.09.21	BOD Meeting	Participation in the cash capitalization by issuing new shares of Yi Yuan Corporation.
2018.11.09	BOD Meeting	Approval of the proposal to approve for recordation of the Q2 2018 consolidated financial statements.
2018.12.21	BOD Meeting	1. Establishment of a franchised/general SPV by Taiwan Cogeneration. 2. Approval of the "2019 Business Plan and Budget". 3. Approval of the Proposal of the CPA Appointment and Professional Fees for Financial Statements and Tax Audit and Certification for AY2019.
2019.03.26	BOD Meeting	Approvals 1. 2019 AGM Date: 9:00 a.m., Wednesday, June 20 2019 Place: International Convention Hall; 1F, No. 392, Ruiguang Road, Neihu District, Taipei City, Taiwan. Cause of meeting: (1) Management presentations: 1) 2018 Business Report 2) Supervisor's review report on the 2018 financial statements 3) Status of the Company's external endorsements and/or guarantees. 4) Status report on the compensation for employees and remuneration for directors and supervisors in 2018. (2) Adoption 1) Adoption of the 2017 Business Report and Financial Statements 2) Adoption of the Proposal for Profit Distribution for 2017. (3) Discussion 1) Amendment to the company charter. 2) Amendment to the "Notice for Directorial Election at AGM". 3) Amendment to the "Asset Acquisition and Disposal Operating Procedure". 4) Amendment to the "Loaning, Endorsements and Guarantees Operating

		Procedures". (4) Others Relief of the non-compete restrictions on directors. 2. 2018 Business Report and Financial Statements. 3. 2018 profit distribution: Dividend: cash NT$ 1.5/share. 4. Shareholder proposal acceptance: Proposals from shareholders holding a minimum of one percent of shares: April 12-22, 2019

(12) Contents of the objections for the records or with written statements of directors or supervisors to important BOD resolutions in the previous year and by the date of report publication: None.

(13) Resignation or relief of related personnel: None.

5. CPA Fee

CPA Firm	Name of CPA		Audit Period	Remarks
Deloitte Taiwan	Jui-Husan Ho	Chien-Hsin Hsieh	FY 2018	-

CPA Fee Increments

(expressed in NT$1,000)

Increment \ Item		Audit Fee	Non-Audit Fee	Total
1	Below2,000	-	✓	-
2	2,000-4,000	-	-	-
3	4,000-6,000	✓	-	-
4	6,000-8,000	-	-	✓
5	8,000-10,000	-	-	-
6	Above 10,000	-	-	-

(1) Amount of non-audit fees paid to a CPA, a CPA firm, and its affiliates and service contents: Non-audit fee paid in 2018 was NT$400,000 for services including transfer of pricing reports at NT$160,000 and others at NT$240,000.
(2) When the audit fee is lesser than that of the previous years after changing a CPA firm, state the amount after a CPA firm change and the reasons of such change: N/A
(3) When the audit fee is lesser than that of the previous year by over 15%, state the amount and proportion less and the reasons of such change: None.

6. Replacement of certified public accountants [Finance]
After changing a CPA in the previous two years and afterwards, disclose the following information.

(1) Information of former CPAs: N/A
(2) Succeeding CPAs: N/A
(3) Former CPA's reply to items 1 and item 2-3, paragraph 6, Article 10 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies": N/A

7. When the chairman, general manager and/or managerial officers in charge of finance or accounting served at the firm(s) or affiliate(s) of the auditing CPAs in the previous year, state their names, titles, and the periods of service at such CPA firm(s) or affiliate(s).
An affiliate of a CPA firm shall mean a company or organization of which the firm at which the CPA serves holds over 50% of the stake or acquires over half of director seats, or such a company or organization is categorized as an affiliate in the data disclosed or published by the firm to which the CPA serves: None

8. Changes in the transfer or pledge of shares by directors, supervisors, managers, and shareholders holding over 10% of the outstanding shares in the previous year and by the date of report publication.
   When the counterparty of transfer or pledge is a related party, state the name of the transferee, and the relationship with the company, directors, supervisors, and shareholders holding over 10% of the outstanding shares, and the number of shares acquired or pledged.

(1) Changes in shareholdings of directors, supervisors, managers, and major shareholders

Expressed in shares

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th colspan="2">2018</th><th colspan="2">By 22 April 2019</th></tr>
<tr><th>Increase (decrease) in shareholdings</th><th>Increase (decrease) in pledged shares</th><th>Increase (decrease) in shareholdings</th><th>Increase (decrease) in pledged shares</th></tr>
<tr><td>Major shareholder</td><td>Taiwan Power Company</td><td rowspan="8">-</td><td rowspan="8">-</td><td rowspan="8">-</td><td rowspan="8">-</td></tr>
<tr><td>Chairman</td><td>Representative: Min-chieh Chang</td></tr>
<tr><td>Director</td><td>Representative: Chien-yih Chen</td></tr>
<tr><td>Director</td><td>Representative: Jao-hua Hsu</td></tr>
<tr><td>Director</td><td>Representative: Yuh-ming Lee</td></tr>
<tr><td>Director</td><td>Representative: Shen-ren Shao</td></tr>
<tr><td>Director</td><td>Representative: Guo-xin Chang</td></tr>
<tr><td>Director</td><td>TECO Corporation</td></tr>
<tr><td>Director</td><td>Representative: Hong-xiang Lin</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Director</td><td>Yuan Jing Investments</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>Director</td><td>Representative: Sheng-chun Wang</td></tr>
<tr><td>Director</td><td>Jin Hong Investments</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">(292,000)</td><td rowspan="2">-</td></tr>
<tr><td>Director</td><td>Representative: Wei Ting</td></tr>
<tr><td>Director</td><td>Huei-chu Liao</td><td>--</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Independent director</td><td>Xiao-dong Chang</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Independent director</td><td>Hsin-huei Yen</td><td>-
-</td><td>-
-</td><td>-
-</td><td>-
-</td></tr>
<tr><td>Independent director</td><td>Yao-wen Lin</td><td>-
-</td><td>-
-</td><td>-
-</td><td>-
-</td></tr>
<tr><td>General Manager</td><td>Guang-xuan Yu</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Former GM</td><td>Chuan-xian Huang</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Vice GM</td><td>Yi-tong Chen</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Vice GM</td><td>Shu-shen Lin</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Manager</td><td>Zhi-jie Hsu</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Note 1: Shareholders holding over 10% of the outstanding shares shall be remarked as major shareholders and listed individually.

Note 2: Fill in the following table when the counterparty of transfers or pledges of shares is a related party.

(2) Information on transfer of shares: None.

(3) Information on pledge of shares: Ta Ya Electric Wire & Cable Co., Ltd. pledged 8,800,000 shares on 30 March 2016.

9. Mutual relationships among top ten shareholders
None.

Information on Mutual Relationships of Top Ten Shareholders

Name (Note 1)	Personal Shareholdings		Shareholdings of spouse/minor children		Shareholdings in the name of a third party		Company Name/Name of related parties, spouse, or relatives in the 2nd degree to top ten shareholders (Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Company Name/Name	Relationship	
Taiwan Power Company	162,954,279	27.66%	-	-	-	-	None	None	
Representative: Min-chieh Chang	-	-	-	-	-	-	None	None	
Representative: Chien-yih Chen	-	-	-	-	-	-	None	None	
Representative: Jao-hua Hsu	-	-	-	-	-	-	None	None	
Representative: Yuh-ming Lee	-	-	-	-	-	-	None	None	
Representative: Shen-ren Shao	-	-	-	-	-	-	None	None	
Representative: Guo-xin Chang	-	-	-	-	-	-	None	None	
Nan Shan Life Insurance Company, Ltd.	16,315,000	2.77%	-	-	-	-	None	None	
Responsible person: Ying-zhong Du	-	-	-	-	-	-	None	None	
Ta Ya Electric Wire & Cable Co., Ltd	12,301,093	2.09%	-	-	-	-	None	None	
Responsible person: Shang-hong Shen	-	-	-	-	-	-	None	None	
TECO Corporation	11,527,432	1.96%	-	-	-	-	None	None	
Representative: Hong-xiang Lin	-	-	-	-	-	-	None	None	
Jin Hong Investments	11,083,214	1.88%	-	-	-	-	None	None	
Representative: Wei Ting	-	-	-	-	-	-	None	None	Spouse of the responsible person
Bo Han Investments	9,088,000	1.54%	-	-	-	-	None	None	
Responsible person: Yi-xian Chen	-	-	-	-	-	-	None	None	
Formosa Heavy Industries	9,060,384	1.54%	-	-	-	-	None	None	
Representative: Chien-nan Lin	-	-	-	-	-	-	None	None	
Tatung Company	6,991,920	1.19%	-	-	-	-	None	None	
Responsible person: Wen-yen Kuo Lin	-	-	-	-	-	-	None	None	
Ye-yin Hong Wang	6,630,886	1.13%	-	-	-	-	None	None	
iShares Emerging Market ETF in custody of Standard Chartered Bank	5,914,000	1%	-	-	-	-	None	None	

Note 1: All of top ten shareholders should be listed. Names of corporate shareholders and their representatives should be listed individually.
Note 2: Ratio means the total number of shares held by the person, spouse and underage children, and in the name of a third party.
Note 3: The relationship between shareholders listed above, including corporate and individual shareholders, should be disclosed in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

10. The stakes and the syndicated stakes in the same investee of the company; directors, supervisors, and managers of the company; and institutions under the company's direct or indirect control.

Syndicated Shareholdings

(expressed in shares and percentage by 22 April 2019)

Investee	Shareholdings of the Company		Shareholdings of directors and supervisors, and managers or investees under direct or indirect control		Syndicated Shareholdings	
	Shares	%	Shares	%	Shares	%
Star Energy Corporation	63,000,000	100.00	-	-	63,000,000	100.00
Sun Ba Power Corporation	258,000,000	43.00	-	-	258,000,000	43.00
Star Energy Power Corporation	121,500,000	40.50	-	-	121,500,000	40.50
Star Buck Power Corporation	136,200,000	41.27	-	-	136,200,000	41.27
Ta-Yuan Cogeneration Co., Ltd.	34,127,455	29.31	-	-	34,127,455	29.31
Taiwan Cogeneration International Corporation[1]	22,260,000	100.00	-	-	22,260,000	100.00
Kuo Kuang Power Co., Ltd.	114,730,000	35.00	-	-	114,730,000	35.00
Kaohsiung Arena Development Corp.	20,000,000	8.00	-	-	20,000,000	8.00
Yi Yuan Corp.	15,300,000	51.00	-	-	15,300,000	51.00
TCC Green Energy corporation	8,500,000	100.00			8,500,000	100.00
Shin Kuang Electric Energy Co. Ltd.			-	100.00	-	100.00
Starbao Power Corporation			2,000,000	100.00	2,000,000	100.00
Shinlee Product Inc.			1,650,000	41.25	1,650,000	41.25
Redondo Peninsula Energy, Inc.			8,446,047	25.00	8,446,047	25.00

[1] A subsidiary registered in the Virgin Islands.

IV. Fund Raising

1. Capitals and shares

(1) Equity sources

Unit: Shares/NT$ by 22 April 2019

Year/Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Source	Substitution of capital stock with assets other than cash	Others
1992.5	10	100,000,000	1,000,000,000	100,000,000	1,000,000,000	Cash 1,000,000,000	None	Initial capital
1997.4	10	150,000,000	1,500,000,000	126,300,000	1,263,000,000	Cash 263,000,000	None	1997.4.24(86) Tai-Cai-Zheng (1) No. 31300
1999.10	10	150,000,000	1,500,000,000	132,615,000	1,326,150,000	Retained earnings 63,150,000	None	1999.10.14(88) Tai-Cai-Zheng (1) No. 90419
2000.10	10	400,000,000	4,000,000,000	138,078,900	1,380,789,000	Retained earnings 54,639,000	None	2000.10.25(89) Tai-Cai-Zheng (1) No. 88188
2001.4	13	400,000,000	4,000,000,000	228,078,900	2,280,789,000	Cash 900,000,000	None	2001.01.17(90) Tai-Cai-Zheng (1) No. 104641
2001.9	10	400,000,000	4,000,000,000	253,695,179	2,536,951,790	Retained earnings 256,162,790	None	2001.8.7(90) Tai-Cai-Zheng (1) No. 150363
2002.8	10	400,000,000	4,000,000,000	285,008,600	2,850,086,000	Retained earnings 313,134,210	None	2002.7.9 (91) Tai-Cai-Zheng (1) No. 0910137698
2002.9	11	400,000,000	4,000,000,000	315,008,600	3,150,086,000	Cash 300,000,000	None	2002.6.25 (91) Tai-Cai-Zheng (1) No. 0910132977
2004.5	10	400,000,000	4,000,000,000	319,750,251	3,197,502,510	Convertible bonds 47,416,510	None	2004.6.11 Tai-Zheng-Shang-Zi No. 09300137761
2004.8	10	400,000,000	4,000,000,000	321,975,242	3,219,752,420	Convertible bonds 22,249,910	None	2004.9.23 Tai-Zheng-Shang-Zi No. 0930024831
2004.10	10	400,000,000	4,000,000,000	348,127,630	3,481,276,300	Retained earnings 261,523,880	None	2004.10.12 Tai-Zheng-Shang-Zi No. 0930026376
2005.2	10	400,000,000	4,000,000,000	357,338,614	3,573,386,140	Convertible bonds 92,109,840	None	2005.3.2 Tai-Zheng-Shang-Zi No. 09400048971
2005.4	10	400,000,000	4,000,000,000	385,540,155	3,855,401,550	Convertible bonds 282,015,410	None	2005.5.9 Tai-Zheng-Shang-Zi No. 09400120171
2005.8	10	400,000,000	4,000,000,000	397,127,283	3,971,272,830	Convertible bonds 115,871,280	None	2005.8.22 Tai-Zheng-Shang-Zi No. 0940024009
2005.10	10	400,000,000	4,000,000,000	398,870,400	3,988,704,000	Convertible bonds 17,431,170	None	2005.10.25 Tai-Zheng-Shang-Zi No. 0940030922
2006.1	10	400,000,000	4,000,000,000	399,693,314	3,996,933,140	Convertible bonds 8,229,140	None	2006.1.24Tai-Zheng-Shang-Zi No. 0950001961
2006.5	10	600,000,000	6,000,000,000	401,693,304	4,016,933,040	Convertible bonds 19,999,900	None	2006.5.19Tai-Zheng-Shang-Zi No. 0950010334
2006.8	10	600,000,000	6,000,000,000	403,537,046	4,035,370,460	Convertible bonds 18,437,420	None	2006.9.1Tai-Zheng-Shang-Zi No. 0950023310
2006.9	10	600,000,000	6,000,000,000	407,526,628	4,075,266,280	Convertible bonds 39,895,820	None	2006.10.4Tai-Zheng-Shang-Zi No. 0950026197
2007.1	10	600,000,000	6,000,000,000	411,460,216	4,114,602,160	Convertible bonds 39,335,880	None	2007.1.16Tai-Zheng-Shang-Zi No. 0960001320
2007.4	10	600,000,000	6,000,000,000	420,669,490	4,206,694,900	Convertible bonds 92,092,740	None	2007.4.24Tai-Zheng-Shang-Zi No. 09600098901
2007.8	10	600,000,000	6,000,000,000	425,948,522	4,259,485,220	Convertible bonds 52,790,320	None	2007.8.14Tai-Zheng-Shang-Zi No. 09600232931

2007.9	10	600,000,000	6,000,000,000	448,488,722	4,484,887,220	Retained earnings 225,402,000	None	2007.7.12Jin-Guan-Zheng-I-Zi No. 0960036200
2007.10	10	600,000,000	6,000,000,000	450,942,208	4,509,422,080	Convertible bonds 24,534,860	None	2007.10.9Tai-Zheng-Shang-Zi No. 09600300071
2008.7	10	600,000,000	6,000,000,000	479,339,140	4,793,391,400	Retained earnings 283,969,320	None	2008.9.16Tai-Zheng-Shang-Zi No. 09700279361
2008.9	13.2	600,000,000	6,000,000,000	529,339,140	5,293,391,400	Cash 500,000,000	None	2008.10.1Tai-Zheng-Shang-Zi No. 09700292821
2010.8	10	600,000,000	6,000,000,000	550,512,706	5,505,127,060	Retained earnings 211,735,660	None	2010.7.16Jin-Guan-Zheng-Fa-Zi No. 0990036961
2011.7	10	600,000,000	6,000,000,000	589,048,595	5,890,485,950	Retained earnings 385,358,890	None	2011.7.6Jin-Guan-Zheng-Fa-Zi No. 1000031068

Note 1: Fill in data of the year of the date of report publication.
Note 2: Specify the date and document of effectivity (approval) for capital increase.
Note 3: Highlight shares issued below the face value.
Note 4: Specify substitution of capital stock with currency debts/technology and the category and amount of substitution.
Note 5: Highlight shares issued by private placement.

Unit: Shares by 22 April 2019

Type of Shares	Authorized Capital			Remarks
	Shares circulated on the market (listed stocks)	Unissued shares	Total	
Common stock issued	589,048,595	10,951,405	600,000,000	None

Note: Specify the shares that are publicly offered (for example, remark shares restricted from trading in the stock and OTC markets)

Information of overall declaration system: N/A

(2) Structure of shareholdings

By 22 April 2019

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign institutions and individuals	Total
Number of shareholders	1	7	139	37,867	107	38,121
Quantity of shareholdings	162,954,279	25,391,000	79,057,292	283,149,336	38,496,688	589,048,595
Proportion of shareholdings	27.66%	4.31%	13.43%	48.07%	6.53%	100%

Note: Listed companies and emerging stock companies shall disclose the proportion of shares held by PRC investors. PRC investors include citizens, institutions, groups, and other organizations of the PRC or their investees in a third region as specified in Article 3 of the "Measures Governing Investment Permit to the People of the Mainland Area"

(3) The diversification of shareholdings

By 22 April 2019

Ranking of shareholding	Number of shareholders	Quantity of shareholding	Proportion of shareholding (%)
1 to 999	8,571	1,989,911	0.34
1,000 to 10,000	24,773	78,290,482	13.29
10,001 to 20,000	2,473	37,132,505	6.30
20,001 to 30,000	748	19,148,813	3.25
30,001 to 40,000	404	14,361,656	2.44
40,001 to 50,000	286	13,158,432	2.23
50,001 to 100,000	491	35,244,233	5.98
100,001 to 200,000	202	27,418,808	4.65
200,001 to 400,000	90	24,523,179	4.16
400,001 to 600,000	31	15,432,807	2.62

600,001 to 800,000	13	9,568,672	1.62
800,001 to 1,000,000	5	4,577,724	0.78
1,000,001 and above	34	308,201,373	52.34
Total	38,121	589,048,595	100.00

(4) List of major shareholders

Face value: NT$10/share; by 22 April 2019

Shares / Shareholder	Shareholding	Proportion (%)
Taiwan Power Corporation	162,954,279	27.66
Nan Shan Life Insurance Company, Ltd.	16,315,000	2.77
Ta Ya Electric Wire & Cable Co., Ltd.	12,301,000	2.09
TECO Corporation	11,527,432	1.96
Jin Hong Investments Co., Ltd.	11,083,214	1.88
Bo Han Investments Co., Ltd.	9,088,100	1.54
Formosa Heavy Industries Corporation	9,060,384	1.54
Tatung Company	6,991,920	1.19
Ye-yin Hong Wang	6,630,886	1.13
iShares Emerging Market ETF in custody of Standard Chartered Bank	5,914,000	1

(5) Information on the market price, net value, earning, and dividend per share

Year / Item			2017	2018	By 22 April 2019 (Note 8)
Market price per share (Note 1)	Highest		27.50	30.80	26.65
	Lowest		22.15	24.60	24.95
	Average		23.42	26.48	25.92
Net value per share (Note 2)	Before allocation		20.13	19.92	-
	After allocation		18.83	(Note 9)	-
EPS	Weighted average of shares (1,000 shares)		589,049	589,049	-
	EPS (Note 3)	Unadj.	1.65	1.14	-
		Adj.	1.65	(Note 9)	-
Dividend per share	Cash dividend		1.3	(Note 9)	-
	Stock grants	From retained earnings	-	(Note 9)	-
		From capital reserve	-	(Note 9)	-
	Accumulated unpaid dividends(Note 4)		-	-	-
Analysis on ROI	P/E ratio(Note 5)		14.19	23.23	-
	P/P ratio(Note 6)		18.02	(Note 9)	-
	Cash dividend yield (Note 7)		5.55%	(Note 9)	-

*After a capital increase or stock grant with retained earnings or capital reserve, disclose information regarding the reversely adjusted market price and cash dividends based on the number of shares granted.

Note 1: Disclose the highest and lowest market prices of common shares in each year and calculate the average market price based on the transaction value and transaction volume in each year.

Note 2: Disclose information based on the outstanding shares by the end of the year and the distribution plan approved by the AGM of shareholders in the next year.

Note 3: When reverse adjustment is required for stock grants, disclose the EPS before and after the adjustment.

Note 4: When the accumulation of undistributed dividends of the year until the year when there is profit for distribution is a condition for the issue of equity securities, disclose the undistributed dividends by the year of report publication.

Note 5: P/E Ratio = Average closing price per share over the year / earnings per share.

Note 6: Price/Dividend Ratio = Average closing price per share over the year / cash dividend per share.

Note 7: Cash Dividend Yield = Cash Dividend per Share / Average closing price per share over the year.

Note 8: Fill in the net value per share and equity per share in the previous CPA-audited (certified) quarterly financial statement by the year of report publication; and data in other columns should be the data by the year of report publication.

Note 9: The proposal for 2018 profit distribution has been approved by BOD. The cash dividend is NT$1.5 and to be approved by the general meeting of shareholders.

(6) Dividend policy and implementation: Disclose the dividend policy specified in the articles of incorporation and the distribution policy proposed to the current AGM of shareholders. Specify any expected material changes in the dividend policy.

A. Dividend policy

Each accounting year after the annual closing of books, after deducting accumulative deficits from the net profit, this Company shall first appropriate 10% of the balance as the legal reserve before reverting the balance to special reserves according to the laws and regulations or the rules of competent authorities. If there is still a balance, it shall be combined with the beginning unappropriated retained earnings of the year for BOD to draw up the proposal of profit distribution at no less than 70% of the profit and submit the proposal to the annual meeting of shareholders for resolution.

When drawing up the dividend policy, this Company shall determine the type and amount of profit allocation according to the potential of business growth, the need for sustainable development, the consideration of capital expenditures, the Company's medium- and long-term planning and financial stability. Shareholder dividends include stock dividends and cash dividends and shall be distributed based on the dividend equalization policy. This shall include cash dividends of no less than 20% of the total number of dividends, and the remaining part shall be distributed in stock dividends. Where there are new major investment products valued NT$300 million or higher and there are no other fund sources, this Company may report to the annual meeting of shareholders to reduce the ratio of distribution of cash dividends to 0-19% and distribute the remaining part in stock dividends. When the amount of legal reserve described above has reached the paid-in capital of this Company, no profit will be allocated anymore.

B. Proposed dividend distribution to the current AGM of shareholders: Cash dividend at NT$1.5/share.

(7) Impacts of the stock grants proposed by the current AGM of shareholder on the company's operations and EPS: N/A.

(8) Rewards for employees, directors, and supervisors

A. The percentage or range of rewards for employees, directors, and supervisors in the articles of incorporation

Referring to the amendment of the Company Act in May 2015 and the articles of incorporation amended upon the AGM resolution in June 2016,this company shall appropriate no less than 0.5% as compensation for employees and not more than 1% as remunerations for directors and supervisors from the net earnings before tax before deducting the remuneration for employees and directors, and the ratio of appropriation for directors and supervisors shall not be higher than that for employees.

B. Bases for estimating the compensation for employees and remuneration for directors and supervisors of the period, calculating compensation for employees in stock, and accounting solution for differences between actually distributed amount and estimated amount:

With reference to past experience and the potential amount for distribution, after deducting the legal reserve and adjusting the special reserve, this Company has recognized 3% of the balance as remuneration for employees. In addition, this Company has recognized the remuneration for directors at the cap of 1% specified in the company charter. Both types of remuneration were released in cash. If there is a change in the actual amount of distribution resolved by AGM, we will process in accordance with the change in accounting estimates and adjust the account of the fiscal year resolved by AGM.

C. With respect to Article 38 of the Articles of Incorporation, BOD is authorized to discuss the reward for directors based on their involvement in and contribution to organizational operations and the standard among competitors. Every month directors may receive a travel expense at an amount determined by BOD, and the travel expense and honorarium are the regular remuneration for directors, and no variable reward of sort was distributed to directors.

D. Information on the proposal on compensation distribution made by BOD:

1) According to the BOD proposal, the compensation for employees in 2018 was NT$25,754,713and the remuneration for directors and supervisors was NT$7,393,091. Both amounts are consistent with amounts adopted in the 2018 Financial Statement. Changes made by the 2019 AGM will be adjusted in the profit and loss of 2019.
2) The proportion of amount equivalent to the stock distributed as compensation for employees in the earnings after tax in the individual or consolidated financial statement of the period and the total amount of compensation for employees: N/A.

E. When there is variation in the actual status of remuneration (including number of shares, amount, and stock price) distributed to employees, directors, and supervisors in the previous year, state the amount, causes, and settlement of variation:
The 2018 AGM resolved the 2017 compensation for employees at NT$24,241,536 and 2017 remuneration for directors and supervisors at NT$8,080,512 distributed in cash. Both amounts are consistent with the proposal and the amounts of compensation for employees, directors, and supervisors adopted in the 2017 Financial Statement.

(9) Status of stock buyback: None.

2. Status of corporate bonds
None
3. Status of preferred shares
None
4. Status of global depositary receipts (GDR)
None
5. Status of employee stock options/warrants
None.
6. Status of restricted stock awards (RSA)
None.
7. Status of managers receiving RSAs and the name and status of employees receiving top ten RSAs
None
8. Statius of new share issuance relating to mergers, acquisitions, and transfer of shares
None

9. Capital utilization plan
   (1) Plan contents

The capital increase with cash at NT$660 billion in fiscal year 2008 was completed on 3 September 2009. The capital raised will be re-invested in Redondo Peninsula Energy, Inc. (RP Energy) in the Philippines through subsidiary Taiwan Cogeneration International Corporation (TCIC). Related information is as follows:

A. Project contents and fund sources
   1) Total amount of required capital: NT$2,580,500,000.
   2) Fund sources:500,000,000 shares of common stock at a face value of NT$10/share were issued at a premium price of NT$13.2/share to raise a total amount of over NT$660,000,000. The shortage at NT$1,920,500,000 will be made up with own capital or raised form the capital market in future years.
   3) Project and estimated schedule of fund utilization

expressed in NT$1,000

Project	Est. date of completion	Total amount of require capital	Estimated Schedule of Fund Utilization									
			2008			2009				2010		
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Re-invested in RP Energy in the Philippines through subsidiary TCIC.	2010 Q3	2,580,500	471,250	188,045	231,205	243,750	243,750	243,750	243,750	241,800	241,800	231,400

B. Estimated benefits

The project is still in the development phase, neither plant construction nor commercial operation has started, and no benefit can be seen so far. Investment benefits are expected to emerge after commercial operation begins in 2024.

C. MOPS disclosure date: 10 July 2008.

(2) Status of implementation

This re-investment project of RP Energy in the Philippines is proceeded via subsidiary TCIC. The actual schedule of fund utilization is behind the planned schedule for the following reasons:

a. The Filipino economic condition and electricity demand are uncertain after the global economic crisis in 2008 Q3, and the project was recessed based on the AGM resolution. As the Filipino economy began to recover in the second half of 2010, the project was re-activated.
b. Despite the economic recovery in the second half of 2010, we recruited local power company MERALCO POWERGEN CORP to join the product in 2011 Q3 in order to secure a long-term electricity sales contract and reduce investment risks. After negotiation with MERALCO POWERGEN, the capacity of coal-fired power plant will increase from 300MW to 600MW, i.e. increasing to two 300MW coal-fired generation sets. In addition, although Taiwan Power Company has reduced its investments in RP Energy from 50% to 25%, the amount of investment remains unchanged. As the scale of the plant has expanded and relevant licenses, permits, and investment incentives will expire, RP Energy must re-apply for relevant licenses, permits, and investment incentives. In addition, the master contract must be re-negotiated. As a result, the project schedule has been postponed.
c. In the second half of 2012, some environmental and local groups sued RP Energy at a court of law and requested the termination of the project. Although the Filipino appeal court has dismissed their request, it also decided that the environmental impact assessment and land lease of the project were invalid. As a result, the project was interrupted. Both RP Energy and the local environmental and land administration agencies have appealed to the Filipino supreme court to revoke the decision made by the appeal court. RP Energy won the case in February 2015 and then re-activated all project items. The electricity purchase contract was signed in mid-April 2016 and has been submitted to the Filipino competent authority for review. In addition, the EPC contract and the syndicated loan contract were signed in mid-2016. By the end of 2018, the power purchase contract remained unapproved by the competent authority, while the EPC contract expired. Currently, RPE is continuously renewing the contract with the EPC contractor,

the electricity procurement contract remained unapproved, and plant construction will be postponed accordingly.

V. Business Activities

1. Business contents
   (1) Scope of business
      A. Major business at present
         1) Construction (planning, design, procurement, installation, project management, and financial planning) of power plants, cogeneration plants, renewable energy plants, and substations.
         2) Investments, operations, and management of power plants, cogeneration plants, and renewable energy plants.
         3) Undertaking, technical, and consultation services of projects relating to power plants, cogeneration plants, substation, and renewable energy plants.
         4) Development of new energy.
      B. Income from major business items and their proportion in operations

Income and Proportion of Major Business Items in 2018

Expressed in NT$1,000

Income from Major Business Items	**Amount**	**Percentage**
Sales	1,059,592	28
Research, consulting and construction services	2,754,682	72
Total	3,814,274	100

      C. Current products and services
         1) Building wholly-owned, joint-venture, or BOT cogeneration plants and selling generated electricity and steam to contract subscribers or nearby subscribers.
         2) Providing integrated services for IPPs and cogeneration plants, including engineering planning, financial planning, project management, fuel, environmental protection, operation and maintenance.
         3) Investments and construction of IPPs.
         4) Project undertaking.
         5) Investment and construction of renewable energy plants.
      D. New products (services) to be developed
         1) Expansion of undertaking and investment in IPP, cogeneration plant, substation, and other energy plants in foreign countries.
         2) Entering the renewable energy market to become an comprehensive energy power company.

   (2) Industry overview
      A. Status and domestic development of the industry
      The government's "no nuke country" policy (no extension of NPPs 1-3 and mothball of NPP 4) and the energy liberalization policy will bring tremendous impact to the structure of energy allocation and electricity supply systems and benefit the development of green energy and energy conservation industries.
         1) Cogeneration

Taiwan began promoting cogeneration in 1988, and we have been on the cogeneration business since our establishment in 1992. Between 1992 and 1998, five cogeneration plants were built due to sumptuous government incentives. Today, after some traditional industries have migrated to other countries and the Ministry of Economic Affairs promulgated the "Cogeneration System Implementation Regulations" on 29 March 2006 to cancel some incentives; due to the escalation of international fuel prices, slow economic growth, industrial structure adjustment (outflow of energy-intensive industries), adjustment of off-peak electricity tariffs, and lack of incentives for residual electricity procurement, the quantity of cogeneration system installation has dropped dramatically to disfavor the development of the cogeneration industry. For these reasons, cogeneration plants must adaptively adjust the mode of operations with reference to the operating cost and energy and steam supply, in order to respond to the government's policy change.

With advantages including higher energy efficiency, energy-saving and emissions reduction, decentralization of power supply, and higher reliability of electricity supply, cogeneration is the optimal solution for regional energy integration. Although the 2005 National Energy Conference set the target installation capacity of cogeneration at 10GW. In addition, Taipower increased residual electricity procurement and emergency increased residual electricity procurement in 2015 and 2016 as a result of the electricity cost and electricity supply difficulties in recent years.

According to the draft of the Energy Transformation White Paper of March 2018, to ensure sufficient power supply, the competent authority shall conduct rolling review on the "emergency increased residual electricity procurement mechanism" and develop mechanisms to incentivize existing cogeneration plants to use natural gas as fuel, in order to standardize the wholesale sources of electricity retailing utility enterprises in the future. In addition, qualified cogeneration plants located in industrial parks shall calculate the transmission fee by voltage (345kV, 161kV, 69kV) and implement the ultrahigh voltage cogeneration residual electricity rates by voltage in the industrial park as of April 1, 2018, in order to encourage industries to promote regional energy integration.

Hence, this company will continue to cultivate the domestic cogeneration market through aggressive development and cautious assessments and become an integrated supplier of steam, electricity, and related resources and energy in order to pursue energy conservation, carbon emissions, and energy efficiency enhance, and to cooperate with government policies.

2) Independent power plants

Since the government opened the establishment of independent power plants (IPPs) in 1995, a total of nine IPPs have been built. We have progressively built and smoothly operate Star Energy Power Corporation, Sun Ba Power Corporation, and Star Buck Power Corporation. In 2011, we acquired 35% of the stake of Kuo Kuang Power Co., Ltd. Combining these four IPP, we have a total installation capacity of 2.44GW, commanding at 31.66% of all IPPs in Taiwan.

Affected by variables including the amendment to the Electricity Act, electricity portfolio, enhanced reserve margin, and a higher ratio of renewable energy in the future, Taipower has notified the second electricity procurement from LNG IPPs Using Combined Cycle Power Generation Sets (500MW) contract in December 2018. We will aggressively assess all possibilities to participate in the tender. However, we can only sell electricity to retailing utility enterprises (Taipower) before the phase II of the amendment to the Electricity Act (in 6-9 years).

While the emission standard of electricity facilities is getting stricter, local governments have established emission standards stricter than turbine and combined cycle generation sets for individual existing coal-fired power plants and cogeneration plants. In addition, the government's no-nuke and emission reduction policies and the growth of electricity demand, and the policy to stabilize electricity supply quality in compliance with the statutory reserve margin, gas-fired power plants will become a major source of electricity supply, thus making the competition in gas-fired IPP investments red hot.

3) Renewable energy

In 2015, the Ministry of Economic Affairs proposed the 2025 target capacity for renewable energy at 17.25GW, including 8.7GW from solar energy and 5.2GW from wind power. In the targeted report presented at the 5th meeting session of the 9th Legislative Yuan, the premier revealed that the generation capacity of renewable energy will be increased to 20% by 2025, which is way higher than the original targets set by the new administration. The new targets for solar energy include 6.5GW by 2020 and 20GW in 2025, and the new targets for other forms of energy by 2025 include: onshore wind power at 1.2GW, offshore wind power at 3GW,. offshore wind power at 5.5GW, geothermal power at 200MW, biomass energy at 813GW, hydropower at 2.15GW, and fuel cell at 60MW, totaling 29.923GW.

To achieve these targets, the new government has planned five principles (acceptable price impacts, technology feasibility, cost-effective oriented, balanced development by phase, and driving industrial development) to prioritize the development of renewable energy with mature technology and a lower generation cost, continue the research and development of perspective but non-commercialized technologies, and review the target and proportion of renewable energy in a rolling wave manner. The policies to promote individual types of renewable energy are as follows:

a. Photovoltaic—One Million PV Roofs Project

Based on the national spatial planning, rooftop photovoltaic (PV) systems will be prioritized at the beginning, and large-scaled development of ground-mounted PV systems will follow suit progressively.

b. Wind power—One Thousand Onshore and Offshore Wind Turbines Project

In onshore wind power, excellent wind farms will be prioritized, and secondary wind farms will follow suit. The localization policy will be promoted for offshore wind power, and selection, price competition, and zone development have been implemented to encourage private investments.

c. Geothermal generation

The government has announced the environmental assessment exclusion for development of geothermal generation below 10MW, loosened the incentivization regulations, and raised the cash rewards to increase incentives to progressively promote geothermal generation growth.

d. Biomass electricity generation

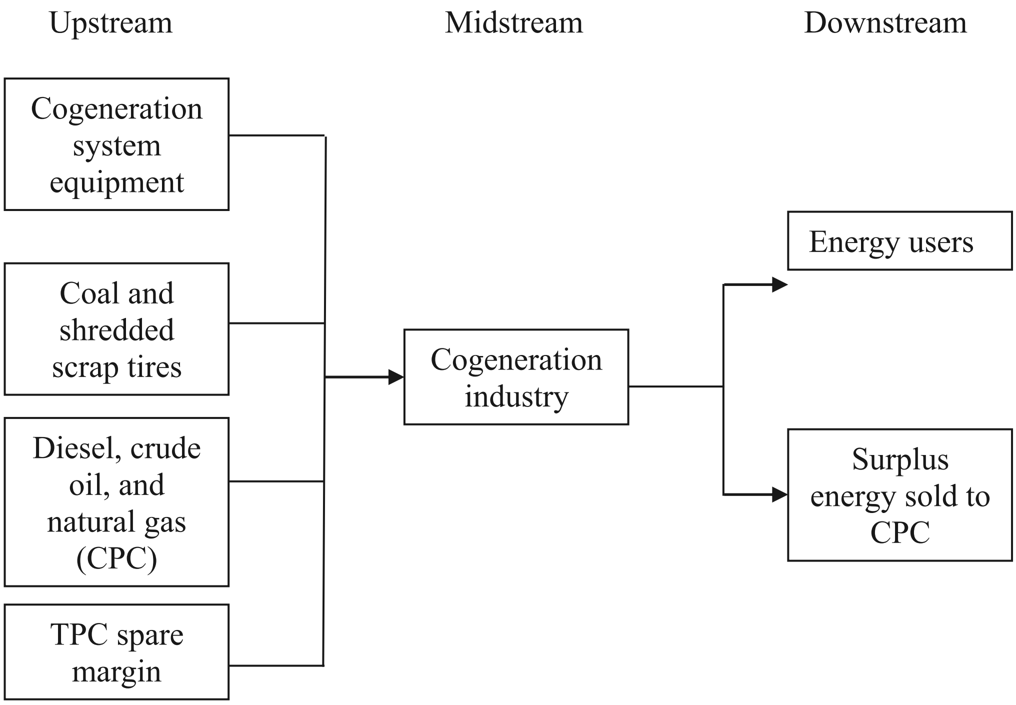
To increase the use of self-determined resources, aggressive use of domestic biomass resources (waste, agricultural and forestry materials, paddy stalks, used oil, the stool of poultry and livestock, sewage, and sludge) will be prioritized, and the domestic industry chain and supporting measures (e.g. the processing and reuse of flying ash and bottom ash after kilning) of biomass energy will be established to increase the collection and use of biomass.

B. Industry development overseas

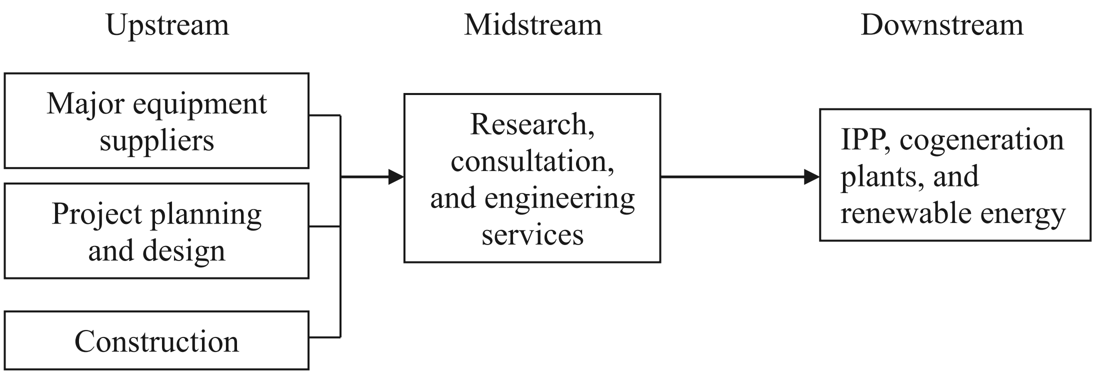
As economic growth continues in mainland China and Southeast Asia, local electricity demand will rise accordingly. In addition, the government is promoting the New Southbound Policy, bringing greater and more opportunities for the investment or construction of cogeneration plants, IPPs, renewable energy plants, and substations.

C. Industry chain relationship

1) Cogeneration plants



2) Research, consultation, and engineering services



D. Product development trends

1) Cogeneration industry

Despite of being energy-saving, economical, and eco-friendly, the reduction of domestic incentives and the outflow of traditional industries will affect the development of the cogeneration industry.

Electricity supply has become less difficult in recent years. It is expected that the space for residual electricity procurement from cogeneration plants will progressively reduce, and the wholesale of residual electricity procurement of cogeneration plant will probably reduce compared to 2017 and 2018.

2) Independent power plants

Referring to the government's new energy policy targets: use of20% of green energy by 2025, a no-nuke country by 2025, achievement of the international carbon reduction commitment, and development of energy-saving and green energy industries, the energy allocation planning will be gas-powered generation at 50%, coal-fired generation at 30%, and renewable energy generation at 20%. That is to say, gas-fired generation will still be the main source of electricity supply. In addition, according the 2025 Power Supply Plan lately announced by the Executive Yuan in coordination with the government's "no nuke home" and the liberalization of the electricity industry policies, two new IPPs will be approved, each with one LNG generation set in service in 2020 and 2021 respectively to raise the reserve margin above 17% in 2023. Therefore, IPPs will continue to play a decisive role in Taiwan's electricity market.

3) Renewable energy

To aggressively promote renewable energy, the government has planned to increase the proportion of generation by renewable energy to 20%. The government has set the targets for PV systems include up to 6.5GW by 2020 and 20GW in 2025, and the new targets for other forms of energy by 2025 include: onshore wind power at 1.2GW, offshore wind power at 5.5GW, geothermal power at 200MW, biomass energy at 813GW, hydropower at 2.15GW, and fuel cell at 60MW, totaling 29.923GW.

To achieve these targets, the new government has planned five principles (acceptable price impacts, technology feasibility, cost-effective oriented, balanced development by phase, and driving industrial development) to prioritize the development of renewable energy with mature technology and a lower generation cost, continue the research and development of perspective but non-commercialized technologies, and review the target and proportion of renewable energy in a rolling wave manner.

Currently, wind power (including onshore and offshore) generation, PV, generation with biomass energy, and geothermal generation are the key types of renewable energy promoted by the government.

E. Competitions

In Taiwan, we are one of a handful of IPPs that can provide engineering, procurement, and construction (EPC) and operations and maintenance (O&M) services and engage in IPP re-investments. Therefore, continuous involvement in IPP operations will enable us to accumulate more power in the electricity generation industry. In addition, we have earned a great reputation in both technological and financial terms and have established a great image in operational stability, which are our competition niche. Compared to other domestic IPPs and energy suppliers, we have solid competitiveness.

(3) Technology, research and development

A. Technical level and research and development in the scope of business

1) Technical level

Our core technology comes mainly from the development, construction, and operation experience accumulated over the years. The installation and maintenance of key equipment and the replacement of parts and components will be achieved with the assistance of original equipment manufacturers. In the technology and research of power systems, in addition to self-owned know-how, adequate technical support is available from major shareholder Taiwan Power Company. In the engineering, operation, and maintenance technologies of power plants and cogeneration plants, professionals of respective power plants and cogeneration plants and of this company take charge of the research work and progressively enhance self-maintenance capacity through technical exchange with and the maintenance support system of various suppliers.

In addition, through investments in and construction of IPPs, we have become the only IPP with EPC and O&M capacities in Taiwan.

2) Research and development

a. Research of market trends

Apart from collecting information regarding technology and competitors at home and abroad and conducting in-depth investigations of the energy liberalization, cogeneration, and renewable energy policies, we assess investments in renewable energy, cogeneration, substation projects, and IPPs to keep pace with market trends, in order to achieve the operational goals.

b. Product technology

In addition to continuously improve the competency of professional personnel by providing training on professional competencies for employees, professional personnel conduct research on the building, operations, and O&M of power plants, cogeneration plants, renewable energy, and substation projects.

B. R&D personnel and their education attainments, R&D investments in the past five years, and successfully developed products.

We do not establish a dedicated R&D unit and need any R&D expense. In cogeneration and electricity connection technologies, apart from improving employee capacity by arranging professional training, we receive full technical assistance and support from major shareholder Taiwan Power Company. Furthermore, in order to educate technical talents, besides arranging opportunities for employees to participate in workshops organized by domestic associations and related organizations at home and abroad, we send employees to receive training on operation and maintenance provided by major equipment suppliers overseas. We also arrange in-service training activities from time to time to improve the professional competencies of employees, in order to ensure the operation safety of cogeneration plants and power plants.

(4) Short-term and long-term business development plans

A. Short-term business development plan

1) In response to the government's renewal energy policy, we aggressively expand the scale of investment in the renewable energy business, including geothermal generation, onshore wind power, offshore wind power, and PV systems. We also progressively accumulate experience and achievements to build or strengthen PV and wind power teams with capacity in plant construction and maintenance capacities.

2) We also promote and implement the investment project of Redondo Peninsula Energy, Inc. in Subic Bay in the Philippines.

3) For the Guantain Plant, apart from retaining existing customers and cultivate new customers, we reduce O&M cost and implement the circular economy concepts to enhance overall operational performance.

4) We further promote and timely expand the scale of investments domestic and foreign IPPs and domestic cogeneration plants.

5) Lastly, we also engage in related investment products and undertake relevant projects.

B. Direction of mid-term and long-term development

1) Timely develop new IPP projects based on the government's IPP policy.
2) Continuous cultivation of energy services relating to renewable energy and energy conservation and the project undertaking business, and assessment of new-type business models in response to the renewable energy and electricity liberalization.
3) Cultivate the power plant and cogeneration plant business at home and abroad to expand the scale of operations.
4) Provide integrated services including capital arrangements, technology provision, plant construction, and plant O&M; and compensate investments with project construction to demonstrate our expertise in order to secure long-term profit.

2. Markets, production, and marketing

(1) Market analysis

A. Regions of distribution (provision) of major products (services)

(expressed in NT$1,000)

Year / Region	2017		2018	
	Amount	%	Amount	%
Domestic sales	1,209,414	100	3,814,274	100
Export sales	—	—	—	—
Total	1,209,414	100	3,814,274	100

B. Market shares

1) Market share of installation capacity on the cogeneration market

Item	2016	2017	2018
Independent cogeneration systems	8,108.5	8,069	8,109.7
Taiwan Cogeneration Corporation	67.2	48	48
Market share	0.83%	0.59%	0.59%

2) IPP market shares

Plant	Generator #	Fuel	Installation Capacity (MW)	Status
Kuo Kuang	Kuo Kuang	Natural gas	48	2003.11 commercial operation
Star Energy	Changbin	Natural gas	49	2004.3 commercial operation
Sun Ba	Fengde #1and #2	Natural gas	98	2004.3 commercial operation
Star Buck	Star Buck	Natural gas	49	2009.6 commercial operation

Based on the total installation capacity of all commercially operating IPPs at 77.1GW, the combined installation capacity of our subsidiaries Star Energy, Sun Ba, and Star Buck and our investee Kuo Kuang Power commands at 31.66%.

C. Future demand and growth potential

We will keep track on the government policies and global economic condition to timely develop the cogeneration, IPP, and renewable energy business in the domestic market.

D. Competitive niche

1) Technology excellence and integrated service

Emphasizing "specialty, efficiency, and service", integrated services covering capital arrangements, technical services, pre-construction assessment and planning, construction, operations, and operation and management, and a strong management team are our competitive strengths.

2) Full capture of market movements

After long-term cultivation of the energy industry, we can assess markets more precisely than competitors. Based on the experience accumulated from investments in, construction, and operation and maintenance of power plants, we understand the characteristics and the cost structure of the energy industry better than competitors. Together they enable us to fully capture market movements.

3) Outstanding human resources

As the energy industry is a capital-intensive and technology-intensive industry, and each investment project involves hundreds of millions to billions of dollars, the accuracy and integrity of feasibility assessment depends on the quality of human resources. At Taiwan Cogeneration, over 80% have at least one degree. With a high employee retention rate, know-how can be accumulated and inherited. Leaders and officers have years of experience in project development, feasibility assessment, financial planning, professional engineering technology, and project management experience Outstanding human resources are the important niche enabling us to maintain influence in the cogeneration and IPP fields.

E. Favorable and unfavorable factors affecting development prospects and countermeasures

1) Favorable factors

a. After the passage of round one of the Electricity Act amendment, investee IPPs can supply energy to the system to support our service items for the future electricity market. We can also assess the feasibility of more generation sets to increase revenue. After the completion of round two of the amendment, a bigger space will be available for electricity business operations in a diversified electricity market.

b. The government's "no-nuke home" policy and the consensus on reinforcing electricity measures and aggressively promoting renewable energy made at the National Energy Conference will favor this company to develop IPPs and renewable energy.

c. In the future, the government will continue to increase the use of renewable energy under the green energy policy. This will favor our development of the renewable energy business.

2) Unfavorable factors

a. The government is cutting incentives for cogeneration. In addition, as electricity supply has become less difficult in recent years, it is expected that the space for residual electricity procurement from cogeneration plants will progressively reduce, and the wholesale of residual electricity procurement of cogeneration plant will probably reduce compared to 2017 and 2018. Furthermore, referring to the amendment of the Electricity Act, the maximum electricity sales of self-used generation systems shall not exceed 50% of the installation capacity. As a result, the room of operations of cogeneration will be reduced to affect the future development of the cogeneration industry.

b. As environmental laws are getting more stringent, coal output reduces, and the LNG generation arises, the space for cogeneration plant operations will diminish.

c. Site selection, communication with local communities, feeder line connections, fuel transportation, and environmental planning will be increasingly tougher with the rise of environmental awareness in the public and the self-determination consciousness of local governments.

d. The passage of the "Greenhouse Gas Reduction and Management Act" and the increasing concern about PM2.5 increase the investment in equipment to optimize environmental protection.

e. The on-going volatility of exchange rate and fuel prices makes cost volatility control more difficulty.

3) Countermeasures

a. Aggressively cultivate steam customers, assess the auxiliary service for residual electricity wholesale, and improve environmental equipment to comply with the emission standard of environmental regulations.

b. Develop cogeneration, IPP, and renewable energy at home and abroad to stabilize and expand the scale of operations.

c. Keep close observation of price volatility of the forex market and energy market and implement various hedges to minimize potential risks.
d. Aggressively implement risk management with our solid financial background.

(2) Important uses and production processes of major raw materials

A. Major products and uses

Major Product	Major Uses
Cogeneration plant	Supply electricity and steam to customers.
Research, consultation, and engineering services	Provide integrated services covering project planning, financial planning, construction management, environmental protection, and O&M services for IPPs, cogeneration plans, and renewable energy.

B. Product processes
1) Cogeneration
Cogeneration refers to producing heat energy and electrical energy at the same time with coal, fuel oil, natural gas, or waste in the same set of equipment. Based on the order of generation and processes, cogeneration systems fall into the topping cycle cogeneration systems and bottom cycle generation systems. The former refers to generating electricity with primary energy and recovering waste heat for use in the processes. The latter refers to producing heat energy required by processes with primary energy and recovering waste heat to generate electricity. All generation sets at Taiwan Cogeneration are topping cogeneration systems.
2) Research, consultation, and engineering services
All reserve, consultation, and engineering services are tailored on-demand and cannot be mass-produced or reproduced by machinery as in the manufacturing industries to increase output. These services are provided by a task force formed by members of different departments based on the division of labor by expertise and are delivered to clients based on the conditions and characteristics of each project through research, investigations, analyses, discussions, and report production. Therefore, the production cost will be higher than other industries.

(3) Supply of major raw materials

Major Raw Material	Major Supplier	Source	Status
Fuel oil	Taiwan China Petroleum Corporation	Taiwan	Sufficient and stable
Coal	Sino-Indo Co., Ltd./Lea Jie Energy Co., Ltd./Lead Data, Inc.	Indonesia	Sufficient and stable
Natural Gas	Taiwan China Petroleum Corporation	Taiwan	Sufficient and stable

(4) Major purchases and sales in the past two years

A. Major purchases in the past two years

	2017				2018				By 2019 Q1 (Note 2)			
Item	Supplier	Amount (NT$1,000)	Percentage in annual net purchase amount	Relationship with this Company	Supplier	Amount (NT$1,000)	Percentage in annual net purchase amount	Relationship with this Company	Supplier	Amount (NT$1,000)	Percentage in annual net purchase amount	Relationship with this Company
1	Sino-Indo Co., Ltd	244,366	26.24	-	Fortune Electric Co., Ltd.	457,244	13.58	-	--	-	-	
2	Lea Jie Energy Co., Ltd.	99,793	10.72	-				-	-	-	-	
3	Taiwan West Limited	98,464	10.57									
4	Others	488,516	52.47		Others	2,910,895	86.42		-	-	-	
	Net purchase amount	931,140	100		Net purchase amount	3,368,139	100		Net purchase amount	-	-	

Note 1: List the name, purchasing amount and proportion of suppliers with over 10% purchase. List the supplier code when non-disclosure is required in the purchasing contract or the supplier is a non-related-party individual.

Note 2: Publicly traded companies or companies whose stocks are traded over the counter of securities dealers should also include the financial information in the previous period audited or certified by a CPA before the date of report publication in the analysis.

B. Major sales in the past two years

	2017				2018				By 2019 Q1 (Note 2)			
Item	Customer	Amount (NT$1,000)	Percentage in annual net sales amount	Relationship with this Company	Customer	Amount (NT$1,000)	Percentage in annual net sales amount	Relationship with this Company	Customer	Amount (NT$1,000)	Percentage in annual net sales amount	Relationship with this Company
1	Taiwan Power Company	587,143	48.55	Director	Chunghwa Telecom Co., Ltd.	2,120,993	55.61		-	-	-	
2	TTET Union Corp.	182,158	15.06		Taiwan Power Company	621,232	16.29	Director	-	-	-	
3	TTET Union Corp. I-Hwa Industrial Co., Ltd.	175,329	14.5						-	-	-	
4	Others	264,784	21.89		Others	1,072,109	28.10		-	-	-	
									-	-	-	
									-	-	-	
	Net sales amount	1,209,414	100.00		Net sales amount	3,814,274	100.00		Net sales amount	-	-	

Note 1: List the name, purchasing amount and proportion of buyers with over 10% sales. List the customer code when non-disclosure is required in the sales contract or the buyer is a non-related-party individual.

Note 2: Publicly traded companies or companies whose stocks are traded over the counter of securities dealers should also include the financial information in the previous period audited or certified by a CPA before the date of report publication in the analysis.

(5) Production volume and value in the past two years

Year / Vol/Val / Major Product		Unit	2017			2018		
			Capacity	Volume	Value (NT$1,000)	Capacity	Volume	Value (NT$1,000)
Cost of sales	Power	MWh	367,643	317,369	476,396	366,910	340,215	511,985
	Steam	m.t	411,483	292,222	167,383	415,520	315,592	207,132
	PV	MWh	2,328	2,328	6,319	6,233	6,233	20,846
	Others		-	-	-	-	-	3,143
Research, consulting and construction services					281,042			2,625,033
Total					931,140			3,368,139

Note 1: Capacity refers to the production quantity in normal operation of existing equipment after deducting required system downtime and holidays.

Note 2: The capacity of alternative products can be combined with an explanation.

(6) Sales volume and value in the past two years

Year / Vol/Val / Major Product		Unit	2017				2018			
			Domestic Sales		Export		Domestic Sales		Export	
			Volume	Value (NT$1,000)	Volume	Value (NT$1,000)	Volume	Value (NT$1,000)	Volume	Value (NT$1,000)
Sales	Power	MWh	285,182	618,658	-	-	302,623	725,222	-	-
	Steam	m.t	292,222	219,136	-	-	315,592	293,400		
	PV	MWh	2,328	11,421	-	-	6,233	37,592	-	-
	Others				-	-	-	3,378		
Research, consulting and construction services			-	360,199	-	-	-	2,754,682	-	-
Total			-	1,209,414	-	-	-	3,814,274	-	-

Note: Annual Sales Volume = Annual Production Volume – Cogeneration Plant Internal Consumption

3. Profiles on employees in the past two years from the date of report publication

By 22 April 2019

Year		2017	2018	By 22 April 2019 (Note)
Numbers of Employees	Direct manpower	90	104	103
	Indirect manpower	86	105	127
	Total	176	209	230
Average Age		46.35	46.66	45.89
Average Seniority		9.07	8.79	8.15
Education Distribution	Doctorate	1.13%	0.96%	1.30%
	Master	16.48%	17.70%	19.57%
	University, College	75.00%	73.68%	72.17%
	High school	6.82%	7.18%	6.52%
	High school below	0.57%	0.48%	0.44%

Note: Fill in data by the date of report publication

4. Information on environmental protection expenditure

(1) Losses and fines due to pollution by the date of report publication: 100,000 yuan, including 100,000 yuan in 107 years, 0 yuan in 106 years.

(2) Future countermeasures (including improvement actions) and possible expenditure:

1) Based on the ISO 14001 pilot environmental audit report, level of compliance, and internal and external communication topics, reviewed the compliance of inhouse facilities and management and stakeholder expectations and demands, constantly monitored and adjusted the availability of related pollution prevention equipment.

2) Completed plant acoustic wall installation in November 2018 with about NT$800,000 based on the stakeholder expectations and demands.

3) Completed sample well erection in December 2018 with about NT$250,000 based on the level of compliance.
4) Completed the EP improvement works and enhanced dust collection efficiency during the annual overhaul in February 2019 with about NT$22 million as external environmental protection topics tightened.
5) Stormwater/sewage diversion on the plant according to the water pollution prevention regulations and the park service center requirements may require a sum of NT$2,000,000.

5. Labor relations
   (1) The measures of employee welfare, further education, training, retirement schemes and its implementation status, and labor-management agreements, and protection of employee benefits and rights:
      A. Employee welfare
         1) In addition to general benefits including the Labor Insurance, the National Health Insurance, group insurance, and pensions, other benefits include bonuses for major festivals, subsidies for domestic and overseas tours, marriage and funeral allowances, birthday presents, employee club subsidies, health examinations, grants and scholarships for education and training, various kinds of training activities, and year-end party.
         2) We have also established the Employee Welfare Committee and elected committee members to handle employee welfare affairs. Fund sources of the committee include one percent of the company's capital amount appropriated at committee establishment, 0.15% of the monthly sales turnover, and 40% of income from scraps sales. The committee draws up a plan and budget every year and holds committee meeting regularly to discuss, resolve, and organize various welfare activities, including subsidization for condolence or celebration, tours, vouchers for festivals, vouchers for birthday, cultural and recreational activities. The committee also discloses the income and expenditure reports.
      B. Retirement schemes and status of implementation
         In support of related laws and regulations, we began to contribute every month to the personal pension account at the Bureau of Labor Affairs on July 1, 2005 a sum at 6% of the monthly wage of new employees and current employees qualified for the Labor Pension Act (new scheme). In addition, we continue to contribute every month to the pension preparation fund account at the Bank of Taiwan a sum at 6.5% of the monthly wage of current employees qualified for the Labor Standards Act (previous scheme) and current employees qualified for the new scheme. For employees transferred by the organization to affiliates, we recognize their service length at the parent company to provide them with more protection, in order to achieve talent circulation across the group. We have established the "Employee Pension Regulations" in accordance with the Labor Standards Act (previous scheme) and the Labor Pension Act (new scheme), and the "Regulations Governing the Appointment and Relief of Managerial Officers" for managers. Employee retirements are proceeded in accordance with the law and relevant regulations of this company.
      C. Labor-management agreement
         We emphasized labor relations right at the beginning of establishment and have maintained labor relations harmonic ever since. Apart from putting "harmony" as part of the business philosophy, we discern the opinions and ideas of employees of all levels through various communication channels in routine operations.
      D. Maintenance of employee rights and benefits
         Apart from establishing the "Personnel Management Rules" and the "Regulations Governing the Appointment and Relief of Managerial Officers", we hold labor-management meetings to ensure these rules and regulations are exactly implemented, in order to protect the rights and benefits of employees.

   (2) Losses caused by labor disputes in the previous year and by the date or report publication, and disclose the estimated amount of loss at present and in the future and countermeasures. If the amount cannot be fairly estimated, specify the reasons.

In the previous year and by the date or report publication, we maintained labor relation harmonic and no additional loss from labor dispute was reported, no such loss will be expected.

6. Important contracts

Type of Contract	Client	Contract Term	Description	Restrictions
Fuel procurement contract	Sino-Indo Co., Ltd.	2018.1~2018.6 2018.7~2018.8 2018.11~2019.1	Kuan-tien Plant Coal Supply Agreement	-
Fuel procurement contract	Lee Jei Energy Corp.	2018.10~2018.11 2019.1~2019.3	Kuan-tien Plant Coal Supply Agreement	-
Fuel procurement contract	Lead Data, Inc.	2018.6-2018.7 2018.8-2018.10 2019.5-2019.6 2019.7-2019.9	Kuan-tien Plant Coal Supply Agreement	-
Syndicated loan agreement	Mega Bank, Chang Hua Bank, CTBC Bank, First Commercial Bank	2018.8-2021.8	Bank Mortgage	-
Financial contract	Bank of Taiwan	2017.5-2019.5	Bank Credit Loan	
Financial contract	Chang Hua Bank	2017.6-2020.6	Bank Credit Loan	
Financial contract	First Commercial Bank	2017.6-2019.6	Bank Credit Loan	
Joint venture agreement	Sun Ba Power Corp.	2000.7.31	Joint Venture Agreement	-
Joint venture agreement	Star Energy Power Corp.	2000.7.31	Joint Venture Agreement	-
Joint venture agreement	Star Buck Power Corp.	2006.8.2	Joint Venture Agreement	
Joint venture agreement	Kuo Kuang Power Co., Ltd.	2011.1.19	Joint Venture Agreement	-
Energy procurement agreement	Taiwan Power Company	2000.12.4	Guan-tien Plant Electricity Sales Agreement	-
Energy procurement agreement	IHWA INDUSTRIAL CO., LTD.	2017.3.15-2022.1 1.30	Kuan-tien Plant Electricity/Steam Sales Agreement	-
Energy procurement agreement	KUANG TAI Metal Industrial Co., Ltd.	15 years since2017.3.15	Guan-tien Plant Electricity/Steam Supply Contract	-
Energy procurement agreement	Syndyne Industrial Co., Ltd.	15 years since2017.3.15	Guan-tien Plant Steam Sales Agreement	-
Energy procurement agreement	Sunny Environmental Consultants	15 years since2017.1.18	Guan-tien Plant Steam Sales Agreement	-
Energy procurement agreement	Hitachi Chemical Energy Technology	11 years since 2016.3.15	Guan-tien Plant Steam Sales Agreement	-
Energy procurement agreement	TTET Union Corp.	15 years since2016.2.21	Guan-tien Plant Steam Sales Agreement	-
Energy procurement agreement	He Yi Grinding Wheel Ltd.	15 years since2017.5.31	Guan-tien Plant Electricity Sales Agreement	-
Energy procurement agreement	Xin Non Technology, Inc.	10 years since2019.2.01	Guan-tien Plant Electricity Sales Agreement	
EPC Contracts	Ørsted Taiwan	2018.11.6	Changhua Wind Power CHW01+02a Onshore Substation EPC Contract.	

VI. Financial Position

1. Condensed statements of financial positions and statement of comprehensive income of the past five years

(1) International Financial Reporting Standards (IFRS)

Condensed Consolidated Statement of Financial Position

Unit: NT$1000

Item \ Year		Financial Information Over the Past Five Years (Note1)					By 31 March 2019 (Note 3)
		2014	2015	2016	2017	2018	
Current assets		1,950,536	1,560,215	1,592,410	1,351,555	2,929,066	-
Property, plant and equipment(Note2)		546,745	417,479	442,729	568,045	849,782	-
Intangible assets		14,475	11,669	7,821	9,331	4,054	-
Other assets (Note2)		13,064,359	12,940,932	12,993,483	13,322,383	12,978,364	-
Total assets		15,576,115	14,930,295	15,036,443	15,251,314	16,761,266	-
Current liabilities	Before allocation	1,498,702	949,912	718,032	640,532	2,191,523	-
	After allocation	2,441,180	1,715,675	1,424,890	1,406,295	（註 4）	-
Non-current liabilities		2,721,017	2,494,461	2,654,133	2,732,562	2,699,177	-
Total liabilities	Before allocation	4,219,719	3,444,373	3,372,165	3,373,094	4,890,700	-
	After allocation	5,162,197	4,210,136	4,079,023	4,138,857	（註 4）	-
Equity attributed to owners of the parent		11,356,396	11,485,922	11,664,278	11,878,220	11,731,804	-
Share capital		5,890,486	5,890,486	5,890,486	5,890,486	5,890,486	-
Capital surplus		499,694	499,694	499,694	499,694	499,694	-
Retained earnings	Before allocation	4,922,657	5,028,392	5,192,542	5,458,764	5,345,857	-
	After allocation	3,980,179	4,262,629	4,485,684	4,693,001	（註 4）	-
Other Equity		43,559	67,350	81,556	9,583	(4,233)	-
Treasury stock		-	-	-	-	-	-
Non-control Equity		-	-	-	19,693	138,762	-
Total equity	Before allocation	11,356,396	11,485,922	11,664,278	11,878,220	11,870,566	-
	After allocation	10,413,918	10,720,159	10,957,420	11,112,457	（註 4）	-

* When producing financial statements on an entity basis, the company should additionally compile the condensed statements of financial position and consolidated statement of comprehensive income for the past five years.

* When adopting IFRSs for less than five years, companies should also produce Table (2) below under ROC GAAP.

Note 1: The financial statements of 2014-2018 have been audited by CPAs.

Note 2: After a revaluation, disclose the date of revaluation and the revaluation gain amount.

Note 3: Publicly traded companies or companies whose stocks are traded over the counter of securities dealers should also include the financial information in the previous period audited or certified by a CPA before the date of report publication in the analysis.

Note 4: The proposal on 2018 profit distribution is pending for resolution by the 2017 AGM.

Note 5: After receiving a notice to make correction or reproduction from the financial authority, a company should produce financial statements with the figures after corrections or re-production and specify the status and reasons of change.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT$1,000 (except for EPS at NT$1/share)

Item / Year	Financial Information Over the Past Five Years (Note1)					By 31 March 2019 (Note 3)
	2014	2015	2016	2017	2018	
Operating revenue	1,622,346	1,546,915	1,178,012	1,209,414	3,814,274	-
Gross profit (loss)	263,294	316,110	334,060	310,145	477,325	-
Profit (loss) from operations	55,991	138,740	153,459	99,263	262,794	-
Non-operating income and expenses	1,698,303	1,015,145	836,791	888,279	413,374	-
Profit before income tax	1,754,294	1,153,885	990,250	987,542	676,168	-
Profit from continuing operations	1,728,440	1,061,901	948,966	967,067	668,864	-
Loss of discontinued operations	-	-	-	-	-	-
Net Profit	1,728,440	1,061,901	948,966	967,067	668,864	-
Other comprehensive income (loss), net of income tax	25,378	10,103	(3,969)	(70,467)	(30,784)	-
Total comprehensive income	1,753,818	1,072,004	944,997	896,600	638,080	-
Net profit attributed to the owner of parent company	1,728,440	1,061,901	948,966	971,874	672,295	-
Net profit attributed to non-control equity	-	-	-	(4,807)	(3,431)	-
Total comprehensive income attributed to the owner of parent company	1,753,818	1,072,004	944,997	901,407	641,511	-
Total comprehensive income attributed to non-control equity	-	-	-	(4,807)	(3,431)	-
EPS	2.93	1.80	1.61	1.65	1.14	-

* When producing financial statements on an entity basis, the company should additionally compile the condensed statements of financial position and consolidated statement of comprehensive income for the past five years.

* When adopting IFRSs for less than five years, companies should also produce Table (2) below under ROC GAAP.

Note 1: The financial statements of 2014-2018 have been audited by CPAs.

Note 2: Publicly traded companies or companies whose stocks are traded over the counter of securities dealers should also include the financial information in the previous period audited or certified by a CPA before the date of report publication in the analysis.

Note 3: List the net after tax for the loss of discontinued operations.

Note 4: After receiving a notice to make correction or reproduction from the financial authority, a company should produce financial statements with the figures after corrections or re-production and specify the status and reasons of change.

Condensed Individual Statement of Financial Position

Unit: NT$1000

Item \ Year		Financial Information Over the Past Five Years (Note1) 2014	2015	2016	2017	2018	By 31 March 2019
Current assets		638,226	466,720	490,706	593,515	487,775	-
Property, plant and equipment(Note2)		543,492	416,987	424,714	397,831	391,923	-
Intangible assets		1,464	373	22	1,481	2,518	-
Other assets (Note2)		13,619,200	13,534,095	13,807,574	14,012,913	13,929,317	-
Total assets		14,802,382	14,418,175	14,723,016	15,005,740	14,811,533	-
Current liabilities	Before allocation	750,390	466,515	432,603	433,913	476,309	-
	After allocation	1,692,868	1,232,278	1,139,461	1,199,676	（註 4）	-
Non-current liabilities		2,695,596	2,465,738	2,626,135	2,713,300	2,603,420	-
Total liabilities	Before allocation	3,445,986	2,932,253	3,058,738	3,147,213	3,079,729	-
	After allocation	4,388,464	3,698,016	3,765,596	3,912,976	（註 4）	-
Equity attributed to owners of the parent		11,356,396	11,485,922	11,664,278	11,858,527	11,731,804	-
Share capital		5,890,486	5,890,486	5,890,486	5,890,486	5,890,486	-
Capital surplus		499,694	499,694	499,694	499,694	499,694	-
Retained earnings	Before allocation	4,922,657	5,028,392	5,192,542	5,458,764	5,345,857	-
	After allocation	3,980,179	4,262,629	4,485,684	4,693,001	（註 4）	-
Other Equity		43,559	67,350	81,556	9,583	(4,233)	-
Treasury stock			-	-	-	-	-
Non-control Equity			-	-	-	-	-
Total equity	Before allocation	11,356,396	11,485,922	11,664,278	11,858,527	11,731,804	-
	After allocation	10,413,918	10,720,159	10,957,420	11,092,764	（註 4）	-

* When producing financial statements on an entity basis, the company should additionally compile the condensed statements of financial position and consolidated statement of comprehensive income for the past five years.

* When adopting IFRSs for less than five years, companies should also produce Table (2) below under ROC GAAP.

Note 1: The financial statements of 2014-2018 have been audited by CPAs.

Note 2: After a revaluation, disclose the date of revaluation and the revaluation gain amount.

Note 3: Publicly traded companies or companies whose stocks are traded over the counter of securities dealers should also include the financial information in the previous period audited or certified by a CPA before the date of report publication in the analysis.

Note 4: The proposal on 2018 profit distribution is pending for resolution by the 2017 AGM.

Note 5: After receiving a notice to make correction or reproduction from the financial authority, a company should produce financial statements with the figures after corrections or re-production and specify the status and reasons of change.

Condensed Individual Statement of Comprehensive Income

Unit: NT$1,000 (except for EPS at NT$1/share)

Item \ Year	Financial Information Over the Past Five Years (Note1)					By 31 March 2019 (Note 3)
	2014	2015	2016	2017	2018	
Revenue	1,216,888	1,145,384	961,909	875,954	1,059,931	-
Gross profit (loss)	321,688	256,142	271,445	231,898	337,804	-
Profit (loss) from operations	164,548	111,324	124,944	80,016	176,490	-
Non-operating income and expenses	1,589,552	1,042,455	864,233	912,333	529,672	-
Profit before income tax	1,754,100	1,153,779	989,177	992,349	706,162	-
Profit from continuing operations	1,728,440	1,061,901	948,966	971,874	672,295	-
Loss of discontinued operations	-	-	-	-	-	-
Net Profit	1,728,440	1,061,901	948,966	971,874	672,295	-
Other comprehensive income (loss), net of income tax	25,378	10,103	(3,969)	(70,467)	(30,784)	-
Total comprehensive income	1,753,818	1,072,004	944,997	901,407	641,511	-
Net profit attributed to the owner of parent company	1,728,440	1,061,901	948,966	971,874	672,295	-
Net profit attributed to non-control equity	-	-	-	-	-	-
Total comprehensive income attributed to the owner of parent company	1,753,818	1,072,004	944,997	901,407	641,511	-
Total comprehensive income attributed to non-control equity	-	-	-	-	-	-
EPS	2.93	1.80	1.61	1.65	1.14	-

* When producing financial statements on an entity basis, the company should additionally compile the condensed statements of financial position and consolidated statement of comprehensive income for the past five years.

* When adopting IFRSs for less than five years, companies should also produce Table (2) below under ROC GAAP.

Note 1: The financial data of 2014-2018 have been audited by CPAs.

Note 2: Publicly traded companies or companies whose stocks are traded over the counter of securities dealers should also include the financial information in the previous period audited or certified by a CPA before the date of report publication in the analysis.

Note 3: List the net after tax for the loss of discontinued operations.

Note 4: After receiving a notice to make correction or reproduction from the financial authority, a company should produce financial statements with the figures after corrections or re-production and specify the status and reasons of change.

(2) Names and audit opinions of CPAs in the past five years

Year	CPA Firm	CPAs	Audit Opinion
2014	Deloitte Taiwan	Wan-yi Liao, CPA Chien-Hsin Hsieh, CPA	Unqualified opinion
2015	Deloitte Taiwan	Wan-yi Liao, CPA Chien-Hsin Hsieh, CPA	Modified unqualified opinion
2016	Deloitte Taiwan	Jui-Husan Ho, CPA Chien-Hsin Hsieh, CPA	Unqualified opinion
2017	Deloitte Taiwan	Jui-Husan Ho, CPA Chien-Hsin Hsieh, CPA	Unqualified opinion
2018	Deloitte Taiwan	Jui-Husan Ho, CPA Chien-Hsin Hsieh, CPA	Unqualified opinion

Audit change: There was a CPA change between 2014 and 2018 due to the internal dispatch and arrangement of Deloitte Taiwan.

2. Financial analysis of the past five years

Consolidated Financial Analysis

Subject(Note 3) \ Year(Note 1)		Financial Analysis for the Past Five Years					By 31 March 2019 (Note 3)
		2014	2015	2016	2017	2018	
Financial structure (%)	Liabilities to assets ratio	27.09	23.07	22.43	22.12	29.18	-
	Long-term capital to property, plant and equipment ratio	2574.77	3348.76	3234.13	2572.12	1714.53	-
Solvency (%)	Current ratio (%)	130.15	164.25	221.77	211.01	133.65	-
	Quick ratio (%)	97.69	108.89	173.02	159.45	66.91	-
	Times interest earned	4372	2574	2787	2981	2123	-
Utility	Average collection turnover (times)	4.34	5.14	6.53	6.84	13.69	-
	Average collection days	84	71	56	53	27	-
	Inventory turnover (time)	29.95	33.78	30.84	46.91	56.02	-
	Average payable turnover (times)	8.47	12.17	8.65	11.75	5.90	-
	Average daily sales	12	11	12	8	7	-
	Property, plant and equipment turnover (times)	2.75	3.21	2.74	2.39	5.38	-
	Total assets turnover (times)	0.10	0.10	0.08	0.08	0.24	-
Profitability	Return on assets (%)	12.01	7.22	6.54	6.57	4.35	-
	Return on equity (%)	15.96	9.30	8.2	8.22	5.63	-
	Net income before tax as a percentage of paid-in capital (%) (Note 9)	29.78	19.59	16.81	16.77	11.48	-
	Net profit rate (%)	106.54	68.65	80.56	79.96	17.54	-
	EPS (NT$)	2.93	1.80	1.61	1.65	1.14	-
Cash flow (%)	Cash flow ratio	82.55	151.82	128.58	122.24	26.35	-
	Cash flow adequacy ratio	135.78	131.19	113.95	121.38	112.01	-
	Cash reinvestment ratio	3.36	3.17	0.98	0.46	-1.14	-
Leverage	Operation leverage	4.43	2.36	2.02	2.49	1.61	-
	Financial leverage	3.75	1.64	1.32	1.53	1.15	-

Reasons for changes in financial ratios in the past 2 years: (for changes of over 20%)

1. The liabilities to assets ratio increased as the liabilities increased in 2018.
2. The ratio of long-term capital in property, plant, and equipment reduced as the purchase of property, plant, and equipment increased in 2018.
3. The current ratio and quick ratio reduced as current liabilities increased in 2018.
4. The times interest earned reduced as the income become tax reduced in 2018.
5. The average collection turnover (times) and average collection days reduced as net sales increased in 2018.
6. The average payable turnover (times) reduced as the payable construction fees increased in 2018.
7. The property, plant and equipment turnover (times) and total assets turnover (times) increased as net sales increased in 2018.
8. Utility-related ratios reduced as the income before tax reduced in 2018.
9. Cash-flow-related ratios reduced as net operating cash flow reduced in 2018.
10. Operation leverage and financial leverage reduced as revenue reduced in 2018.

* When producing financial statements on an entity basis, the company should additionally compile the condensed statements of financial position and consolidated statement of comprehensive income for the past five years.

* When adopting IFRSs for less than five years, companies should also produce Table (2) below under ROC GAAP.

Individual Financial Analysis

Subject(Note 3)	Year(Note 1)	2014	2015	2016	2017	2018	By 31 March 2019 (Note 3)
		Financial Analysis for the Past Five Years					
Financial structure (%)	Liabilities to assets ratio	23.28	20.34	20.78	20.97	20.79	-
	Long-term capital to property, plant and equipment ratio	2585.50	3345.83	3364.71	3662.82	3657.66	-
Solvency (%)	Current ratio (%)	85.05	100.04	113.43	136.78	102.41	-
	Quick ratio (%)	76.20	97.38	111.17	134.6	99.95	-
	Times interest earned	4664	2594	2787	2995	2243	-
Utility	Average collection turnover (times)	5.93	6.44	7.04	7.55	8.34	-
	Average collection days	61.59	56.65	51.82	48.34	43.78	-
	Inventory turnover (time)	33.33	38.45	35.99	52.06	56.74	-
	Average payable turnover (times)	13.45	13.96	9.87	8.80	8.80	-
	Average daily sales	10.96	9.49	10.14	7.01	6.43	-
	Property, plant and equipment turnover (time)	2.08	2.39	2.29	2.13	2.68	-
	Total assets turnover (time)	0.08	0.08	0.07	0.06	0.07	-
Profitability	Return on assets (%)	12.89	7.53	6.72	6.73	4.69	-
	Return on equity (%)	15.96	9.3	8.2	8.26	5.70	-
	Net income before tax as a percentage of paid-in capital (%) (Note 9)	29.78	19.59	16.79	16.85	11.99	-
	Net profit rate (%)	142.04	92.71	98.65	110.95	63.43	-
	EPS (NT$)	2.93	1.8	1.61	1.65	1.14	-
Cash flow (%)	Cash flow ratio	162.8	308.4	224.44	186.36	207.85	-
	Cash flow adequacy ratio	148.08	157.3	141.61	137.87	135.89	-
	Cash reinvestment ratio	3.28	3.15	1.27	0.62	1.38	-
Leverage	Operation leverage	1.86	2.17	1.98	2.62	1.75	-
	Financial leverage	1.30	1.71	1.42	1.75	1.23	-

Reasons for Changes in financial ratios in the past 2 years: (for changes of over 20%)

1. The current ratio and quick ratio reduced as the current assets (cash and cash equivalent) reduced in 2018.
2. Times interest earned reduced as the income become tax reduced in 2018.
3. The property, plant and equipment turnover (times) increased as net sales increased in 2018.
4. Utility-related ratios reduced as the income before tax reduced in 2018.
5. The cash reinvestment ratio increased as the net operating cash flow increased in 2018.
6. Operation leverage and financial leverage reduced as revenue reduced in 2018.

* When producing financial statements on an entity basis, the company should additionally compile the condensed statements of financial position and consolidated statement of comprehensive income for the past five years.

* When adopting IFRSs for less than five years, companies should also produce Table (2) below under ROC GAAP.

Note 1: The financial data of 2014-2018 have been audited by CPAs.

Note 2: Publicly traded companies or companies whose stocks are traded over the counter of securities dealers should also include the financial information in the previous period audited or certified by a CPA before the date of report publication in the analysis.

Note 3: Due to the special nature of capital leases, the amount of interest from capital leases and releases receivable relating to such capital releases should be eliminated when calculating A/R turnover rate and Average collection days,

Note 4: Fuels and spare parts for maintenance and repair are the major inventories of this company, because the inventory turnover rate is calculated by dividing the fuel cost and maintenance/repair fee in O&M cost by the average turnover amount.

Note 5: The equations for calculation shall be stated at the end of this table in the annual report.

1. Financial structure

(1) Liabilities to assets ratio = total liabilities/ total assets.

(2) Long-term capital to Property, plant and equipment ratio = (Gloss shareholder's equity + Non-current liabilities)/ Net Property, plant and equipment.

2. Solvency
   (1) Current ratio = current assets/current liabilities
   (2) Quick ratio = (current assets – inventory – prepayments)/current liabilities
   (3) Debt service coverage ratio=EBIT/interest expense for current period.
3. Utility
   (1) Account receivable (including account receivable and note receivable from business) turnover = net sales/balance of average account receivable (including account receivable and note receivable from operation).
   (2) Average daily receivables=365/account receivable turnover
   (3) Inventory turnover= cost of goods sold/average inventory
   (4) Account payable (including account payable and note payable from operation) turnover = cost of goods sold/balance of average account payable (including account payable and note payable from operation).
   (5) Average daily sales = 365/inventory turnover
   (6) Property, plant and equipment turnover = net sales /Average Net Property, plant and equipment.
   (7) Total assets turnover = net sales/ Average total assets.
4. Profitability
   (1) Return on Assets = [profit/loss after tax + interest expenses x (1-tax rate)]/average total assets.
   (2) Return on Equity = profit/loss after tax /net sales
   (3) Net profit rate = profit/loss after tax /net sales
   (4) Earnings per share = (Equity attributable to owners of the parent – dividend from preferred shares)/weighted average number of outstanding shares (Note 6).
5. Cash Flow
   (1) Cash flow ratio = net cash flow from operation– current liabilities
   (2) Net cash flow adequacy ratio = net cash flow from operation over the past five years/(capital expense +addition to inventory + cash dividend) over the past five years.
   (3) Cash reinvestment ratio = (net cash flow from operation – cash dividend)/ (gross Property, plant and equipment + long-term investment + other non-current assets + working capital) (Note 7).
6. Leverage:
   (1) Operation leverage= (net income – variable cost and expenses from operation)/operating profit (Note 8).
   (2) Financial leverage= operating income/(operating income-interest expenses).

Note 6: When evaluating the above equations for calculating EPS, the following factors must be taken into consideration:
1. The number of common shares shall be based on the weighted average method and not the outstanding shares as of the end of the year.
2. Where there may be additional capital raised from the issuance of new shares or may be treasury shares trade, the outstanding period of the shares shall be considered in calculating the weighted average number of outstanding shares.
3. Where there may be the capitalization of retained earnings or of capital surplus, adjustment shall be made in proportion to the amount capitalized when calculating the earning per share for the previous year and the interim period. The term of the capitalization of retained earnings or capital surplus for new capital is not required for consideration.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend for current period (whether or not being paid out) should be deducted from earning or added to earning. If the preferred shares are not accumulative, dividend for preferred shares should be deducted from earning if there is a surplus. If there is loss after taxation, no adjustment is required.

Note 7: When analyzing cash flow, pay attention to the followings:
1. Cash flow from operation shall be referred to the net cash inflow from operation as stated in the statement of cash flow.
2. Capital spending shall be referred to cash outflow for capital investment each year.
3. Addition to inventory shall be referred to the value at the end of the ending period is greater than that of the beginning period. If there is decease in inventory, put a zero.
4. Cash dividend includes cash dividend for common and preferred stocks.
5. The gross amount of property, plant, and equipment is the total balance of property, plant, and equipment before subtracting accumulated depreciation.

Note 8: Securities issuers should classify operating costs and operating expenses as fixed or variable. If estimates or subjective judgment is involved in such classification, the accounting staff must pay attention to the reasonableness and maintain the consistency of such classification.

Note 9: If the company's stocks do not have a par value or the par value is other than NT$10, the calculation of percentage of paid-in capital is calculated with the ratio of equity attributable to the parent company in the balance sheet.

3. Audit Committee's report on financial statements in the previous year

Taiwan Cogeneration Corporation
Audit Committee Review Report

The business report, financial statements and profit distribution table of 2018 produced by the Board of Directors have been audited and certified by CPA Rui-xuan He and CPA Jian-xin Xie of Deloitte Taiwan. After reviewing such documents, this Audit Committee found no nonconformity and thus presented this report to the AGM for approval in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2018 Annual General Meeting of Shareholders

Signatures of Audit Committee Convener: Hsin-huei Yen

Date: March 26, 2019

4. Financial statements of the previous year

Taiwan Cogeneration Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as of and for the year ended December 31, 2018 as provided in International Financial Reporting Standards 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies as of and for the year ended December 31, 2018. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2018.

Very truly yours,

TAIWAN COGENERATION CORPORATION

By

CHANG, MIN-CHIEH
Chairman

March 26, 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Taiwan Cogeneration Corporation

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Cogeneration Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") endorsed and issued into effect by the Financial Supervisory Commission ("FSC") of the Republic of China.

Basis of Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of 2018 consolidated financial statements are as follows:

Fair Trade Commission ("FTC") Ruling, Appeal by Associates and Litigation against Associates

Refer to Note 31.e. and f. for details of the FTC ruling, appeal by associates and litigation against associates; Note 4 for the accounting policy on provisions; and Note 5.a. for critical accounting judgments and key sources of estimation uncertainty.

The FTC concluded that the Group's associates, Sun Ba Power Corporation, Star Energy Power Corporation, Star Buck Power Corporation, and Kuo Kuang Power Company Ltd., had violated the Fair Trade Act by jointly refusing to lower power purchase electricity rates. The FTC levied fines against these companies and the companies filed an appeal against the fines. As of December 31, 2018, the total levied fines amounted to NT$1,352 million.

Taiwan Power Company ("TPC") concluded it suffered losses due to such violations of the Fair Trade Act and filed administrative proceedings and a civil action against these associates. As of December 31, 2018, the claims on the administrative proceedings and civil action in progress against these associates amounted to NT$19,163 million and NT$9,543 million, respectively.

After evaluation of the legal analyses made by engaged attorneys, these associates believed they neither violated the Fair Trade Act, nor caused a loss to TPC. Therefore, provisions for the above rulings and litigations were not recognized, and the Group's investments in these associates and share of profit or loss of these associates accounted for using the equity method were not affected. These associates have engaged attorneys for the appeal, administrative proceedings and civil action. As the above claims, appeal and litigation are still pending, and the amounts of the fines and claims are material to the Group's consolidated financial statements, and the outcome of these cases may be affected by changes in the circumstances and the provisions involve the application of critical accounting judgments by the management, the FTC ruling, appeal by associates and litigation against the associates are considered key audit matters.

In our audit, we obtained copies of the ruling decision letter and appeal letter for the above cases, and we discussed with the Group's management regarding their communications with the attorneys and their evaluation of the above appeal and litigation. We sent confirmation letters to the attorneys and read their replies, and we reviewed the latest progress of the above appeal and litigation as of the date of our report to determine whether the FTC ruling, appeal by associates and litigation against the associates have been appropriately accounted for and disclosed in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Evaluation of Profit and Loss on the Construction Contract

Refer to Note 22 for construction contracts and Note 5.b. for critical accounting judgments and key sources of estimation uncertainty associated to evaluation of profit and loss on construction contracts.

The Group has entered into a construction contract related to large-scale solar power generation in the central area of Taiwan. The construction service revenue and construction service cost of the aforementioned contract recognized for the year ended December 31, 2018 were NT$2,120,933 thousand and NT$2,034,884 thousand, respectively, representing 56% and 60% of the Group's consolidated operating revenues and consolidated operating costs, respectively. The percentage of completion and related profit from the construction contract were anticipated and determined by the Group's management based on the nature of activities, expected sub-contracting charges, construction periods, progress, methods, etc., and involve critical accounting judgements made by the management; thus, evaluation of profit and loss on the construction contract is considered as one of the key audit matters.

In our audit, we visited and observed the construction site; we obtained the construction contract, construction project schedules, expected total construction cost, and construction acceptance reports; we verified the construction cost, the estimated remaining cost before completion, and related supporting documents on a sampling basis to evaluate the reasonableness of the method and assumptions used by the management to calculate the percentage of completion; we recalculated the percentage of completion, construction service revenue, construction service cost, profit or loss on the construction contract, contract assets and contract liabilities for accuracy; and we determined the appropriateness of provisions.

Other Matter

We have also audited the separate financial statements of Taiwan Cogeneration Corporation as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Hsuan Ho and Chien-Hsin Hsieh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2019

<u>*Notice to Readers*</u>

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 1,096,720	7	$ 832,418	6
Contract assets (Notes 4, 5, 20, 22 and 29)	1,262,711	8	-	-
Notes receivable (Notes 4, 22 and 29)	779	-	686	-
Accounts receivable (Notes 4, 7 and 22)	307,283	2	90,148	1
Accounts receivable from related parties (Notes 4, 22 and 29)	60,517	-	97,659	1
Amounts due from customers for construction contracts (Notes 4, 5, 8, 20 and 29)	-	-	220,970	1
Other receivables (Notes 4 and 24)	1,029	-	447	-
Inventories (Notes 4 and 9)	8,544	-	6,815	-
Prepaid construction costs	79,559	-	-	-
Prepaid value-added tax	74,523	-	61,780	-
Other financial assets (Note 30)	30,064	-	30,066	-
Other current assets	7,337	-	10,566	-
Total current assets	2,929,066	17	1,351,555	9
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4, 5, 10 and 28)	247,000	2	-	-
Available-for-sale financial assets (Notes 4, 5, 11 and 28)	-	-	225,800	1
Investments accounted for using the equity method (Notes 4, 13 and 30)	12,545,053	75	12,986,682	85
Property, plant and equipment (Notes 4 and 14)	849,782	5	568,045	4
Intangible assets (Notes 4 and 15)	4,054	-	9,331	-
Deferred income tax assets (Notes 4, 5 and 24)	128,141	1	89,826	1
Prepayments for equipment	34,776	-	3,833	-
Refundable deposits	23,394	-	16,242	-
Total non-current assets	13,832,200	83	13,899,759	91
TOTAL	$ 16,761,266	100	$ 15,251,314	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	$ 700,000	4	$ -	-
Contract liabilities (Notes 4, 5, 20, 22 and 29)	99,362	1	-	-
Notes payable	15,229	-	18,207	-
Accounts payable	78,394	-	62,520	-
Construction costs payable (Note 8)	799,625	5	165,994	1
Accounts payable to related parties (Note 29)	1,158	-	1,158	-
Other payables (Note 17)	142,501	1	84,913	1
Current income tax liabilities (Notes 4 and 24)	36,947	-	16,125	-
Provisions (Notes 4, 18 and 20)	41,554	-	18,582	-
Current portion of long-term borrowings (Notes 16 and 30)	273,777	2	270,000	2
Other current liabilities	2,976	-	3,033	-
Total current liabilities	2,191,523	13	640,532	4
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 30)	2,553,203	15	2,625,000	17
Net defined benefit liabilities (Notes 4, 5 and 19)	118,521	1	101,667	1
Guarantee deposits received	27,453	-	5,895	-
Total non-current liabilities	2,699,177	16	2,732,562	18
Total liabilities	4,890,700	29	3,373,094	22
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 20)				
Share capital				
Common stock	5,890,486	35	5,890,486	39
Capital surplus	499,694	3	499,694	3
Retained earnings				
Legal reserve	1,361,083	8	1,263,896	8
Special reserve	3,200,533	19	3,133,898	21
Unappropriated earnings	784,241	5	1,060,970	7
Total retained earnings	5,345,857	32	5,458,764	36
Other equity	(4,233)	-	9,583	-
Total equity attributable to owners of the Corporation	11,731,804	70	11,858,527	78
NON-CONTROLLING INTERESTS	138,762	1	19,693	-
Total equity	11,870,566	71	11,878,220	78
TOTAL	$ 16,761,266	100	$ 15,251,314	100

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

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 4, 22 and 29)				
Sales	$ 1,059,592	28	$ 849,215	70
Research, consulting and construction services	2,754,682	72	360,199	30
Total operating revenues	3,814,274	100	1,209,414	100
OPERATING COSTS (Notes 23 and 29)				
Cost of sales	743,106	19	650,098	54
Research, consulting and construction services (Note 22)	2,625,033	69	281,042	23
Total operating costs	3,368,139	88	931,140	77
GROSS PROFIT	446,135	12	278,274	23
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	31,190	1	31,871	3
REALIZED GROSS PROFIT	477,325	13	310,145	26
OPERATING EXPENSES (Note 23)	214,531	6	210,882	18
PROFIT FROM OPERATIONS	262,794	7	99,263	8
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 29)	26,554	1	19,955	2
Other gains and losses (Note 23)	5,399	-	(16,434)	(1)
Finance costs (Note 23)	(33,552)	(1)	(34,362)	(3)
Share of profit or loss of associates accounted for using the equity method (Note 13)	414,973	11	919,120	76
Total non-operating income and expenses	413,374	11	888,279	74
PROFIT BEFORE INCOME TAX	676,168	18	987,542	82
INCOME TAX EXPENSE (Notes 4 and 24)	(7,304)	-	(20,475)	(2)
NET PROFIT	668,864	18	967,067	80

(Continued)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	$ (17,713)	(1)	$ (656)	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	21,200	1	-	-
Share of unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income of associates accounted for using the equity method	(23,068)	(1)	-	-
Share of remeasurement of defined benefit plans of associates accounted for using the equity method	(2,906)	-	1,797	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 24)	3,651	-	365	-
	(18,836)	(1)	1,506	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(11,948)	-	(33,647)	(3)
Unrealized loss on available-for-sale financial assets	-	-	(69,400)	(6)
Share of unrealized gain on available-for-sale financial assets of associates accounted for using the equity method	-	-	31,074	3
	(11,948)	-	(71,973)	(6)
Other comprehensive loss, net of income tax	(30,784)	(1)	(70,467)	(6)
TOTAL COMPREHENSIVE INCOME	$ 638,080	17	$ 896,600	74
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 672,295	18	$ 971,874	80
Non-controlling interests	(3,431)	-	(4,807)	-
	$ 668,864	18	$ 967,067	80

(Continued)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 641,511	17	$ 901,407	74
Non-controlling interests	(3,431)	-	(4,807)	-
	$ 638,080	17	$ 896,600	74
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.14		$ 1.65	
Diluted	$ 1.14		$ 1.65	

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

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Equity Attributable to Owners of the Corporation									
			Retained Earnings			Other Equity				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2017	$ 5,890,486	$ 499,694	$ 1,168,999	$ 2,949,194	$ 1,074,349	$ (15,394)	$ 96,950	$ -	$ -	$ 11,664,278
Appropriation of 2016 earnings										
Legal reserve	-	-	94,897	-	(94,897)	-	-	-	-	-
Special reserve	-	-	-	184,704	(184,704)	-	-	-	-	-
Cash dividends - NT$1.2 per share	-	-	-	-	(706,858)	-	-	-	-	(706,858)
	-	-	94,897	184,704	(986,459)	-	-	-	-	(706,858)
Share of transaction cost attributable to issue of new ordinary shares of associates accounted for using the equity method	-	-	-	-	(300)	-	-	-	-	(300)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	24,500	24,500
Net profit (loss) for the year ended December 31, 2017	-	-	-	-	971,874	-	-	-	(4,807)	967,067
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,506	(33,647)	(38,326)	-	-	(70,467)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	973,380	(33,647)	(38,326)	-	(4,807)	896,600
BALANCE, DECEMBER 31, 2017	5,890,486	499,694	1,263,896	3,133,898	1,060,970	(49,041)	58,624	-	19,693	11,878,220
Effect of retrospective application	-	-	-	-	(1,103)	-	(58,624)	58,624	-	(1,103)
BALANCE, JANUARY 1, 2018 AS RESTATED	5,890,486	499,694	1,263,896	3,133,898	1,059,867	(49,041)	-	58,624	19,693	11,877,117
Appropriation of 2017 earnings										
Legal reserve	-	-	97,187	-	(97,187)	-	-	-	-	-
Special reserve	-	-	-	66,635	(66,635)	-	-	-	-	-
Cash dividends - NT$1.3 per share	-	-	-	-	(765,763)	-	-	-	-	(765,763)
	-	-	97,187	66,635	(929,585)	-	-	-	-	(765,763)
Share of transaction cost attributable to issue of new ordinary shares of associates accounted for using the equity method	-	-	-	-	(1,368)	-	-	-	-	(1,368)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	122,500	122,500
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	672,295	-	-	-	(3,431)	668,864
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(16,968)	(11,948)	-	(1,868)	-	(30,784)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	655,327	(11,948)	-	(1,868)	(3,431)	638,080
BALANCE, DECEMBER 31, 2018	$ 5,890,486	$ 499,694	$ 1,361,083	$ 3,200,533	$ 784,241	$ (60,989)	$ -	$ 56,756	$ 138,762	$ 11,870,566

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

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 676,168	$ 987,542
Adjustments for:		
Depreciation expense	43,219	35,083
Amortization expense	1,616	665
Interest expense	33,428	34,276
Interest income	(9,824)	(3,968)
Dividend income	(8,000)	(8,000)
Share of profit or loss of associates accounted for using the equity method	(414,973)	(919,120)
Loss on disposal of property, plant and equipment	-	34
Impairment loss	7,526	261
Unrealized loss on foreign currency exchange	366	3,295
Gain on reversal of warranty cost on construction	(473)	(7,783)
Realized gain on transactions with associates	(31,190)	(31,871)
Other losses	183	-
Changes in operating assets and liabilities		
Contract assets	(1,040,854)	-
Notes receivable	(93)	1,329
Accounts receivable	(217,135)	7,407
Accounts receivable from related parties	37,142	(32,024)
Amounts due from customers for construction contracts	-	61,197
Other receivables	10	8,801
Inventories	(1,729)	2,355
Prepaid construction costs	(79,559)	-
Other current assets	3,229	(7,139)
Prepaid value-added tax	(12,743)	(6,506)
Contract liabilities	99,362	-
Notes payable	(2,978)	(4,951)
Accounts payable	15,874	11,068
Construction costs payable	632,986	(78,465)
Accounts payable to related parties	-	(860)
Other payables	14,561	10,994
Provisions	23,445	8,925
Other current liabilities	(57)	(3,017)
Net defined benefit liabilities	(859)	1,392
Cash (used in) generated from operations	(231,352)	70,920
Interest received	9,232	4,622
Dividends received	855,971	771,281
Interest paid	(35,283)	(33,638)
Income tax paid	(21,146)	(30,190)
Net cash generated from operating activities	577,422	782,995

(Continued)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	$ -	$ (152,202)
Payments for property, plant and equipment (Note 26)	(276,516)	(164,487)
Proceeds from disposal of property, plant and equipment	7,209	-
Increase in refundable deposits	(7,152)	(2,419)
Increase in other financial assets	-	(30,001)
Payments for computer software	(3,865)	(2,436)
Increase in prepayments for equipment	(42,780)	(3,833)
Net cash used in investing activities	(323,104)	(355,378)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	700,000	-
Proceeds from long-term borrowings	3,551,980	2,880,000
Repayments of long-term borrowings	(3,620,000)	(2,795,000)
Increase (decrease) in guarantee deposits received	21,558	(8,482)
Dividends paid to owners of the Corporation	(765,763)	(706,858)
Increase in non-controlling interests	122,500	24,500
Net cash generated from (used in) financing activities	10,275	(605,840)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(291)	(7,252)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	264,302	(185,475)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	832,418	1,017,893
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,096,720	$ 832,418

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

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 Taipei Exchange Market from May 8, 2000 to August 24, 2003 and has been traded on the Taiwan Stock Exchange 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 Corporation's Board of Directors on March 26, 2019.

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group had performed an assessment of the classification of recognized financial assets and had elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 832,418	$ 832,418	Note 1
Notes receivable	Loans and receivables	Amortized cost	686	686	Note 1
Accounts receivable	Loans and receivables	Amortized cost	187,807	187,807	Note 1
Other receivables	Loans and receivables	Amortized cost	447	447	Note 1
Other financial assets	Loans and receivables	Amortized cost	30,066	30,066	Note 1
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - financial assets	225,800	225,800	Note 2
Refundable deposits	Loans and receivables	Amortized cost	16,242	16,242	Note 1

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI	$ -	$ -	$ -				
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	225,800	-				
	-	225,800	-	$ 225,800	$ -	$ -	Note 2
Amortized cost	-	-	-				
Add: Reclassification from loans and receivables (IAS 39)	-	1,067,666	-				
	-	1,067,666	-	1,067,666	-	-	Note 1
Investments accounted for using the equity method	12,986,682	-	(1,103)	12,985,579	(1,103)	-	Note 1
	$ 12,986,682	$ 1,293,466	$ (1,103)	$ 14,279,045	$ (1,103)	$ -	

Note 1: Cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9. The Group's associates accounted for using the equity method also made an assessment of expected credit losses under IFRS 9. As a result of retrospective application, there was a decrease of $1,103 thousand in both investments accounted for using the equity method and retained earnings on January 1, 2018.

Note 2: The Group elected to designate its investment in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because this investment is not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $25,800 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI. Other equity - unrealized gain on available-for-sale financial assets of $32,824 thousand that arose from investments accounted for using the equity method was also reclassified to other equity - unrealized gain on financial assets at FVTOCI.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, the net effect of the progress billings, cost incurred and recognized profit (loss) of a construction contract was recognized as amount due from (to) customer for construction contract under IAS 11.

If a contract with a customer becomes onerous, then the Group will recognize impairment of related inventories or provision for onerous contracts. Prior to the application of IFRS 15, expected loss on construction contract was recognized and adjusted to amounts due from (to) customers for construction contracts.

Incremental costs of obtaining a contract is recognized as an asset to the extent the Group expects to recover those costs. Such asset is amortized on a basis that is consistent with the revenue recognition.

The Group elected to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018 and recognized the cumulative effect of the change in retained earnings on January 1, 2018.

Impact on assets and liabilities in the current year

	As Originally Stated as of January 1, 2018	Adjustments Arising from Initial Application	Restated as of January 1, 2018
Amounts due from customers for construction contracts	$ 220,970	$ (220,970)	$ -
Contract assets - current	-	220,970	220,970
Total effect on assets		$ -	

If the Group applied IAS 11 in 2018, the following adjustments should have been made to reflect the line items and balances under IFRS 15.

	December 31, 2018
Increase in contract assets - current	$ 1,262,711
Decrease in amounts due from customers for construction contracts	(1,262,711)
Total effect on assets	$ -
Increase in contract liabilities - current	$ 99,362
Decrease in amounts due to customers for construction contracts	(99,362)
Total effect on liabilities	$ -

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (The "New IFRSs")	Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendment to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

Except for the following, whenever applied, the initial application of the above New IFRSs would not have any material impact on the Group's accounting policies:

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement Contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as a lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively on January 1, 2019. No impact on the Group's retained earnings is expected from the retrospective application on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases that are currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as a lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group subleased its leasehold office premises to third parties in 2017. Such subleases were classified as operating leases under IAS 17. The Group will assess the classification of the subleases on the basis of the remaining contractual terms and conditions of the head lease and subleases as of January 1, 2019 and may consider the subleases as finance leases. In addition, the subleases will be regarded as new finance lease agreements entered into on January 1, 2019.

Anticipated impact on assets and liabilities as of January 1, 2019

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Finance lease receivables - current	$ -	$ 8,731	$ 8,731
Finance lease receivables - non-current	-	751	751
Right-of-use assets	-	91,312	91,312
Total effect on assets		$ 100,794	
Lease liabilities - current	-	$ 35,737	35,757
Lease liabilities - non-current	-	65,057	65,057
Total effect on liabilities		$ 100,794	

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable income, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 POLICIES

For the convenience of readers, 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 consolidated financial statements shall prevail.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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. Total comprehensive income or loss of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12 and Table 4 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

Foreign currency transactions other than non-derivative financial instrument are translated into functional currency using the exchange rate at the transaction date. When foreign currency assets and liabilities are translated or settled, gain and loss arising from the change in exchange rate, if any, are recognized in profit or loss. The ending balance of foreign currency assets and liabilities are translated using prevailing exchange rates. Exchange differences arising thereof, if any, are recognized in profit or loss.

The Corporation's functional currency is the New Taiwan dollar. In preparing the consolidated financial statements, the assets and liabilities of the Corporation's foreign operations (including subsidiaries, associates, or branches that operate in other countries or use currency different from the currency of the Corporation) 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 year. Equity is translated using historical exchange rates. Exchange differences arising thereof, if any, are recognized in other comprehensive income.

Impairment of Financial Assets - 2018/Impairment of Accounts Receivable - 2017

2018

Accounts receivable and contract assets are assessed for impairment using expected credit losses model at the end of each reporting period.

The Group's policy is to always recognize lifetime Expected Credit Loss (i.e. ECL) on accounts receivable. For contract assets, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on contract assets has not increased significantly since initial recognition, the Group measures the loss allowance for contract assets at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. An impairment loss is recognized with a corresponding adjustment to the carrying amount through a loss allowance account.

2017

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.

Financial Assets at FVTOCI - 2018/Available-for-sale Financial Assets - 2017

2018

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Available-for-sale financial assets represent 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 other comprehensive income until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss for the year. 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 trade date basis.

Cash dividends are recognized when the Group's right to receive the dividends is established. 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 Group uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income or loss of the associate. The Group also recognizes the changes in the Group's share of equity of associates. 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 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 as a bargain purchase gain.

Profits and losses resulting from upstream transactions, downstream transactions and transactions between associates are recognized in the Group's consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. 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 30 years; transportation equipment, 5 years; other equipment, 2 to 8 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 property, plant and equipment, the related cost and accumulated depreciation and impairment loss are removed from the accounts and the resulting gains or losses are included in profit or loss.

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 Star Energy Corporation. 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 property, plant and equipment, and intangible 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

A provision shall be recognized when the Group has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The Group's warranty provisions on construction are estimated based on the expected occurrence of the warranty obligations.

Revenue Recognition

2018

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.

Sales of electricity are recognized when the electricity generated is transmitted to a substation of TPC.

Revenues from research and consulting are recognized when services are provided.

As it is being constructed over time, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligation. A contract asset is recognized during the construction and is reclassified to accounts receivable at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date, then the Group recognizes a contract liability for the difference. Certain payment retained by the customer as specified in the contract is intended to ensure that the Group adequately completes all its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance.

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

2017

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.

Sales of electricity are recognized when the electricity generated is transmitted to a substation of TPC.

Revenues from research and consulting are recognized when services are provided.

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 cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred for which it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

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 billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under accounts receivable.

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

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 are recognized as employee benefits expense in the period they occur, when the plan amendment, curtailment or settlement occurs. 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 represents the actual deficit in the Group's defined benefit plans.

Taxation

Income tax expense represents the sum of the income tax currently payable and deferred income tax.

a. Current income tax

Current income tax liability is determined based on current taxable income. Taxable income is different from the profit before income 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 Act. The Group's current income tax liabilities are calculated by the legislated tax rate on the balance sheet date.

According to the Income Tax Act, an additional tax on undistributed earnings is provided for as income tax in the year the stockholders resolve to retain the earnings as, prior to the stockholders' meeting, 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 income tax

Deferred income tax is recognized 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 income. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred income 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 income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred income 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 income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

c. Current and deferred income tax for the year

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

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. Fair Trade Act ruling, appeal and litigation against associates

The Fair Trade Commission ("FTC") concluded that independent power producer companies (IPPs) had violated Fair Trade Act and levied fine against the Group's associates. As a result, these associates filed petitions and administrative proceedings. See Note 31.e. for detailed information. As TPC concluded that these associates violated the Fair Trade Act with concerted action and caused a loss to TPC, TPC filed administrative proceedings and a civil action to claim compensation for the loss. See Note 31.f. for detailed information. The aforementioned petitions, administrative proceedings, and civil action are still pending; results of the cases may vary depending on the subsequent development of the cases.

b. Profit and loss evaluation of construction contracts

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of the contract is measured based on the proportion of actual costs incurred relative to the total expected costs. Variations in contract work, claims and incentives are included in contract revenue to the extent that the amount can be measured reliably and its receipt is considered probable.

The expected total costs and contract items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc. for each construction contract. Changes in the estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

c. Fair value measurement of stocks that have no active markets at fair value

The Group invested in unlisted stocks that have no active markets, which the fair value is measured based on estimated future cash flows discounted at the current market rate of return. Any change in judgement and estimation may affect the measurement of fair value.

d. Recognition and measurement of defined benefit plans

Net defined benefit liabilities 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.

e. Realizability of the deferred income tax assets

The realizability of the deferred income tax assets mainly depends on whether sufficient future profits for loss carryforwards or deductible temporary differences will be available. Assessment of the realization of the deferred income tax assets includes consideration of future revenue growth, amount of tax credits that can be utilized and feasible tax planning strategies.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	$ 1,978	$ 1,758
Checking accounts and demand deposits	814,015	658,332
Cash equivalents		
Time deposits	280,727	172,328
	$ 1,096,720	$ 832,418

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:

	December 31	
	2018	2017
Demand deposits	0.01%-0.10%	0.01%-0.10%
Time deposits	0.78%-2.83%	0.37%-1.73%

7. ACCOUNTS RECEIVABLE

	December 31	
	2018	2017
Accounts receivable		
At amortized cost		
Gross carrying amount	$ 307,283	$ 90,148

For the year ended December 31, 2018

The average credit terms range from 30 to 60 days. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are individually estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The Group did not recognize an allowance for impairment loss against all of the accounts receivable because lifetime ECL through individually assessed receivables indicated that all of the accounts receivable are collectible.

The aging analysis of receivables based on the invoice date was as follows:

	December 31, 2018
Up to 60 days	$ 120,871
61-90 days	184,870
91-120 days	451
121-180 days	-
More than 180 days	1,091
	$ 307,283

The above receivables aged from 61 to 90 days had been collected in January 2019.

For the year ended December 31, 2017

The average credit terms range from 30 to 60 days. In determining the recoverability of accounts receivable, the Group considers significant change in the credit quality of the 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 of the accounts receivable because past experience indicates that all of the accounts receivable are collectible.

For the accounts receivable 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 no 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 analysis of receivables based on the invoice date was as follows:

	December 31, 2017
Up to 60 days	$ 84,669
61-90 days	249
91-120 days	-
121-180 days	-
More than 180 days	5,230
	$ 90,148

The aging of receivables that were past due but not impaired based on the invoice date was as follows:

	December 31, 2017
Up to 60 days	$ -
61-90 days	249
91-120 days	-
121-180 days	-
More than 180 days	5,230
	$ 5,479

8. AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS - 2017

	December 31, 2017
Construction costs incurred plus recognized profits less recognized losses to date	$ 1,559,646
Less: Progress billings	(1,338,676)
Amounts due from customers for construction contracts	$ 220,970
Amounts due from customers for construction contracts	
Related parties	$ 184,509
Others	36,461
	$ 220,970
Retentions payable (included in construction costs payable)	$ 8,924

The balance of amounts due from customers for construction contracts had been adjusted to contract assets upon application of IFRS 15, refer to Note 3 for detailed information. Refer to Note 22 for information of contract assets and contract liabilities as of December 31, 2018.

9. INVENTORIES

	December 31	
	2018	2017
Raw materials	$ 8,544	$ 6,619
Maintenance supplies	-	196
	$ 8,544	$ 6,815

As of December 31, 2017, the age of maintenance supplies exceeded twelve months.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic investments	
Unlisted shares	
Kaohsiung Arena Development Corporation ("KADC")	$ 247,000

The investment in KADC is not held for trading. Instead, it is held for medium to long-term strategic purposes. Accordingly, the management elected to designate this investment in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long-term purposes. This investment in equity instruments was classified as available-for-sale under IAS 39. Refer to Note 3 and Note 11 for information relating to its reclassification and comparative information for 2017.

Refer to Note 28 for fair value information relating to financial assets at FVTOCI.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Unlisted shares	
KADC	$ 225,800

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

12. SUBSIDIARIES

Name of Investor	Name of Subsidiary	Main Businesses	Percentage of Ownership December 31 2018	2017
The Corporation	Star Energy Corporation ("SEC")	Undertaking and installing of power and water resources engineering projects	100	100
The Corporation	Taiwan Cogeneration International Corporation ("TCIC")	Investment in foreign countries and international trading	100	100
The Corporation	Yi Yuan Corporation ("YYC")	Investment in geothermal power plant	51	51
The Corporation	TCC Green Energy Corporation ("TGE")	Investment in green power plant	100	-
TGE	Shin Kuang Electric Energy Co., Ltd. ("SKE")	Power generation	100	-
SEC	Starbao Power Corporation ("SPC")	Power generation	100	-

On June 22, 2017, the Corporation and a domestic company jointly invested $50,000 thousand and established YYC. The investment amount of the Corporation was $25,500 thousand with 51% equity interest in YYC. Subsequently, on November 12, 2018, the Corporation participated in a capital raising of YYC in proportion to the percentage of the Corporation's equity interest in YYC. The investment in YYC increased by $127,500 thousand.

On November 28, 2018, the Corporation invested $85,000 thousand and established TGE. The Corporation owned 100% equity interest in TGE.

On December 18, 2018, TGE paid $38,000 thousand and acquired 100% equity interest in SKE. Subsequently, on January 7, 2019, TGE participated in a capital raising of SKE. The investment in SKE increased by $42,000 thousand.

On December 25, 2018, SEC invested $20,000 thousand and established SPC. SEC owned 100% equity interest in SPC.

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

Refer to Table 4 for the nature of activities, principal places of business and countries of incorporation of the subsidiaries.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31 2018	2017
Investments in associates		
Material associates		
Ta-Yuan Cogeneration Company ("TYC")	$ 514,758	$ 529,646
Sun Ba Power Corporation ("Sun Ba")	5,290,524	5,277,901
Star Energy Power Corporation ("SEPC")	2,275,995	2,247,509
Star Buck Power Corporation ("SBPC")	2,147,991	2,124,983
Kuo Kuang Power Company Ltd. ("KKPC")	2,025,240	2,372,486
	12,254,508	12,552,525
Associates that are not individually material	290,545	434,157
	$ 12,545,053	$ 12,986,682

On January 18, 2017, the Group participated in a capital raising of Redondo Peninsula Energy, Inc. The investment in the company increased by ₱243,825 thousand (NT$152,202 thousand).

The associates accounted for using the equity method and the Group's share of their profit or loss were as follows:

	For the Year Ended December 31	
	2018	2017
Sun Ba	$ 411,199	$ 456,855
SBPC	167,423	223,010
SEPC	142,796	135,607
TYC	40,612	33,782
KKPC	(216,090)	76,692
Associates that are not individually material	(130,967)	(6,826)
	$ 414,973	$ 919,120

a. Material associates

	Proportion of Ownership and Voting Rights December 31	
	2018	2017
TYC	29.31%	29.31%
Sun Ba	43.00%	43.00%
SEPC	40.50%	40.50%
SBPC	41.27%	41.27%
KKPC	35.00%	35.00%

Refer to Table 4 for the nature of activities, principal places of business and countries of incorporation of the associates.

The fair value of the investment in TYC based on its closing price at the balance sheet date was as follows:

	December 31	
Name of Associate	2018	2017
TYC	$ 827,591	$ 709,851

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

	December 31	
	2018	2017
Current assets	$ 932,427	$ 853,667
Non-current assets	2,207,018	2,051,509
Current liabilities	(909,142)	(423,548)
Non-current liabilities	(471,679)	(674,627)
Equity	1,758,624	1,807,001
Non-controlling interests	-	-
	$ 1,758,624	$ 1,807,001
Proportion of the Group's ownership	29.31%	29.31%
Equity attributable to the Group	$ 515,466	$ 529,646
Unrealized gain with associates	(708)	-
Carrying amount	$ 514,758	$ 529,646

	For the Year Ended December 31	
	2018	2017
Operating revenues	$ 1,778,517	$ 1,626,909
Net profit	$ 138,556	$ 115,254
Other comprehensive (loss) income	(78,381)	108,283
Total comprehensive income	$ 60,175	$ 223,537
Dividends received from TYC	$ 30,715	$ 27,302

Sun Ba

	December 31	
	2018	2017
Current assets	$ 4,578,230	$ 3,771,171
Non-current assets	12,822,536	13,501,452
Current liabilities	(2,483,029)	(1,846,035)
Non-current liabilities	(2,445,983)	(2,967,329)
Equity	12,471,754	12,459,259
Non-controlling interests	-	-
	$ 12,471,754	$ 12,459,259
Proportion of the Group's ownership	43.00%	43.00%
Equity attributable to the Group	$ 5,362,854	$ 5,357,481
Unrealized gain with associates	(74,417)	(81,667)
Goodwill	2,087	2,087
Carrying amount	$ 5,290,524	$ 5,277,901

	For the Year Ended December 31	
	2018	2017
Operating revenues	$10,872,196	$ 9,680,015
Net profit	$ 956,278	$ 1,062,454
Other comprehensive loss	(1,783)	(1,946)
Total comprehensive income	$ 954,495	$ 1,060,508
Dividends received from Sun Ba	$ 405,060	$ 420,540

SEPC

	December 31	
	2018	2017
Current assets	$ 1,506,195	$ 1,330,156
Non-current assets	7,484,100	7,966,273
Current liabilities	(1,472,334)	(2,089,695)
Non-current liabilities	(1,687,727)	(1,433,212)
Equity	5,830,234	5,773,522
Non-controlling interests	-	-
	$ 5,830,234	$ 5,773,522
Proportion of the Group's ownership	40.50%	40.50%
Equity attributable to the Group	$ 2,361,245	$ 2,338,277
Unrealized gain with associates	(85,250)	(90,768)
Carrying amount	$ 2,275,995	$ 2,247,509

	For the Year Ended December 31	
	2018	2017
Operating revenues	$ 5,705,071	$ 5,047,891
Net profit	$ 352,583	$ 334,830
Other comprehensive (loss) income	(4,871)	2,012
Total comprehensive income	$ 347,712	$ 336,842
Dividends received from SEPC	$ 117,855	$ 128,790

SBPC

	December 31	
	2018	2017
Current assets	$ 1,777,085	$ 2,192,564
Non-current assets	9,700,144	9,746,900
Current liabilities	(1,497,392)	(1,569,704)
Non-current liabilities	(4,053,854)	(4,453,176)
Equity	5,925,983	5,916,584
Non-controlling interests	-	-
	$ 5,925,983	$ 5,916,584
Proportion of the Group's ownership	41.27%	41.27%
Equity attributable to the Group	$ 2,445,814	$ 2,441,936
Unrealized gain with associates	(297,823)	(316,953)
Carrying amount	$ 2,147,991	$ 2,124,983

	For the Year Ended December 31	
	2018	2017
Operating revenues	$ 6,914,101	$ 6,037,053
Net profit	$ 405,652	$ 540,334
Other comprehensive (loss) income	(254)	2,931
Total comprehensive income	$ 405,398	$ 543,265
Dividends received from SBPC	$ 163,440	$ 102,150

KKPC

	December 31	
	2018	2017
Current assets	$ 1,091,861	$ 1,051,193
Non-current assets	6,663,290	7,941,343
Current liabilities	(1,695,155)	(1,096,592)
Non-current liabilities	(690,170)	(1,592,996)
Equity	5,369,826	6,302,948
Non-controlling interests	-	-
	$ 5,369,826	$ 6,302,948
Proportion of the Group's ownership	35.00%	35.00%
Equity attributable to the Group	$ 1,879,439	$ 2,206,031
Goodwill	19,304	19,304
Investment premium	126,497	147,151
Carrying amount	$ 2,025,240	$ 2,372,486

	For the Year Ended December 31	
	2018	2017
Operating revenues	$ 4,996,183	$ 4,759,601
Net (loss) profit	$ (558,390)	$ 278,129
Other comprehensive (loss) income	(728)	42
Total comprehensive (loss) income	$ (559,118)	$ 278,171
Dividends received from KKPC	$ 130,901	$ 84,499

On January 30, 2016, SBPC's Star Buck Power Plant experienced an unexpected shutdown when the blades of one turbine were damaged. The turbine resumed normal operation on April 3, 2016. Subsequently, SBPC received the actual insurance claim in May 2017, and recognized $70,829 thousand of gain on insurance claim and reversed $86,045 thousand of payable for repair for the year ended December 31, 2017.

On February 6, 2016, part of the power generating units of Sun Ba's Fong Der Power Plant was damaged due to an earthquake. After repair, there was no significant impact on the operation of the power generating units. Subsequently, Sun Ba received the actual insurance claim in May 2017 and reversed the remaining payable for repair. Thus, Sun Ba recognized $107 thousand of gain on reversal of payable for the year ended December 31, 2017.

On February 20, 2017, SBPC's Star Buck Power Plant experienced an unexpected shutdown when the blades of one turbine were damaged. The turbine resumed normal operation on March 18, 2017. Subsequently in October 2017, the repair expense for the above damaged power generating unit was $2,817 thousand.

On May 14, 2018, Sun Ba's Fong Der Power Plant experienced an unexpected shutdown when the blades of one turbine were damaged. The turbine resumed normal operation on June 17, 2018. The repair expense for the above damaged power generating unit, net of estimated insurance claim, was estimated to be $30,000 thousand.

The Income Tax Act in the Republic of China was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. The effect of the change in income tax rate on TYC's, Sun Ba's, KKPC's, SEPC's, and SBPC's deferred income tax (benefit) expense recognized in profit or loss was $(108) thousand, $143,521 thousand, $68,477 thousand, $60,553 thousand and $69,593 thousand, respectively, and was fully recognized in the year ended December 31, 2018. Thus, for the year ended December 31, 2018, the Group's share of profit or loss of associates accounted for using the equity method decreased by a total of $138,896 thousand.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments for the years ended December 31, 2018 and 2017 were based on the associates' financial statements audited by independent auditors for the same years.

Refer to Note 30 for the carrying amount of investments in associates pledged as collateral for bank borrowings of the Group.

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Net loss	$ (130,967)	$ (6,826)
Other comprehensive income (loss)	99	(70)
Total comprehensive loss	$ (130,868)	$ (6,896)

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments for the years ended December 31, 2018 and 2017 were based on the associates' financial statements audited by independent auditors for the same years.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Property under Construction	Total
Cost								
Balance at January 1, 2018	$ 214,502	$ 78,954	$ 2,000,361	$ 734	$ 64,504	$ 22,567	$ 43,197	$ 2,424,819
Additions	50,135	-	6,620	-	8,080	-	255,676	320,511
Disposals	-	-	(1,011)		(1,928)		(6,381)	(9,320)
Reclassification	-	-	253,916	-	4,564	-	(246,643)	11,837
Balance at December 31, 2018	264,637	78,954	2,259,886	734	75,220	22,567	45,849	2,747,847
Accumulated depreciation and impairment loss								
Balance at January 1, 2018	-	54,884	1,737,333	734	42,033	21,790	-	1,856,774
Depreciation expense	-	1,896	33,815	-	6,828	680	-	43,219
Disposals	-	-	-	-	(1,928)	-	-	(1,928)
Balance at December 31, 2018	-	56,780	1,771,148	734	46,933	22,470	-	1,898,065
Carrying amounts at December 31, 2018	$ 264,637	$ 22,174	$ 488,738	$ -	$ 28,287	$ 97	$ 45,849	$ 849,782
Cost								
Balance at January 1, 2017	$ 214,502	$ 78,954	$ 1,887,664	$ 982	$ 66,249	$ 22,459	$ 389	$ 2,271,199
Additions	-	-	-	-	4,820	108	155,505	160,433
Disposals	-	-	-	(248)	(6,565)	-	-	(6,813)
Reclassification	-	-	112,697	-	-	-	(112,697)	-
Balance at December 31, 2017	214,502	78,954	2,000,361	734	64,504	22,567	43,197	2,424,819
Accumulated depreciation and impairment loss								
Balance at January 1, 2017	-	52,988	1,710,867	917	42,564	21,134	-	1,828,470
Depreciation expense	-	1,896	26,466	31	6,034	656	-	35,083
Disposals	-	-	-	(214)	(6,565)	-	-	(6,779)
Balance at December 31, 2017	-	54,884	1,737,333	734	42,033	21,790	-	1,856,774
Carrying amounts at December 31, 2017	$ 214,502	$ 24,070	$ 263,028	$ -	$ 22,471	$ 777	$ 43,197	$ 568,045

15. INTANGIBLE ASSETS

	December 31	
	2018	2017
Computer software	$ 4,054	$ 1,805
Others	-	7,526
	$ 4,054	$ 9,331

	Computer Software	Others	Total
Cost			
Balance at January 1, 2018	$ 2,212	$ 12,000	$ 14,212
Additions	3,865	-	3,865
Disposals	(42)	-	(42)
Balance at December 31, 2018	6,035	12,000	18,035
Accumulated amortization and impairment loss			
Balance at January 1, 2018	407	4,474	4,881
Amortization	1,616	-	1,616
Impairment loss	-	7,526	7,526
Disposals	(42)	-	(42)
Balance at December 31, 2018	1,981	12,000	13,981
Carrying amounts at December 31, 2018	$ 4,054	$ -	$ 4,054
Cost			
Balance at January 1, 2017	$ 364	$ 12,000	$ 12,364
Additions	2,436	-	2,436
Disposals	(588)	-	(588)
Balance at December 31, 2017	2,212	12,000	14,212
Accumulated amortization and impairment loss			
Balance at January 1, 2017	330	4,213	4,543
Amortization	665	-	665
Impairment loss	-	261	261
Disposals	(588)	-	(588)
Balance at December 31, 2017	407	4,474	4,881
Carrying amounts at December 31, 2017	$ 1,805	$ 7,526	$ 9,331

The recoverable amount of other intangible assets was determined based on a value in use calculation that used the cash flow projections in the future financial budgets assessed by management; the discount rate was 8.25%. Other key assumptions included budgeted revenue and budgeted gross margin. Such assumptions were based on past performance of the cash-generating unit and management's expectations of the market development.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Unsecured borrowings	$ 700,000	$ -

The range of interest rates on the unsecured borrowings was as follows:

	December 31 2018	December 31 2017
Unsecured borrowings	1.06%-1.35%	-

b. Long-term borrowings

	December 31 2018	December 31 2017
Secured borrowings		
Repayable in annual installments through August 2021	$ 390,000	$ 520,000
Repayable in quarterly installments through December 2019	140,000	280,000
Unsecured borrowings		
Repayable in quarterly installments through October 2025	56,980	-
Revolving unsecured borrowings		
Revolving through December 2020	500,000	-
Revolving through July 2020	500,000	-
Revolving through August 2020	495,000	-
Revolving through August 2021	300,000	-
Revolving through March 2020	295,000	-
Revolving through June 2020	150,000	-
Revolving through December 2019	-	500,000
Revolving through June 2019	-	490,000
Revolving through September 2019	-	475,000
Revolving through May 2019	-	430,000
Revolving through July 2019	-	200,000
	2,826,980	2,895,000
Less: Current portion	(273,777)	(270,000)
	$ 2,553,203	$ 2,625,000

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

	December 31 2018	December 31 2017
Secured borrowings	1.50%-1.80%	1.50%-1.80%
Unsecured borrowings	2.00%	-
Revolving unsecured borrowings	0.95%-1.05%	0.95%-0.99%

17. OTHER PAYABLES

	December 31	
	2018	2017
Payable for equipment	$ 52,559	$ 8,564
Payable for employees' compensation and remuneration to directors and supervisors	34,854	32,322
Payable for salaries and bonus	27,501	21,633
Payable for compensated absences	9,793	8,663
Payable for professional fees	4,769	3,708
Others	13,025	10,023
	$ 142,501	$ 84,913

18. PROVISIONS

	December 31	
	2018	2017
Current		
Warranties	$ 41,554	$ 18,582

	For the Year Ended December 31	
	2018	2017
Beginning balance	$ 18,582	$ 17,440
Additions	32,923	14,282
Usage	(9,478)	(5,357)
Reversal	(473)	(7,783)
Ending balance	$ 41,554	$ 18,582

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation, SEC, YYC, TGE, SKE and SPC adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, these companies make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. TCIC currently has no employee; therefore, no pension plan was established.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation and SEC in accordance with the Labor Standards Act are operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of six months before retirement. The Corporation and SEC contribute amounts equal to 6.5% and 3%, respectively, 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 committees' 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.

Before the end of each year, the Group assesses the balance in the pension funds. If the amount of the balance in the pension funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in a one-time appropriation that shall be made before the end of March of the next year.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 218,347	$ 202,105
Fair value of plan assets	(99,826)	(100,438)
Deficit	118,521	101,667
Net defined benefit liabilities	$ 118,521	$ 101,667

Movements in net defined benefit liabilities were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 198,190	$ (98,571)	$ 99,619
Service cost			
Current service cost	4,968	-	4,968
Net interest expense (income)	2,725	(1,378)	1,347
Recognized in profit or loss	7,693	(1,378)	6,315
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	402	402
Actuarial loss - changes in demographic assumptions	2,528	-	2,528
Actuarial loss - changes in financial assumptions	2,826	-	2,826
Actuarial gain - experience adjustments	(5,100)	-	(5,100)
Recognized in other comprehensive income or loss	254	402	656
Contributions from employers	-	(3,132)	(3,132)
Benefits paid	(4,032)	2,241	(1,791)
	(4,032)	(891)	(4,923)
Balance at December 31, 2017	$ 202,105	$ (100,438)	$ 101,667
Balance at January 1, 2018	$ 202,105	$ (100,438)	$ 101,667
Service cost			
Current service cost	4,697	-	4,697
Net interest expense (income)	2,527	(1,276)	1,251
Recognized in profit or loss	7,224	(1,276)	5,948
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,750)	(2,750)
Actuarial loss - changes in demographic assumptions	3,067	-	3,067

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Actuarial loss - changes in financial assumptions	$ 3,097	$ -	$ 3,097
Actuarial loss - experience adjustments	14,299	-	14,299
Recognized in other comprehensive income or loss	20,463	(2,750)	17,713
Contributions from employers	-	(3,609)	(3,609)
Benefits paid	(11,445)	8,247	(3,198)
	(11,445)	4,638	(6,807)
Balance at December 31, 2018	$ 218,347	$ (99,826)	$ 118,521

(Concluded)

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

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 3,182	$ 3,268
Operating expenses	$ 2,766	$ 3,047

Through the defined benefit plans under the Labor Standards Act, 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 shall 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate	1.125%	1.250%
Expected rate of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	$ (6,265)	$ (5,698)
0.25% decrease	$ 6,531	$ 5,940
Expected rate(s) of salary increase		
0.25% increase	$ 6,310	$ 5,741
0.25% decrease	$ (6,088)	$ (5,538)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

An analysis of the average duration of the defined benefit obligation was as follows:

	December 31	
	2018	2017
The expected contributions to the plans for the next year	$ 3,562	$ 3,284
The average duration of the defined benefit obligation	12.37 years	12.31 years

20. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The operating cycle of the Group's construction business is longer than one year; thus, assets and liabilities related to the construction business are classified as either current or non-current based on the operating cycle. The amount expected to be recovered or settled within one year after the reporting period and more than one year after the reporting period for related assets and liabilities were as follows:

December 31, 2018

	Less than One Year	More than One Year	Total
Assets			
Contract assets	$ 1,086,783	$ 175,928	$ 1,262,711
Liabilities			
Contract liabilities	$ 99,362	$ -	$ 99,362
Provisions - warranties	3,322	38,232	41,554
	$ 102,684	$ 38,232	$ 140,916

December 31, 2017

	Less than One Year	More than One Year	Total
Assets			
Amounts due from customers for construction contracts	$ 184,248	$ 36,722	$ 220,970
Liabilities			
Provisions - warranties	$ 3,263	$ 15,319	$ 18,582

21. EQUITY

a. Share capital

	December 31 2018	December 31 2017
Number of shares authorized (in thousands)	800,000	800,000
Share capital authorized	$ 8,000,000	$ 8,000,000
Number of common shares issued and fully paid (in thousands)	589,049	589,049
Common stock issued	$ 5,890,486	$ 5,890,486

A holder of issued common stock with par value of $10 is entitled to vote and to receive dividends.

b. Capital surplus

	December 31 2018	December 31 2017
Issuance of common shares	$ 460,000	$ 460,000
Conversion of bonds	32,494	32,494
Share options	7,200	7,200
	$ 499,694	$ 499,694

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; in addition, when the Corporation has no deficit, such capital surplus may be transferred to share capital or distributed in cash. Capitalization of such capital surplus is limited to once a year and a certain prescribed percentage of the Corporation's paid-in capital.

The capital surplus generated from share options may not be used for any purpose except for offsetting a deficit.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Corporation's current Articles of Incorporation (the "Articles"), where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's Board of Directors as the basis for proposing a distribution plan where not less than 70% of distributable retained earnings shall be distributed; the plan should be resolved in the stockholders' meeting for distribution of dividends to stockholders. For the policies on distribution of the employees' compensation and remuneration to directors and supervisors, please refer to Note 23.f.

The Corporation shall adopt 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.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2017 and 2016 which had been resolved in the stockholders' meeting on June 20, 2018 and June 21, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2017	2016	2017	2016
Legal reserve	$ 97,187	$ 94,897		
Special reserve	66,635	184,704		
Cash dividends	765,763	706,858	$ 1.3	$ 1.2

The special reserve in the appropriations of earnings for 2017 and 2016 was set aside according to the Company Act.

The appropriations of earnings for 2018 had been proposed by the Corporation's Board of Directors on March 26, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 67,229	
Special reserve	4,233	
Reversal of special reserve	(257,658)	
Cash dividends	883,573	$ 1.5

The appropriations of earnings for 2018 are subject to the resolution in the stockholders' meeting to be held on June 20, 2019.

22. REVENUES

	For the Year Ended December 31 2018	2017
Revenues from contracts with customers		
Sales		
Sales of electricity	$ 762,814	$ 630,079
Sales of steam	292,810	218,358
Others	3,968	778
	1,059,592	849,215
Research, consulting and construction services		
Construction service	2,647,702	274,265
Consulting service	106,980	85,934
	2,754,682	360,199
	$ 3,814,274	$ 1,209,414

For the year ended December 31, 2018, the construction service revenue recognized in accordance with IFRS 15 was $2,648,749 thousand; the construction service cost recognized was $2,539,112 thousand.

For the year ended December 31, 2017, the construction service revenue recognized in accordance with IAS 11 was $262,326 thousand; the construction service cost recognized was $247,176 thousand.

a. Contract balances

	December 31, 2018
Notes receivable	$ 779
Accounts receivable (including related parties)	$ 367,800
Contract assets	
Construction contracts	$ 1,262,711
Contract liabilities	
Construction contracts	$ 99,362

The changes in the contract asset and the contract liability balances primarily resulted from the timing difference between the Group's performance and the customer's payment.

b. Refer to Note 34 for information about disaggregation of revenues from contracts with customers.

23. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 9,824	$ 3,968
Dividend income	8,000	8,000
Others	8,730	7,987
	$ 26,554	$ 19,955

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Foreign exchange gain	$ 31,271	$ 5,962
Foreign exchange loss	(17,791)	(20,901)
Impairment loss	(7,526)	(261)
Loss on disposal of property, plant and equipment	-	(34)
Others	(555)	(1,200)
	$ 5,399	$ (16,434)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest expense	$ 33,428	$ 34,276
Others	124	86
	$ 33,552	$ 34,362

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 887	$ -
Capitalized rate	0.80%-1.35%	-

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 43,219	$ 35,083
Intangible assets	1,616	665
	$ 44,835	$ 35,748
An analysis of depreciation by function		
Operating costs	$ 41,182	$ 33,227
Operating expenses	2,037	1,856
	$ 43,219	$ 35,083
An analysis of amortization by function		
Operating costs	$ 283	$ 212
Operating expenses	1,333	453
	$ 1,616	$ 665

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plans	$ 7,309	$ 5,563
Defined benefit plans	5,948	6,315
	13,257	11,878
Short-term benefits	285,288	236,273
Total employee benefits expense	$ 298,545	$ 248,151
An analysis of employee benefits expense by function		
Operating costs	$ 164,230	$ 119,404
Operating expenses	134,315	128,747
	$ 298,545	$ 248,151
Short-term benefits		
Wages and salaries	$ 255,945	$ 213,766
Labor and health insurance	16,344	13,678
Other employee benefits	12,999	8,829
	$ 285,288	$ 236,273

f. Employees' compensation and remuneration to directors and supervisors

The distribution of employees' compensation and remuneration to directors and supervisors is set aside at the rates not less than 0.5% and not higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration to directors and supervisors. The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2018, 2017 and 2016 which had been resolved by the Corporation's Board of Directors on March 26, 2019, March 23, 2018 and March 23, 2017, respectively, were as follows:

	For the Year Ended December 31		
	2018	2017	2016
Employees' compensation in cash	$ 25,755	$ 24,242	$ 20,081
Remuneration to directors and supervisors in cash	7,393	8,080	6,694

There was no difference between the above resolved amounts and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2018, 2017 and 2016.

If there is a change in the proposed amount after the annual consolidated financial statements were authorized for issue, the difference is recorded as a change in accounting estimate.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's Board of Directors in 2019, 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAX

a. Major components of income tax recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current income tax		
In respect of the current year	$ 30,925	$ 8,950
Income tax on undistributed earnings	11,043	12,904
Adjustments for prior years' tax	-	22
	41,968	21,876
Deferred income tax		
In respect of the current year	(19,616)	(1,401)
Adjustments to deferred income tax attributable to the changes in tax rates and laws	(15,048)	-
	(34,664)	(1,401)
Income tax expense recognized in profit or loss	$ 7,304	$ 20,475

A reconciliation of profit before income tax and income tax expense was as follows:

	For the Year Ended December 31	
	2018	2017
Profit before income tax	$ 676,168	$ 987,542
Income tax expense calculated at the statutory rate	$ 135,233	$ 167,882
Non-taxable income and non-deductible expenses in determining taxable income	(111,949)	(159,198)
Changes in unrecognized loss carryforwards and deductible temporary differences	(11,975)	(1,135)
Income tax on undistributed earnings	11,043	12,904
Adjustments to deferred income tax attributable to the changes in tax rates and laws	(15,048)	-
Adjustments for prior years' tax	-	22
Income tax expense recognized in profit or loss	$ 7,304	$ 20,475

The applicable corporate income tax rate used by the Group entities in the Republic of China for the year ended December 31, 2017 was 17%. The Income Tax Act in the Republic of China was amended in February 2018 and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings was reduced from 10% to 5%.

b. Major components of income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred income tax		
Adjustments to deferred income tax attributable to the changes in tax rates and laws	$ (804)	$ -
In respect of the current year		
Remeasurement of defined benefit plans	(2,847)	(365)
	$ (3,651)	$ (365)

c. Current income tax assets and liabilities

	December 31	
	2018	2017
Current income tax assets		
Income tax refund receivable (included in other receivables)	$ 299	$ 132
Current income tax liabilities		
Income tax payable	$ 36,947	$ 16,125

d. Movements of deferred income tax assets and liabilities

For the year ended December 31, 2018

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred income tax assets				
Loss carryforwards	$ -	$ 26,563	$ -	$ 26,563
Temporary differences				
Unrealized gain on transactions with associates	71,955	6,825	-	78,780
Investment loss recognized on overseas investments using the equity method	5,735	755	-	6,490
Defined benefit obligation	11,611	1,022	3,651	16,284
Allowance for loss on inventories	85	(81)	-	4
Others	440	(420)	-	20
	$ 89,826	$ 34,664	$ 3,651	$128,141

For the year ended December 31, 2017

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred income tax assets				
Temporary differences				
Unrealized gain on transactions with associates	$ 76,948	$ (4,993)	$ -	$ 71,955
Investment loss recognized on overseas investments using the equity method	-	5,735	-	5,735
Defined benefit obligation	11,092	154	365	11,611
Allowance for loss on inventories	157	(72)	-	85
Others	-	440	-	440
	$ 88,197	$ 1,264	$ 365	$ 89,826

(Continued)

Deferred income tax liabilities	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Temporary differences				
Others	$ 137	$ (137)	$ -	$ -

(Concluded)

e. Deductible temporary differences and unused loss carryforwards for which no deferred income tax assets have been recognized in the consolidated balance sheets

	December 31	
	2018	2017
Deductible temporary differences	$ 543,834	$ 416,470
Loss carryforwards		
SEC	$ 242,615	$ 496,633
YYC	$ 16,812	$ 9,810
TGE	$ 96	$ -

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

	Unused Amount
SEC	
Expire in 2022	$ 20,281
Expire in 2023	320,876
Expire in 2024	28,832
	$ 369,989
YYC	
Expire in 2027	$ 9,810
Expire in 2028	7,002
	$ 16,812
TGE	
Expire in 2028	$ 96
SKE	
Expire in 2028	$ 249
SPC	
Expire in 2028	$ 5,191

g. Income tax assessments

The income tax returns of the Corporation through 2016 have been assessed by the tax authorities. The income tax returns of SEC through 2017 have been assessed by the tax authorities. Under the local income tax law, TCIC is not obligated to pay income tax.

25. EARNINGS PER SHARE

	For the Year Ended December 31	
	2018	2017
Basic earnings per share (NT$)	$ 1.14	$ 1.65
Diluted earnings per share (NT$)	$ 1.14	$ 1.65

The earnings and weighted average number of common shares outstanding in the computation of earnings per share were as follows:

Net profit

	For the Year Ended December 31	
	2018	2017
Earnings used in the computation of basic earnings per share	$ 672,295	$ 971,874
Effect of potentially dilutive common shares		
Employees' compensation of the Corporation	-	-
Earnings used in the computation of diluted earnings per share	$ 672,295	$ 971,874

Weighted average number of common shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of common shares used in the computation of basic earnings per share	589,049	589,049
Effect of potentially dilutive common shares		
Employees' compensation of the Corporation	1,311	1,156
Weighted average number of common shares used in the computation of diluted earnings per share	590,360	590,205

Since the Corporation offered to settle employees' compensation paid in cash or shares, the Corporation assumed the entire amount of the compensation 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, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. NON-CASH TRANSACTIONS

For the years ended December 31, 2018 and 2017, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

	For the Year Ended December 31	
	2018	**2017**
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	$ 320,511	$ 160,433
Change in payable for equipment	(43,995)	4,054
Cash payments	$ 276,516	$ 164,487

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 stockholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged within recent 5 years.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising common stock, capital surplus, 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 stockholders, the number of new shares issued, 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 amounts of the financial assets and financial liabilities not carried at fair value are approximately at their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted securities	$ -	$ -	$ 247,000	$ 247,000

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Equity securities				
Domestic unlisted securities	$ -	$ -	$ 225,800	$ 225,800

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

For the year ended December 31, 2018

	Financial Assets at FVTOCI - Equity Investments
Beginning balance (IAS 39)	$ -
Effect of retrospective application of IFRS 9	225,800
Beginning balance (IFRS 9)	225,800
Recognized in other comprehensive income	21,200
Ending balance	$ 247,000

For the year ended December 31, 2017

	Available-for-sale Unquoted Equity Instruments
Beginning balance	$ 295,200
Recognized in other comprehensive loss	(69,400)
Ending balance	$ 225,800

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

The fair value of domestic unlisted equity securities was determined using the 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 the investee. 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 increases in fair value.

	December 31	
	2018	2017
Long-term revenue growth rates	0%-2.51%	0%-2.46%
Long-term pre-tax operating margin	39.34%-41.51%	37.87%-40.56%
WACC	8.72%	8.73%
Discount for lack of marketability	14.89%	13.35%

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 equity investments would increase (decrease) as follows:

	December 31	
	2018	2017
Long-term revenue growth rates		
1% increase	$ 29,000	$ 29,400
1% decrease	$ (28,000)	$ (28,400)
WACC		
0.5% increase	$ (30,000)	$ (30,000)
0.5% decrease	$ 35,600	$ 35,800

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (Note 1)	$ -	$ 1,067,666
Financial assets measured at amortized cost (Note 1)	1,519,786	-
Financial assets at FVTOCI	247,000	-
Available-for-sale financial assets	-	225,800
Financial liabilities		
Measured at amortized cost (Note 2)	4,512,724	3,167,069

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, notes payable, accounts payable, construction costs payable, other payables, guarantee deposits received and long-term borrowings. However, short-term employee benefits payable was not included.

d. Financial risk management objectives and policies

The Group's financial risk management objectives are to manage the market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk with respect to the Group's operations. To lower the financial risks, the Group seeks to identify, evaluate, and avoid market uncertainty, to minimize the potential unfavorable impact on the Group due to market volatility.

The Group's important financial activities are reviewed by the Board of Directors in accordance with related regulations and internal control systems. The Group shall follow the overall guideline for financial risk management and segregation of duties with respect to financial operating procedures.

1) Market risk

a) Foreign currency risk

Refer to Note 32 for the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in non-functional foreign currencies (including those eliminated on consolidated financial statements).

Sensitivity analysis

The sensitivity analysis was prepared to reflect the Group's exposure to monetary items denominated in U.S. dollars at the balance sheet date. If the New Taiwan dollar strengthens 1% against the U.S. dollar, the Group's profit before income tax for the years ended December 31, 2018 and 2017 would have decreased by $850 thousand and $3,963 thousand, respectively. If the New Taiwan dollar weakens 1% against the U.S. dollar, there would be an equal and opposite impact on the profit before income tax.

b) Interest rate risk

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 310,791	$ 202,394
Cash flow interest rate risk		
Financial assets	812,418	657,792
Financial liabilities	3,526,980	2,895,000

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. For floating rate liabilities, the analysis was prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease in interest rates 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.

As of December 31, 2018 and 2017, the borrowings with floating interest rates of the Group amounted to $3,526,980 thousand and $2,895,000 thousand, respectively. If interest rates had been 1% higher and all other variables were held constant, the Group's profit before income tax for the years ended December 31, 2018 and 2017 would have decreased by $35,270 thousand and $28,950 thousand, respectively.

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 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 maintaining adequate cash in banks and banking facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2018, the available unutilized bank loan facilities were $3,645,400 thousand. As of December 31, 2017, the available unutilized bank loan facilities were $4,069,400 thousand and US$6,000 thousand.

The following tables detailed the Group's remaining contractual maturities of 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.

December 31, 2018

	Within One Year	2 to 3 Years	4 to 5 Years	5+ Years	Total
Short-term borrowings	$ 700,000	$ -	$ -	$ -	$ 700,000
Non-interest bearing liabilities	983,316	472	1,956	-	985,744
Long-term borrowings	273,777	2,506,819	5,945	40,439	2,826,980
	$ 1,957,093	$ 2,507,291	$ 7,901	$ 40,439	$ 4,512,724

December 31, 2017

	Within One Year	2 to 3 Years	4 to 5 Years	5+ Years	Total
Non-interest bearing liabilities	$ 271,264	$ 333	$ 472	$ -	$ 272,069
Long-term borrowings	270,000	2,495,000	130,000	-	2,895,000
	$ 541,264	$ 2,495,333	$ 130,472	$ -	$ 3,167,069

29. RELATED PARTY TRANSACTIONS

Besides as disclosed elsewhere in the other notes, details of significant transactions between the Group and related parties were disclosed below:

a. Related parties and relationships

Related Party	Relationship with the Group
TPC	An investor with significant influence over the Group
TYC	An associate
Sun Ba	An associate
SEPC	An associate
KKPC	An associate
SBPC	An associate
Shinlee Product Inc. ("Shinlee")	An associate

b. Operating transactions

Line Item	Related Party Category/Name	For the Year Ended December 31 2018	2017
Sales	Investors with significant influence over the Group		
	TPC	$ 476,724	$ 356,564
Research, consulting and construction service revenue	Investors with significant influence over the Group		
	TPC	$ 144,508	$ 230,579
	Associates		
	TYC	105,857	841
	Others	27,779	35,326
		133,636	36,167
		$ 278,144	$ 266,746
Cost of sales	Investors with significant influence over the Group		
	TPC	$ 32,500	$ 38,524
Research, consulting and construction service cost	Investors with significant influence over the Group		
	TPC	$ 496	$ -

The above transactions with related parties were negotiated based on each contract.

c. Non-operating transactions

Line Item	Related Party Category/Name	For the Year Ended December 31 2018	2017
Other income	Associates		
	TYC	$ 2,160	$ 2,160
	SBPC	1,754	1,580
	Sun Ba	1,689	1,442
	KKPC	1,341	733
	SEPC	1,163	1,579
		$ 8,107	$ 7,494

The above transactions with related parties were negotiated based on each contract.

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31 2018	2017
Notes receivable from related parties	Associates		
	SEPC	$ 779	$ 685

(Continued)

Line Item	Related Party Category/Name	December 31 2018	December 31 2017
Accounts receivable from related parties	Investors with significant influence over the Group		
	TPC	$ 49,995	$ 79,481
	Associates		
	Sun Ba	3,003	10,794
	Others	7,519	7,384
		10,522	18,178
		$ 60,517	$ 97,659
Amounts due from related parties for construction contracts	Investors with significant influence over the Group		
	TPC	$ -	$ 184,509

(Concluded)

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized on receivables from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31 2018	December 31 2017
Accounts payable to related parties	Investors with significant influence over the Group		
	TPC	$ 1,158	$ 1,158

The outstanding payables to related parties were unsecured.

f. Contract assets

Related Party Category/Name	December 31, 2018
Investors with significant influence over the Group	
TPC	$ 146,718
Associates	
Other	504
	$ 147,222

g. Contract liabilities

Related Party Category/Name	December 31, 2018
Investors with significant influence over the Group	
TPC	$ 59,814
Associates	
TYC	39,548
	$ 99,362

h. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 42,897	$ 39,448
Post-employment benefits	1,926	1,324
	$ 44,823	$ 40,772

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

30. ASSETS PLEDGED

The following assets had been pledged as collateral for long-term borrowings, contract performance and establishment of a branch office:

	December 31	
	2018	2017
Investments accounted for using the equity method	$ 3,011,021	$ 3,352,783
Time deposits (recorded as other financial assets)	30,000	30,000
Government bonds (recorded as other financial assets)	64	66
	$ 3,041,085	$ 3,382,849

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

	December 31	
	2018	2017
Government bonds	4.250%	2.125%-2.755%
Time deposits	0.13%	0.13%

31. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Group as of December 31, 2018 were as follows:

a. Commitments for construction projects undertaken were approximately $2,830,204 thousand.

b. Commitments for construction expenditure and purchase of equipment were approximately $2,963,272 thousand.

c. Under a Coal Purchase Agreement, the Group shall purchase 30 thousand tons of coal based on an agreed price.

d. Under operating lease agreements for office premises, vehicles and land for solar generators, the Group's future minimum rental payments are as follows:

Year	Amount
2019	$ 36,533
2020	12,290
2021	7,389
2022	3,140
2023	3,140
Later than 2023	44,569

Except for the above, the Group has entered into leases of solar power generation business for business expansion. The rental payments are calculated at an agreed ratio of sales of electricity generated pursuant to the power purchase agreements the Group entered into with TPC.

e. On March 15, 2013, the FTC fined Sun Ba, SEPC, SBPC, and KKPC $530 million, $430 million, $130 million and $410 million, respectively, for violation of the Fair Trade Act ("Original FTC's Ruling"). After evaluation of the legal analyses made by engaged attorneys regarding the Original FTC's Ruling, these corporations believed they and other IPPs are not competitors but, even if they are not competitors, they did not jointly refuse to lower the power purchase electricity rates and affect the power supply and demand in the market ("Concerted Action"). These corporations appealed the Original FTC's Ruling to the Petitions and Appeals Committee of the Executive Yuan ("PACEY") to protect their own benefits. On September 12, 2013, the PACEY made a decision to revoke the fine mentioned above and ordered FTC to review and reconsider the case according to applicable laws; the other matters of the appeals were dismissed.

   1) On November 5, 2013, the FTC ruled an amended fine of $500 million, $400 million, $100 million and $380 million, respectively, against Sun Ba, SEPC, SBPC, and KKPC ("Second FTC's Ruling"). These corporations made appeals for revocation of the amended fine. On May 9, 2014, the PACEY made a decision on the administrative appeals of these corporations, revoked the Second FTC's Ruling, and requested FTC to reconsider the fine according to applicable laws within two months. On July 9, 2014, the FTC ruled an amended fine of $489 million, $392 million, $100 million and $371 million, respectively, against Sun Ba, SEPC, SBPC, and KKPC ("Third FTC's Ruling"). These corporations appealed the Third FTC's Ruling to PACEY for revocation of the amended fine. In December 2014, PACEY notified these corporations that the proceedings for the appeal were postponed and the appeal is subject to the ruling to be made by the Supreme Administrative Court.

   2) These corporations petitioned to the Taipei High Administrative Court for revocation of the Original FTC's Ruling and the decision made by the PACEY regarding Concerted Action. On October 29, 2014, the Taipei High Administrative Court revoked the Original FTC's Ruling and revoked the decision made by the PACEY on September 12, 2013 regarding Concerted Action. On November 27, 2014, the FTC appealed the case to the Supreme Administrative Court. In June 2015, the Supreme Administrative Court recognized that there are questionable points in the case that need clarification and the original ruling of the Taipei High Administrative Court was not supported with clear evidence. The Supreme Administrative Court revoked the original ruling and requested the Taipei High Administrative Court to reconsider the ruling according to applicable laws. On May 25, 2017, the Taipei High Administrative Court revoked the FTC's Ruling with respect to the above alleged concerted action. On June 22, 2017, the FTC appealed the case to the Supreme Administrative Court. On August 23 and September 6, 2018, respectively, the Supreme Administrative Court revoked the original ruling and requested the Taipei High Administrative Court to reconsider the ruling according to applicable laws.

f. As TPC concluded that IPPs violated the Fair Trade Act with Concerted Action and caused a loss to TPC, in September 2015, TPC filed administrative proceedings in Taipei High Administrative Court and filed a civil action in Taipei District Court to claim compensation for the loss. As of December 31, 2018, the administrative proceedings and civil action in progress were as follows:

   1) TPC filed administrative proceedings in the Taipei High Administrative Court to claim compensation in the amount of $4,400 million, $2,500 million, $200 million, and $2,400 million against Sun Ba, SEPC, SBPC, and KKPC, respectively. Subsequently, TPC filed an expanded appeal to claim additional compensation against these corporations. The total claim for compensation against Sun Ba, SEPC, SBPC and KKPC was $8,660 million, $4,990 million, $623 million and $4,890 million, respectively. Afterwards, the Taipei High Administrative Court considered these cases as private disputes and transferred these cases to Taipei District Court. TPC appealed the ruling to the Supreme Administrative Court. However, the Supreme Administrative Court ruled to dismiss TPC's appeal. These cases had been transferred to Taipei District Court accordingly. On August 9 and September 5, 2018, respectively, Taipei District Court ruled to postpone these cases until the administrative proceedings between SEPC and FTC as well as KKPC and FTC in the Taiwan High Administrative Court with respect to the alleged concerted action are concluded.

   2) TPC filed a civil action in Taipei District Court to claim $4,257 million, $2,489 million, $307 million, and $2,490 million against Sun Ba, SEPC, SBPC, and KKPC, respectively. On February 8, 2018, the Taipei District Court ruled to dismiss TPC's civil action against SBPC. On March 5, 2018, TPC appealed this case to the Taiwan High Court. Afterwards, on June 14, 2018, the Taiwan High Court ruled to postpone this case until the administrative proceedings between SBPC and FTC in the Supreme Administrative Court with respect to the alleged concerted action are concluded. On June 19, 2018, the Taipei District Court ruled to dismiss TPC's civil action against Sun Ba, SEPC and KKPC. On July 13, 2018, TPC appealed this case to the Taiwan High Court.

   These corporations have engaged attorneys for the above claims. Whether these corporations are liable for the damages or not depends on the result of the judgement by the court.

g. YYC has entered into an investment agreement "Yilan Cingshuei Geothermal Power Generation Build, Reconstruction, Operation, and Transfer ("BOT+ROT")" with Yilan County Government in July 2017, which is effective for a period of 20 years starting from the commencement date of commercial operation of the power generating unit of the operating company that YYC will establish. Under the agreement, YYC paid $30,000 thousand as contract performance guarantee. As of December 31, 2018, the operating company was not yet established.

h. On November 6, 2018, the Corporation entered into an Engineering, Procurement and Construction Turnkey Contract about onshore export cable, cable culvert and onshore substation in offshore wind farms with Orsted Taiwan Limited. The contract amounted to $6,418,800 thousand plus EUR24,732 thousand. However, as of March 26, 2019, the project was suspended and would continue after the Corporation has obtained a construction permit.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by foreign currencies other than the 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:

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 4,898	30.715	$ 150,456
Non-monetary items			
Investments accounted for using the equity method			
PHP	489,029	0.5826	$ 284,890
Foreign currency liabilities			
Monetary items			
USD	2,129	30.715	$ 65,388

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 15,362	29.76	$ 457,185
Non-monetary items			
Investments accounted for using the equity method			
PHP	714,218	0.5961	$ 425,758
Foreign currency liabilities			
Monetary items			
USD	2,045	29.76	$ 60,856

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	30.149 (USD:NTD)	$ 13,394	30.432 (USD:NTD)	$ (15,962)

33. SEPARATELY DISCLOSED ITEMS

Except for those disclosed in the attached Tables 1 to 5, there were no other significant transactions, information on investees, information on investments in mainland China and the business relationships between the parent and subsidiaries and significant transactions between and among them that were required for disclosure.

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose 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")
- Segment of research, consulting and construction services ("RCC")

a. Segment revenues and results

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

	For the Year Ended December 31, 2018		
	GCP	RCC	Total
Revenues from customers	$ 1,018,622	$ 2,795,652	$ 3,814,274
Segment profit	$ 279,133	$ 120,722	$ 399,855
Unallocated operating expenses			(136,992)
Interest income			9,824
Interest expense			(33,428)
Share of profit of associates accounted for using the equity method			414,973
Other non-operating income and expenses			21,936
Profit before income tax			$ 676,168
Depreciation	$ 25,764	$ 15,870	
Amortization	$ 283	$ 230	

	For the Year Ended December 31, 2017		
	GCP	RCC	Total
Revenues from customers	$ 837,794	$ 371,620	$ 1,209,414
Segment profit	$ 177,259	$ 54,795	$ 232,054
Unallocated operating expenses			(132,791)
Interest income			3,968
Interest expense			(34,276)
Share of profit of associates accounted for using the equity method			919,120
Other non-operating income and expenses			(533)
Profit before income tax			$ 987,542

(Continued)

	For the Year Ended December 31, 2017		
	GCP	RCC	Total
Depreciation	$ 28,718	$ 4,814	
Amortization	$ 212	$ 271	

(Concluded)

Segment revenues reported above represented revenues generated from external customers. Segment profit represented the profit before income tax earned by each segment without allocation of part of operating expenses, share of profit or loss of associates accounted for using the equity method, interest income, interest expense, and part of other non-operating income and expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

	December 31	
	2018	2017
Segment assets		
GCP	$ 519,508	$ 505,033
RCC	2,045,653	488,125
Total segment assets	2,565,161	993,158
Unallocated assets		
Investments accounted for using the equity method	12,545,053	12,986,682
Others	1,651,052	1,271,474
Consolidated total assets	$ 16,761,266	$ 15,251,314
Segment liabilities		
GCP	$ 95,667	$ 74,296
RCC	1,746,284	177,836
Total segment liabilities	1,841,951	252,132
Unallocated liabilities	3,048,749	3,120,962
Consolidated total liabilities	$ 4,890,700	$ 3,373,094

c. Geographical information

The Group's revenues for the years ended December 31, 2018 and 2017 were all generated domestically; therefore, there is no geographical information for the Group.

d. Information about major customers

Single customers that contributed 10% or more to the Group's revenues were as follows:

	For the Year Ended December 31	
	2018	2017
Sales and research, consulting and construction service revenue from TPC	$ 621,232	$ 587,143
Research, consulting and construction service revenue from customer A	2,120,933	-
Sales from customer B	243,597	182,158
Sales from customer C	185,537	175,329

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Provided to Each Guaranteed Party	Maximum Balance for the Period (Note 7)	Ending Balance (Note 7)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties (Note 7)	Ratio of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Corporation	TCIC	b	$ 2,932,951 (Note 3)	$ 200,000	$ -	$ -	$ -	-	$ 4,692,722 (Note 4)	Y	N	N
1	TCIC	Redondo Peninsula Energy, Inc.	f	1,438,024 (Note 5)	1,243,000	1,243,000	-	580,000	346%	1,797,530 (Note 6)	N	N	N

Note 1: The Corporation and its investees are numbered as follows:

a. "0" for the Corporation.
b. Investees are numbered from "1".

Note 2: There are seven types of relationships between endorser/guarantor and endorsee/guarantee and should be disclosed as one of the following:

a. A company with which business is done.
b. A company in which the Corporation directly and indirectly holds more than 50% of the voting shares.
c. A company that directly and indirectly holds more than 50% of the voting shares in the Corporation.
d. Between companies in which the Corporation directly and indirectly holds more than 90% of the voting shares.
e. The Corporation fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
f. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
g. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 3: Limit on endorsement/guarantee provided by the Corporation to each subsidiary was up to $2,932,951 thousand, which was calculated at 25% of the Corporation's net worth in the current financial statements. ($11,731,804 thousand (net worth as of December 31, 2018) *25%)

Note 4: Limit on total amount of endorsement/guarantee provided by the Corporation and subsidiaries to entities was up to $4,692,722 thousand, which was calculated at 40% of the Corporation's net worth in the current financial statements. ($11,731,804 thousand (net worth as of December 31, 2018) *40%)

Note 5: Limit on endorsement/guarantee provided by TCIC to an entity was up to $1,438,024 thousand, which was calculated at 400% of TCIC's net worth in the current financial statements. ($359,506 thousand (net worth as of December 31, 2018) *400%)

Note 6: Limit on total amount of endorsement/guarantee provided by TCIC was up to $1,797,530 thousand, which was calculated at 500% of TCIC's net worth in the current financial statements. ($359,506 thousand (net worth as of December 31, 2018) *500%)

Note 7: Maximum balance for the period, ending balance and amount of endorsement/guarantee collateralized by properties represent the amount of facilities, but not actually drawn. The amount actually drawn was $0 as of December 31, 2018.

TABLE 2

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	December 31, 2018				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	Stock KADC	N/A	Financial assets at fair value through other comprehensive income	20,000	$ 247,000	8.00	$ 247,000	

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	TPC	A director of the Corporation	Sales (Note 1)	$ 436,155	11	Receivables are collected within 30 days after billing dates under agreements	-	-	$ 24,540	7	
SEC	TPC	A director of parent company	Sales (Note 2)	185,077	5	Receivables are collected within 30 days after billing dates under agreements	-	-	25,455	7	
	TYC	An investee of the Corporation accounted for using the equity method	Sales (Note 3)	105,857	3	Receivables are collected within 30 days after billing dates under agreements	-	-	2,400	1	

Note 1: Sales of electricity.

Note 2: Sales of electricity and revenues from research, consulting and construction services.

Note 3: Revenues from research, consulting and construction services.

TABLE 4

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	Balance as of December 31, 2018 Shares (In Thousands)	Balance as of December 31, 2018 %	Balance as of December 31, 2018 Carrying Amount	Net Profit (Loss) of the Investee	Share of Profit (Loss)	Note
The Corporation	SEC	Taipei City	Undertaking and installing of power and water resources engineering projects	$ 1,220,020	$ 1,220,020	63,000	100.00	$ 731,965	$ 114,165	$ 115,995 (Note 2)	A subsidiary (Note 3)
	TCIC	British Virgin Islands	Investment in foreign countries and international trading	685,374	685,374	22,260	100.00	359,506	(124,655)	(124,655)	A subsidiary (Note 3)
	YYC	Yilan County	Investment in geothermal power plant	153,000	25,500	15,300	51.00	144,425	(7,003)	(3,572)	A subsidiary (Note 3)
	TGE	Taipei City	Investment in green power plant	85,000	-	8,500	100.00	84,705	(295)	(295)	A subsidiary (Note 3)
	TYC	Taoyuan City	Cogeneration plants, management of operations, maintenance of equipment	214,240	214,240	34,127	29.31	514,758	138,556	40,612	An investee of the Corporation accounted for using the equity method
	Sun Ba	Tainan City	Power generation	3,073,500	3,073,500	258,000	43.00	5,290,524	956,278	411,199	An investee of the Corporation accounted for using the equity method
	KKPC	Taoyuan City	Power generation	1,775,426	1,775,426	114,730	35.00	2,025,240	(558,390)	(216,090) (Note 1)	An investee of the Corporation accounted for using the equity method
	SEPC	Changhua County	Power generation	1,272,500	1,272,500	121,500	40.50	2,275,995	352,583	142,796	An investee of the Corporation accounted for using the equity method
	SBPC	Taipei City	Power generation	1,409,130	1,409,130	136,200	41.27	2,147,991	405,652	167,423	An investee of the Corporation accounted for using the equity method
SEC	SPC	Changhua County	Power generation	20,000	-	2,000	100.00	15,847	(4,153)	(4,153)	A subsidiary (Note 3)
	Shinlee	Taipei City	Construction service and international trading	16,500	16,500	1,650	41.25	5,655	(6,651)	(2,744)	An investee of the Corporation's subsidiary accounted for using the equity method
TCIC	Redondo Peninsula Energy, Inc.	Philippines	Power generation	573,165	573,165	8,446	25.00	284,890	(512,892)	(128,223)	An investee of the Corporation's subsidiary accounted for using the equity method
TGE	SKE	Hsinchu County	Power generation	38,000	-		100.00	37,801	(199)	(199)	A subsidiary (Note 3)

Note 1: Including share of loss of $(195,436) thousand and amortization of investment premium of $(20,654) thousand.

Note 2: Including share of profit of $114,165 thousand and realized gain on research, consulting and construction services of $1,830 thousand.

Note 3: The amount was eliminated upon consolidation.

TABLE 5

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statements Item	Amount (Note 4)	Payment Terms (Note 5)	% of Consolidated Operating Revenues or Total Assets (Note 3)
0	The Corporation	SEC	a	Research, consulting and construction service revenue	$ 12,049	-	-
		SEC	a	Operating expenses	527	-	-
		SEC	a	Other income	917	-	-
		SEC	a	Accounts receivable from related parties	3,114	-	-
		YYC	a	Research, consulting and construction service revenue	480	-	-
		YYC	a	Accounts receivable from related parties	40	-	-
1	SEC	SPC	c	Other income	4,511	-	-
		SPC	c	Other receivables from related parties	5,111	-	-

Note 1: Significant transactions between the Corporation and its subsidiaries or among subsidiaries are numbered as follows:

a. “0” for the Corporation.
b. The subsidiaries are numbered consecutively beginning from “1” in the order presented in the table above.

Note 2: Related party transactions are divided into three categories as follows:

a. The Corporation to subsidiaries.
b. Subsidiaries to the Corporation.
c. Subsidiaries to subsidiaries.

Note 3: For assets and liabilities, amount is shown as a percentage of consolidated total assets as of December 31, 2018, while revenues, costs and expenses are shown as a percentage of consolidated revenues for the year ended December 31, 2018.

Note 4: The amount was eliminated upon consolidation.

Note 5: Payment terms were negotiated based on each contract.

5. Individual financial statements of the previous year certified by CPA

Taiwan Cogeneration Corporation

Separate Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors’ Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Taiwan Cogeneration Corporation

Opinion

We have audited the accompanying separate financial statements of Taiwan Cogeneration Corporation (the "Corporation"), which comprise the separate balance sheets as of December 31, 2018 and 2017 and the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

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

Basis of Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of 2018 separate financial statements are as follows:

Fair Trade Commission ("FTC") Ruling, Appeal by Associates and Litigation against Associates

Refer to Note 26.d. and e. for details of the FTC ruling, appeal by associates and litigation against associates; Note 4 for the accounting policy on provisions; and Note 5.a. for critical accounting judgments and key sources of estimation uncertainty.

The FTC concluded that the Corporation's associates, Sun Ba Power Corporation, Star Energy Power Corporation, Star Buck Power Corporation, and Kuo Kuang Power Company Ltd., had violated the Fair Trade Act by jointly refusing to lower power purchase electricity rates. The FTC levied fines against these companies and the companies filed an appeal against the fines. As of December 31, 2018, the total levied fines amounted to NT$1,352 million.

Taiwan Power Company ("TPC") concluded it suffered losses due to such violations of the Fair Trade Act and filed administrative proceedings and a civil action against these associates. As of December 31, 2018, the claims on the administrative proceedings and civil action in progress against these associates amounted to NT$19,163 million and NT$9,543 million, respectively.

After evaluation of the legal analyses made by engaged attorneys, these associates believed they neither violated the Fair Trade Act, nor caused a loss to TPC. Therefore, provisions for the above rulings and litigations were not recognized, and the Corporation's investments in these associates and share of profit or loss of these associates accounted for using the equity method were not affected. These associates have engaged attorneys for the appeal, administrative proceedings and civil action. As the above claims, appeal and litigation are still pending, and the amounts of the fines and claims are material to the Corporation's separate financial statements, and the outcome of these cases may be affected by changes in the circumstances and the provisions involve the application of critical accounting judgments by the management, the FTC ruling, appeal by associates and litigation against the associates are considered key audit matters.

In our audit, we obtained copies of the ruling decision letter and appeal letter for the above cases, and we discussed with the Corporation's management regarding their communications with the attorneys and their evaluation of the above appeal and litigation. We sent confirmation letters to the attorneys and read their replies, and we reviewed the latest progress of the above appeal and litigation as of the date of our report to determine whether the FTC ruling, appeal by associates and litigation against the associates have been appropriately accounted for and disclosed in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Evaluation of Profit and Loss on the Construction Contract of the Subsidiary, Star Energy Corporation

Refer to Note 5.b. for critical accounting judgments and key sources of estimation uncertainty associated to evaluation of profit and loss on construction contracts of the subsidiary, Star Energy Corporation.

Star Energy Corporation has entered into a construction contract related to large-scale solar power generation in the central area of Taiwan. The construction service revenue and construction service cost of the aforementioned contract recognized for the year ended December 31, 2018 were NT$2,120,933 thousand and NT$2,034,884 thousand, respectively, representing 56% and 60% of the Corporation's consolidated operating revenues and consolidated operating costs, respectively. The percentage of completion and related profit from the construction contract were anticipated and determined by the management of Star Energy Corporation based on the nature of activities, expected sub-contracting charges, construction periods, progress, methods, etc., and involve critical accounting judgments made by the management, and have a further effect on the Corporation's investments accounted for using the equity method and share of profit or loss of subsidiaries accounted for using the equity method; thus, evaluation of profit and loss on the construction contract of the subsidiary, Star Energy Corporation is considered as one of the key audit matters.

In our audit, we visited and observed the construction site; we obtained the construction contract, construction project schedules, expected total construction cost, and construction acceptance reports; we verified the construction cost, the estimated remaining cost before completion, and related supporting documents on a sampling basis to evaluate the reasonableness of the method and assumptions used by the management to calculate the percentage of completion; we recalculated the percentage of completion, construction service revenue, construction service cost, profit or loss on the construction contract, contract assets and contract liabilities for accuracy; and we determined the appropriateness of provisions.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 separate financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Hsuan Ho and Chien-Hsin Hsieh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2019

Notice to Readers

The accompanying separate financial statements are intended only to present the separate 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 audit such separate financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying separate 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' report and separate financial statements shall prevail.

TAIWAN COGENERATION CORPORATION

SEPARATE BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 337,619	2	$ 468,019	3
Notes receivable from related parties (Notes 4, 17 and 24)	779	-	685	-
Accounts receivable (Notes 4, 7 and 17)	101,764	1	75,864	1
Accounts receivable from related parties (Notes 4, 17 and 24)	35,816	-	39,408	-
Other receivables (Note 4)	77	-	66	-
Inventories (Notes 4 and 8)	8,544	-	6,619	-
Other current assets	3,176	-	2,854	-
Total current assets	487,775	3	593,515	4
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9 and 23)	247,000	2	-	-
Available-for-sale financial assets (Notes 4, 5, 10 and 23)	-	-	225,800	1
Investments accounted for using the equity method (Notes 4, 11 and 25)	13,575,109	92	13,691,666	91
Property, plant and equipment (Notes 4 and 12)	391,923	2	397,831	3
Computer software cost	2,518	-	1,481	-
Deferred income tax assets (Notes 4, 5 and 19)	101,578	1	89,826	1
Refundable deposits	5,630	-	5,621	-
Total non-current assets	14,323,758	97	14,412,225	96
TOTAL	$ 14,811,533	100	$ 15,005,740	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable	$ 14,912	-	$ 17,036	-
Accounts payable	77,476	1	59,053	-
Accounts payable to related parties (Note 24)	1,158	-	1,158	-
Other payables (Note 14)	73,269	-	67,802	1
Current income tax liabilities (Notes 4 and 19)	36,947	-	16,125	-
Current portion of long-term borrowings (Notes 13 and 25)	270,000	2	270,000	2
Other current liabilities	2,547	-	2,739	-
Total current liabilities	476,309	3	433,913	3
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 25)	2,500,000	17	2,625,000	17
Net defined benefit liabilities (Notes 4, 5 and 15)	96,336	1	83,210	1
Guarantee deposits received	7,084	-	5,090	-
Total non-current liabilities	2,603,420	18	2,713,300	18
Total liabilities	3,079,729	21	3,147,213	21
EQUITY (Note 16)				
Share capital				
Common stock	5,890,486	40	5,890,486	39
Capital surplus	499,694	3	499,694	3
Retained earnings				
Legal reserve	1,361,083	9	1,263,896	9
Special reserve	3,200,533	22	3,133,898	21
Unappropriated earnings	784,241	5	1,060,970	7
Total retained earnings	5,345,857	36	5,458,764	37
Other equity	(4,233)	-	9,583	-
Total equity	11,731,804	79	11,858,527	79
TOTAL	$ 14,811,533	100	$ 15,005,740	100

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

TAIWAN COGENERATION CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 17)				
Sales (Note 24)	$ 1,018,622	96	$ 837,794	96
Research, consulting and construction services (Note 24)	41,309	4	38,160	4
Total operating revenues	1,059,931	100	875,954	100
OPERATING COSTS (Note 18)				
Cost of sales (Note 24)	719,117	68	643,779	74
Research, consulting and construction services	32,377	3	29,644	3
Total operating costs	751,494	71	673,423	77
GROSS PROFIT	308,437	29	202,531	23
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	29,367	3	29,367	3
REALIZED GROSS PROFIT	337,804	32	231,898	26
OPERATING EXPENSES (Notes 18 and 24)	161,314	15	151,882	17
PROFIT FROM OPERATIONS	176,490	17	80,016	9
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 18 and 24)	23,363	2	19,459	2
Other gains and losses (Note 18)	5,922	1	(4,679)	-
Finance costs (Note 18)	(33,026)	(3)	(34,335)	(4)
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 11)	533,413	50	931,888	106
Total non-operating income and expenses	529,672	50	912,333	104
PROFIT BEFORE INCOME TAX	706,162	67	992,349	113
INCOME TAX EXPENSE (Notes 4 and 19)	(33,867)	(3)	(20,475)	(2)
NET PROFIT	672,295	64	971,874	111

(Continued)

TAIWAN COGENERATION CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of a defined benefit plan (Note 15)	$ (14,240)	(1)	$ (2,150)	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	21,200	2	-	-
Share of remeasurement of defined benefit plans of subsidiaries and associates accounted for using the equity method	(6,379)	(1)	3,291	-
Share of unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income of associates accounted for using the equity method	(23,068)	(2)	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 19)	3,651	-	365	-
	(18,836)	(2)	1,506	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	-	-	(69,400)	(8)
Share of exchange differences on translating foreign operations of subsidiaries accounted for using the equity method	(11,948)	(1)	(33,647)	(4)
Share of unrealized gain on available-for-sale financial assets of associates accounted for using the equity method	-	-	31,074	4
	(11,948)	(1)	(71,973)	(8)
Other comprehensive loss, net of income tax	(30,784)	(3)	(70,467)	(8)
TOTAL COMPREHENSIVE INCOME	$ 641,511	61	$ 901,407	103
EARNINGS PER SHARE (Note 20)				
Basic	$1.14		$1.65	
Diluted	$1.14		$1.65	

The accompanying notes are an integral part of the separate financial statements. (Concluded)

TAIWAN COGENERATION CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

			Retained Earnings			Other Equity			
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income	Total Equity
BALANCE, JANUARY 1, 2017	$ 5,890,486	$ 499,694	$ 1,168,999	$ 2,949,194	$ 1,074,349	$ (15,394)	$ 96,950	$ -	$ 11,664,278
Appropriation of 2016 earnings									
Legal reserve	-	-	94,897	-	(94,897)		-	-	
Special reserve	-	-	-	184,704	(184,704)	-	-		-
Cash dividends - NT$1.2 per share	-	-	-	-	(706,858)	-	-	-	(706,858)
	-	-	94,897	184,704	(986,459)	-	-	-	(706,858)
Share of transaction cost attributable to issue of new ordinary shares of subsidiaries and associates accounted for using the equity method	-	-	-	-	(300)	-	-	-	(300)
Net profit for the year ended December 31, 2017	-	-	-	-	971,874	-	-	-	971,874
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,506	(33,647)	(38,326)	-	(70,467)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	973,380	(33,647)	(38,326)	-	901,407
BALANCE, DECEMBER 31, 2017	5,890,486	499,694	1,263,896	3,133,898	1,060,970	(49,041)	58,624	-	11,858,527
Effect of retrospective application	-	-	-	-	(1,103)	-	(58,624)	58,624	(1,103)
BALANCE AT JANUARY 1, 2018 AS RESTATED	5,890,486	499,694	1,263,896	3,133,898	1,059,867	(49,041)	-	58,624	11,857,424
Appropriation of 2017 earnings									
Legal reserve	-	-	97,187	-	(97,187)	-	-		-
Special reserve	-	-	-	66,635	(66,635)	-	-	-	-
Cash dividends - NT$1.3 per share	-	-	-	-	(765,763)	-	-	-	(765,763)
	-	-	97,187	66,635	(929,585)	-	-	-	(765,763)
Share of transaction cost attributable to issue of new ordinary shares of subsidiaries and associates accounted for using the equity method	-	-	-	-	(1,368)	-	-	-	(1,368)
Net profit for the year ended December 31, 2018	-	-		-	672,295	-	-	-	672,295
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(16,968)	(11,948)	-	(1,868)	(30,784)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	655,327	(11,948)	-	(1,868)	641,511
BALANCE, DECEMBER 31, 2018	$ 5,890,486	$ 499,694	$ 1,361,083	$ 3,200,533	$ 784,241	$ (60,989)	$ -	$ 56,756	$ 11,731,804

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

TAIWAN COGENERATION CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 706,162	$ 992,349
Adjustments for:		
Depreciation expense	27,355	30,275
Amortization expense	1,068	394
Interest expense	32,959	34,276
Interest income	(5,647)	(1,822)
Dividend income	(8,000)	(8,000)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	(533,413)	(931,888)
Unrealized loss on foreign currency exchange	100	2,587
Realized gain on transactions with associates	(29,367)	(29,367)
Changes in operating assets and liabilities		
Notes receivable from related parties	(94)	1,330
Accounts receivable	(25,900)	6,899
Accounts receivable from related parties	3,592	(8,098)
Other receivables	23	(41)
Inventories	(1,925)	1,165
Other current assets	(322)	(864)
Notes payable	(2,124)	(6,226)
Accounts payable	18,423	8,580
Accounts payable to related parties	-	(860)
Other payables	2,185	9,349
Other current liabilities	(192)	(1,857)
Net defined benefit liabilities	(1,114)	903
Cash generated from operations	183,769	99,084
Interest received	5,613	2,098
Dividends received	855,971	771,281
Interest paid	(34,218)	(33,638)
Income tax paid	(21,146)	(30,190)
Net cash generated from operating activities	989,989	808,635
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(212,500)	(25,500)
Payments for property, plant and equipment (Note 21)	(8,902)	(3,392)
(Increase) decrease in refundable deposits	(9)	89
Payments for computer software	(2,105)	(1,853)
Increase in prepayments for equipment	(8,004)	-
Net cash used in investing activities	(231,520)	(30,656)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	3,495,000	2,880,000
Repayments of long-term borrowings	(3,620,000)	(2,795,000)

(Continued)

TAIWAN COGENERATION CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Increase (decrease) in guarantee deposits received	$ 1,994	$ (751)
Dividends paid to owners of the Corporation	(765,763)	(706,858)
Net cash used in financing activities	(888,769)	(622,609)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(100)	(2,587)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(130,400)	152,783
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	468,019	315,236
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 337,619	$ 468,019

The accompanying notes are an integral part of the separate financial statements. (Concluded)

1. GENERAL INFORMATION

Taiwan Cogeneration Corporation (the "Corporation") was established by Taiwan Power Corporation ("TPC") and several local companies on May 7, 1992. The Corporation's stock was traded on the Taipei Exchange Market from May 8, 2000 to August 24, 2003 and has been traded on the Taiwan Stock Exchange 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 separate financial statements were approved by the Board of Directors on March 26, 2019.

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Corporation had performed an assessment of the classification of recognized financial assets and had elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Corporation's financial assets as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 468,019	$ 468,019	Note 1
Notes receivable	Loans and receivables	Amortized cost	685	685	Note 1
Accounts receivable	Loans and receivables	Amortized cost	115,272	115,272	Note 1
Other receivables	Loans and receivables	Amortized cost	66	66	Note 1
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - financial assets	225,800	225,800	Note 2
Refundable deposits	Loans and receivables	Amortized cost	5,621	5,621	Note 1

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI	$ -	$ -	$ -				
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	225,800	-				
	-	225,800	-	$ 225,800	$ -	$ -	Note 2
Amortized cost	-	-	-				
Add: Reclassification from loans and receivables (IAS 39)	-	589,663	-				
	-	589,663	-	589,663	-	-	Note 1
Investments accounted for using the equity method	13,691,666	-	(1,103)	13,690,563	(1,103)	-	Note 1
	$ 13,691,666	$ 815,463	$ (1,103)	$ 14,506,026	$ (1,103)	$ -	

Note 1: Cash and cash equivalents, notes receivable, accounts receivable, other receivables and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9. The Corporation's associates accounted for using the equity method also made an assessment of expected credit losses under IFRS 9. As a result of retrospective application, there was a decrease of $1,103 thousand in both investments accounted for using the equity method and retained earnings on January 1, 2018.

Note 2: The Corporation elected to designate its investment in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because this investment is not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $25,800 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI. Other equity - unrealized gain on available-for-sale financial assets of $32,824 thousand that arose from investments accounted for using the equity method was also reclassified to other equity - unrealized gain on financial assets at FVTOCI.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies. The retrospective application of IFRS 15 did not have any material impact on the Corporation's assets, liabilities and equity as of January 1, 2018.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (The "New IFRSs")	Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendment to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Corporation shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

Except for the following, whenever applied, the initial application of the above New IFRSs would not have any material impact on the Corporation's accounting policies:

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement Contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Corporation will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Corporation as a lessee

Upon initial application of IFRS 16, the Corporation will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the separate balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the separate statements of comprehensive income, the Corporation will present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the separate statements of cash flows, cash payments for the principal portion of the lease liability will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the separate statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Corporation anticipates applying IFRS 16 retrospectively on January 1, 2019. No impact on the Corporation's retained earnings is expected from the retrospective application on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases that are currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Corporation will apply IAS 36 to all right-of-use assets.

The Corporation expects to apply the following practical expedients:

a) The Corporation will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Corporation will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Corporation will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Corporation will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Corporation as a lessor

The Corporation will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Corporation subleased its leasehold office premises to third parties in 2017. Such subleases were classified as operating leases under IAS 17. The Corporation will assess the classification of the subleases on the basis of the remaining contractual terms and conditions of the head lease and subleases as of January 1, 2019 and may consider the subleases as finance leases. In addition, the subleases will be regarded as new finance lease agreements entered into on January 1, 2019.

Anticipated impact on assets and liabilities as of January 1, 2019

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Finance lease receivables - current	$ -	$ 13,124	$ 13,124
Finance lease receivables - non-current	-	1,134	1,134
Right-of-use assets	-	16,678	16,678
Total effect on assets		$ 30,936	
Lease liabilities - current	-	$ 27,073	27,073
Lease liabilities - non-current	-	3,863	3,863
Total effect on liabilities		$ 30,936	

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation should determine the taxable income, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Corporation has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Corporation will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Corporation shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Corporation shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying separate 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 separate financial statements shall prevail.

Statement of Compliance

The separate financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The separate financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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.

When preparing the separate financial statements, the Corporation used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit, other comprehensive income and total equity in the separate financial statements to be the same with the amounts attributable to the owner of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatment between separate basis and consolidated basis were made to investments accounted for using the equity method, share of profit or loss of subsidiaries and associates accounted for using the equity method, share of other comprehensive income of subsidiaries and associates accounted for using the equity method, and related equity items, as appropriate, in the separate financial statements.

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.

Foreign Currencies

Foreign currency transactions other than non-derivative financial instrument are translated into functional currency using the exchange rate at the transaction date. When foreign currency assets and liabilities are translated or settled, gain and loss arising from the change in exchange rate, if any, are recognized in profit or loss. The ending balance of foreign currency assets and liabilities are translated using prevailing exchange rates. Exchange differences arising thereof, if any, are recognized in profit or loss.

The financial statements of the Corporation's foreign investments accounted for using the equity method prepared in their functional currencies are translated into New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the year; equity is translated using historical exchange rates. Exchange differences arising thereof, if any, are recognized in other comprehensive income.

Impairment of Financial Assets - 2018/Impairment of Accounts Receivable - 2017

2018

Accounts receivable are assessed for impairment using expected credit losses model at the end of each reporting period and the Corporation recognizes a loss allowance through lifetime Expected Credit Loss (i.e. ECL).

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. An impairment loss is recognized with a corresponding adjustment to the carrying amount through a loss allowance account.

2017

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. 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.

Financial Assets at FVTOCI - 2018/Available-for-sale Financial Assets - 2017

2018

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Available-for-sale financial assets represent 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 other comprehensive income until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss for the year. 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 trade date basis.

Cash dividends are recognized when the Corporation's right to receive the dividends is established. 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.

Investments Accounted for Using the Equity Method

The Corporation uses the equity method to account for its investments in subsidiaries and associates. Under the equity method, an investment in subsidiaries and associates are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of profit or loss and other comprehensive income or loss of the subsidiaries and associates. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries and associates. When an indication of impairment is identified in an investment, a loss is recognized.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate 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 Corporation'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 as a bargain purchase gain.

Unrealized profit or loss resulting from downstream transactions are eliminated in full only in the Corporation's separate financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries are recognized in the Corporation's separate financial statements only to the extent of interests in the subsidiaries of entities that are not related to the Corporation.

Profits and losses resulting from upstream transactions, downstream transactions and transactions between associates are recognized in the Corporation's separate financial statements only to the extent of interests in the associates of entities that are not related to the Corporation.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. 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 30 years; transportation equipment, 5 years; other equipment, 2 to 8 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 property, plant and equipment, the related cost and accumulated depreciation and impairment loss are removed from the accounts and the resulting gains or losses are included in profit or loss.

Intangible Assets

Computer software cost is amortized on a straight-line basis over 1 to 5 years.

Impairment of Assets

When the carrying amount of an asset (mainly including property, plant and equipment, and intangible 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

A provision shall be recognized when the Corporation has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Revenue Recognition

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

Revenues from research and consulting are recognized when services are provided.

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

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 are recognized as employee benefits expense in the period they occur, when the plan amendment, curtailment or settlement occurs. 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 represents the actual deficit in the Corporation's defined benefit plan.

Taxation

Income tax expense represents the sum of the income tax currently payable and deferred income tax.

a. Current income tax

   Current income tax liability is determined based on current taxable income. Taxable income is different from the profit before income tax on the separate 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 Act. The Corporation's current income tax liabilities are calculated by the legislated tax rate on the balance sheet date.

According to the Income Tax Act, an additional tax on undistributed earnings is provided for as income tax in the year the stockholders resolve to retain the earnings as, prior to the stockholders' meeting, 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 income tax

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

The carrying amount of deferred income 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 income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred income 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 income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

c. Current and deferred income tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation'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. Fair Trade Act ruling, appeal and litigation against associates

The Fair Trade Commission ("FTC") concluded that independent power producer companies (IPPs) had violated Fair Trade Act and levied fine against the Corporation's associates. As a result, these associates filed petitions and administrative proceedings. See Note 26.d. for detailed information. As TPC concluded that these associates violated the Fair Trade Act with concerted action and caused a loss to TPC, TPC filed administrative proceedings and a civil action to claim compensation for the loss. See Note 26.e. for detailed information. The aforementioned petitions, administrative proceedings, and civil action are still pending; results of the cases may vary depending on the subsequent development of the cases.

b. Evaluation of profit and loss on construction contracts of the subsidiary, Star Energy Corporation

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of the contract is measured based on the proportion of actual costs incurred relative to the total expected costs. Variations in contract work, claims and incentives are included in contract revenue to the extent that the amount can be measured reliably and its receipt is considered probable.

The expected total costs and contract items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc. for each construction contract. Changes in the estimates might affect the calculation of the percentage of completion and related profits from construction contracts and further effect the Corporation's investments accounted for using the equity method and share of the profit or loss of subsidiaries accounted for using the equity method.

c. Fair value measurement of stocks that have no active markets at fair value

The Corporation invested in unlisted stocks that have no active markets, which the fair value is measured based on estimated future cash flows discounted at the current market rate of return. Any change in judgement and estimation may affect the measurement of fair value.

d. Recognition and measurement of defined benefit plan

Net defined benefit liabilities and the resulting defined benefit costs under a defined benefit pension plan 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.

e. Realizability of the deferred income tax assets

The realizability of the deferred income tax assets mainly depends on whether sufficient future profits for deductible temporary differences will be available. Assessment of the realization of the deferred income tax assets includes consideration of future revenue growth, amount of tax credits that can be utilized and feasible tax planning strategies.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	$ 500	$ 500
Checking accounts and demand deposits	141,918	427,938
Cash equivalents		
Time deposits	195,201	39,581
	$ 337,619	$ 468,019

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:

	December 31	
	2018	2017
Demand deposits	0.01%-0.10%	0.01%-0.10%
Time deposits	0.78%-2.75%	1.57%-1.73%

7. ACCOUNTS RECEIVABLE

	December 31	
	2018	2017
Accounts receivable		
At amortized cost		
Gross carrying amount	$ 101,764	$ 75,864

For the year ended December 31, 2018

The average credit terms range from 30 to 60 days. The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are individually estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The Corporation did not recognize an allowance for impairment loss against all of the accounts receivable because lifetime ECL through individually assessed receivables indicated that all of the accounts receivable are collectible.

The aging analysis of receivables based on the invoice date was as follows:

	December 31, 2018
Up to 60 days	$101,764

For the year ended December 31, 2017

The average credit terms range from 30 to 60 days. In determining the recoverability of accounts receivable, the Corporation considers significant change in the credit quality of the accounts receivable from the date credit was initially granted up to the end of the reporting period. The Corporation did not recognize an allowance for impairment loss against all of the accounts receivable because past experience indicates that all of the accounts receivable are collectible.

The aging analysis of receivables based on the invoice date was as follows:

	December 31, 2017
Up to 60 days	$ 75,864

As of balance sheet dates, there were no receivables that were past due but not impaired.

8. INVENTORIES

	December 31	
	2018	2017
Raw materials	$ 8,544	$ 6,619

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic investments	
Unlisted shares	
Kaohsiung Arena Development Corporation ("KADC")	$ 247,000

The investment in KADC is not held for trading. Instead, it is held for medium to long-term strategic purposes. Accordingly, the management elected to designate this investment in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Corporation's strategy of holding this investment for long-term purposes. This investment in equity instruments was classified as available-for-sale under IAS 39. Refer to Note 3 and Note 10 for information relating to its reclassification and comparative information for 2017.

Refer to Note 23 for fair value information relating to financial assets at FVTOCI.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Unlisted shares	
KADC	$ 225,800

Refer to Note 23 for fair value information relating to available-for-sale financial assets.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 1,320,601	$ 1,139,141
Investments in associates	12,254,508	12,552,525
	$ 13,575,109	$ 13,691,666

Investments in Subsidiaries

	December 31	
	2018	2017
Star Energy Corporation ("SEC")	$ 731,965	$ 621,266
Taiwan Cogeneration International Corporation ("TCIC")	359,506	497,378
Yi Yuan Corporation ("YYC")	144,425	20,497
TCC Green Energy Corporation ("TGE")	84,705	-
	$ 1,320,601	$ 1,139,141

On January 18, 2017, the Corporation participated in a capital raising of Redondo Peninsula Energy, Inc. through TCIC. The investment in the company increased by ₱243,825 thousand (NT$152,202 thousand).

On June 22, 2017, the Corporation and a domestic company jointly invested $50,000 thousand and established YYC. The investment amount of the Corporation was $25,500 thousand with 51% equity interest in YYC. Subsequently, on November 12, 2018, the Corporation participated in a capital raising of YYC in proportion to the percentage of the Corporation's equity interest in YYC. The investment in YYC increased by $127,500 thousand.

On November 28, 2018, the Corporation invested $85,000 thousand and established TGE. The Corporation owned 100% equity interest in TGE.

On December 18, 2018, the Corporation paid $38,000 thousand and acquired 100% equity interest in Shin Kuang Electric Energy Co., Ltd. ("SKE") through TGE. Subsequently, on January 7, 2019, the Corporation participated in a capital raising of SKE through TGE. The investment in SKE increased by $42,000 thousand.

On December 25, 2018, the Corporation invested $20,000 thousand and established Starbao Power Corporation ("SPC") through SEC. The Corporation indirectly owned 100% equity interest in SPC.

The subsidiaries accounted for using the equity method and the Corporation's share of their profit or loss were as follows:

	For the Year Ended December 31	
	2018	2017
SEC	$ 115,995	$ 25,077
TCIC	(124,655)	(14,132)
YYC	(3,572)	(5,003)
TGE	(295)	-
	$ (12,527)	$ 5,942

The proportion of ownership and voting rights of the investments in subsidiaries at the balance sheet date were summarized as follows:

	December 31	
	2018	2017
SEC	100.00%	100.00%
TCIC	100.00%	100.00%
YYC	51.00%	51.00%
TGE	100.00%	-

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

Refer to Table 4 for the nature of activities, principal places of business and countries of incorporation of the subsidiaries.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments for the years ended December 31, 2018 and 2017 were based on the subsidiaries' financial statements audited by independent auditors for the same years.

Investments in Associates

	December 31	
	2018	**2017**
Material associates		
Ta-Yuan Cogeneration Company ("TYC")	$ 514,758	$ 529,646
Sun Ba Power Corporation ("Sun Ba")	5,290,524	5,277,901
Star Energy Power Corporation ("SEPC")	2,275,995	2,247,509
Star Buck Power Corporation ("SBPC")	2,147,991	2,124,983
Kuo Kuang Power Company Ltd. ("KKPC")	2,025,240	2,372,486
	$ 12,254,508	$ 12,552,525

The associates accounted for using the equity method and the Corporation's share of their profit or loss were as follows:

	For the Year Ended December 31	
	2018	**2017**
Sun Ba	$ 411,199	$ 456,855
SBPC	167,423	223,010
SEPC	142,796	135,607
TYC	40,612	33,782
KKPC	(216,090)	76,692
	$ 545,940	$ 925,946

a. Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
	2018	**2017**
TYC	29.31%	29.31%
Sun Ba	43.00%	43.00%
SEPC	40.50%	40.50%
SBPC	41.27%	41.27%
KKPC	35.00%	35.00%

Refer to Table 4 for the nature of activities, principal places of business and countries of incorporation of the associates.

The fair value of the investment in TYC based on its closing price at the balance sheet date was as follows:

Name of Associate	December 31 2018	December 31 2017
TYC	$ 827,591	$ 709,851

Summarized financial information in respect of each of the Corporation'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 Corporation for equity accounting purposes.

TYC

	December 31 2018	December 31 2017
Current assets	$ 932,427	$ 853,667
Non-current assets	2,207,018	2,051,509
Current liabilities	(909,142)	(423,548)
Non-current liabilities	(471,679)	(674,627)
Equity	1,758,624	1,807,001
Non-controlling interests	-	-
	$ 1,758,624	$ 1,807,001
Proportion of the Corporation's ownership	29.31%	29.31%
Equity attributable to the Corporation	$ 515,466	$ 529,646
Unrealized gain with associates	(708)	-
Carrying amount	$ 514,758	$ 529,646

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Operating revenues	$ 1,778,517	$ 1,626,909
Net profit	$ 138,556	$ 115,254
Other comprehensive (loss) income	(78,381)	108,283
Total comprehensive income	$ 60,175	$ 223,537
Dividends received from TYC	$ 30,715	$ 27,302

Sun Ba

	December 31	
	2018	2017
Current assets	$ 4,578,230	$ 3,771,171
Non-current assets	12,822,536	13,501,452
Current liabilities	(2,483,029)	(1,846,035)
Non-current liabilities	(2,445,983)	(2,967,329)
Equity	12,471,754	12,459,259
Non-controlling interests	-	-
	$ 12,471,754	$ 12,459,259
Proportion of the Corporation's ownership	43.00%	43.00%
Equity attributable to the Corporation	$ 5,362,854	$ 5,357,481
Unrealized gain with associates	(74,417)	(81,667)
Goodwill	2,087	2,087
Carrying amount	$ 5,290,524	$ 5,277,901

	For the Year Ended December 31	
	2018	2017
Operating revenues	$ 10,872,196	$ 9,680,015
Net profit	$ 956,278	$ 1,062,454
Other comprehensive loss	(1,783)	(1,946)
Total comprehensive income	$ 954,495	$ 1,060,508
Dividends received from Sun Ba	$ 405,060	$ 420,540

SEPC

	December 31	
	2018	2017
Current assets	$ 1,506,195	$ 1,330,156
Non-current assets	7,484,100	7,966,273
Current liabilities	(1,472,334)	(2,089,695)
Non-current liabilities	(1,687,727)	(1,433,212)
Equity	5,830,234	5,773,522
Non-controlling interests	-	-
	$ 5,830,234	$ 5,773,522
Proportion of the Corporation's ownership	40.50%	40.50%
Equity attributable to the Corporation	$ 2,361,245	$ 2,338,277
Unrealized gain with associates	(85,250)	(90,768)
Carrying amount	$ 2,275,995	$ 2,247,509

	For the Year Ended December 31	
	2018	2017
Operating revenues	$ 5,705,071	$ 5,047,891
Net profit	$ 352,583	$ 334,830
Other comprehensive (loss) income	(4,871)	2,012
Total comprehensive income	$ 347,712	$ 336,842
Dividends received from SEPC	$ 117,855	$ 128,790

SBPC

	December 31	
	2018	2017
Current assets	$ 1,777,085	$ 2,192,564
Non-current assets	9,700,144	9,746,900
Current liabilities	(1,497,392)	(1,569,704)
Non-current liabilities	(4,053,854)	(4,453,176)
Equity	5,925,983	5,916,584
Non-controlling interests	-	-
	$ 5,925,983	$ 5,916,584
Proportion of the Corporation's ownership	41.27%	41.27%
Equity attributable to the Corporation	$ 2,445,814	$ 2,441,936
Unrealized gain with associates	(297,823)	(316,953)
Carrying amount	$ 2,147,991	$ 2,124,983

	For the Year Ended December 31	
	2018	2017
Operating revenues	$ 6,914,101	$ 6,037,053
Net profit	$ 405,652	$ 540,334
Other comprehensive (loss) income	(254)	2,931
Total comprehensive income	$ 405,398	$ 543,265
Dividends received from SBPC	$ 163,440	$ 102,150

KKPC

	December 31	
	2018	2017
Current assets	$ 1,091,861	$ 1,051,193
Non-current assets	6,663,290	7,941,343
Current liabilities	(1,695,155)	(1,096,592)
Non-current liabilities	(690,170)	(1,592,996)
Equity	5,369,826	6,302,948
Non-controlling interests	-	-
	$ 5,369,826	$ 6,302,948
Proportion of the Corporation's ownership	35.00%	35.00%
Equity attributable to the Corporation	$ 1,879,439	$ 2,206,031
Goodwill	19,304	19,304
Investment premium	126,497	147,151
Carrying amount	$ 2,025,240	$ 2,372,486

	For the Year Ended December 31	
	2018	2017
Operating revenues	$ 4,996,183	$ 4,759,601
Net (loss) profit	$ (558,390)	$ 278,129
Other comprehensive (loss) income	(728)	42
Total comprehensive (loss) income	$ (559,118)	$ 278,171
Dividends received from KKPC	$ 130,901	$ 84,499

On January 30, 2016, SBPC's Star Buck Power Plant experienced an unexpected shutdown when the blades of one turbine were damaged. The turbine resumed normal operation on April 3, 2016. Subsequently, SBPC received the actual insurance claim in May 2017, and recognized $70,829 thousand of gain on insurance claim and reversed $86,045 thousand of payable for repair for the year ended December 31, 2017.

On February 6, 2016, part of the power generating units of Sun Ba's Fong Der Power Plant was damaged due to an earthquake. After repair, there was no significant impact on the operation of the power generating units. Subsequently, Sun Ba received the actual insurance claim in May 2017 and reversed the remaining payable for repair. Thus, Sun Ba recognized $107 thousand of gain on reversal of payable for the year ended December 31, 2017.

On February 20, 2017, SBPC's Star Buck Power Plant experienced an unexpected shutdown when the blades of one turbine were damaged. The turbine resumed normal operation on March 18, 2017. Subsequently in October 2017, the repair expense for the above damaged power generating unit was $2,817 thousand.

On May 14, 2018, Sun Ba's Fong Der Power Plant experienced an unexpected shutdown when the blades of one turbine were damaged. The turbine resumed normal operation on June 17, 2018. The repair expense for the above damaged power generating unit, net of estimated insurance claim, was estimated to be $30,000 thousand.

The Income Tax Act in the Republic of China was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. The effect of the change in income tax rate on TYC's, Sun Ba's, KKPC's, SEPC's, and SBPC's deferred income tax (benefit) expense recognized in profit or loss was \$(108) thousand, \$143,521 thousand, \$68,477 thousand, \$60,553 thousand and \$69,593 thousand, respectively, and was fully recognized in the year ended December 31, 2018. Thus, for the year ended December 31, 2018, the Corporation's share of profit or loss of associates accounted for using the equity method decreased by a total of \$138,896 thousand.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments for the years ended December 31, 2018 and 2017 were based on the associates' financial statements audited by independent auditors for the same years.

Refer to Note 25 for the carrying amount of investments in associates pledged as collateral for bank borrowings of the Corporation.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Total
Cost							
Balance at January 1, 2018	$ 214,502	$ 78,954	$ 1,868,730	$ 734	$ 62,282	$ 19,033	$ 2,244,235
Additions	-	-	6,620	-	6,823	-	13,443
Disposals	-	-	-	-	(1,928)	-	(1,928)
Reclassification	-	-	3,440	-	4,564	-	8,004
Balance at December 31, 2018	214,502	78,954	1,878,790	734	71,741	19,033	2,263,754
Accumulated depreciation and impairment loss							
Balance at January 1, 2018	-	54,884	1,731,029	734	41,413	18,344	1,846,404
Depreciation expense	-	1,896	18,560	-	6,263	636	27,355
Disposals	-	-	-	-	(1,928)	-	(1,928)
Balance at December 31, 2018	-	56,780	1,749,589	734	45,748	18,980	1,871,831
Carrying amounts at December 31, 2018	$ 214,502	$ 22,174	$ 129,201	$ -	$ 25,993	$ 53	$ 391,923
Cost							
Balance at January 1, 2017	$ 214,502	$ 78,954	$ 1,868,730	$ 734	$ 62,468	$ 19,033	$ 2,244,421
Additions	-	-	-	-	3,392	-	3,392
Disposals	-	-	-	-	(3,578)	-	(3,578)
Balance at December 31, 2017	214,502	78,954	1,868,730	734	62,282	19,033	2,244,235
Accumulated depreciation and impairment loss							
Balance at January 1, 2017	-	52,988	1,709,031	734	39,246	17,708	1,819,707
Depreciation expense	-	1,896	21,998	-	5,745	636	30,275
Disposals	-	-	-	-	(3,578)	-	(3,578)
Balance at December 31, 2017	-	54,884	1,731,029	734	41,413	18,344	1,846,404
Carrying amounts at December 31, 2017	$ 214,502	$ 24,070	$ 137,701	$ -	$ 20,869	$ 689	$ 397,831

13. LONG-TERM BORROWINGS

	December 31	
	2018	2017
Secured borrowings		
Repayable in annual installments through August 2021	$ 390,000	$ 520,000
Repayable in quarterly installments through December 2019	140,000	280,000

(Continued)

	December 31	
	2018	2017
Revolving unsecured borrowings		
Revolving through December 2020	$ 500,000	$ -
Revolving through July 2020	500,000	-
Revolving through August 2020	495,000	-
Revolving through August 2021	300,000	-
Revolving through March 2020	295,000	-
Revolving through June 2020	150,000	-
Revolving through December 2019	-	500,000
Revolving through June 2019	-	490,000
Revolving through September 2019	-	475,000
Revolving through May 2019	-	430,000
Revolving through July 2019	-	200,000
	2,770,000	2,895,000
Less: Current portion	(270,000)	(270,000)
	$ 2,500,000	$ 2,625,000

(Concluded)

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

	December 31	
	2018	2017
Secured borrowings	1.50%-1.80%	1.50%-1.80%
Revolving unsecured borrowings	0.95%-1.05%	0.95%-0.99%

14. OTHER PAYABLES

	December 31	
	2018	2017
Payable for employees' compensation and remuneration to directors and supervisors	$ 33,148	$ 32,322
Payable for salaries and bonus	18,829	17,231
Payable for compensated absences	6,670	6,495
Payable for equipment	4,541	-
Payable for professional fees	3,750	3,469
Others	6,331	8,285
	$ 73,269	$ 67,802

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of six months before retirement. The Corporation contributes amounts equal to 6.5% 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 committees' name and are managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in a one-time appropriation that shall be made before the end of March of the next year.

The amounts included in the separate balance sheets in respect of the Corporation's defined benefit plan were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 193,918	$ 180,362
Fair value of plan assets	(97,582)	(97,152)
Deficit	96,336	83,210
Net defined benefit liabilities	$ 96,336	$ 83,210

Movements in net defined benefit liabilities were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 173,773	$ (93,616)	$ 80,157
Service cost			
Current service cost	4,453	-	4,453
Net interest expense (income)	2,389	(1,307)	1,082
Recognized in profit or loss	6,842	(1,307)	5,535
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	373	373
Actuarial loss - changes in demographic assumptions	2,251	-	2,251
Actuarial loss - changes in financial assumptions	2,504	-	2,504
Actuarial gain - experience adjustments	(2,978)	-	(2,978)
Recognized in other comprehensive income or loss	1,777	373	2,150
Contributions from employers	-	(2,841)	(2,841)
Benefits paid	(2,030)	239	(1,791)
	(2,030)	(2,602)	(4,632)
Balance at December 31, 2017	$ 180,362	$ (97,152)	$ 83,210

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 180,362	$ (97,152)	$ 83,210
Service cost			
Current service cost	4,374	-	4,374
Net interest expense (income)	2,255	(1,233)	1,022
Recognized in profit or loss	6,629	(1,233)	5,396
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,647)	(2,647)
Actuarial loss - changes in demographic assumptions	2,667	-	2,667
Actuarial loss - changes in financial assumptions	2,720	-	2,720
Actuarial loss - experience adjustments	11,500	-	11,500
Recognized in other comprehensive income or loss	16,887	(2,647)	14,240
Contributions from employers	-	(3,312)	(3,312)
Benefits paid	(9,960)	6,762	(3,198)
	(9,960)	3,450	(6,510)
Balance at December 31, 2018	$ 193,918	$ (97,582)	$ 96,336

(Concluded)

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

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 2,737	$ 2,776
Operating expenses	$ 2,659	$ 2,759

Through the defined benefit plan under the Labor Standards Act, the Corporation 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 shall 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate	1.125%	1.250%
Expected rate of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	$ (5,498)	$ (5,048)
0.25% decrease	$ 5,729	$ 5,261
Expected rate(s) of salary increase		
0.25% increase	$ 5,535	$ 5,085
0.25% decrease	$ (5,342)	$ (4,907)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

An analysis of the average duration of the defined benefit obligation was as follows:

	December 31	
	2018	2017
The expected contributions to the plan for the next year	$ 3,300	$ 3,000
The average duration of the defined benefit obligation	12.0 years	12.1 years

16. EQUITY

a. Share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	800,000	800,000
Share capital authorized	$ 8,000,000	$ 8,000,000
Number of common shares issued and fully paid (in thousands)	589,049	589,049
Common stock issued	$ 5,890,486	$ 5,890,486

A holder of issued common stock with par value of $10 is entitled to vote and to receive dividends.

b. Capital surplus

	December 31	
	2018	2017
Issuance of common shares	$ 460,000	$ 460,000
Conversion of bonds	32,494	32,494
Share options	7,200	7,200
	$ 499,694	$ 499,694

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; in addition, when the Corporation has no deficit, such capital surplus may be transferred to share capital or distributed in cash. Capitalization of such capital surplus is limited to once a year and a certain prescribed percentage of the Corporation's paid-in capital.

The capital surplus generated from share options may not be used for any purpose except for offsetting a deficit.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Corporation's current Articles of Incorporation (the "Articles"), where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's Board of Directors as the basis for proposing a distribution plan where not less than 70% of distributable retained earnings shall be distributed; the plan should be resolved in the stockholders' meeting for distribution of dividends to stockholders. For the policies on distribution of the employees' compensation and remuneration to directors and supervisors, please refer to Note 18.f.

The Corporation shall adopt 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.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2017 and 2016 which had been resolved in the stockholders' meeting on June 20, 2018 and June 21, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2017	2016	2017	2016
Legal reserve	$ 97,187	$ 94,897		
Special reserve	66,635	184,704		
Cash dividends	765,763	706,858	$ 1.3	$ 1.2

The special reserve in the appropriations of earnings for 2017 and 2016 was set aside according to the Company Act.

The appropriations of earnings for 2018 had been proposed by the Corporation's Board of Directors on March 26, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 67,229	
Special reserve	4,233	
Reversal of special reserve	(257,658)	
Cash dividends	883,573	$1.5

The appropriations of earnings for 2018 are subject to the resolution in the stockholders' meeting to be held on June 20, 2019.

17. REVENUES

	For the Year Ended December 31	
	2018	2017
Revenues from contracts with customers		
Sales		
Sales of electricity	$ 725,222	$ 618,658
Sales of steam	292,810	218,358
Others	590	778
Research, consulting and construction services	41,309	38,160
	$ 1,059,931	$ 875,954

a. Contract balances

	December 31, 2018
Notes receivable	$ 779
Accounts receivable (including related parties)	$ 137,580

b. The revenues of the Corporation's Guantian cogeneration plant and the segment of research, consulting and construction services are mainly sales from the cogeneration plant and revenue from research, consulting and construction services.

18. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2018	2017
Dividend income	$ 8,000	$ 8,000
Interest income	5,647	1,822
Others	9,716	9,637
	$ 23,363	$ 19,459

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Foreign exchange gain	$ 16,970	$ 2,394
Foreign exchange loss	(11,048)	(7,073)
	$ 5,922	$ (4,679)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest expense	$ 32,959	$ 34,276
Others	67	59
	$ 33,026	$ 34,335

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 27,355	$ 30,275
Intangible assets	1,068	394
	$ 28,423	$ 30,669
An analysis of depreciation by function		
Operating costs	$ 25,771	$ 28,725
Operating expenses	1,584	1,550
	$ 27,355	$ 30,275
An analysis of amortization by function		
Operating costs	$ 283	$ 212
Operating expenses	785	182
	$ 1,068	$ 394

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plan	$ 3,320	$ 3,027
Defined benefit plan	5,396	5,535
	8,716	8,562
Short-term benefits	181,403	167,272
Total employee benefits expense	$ 190,119	$ 175,834
An analysis of employee benefits expense by function		
Operating costs	$ 81,393	$ 73,418
Operating expenses	108,726	102,416
	$ 190,119	$ 175,834
Short-term benefits		
Wages and salaries	$ 164,083	$ 152,244
Labor and health insurance	9,961	9,287
Other employee benefits	7,359	5,741
	$ 181,403	$ 167,272

f. Employees' compensation and remuneration to directors and supervisors

The distribution of employees' compensation and remuneration to directors and supervisors is set aside at the rates not less than 0.5% and not higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration to directors and supervisors. The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2018, 2017 and 2016 which had been resolved by the Corporation's Board of Directors on March 26, 2019, March 23, 2018 and March 23, 2017, respectively, were as follows:

	For the Year Ended December 31		
	2018	2017	2016
Employees' compensation in cash	$ 25,755	$ 24,242	$ 20,081
Remuneration to directors and supervisors in cash	7,393	8,080	6,694

There was no difference between the above resolved amounts and the respective amounts recognized in the separate financial statements for the years ended December 31, 2018, 2017 and 2016.

If there is a change in the proposed amount after the annual separate financial statements were authorized for issue, the difference is recorded as a change in accounting estimate.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's Board of Directors in 2019, 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME TAX

a. Major components of income tax recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current income tax		
In respect of the current year	$ 30,925	$ 8,950
Income tax on undistributed earnings	11,043	12,904
Adjustments for prior years' tax	-	22
	41,968	21,876
Deferred income tax		
In respect of the current year	6,947	(1,401)
Adjustments to deferred income tax attributable to the changes in tax rates and laws	(15,048)	-
	(8,101)	(1,401)
Income tax expense recognized in profit or loss	$ 33,867	$ 20,475

A reconciliation of profit before income tax and income tax expense was as follows:

	For the Year Ended December 31	
	2018	2017
Profit before income tax	$ 706,162	$ 992,349
Income tax expense calculated at the statutory rate	$ 141,232	$ 168,699
Non-taxable income and non-deductible expenses in determining taxable income	(133,213)	(162,183)
Changes in unrecognized deductible temporary differences	29,853	1,033
Income tax on undistributed earnings	11,043	12,904
Adjustments to deferred income tax attributable to the changes in tax rates and laws	(15,048)	-
Adjustments for prior years' tax	-	22
Income tax expense recognized in profit or loss	$ 33,867	$ 20,475

The applicable corporate income tax rate used by the Corporation for the year ended December 31, 2017 was 17%. The Income Tax Act in the Republic of China was amended in February 2018 and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings was reduced from 10% to 5%.

b. Major components of income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred income tax		
Adjustments to deferred income tax attributable to the changes in tax rates and laws	$ (804)	$ -
In respect of the current year		
Remeasurement of defined benefit plan	(2,847)	(365)
	$ (3,651)	$ (365)

c. Current income tax liabilities

	December 31 2018	December 31 2017
Current income tax liabilities		
Income tax payable	$ 36,947	$ 16,125

d. Movements of deferred income tax assets and liabilities

For the year ended December 31, 2018

Deferred income tax assets	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Temporary differences				
Unrealized gain on transactions with associates	$ 71,955	$ 6,825	$ -	$ 78,780
Investment loss recognized on overseas investments using the equity method	5,735	755	-	6,490
Defined benefit obligation	11,611	1,022	3,651	16,284
Allowance for loss on inventories	85	(81)	-	4
Others	440	(420)	-	20
	$ 89,826	$ 8,101	$ 3,651	$ 101,578

For the year ended December 31, 2017

Deferred income tax assets	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Temporary differences				
Unrealized gain on transactions with associates	$ 76,948	$ (4,993)	$ -	$ 71,955
Investment loss recognized on overseas investments using the equity method	-	5,735	-	5,735
Defined benefit obligation	11,092	154	365	11,611
Allowance for loss on inventories	157	(72)	-	85
Others	-	440	-	440
	$ 88,197	$ 1,264	$ 365	$ 89,826

(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred income tax liabilities				
Temporary differences				
Others	$ 137	$ (137)	$ -	$ -

(Concluded)

e. Deductible temporary differences for which no deferred income tax assets have been recognized in the separate balance sheets

	December 31	
	2018	2017
Deductible temporary differences	$ 456,431	$ 307,166

f. Income tax assessment

The income tax returns of the Corporation through 2016 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

	For the Year Ended December 31	
	2018	2017
Basic earnings per share (NT$)	$ 1.14	$ 1.65
Diluted earnings per share (NT$)	$ 1.14	$ 1.65

The earnings and weighted average number of common shares outstanding in the computation of earnings per share were as follows:

Net profit

	For the Year Ended December 31	
	2018	2017
Earnings used in the computation of basic earnings per share	$ 672,295	$ 971,874
Effect of potentially dilutive common shares		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 672,295	$ 971,874

Weighted average number of common shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of common shares used in the computation of basic earnings per share	589,049	589,049
Effect of potentially dilutive common shares		
Employees' compensation	1,311	1,156
Weighted average number of common shares used in the computation of diluted earnings per share	590,360	590,205

Since the Corporation offered to settle employees' compensation paid in cash or shares, the Corporation assumed the entire amount of the compensation 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, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. NON-CASH TRANSACTIONS

For the years ended December 31, 2018 and 2017, the Corporation entered into the following non-cash investing activities which were not reflected in the separate statements of cash flows:

	For the Year Ended December 31	
	2018	2017
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	$ 13,443	$ 3,392
Change in payable for equipment	(4,541)	-
Cash payments	$ 8,902	$ 3,392

22. CAPITAL MANAGEMENT

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

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising common stock, capital surplus, 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 stockholders, the number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

23. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of the financial assets and financial liabilities not carried at fair value are approximately at their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted securities	$ -	$ -	$ 247,000	$ 247,000

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Equity securities				
Domestic unlisted securities	$ -	$ -	$ 225,800	$ 225,800

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

For the year ended December 31, 2018

	Financial Assets at FVTOCI - Equity Investments
Beginning balance (IAS 39)	$ -
Effect of retrospective application of IFRS 9	225,800
Beginning balance (IFRS 9)	225,800
Recognized in other comprehensive income	21,200
Ending balance	$ 247,000

For the year ended December 31, 2017

	Available-for-sale Unquoted Equity Instruments
Beginning balance	$ 295,200
Recognized in other comprehensive loss	(69,400)
Ending balance	$ 225,800

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

The fair value of domestic unlisted equity securities was determined using the 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 the investee. 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 increases in fair value.

	December 31	
	2018	2017
Long-term revenue growth rates	0%-2.51%	0%-2.46%
Long-term pre-tax operating margin	39.34%-41.51%	37.87%-40.56%
WACC	8.72%	8.73%
Discount for lack of marketability	14.89%	13.35%

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 equity investments would increase (decrease) as follows:

	December 31	
	2018	2017
Long-term revenue growth rates		
1% increase	$ 29,000	$ 29,400
1% decrease	$ (28,000)	$ (28,400)
WACC		
0.5% increase	$ (30,000)	$ (30,000)
0.5% decrease	$ 35,600	$ 35,800

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (Note 1)	$ -	$ 589,663
Financial assets measured at amortized cost (Note 1)	481,685	-
Financial assets at FVTOCI	247,000	-
Available-for-sale financial assets	-	225,800
Financial liabilities		
Measured at amortized cost (Note 2)	2,882,667	2,986,789

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, notes receivable, accounts receivable, other receivables and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprised notes payable, accounts payable, other payables, guarantee deposits received, and long-term borrowings. However, short-term employee benefits payable and business tax payable were not included.

d. Financial risk management objectives and policies

The Corporation's financial risk management objectives are to manage the market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk with respect to the Corporation's operations. To lower the financial risks, the Corporation seeks to identify, evaluate, and avoid market uncertainty, to minimize the potential unfavorable impact on the Corporation due to market volatility.

The Corporation's important financial activities are reviewed by the Board of Directors in accordance with related regulations and internal control systems. The Corporation shall follow the overall guideline for financial risk management and segregation of duties with respect to financial operating procedures.

1) Market risk

a) Foreign currency risk

Refer to Note 27 for the carrying amounts of the Corporation's significant monetary assets and monetary liabilities denominated in non-functional foreign currencies.

Sensitivity analysis

The sensitivity analysis was prepared to reflect the Corporation's exposure to monetary items denominated in U.S. dollars at the balance sheet date. If the New Taiwan dollar strengthens 1% against the U.S. dollar, the Corporation's profit before income tax for the years ended December 31, 2018 and 2017 would have decreased by $133 thousand and $3,281 thousand, respectively. If the New Taiwan dollar weakens 1% against the U.S. dollar, there would be an equal and opposite impact on the profit before income tax.

b) Interest rate risk

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 195,201	$ 39,581
Cash flow interest rate risk		
Financial assets	141,113	427,670
Financial liabilities	2,770,000	2,895,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease in interest rates 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.

As of December 31, 2018 and 2017, the borrowings with floating interest rates of the Corporation amounted to $2,770,000 thousand and $2,895,000 thousand, respectively. If interest rates had been 1% higher and all other variables were held constant, the Corporation's profit before income tax for the years ended December 31, 2018 and 2017 would have decreased by $27,700 thousand and $28,950 thousand, respectively.

2) Credit risk

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

3) Liquidity risk

The Corporation manages liquidity risk by maintaining adequate cash in banks and banking facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2018 and 2017, the available unutilized bank loan facilities were $3,060,000 thousand and $2,705,000 thousand, respectively.

The following tables detailed the Corporation's remaining contractual maturities of 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 Corporation can be required to pay.

December 31, 2018

	Within One Year	2 to 3 Years	4 to 5 Years	5+ Years	Total
Non-interest bearing liabilities	$ 112,667	$ -	$ -	$ -	$ 112,667
Long-term borrowings	270,000	2,500,000	-	-	2,770,000
	$ 382,667	$ 2,500,000	$ -	$ -	$ 2,882,667

December 31, 2017

	Within One Year	2 to 3 Years	4 to 5 Years	5+ Years	Total
Non-interest bearing liabilities	$ 91,789	$ -	$ -	$ -	$ 91,789
Long-term borrowings	270,000	2,495,000	130,000	-	2,895,000
	$ 361,789	$ 2,495,000	$ 130,000	$ -	$ 2,986,789

24. RELATED PARTY TRANSACTIONS

Besides as disclosed elsewhere in the other notes, details of significant transactions between the Corporation and related parties were disclosed below:

a. Related parties and relationships

Related Party	Relationship with the Corporation
TPC	An investor with significant influence over the Corporation
SEC	A subsidiary
YYC	A subsidiary
TYC	An associate
Sun Ba	An associate
SEPC	An associate
KKPC	An associate
SBPC	An associate
Shinlee Product Inc. ("Shinlee")	An associate

b. Operating transactions

Line Item	Related Party Category/Name	For the Year Ended December 31 2018	2017
Sales	Investors with significant influence over the Corporation		
	TPC	$ 436,155	$ 345,143
Research, consulting and construction service revenue	Subsidiaries		
	SEC	$ 12,049	$ 8,864
	Others	480	280
		12,529	9,144
	Associates		
	SEPC	9,468	9,041
	Sun Ba	8,957	10,388
	SBPC	8,741	7,905
	Others	614	682
		27,780	28,016
		$ 40,309	$ 37,160
Cost of sales	Investors with significant influence over the Corporation		
	TPC	$ 32,500	$ 38,524
Operating expenses	Investors with significant influence over the Corporation		
	TPC	$ 500	$ -
	Subsidiaries		
	SEC	527	2,279
		$ 1,027	$ 2,279

The above transactions with related parties were negotiated based on each contract.

c. Non-operating transactions

Line Item	Related Party Category/Name	For the Year Ended December 31 2018	2017
Other income	Subsidiaries		
	SEC	$ 917	$ 1,483
	Associates		
	TYC	2,160	2,160
	SBPC	1,754	1,580
	Sun Ba	1,689	1,442
	KKPC	1,341	733
	SEPC	1,163	1,579
		8,107	7,494
		$ 9,024	$ 8,977

The above transactions with related parties were negotiated based on each contract.

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31 2018	2017
Notes receivable from related parties	Associates		
	SEPC	$ 779	$ 685
Accounts receivable from related parties	Investors with significant influence over the Corporation		
	TPC	$ 24,540	$ 26,887
	Subsidiaries		
	Others	3,154	2,400
	Associates		
	Others	8,122	10,121
		$ 35,816	$ 39,408

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized on receivables from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31 2018	2017
Accounts payable to related parties	Investors with significant influence over the Corporation		
	TPC	$ 1,158	$ 1,158

The outstanding payables to related parties were unsecured.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 27,367	$ 26,661
Post-employment benefits	565	1,320
	$ 27,932	$ 27,981

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

25. ASSETS PLEDGED

The following assets had been pledged as collateral for long-term borrowings:

	December 31	
	2018	2017
Investments accounted for using the equity method	$ 3,011,021	$ 3,352,783

26. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Corporation as of December 31, 2018 were as follows:

a. Commitment for purchase of equipment was approximately $41,584 thousand.

b. Under a Coal Purchase Agreement, the Corporation shall purchase 30 thousand tons of coal based on an agreed price.

c. Under operating lease agreements for office premises and vehicles, future minimum rental payments of the Corporation are as follows:

Year	Amount
2019	$ 27,253
2020	3,680
2021	195

d. On March 15, 2013, the FTC fined Sun Ba, SEPC, SBPC, and KKPC $530 million, $430 million, $130 million and $410 million, respectively, for violation of the Fair Trade Act ("Original FTC's Ruling"). After evaluation of the legal analyses made by engaged attorneys regarding the Original FTC's Ruling, these corporations believed they and other IPPs are not competitors but, even if they are not competitors, they did not jointly refuse to lower the power purchase electricity rates and affect the power supply and demand in the market ("Concerted Action"). These corporations appealed the Original FTC's Ruling to the Petitions and Appeals Committee of the Executive Yuan ("PACEY") to protect their own benefits. On September 12, 2013, the PACEY made a decision to revoke the fine mentioned above and ordered FTC to review and reconsider the case according to applicable laws; the other matters of the appeals were dismissed.

1) On November 5, 2013, the FTC ruled an amended fine of $500 million, $400 million, $100 million and $380 million, respectively, against Sun Ba, SEPC, SBPC, and KKPC ("Second FTC's Ruling"). These corporations made appeals for revocation of the amended fine. On May 9, 2014, the PACEY made a decision on the administrative appeals of these corporations, revoked the Second FTC's Ruling, and requested FTC to reconsider the fine according to applicable laws within two months. On July 9, 2014, the FTC ruled an amended fine of $489 million, $392 million, $100 million and $371 million, respectively, against Sun Ba, SEPC, SBPC, and KKPC ("Third FTC's Ruling"). These corporations appealed the Third FTC's Ruling to PACEY for revocation of the amended fine. In December 2014, PACEY notified these corporations that the proceedings for the appeal were postponed and the appeal is subject to the ruling to be made by the Supreme Administrative Court.

2) These corporations petitioned to the Taipei High Administrative Court for revocation of the Original FTC's Ruling and the decision made by the PACEY regarding Concerted Action. On October 29, 2014, the Taipei High Administrative Court revoked the Original FTC's Ruling and revoked the decision made by the PACEY on September 12, 2013 regarding Concerted Action. On November 27, 2014, the FTC appealed the case to the Supreme Administrative Court. In June 2015, the Supreme Administrative Court recognized that there are questionable points in the case that need clarification and the original ruling of the Taipei High Administrative Court was not supported with clear evidence. The Supreme Administrative Court revoked the original ruling and requested the Taipei High Administrative Court to reconsider the ruling according to applicable laws. On May 25, 2017, the Taipei High Administrative Court revoked the FTC's Ruling with respect to the above alleged concerted action. On June 22, 2017, the FTC appealed the case to the Supreme Administrative Court. On August 23 and September 6, 2018, respectively, the Supreme Administrative Court revoked the original ruling and requested the Taipei High Administrative Court to reconsider the ruling according to applicable laws.

e. As TPC concluded that IPPs violated the Fair Trade Act with Concerted Action and caused a loss to TPC, in September 2015, TPC filed administrative proceedings in Taipei High Administrative Court and filed a civil action in Taipei District Court to claim compensation for the loss. As of December 31, 2018, the administrative proceedings and civil action in progress were as follows:

1) TPC filed administrative proceedings in the Taipei High Administrative Court to claim compensation in the amount of $4,400 million, $2,500 million, $200 million, and $2,400 million against Sun Ba, SEPC, SBPC, and KKPC, respectively. Subsequently, TPC filed an expanded appeal to claim additional compensation against these corporations. The total claim for compensation against Sun Ba, SEPC, SBPC and KKPC was $8,660 million, $4,990 million, $623 million and $4,890 million, respectively. Afterwards, the Taipei High Administrative Court considered these cases as private disputes and transferred these cases to Taipei District Court. TPC appealed the ruling to the Supreme Administrative Court. However, the Supreme Administrative Court ruled to dismiss TPC's appeal. These cases had been transferred to Taipei District Court accordingly. On August 9 and September 5, 2018, respectively, Taipei District Court ruled to postpone these cases until the administrative proceedings between SEPC and FTC as well as KKPC and FTC in the Taiwan High Administrative Court with respect to the alleged concerted action are concluded.

2) TPC filed a civil action in Taipei District Court to claim $4,257 million, $2,489 million, $307 million, and $2,490 million against Sun Ba, SEPC, SBPC, and KKPC, respectively. On February 8, 2018, the Taipei District Court ruled to dismiss TPC's civil action against SBPC. On March 5, 2018, TPC appealed this case to the Taiwan High Court. Afterwards, on June 14, 2018, the Taiwan High Court ruled to postpone this case until the administrative proceedings between SBPC and FTC in the Supreme Administrative Court with respect to the alleged concerted action are concluded. On June 19, 2018, the Taipei District Court ruled to dismiss TPC's civil action against Sun Ba, SEPC and KKPC. On July 13, 2018, TPC appealed this case to the Taiwan High Court.

These corporations have engaged attorneys for the above claims. Whether these corporations are liable for the damages or not depends on the result of the judgement by the court.

f. On November 6, 2018, the Corporation entered into an Engineering, Procurement and Construction Turnkey Contract about onshore export cable, cable culvert and onshore substation in offshore wind farms with Orsted Taiwan Limited. The contract amounted to $6,418,800 thousand plus EUR24,732 thousand. However, as of March 26, 2019, the project was suspended and would continue after the Corporation has obtained a construction permit.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 1,887	30.715	$ 57,953
EUR	322	35.2	11,338
JPY	12,779	0.2782	3,555
			$ 72,846
Non-monetary items			
Investments accounted for using the equity method			
USD	11,705	30.715	$ 359,506
Foreign currency liabilities			
Monetary items			
USD	1,454	30.715	$ 44,655

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 12,394	29.76	$ 368,836
EUR	357	35.57	12,705
JPY	17,589	0.2642	4,647
			$ 386,188

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 16,713	29.76	$ 497,378
Foreign currency liabilities			
Monetary items			
USD	1,370	29.76	$ 40,768

(Concluded)

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	30.149 (USD:NTD)	$ 5,806	30.432 (USD:NTD)	$ (5,704)

28. SEPARATELY DISCLOSED ITEMS

Except for those disclosed in the attached Tables 1 to 4, there were no other significant transactions, information on investees and investments in mainland China that were required for disclosure.

TABLE 1

TAIWAN COGENERATION CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Provided to Each Guaranteed Party	Maximum Balance for the Period (Note 7)	Ending Balance (Note 7)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties (Note 7)	Ratio of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Corporation	TCIC	b	$ 2,932,951 (Note 3)	$ 200,000	$ -	$ -	$ -	-	$ 4,692,722 (Note 4)	Y	N	N
1	TCIC	Redondo Peninsula Energy, Inc.	f	1,438,024 (Note 5)	1,243,000	1,243,000	-	580,000	346%	1,797,530 (Note 6)	N	N	N

Note 1: The Corporation and its investees are numbered as follows:

a. "0" for the Corporation.
b. Investees are numbered from "1".

Note 2: There are seven types of relationships between endorser/guarantor and endorsee/guarantee and should be disclosed as one of the following:

a. A company with which business is done.
b. A company in which the Corporation directly and indirectly holds more than 50% of the voting shares.
c. A company that directly and indirectly holds more than 50% of the voting shares in the Corporation.
d. Between companies in which the Corporation directly and indirectly holds more than 90% of the voting shares.
e. The Corporation fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
f. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
g. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 3: Limit on endorsement/guarantee provided by the Corporation to each subsidiary was up to $2,932,951 thousand, which was calculated at 25% of the Corporation's net worth in the current financial statements. ($11,731,804 thousand (net worth as of December 31, 2018) *25%)

Note 4: Limit on total amount of endorsement/guarantee provided by the Corporation and subsidiaries to entities was up to $4,692,722 thousand, which was calculated at 40% of the Corporation's net worth in the current financial statements. ($11,731,804 thousand (net worth as of December 31, 2018) *40%)

Note 5: Limit on endorsement/guarantee provided by TCIC to an entity was up to $1,438,024 thousand, which was calculated at 400% of the TCIC's net worth in the current financial statements. ($359,506 thousand (net worth as of December 31, 2018) *400%)

Note 6: Limit on total amount of endorsement/guarantee provided by TCIC was up to $1,797,530 thousand, which was calculated at 500% of the TCIC's net worth in the current financial statements. ($359,506 thousand (net worth as of December 31, 2018) *500%)

Note 7: Maximum balance for the period, ending balance and amount of endorsement/guarantee collateralized by properties represent the amount of facilities, not actually drawn. The amount actually drawn was $0 as of December 31, 2018.

TABLE 2

TAIWAN COGENERATION CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	December 31, 2018				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	Stock KADC	N/A	Financial assets at fair value through other comprehensive income	20,000	$ 247,000	8.00%	$ 247,000	

TABLE 3

TAIWAN COGENERATION CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	TPC	A director of the Corporation	Sales (Note 1)	$ 436,155	11 (Note 4)	Receivables are collected within 30 days after billing dates under agreements.	-	-	$ 24,540	7 (Note 4)	
SEC	TPC	A director of parent company	Sales (Note 2)	185,077	5 (Note 4)	Receivables are collected within 30 days after billing dates under agreements.	-	-	25,455	7 (Note 4)	
	TYC	An investee of the Corporation accounted for using the equity method	Sales (Note 3)	105,857	3 (Note 4)	Receivables are collected within 30 days after billing dates under agreements.	-	-	2,400	1 (Note 4)	

Note 1: Sales of electricity.

Note 2: Sales of electricity and revenues from research, consulting and construction services.

Note 3: Revenues from research, consulting and construction services.

Note 4: The ratio of notes/accounts receivable (payable) to the consolidated total notes/accounts receivable (payable).

TAIWAN COGENERATION CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Profit (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership	Carrying Amount			
The Corporation	SEC	Taipei City	Undertaking and installing of power and water resources engineering projects	$ 1,220,020	$ 1,220,020	63,000	100.00	$ 731,965	$ 114,165	$ 115,995 (Note 2)	A subsidiary
	TCIC	British Virgin Islands	Investment in foreign countries and international trading	685,374	685,374	22,260	100.00	359,506	(124,655)	(124,655)	A subsidiary
	YYC	Yilan County	Investment in geothermal power plant	153,000	25,500	15,300	51.00	144,425	(7,003)	(3,572)	A subsidiary
	TGE	Taipei City	Investment in green power plant	85,000		8,500	100.00	84,705	(295)	(295)	A subsidiary
	TYC	Taoyuan City	Cogeneration plants, management of operations, maintenance of equipment	214,240	214,240	34,127	29.31	514,758	138,556	40,612	An investee of the Corporation accounted for using the equity method
	Sun Ba	Tainan City	Power generation	3,073,500	3,073,500	258,000	43.00	5,290,524	956,278	411,199	An investee of the Corporation accounted for using the equity method
	KKPC	Taoyuan City	Power generation	1,775,426	1,775,426	114,730	35.00	2,025,240	(558,390)	(216,090) (Note 1)	An investee of the Corporation accounted for using the equity method
	SEPC	Changhua County	Power generation	1,272,500	1,272,500	121,500	40.50	2,275,995	352,583	142,796	An investee of the Corporation accounted for using the equity method
	SBPC	Taipei City	Power generation	1,409,130	1,409,130	136,200	41.27	2,147,991	405,652	167,423	An investee of the Corporation accounted for using the equity method
SEC	SPC	Changhua County	Power generation	20,000	-	2,000	100.00	15,847	(4,153)	(4,153)	A subsidiary
	Shinlee	Taipei City	Construction service and international trading	16,500	16,500	1,650	41.25	5,655	(6,651)	(2,744)	An investee of the Corporation's subsidiary accounted for using the equity method
TCIC	Redondo Peninsula Energy, Inc.	Philippines	Power generation	573,165	573,165	8,446	25.00	284,890	(512,892)	(128,223)	An investee of the Corporation's subsidiary accounted for using the equity method
TGE	SKE	Hsinchu County	Power generation	38,000	-	-	100.00	37,801	(199)	(199)	A subsidiary

Note 1: Including share of loss of $(195,436) thousand and amortization of investment premium of $(20,654) thousand.

Note 2: Including share of profit of $114,165 thousand and realized gain on research, consulting and construction services of $1,830 thousand.

TAIWAN COGENERATION CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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TAIWAN COGENERATION CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Amount
Cash		
Cash on hand		$ 500
Checking accounts		805
Demand deposits		
NTD		91,610
USD	US$1,127 thousand, exchange rate at 30.715	34,610
EUR	EUR322 thousand, exchange rate at 35.2	11,338
JPY	JPY12,779 thousand, exchange rate at 0.2782	3,555
		141,113
Cash equivalents		
Time deposits		
NTD	Mature in December 2019, interest rate at 0.78%	171,858
USD	Mature in January 2019, interest rate at 2.75%	23,343
		195,201
		$ 337,619

TAIWAN COGENERATION CORPORATION

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Customer Name	Amount
Related parties	
SEPC	$ 779

TAIWAN COGENERATION CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Customer Name	Amount
Related parties	
TPC	$ 24,540
SEC	3,114
Sun Ba	3,003
SBPC	2,763
Others (Note)	2,396
	35,816
Non-related parties	
Company A	52,904
Company B	30,589
Company C	9,977
Company D	6,849
Others (Note)	1,445
	101,764
	$ 137,580

Note: The amount of individual customer included in others did not exceed 5% of the account balance.

TAIWAN COGENERATION CORPORATION

STATEMENT OF INVENTORIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Raw materials	$ 8,544	$ 9,273

TAIWAN COGENERATION CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2018		Additions		Deductions (Note 1)		Effect of Retrospective Application	Remeasurement of Defined Benefit Plans	Share of Other Comprehensive Income or Loss (Note 2)	Realized (Unrealized) Gain on Construction Services with Associates	Share of Profit or Loss	Exchange Differences on Translating Foreign Operations	Balance, December 31, 2018			Fair Value or Net Worth (Note 3)	Assets Pledged as Collateral or for Security
	Shares	Amount	Shares	Amount	Shares	Amount							Shares	Percentage of Ownership (%)	Amount		
TYC	34,127,455	$ 529,646		$ -	-	$ (30,715)	$ (1,103)	$ 94	$ (23,068)	$ (708)	$ 40,612	$ -	34,127,455	29.31	$ 514,758	$ 827,591	
Sun Ba	258,000,000	5,277,901			-	(405,060)		(766)		7,250	411,199		258,000,000	43.00	5,290,524	5,362,854	(Notes 4 and 5)
KKPC	114,730,000	2,372,486				(130,901)		(255)		-	(216,090)		114,730,000	35.00	2,025,240	1,879,429	(Notes 6 and 7)
SEPC	121,500,000	2,247,509				(117,855)	-	(1,973)		5,518	142,796	-	121,500,000	40.50	2,275,995	2,361,245	(Notes 8 and 9)
SBPC	136,200,000	2,124,983				(163,440)	-	(105)		19,130	167,423	-	136,200,000	41.27	2,147,991	2,445,814	(Note 10)
SEC	63,000,000	621,266	-					(3,473)		(1,823)	115,995		63,000,000	100.00	731,965	732,034	(Note 11)
TCIC	22,260,000	497,378	-	-		(1,368)		99	-		(124,655)	(11,948)	22,260,000	100.00	359,506	359,506	
YYC	2,550,000	20,497	12,750,000	127,500	-				-		(3,572)		15,300,000	51.00	144,425	144,425	
TGE		-	8,500,000	85,000	-	-	-	-	-	-	(295)	-	8,500,000	100.00	84,705	84,705	
		$ 13,691,666		$ 212,500		$ (849,339)	$ (1,103)	$ (6,379)	$ (23,068)	$ 29,367	$ 533,413	$ (11,948)			$ 13,575,109	$ 14,197,603	

Note 1: The decrease in TCIC represented share of transaction cost attributable to issue of new ordinary shares of associates accounted for using the equity method. Other decreases represented cash dividends received from investees accounted for using the equity method.
Note 2: Share of other comprehensive income or loss represented recognition of the changes in unrealized gain or loss on TYC's investment in equity instruments designated as at fair value through other comprehensive income.
Note 3: For TYC, the amount represented its fair value calculated based on its closing price on December 31, 2018. For other equity investments, the amounts represented their net worth.
Note 4: A total of 33,000 thousand common shares of Sun Ba (carrying amount at $676,695 thousand) had been pledged as collateral for long-term borrowings.
Note 5: The difference between carrying amount and net worth of equity interest included $2,087 thousand of goodwill and $(74,417) thousand of unrealized gain on research, consulting and construction services.
Note 6: A total of 114,730 thousand common shares of KKPC (carrying amount at $2,025,240 thousand) had been pledged as collateral for long-term borrowings.
Note 7: The difference between carrying amount and net worth of equity interest included $19,304 thousand of goodwill and $126,497 thousand of unamortized investment premium.
Note 8: A total of 16,500 thousand common shares of SEPC (carrying amount at $309,086 thousand) had been pledged as collateral for long-term borrowings.
Note 9: The difference between carrying amount and net worth of equity interest was unrealized gain on research, consulting and construction services of $(85,250) thousand.
Note 10: The difference between carrying amount and net worth of equity interest was unrealized gain on research, consulting and construction services of $(297,823) thousand.
Note 11: The difference between carrying amount and net worth of equity interest was unrealized gain on research, consulting and construction services of $(69) thousand.

TAIWAN COGENERATION CORPORATION

STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Supplier Name	Amount
Non-related parties	
Company E	$ 4,901
Company F	1,887
Company G	1,571
Company H	808
Company I	751
Others (Note)	4,994
	$ 14,912

Note: The amount of individual supplier included in others did not exceed 5% of the account balance.

TAIWAN COGENERATION CORPORATION

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Supplier Name	Amount
Related parties	
TPC	$ 1,158
Non-related parties	
Company J	42,685
Company K	11,880
Company L	8,553
Others (Note)	14,358
	77,476
	$ 78,634

Note: The amount of individual supplier included in others did not exceed 5% of the account balance.

TAIWAN COGENERATION CORPORATION

STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Name of Creditors	Credit Period and Repayment Method	Interest Rate (%)	Amount Less than One Year	Amount More than One Year	Total	Collateral	Note
Mega International Commercial Bank	Secured borrowings, repayable in annual installments through August 2021, contract term from August 2011 to August 2021	1.50	$ 130,000	$ 260,000	$ 390,000	Note 1	Nil
Mega International Commercial Bank	Secured borrowings, repayable in quarterly installments through December 2019; contract term from December 2014 to December 2019	1.80	140,000	-	140,000	Note 2	Nil
Bank of Taiwan	Revolving unsecured borrowings, revolving through July 2020; contract term from July 2018 to July 2020	0.98	-	500,000	500,000	Nil	Nil
Agricultural Bank of Taiwan	Revolving unsecured borrowings, revolving through December 2020; contract term from December 2018 to December 2020	0.95	-	500,000	500,000	Nil	Nil
First Commercial Bank	Revolving unsecured borrowings, revolving through August 2020; contract term from August 2018 to August 2020	0.99	-	495,000	495,000	Nil	Nil
Land Bank of Taiwan	Revolving unsecured borrowings, revolving through August 2021; contract term from August 2018 to August 2021	0.97	-	300,000	300,000	Nil	Nil
KGI Bank	Revolving unsecured borrowings, revolving through March 2020; contract term from March 2018 to March 2020	1.05	-	295,000	295,000	Nil	Nil
Chang Hwa Commercial Bank	Revolving unsecured borrowings, revolving through June 2020; contract term from June 2017 to June 2020	1.04	-	150,000	150,000	Nil	Nil
			$ 270,000	$ 2,500,000	$ 2,770,000		

Note 1: A total of 114,730 thousand common shares of KKPC (carrying amount at $2,025,240 thousand) accounted for using the equity method had been pledged as collateral for long-term borrowings.

Note 2: A total of 33,000 thousand common shares of Sun Ba (carrying amount at $676,695 thousand) and a total of 16,500 thousand common shares of SEPC (carrying amount at $309,086 thousand) accounted for using the equity method had been pledged as collateral for long-term borrowings.

TAIWAN COGENERATION CORPORATION

STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Quantity	Amount
Sales		
Sales of electricity	302,623 thousand kwh	$ 725,222
Sales of steam	316 thousand tons	292,810
Others		590
		1,018,622
Research, consulting and construction services		
Consulting services		41,309
		$ 1,059,931

TAIWAN COGENERATION CORPORATION

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of sales	
Fuel costs	$ 430,209
Variable indirect costs	122,797
Maintenance costs	49,980
Utilities	40,349
Labor costs	49,016
Others (Note)	26,766
	719,117
Cost of research, consulting and construction services	
Labor costs	32,377
	$ 751,494

Note: The amount of each item in others did not exceed 5% of the account balance

TAIWAN COGENERATION CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Payroll expense and pension expense	$ 99,282
Professional fee	16,976
Rental expense	12,632
Others (Note)	32,424
	$ 161,314

Note: The amount of each item in others did not exceed 5% of the account balance

TAIWAN COGENERATION CORPORATION

STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll	$ 69,096	$ 85,012	$ 154,108	$ 62,301	$ 79,716	$ 142,017
Labor and health insurance	5,047	4,914	9,961	4,658	4,629	9,287
Pension	4,421	4,295	8,716	4,294	4,268	8,562
Remuneration to directors	-	9,975	9,975	-	10,227	10,227
Other personnel expense	2,829	4,530	7,359	2,165	3,576	5,741
	$ 81,393	$ 108,726	$ 190,119	$ 73,418	$ 102,416	$ 175,834
Depreciation expense	$ 25,771	$ 1,584	$ 27,355	$ 28,725	$ 1,550	$ 30,275
Amortization expense	$ 283	$ 785	$ 1,068	$ 212	$ 182	$ 394

Note: The number of employees as of December 31, 2018 and 2017 was 128 and 121, respectively, of which the number of non-employee directors was both 12.

6. State the financial position of the Company if any insolvency occurs in the Company or affiliates in the previous year until the date of report publication
   None

VII. Financial position and the review and analysis of financial performance and risk

1. Financial position

Analysis on financial positions

Unit: NT$ 1,000

Year / Subject	2018	2017	Change: Increased (Decreased) Amount	Change: Increased(Decreased) Ratio (%)
Current assets	2,929,066	1,351,555	1,577,511	117
Long-term investments	12,545,053	13,212,482	(667,429)	(5)
Property, plant, and equipment (PP&E)	849,782	568,045	281,737	50
Other assets	437,365	119,232	318,133	267
Total assets	16,761,266	15,251,314	1,509,952	10
Current liabilities	2,191,523	640,532	1,550,991	242
Non-current liabilities	2,699,177	2,732,562	(33,385)	(1)
Total liabilities	4,890,700	3,373,094	1,517,606	45
Share capital	5,890,486	5,890,486	0	0
Capital surplus	499,694	499,694	0	0
Retained earnings	5,345,857	5,458,764	(112,907)	(2)
Other equity	(4,233)	9,583	(13,816)	(144)
Non-controlling interests	138,762	19,693	119,069	-
Total shareholder's Equity	11,870,566	11,878,220	(7,654)	(0)

Analysis of ratio changes

1. Current assets increased as the assets and cash of the construction contracts undertaken by Energy Star increased.
2. PP&E increased as PV equipment increased.
3. Other assets increased as deferred tax assets and equipment prepayments increased.
4. Current liabilities increased as the debts from construction payment and contracts undertaken by and the short-term loans of Start Energy increased.
5. Other equipment reduced due to the exchange difference in the financial statements of organizations operated overseas and the unrealized income from ready-to-sell financial products reduced.

2. Financial performance

(1) Comparison and analysis of financial performance

Unit: NT$1,000

Item	2018	2017	Change	
			Increased (Decreased) Amount	Increased (Decreased) Ratio (%)
Operating revenue	3,814,274	1,209,414	2,604,860	215
Operating cost	3,368,139	931,140	2,436,999	262
Realized gain on transactions with associates	31,190	31,871	(681)	(2)
Realized gross profit	477,325	310,145	167,180	54
Operating expenses	214,531	210,882	3,649	2
Profit from operations	262,794	99,263	163,531	165
Non-operating income and expenses	413,374	888,279	(474,905)	(53)
Profit before income tax	676,168	987,542	(311,374)	(32)
Income tax expense	7,304	20,475	(13,171)	(64)
Net profit	668,864	967,067	(298,203)	(31)
Profit attributable to owners of the parent	672,295	971,874	(299,579)	(31)

Ratio change analysis:
Analysis of ratio changes
1. Revenue and operating cost increased as the volume of the construction business of subsidiary Star Energy increased significantly.
2. Gross profit and net profit increased as the Kuan Tien Plant increased the steam price along with the oil price rise, the emergency procurement of TPC and the rise of electricity tariffs as of April 2018, and the volume of the construction business of Star Energy increased.
3. Non-operating income and net income reduced as the income from reinvestments reduced.

(2) Potential influence on future finance and operations and countermeasures
The scale of operations will expand as business grows. We will seek long-term capital sources to fulfill the financial needs and raise the financial ratio to optimize our financial structure.

3. Cash flow

(1) Change in consolidated cash flow in the previous year

Unit: NT$1,000

Beginning cash balance	Annual net cash flow from own business activities	Annual net cash flow from investment and fundraising activities	Cash balance	Remedy for cash shortage	
				Investment Plans	Financial Management Plans
832,418	577,422	(313,120)	1,096,720		

A. Cash flow analysis

1) Business activities: Net cash inflow was about NT$580 million gained mainly from own business and cash dividends from investees.

2) Investment and fundraising activities: Net cash outflow was about NT$310 million spent on cash dividend distribution and equipment purchase.

B. Improvements for low liquidity: No cash shortage was reported.

(2) Analysis of consolidated cash liquidity in the next year

Unit: NT$1,000

Beginning cash balance	Annual net cash flow from own business activities	Annual net cash flow from investment and fundraising activities	Cash balance	Remedy for cash shortage	
				Investment Plans	Financial Management Plans
1,096,720	599,202	(941,489)	754,433		

A. Cash flow analysis

1) Business activities: Projected cash inflow will be about NT$600 million gained from the cash dividends of investees.

2) Investment and fundraising activities: Projected cash outflow will be NT$940 million spent on cash dividend distribution, increase in capital expenditure, long-term stock investments, and repayment of bank loans.

B. Remedy for project cash insufficiency and liquidity analysis: None.

4. Influence of major capital spending on financial position and operation
   (1) Utilization and sources of major capital expenditure

Unit: NT$1,000

Project	Actual or projected fund source	Actual or projected date of completion	Total amount of capital needed	Actual or projected use of capital						
				2017 (actual)	2018 (actual)	2019 (planned)	2020 (planned)	2021 (planned)	2022 (planned)	2023 (planned)
Reinvestment in Energy (300MW power plant)	Own fund +loan	2024	2,266,733	152,202				353,557	679,937	660,333

   (2) Projected benefits
   The project benefits of investment will emerge after RP Energy is completed in 2024.

5. Re-investment policies, main causes of profit or loss, and improvement plans in the previous year, and investment plans in the next year
   Re-investment projects are made to expand the scale of long-term investments in power plants at home and abroad. The income from investments recognized by the equity method in the 2018 consolidated financial statement was NT$414,973,000. Please refer to Annex 6 2018 Consolidated Financial Statement for information of the investee. In the future, we will continue to expand the scale of investments in power plants or cogeneration plants at home and abroad.

6. Risks and assessment in the previous year and by the date of report publication
   (1) The influence the income of interest rate and exchange rate volatility and inflation and countermeasures:
      a) Interest rate volatility(Finance)
         The interest rate risk mainly comes from the long-term debts for major capital expenditure. To reduce the risk of interest rate rise, we keep constant track on market changes and draw up hedges to minimize the influence on profits/losses of interest rate change.
         In terms of assets, in consideration of high liquidity, principal guarantee, and credit risks, we select term deposit in large banks or their short-term bills to secure the principal and reduce financial risks.
      b) Forex volatility
         Our foreign currency expenditure is mainly used to purchase fuels for power plans and major capital expenditure. In hedge planning for forex change, apart from gathering information on forex market changes and keeping constant track on forex rate changes to plan countermeasures, will keep close contacts with major trading banks to cope with forex rate volatility with forward exchange agreements and spot exchange in order to minimize foreign exchange risks.
      c) Inflation and deflection
         Currently, we are focusing on the domestic market. As electricity is the basic demand of industries and citizens, neither inflation nor deflation will bring significant influence on our operations.
   (2) Policies, main reason(s) for profits or losses, and future countermeasures for engaging in high-risk and high-leverage investments, lending, offering guarantees and endorsements, and derivatives investments:
      a) Between the beginning of 2018 and the date of report publication, we did not engage in high-risk and high-leverage investments or lending.
      b) Due to business needs, subsidiary TCIC has agreed to offer a guarantee to investee RP Energy (RPE) based on its 25% stake.
         i Effectuate a guarantee to the bank at a maximum of NT$473 million before obtaining the Power Supply Agreement (PSA) approved by Energy Regulatory Commission (ERC) during the first-time appropriation of the project loan.
         ii Effectuate a guarantee at a maximum of NT$580 million for RPE’s stock loan

quasi-mortgage before the first-time appropriation of the project loan when RPE signs the project secured loan agreement.

iii Offer a standby letter of credit (SBLC) to RPE subscribers as performance bond for electricity supply by RPE at a maximum of NT$190 million.

These guarantees with a total guarantee at NT$1.243 billion are unexecuted. TCIC will re-confirm the exact amounts of guarantee after RPE's first-time appropriation.

c) Instead of trading or speculation, we invest in derivatives for the sole purpose of hedging. In addition, to control the risks from financial transactions, we have established well-designed financial-based and operational-based internal management regulations and operating procedures in accordance with relevant laws and regulations promulgated by the Financial Supervisory Commission. These management regulations include the "Loaning, Endorsements and Guarantees Operating Procedures" and "Asset Acquisition and Disposal Operating Procedures".

(3) Future R&D projects and planned R&D funds: None. No R&D fund is reported as both TCC and affiliates supply electricity and offer engineering consulting services.

(4) The influence of significant changes in policies and laws at home or abroad on finance and operations and countermeasures:

a) The increasing concerns about GHG emissions across the globe and stricter environmental regulations at home will disfavor coal-fired power plants and favor more the development of gas-fired power plants and renewable energy..

b) The amended Electricity Act was promulgated and implemented on January 26, 2017, with focus on the promotion of energy transformation, the encouragement of renewable energy development, and the legislation of the restriction on the carbon emission coefficients from electricity generation and "no nuke home". We will keep track on the amendment to the bylaws and draw up countermeasures to develop business cultivation strategies and aggressively participate in electricity market development.

c) Apart from looking for opportunities to invest in renewable energy, cogeneration plants, and IPPs, we will actively expand to overseas electricity markets, hoping to progressively expand the scope of operations and make better performance.

(5) The influence of technology and industry changes on finance and operations and countermeasures: None

(6) The influence of market presence change on crisis management and countermeasures: None

(7) The expected benefits and potential risks of mergers and acquisitions: None

(8) The expected benefits and potential risks of factory expansion and countermeasures: None

(9) The potential risk of procurement or sales centralization and acquisitions: None

(10) The influence and potential risk of the massive transaction of or conversion of shares the directors, supervisors or dominant shareholders hold with over 10% of the stakes and countermeasures: None.

(11) The influence and risks of management change and countermeasures: None.

(12) Litigious or non-litigious events: List the major litigious events, non-litigious events, or administrative remedies with confirmed verdicts or in progress of the company and its directors, supervisors, general manager, actual person-in-charge, and shareholders holding over 10% of the stakes; subsidiaries; affiliates. When the results of such events and remedies may have potential influence on the shareholder's equity or stock price, disclose the fact in dispute, the amount in dispute, the start date of event, principal parties involving in the event, and the status by the date of report publication: Please refer to section IX.

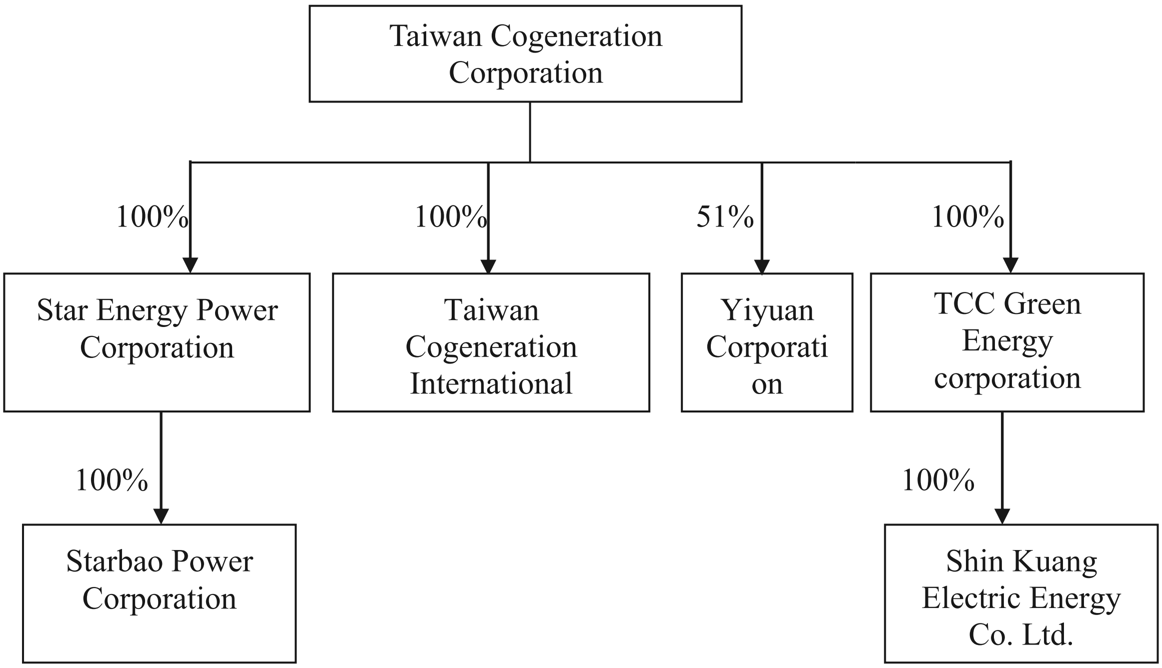
(13) Other important risks and countermeasures: None.

7. Other material information

None

VIII. Special notes

1. Information of affiliates
   (1) Consolidated business reports of affiliates
      A. Organization chart of affiliates



      B. Basic data of affiliates

Unit: NT$1,000
Year: 2018

Affiliate	Est. date	Address	Paid-in Capital	Scope of Business
Star Energy Corporation	1996/10/11	6F, No. 392, Ruiguang Road, Neihu District, Taipei City	630,000	Undertaking electricity-related projects
Taiwan Cogeneration International Corporation	2011/8/10	P.O. Box 3444, Road Town Tortola, British Virgin Islands	685,374	Overseas investment and international trade
Yi-yuan Corp.	2017/6/22	No. 78, Section 6, Sanxing Road, Neighborhood 5, Shuanxian Village, Sanxing Township, Yilan County	50,000	Geothermal generation investment
TCC Green Energy corporation	2018/11/28	4F, No. 25, Lane 10, Shuangcheng St., Zhongshan Dist., Taipei City	85,000	Green energy generation investment.
Shin Kuang Electric Energy Co. Ltd.	2018/10/26	7F.-7, No.8, Taiyuan 1st St., Zhubei City, Hsinchu County	38,000	Solar energy generation.
Starbao Power Corporation	2018/12/25	No.64, Ziqiang Rd., Shengang Township, Changhua County	20,000	Onshore wind power generation.

C. Directors, supervisors, and general managers and their shareholdings of affiliates

Unit: Shares
Year: 2018

Affiliate	Title	Name or representative	Shareholdings	
			Shares	Proportion
Star Energy Corporation	Chairman Director Director Supervisor	Taiwan Cogeneration Corporation: Representative: Chin -fa Tsai Taiwan Cogeneration Corporation: Representative: Bao-wen Kao Taiwan Cogeneration Corporation: Representative: Zhi-hua Zheng Taiwan Cogeneration Corporation: Representative: Hsi-hsun Wang	63,000,000	100%
Taiwan Cogeneration International Corporation	Director Director	Taiwan Cogeneration Corporation: Representative: Yi-tong Chen Taiwan Cogeneration Corporation: Representative: Xi-long Chen	22,260,000	100%
Yi-Yuan Corp.	Chairman Director	Taiwan Cogeneration Corporation: Representative: Shu-shen Lin Taiwan Cogeneration Corporation: Representative: Xing-zhi Xi	15,300,000	51%
TCC Green Energy corporation	Chairman Director Supervisor	Taiwan Cogeneration Corporation: Representative: Ming-zhou Cheng Taiwan Cogeneration Corporation: Representative: Shi-yi Ho Taiwan Cogeneration Corporation: Representative: Liu Kuang Huei	-	100%
Shin Kuang Electric Energy Co. Ltd.	Chairman	TCC Green Energy corporation: Representative: Ming-zhou Cheng	3,800,000	100%
Starbao Power Corporation	Chairman Director	Star Energy Corporation: Representative: Chin -fa Tsai Star Energy Corporation: Representative: De-sheng Hsu	2,000,000	100%

D. Status of operations of affiliates

Unit: NT$1,000
Year: 2018

Affiliate	Capital Amount	Total Assets	Total Liabilities	Net Worth	Revenue	Net Profit(Loss)	Current Income	EPS (NT$)
Star Energy Corporation	630,000	2,523,112	1,791,078	732,034	2,767,400	92,112	114,165	1.81
Taiwan Cogeneration International Corporation	685,374	380,239	20,733	359,506	-	(121)	(124,655)	(5.60)
Yi Yuan Corp.	50,000	285,059	1,871	283,188	-	(7,070)	(7,003)	(0.23)
TCC Green Energy corporation	85,000	84,785	80	84,705	-	(300)	(295)	(0.03)
Shin Kuang Electric Energy Co. Ltd.	38,000	38,052	251	37,801	-	(250)	(199)	(0.05)
Starbao Power Corporation	20,000	21,038	5,191	15,847	-	(5,191)	(4,153)	(2.08)

2. Private placements of securities in the previous year and by the date of report publication
   None
3. Stocks of this Company held and disposed by subsidiaries in the previous year and by the date of report publication
   None
4. Other required supplementary notes
   None

IX. Events with material impacts on equity or stock price as specified in item 3, paragraph 2, Article 36 of the Securities and Exchange Act in the previous year and by the date of report publication

1. An investee IDD was accused of violating the Fair Trade Act and sanctioned by the Fair Trade Commission (FTC). The current status of the administrative remedy is as follows:
   A. In March 2013, FTC fined nine domestic IPPs for violating the Fair Trade Act. Four investee IPPs of this company denied the charges and the others refuse to reduce the sales price of electricity together. All IPPs have hired legal counsels to represent them in the case. After filing an administrative remedy, the Executive Yuan withdrew the fine, FTC will take other legal sanctions, and all other parts of the remedy have been dismissed (e.g. affirmation of concerted actions). Regarding the dismissed concerted actions, all IPPs appealed to the Taipei High Administrative Court in November 2013. On 29 October 2014, the Taipei High Administrative Court decided the IPPs won and dismissed the concerted action charge pressed by FTC. On 27 November 2014, FTC appealed to the Taipei Supreme Administrative Court. After the Supreme Administrative Court denied the decision of the High Administrative Court and remanded the case at the end of June 2015, the Taipei High Administrative Court determined that IPP won the case on May 25, 2017. However, FTC file an appeal on June 22, 2017, and the Supreme Administrative Court dismissed the judgment made by the High Administrative Court and re-assigned the case to the High Administrative Court on September 6, 2018. Therefore, the case is still under progress at the High Administrative Court.
   B. Regarding the fine, FTC made another decision on 10 July 2014 to fine Sun Ba Power Corporation a sum of NT$489 million, Star Energy Power Corporation a sum of NT$392 million, Kuo Guang Power Co, Ltd. a sum of NT$371 million, and Star Buck Power Corporation a sum of NT$100 million. While the charge of concerted actions of IPPs has been dismissed by the Taipei High Administrative Court, the Administrative Remedy Committee of the Executive Yuan notify all IPPs in writing the halting of the investigation before the Taipei Supreme Administrative Court makes a decision on this part.
2. Taiwan Power Company made claims to the Taipei High Administrative Court and Taipei District Court in September 2015 for the damages on Taiwan Power Company caused by the concerted actions of our investee IPPs in violation of the Fair Trade Act.
   A. Taiwan Power Company claimed for a large-amount indemnity from our investees to the Taipei High Administrative Court: Star Energy Power at NT$2.5 billion, Sun Ba NT$4.4 billion, Kuo Kuang at NT$2.4 billion, and Star Buck at NT$200 million. Taiwan Power Company further increased the claims: Star Energy Power at NT$2.49 billion, Sun Ba NT$4.26 billion, Kuo Kuang at NT$2.49 billion, and Star Buck at NT$420 million. The Taipei High Administrative Court referred the case to the Taipei District Court (Civil), claiming that it did not have a jurisdiction over the claim. Although Taiwan Power Company made an appeal, it was denied by the Taipei Supreme Administrative Court. Therefore, the Taipei High Administrative Court has referred the case to the Taipei District Court. The case is still under progress at the Taipei District Court.
   B. At the Taipei District Court (Civil), Taiwan Power Company claimed: NT$2.489 billion from Star Energy, NT$4.257 billion from Sun Ba, NT$307 million from Star Buck, and NT$2.49 billion from Kuo Kuang. The Taipei District Court made the decision of the case regarding Star Buck Power Plant on February 8, 2018 and of the case of Sun Ba, Star Energy, and Kuo Kuang was made on June 19, 2018. Both judgements defined the TPC's unreasonable claims. However, TPC already made an appeal to both cases, and these cases have been referred to the Taiwan High Court for proceeding.