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TAIWAN COGENERATION CORP.

Annual Report 2017

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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 the concerted effort of all employees, Taiwan Cogeneration Corporation can maintain steady growth and development. Please accept my sincerest gratitude for your support and assistance on behalf of Taiwan Cogeneration Corporation.

1. 2017 Business Report

(1) Business performance

The consolidated net profit in 2017 was NT967,067,000, NT\$18,101,000 more than that of 2016 at NT\$948,966,000 as the income from re-investments increased and the net influence of the coal price rise and the increase in the standby power and environmental protection of the Guantian Plant. Equity per share (EPS) was NT\$1.65 based on 589,049,000 shares at the end of the period.

The table below shows our business performance over the past two years.

Unit: NT\$1,000

Item	2017	2016
Operating revenues	1,209,414	1,178,012
Profit from operations	99,263	153,459
Profit before income tax	987,542	990,250
Income tax expense	20,475	41,284
Net profit	967,067	948,966
EPS	1.65	1.61

(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 2017.

(3) Revenue and expenditure and profitability analysis

By the end of 2017, gross profit reduced compared to 2016 as a result of the coal price rise and expense increase in standby power and environmental protection of the Guantian Plant. Thanks to the increase in income of re-investments and the decrease in tax expense that revenue increased compared to 2016. In financial structure and solvency, we continuously seek profitable and cheap capital, and the overall financial structure is steady.

Item		2017	2016
Financial structure analysis	Debt to total assets (%)	22	22
	Long-term capital to property, plant& equipment (%)	2,572	3,234
Solvency	Current ratio (%)	211	222
	Quick ratio (%)	159	173
Profitability analysis	Return on assets (%)	7	7
	Return on equity (%)	8	8
	Profit margin (%)	80	81

(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), demand bidding, energy storage cells greenhouses.

2. 2018 Business Plan overview

(1) 2018 business policy

The 2018 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 in potential sites 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, continually promoting the Qingshui Geothermal Power Plant BOT Project and the Mt. Datun Geothermal Power Plant Development Project and developing other low-to-medium heat water geothermal projects; progressively developing the geothermal business and allying with other professional partners to stringently control development risks. Aggressively 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 assigning subsidiary Star Energy to construct and maintain such projects to establish a vertical integration business model.
2. Assisting investee RP Energy (RPE) to accelerate investments and plant construction. Apart from confirming own investment benefits and continually monitoring RPE risks, supervising RPE to complete all preparations for plant construction, plant construction, and form an operation and maintenance team.
3. Timely increasing investments in domestic and overseas IPPs and domestic cogeneration plants.
 - A. Domestic IPPs and cogeneration plants: Keeping track on regulations and information relating to power industry liberalization, grid supply and demand, and cogeneration, continually 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 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 2018 production and sales

Major Project		Year	2018 (projected)
Electricity	(1,000kWh)	Production	333,162
		Sales	290,065
Steam	Tons	Production	304,693
		Sales	304,693

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

2) Basis of 2018 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. Building a friendly workplace by complying with environmental and OH&S regulatory requirements, optimizing environmental management according to ISO 14001, and continuingly promoting healthy workplace activities.
- 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 renewal energy development, and legislating limits on the carbon emission coefficient of power generation and “no nuke home.” We will keep track on the impacts on business operations of amendments to related bylaws 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: The inclusion of the “nuclear-free home” policy in the Electricity Act will result in electricity shortages and bring opportunities to independent combined cycle power plants CCPP using combined cycle gas turbines (CCGT). In addition, the government’s energy allocation policy will bring more opportunities to the renewal energy market and energy service market relating to energy conservation. 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

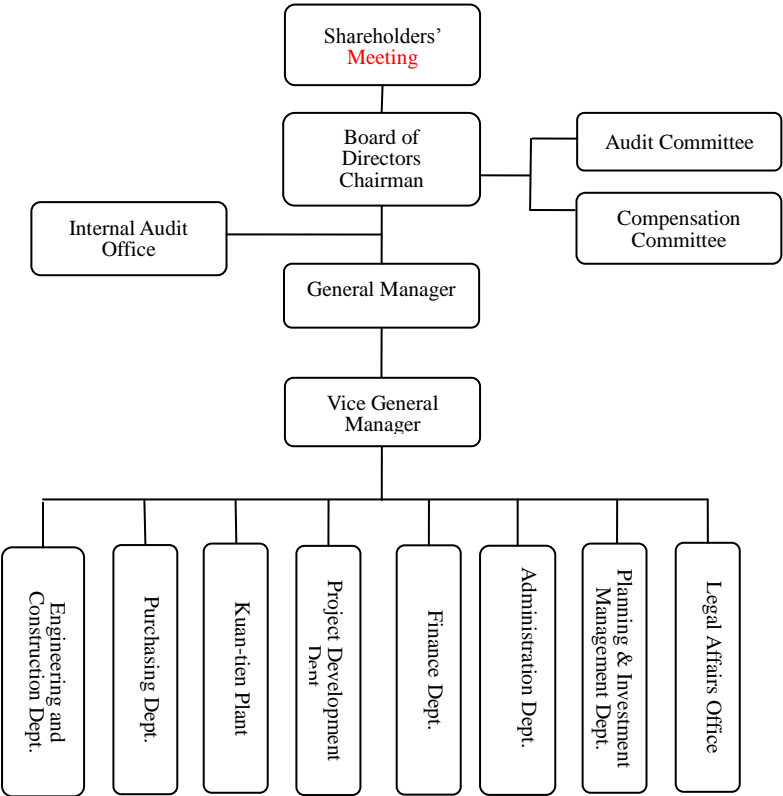
1992	Established as a professional cogeneration power plant by Taiwan Power Company, Mega Bank, China Development Industrial Bank, and a number of domestic E&M manufacturers with NT\$1 billion under the direction of the Ministry of Economic Affairs.
1996	<ul style="list-style-type: none"> Commercial operation of Ta-Yuan Cogeneration Plant I of joint-venture Ta-Yuan Cogeneration Corporation Re-invested in Star Energy Corporation
1997	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Established Sun Ba International Power Corporation through re-investments. Converted corporate bonds to equity at NT\$507 million.
2006	<ul style="list-style-type: none"> Re-invested in Star Buck Power Corporation. Converted corporate bonds to equity at NT\$87 million.

2007	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Increased Acquisition 5.5% of stake of Sun Ba, 5.5% of stake of Star Energy, and 4.6% of stake of Star Buck in March. • Increased Acquisition 3% 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.

III. Governance

1. Organization

(1) Organization structure



(2) Functions and duties of departments

Department	Functions and Duties
Internal Audit Office	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 1. Planning <ol style="list-style-type: none"> (1) Business planning <ul style="list-style-type: none"> ➤ 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 <ul style="list-style-type: none"> ➤ Promoting CSR-related work ➤ Assessing the concerns and expectations of stakeholders. ➤ Promoting corporate image. ➤ Preparing and publishing the CSR report. (3) Risk management <ul style="list-style-type: none"> ➤ Assessing internal and external situations and promoting the risk management plan. 2. Re-investment management <ol style="list-style-type: none"> (1) Control of re-invested business <ul style="list-style-type: none"> ➤ 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 institutional shareholders. (2) Follow-up and review of the performance of investees <ul style="list-style-type: none"> ➤ 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 Construction Department and	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 1. Duty: Professional service, procurement of related equipment and instruments, engineering design, project construction, fixed assets, labor service, and other items relating to procurement and construction. 2. Scope of procurement and contracting <ol style="list-style-type: none"> (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	<ol style="list-style-type: none"> 1. Business expansion <ol style="list-style-type: none"> (1) Cogeneration plants (2) power plants. (3) Renewable energy and new energy (4) Labor services including enquiries and consultation. 2. Feasibility study of investment projects <ol style="list-style-type: none"> (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 <ol style="list-style-type: none"> (1) Production of business reports (2) Customer contacts. 4. Contract negotiations and execution <ol style="list-style-type: none"> (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 <ol style="list-style-type: none"> (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	<ol style="list-style-type: none"> 1. General affairs <ol style="list-style-type: none"> (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

	<p>development, performance management, benefit plans, employee relationship management, and establishment of related regulations and systems.</p> <p>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.</p> <p>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.</p>
Guan-tien Plant	<p>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.</p> <p>2. Maintenance: Periodic and non-periodic maintenance, preventive maintenance, and planning and implementation of equipment process improvement of the plant.</p> <p>3. Overhaul: Purchase requisition of parts for the annual overhaul, project contracting, and implementation of the plant.</p> <p>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.</p>
Finance Department	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Legal Affairs Office	<p>1. Legal consultation for the board of directors and the general meeting of shareholders.</p> <p>2. Consultation for the establishment and amendment of the articles</p>

	<p>of incorporation.</p> <p>3. Reviewing and expressing opinions for contracts of the company and settling disputes.</p> <p>4. Other affairs relating to the research of legal and regulatory requirements.</p>
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2. Profile of directors, supervisors, general manager, vice general managers, department heads, and branch heads

(1) Profiles of directors and supervisors

Profiles of Directors and Supervisors (1)

April 22, 2018

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 2 nd 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: Zhen-yong Wang	Male	2017.6.30	3 years	2012.7.30	0	0.00%	0	0.00%	—	—	—	—	MSc. in Civil Engineering, National Chiao Tung University Executive Secretary, Fund for Promoting Electricity Development Review Committee, Taiwan Power Company Director, Department of Power Development, Taiwan Power Company	Chief Engineer, Taiwan Power Company	—	—	—
	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: Yu-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%	0	0.00%	—	—	—	—	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	—	—	—
Director	ROC	TECO Corporation	—	2017.6.30	3 years	1992.4.14	11,527,432	1.96%	11,527,432	1.96%	—	—	—	—	—	—	—	—	—
	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.	—	—	—
Director	ROC	Yuan June Investment Corporation	—	2017.6.30	3 years	2017.6.30	345,000	0.06%	345,000	0.06%	—	—	—	—	—	—	—	—	—
	ROC	Representative: Sen-chun ang	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	ROC	Jin Hong Investment Corporation	—	2017.6.30	3 years	2014.6.30	11,375,214	1.93%	11,375,214	1.93%	—	—	—	—	—	—	—	—	—

	ROC	Yong-qing Chen	Male	2017.6.30	3 years	Supervisor on 2014.6.30	0	0.00%	0	0.00%	—	—	—	—	MA in Accounting, Soochow University Managing Supervisor, Taiwan CPA	Director, Prime Oil Chemical Service Corporation Independent Director & Compensation Committee Chief, China Television Company, Ltd. Independent Director, Compensation Committee Member, Audit Committee Chief, Delta Electronics, Inc. Independent Director, HeySong Corporation Chairman, Wei Chuan Corporation Director, Star Buck Power Corporation	—	—	—
Director	ROC	Hui-chu Liao	Female	2017.6.30	3 年	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	Xin-hui Yen	Male	2017.6.30	3 年	2017.6.30	0	0.00%	0	0.00%	—	—	—	—	PhD in Accounting, National Taiwan University, Taiwan	Professor and Chairperson, Department of Accounting, Tamkang University	—	—	—
Independent director	ROC	Yao-wen Lin	Male	2017.7.27	3 年	2017.7.27	0	0.00%	0	0.00%	—	—	—	—	MA in Public Policy, National Sun Yat Sen University, Taiwan	Chairperson, New Culture Foundation Director, Star Energy Corporation.	—	—	—

By 22 April 2018

Table 1 Major Shareholders of Institutional shareholders

By 22 April 2018

Institutional shareholder ¹	Major Shareholders of Institutional 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: 4.33% 希爾契斯特 International Stock Value Custodian Account at Bank of Taiwan: 2.35% JP Morgan Securities Investment Custodian Account at JP Morgan Chase Bank Taipei Branch: 2.01% Edgbaston Asia Securities Trust Custodian Account at Bank of Taiwan: 1.78% WGI Emerging Markets Fund, LLC. Custody Account at Standard Chartered Bank: 1.75% Vanguard Emerging Markets ETF Custody Account at Standard Chartered Bank: 1.58% 希爾契斯特 International Stock Value Custodian Account at Bank of Taiwan: 1.55% Oriental Light Investment Limited: 1.52% M&G Global Emerging Markets Fund (7) Custody Account for National Westminster Bank at Deutsche Bank Taipei: 1.51% Yaskawa Electric Corporation of Japan: 1.48%
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 Institutional shareholders in Table 1

By 22 April 2018

Institutional shareholder ¹	Major Shareholders of Institutional 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%

¹When a major shareholder in Table 1 is an institutional shareholder, specify the name of such institutional shareholders.

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

Profiles of Directors and Supervisors (2)

By 22 April, 2018

Name ¹	Qualification	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
Zhen-yong Wang			✓	✓	✓	✓	✓	✓			✓	✓	✓		None
Jao-hua Hsu			✓	✓	✓	✓	✓	✓			✓	✓	✓		None
Yu-ming Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Sheng-ren Shao			✓	✓	✓	✓	✓	✓			✓	✓	✓		None
Guo-xin Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Hong-xiang Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Sen-jing Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Yong-qing Chen		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		3
Hui-chu Liao	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Xiao-dong Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Sin-hui Yen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Yao-wen Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

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 an institutional shareholder holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an institutional 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, 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 2 nd 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	Director, Star Buck Power Corporation GM, Star Buck Power 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, Sun Ba Power Corporation	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	Director, Star Energy Power Corporation GM, Star Energy Power Corporation Director, Taiwan Cogeneration Corporation Director, Redondo Peninsula Energy, Inc., the Philippines	N/A	N/A	N/A
Manager, Engineering & Construction Department	ROC	Bai-wen Gao	Male	2016.06	-	-	-	-	-	-	BSc., Department of Marine Engineering, National Taiwan Ocean University	Director, Kuo Kuang Power Co., Ltd. Director, Sun Ba Power Corporation GM, Sun Ba Power Corporation	N/A	N/A	N/A
Manager, Business Development Department	ROC	De-chuan Lin	Male	2016.06	-	-	-	-	-	-	Department of Industrial Engineering, Hsinpu Institute of Technology	Director, Star Energy Corporation Director, Shinlee Product Inc. Director of YI-YUAN Corp.	N/A	N/A	N/A
Manager, Procurement Department	ROC	Yi-liang Ou	Male	2016.08	-	-	-	-	-	-	BSc., Department of Industrial Engineering, Tung Hai University	Supervisor, 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 Director, Star Energy 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, Kuo Kuang Power Co., Ltd. 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	Zhi-wei Chang	Male	2014.01	-	-	-	-	-	-	MSc., Department of Mechanical Engineering, National Chung Hsing University	Director, Star Buck Power Corporation Kaohsiung Arena Development Corp.	N/A	N/A	N/A

¹Data 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.

²Experience 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	All firms disclosed in the consolidated financial statements (*7)	Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*7)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									

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	Zhen-yong Wang, Jao-hua Hsu, Sheng-ren Shao, Guo-xin Chang, Yu-ming Lee, Yao-ting Wang, TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng-jun Wang, Jin Hong Investment Co., Ltd., Wei Ding, Formosa Heavy Industries Corp., Gu-Chuan Chiu, Ta Ya Electric Wier & Cable Co., Ltd., Wen-bing Lee, Xiao-dong Chang, Yao-wen Lin, Sin-hui Yen, Zhi-le Hsu, Shu-ren GE	Zhen-yong Wang, Jao-hua Hsu, Sheng-ren Shao, Guo-xin Chang, Yu-ming Lee, Yao-ting Wang, TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng-jun Wang, Jin Hong Investment Co., Ltd., Wei Ding, Formosa Heavy Industries Corp., Gu-Chuan Chiu, Ta Ya Electric Wier & Cable Co., Ltd., Wen-bing Lee, Xiao-dong Chang, Yao-wen Lin, Sin-hui Yen, Zhi-le Hsu, Shu-ren Ge	Zhen-yong Wang, Jao-hua Hsu, Sheng-ren Shao, Guo-xin Chang, Yu-ming Lee, Yao-ting Wang, TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng-jun Wang, Jin Hong Investment Co., Ltd., Wei Ding, Formosa Heavy Industries Corp., Gu-Chuan Chiu, Ta Ya Electric Wier & Cable Co., Ltd., Wen-bing Lee, Xiao-dong Chang, Yao-wen Lin, Sin-hui Yen, Zhi-le Hsu, Shu-ren Ge	Zhen-yong Wang, Jao-hua Hsu, Sheng-ren Shao, Guo-xin Chang, Yu-ming Lee, Yao-ting Wang, TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng-jun Wang, Jin Hong Investment Co., Ltd., Wei Ding, Formosa Heavy Industries Corp., Gu-Chuan Chiu, Ta Ya Electric Wier & Cable Co., Ltd., Wen-bing Lee, Xiao-dong Chang, Yao-wen Lin, Sin-hui Yen, Zhi-le Hsu, Shu-ren Ge
NT\$2,000,000 (included) - 5,000,000 (excluded)	Taiwan Power Company Min-chieh Chang	Taiwan Power Company Min-chieh Chang	Taiwan Power Company Min-chieh Chang	Taiwan Power Company Min-chieh Chang
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	25(including institutional shareholders)	25(including institutional shareholders)	25(including institutional shareholders)	25(including institutional shareholders)

Note 1: Fill in the name of each director individually (the name of institutional 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 managers, 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 managers, 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 supervisors

Remuneration for Supervisors (on the same increment and disclosed collectively)

Title	Name	Remuneration for Supervisors						Ratio of the total A to C in the net earnings after tax (*8)		Related remuneration from investees other than the subsidiaries (*9)
		Remuneration (A) (*2)		Remuneration (B)(*3)		Pay for Professional Practice (C) (*4)				
		Taiwan Cogeneration	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)	Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*5)	
Supervisor	TECO Corporation Representative: Hong-xiang Lin	0	0	797	797	196	196	0.10%	0.10%	60
Supervisor	Yong-qing Chen									
Supervisor	Chan-juan Lin									

Range of Remuneration

Range of remuneration to Taiwan Cogeneration Supervisors	Name of Supervisor	
	Sum of the First Three Types of Remuneration (A+B+C)	
	This Company (Note 6)	All companies in the financial statements (Note 7)D
	Chan-juan Lin, Yong-qing Chen, TECO Corporation, Hong-xiang Lin	Chan-juan Lin, Yong-qing Chen, TECO Corporation, Hong-xiang Lin
Below NT\$2,000,000		
NT\$2,000,000 (included) - 5,000,000 (excluded)		
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	4(including institutional shareholders)	4(including institutional shareholders)

Note 1: Fill in the name of each supervisor individually (the name of institutional shareholders and their representatives shall also be listed individually) and the amount of remuneration to each shall be disclosed in aggregate.

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

Note 3: Fill in the amount of remuneration for supervisors approved by the board of supervisors in the previous year.

Note 4: Refer to the remuneration for related professional practices (including attendance fee, special disbursement, 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 supervisors, please specify the pay of such drivers. Such pay shall not be included in the remuneration to supervisors.

Note 5: The company shall disclose the total amount of all types of remunerations paid to supervisors by all firms (including this company) in the consolidated financial statements.

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

- Note 7: The name of each supervisor shall be disclosed in the increment appropriate to the total amount of remunerations for each supervisor received from all firms (including this company) disclosed in the consolidated financial statements.
- Note 8: “Net profit 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 supervisor receives from investees other than subsidiaries shall be specified in this column.
- Note 9b: When a supervisor receives remunerations from an investee other than a subsidiary, the amount of such remunerations shall be combined in column D 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 supervisor, and a supervisor) and pay for professional practice that a supervisor receives from an investee other than a subsidiary as its supervisor, 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) Remuneration for the general manager and vice general managers

Remuneration for the General Manager 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 consolidate d 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	7,266	7,266	0	0	2,495	2,495	1,855	0	1,855	0	1.12 %	1.12%	97
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 institutional 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.

(4) Compensation for Managers (expressed in NT\$1,000)

By 22 April 2017

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio in net earnings after tax (%)
Managers	General Manager	Guang-shun Yu	0	2,239	2,239	0.23%
	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 managers 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.

- (5) 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	2016	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	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%	2.8%
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)	Zhen-yong Wang	4	3	57.1%	
Director (Taipower)	Jao-hua Hsu	5	2	71.4%	
Former Director (Taipower)	Yao-ting Wang	1	1	50%	Office relieved on 2017/6/29
Director (Taipower)	Sheng-ren Shao	6	1	85.7%	
Director (Taipower)	Yu-ming Lee	5		100%	Office started on 2017/6/30
Director (Taipower)	Guo-xin Chang	6	1	85.7%	
Director (TECO Corporation)	Hong-xiang Lin	5		100%	Office started on 2017/6/30
Director (Yuan Jing Investments)	Sen-jing Wang	5		100%	Office started on 2017/6/30
Director	Hui-chu Liao	5		100%	Office started on 2017/6/30
Former Director (Ta Ya)	Wen-bing Lee	2		100%	Office started on 2017/6/30
Former Director (Formosa Heavy Industries)	Gu-chuan Chiu	1	1	50%	Office relieved on 2017/6/29
Director (Jin Hong Investments)	Yong-qing Chen	5		100%	Office started on 2017/6/30
Former Director (Jin Hong Investments)	Wei Ding	2		100%	Office relieved on 2017/6/29
Independent Director	Xiao-dong Chang	7		100%	
Independent Director	Sin-hui Yen	5		100%	Office started on 2017/6/30
Independent Director	Yao-wen Lin	4		100%	Office started on 2017/7/27
Former Independent Director	Shu-re Ge	1	1	50%	Office relieved on 2017/6/29
Former Independent Director	Zhi-le Hsu	1	1	50%	Office relieved on 2017/6/29
Former Supervisor	Yong-qing Chen	2		100%	Office relieved on 2017/6/29
Former Supervisor (TECO Corporation)	Hong-xiang Lin	2		100%	Office relieved on 2017/6/29
Former Supervisor	Chan-juan Lin	1		50%	Office relieved on 2017/6/29

Note 1: For institutional 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
2017.03.23	15 th Meeting of the 9 th Board	2016 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, 2016. Resolution: Passed as proposed.	N/A	N/A
		Proposal of Amendment to the Asset Acquisition and Disposal Operating Procedure Resolution: Passed as proposed.	N/A	N/A
		Proposal of Amendment to the Loaning, Endorsements and Guarantees Operating Procedures Resolution: Passed as proposed.	N/A	N/A
		Proposal of Offering Guarantee for Subsidiary TCIC with a maximum credit of NT\$200 million. Resolution: Passed as proposed.	N/A	N/A
2017.07.27	1 st Provisional Meeting of the 10 th Board	2016 Remuneration Distribution Proposal for Directors and Supervisors Resolution: Passed as proposed.	N/A	N/A
		Proposal of Salary Determination for the 10 th Board Chairperson Resolution: Passed as proposed.	N/A	N/A
2017.11.10	3 rd Meeting of the 10 th Board	Proposal for Establishment of the Roles and Responsibilities of Independent Directors. Resolution: Passed as proposed.	N/A	N/A
2017.12.22	4 th Meeting of the 10 th Board	Proposal of the CPA Appointment and Professional Fees for Financial Statements and Tax Audit and Certification for AY2018 Resolution: Passed as proposed.	N/A	N/A
		Proposal to authorize the chairperson to directly approve 10MW PV investment projects under certain requirements. Resolution: Passed as proposed.	N/A	N/A
		Proposal of Amendment of the Items and Contents of the 2017 Internal Control System Resolution: Passed as proposed.	N/A	N/A
		Proposal of Chairperson Evaluation and Raise and Full-Scale Raise in 2018 Resolution: Passed as proposed.	N/A	N/A
		Proposal of Operational and Performance Rewards for Chairperson in 2017 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 and Full-Scale Raise in 2018 and Proposal of Operational and Performance Rewards for Chairperson in 2017 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 2016 Remuneration Distribution Proposal for Directors and Supervisors, the Proposal of Salary Determination for the 10th Board Chairperson, and the Proposal of Chairperson Evaluation and Raise and Full-Scale Raise in 2018 were passed.
- 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 2017 assessment outcomes, the achievement rate of performance indicators was 98.09%, suggesting BOD performance was “good.”

F. 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. Three committee meetings have been held to comment the consolidated financial statements of Q2, 2017; the Proposal of Amendment of the Internal Control System; the Proposal of the CPA Appointment and Professional Fees for Financial Statements and Tax Audit and Certification; the Proposal for the 2018 Audit Program, and the Proposal for Investment in the PV Business Model Development Project before referring to BOD for resolution.

Note 1: For institutional 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	Xin-hui Yan	3		100%	
Independent Director b	Xiao-tong Chang	3		100%	
Independent Director c	Yao-wen Lin	3		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
2017.08.08 2 nd meeting of the 10 th BOD	Proposal of Approval of the Consolidated Financial Statement of Q2, 2017 Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.
2017.12.22 4 th meeting of the 10 th BOD	Proposal of the CPA Appointment and Professional Fees for Financial Statements and Tax Audit and Certification for AY2018 Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.
	Proposal of Amendment of the Items and Contents of the 2017 Internal Control System Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.
	Proposal of Approval of the 2018 Annual Audit Program Audit Committee Resolution: Amendments passed by all attending members are as follows and request for BOD approval. 1. Recommendation to adjust the schedule for CD-107 and CX-109 in the audit program. 2. Recommendation for the Internal Audit Office to establish audit items and audit frequency based on the risk assessment outcomes in future audit programs.	CX-109 auditing the transaction of related parties is scheduled in January each year. In reality, no transaction of related parties is available at the beginning of the year. It is thus recommended the Internal Audit Office to re-schedule the audit to the middle of the year.	Approval of switch the month of implementation of the CE-107 Fixed Asset Inventory and the CX-109 Related Party Transaction to meet the reality needs.
	Proposal to authorize the chairperson to directly approve 10MW PV investment projects under certain requirements. Resolution: Amendments passed by all attending members are as follows and	Request for amendment of the description of proposal and investment amount to NT\$200 million and total amount to NT\$700 million; and establishment of the authorization length.	Amendment of the description of proposal and part of the conditions as recommended.

	request for BOD approval. 1. Agreement to promote the following 10MW development projects: (1) Establishment of franchised/ general SPVs by TCC and Star Energy. (2) Agreement to package license BOD directly approve investment projects with conditions by the TCC chairperson. 2. Additional resolutions: (1) Report the quarterly performance to the Audit Committee and BOD. (2) Submit PV investment strategies as the committee's request and timely update the Audit Committee.		
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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
2017.8.4	Independent directors suggested the responsible department to make the amendments to the internal control system made in 2017.
2017.12.12	Discussion and communication of the proposal of amendment of the internal control system in 2017 and the 2018 annual audit program.

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
2017.03.24 CPA and Governance Body Communication Meeting	Report, discussion and communication on the audit outcomes of the consolidated and individual financial statements of 2016 and the status of internal audit.
2017.08.08 1 st Meeting of the 1 st Audit Committee	<ol style="list-style-type: none"> 1. Report, discussion and communication on the audit outcomes of the Q2 consolidated financial statements of 2017 and the status of internal audit. 2. Presentation of the impacts of the latest amendments of related laws and regulations.
2017.12.12 2 nd Meeting of the 1 st Audit Committee	Discussion and communication of the schedule, foci and key items of financial statement audits in 2017.

Note

*Should an independent director 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 Audit Committee meetings held in that year and the actual number of meetings attended.

*Should a re-election of independent directors be held before the end of an accounting year, the name of the new and current independent directors 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 Audit Committee meetings held in that year and the actual number of meetings attended.

(3) Operation of Compensation Committee

A. The Compensation Committee consist of three 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	Cong-wei Liu	2		100%	Inaugurated on 2017/06/30
Member	Su-qin Zhuang	2		100%	Inaugurated on 2017/06/30
Ex-member	Hui-zong Hsu	2		100%	Dismissed on 2017/06/29
Ex-member	Mei-ying Liu	2		100%	Dismissed on 2017/06/29

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. 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.

D. 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	
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 an institutional shareholder which holds more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an institutional 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 1 st 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?	V		(1) We have established and implemented the spokesperson mechanism and procedures or handling stakeholder opinions.	No material variation from the “Governance Best Practice”.
(2) Does the company keep an up-to-date list of its dominant shareholders and the parties with ultimate control over its dominant shareholders?	V		(2) We report the shareholding of major shareholders every month and list all important institutional shareholders of major shareholders in the annual report.	
(3) Does the company establish and implement a risk control mechanism and firewall between its affiliates?	V		(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) Does the Company establish internal rules to prevent insider trading?	V		(4) We have established the “Insider Trading Prevention Regulations” and “Code of Ethics” to prohibit trading securities with undisclosed information.	
3. Organization and functions of the board of director	V			
(1) Does the company establish and implement a defined policy to diversify board membership?			(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. Regarding the directors of the 10 th BOD, in gender diversity, there is one female director; in expertise diversity, directors Ming-chieh Chang, Hong-xiang Lin, Yong-qing Chen, and Xiao-dong Chang are specified in operational management and decision-making; directors Ming-chieh, Zhen-yong Wang, Jao-hua Hsu, Sheng-ren Xiao, Guo-xin Chang, Yu-ming Lee, and Yao-wen Lin are specified in operational management and power plant specific knowledge; directors Ming-chieh, Zhen-yong Wang, Yong-qing Chen, Hui-zhu Liao, and Xin-hui Yan are specified in finance and accounting. Directors Yu-ming Lee and Hui-zhu Liao are environmental protection professionals who give quite lots of good advice for our pursuit of environmental sustainability.	No material variation from the “Governance Best Practice”.
(2) In addition to a compensation committee and an			(2) We have also established a compensation committee by law. We also	

Indicator	Status (NB)			variations and causes of variations from "Governance Best Practice"
	Yes	No	Summary Description	
<p>audit committee required by law, does the company voluntarily establish other functional committees?</p> <p>(3) Does the company establish a method to evaluate BOD performance and evaluate BOD performance every year?</p> <p>(4) Does the company regularly evaluate the independence of certified public accountants?</p>	V	V	<p>established an audit committee by law on July 27, 2017. We will further establish other functional committees with respect to organizational operations.</p> <p>(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. Outcomes are reported to BOD for approval and reference. Based on the 2017 assessment outcomes, the achievement rate of performance indicators was over 80%, suggesting BOD performance was "good."</p> <p>(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 "Statement of Compliance with Audit Independence", a statement of non-stakeholder (not being a director, supervisor, shareholder of this company or not being salaried by this company), and a statement of no discipline record at competent authorities or Taiwan CPA. CPAs for AY2017 were hired with the approval of the 4th meeting of the 10th BOD on December 22.</p>	
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 released on July 27, 2017 after the passage by the 1 st provisional BOD meeting of 2017. In this revision, we define that the administration department of this Company is also the governance unit taking charge of related governance affairs under the supervision of the VPs of that unit. The duty of the governance unit in 2017 included: (1) assist directors on carrying out their duties and provide them with the required information; (2) provide BOD with information relating to further education and arrange two further education courses for directors; (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	V		The identified stakeholders in 2017 included government agencies, shareholders, customers/electricity users, employees, and suppliers. To	No material variation from the "Governance Best Practice".

Indicator	Status (NB)			variations and causes of variations from "Governance Best Practice"
	Yes	No	Summary Description	
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?			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). Clear and smooth channels for stakeholder communication include meetings, dedicated helplines, and dedicated emails. We also address all topics that concern stakeholders.	
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 conferences on the corporate website)?	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. We also post the summary of investor conferences on the Chinese and English corporate website.	No material variation from the "Governance Best Practice".
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. These courses include New Governance Trends for Sustainable Business, Common Legal Knowledge and Updates, Business Considerations of Operational Decisions and Legal Risk Analysis, Enterprise Legal Compliance and Supervision Obligations of Directors and Supervisors, Meetings of Shareholders and BOD Meetings: A Perspective of the Company Act, Internal Control for Public Companies, and Common Compliance Risk Management for Enterprises. All new and current director have completed the required training length. 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. 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. 5. We established the Risk Management Implementation Plan in 2017 and perform rolling review every year to update the risk management plan to enforce risk control and prevent risk from impacting organizational operations. 6. We conduct the customer satisfaction survey every year to respond to and handle their opinions properly. 7. We organize ethical management courses every year for employees and suppliers and have established a corruption report system with a	No material variation from the "Governance Best Practice".

Indicator	Status (NB)			variations and causes of variations from “Governance Best Practice”
	Yes	No	Summary Description	
			dedicated email and landline. 8. We buy liability insurance for all BOD members.	
9. Please specify the status of improvements and the prioritized improvements with reference to the Corporate Governance Evaluation results announced by the 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.)	V		In the 4 th Corporate Governance Evaluation in 2017, we were ranked among the top 5% out of a total of 861 enterprises, suggesting that our governance was outstanding. In 2017, we also established the Audit Committee, launched the new corporate website, and enhanced information disclosures in both Chinese and English versions, 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.	No material variation from the “Governance Best Practice”.

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	V		(1) BOD approved the Corporate Social Responsibility Best Practice Principles at the 9 th meeting of the 10 th BOT meeting on May 11, 2016 and published the second revision on April 25, 2017. We established the CSR Steering Committee on August 2, 2017 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.
(1) Does the company establish a defined corporate social responsibility policy or system, and review the effectiveness of their implementation?				
(2) Does the Company organize CSR training and education activities regularly?	V		(2) We arrange CSR education and training activities every year. In 2017 we hired external instructors to offer courses including New Governance Trends for Sustainable Business, Business Considerations of Operational Decisions and Legal Risk Analysis, and CSR Report Production. We also sent employees to external seminars, including the Practice of the Latest GRI Reporting Guidelines and Green Factory and CSR Promotion.	
(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 chaired by the company chairperson and co-chaired by the company general manager, with members including VPs 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 2017 CSR report was presented at the 4 th meeting of the 10 th BOD).	
(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 Regulations, the employee performance reward consists of two	

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)	
			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 malfeasance 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 and most economical 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 2017, all PFA output at 17,948t 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 acquired ISO 14001 certification for the environmental management system in 2017.	
(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) We will continue to keep track on the potential impacts of climate change on our business activities, timely adjust our business strategy, aggressively develop renewable energy in support of government policies, and establish the GHG management plan according to related laws and regulations. Every year we inventory GHGs at all major operating locations and pass the external assurance (according to ISO 14064-1 and ISO 14064-3). The emissions in the past two years are as follows: The 2016 emissions were Scope 1 about 381,400 tCO ₂ e and Scope 2 about 3,000 tCO ₂ e; and the 2017 emissions were Scope about 404,600 tCO ₂ e and Scope 2 about 5,000 tCO ₂ e. In addition, we established the energy conservation plan according to the government policy to reduce electricity consumption by an average of 1% each year between 2015 and 2019. By the end of 2017, we have reduced	

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)	
			electricity consumption to 6.89%, achieving the 5-year target in advance. In the future, we will continue to assess the need for renewal of environmental equipment and enhancement of generation set efficiency to achieve 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 1) Security control: Access control at the main entrance, driveway, and foyer; security checkpoints; and CCTV in all elevators. 2) Safety features: Fire hydrants and smoke dampers on each floor; fire detectors and sprinkler heads on ceilings; and fire extinguishers and escape signs at the emergency exits on each floor. 3) Emergency power supply: Emergency generators in the basement to supply electricity for emergency lighting and escape signs. 4) Fire exercise and inspection: Two training courses on fire safety reporting and exercise every year. Self-inspection of fire equipment every quarter by fire protection	

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)	
			<p>engineers.</p> <p>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.</p> <p>6) Health management center with nursing staff and on-site physicians to provide employees with health consultation and irregular health education activities.</p> <p>7) Employee health examinations every year and individual health education and consultation by health examination institutions.</p> <p>B. Kuan Tien Plant</p> <p>1) Work environment monitoring, sulfuric acid tank site test, dust test, noise dose test, and regular noise test by professional service providers biannually.</p> <p>2) Workplace Violence Prevention Plan: To prevent employees from bodily or mentally harm in workplaces so as to prevent physical or mental disorders, measures are documented to prohibit workplace violence, including workplace bullying or any physical or verbal conflicts among colleagues or with suppliers or customers.</p> <p>3) Implemented health management by the law under the guidance of the Southern Taiwan Workers' Health Services (provided by National Cheng Kung University) in the 2017 "Workers' Health Services Project Guidance" program.</p> <p>4) Establishing the "Ergonomic Hazards Prevention Plan".</p> <p>5) Established the "Job-Related Burnout Disorders Prevention Plan".</p> <p>6) Continual improvement of work environments to ensure occupational safety.</p> <p>7) Two fire and disaster drills every year.</p> <p>8) Irregular health examinations at health institutions.</p> <p>9) Establishment of the Workplace Maternal Health Protection Measures</p>	
(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 and timely notify employees of changes that may have a major impact on operations.	
(5) Does the company establish an effective career	V		(5) Every year we arrange professional and management training	

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)	
development plan for employees?			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. We carefully evaluate every equipment procurement and construction contract and select supplies complying with ethics and integrity, environmental protection, labor practices, and social aspect.	
(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) In 2017, we began to request 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 (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, 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 2017 are as follows: 1) Our CSR report published in 2017 won the Silver Award in the energy industry at the Taiwan Corporate Sustainability Awards. 2) We participated in the One Day Charity activity organized by the United Way to become its member charity. 3) In 2017 the Kuan Tien Plant won the Environmental Contribution Award for air pollution control from the Tainan City Government. 4) In 2017 the Kuan Tien Plant passed ISL 140001 certification.				

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)	
7. If the company’s products or the CSR report have been verified by a certification authority, please specify: The CSR report published in 2017 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. Our report is assured to have complied with the Core option ‘in accordance’ with the GRI G4 Reporting Guidelines.				

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				
(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.	No material variation from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”
(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 “Domestic Procedure Operating Procedure” and “International Procurement Operating Procedure” to implement ethnical management in coordination with the internal control system. In addition, we have established the “Regulations for Reporting Violations of Ethnical Management” 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 2017 performance in business ethics and integrity as reported to BOD by the office on March 23, 2018, 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. In 2017 we arranged courses including the Common Legal Knowledge and Updates and Business Considerations of Operational Decisions and Legal Risk Analysis to reinforce business ethics and integrity promotion.	
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 whistleblower complaint?	V		(1) We have established reporting regulations, a report box, a report hotline, and stakeholder grievance box, and will assign special staff to handle all whistleblower complaints.	No material variation from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company establish a standard operating procedure to investigate whistleblower complaints and related mechanisms to ensure confidentiality?	V		(2) We have established reporting regulations including the standard operating procedure for investigation and	

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	
(3) Does the company establish measures to protect whistleblowers against retaliation?	V		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 established 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 23, 2017 the Legal Affairs Office reported to BOD that business ethics and integrity were operated faithfully according to the Ethical Corporate Management Best Practice Principles. (2) On March 23, 2017 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 second CSR report to disclose/propagate our ethical corporate management policy and related reported channels.				

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 23, 2018

With regards to the results of the 2017 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 2017 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 23, 2018 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: None.

- (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
2017.05.11	BOD Meeting	<ol style="list-style-type: none"> 1. Approval of the 2017 Q1 financial statement. 2. Approval of the Joint Declaration and Agreement signed between subsidiary TCIC and RPE with its shareholders. 3. Approval to convene the 1st provision meeting of shareholders of 2017 and determine meeting-related affairs.
2017.06.21	General Meeting of Shareholders	<p>Important resolutions</p> <ol style="list-style-type: none"> 1. Management presentations <ol style="list-style-type: none"> (1) 2016 Business Report (2) Supervisor's review report on the 2016 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 2016. <p>Minutes and status of implementation: Shareholders made no comment for the above reports presented by the chairperson and management.</p> 2. Adoption <ol style="list-style-type: none"> (1) Adoption of the 2016 Business Report and Financial Statements. Minutes and status of implementation: The above reports were adopted as proposed by 99.07% of shareholders attending the meeting before moving to the next proposal: adoption of the profit distribution. (2) Adoption of the Proposal for Distribution of 2016 Profit Minutes and status of implementation: The proposal was adopted as proposed by 99.09% of shareholders attending the meeting. BOD resolved the base date of profit distribution was August 7, 2017 and the date of dividend distribution was August 30, 2017. 3. Proposal and Discussion <ol style="list-style-type: none"> (1) Proposal to amend the Articles of Incorporation Minutes and status of implementation: The above proposal was adopted as proposed by 85.79% of shareholders attending the meeting before moving to the next proposal: adoption of the profit distribution. MOEA approved our application for registration on August 3, 2017, and we posted it on the corporate website. (2) Proposal to amend the Rules for Directorial and Supervisorial Elections at AGM Minutes and status of implementation: The above proposal was adopted as proposed by 85.80% of shareholders attending the meeting. (3) Proposal to amend the Asset Acquisition and Disposal Operating Procedures Minutes and status of implementation: The above proposal was adopted as proposed by 85.80% of shareholders attending the meeting. (4) Proposal to amend the Loaning, Endorsements and Guarantees Operating Procedures Minutes and status of implementation: The above proposal was adopted as proposed by 85.73% of shareholders attending the meeting. 4. Election: Directorial Election Minutes and status of implementation: The results of the directorial election are: Representatives Ying-jie Chang, Zhen-yong Wang, Sheng-ren Xiao, Jao-hua Hsu, Guo-xin Chang, and Ming-yu Lee of institutional investor Taiwan Power Company; representative Hong-xiang Lin of institutional investor TECO; representative Sheng-jun Wang of institutional investor Yuan Jun Investment; and representative Yong-qing Chen of institutional investor June Hong Investment were elected as directors; and Hui-zhu Liao; Xiao-dong Chang, and Xin-hui Yan were elected as independent directors. 5. Others: Rescission of the non-compete restriction on directors Minutes and status of implementation: The above proposal to rescind the non-compete restriction on directors Zhen-yong Wang, Sheng-ren Xiao, Jao-hua Hsu, Guo-xin Chang, and Yong-qing Chen was adopted as proposed by 77.89% of shareholders attending the meeting.
2017.06.30	BOD Meeting	<ol style="list-style-type: none"> 1. Election of the 10th BOD chairperson. 2. Determination of the base date of ex-dividend and related affairs for cash dividends for 2016. 3. Approval of nominee Yao-wen Lin as a candidate of independent director. 4. Approval of the members of the 3rd Compensation Committee.
2017.07.27	Provisional Meeting of Shareholders	<p>Election: Independent Director Re-election</p> <p>Minutes and status of implementation: Yao-wen Lin was elected independent director by all shareholders attending the provision meeting of shareholders.</p>
2017.07.27	Provisional BOD Meeting	<ol style="list-style-type: none"> 1. Approval of the Articles of Organization of the Audit Committee and established the Audit Committee. 2. Approval of the 2016 Proposal of Remuneration for Directors and Supervisors.

2017.08.10	BOD Meeting	<ol style="list-style-type: none"> 1. Approval of the 2017 Q2 financial statement. 2. Approval of the proposal to amend part of the Articles of Organization of the Audit Committee. 3. Approval of the proposal to amend part of the Rules of Procedure for BOD Meetings.
2017.11.10	BOD Meeting	<ol style="list-style-type: none"> 1. Approval of the 2017 Q3 financial statement. 2. Approval of the Rules Governing the Scope of Powers of Independent Directors.
2017.12.22	BOD Meeting	<ol style="list-style-type: none"> 1. Approval of the “2018 Business Plan and Budget”. 2. Approval of the Proposal of the CPA Appointment and Professional Fees for Financial Statements and Tax Audit and Certification for AY2018. 3. Approval of the proposal to amend the items and contents of the 2017 internal control system. 4. Approval of the 2018 Annual Audit Program.
2018.03.23	BOD Meeting	<p>Approvals</p> <ol style="list-style-type: none"> 1. 2018 AGM Date: 9:00 a.m., Wednesday, June 20 2018 Place: International Convention Hall; 1F, No. 392, Ruiguang Road, Neihu District, Taipei City, Taiwan. Cause of meeting: (1) Management presentations: <ol style="list-style-type: none"> 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. (2) Adoption <ol style="list-style-type: none"> 1) Adoption of the 2017 Business Report and Financial Statements 2) Adoption of the Proposal for Profit Distribution for 2017. 2. 2017 Business Report and Financial Statements. 3. 2017 profit distribution: Dividend: cash NT\$ 1.3/share. 4. Shareholder proposal acceptance: Proposals from shareholders holding a minimum of one percent of shares: April 13-23, 2018 5. The Statement of Internal Control System 2017 6. The 2017 Proposal of Rewards for Employees, Directors, and Supervisors

(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

Title	Name	Inauguration Date	Relief Date	Cause(s) of Resignation or Relief
(former) Chairman	Hong-zhou Lee	2015.12.01	2016.11.01	Re-assigned by institutional investor.
(former) General manager	Chuan-xian Huang	2013.07.23	2016.04.01	Retirement.

Note: “Related Personnel” refers to the chairman, general manager, chief accounting, chief financial officer, chief internal auditor, and chief technical officer.

5. CPA Fee

CPA Firm	Name of CPA		Audit Period	Remarks
Deloitte Taiwan	Jui-Husan Ho	Chien-Hsin Hsieh	FY 2017	-

CPA Fee Increments

(expressed in NT\$1,000)

Increment \ Item		Audit Fee	Non-Audit Fee	Total
1	Below 2,000	-	✓	-
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 2017 was NT\$1,936,000 for services including annual report review at NT\$40,000, recheck of imputation tax at NT\$100,000, XBRL service at NT\$50,000, transfer of pricing report at NT\$165,000, and CSR report consultation at NT\$1,581,000.
- (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

Title	Name	2017		By 22 April 2018	
		Increase (decrease) in shareholdings	Increase (decrease) in pledged shares	Increase (decrease) in shareholdings	Increase (decrease) in pledged shares
Major shareholder	Taiwan Power Company				
Chairman	Representative: Min-chieh Chang				
Director	Representative: Zhen-yong Wang	-	-	-	-
Director	Representative: Jao-hua Hsu				
Director	Representative: Yu-ming Lee				
Director	Representative: Sheng-ren Shao				
Director	Representative: Guo-xin Chang				
Director	TECO Corporation				
Director	Representative: Hong-xiang Lin	-	-	-	-
Director	Yuan Jing Investments				
Director	Representative: Sen-jing Wang	-	-	-	-
Director	Jin Hong Investments				
Director	Representative: Yong-qing Chen	-	-	-	-
Director	Hui-chu Liao	-	-	-	-
Independent director	Xiao-dong Chang	-	-	-	-
Independent director	Sin-hui Yen	-	-	-	-
Independent director	Yao-wen Lin	-	-	-	-
General Manager	Guang-xuan Yu	-	-	-	-
Former GM	Chuan-xian Huang	-	-	-	-
Vice GM	Yi-tong Chen	-	-	-	-
Vice GM	Shu-shen Lin	-	-	-	-
Manager	Zhi-jie Hsu	-	-	-	-

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 2 nd 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: Zhen-ying Wang	-	-	-	-	-	-	None	None	
Representative: Jao-hua Hsu	-	-	-	-	-	-	None	None	
Representative: Yu-ming Lee	-	-	-	-	-	-	None	None	
Representative: Sheng-ren Shao	-	-	-	-	-	-	None	None	
Representative: Guo-xin Chang	-	-	-	-	-	-	None	None	
Nan Shan Life Insurance Company, Ltd.	39,459,000	6.70%	-	-	-	-	None	None	
Responsible person: Ying-zhong Du	-	-	-	-	-	-	None	None	
Xin Yang Investments	12,251,000	2.08%	-	-	-	-	None	None	Same as the responsible person of Jin Hong Investments
Responsible person: Mu-liang Chang	-	-	-	-	-	-	None	None	
TECO Corporation	11,527,432	1.96%	-	-	-	-	None	None	
Representative: Hong-xiang Lin	-	-	-	-	-	-	None	None	
Jin Hong Investments	11,375,214	1.93%	-	-	-	-	None	None	Same as the responsible person of Xin Yang Investments
Representative: Yong-qing Chen	-	-	-	-	-	-	None	None	-
Ta Ya Electric Wire & Cable Co., Ltd	11,201,093	1.90%	-	-	-	-	None	None	
Representative: Shang-hong Shen	-	-	-	-	-	-	None	None	
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	7,172,920	1.22%	-	-	-	-	None	None	
Responsible person: Wen-yen Kuo Lin	-	-	-	-	-	-	None	None	
Ye-yin Hong Wang	6,237,886	1.06%	-	-	-	-	None	None	

Note 1: All of top ten shareholders should be listed. Names of institutional 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 institutional 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 2018)

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.	2,550,000	51.00	-	-	2,550,000	51.00
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

¹A subsidiary registered in the Virgin Islands.

IV. Fund Raising

1. Capitals and shares

(1) Equity sources

Unit: Shares/NT\$ by 22 April 2018

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 2018

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 2018

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign institutions and individuals	Total
Number of shareholders	1	6	129	33,718	105	33,959
Quantity of shareholdings	162,954,279	42,446,000	92,117,119	253,204,537	38,326,660	589,048,595
Proportion of shareholdings	27.66%	7.21%	15.64%	42.99%	6.50%	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 2018

Ranking of shareholding	Number of shareholders	Quantity of shareholding	Proportion of shareholding (%)
1 to 999	8,938	2,081,840	0.35
1,000 to 5,000	17,395	38,175,538	6.48
5,001 to 10,000	3,530	28,068,279	4.77
10,001 to 15,000	1,268	16,003,466	2.72
15,001 to 20,000	803	14,953,445	2.54
20,001 to 30,000	660	16,710,400	2.84
30,001 to 40,000	336	11,960,017	2.03
40,001 to 50,000	241	11,168,612	1.90
50,001 to 100,000	430	30,682,978	5.21
100,001 to 200,000	185	25,022,647	4.25
200,001 to 400,000	84	22,025,409	3.74
400,001 to 600,000	31	15,348,801	2.61
600,001 to 800,000	19	13,306,568	2.26
800,001 to 1,000,000	6	5,468,724	0.93
1,000,001 and above	33	338,071,871	57.37
Total	33,959	589,048,595	100.00

(4) List of major shareholders

Face value: NT\$10/share; by 22 April 2018

Shareholder	Shares	Shareholding	Proportion (%)
Taiwan Power Corporation		162,954,279	27.66
Nan Shan Life Insurance Company, Ltd.		39,459,000	6.70
Xin Yang Investments Co., Ltd.		12,251,000	2.08
TECO Corporation		11,527,432	1.96
Jin Hong Investments Co., Ltd.		11,375,214	1.93
Ta Ya Electric Wire & Cable Co., Ltd.		11,201,093	1.90
Bo Han Investments Co., Ltd.		9,088,000	1.54
Formosa Heavy Industries Corporation		9,060,384	1.54
Tatung Company		7,172,920	1.22
Ye-yin Hong Wang		6,237,886	1.06

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

Item		Year	2016	2017	By 22 April 2018 (Note 8)
Market price per share (Note 1)	Highest		25.50	27.50	30.50
	Lowest		21.95	22.15	24.60
	Average		23.59	23.42	27.74
Net value per share (Note 2)	Before allocation		19.80	20.13	-
	After allocation		18.50	(Note 9)	-
EPS	Weighted average of shares (1,000 shares)		589,049	589,049	-
	EPS (Note 3)	Unadj.	1.61	1.65	-
		Adj.	1.61	(Note 9)	-
Dividend per share	Cash dividend		1.2	(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)		14.65	14.19	-
	P/P ratio (Note 6)		19.66	(Note 9)	-
	Cash dividend yield (Note 7)		5.09%	(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 2017 profit distribution has been approved by BOD. The cash dividend is NT\$1.3 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\$1.3/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, this Company distributes dividends in cash at 3% and 1% of the balance from deducting the legal reserve and special reserve from the net profit of the period. 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 2017 was NT\$24,241,536 and the remuneration for directors and supervisors was NT\$8,080,512. Both

amounts are consistent with amounts adopted in the 2017 Financial Statement. Changes made by the 2017 AGM will be adjusted in the profit and loss of 2018.

- 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 2017 AGM resolved the 2016 compensation for employees at NT\$20,080,988 and 2016 remuneration for directors and supervisors at NT\$6,693,663 distributed in cash. Both amounts are consistent with the proposal and the amounts of compensation for employees, directors, and supervisors adopted in the 2016 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. Status 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 from 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 2022~2023.

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 project 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 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 2017, the power purchase contract remained unapproved by the competent authority, while the EPC contract expired. Currently, RPE is renewing the contract with the EPC contractor, 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 support, and consultation services of projects relating to power plants, cogeneration plants, substation, and renewable energy plants.
- 4) Import and export trade of the equipment for the above business.
- 5) Development of new energy.

B. Income from major business items and their proportion in operations

Income and Proportion of Major Business Items in 2017

Expressed in NT\$1,000

Income from Major Business Items	Amount	Percentage
Sales	849,215	70
Research, consulting and construction services	360,199	30
Total	1,209,414	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 a 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 of the Electricity Act, energy ratio, enhanced reserve margin, and potential power curtailment in the future, Taipower has notified the Electricity Procurement from LNG IPPs Using Combined Cycle Power Generation Sets (500MW) contract in March 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 amendment of the Electricity Act (in 6-9 years).

While the emission standard for 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 reserve margin is falling as a result of the government's no-nuke and emission reduction policies and the growth of electricity demand, the risk of electricity shortage will rise in 2017. In order to compensate for the demand shortage, 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. After the administration began in 2016, the new government immediately expanded the scale of renewable energy to increase the generation capacity of renewable energy to 20% by 2025, which is way higher than the original targets. The new targets for solar energy include 8.7GW 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 six principles (energy

self-determination, 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 development of offshore wind power will start from shallow-water (5-20m) and progressively to deep-water (20-50m), and from demo incentive projects, then potential farm development, and large scale development.

c. Geothermal generation

We will aggressively strive for the amendment of related laws and regulations to shorten plant development time, enhance wholesale rates and rewards, optimize incentives, lower limitations to incentivize investments to progressively promote geothermal generation growth.

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d. Biomass electricity generation

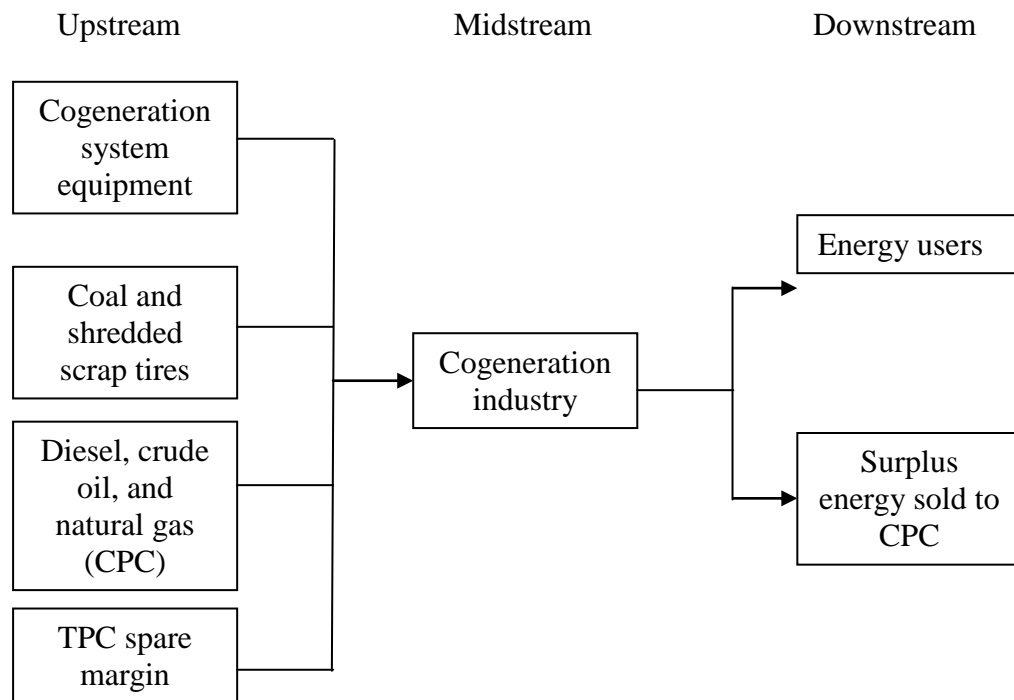
To increase the use of self-determined resources, aggressive use of domestic biomass resources (waste, agricultural and forestry materials, paddy stalks, used oil, the stool of poultry and livestock, sewage, and sludge) will be prioritized, and the domestic industry chain and supporting measures (e.g. 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

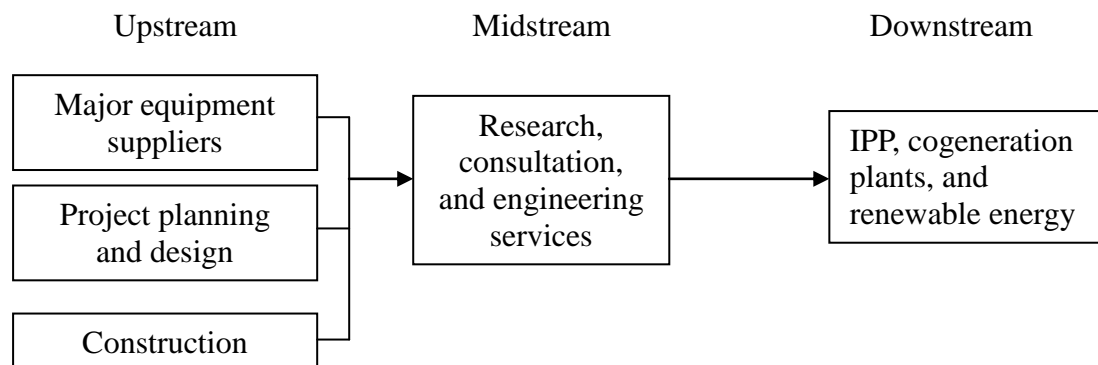
As economic growth continues in mainland China and Southeast Asia, local electricity demand will rise accordingly, bringing greater and more opportunities for the investment or construction of cogeneration plants, IPPs, renewable energy plants, and substations.

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.

Taipower has increased residual electricity procurement from cogeneration plants in recent years as power supply was difficult, thus increasing the wholesale quantity of cogeneration plants.

2) Independent power plants

Referring to the government's new energy policy targets: use of 20% 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" (no extension of NPPs 1 to 3 and mothball of NPP4) 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

The new government has aggressively expanded the promotion of renewable energy immediately after its assumption in 2016 to increase the proportion of generation by renewable energy to 20% to extensively raise the targets of various forms of renewable energy higher than the 2015 targets. The new targets for PV systems include 8.7GW 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 six principles (energy self-determination, 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 to be promoted.

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

Self-owned know-how and original equipment suppliers are the main sources of our technology. When it needs to replace the parts and components of important equipment, we will seek assistance from original suppliers. 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 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, we aggressively cultivate new customers and reduce O&M cost to enhance overall operational performance.
- 4) We further timely expand the scale of investments domestic and foreign IPPs and domestic cogeneration plants.
- 5) Pastly, 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.
- 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)

Region \ Year	2016		2017	
	Amount	%	Amount	%
Domestic sales	1,178,012	100	1,209,414	100
Export sales	—	—	—	—
Total	1,178,012	100	1,209,414	100

B. Market shares

1) Market share of installation capacity on the cogeneration market

Item	2015	2016	2017
Independent cogeneration systems	8,108.5	8,108.5	8,069
Taiwan Cogeneration Corporation	67.2	67.2	48
Market share	0.83%	0.83%	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 amendment made to the Electricity Act, investee IPP can supply energy to the system to support our service items. We can also assess the feasibility of more generation sets to increase revenue. After the completion of round two of the amendment, direct supply from power companies and establishment of a power company will be the opportunities for future development.
- 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, in the closure report of the 2015 National Energy Conference held in January 2015, only "promotion of energy consumption planning and regional energy integration for production projects with huge investments" was mentioned, and neither a target nor a policy for developing and promoting the cogeneration industry was concluded. In addition, 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 difficult.

3) Countermeasures

- a. Aggressively cultivate steam customers, reduce 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.	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

2016					2017				By 2018 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	I-MEI Foods Co., Ltd.	132,737	15.03	-	Sino-Indo Co., Ltd	244,366	26.24	-	--	-	-	
2	Yeoman Bulky Corp.	89,163	10.10	-	Lea Jie Energy Co., Ltd.	99,793	10.72	-	-	-	-	
3					Taiwan West Limited	98,464	10.57					
4	Others	661,120	74.87		Others	488,516	52.47		-	-	-	
	Net purchase amount	883,020	100		Net purchase amount	931,140	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

Item	2016				2017				By 2018 Q1 (Note 2)			
	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	400,250	33.98	Director	Taiwan Power Company	587,143	48.55	Director	-	-	-	
2	I-Hwa Industrial Co., Ltd.	194,133	16.48		TTET Union Corp.	182,158	15.06		-	-	-	
3	TTET Union Corp.	180,665	15.34		I-Hwa Industrial Co., Ltd.	175,329	14.5		-	-	-	
4	I-MEI Foods Co., Ltd.	132,110	11.21		Others	264,784	21.89		-	-	-	
5	Others	270,854	22.99						-	-	-	
									-	-	-	
	Net sales amount	1,178,012	100.00		Net sales amount	1,209,414	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

Vol/Val Major Product	Year	Unit	2016			2017		
			Capacity	Volume	Value (NT\$1,000)	Capacity	Volume	Value (NT\$1,000)
Cost of sales	Power	MWh	369,915	311,100	407,844	367,643	317,369	476,396
	Steam	m.t	447,150	311,102	153,458	411,483	292,222	167,383
	PV	MWh	28	28	86	2,328	2,328	6,319
Cogeneration plant operation and maintenance	Power	MWh	57,855	53,662	134,516			
	Steam	m.t.	32,248					
	Others	Mkcal	5,032					
Research, consulting and construction services					187,116			281,042
Total					883,020			931,140

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	2016				2017			
			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	274,290	580,496	-	-	285,182	618,658	-	-
	Steam	m.t	311,102	218,422	-	-	292,222	219,136	-	-
	PV	MWh	28	153	-	-	2,328	11,421	-	-
Cogeneration plant operation and maintenance	Power	MWh	53,615	132,110	-	-	-	-	-	-
Research, consulting and construction services			-	246,831	-	-	-	360,199	-	-
Total			-	1,178,012	-	-	-	1,209,414	-	-

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 2018

Year		2016	2017	By 22 April 2018 (Note)
Numbers of Employees	Direct manpower	96	90	100
	Indirect manpower	69	86	91
	Total	165	176	191
Average Age		46.35	46.58	46.81
Average Seniority		9.07	9.36	8.86
Education Distribution	Doctorate	1.21%	1.13%	1.05%
	Master	16.97%	16.48%	15.71%
	University, College	72.73%	75.00%	76.44%
	High school	8.48%	6.82%	6.28%
	High school below	0.61%	0.57%	0.52%

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: None.

(2) Future countermeasures (including improvement actions) and possible expenditure: Conduct the environmental regulation check according to ISO 14001 at least once a quarter, review the compliance of inhouse facilities and management, constantly monitor and adjust the availability of related pollution prevention equipment. 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.	2017.1~2017.5 2017.7~2018.1 2018.1~2018.4	Kuan-tien Plant Coal Supply Agreement	-
Fuel procurement contract	Lee Jei Energy Corp.	2017.5~2017.7	Kuan-tien Plant Coal Supply Agreement	-
Syndicated loan agreement	Mega Bank, Chang Hua Bank, CTBC Bank, First Commercial Bank	2011.8-2018.8	Bank Mortgage	-
Syndicated loan agreement	Mega Bank, CTBC Bank, Bank of Taiwan	2014.12-2019.12	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.	2017.3.15-2022.11.30	Kuan-tien Plant Electricity/Steam Sales Agreement	-
Energy procurement agreement	KUANG TAI Metal Industrial Co., Ltd.	15 years since 2017.3.15	Guan-tien Plant Electricity/Steam Supply Contract	-
Energy procurement agreement	Syndyne Industrial Co., Ltd.	15 years since 2017.3.15	Guan-tien Plant Steam Sales Agreement	-
Energy procurement agreement	Sunny Environmental Consultants	15 years since 2017.1.18	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 since 2016.2.21	Guan-tien Plant Steam Sales Agreement	-
Energy procurement agreement	He Yi Grinding Wheel Ltd.	15 years since 2017.5.31	Guan-tien Plant Electricity Sales Agreement	-

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

Year		Financial Information Over the Past Five Years (Note1)					By 31 March 2018 (Note 3)
Item		2013	2014	2015	2016	2017	
Current assets		2,449,334	1,950,536	1,560,215	1,592,410	1,351,555	-
Property, plant and equipment(Note2)		632,598	546,745	417,479	442,729	568,045	-
Intangible assets		16,289	14,475	11,669	7,821	9,331	-
Other assets (Note2)		10,669,677	13,064,359	12,940,932	12,993,483	13,322,383	-
Total assets		13,767,898	15,576,115	14,930,295	15,036,443	15,251,314	-
Current liabilities	Before allocation	1,800,980	1,498,702	949,912	718,032	640,532	-
	After allocation	2,507,838	2,441,180	1,715,675	1,424,890	(Note 4)	-
Non-current liabilities		1,657,482	2,721,017	2,494,461	2,654,133	2,732,562	-
Total liabilities	Before allocation	3,458,462	4,219,719	3,444,373	3,372,165	3,373,094	-
	After allocation	4,165,320	5,162,197	4,210,136	4,079,023	(Note 4)	-
Equity attributed to owners of the parent		10,309,436	11,356,396	11,485,922	11,664,278	11,878,220	-
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	3,901,462	4,922,657	5,028,392	5,192,542	5,458,764	-
	After allocation	3,194,604	3,980,179	4,262,629	4,485,684	(Note 4)	-
Other Equity		17,794	43,559	67,350	81,556	9,583	-
Treasury stock		-	-	-	-	-	-
Non-control Equity		-	-	-	-	19,693	-
Total equity	Before allocation	10,309,436	11,356,396	11,485,922	11,664,278	11,878,220	-
	After allocation	9,602,578	10,413,918	10,720,159	10,957,420	(Note 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 2013-2017 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 2017 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 2018 (Note 3)
	2013	2014	2015	2016	2017	
Operating revenue	2,672,820	1,622,346	1,546,915	1,178,012	1,209,414	-
Gross profit (loss)	(116,162)	263,294	316,110	294,992	278,274	-
Profit (loss) from operations	(295,251)	55,991	138,740	153,459	99,263	-
Non-operating income and expenses	1,089,420	1,698,303	1,015,145	836,791	888,279	-
Profit before income tax	794,169	1,754,294	1,153,885	990,250	987,542	-
Profit from continuing operations	766,079	1,728,440	1,061,901	948,966	967,067	-
Loss of discontinued operations	-	-	-	-	-	-
Net Profit	766,079	1,728,440	1,061,901	948,966	967,067	-
Other comprehensive income (loss), net of income tax	1,904	25,378	10,103	(3,969)	(70,467)	-
Total comprehensive income	767,983	1,753,818	1,072,004	944,997	896,600	-
Net profit attributed to the owner of parent company	766,079	1,728,440	1,061,901	948,966	971,874	-
Net profit attributed to non-control equity	-	-	-	-	(4,807)	-
Total comprehensive income attributed to the owner of parent company	767,983	1,753,818	1,072,004	944,997	901,407	-
Total comprehensive income attributed to non-control equity	-	-	-	-	(4,807)	-
EPS	1.30	2.93	1.80	1.61	1.65	-

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Note 1: The financial statements of 2013-2017 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

Year Item		Financial Information Over the Past Five Years (Note1)					By 31 March 2018
		2013	2014	2015	2016	2017	
Current assets		771,064	638,226	466,720	490,706	593,515	-
Property, plant and equipment(Note2)		628,429	543,492	416,987	424,714	397,831	-
Intangible assets		2,778	1,464	373	22	1,481	-
Other assets (Note2)		11,112,899	13,619,200	13,534,095	13,807,574	14,012,913	-
Total assets		12,515,170	14,802,382	14,418,175	14,723,016	15,005,740	-
Current liabilities	Before allocation	579,676	750,390	466,515	432,603	433,913	-
	After allocation	1,286,534	1,692,868	1,232,278	1,139,461	(Note 4)	-
Non-current liabilities		1,626,058	2,695,596	2,465,738	2,626,135	2,713,300	-
Total liabilities	Before allocation	2,205,734	3,445,986	2,932,253	3,058,738	3,147,213	-
	After allocation	2,912,592	4,388,464	3,698,016	3,765,596	(Note 4)	-
Equity attributed to owners of the parent		10,309,436	11,356,396	11,485,922	11,664,278	11,858,527	-
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	3,901,462	4,922,657	5,028,392	5,192,542	5,458,764	-
	After allocation	3,194,604	3,980,179	4,262,629	4,485,684	(Note 4)	-
Other Equity		17,794	43,559	67,350	81,556	9,583	-
Treasury stock		-	-	-	-	-	-
Non-control Equity		-	-	-	-	-	-
Total equity	Before allocation	10,309,436	11,356,396	11,485,922	11,664,278	11,858,527	-
	After allocation	9,602,578	10,413,918	10,720,159	10,957,420	(Note 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 2013-2017 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 2017 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 2018 (Note 3)
	2013	2014	2015	2016	2017	
Revenue	1,169,372	1,216,888	1,145,384	961,909	875,954	-
Gross profit (loss)	231,003	321,688	256,142	271,445	231,898	-
Profit (loss) from operations	94,678	164,548	111,324	124,944	80,016	-
Non-operating income and expenses	686,331	1,589,552	1,042,455	864,233	912,333	-
Profit before income tax	781,009	1,754,100	1,153,779	989,177	992,349	-
Profit from continuing operations	766,079	1,728,440	1,061,901	948,966	971,874	-
Loss of discontinued operations	-	-	-	-	-	-
Net Profit	766,079	1,728,440	1,061,901	948,966	971,874	-
Other comprehensive income (loss), net of income tax	1,904	25,378	10,103	(3,969)	(70,467)	-
Total comprehensive income	767,983	1,753,818	1,072,004	944,997	901,407	-
Net profit attributed to the owner of parent company	766,079	1,728,440	1,061,901	948,966	971,874	-
Net profit attributed to non-control equity	-	-	-	-	-	-
Total comprehensive income attributed to the owner of parent company	767,983	1,753,818	1,072,004	944,997	901,407	-
Total comprehensive income attributed to non-control equity	-	-	-	-	-	-
EPS	1.30	2.93	1.80	1.61	1.65	-

* 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 2013-2017 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
2013	Deloitte Taiwan	Wan-yi Liao, CPA Hai-yue Huang, CPA	Unqualified opinion
2014	Deloitte Taiwan	Wan-yi Liao, CPA Chien-Hsin Hsieh, CPA	Unqualified opinion
2015	Deloitte Taiwan	Jui-Husan Ho, CPA Chien-Hsin Hsieh, CPA	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

Audit change: There was a CPA change between 2013 and 2017 due to the internal dispatch and arrangement of Deloitte Taiwan.

2. Financial analysis of the past five years

Consolidated Financial Analysis							
Subject(Note 3)		Financial Analysis for the Past Five Years					By 31 March 2018 (Note 3)
		2013	2014	2015	2016	2017	
Financial structure (%)	Liabilities to assets ratio	25.12	27.09	23.07	22.43	22.12	-
	Long-term capital to property, plant and equipment ratio	1891.71	2574.77	3348.76	3234.13	2572.12	-
Solvency (%)	Current ratio (%)	136.00	130.15	164.25	221.77	211.01	-
	Quick ratio (%)	76.95	97.69	108.89	173.02	159.45	-
	Times interest earned	2664	4372	2574	2787	2981	-
Utility	A/R turnover (time)	6.44	4.34	5.14	6.53	6.84	-
	Average days of cash receipts	57	84	71	56	53	-
	Inventory turnover (time)	27.14	29.95	33.78	30.84	46.91	-
	A/P turnover (time)	4.58	8.47	12.17	8.65	11.75	-
	Average daily sales	13	12	11	12	8	-
	Property, plant and equipment turnover (time)	3.85	2.75	3.21	2.74	2.39	-
	Total assets turnover (time)	0.19	0.10	0.10	0.08	0.08	-
Profitability	Return on assets (%)	5.71	12.01	7.22	6.54	6.57	-
	Return on equity (%)	7.45	15.96	9.30	8.2	8.22	-
	Net income before tax as a percentage of paid-in capital (%) (Note 9)	13.48	29.78	19.59	16.81	16.77	-
	Net profit rate (%)	28.66	106.54	68.65	80.56	79.96	-
	EPS (NT\$)	1.30	2.93	1.80	1.61	1.65	-
Cash flow (%)	Cash flow ratio	32.88	82.55	151.82	128.58	122.24	-
	Cash flow adequacy ratio	95.67	135.78	131.19	113.95	121.38	-
	Cash reinvestment ratio	(0.85)	3.36	3.17	0.98	0.46	-
Leverage	Operation leverage	0.45	4.43	2.36	2.02	2.49	-
	Financial leverage	0.91	3.75	1.64	1.32	1.53	-
Reasons for changes in financial ratios in the past 2 years: (for changes of over 20%)							
<ol style="list-style-type: none"> 1. Reduction of the ratio of long-term capital in property, plant, and equipment: It is mainly due to the purchase of property, plant, and equipment in 2017. 2. Increase in stock turnover times and reduction in average sales days: These are the results of the coal price rise in 2017, which increased the sales cost. 3. Increase in payable turnover times: It is mainly due to the increase in operating cost and reduction of payables. 4. Reduction of cash reinvestment ratio: It is mainly due to a reduction of net cash flow in business activities and increase in long-term investments and equipment purchase in 2017. 5. Increase in operational leveraging: It is mainly due to the reduction of operating income in 2017. 							

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

Individual Financial Analysis

Subject(Note 3)		Financial Analysis for the Past Five Years					By 31 March 2018 (Note 3)
		2013	2014	2015	2016	2017	
Financial structure (%)	Liabilities to assets ratio	17.62	23.28	20.34	20.78	20.97	-
	Long-term capital to property, plant and equipment ratio	1899.26	2585.50	3345.83	3364.71	3662.82	-
Solvency (%)	Current ratio (%)	133.02	85.05	100.04	113.43	136.78	-
	Quick ratio (%)	124.28	76.20	97.38	111.17	134.6	-
	Times interest earned	2871	4664	2594	2787	2995	-
Utility	A/R turnover (time)	5.68	5.93	6.44	7.04	7.55	-
	Average days of cash receipts	64.21	61.59	56.65	51.82	48.34	-
	Inventory turnover (time)	29.89	33.33	38.45	35.99	52.06	-
	A/P turnover (time)	15.23	13.45	13.96	9.87	8.80	-
	Average daily sales	12.21	10.96	9.49	10.14	7.01	-
	Property, plant and equipment turnover (time)	1.69	2.08	2.39	2.29	2.13	-
	Total assets turnover (time)	0.09	0.08	0.08	0.07	0.06	-
Profitability	Return on assets (%)	6.35	12.89	7.53	6.72	6.73	-
	Return on equity (%)	7.45	15.96	9.3	8.2	8.26	-
	Net income before tax as a percentage of paid-in capital (%) (Note 9)	13.26	29.78	19.59	16.79	16.85	-
	Net profit rate (%)	65.51	142.04	92.71	98.65	110.95	-
	EPS (NT\$)	1.30	2.93	1.8	1.61	1.65	-
Cash flow (%)	Cash flow ratio	169.42	162.8	308.4	224.44	186.36	-
	Cash flow adequacy ratio	108.22	148.08	157.3	141.61	137.87	-
	Cash reinvestment ratio	2.04	3.28	3.15	1.27	0.62	-
Leverage	Operation leverage	2.26	1.86	2.17	1.98	2.62	-
	Financial leverage	1.42	1.30	1.71	1.42	1.75	-
Reasons for Changes in financial ratios in the past 2 years: (for changes of over 20%)							
<ol style="list-style-type: none"> 1. Increase in current and quick ratios: It is mainly due to the increase in current assets (cash and cash equivalent) in 2017. 2. Increase in stock turnover times and reduction in average sales days: These are the results of the coal price rise in 2017, which increased the sales cost. 3. Reduction of cash reinvestment ratio: It is mainly due to a reduction of net cash flow in business activities and increase in long-term investments in 2017. 4. Increase in operational and financial leveraging: It is mainly due to the reduction of operating income in 2017. 							

* 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 2012-2016 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 days of cash receipts,

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 decrease 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 2017 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: Xin-hui Yan

Date: March 23, 2018

4. Financial statements of the previous year

**Taiwan Cogeneration Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2016 and 2015 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, 2016 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, 2016 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, 2016. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2016.

Very truly yours,

TAIWAN COGENERATION CORPORATION

By



CHANG, MIN-CHIEH
Chairman

March 29, 2017

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 and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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 financial position of the Group as of December 31, 2016 and 2015, and its financial performance and its 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, 2016. 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 2016 consolidated financial statements are as follows:

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

Refer to Note 29.e. and f. for details of the FTC ruling, appeal by associates litigation against associates; Note 4.m. 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, 2016, 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, 2016, 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 Construction Contracts

Refer to Note 8 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 construction service revenue and construction service cost of the Group's construction contracts recognized for the year ended December 31, 2016 were NT\$178,737 thousand and NT\$148,919 thousand, representing 15% and 17% of the Group's consolidated operating revenues and consolidated operating costs, respectively. The percentage of completion and related profit from each construction contract were assessed 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 judgment made by the management; thus, evaluation of profit and loss on construction contracts is considered as one of the key audit matters.

In our audit, we visited and observed the major construction sites; we obtained the construction contracts, construction project schedules, expected total construction costs, 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 contracts, amounts due from and due to customers for construction contracts for accuracy; and we determined that if a construction contract incurred a loss, the loss was recognized immediately.

Other Matter

We have also audited the separate financial statements of Taiwan Cogeneration Corporation as of and for the years ended December 31, 2016 and 2015, 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 supervisors, 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 2016 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-Husan Ho and Chien-Hsin Hsieh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,017,893	7	\$ 834,688	6
Notes receivable from related parties (Notes 4 and 27)	2,015	-	226	-
Accounts receivable (Notes 4, 7 and 8)	97,555	1	129,192	1
Accounts receivable from related parties (Notes 4 and 27)	65,635	1	65,953	-
Amounts due from customers for construction contracts (Notes 4, 8, 19 and 27)	282,167	2	449,906	3
Dividends receivable (Note 12)	49,307	-	-	-
Other receivables (Notes 4 and 22)	1,375	-	3,502	-
Other receivables from related parties (Notes 4 and 27)	8,527	-	795	-
Inventories (Notes 4 and 9)	9,170	-	10,193	-
Prepaid value-added tax	55,274	-	61,280	-
Prepaid construction costs (Note 19)	-	-	238	-
Other current assets (Note 28)	<u>3,492</u>	<u>-</u>	<u>4,242</u>	<u>-</u>
Total current assets	<u>1,592,410</u>	<u>11</u>	<u>1,560,215</u>	<u>10</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets (Notes 4, 10 and 26)	295,200	2	261,800	2
Investments accounted for using the equity method (Notes 4, 12 and 28)	12,596,263	84	12,537,651	84
Property, plant and equipment (Notes 4 and 13)	442,729	3	417,479	3
Intangible assets (Notes 4 and 14)	7,821	-	11,669	-
Deferred income tax assets (Notes 4 and 22)	88,197	-	99,050	1
Refundable deposits	13,823	-	41,345	-
Net defined benefit assets (Notes 4 and 18)	<u>-</u>	<u>-</u>	<u>1,086</u>	<u>-</u>
Total non-current assets	<u>13,444,033</u>	<u>89</u>	<u>13,370,080</u>	<u>90</u>
TOTAL	<u>\$ 15,036,443</u>	<u>100</u>	<u>\$ 14,930,295</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable	\$ 23,158	-	\$ 81,775	1
Accounts payable	51,452	-	43,037	-
Construction costs payable (Note 8)	246,140	2	393,114	3
Accounts payable to related parties (Note 27)	2,018	-	2,611	-
Other payables (Note 16)	77,335	1	66,703	-
Current income tax liabilities (Notes 4 and 22)	24,439	-	63,305	-
Provisions (Notes 4, 17 and 19)	17,440	-	23,756	-
Current portion of long-term borrowings (Notes 15 and 28)	270,000	2	270,000	2
Other current liabilities	<u>6,050</u>	<u>-</u>	<u>5,611</u>	<u>-</u>
Total current liabilities	<u>718,032</u>	<u>5</u>	<u>949,912</u>	<u>6</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 28)	2,540,000	17	2,390,000	16
Deferred income tax liabilities (Notes 4 and 22)	137	-	49	-
Net defined benefit liabilities (Notes 4 and 18)	99,619	-	92,663	1
Guarantee deposits received	<u>14,377</u>	<u>-</u>	<u>11,749</u>	<u>-</u>
Total non-current liabilities	<u>2,654,133</u>	<u>17</u>	<u>2,494,461</u>	<u>17</u>
Total liabilities	<u>3,372,165</u>	<u>22</u>	<u>3,444,373</u>	<u>23</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 20)				
Share capital				
Common stock	<u>5,890,486</u>	<u>39</u>	<u>5,890,486</u>	<u>40</u>
Capital surplus	<u>499,694</u>	<u>3</u>	<u>499,694</u>	<u>3</u>
Retained earnings				
Legal reserve	1,168,999	8	1,062,809	7
Special reserve	2,949,194	20	2,746,715	19
Unappropriated earnings	<u>1,074,349</u>	<u>7</u>	<u>1,218,868</u>	<u>8</u>
Total retained earnings	<u>5,192,542</u>	<u>35</u>	<u>5,028,392</u>	<u>34</u>
Other equity	<u>81,556</u>	<u>1</u>	<u>67,350</u>	<u>-</u>
Total equity attributable to owners of the Corporation	<u>11,664,278</u>	<u>78</u>	<u>11,485,922</u>	<u>77</u>
Total equity	<u>11,664,278</u>	<u>78</u>	<u>11,485,922</u>	<u>77</u>
TOTAL	<u>\$ 15,036,443</u>	<u>100</u>	<u>\$ 14,930,295</u>	<u>100</u>

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

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Note 4)				
Sales (Note 27)	\$ 799,071	68	\$ 957,600	62
Cogeneration plant operation and maintenance	132,110	11	155,774	10
Interest on a finance lease	-	-	1,943	-
Research, consulting and construction services (Notes 8 and 27)	<u>246,831</u>	<u>21</u>	<u>431,598</u>	<u>28</u>
Total operating revenues	<u>1,178,012</u>	<u>100</u>	<u>1,546,915</u>	<u>100</u>
OPERATING COSTS (Note 21)				
Cost of sales (Notes 9 and 27)	561,388	48	735,486	48
Cogeneration plant operation and maintenance	134,516	11	159,717	10
Research, consulting and construction services (Note 8)	<u>187,116</u>	<u>16</u>	<u>354,496</u>	<u>23</u>
Total operating costs	<u>883,020</u>	<u>75</u>	<u>1,249,699</u>	<u>81</u>
GROSS PROFIT	294,992	25	297,216	19
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>39,068</u>	<u>3</u>	<u>18,894</u>	<u>1</u>
REALIZED GROSS PROFIT	334,060	28	316,110	20
OPERATING EXPENSES (Note 21)	<u>180,601</u>	<u>15</u>	<u>177,370</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>153,459</u>	<u>13</u>	<u>138,740</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 21 and 27)	20,682	2	25,613	1
Other gains and losses (Note 21)	(14,895)	(1)	13,369	1
Finance costs (Note 21)	(36,941)	(3)	(46,760)	(3)
Share of profit or loss of associates accounted for using the equity method (Note 12)	<u>867,945</u>	<u>73</u>	<u>1,022,923</u>	<u>66</u>
Total non-operating income and expenses	<u>836,791</u>	<u>71</u>	<u>1,015,145</u>	<u>65</u>
PROFIT BEFORE INCOME TAX	990,250	84	1,153,885	74
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(41,284)</u>	<u>(4)</u>	<u>(91,984)</u>	<u>(6)</u>
NET PROFIT	<u>948,966</u>	<u>80</u>	<u>1,061,901</u>	<u>68</u>

(Continued)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2016</u>		<u>2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (15,797)	(1)	\$ (11,364)	(1)
Share of remeasurement of defined benefit plans of associates accounted for using the equity method	(4,026)	-	(4,256)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	<u>1,648</u>	<u>-</u>	<u>1,932</u>	<u>-</u>
	<u>(18,175)</u>	<u>(1)</u>	<u>(13,688)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(17,964)	(2)	(4,954)	-
Unrealized gain on available-for-sale financial assets	33,400	3	19,800	1
Share of unrealized loss on available-for-sale financial assets of associates accounted for using the equity method	(552)	-	(4,014)	-
Share of (loss) gain on hedging instruments designated and qualifying as the effective portion of cash flow hedges of associates accounted for using the equity method	(678)	-	4,038	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 22)	<u>-</u>	<u>-</u>	<u>8,921</u>	<u>1</u>
	<u>14,206</u>	<u>1</u>	<u>23,791</u>	<u>2</u>
Other comprehensive income (loss), net of income tax	<u>(3,969)</u>	<u>-</u>	<u>10,103</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 944,997</u>	<u>80</u>	<u>\$ 1,072,004</u>	<u>69</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 1.61</u>		<u>\$ 1.80</u>	
Diluted	<u>\$ 1.61</u>		<u>\$ 1.80</u>	

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

(Concluded)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Equity Attributable to Owners of the Corporation						Other Equity			Total Equity
	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Cash Flow Hedges - Effective Portion of the Gain (Loss) on the Hedging Instruments		
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2015	\$ 5,890,486	\$ 499,694	\$ 889,965	\$ 2,146,955	\$ 1,885,737	\$ 6,245	\$ 40,102	\$ (2,788)	\$ 11,356,396	
Appropriation of 2014 earnings										
Legal reserve	-	-	172,844	-	(172,844)	-	-	-	-	
Special reserve	-	-	-	599,760	(599,760)	-	-	-	-	
Cash dividends - NT\$1.6 per share	-	-	-	-	(942,478)	-	-	-	(942,478)	
	-	-	172,844	599,760	(1,715,082)	-	-	-	(942,478)	
Net profit for the year ended December 31, 2015	-	-	-	-	1,061,901	-	-	-	1,061,901	
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(13,688)	(3,675)	24,000	3,466	10,103	
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	1,048,213	(3,675)	24,000	3,466	1,072,004	
BALANCE, DECEMBER 31, 2015	5,890,486	499,694	1,062,809	2,746,715	1,218,868	2,570	64,102	678	11,485,922	
Appropriation of 2015 earnings										
Legal reserve	-	-	106,190	-	(106,190)	-	-	-	-	
Special reserve	-	-	-	202,479	(202,479)	-	-	-	-	
Cash dividends - NT\$1.3 per share	-	-	-	-	(765,763)	-	-	-	(765,763)	
	-	-	106,190	202,479	(1,074,432)	-	-	-	(765,763)	
Share of transaction cost attributable to issue of new ordinary shares of associates accounted for using the equity method	-	-	-	-	(878)	-	-	-	(878)	
Net profit for the year ended December 31, 2016	-	-	-	-	948,966	-	-	-	948,966	
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(18,175)	(17,964)	32,848	(678)	(3,969)	
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	930,791	(17,964)	32,848	(678)	944,997	
BALANCE, DECEMBER 31, 2016	\$ 5,890,486	\$ 499,694	\$ 1,168,999	\$ 2,949,194	\$ 1,074,349	\$ (15,394)	\$ 96,950	\$ -	\$ 11,664,278	

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 990,250	\$ 1,153,885
Adjustments for:		
Depreciation expense	35,332	132,008
Amortization expense	762	3,279
Interest expense	36,850	46,643
Interest income	(5,203)	(6,498)
Dividend income	(8,000)	(8,000)
Share of profit or loss of associates accounted for using the equity method	(867,945)	(1,022,923)
Gain on disposal of property, plant and equipment, net	-	(2,140)
Impairment loss	3,332	1,111
Unrealized (gain) loss on foreign currency exchange	(3,604)	552
Realized gain on transactions with associates	(39,068)	(18,894)
Gain on reversal of warranty cost on construction	(4,461)	(565)
Changes in operating assets and liabilities		
Notes receivable	-	9
Notes receivable from related parties	(1,789)	865
Accounts receivable	31,637	218,910
Accounts receivable from related parties	318	(9,914)
Amounts due from customers for construction contracts	167,739	(139,485)
Other receivables	2,514	23,736
Other receivables from related parties	(7,732)	4,484
Inventories	1,023	2,466
Prepaid construction costs	238	13,194
Prepayments to suppliers	-	52,925
Other current assets	733	660
Prepaid value-added tax	6,006	(3,662)
Net defined benefit assets	1,086	1,612
Finance lease receivables	-	38,324
Notes payable	(58,617)	44,686
Accounts payable	8,415	3,236
Construction costs payable	(146,586)	(132,964)
Accounts payable to related parties	(593)	1,576
Other payables	(2,037)	(26,931)
Provisions	(1,855)	(45,541)
Other current liabilities	439	(16,725)
Net defined benefit liabilities	(8,841)	757
Cash generated from operations	130,343	310,676
Interest received	4,816	7,928
Dividends received	892,426	1,170,086
Interest paid	(36,799)	(46,265)
Income tax paid	(67,561)	(300)
Net cash generated from operating activities	923,225	1,442,125

(Continued)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	\$ (110,588)	\$ -
Liquidation refund from associates	3,168	-
Payments for property, plant and equipment (Note 24)	(47,964)	(5,460)
Proceeds from disposal of property, plant and equipment	-	4,628
Decrease (increase) in refundable deposits	27,521	(14,831)
Decrease in other current assets	17	34,579
Payments for computer software	<u>(246)</u>	<u>(1,354)</u>
Net cash (used in) generated from investing activities	<u>(128,092)</u>	<u>17,562</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(351,000)
Proceeds from long-term borrowings	3,610,000	1,695,000
Repayments of long-term borrowings	(3,460,000)	(2,005,000)
Increase (decrease) in guarantee deposits received	2,628	(8,690)
Dividends paid to owners of the Corporation	<u>(765,763)</u>	<u>(942,478)</u>
Net cash used in financing activities	<u>(613,135)</u>	<u>(1,612,168)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>1,207</u>	<u>647</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	183,205	(151,834)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>834,688</u>	<u>986,522</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,017,893</u>	<u>\$ 834,688</u>

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

(Concluded)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 Board of Directors on March 23, 2017.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. 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) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the following amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2017:

New, Amended or Revised Standards and Interpretations (The “New IFRSs”)		Effective Date Announced by IASB
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
Amendment to IAS 1	Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	January 1, 2016
Amendment to IAS 19	Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27	Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets	January 1, 2014
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21	Levies	January 1, 2014

The initial application in 2017 of the above New IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies, except for the following:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second

immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The disclosures of related party transactions will be enhanced when the above amendments are retrospectively applied in 2017.

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

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other New IFRSs.

New IFRSs		Effective Date Announced by IASB (Note 1)
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amendment to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures	January 1, 2018
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
Amendment to IFRS 15	Clarifications to IFRS 15	January 1, 2018
IFRS 16	Leases	January 1, 2019
Amendment to IAS 7	Disclosure Initiative	January 1, 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 40	Transfers of investment property	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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 values.

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

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

Classification of Current and Non-current Assets and Liabilities

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

Basis of Consolidation

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

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

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

See Note 11 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 Accounts Receivable

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

Inventories

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

Available-for-sale Financial Assets

Available-for-sale financial assets 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 the profit or loss and other comprehensive income of the associate. When an indication of impairment is identified in an investment, a loss is recognized.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate 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.

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

Property, Plant and Equipment

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 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.

a. Onerous contracts

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

b. Warranties

The Group's warranty provisions on construction are estimated based on the expected occurrence of the warranty obligations.

Construction Contracts

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

When 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.

Revenue Recognition

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

Leases of cogeneration plants are accounted for by finance lease method.

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur, when the plan amendment or curtailment occurs, and when the 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 Law. The Group's current income tax liabilities are calculated by the legislated tax rate on the balance sheet date.

According to the Income Tax Law, an additional tax at 10% of 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 apply in the period in which the liability is settled or the asset realized.

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 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 29.e. for detailed information. As TPC concluded these associates violated the Fair Trade Act for concerted action and caused a loss to TPC, TPC filed an administrative proceeding and a civil action to claim compensation for the loss. See Note 29.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. Evaluation of profit and loss on 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 contract costs incurred for work performed to date relative to the estimated total contract 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.

Estimated total contract costs and contracted items were 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 these estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

c. Available-for-sale financial assets

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

f. Useful lives of property, plant and equipment

Depreciation on property, plant and equipment is recognized using the straight-line method. The balance of the cost of an asset less its residual value is allocated systematically throughout the expected useful life. The estimated useful lives, residual values and depreciation method are at least reviewed at the end of each year. As of December 31, 2016 and 2015, the carrying value of the property, plant, and equipment was \$442,729 thousand and \$417,479 thousand, net of accumulated depreciation of \$1,828,470 thousand and \$1,793,197 thousand, respectively.

The Corporation evaluated the reasonableness of the useful lives of the property, plant and equipment. On December 22, 2015, by referring to an appraisal report issued from China Credit Information Service, Ltd., the Board of Directors resolved to change the useful lives of main coal-fired machinery and equipment located at Guan-Tien Cogeneration Plant from 15 years to 30 years, effective from January 1, 2016. The change of the useful lives resulted in a decrease in depreciation of \$93,987 thousand for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 1,778	\$ 1,718
Checking accounts and demand deposits	466,655	231,848
Cash equivalents		
Time deposits	<u>549,460</u>	<u>601,122</u>
	<u>\$ 1,017,893</u>	<u>\$ 834,688</u>

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

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

	December 31	
	2016	2015
Demand deposits	0.01%-0.10%	0.01%-0.13%
Time deposits	0.38%-1.60%	0.55%-0.80%

7. ACCOUNTS RECEIVABLE

	December 31	
	2016	2015
Accounts receivable	<u>\$ 97,555</u>	<u>\$ 129,192</u>

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 not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

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

	December 31	
	2016	2015
Up to 60 days	\$ 89,998	\$ 102,734
61-90 days	-	16,529
91-120 days	-	-
121-180 days	-	-
More than 180 days	<u>7,557</u>	<u>9,929</u>
	<u>\$ 97,555</u>	<u>\$ 129,192</u>

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

	December 31	
	2016	2015
Up to 60 days	\$ -	\$ -
61-90 days	-	16,529
91-120 days	-	-
121-180 days	-	-
More than 180 days	<u>7,557</u>	<u>9,929</u>
	<u>\$ 7,557</u>	<u>\$ 26,458</u>

Accounts receivable included retentions receivable from construction contracts which are not bearing interest and are expected to remain as receivables until the conditions specified in each contract are satisfied for the payment of such amounts during the warranty periods, which are within the normal operating cycle of the Group, of usually more than twelve months after the reporting period. As of December 31, 2016 and 2015, retentions receivable of \$0 and \$2,371 thousand, respectively, are expected to be recovered after more than twelve months. Refer to Note 8 for details of construction contracts.

8. AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

	December 31	
	2016	2015
Construction costs incurred plus recognized profits less recognized losses to date	\$ 2,795,557	\$ 2,768,620
Less: Progress billings	<u>(2,513,390)</u>	<u>(2,318,714)</u>
Amounts due from customers for construction contracts	<u>\$ 282,167</u>	<u>\$ 449,906</u>
<u>Amounts due from customers for construction contracts</u>		
Related parties	\$ 280,910	\$ 449,577
Others	<u>1,257</u>	<u>329</u>
	<u>\$ 282,167</u>	<u>\$ 449,906</u>
Retentions receivable (included in accounts receivable)	<u>\$ -</u>	<u>\$ 2,371</u>
Retentions payable (included in construction costs payable)	<u>\$ 7,947</u>	<u>\$ 12,920</u>

The construction service revenue recognized for the years ended December 31, 2016 and 2015 was \$178,737 thousand and \$383,298 thousand, respectively. The construction service cost recognized for the years ended December 31, 2016 and 2015 was \$148,919 thousand and \$366,174 thousand, respectively.

9. INVENTORIES

	December 31	
	2016	2015
Raw materials	\$ 7,784	\$ 8,807
Maintenance supplies	<u>1,386</u>	<u>1,386</u>
	<u>\$ 9,170</u>	<u>\$ 10,193</u>

The cost of sales for the years ended December 31, 2016 and 2015 included inventory write-downs of \$184 thousand and \$698 thousand, respectively.

As of December 31, 2016 and 2015, the age of maintenance supplies both exceeded twelve months.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Unlisted shares		
Kaohsiung Arena Development Corporation (“KADC”)	\$ 295,200	\$ 261,800

Refer to Note 26 for fair value information relating to available-for-sale financial assets.

11. SUBSIDIARIES

Name of Investor	Name of Subsidiary	Main Businesses	Percentage of Ownership	
			December 31	
			2016	2015
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

On December 30, 2016, the Corporation participated in a capital raising of SEC. The investment in SEC increased by \$300,000 thousand.

On March 26, 2015, the SEC’s board of directors resolved to merge with its 100% owned subsidiary, Shang Min Construction Corp., through a short-form merger in order to stabilize the Group’s management and increase operational efficiency. The effective date of the merger was April 30, 2015. The amendment to the registration was completed on June 2, 2015. The merger was a business combination of entities under common control. Accordingly, the merger was accounted for at the carrying amounts of these two companies.

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

12. INVESTMENTS ACCOUNTED FOR THE USING EQUITY METHOD

	December 31	
	2016	2015
<u>Investments in associates</u>		
Material associates		
Ta-Yuan Cogeneration Company (“TYC”)	\$ 491,427	\$ 478,739
Sun Ba Power Corporation (“Sun Ba”)	5,235,174	5,266,063
Kuo Kuang Power Company Ltd. (“KKPC”)	2,330,972	2,351,198
Star Energy Power Corporation (“SEPC”)	2,234,384	2,286,904
Star Buck Power Corporation (“SBPC”)	<u>1,983,784</u>	<u>1,917,192</u>
	12,275,741	12,300,096
Associates that are not individually material	<u>320,522</u>	<u>237,555</u>
	<u>\$ 12,596,263</u>	<u>\$ 12,537,651</u>

On May 16, 2016 and July 18, 2016, the Group participated in a capital raising of Redondo Peninsula Energy, Inc. The investment in the company increased by ₱169,631 thousand (NT\$110,588 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	
	2016	2015
Sun Ba	\$ 466,562	\$ 518,107
SBPC	150,307	174,002
SEPC	142,584	175,292
KKPC	88,947	139,234
TYC	27,166	25,572
Associates that are not individually material	<u>(7,621)</u>	<u>(9,284)</u>
	<u>\$ 867,945</u>	<u>\$ 1,022,923</u>

a. Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
	2016	2015
TYC	29.31%	29.31%
Sun Ba	43.00%	43.00%
KKPC	35.00%	35.00%
SEPC	40.50%	40.50%
SBPC	41.27%	41.27%

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	
	2016	2015
TYC	<u>\$ 740,566</u>	<u>\$ 689,112</u>

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

TYC

	December 31	
	2016	2015
Current assets	\$ 908,419	\$ 713,999
Non-current assets	1,984,770	2,068,095
Current liabilities	(483,787)	(554,891)
Non-current liabilities	<u>(732,791)</u>	<u>(593,882)</u>
Equity	1,676,611	1,633,321
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 1,676,611</u>	<u>\$ 1,633,321</u>
Proportion of the Group's ownership	29.31%	29.31%
Equity attributable to the Group	<u>\$ 491,427</u>	<u>\$ 478,739</u>
	For the Year Ended December 31	
	2016	2015
Operating revenues	<u>\$ 1,313,872</u>	<u>\$ 1,346,431</u>
Net profit	\$ 92,684	\$ 87,242
Other comprehensive income	<u>(4,612)</u>	<u>(15,477)</u>
Total comprehensive income	<u>\$ 88,072</u>	<u>\$ 71,765</u>
Dividends received from TYC	<u>\$ 13,126</u>	<u>\$ 15,626</u>

Sun Ba

	December 31	
	2016	2015
Current assets	\$ 3,826,244	\$ 3,911,881
Non-current assets	14,139,757	14,839,742
Current liabilities	(1,946,380)	(1,986,237)
Non-current liabilities	<u>(3,642,870)</u>	<u>(4,300,385)</u>
Equity	12,376,751	12,465,001
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 12,376,751</u>	<u>\$ 12,465,001</u>
Proportion of the Group's ownership	43.00%	43.00%
Equity attributable to the Group	\$ 5,322,003	\$ 5,359,951
Unrealized gain with associates	(88,916)	(95,975)
Goodwill	<u>2,087</u>	<u>2,087</u>
Carrying amount	<u>\$ 5,235,174</u>	<u>\$ 5,266,063</u>
	For the Year Ended December 31	
	2016	2015
Operating revenues	<u>\$ 8,951,998</u>	<u>\$ 11,098,695</u>
Net profit	\$ 1,085,028	\$ 1,204,900
Other comprehensive income	<u>(3,279)</u>	<u>(4,845)</u>
Total comprehensive income	<u>\$ 1,081,749</u>	<u>\$ 1,200,055</u>
Dividends received from Sun Ba	<u>\$ 503,100</u>	<u>\$ 593,400</u>

KKPC

	December 31	
	2016	2015
Current assets	\$ 1,087,122	\$ 916,724
Non-current assets	8,049,899	8,299,009
Current liabilities	(1,491,188)	(954,648)
Non-current liabilities	<u>(1,520,506)</u>	<u>(2,138,117)</u>
Equity	6,125,327	6,122,968
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 6,125,327</u>	<u>\$ 6,122,968</u>
Proportion of the Group's ownership	35.00%	35.00%
Equity attributable to the Group	\$ 2,143,864	\$ 2,143,039
Goodwill	19,304	19,304
Investment premium	<u>167,804</u>	<u>188,855</u>
Carrying amount	<u>\$ 2,330,972</u>	<u>\$ 2,351,198</u>
	For the Year Ended December 31	
	2016	2015
Operating revenues	<u>\$ 4,161,399</u>	<u>\$ 5,105,584</u>
Net profit	\$ 314,280	\$ 450,006
Other comprehensive income	<u>(1,045)</u>	<u>(226)</u>
Total comprehensive income	<u>\$ 313,235</u>	<u>\$ 449,780</u>
Dividends received from KKPC	<u>\$ 59,500</u>	<u>\$ 155,635</u>

As of December 31, 2016, KKPC had declared \$310,887 thousand of cash dividends. Dividends receivable in proportion to the Group's ownership amounted to \$49,307 thousand and had been received in February 2017.

SEPC

	December 31	
	2016	2015
Current assets	\$ 1,100,927	\$ 1,130,155
Non-current assets	7,990,098	8,129,057
Current liabilities	(1,306,599)	(923,801)
Non-current liabilities	<u>(2,029,746)</u>	<u>(2,419,251)</u>
Equity	5,754,680	5,916,160
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 5,754,680</u>	<u>\$ 5,916,160</u>
Proportion of the Group's ownership	40.50%	40.50%
Equity attributable to the Group	\$ 2,330,645	\$ 2,396,045
Unrealized gain with associates	<u>(96,261)</u>	<u>(109,141)</u>
Carrying amount	<u>\$ 2,234,384</u>	<u>\$ 2,286,904</u>
	For the Year Ended December 31	
	2016	2015
Operating revenues	<u>\$ 4,671,394</u>	<u>\$ 5,540,732</u>
Net profit	\$ 352,061	\$ 432,819
Other comprehensive income	<u>(3,541)</u>	<u>(3,400)</u>
Total comprehensive income	<u>\$ 348,520</u>	<u>\$ 429,419</u>
Dividends received from SEPC	<u>\$ 206,550</u>	<u>\$ 261,225</u>

SBPC

	December 31	
	2016	2015
Current assets	\$ 1,987,322	\$ 1,690,999
Non-current assets	9,992,241	10,172,572
Current liabilities	(1,340,812)	(1,294,165)
Non-current liabilities	<u>(5,017,932)</u>	<u>(5,063,584)</u>
Equity	5,620,819	5,505,822
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 5,620,819</u>	<u>\$ 5,505,822</u>
Proportion of the Group's ownership	41.27%	41.27%
Equity attributable to the Group	\$ 2,319,866	\$ 2,272,403
Unrealized gain with associates	<u>(336,082)</u>	<u>(355,211)</u>
Carrying amount	<u>\$ 1,983,784</u>	<u>\$ 1,917,192</u>
	For the Year Ended December 31	
	2016	2015
Operating revenues	<u>\$ 4,738,526</u>	<u>\$ 5,921,724</u>
Net profit	\$ 360,910	\$ 421,593
Other comprehensive income	<u>1,587</u>	<u>9,311</u>
Total comprehensive income	<u>\$ 362,497</u>	<u>\$ 430,904</u>
Dividends received from SBPC	<u>\$ 102,150</u>	<u>\$ 136,200</u>

SBPC's Star Buck Power Plant experienced an unexpected shutdown on January 30, 2016, when the blades of one turbine were damaged. The repair expense for the above damaged power generating unit was estimated to be \$357,371 thousand and estimated insurance claim was \$335,371 thousand. The turbine resumed normal operation on April 3, 2016.

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. The repair expense for the above damaged power generating units was estimated to be \$88,000 thousand and estimated insurance claim was \$72,850 thousand.

On June 13, 2016, KKPC's Kuo Kuang Power Plant experienced an unexpected shutdown when a steam turbine generator was damaged. The repair expense for the above damaged power generating unit was estimated to be \$44,918 thousand. The generator resumed normal operation in July 2016.

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. The repair expense and estimated insurance claim for the above damaged power generating unit are still under evaluation.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the associates' financial statements audited by independent auditors for the same years.

Refer to Note 28 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	
	2016	2015
The Group's share of:		
Loss from continuing operations	\$ (7,621)	\$ (9,284)
Total comprehensive loss	\$ (7,621)	\$ (9,284)

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, 2016 and 2015 were based on the associates' financial statements audited by independent auditors for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2016	\$ 214,502	\$ 78,954	\$ 1,849,313	\$ 982	\$ 44,466	\$ 22,459	\$ -	\$ 2,210,676
Additions	-	-	21,185	-	19,383	-	20,014	60,582
Disposals	-	-	(59)	-	-	-	-	(59)
Reclassifications	-	-	17,225	-	2,400	-	(19,625)	-
Balance at December 31, 2016	<u>214,502</u>	<u>78,954</u>	<u>1,887,664</u>	<u>982</u>	<u>66,249</u>	<u>22,459</u>	<u>389</u>	<u>2,271,199</u>
<u>Accumulated depreciation and impairment loss</u>								
Balance at January 1, 2016	-	49,432	1,685,217	875	37,180	20,493	-	1,793,197
Depreciation expense	-	3,556	25,709	42	5,384	641	-	35,332
Disposals	-	-	(59)	-	-	-	-	(59)
Balance at December 31, 2016	-	<u>52,988</u>	<u>1,710,867</u>	<u>917</u>	<u>42,564</u>	<u>21,134</u>	-	<u>1,828,470</u>
Carrying amounts at December 31, 2016	<u>\$ 214,502</u>	<u>\$ 25,966</u>	<u>\$ 176,797</u>	<u>\$ 65</u>	<u>\$ 23,685</u>	<u>\$ 1,325</u>	<u>\$ 389</u>	<u>\$ 442,729</u>
<u>Cost</u>								
Balance at January 1, 2015	\$ 214,502	\$ 78,954	\$ 1,862,164	\$ 7,606	\$ 49,529	\$ 22,459	\$ -	\$ 2,235,214
Additions	-	-	-	-	5,460	-	-	5,460
Disposals	-	-	(12,851)	(6,624)	(10,523)	-	-	(29,998)
Balance at December 31, 2015	<u>214,502</u>	<u>78,954</u>	<u>1,849,313</u>	<u>982</u>	<u>44,466</u>	<u>22,459</u>	-	<u>2,210,676</u>
<u>Accumulated depreciation and impairment loss</u>								
Balance at January 1, 2015	-	45,742	1,575,231	6,608	41,066	19,822	-	1,688,469
Depreciation expense	-	3,690	121,067	78	6,502	671	-	132,008
Impairment loss	-	-	142	7	81	-	-	230
Disposals	-	-	(11,223)	(5,818)	(10,469)	-	-	(27,510)
Balance at December 31, 2015	-	<u>49,432</u>	<u>1,685,217</u>	<u>875</u>	<u>37,180</u>	<u>20,493</u>	-	<u>1,793,197</u>
Carrying amounts at December 31, 2015	<u>\$ 214,502</u>	<u>\$ 29,522</u>	<u>\$ 164,096</u>	<u>\$ 107</u>	<u>\$ 7,286</u>	<u>\$ 1,966</u>	<u>\$ -</u>	<u>\$ 417,479</u>

14. INTANGIBLE ASSETS

		December 31	
		2016	2015
Computer software		\$ 34	\$ 550
Others		<u>7,787</u>	<u>11,119</u>
		<u>\$ 7,821</u>	<u>\$ 11,669</u>
	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2016	\$ 5,980	\$ 12,000	\$ 17,980
Additions	246	-	246
Disposals	<u>(5,862)</u>	<u>-</u>	<u>(5,862)</u>
Balance at December 31, 2016	<u>364</u>	<u>12,000</u>	<u>12,364</u>
<u>Accumulated amortization and impairment loss</u>			
Balance at January 1, 2016	5,430	881	6,311
Amortization	762	-	762
Impairment loss	-	3,332	3,332
Disposals	<u>(5,862)</u>	<u>-</u>	<u>(5,862)</u>
Balance at December 31, 2016	<u>330</u>	<u>4,213</u>	<u>4,543</u>
Carrying amounts at December 31, 2016	<u>\$ 34</u>	<u>\$ 7,787</u>	<u>\$ 7,821</u>
<u>Cost</u>			
Balance at January 1, 2015	\$ 9,086	\$ 12,000	\$ 21,086
Additions	1,354	-	1,354
Disposals	<u>(4,460)</u>	<u>-</u>	<u>(4,460)</u>
Balance at December 31, 2015	<u>5,980</u>	<u>12,000</u>	<u>17,980</u>
<u>Accumulated amortization and impairment loss</u>			
Balance at January 1, 2015	6,611	-	6,611
Amortization	3,279	-	3,279
Impairment loss	-	881	881
Disposals	<u>(4,460)</u>	<u>-</u>	<u>(4,460)</u>
Balance at December 31, 2015	<u>5,430</u>	<u>881</u>	<u>6,311</u>
Carrying amounts at December 31, 2015	<u>\$ 550</u>	<u>\$ 11,119</u>	<u>\$ 11,669</u>

15. BORROWINGS

	December 31	
	2016	2015
<u>Secured borrowings</u>		
Repayable in annual installments through August 2018	\$ 650,000	\$ 780,000
Repayable in quarterly installments through December 2019	420,000	560,000
<u>Revolving unsecured borrowings</u>		
Revolving through September 2018	470,000	-
Revolving through March 2019	400,000	-
Revolving through September 2018	370,000	-
Revolving through March 2018	\$ 350,000	\$ -
Revolving through July 2019	100,000	-
Revolving through March 2019	50,000	-
Revolving through August 2017	-	500,000
Revolving through September 2017	-	500,000
Revolving through December 2017	-	300,000
Revolving through November 2017	-	20,000
	<u>2,810,000</u>	<u>2,660,000</u>
Less: Current portion	<u>(270,000)</u>	<u>(270,000)</u>
	<u>\$ 2,540,000</u>	<u>\$ 2,390,000</u>

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

	December 31	
	2016	2015
Secured borrowings	1.50%-1.80%	1.584%-1.900%
Revolving unsecured borrowings	0.95%-1.01%	1.19%-1.467%

16. OTHER PAYABLES

	December 31	
	2016	2015
Payable for compensation to employees and remuneration to directors and supervisors	\$ 26,775	\$ 30,129
Payable for salaries and bonus	20,019	21,116
Payable for equipment	12,618	-
Payable for annual leave	8,641	6,727
Payable for professional fee	3,082	3,154
Others	<u>6,200</u>	<u>5,577</u>
	<u>\$ 77,335</u>	<u>\$ 66,703</u>

17. PROVISIONS

	December 31	
	2016	2015
Current		
Onerous contracts	\$ -	\$ -
Warranties	<u>17,440</u>	<u>23,756</u>
	<u>\$ 17,440</u>	<u>\$ 23,756</u>
	Onerous Contracts	Warranties
		Total
Balance at January 1, 2015	\$ 39,458	\$ 69,862
Additions	-	5,006
Usage	(39,458)	(11,089)
Reversal	<u>-</u>	<u>(565)</u>
Balance at December 31, 2015	-	23,756
Additions	-	13,146
Usage	-	(15,001)
Reversal	<u>-</u>	<u>(4,461)</u>
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 17,440</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and SEC adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Corporation and SEC 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 Law are operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation 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	
	2016	2015
Present value of defined benefit obligation	\$ 198,190	\$ 197,254
Fair value of plan assets	<u>(98,571)</u>	<u>(105,677)</u>
Deficit	<u>\$ 99,619</u>	<u>\$ 91,577</u>
Net defined benefit assets	<u>\$ -</u>	<u>\$ 1,086</u>
Net defined benefit liabilities	<u>\$ 99,619</u>	<u>\$ 92,663</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Unrecognized Past Service Cost	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2015	<u>\$ 184,615</u>	<u>\$ (104,992)</u>	<u>\$ (1,779)</u>	<u>\$ 77,844</u>
Service cost				
Current service cost	8,618	-	2,054	10,672
Net interest expense (income)	<u>3,217</u>	<u>(1,805)</u>	<u>-</u>	<u>1,412</u>
Recognized in profit or loss	<u>11,835</u>	<u>(1,805)</u>	<u>2,054</u>	<u>12,084</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(1,032)	(275)	(1,307)
Actuarial loss - changes in demographic assumptions	4,930	-	-	4,930
Actuarial loss - changes in financial assumptions	5,102	-	-	5,102
Actuarial loss - experience adjustments	<u>2,639</u>	<u>-</u>	<u>-</u>	<u>2,639</u>
Recognized in other comprehensive income	<u>12,671</u>	<u>(1,032)</u>	<u>(275)</u>	<u>11,364</u>
Contributions from employers	-	(3,375)	-	(3,375)
Benefits paid	(11,047)	5,621	-	(5,426)
Others	<u>(820)</u>	<u>(94)</u>	<u>-</u>	<u>(914)</u>
	<u>(11,867)</u>	<u>2,152</u>	<u>-</u>	<u>(9,715)</u>
Balance at December 31, 2015	<u>\$ 197,254</u>	<u>\$ (105,677)</u>	<u>\$ -</u>	<u>\$ 91,577</u>
Balance at January 1, 2016	<u>\$ 197,254</u>	<u>\$ (105,677)</u>	<u>\$ -</u>	<u>\$ 91,577</u>
Service cost				
Current service cost	5,958	-	-	5,958
Past service cost	597	-	-	597
Net interest expense (income)	<u>2,959</u>	<u>(1,595)</u>	<u>-</u>	<u>1,364</u>
Recognized in profit or loss	<u>9,514</u>	<u>(1,595)</u>	<u>-</u>	<u>7,919</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	879	-	879
Actuarial loss - changes in demographic assumptions	4,112	-	-	4,112
Actuarial loss - changes in financial assumptions	2,809	-	-	2,809
Actuarial loss - experience adjustments	<u>7,997</u>	<u>-</u>	<u>-</u>	<u>7,997</u>
Recognized in other comprehensive income	<u>14,918</u>	<u>879</u>	<u>-</u>	<u>15,797</u>
Contributions from employers	-	(3,215)	-	(3,215)
Benefits paid	<u>(23,496)</u>	<u>11,037</u>	<u>-</u>	<u>(12,459)</u>
	<u>(23,496)</u>	<u>7,822</u>	<u>-</u>	<u>(15,674)</u>
Balance at December 31, 2016	<u>\$ 198,190</u>	<u>\$ (98,571)</u>	<u>\$ -</u>	<u>\$ 99,619</u>

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	
	2016	2015
Operating costs	\$ 3,946	\$ 5,711
Operating expenses	<u>\$ 3,973</u>	<u>\$ 6,373</u>

The amounts recognized in profit or loss in respect of the defined benefit plans for the year ended December 31, 2016 included the adjustments of the Group's initial application of the 2013 version of IAS 19. The adjustments to past service cost in the amount of \$2,054 thousand did not have a material impact; thus, the financial statements were not retrospectively restated.

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets 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	
	2016	2015
Discount rate	1.375%	1.500%
Expected rate of salary increase	3.000%	3.000%

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 decrease or increase as follows:

	December 31	
	2016	2015
Discount rate(s)		
0.25% increase	\$ (5,780)	\$ (5,318)
0.25% decrease	<u>\$ 6,030</u>	<u>\$ 5,542</u>
Expected rate(s) of salary increase		
0.25% increase	\$ 5,831	\$ 5,358
0.25% decrease	<u>\$ (5,620)</u>	<u>\$ (5,170)</u>

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	
	2016	2015

The expected contributions to the plans for the next year	<u>\$ 3,213</u>	<u>\$ 3,424</u>
The average duration of the defined benefit obligation	13.05 years	12.2 years

19. 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 reporting period and more than one year after reporting period for related assets and liabilities were as follow:

December 31, 2016

	Less than One Year	More than One Year	Total
<u>Assets</u>			
Amounts due from customers for construction contracts	<u>\$ 208,778</u>	<u>\$ 73,389</u>	<u>\$ 282,167</u>
<u>Liabilities</u>			
Provisions - warranties	<u>\$ 3,483</u>	<u>\$ 13,957</u>	<u>\$ 17,440</u>

December 31, 2015

	Less than One Year	More than One Year	Total
<u>Assets</u>			
Amounts due from customers for construction contracts	\$ 294,414	\$ 155,492	\$ 449,906
Prepaid construction costs	<u>238</u>	<u>-</u>	<u>238</u>
	<u>\$ 294,652</u>	<u>\$ 155,492</u>	<u>\$ 450,144</u>
<u>Liabilities</u>			
Provisions - warranties	<u>\$ 3,782</u>	<u>\$ 19,974</u>	<u>\$ 23,756</u>

20. EQUITY

a. Share capital

	December 31	
	2016	2015
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>
Share capital authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of common shares issued and fully paid (in thousands)	<u>589,049</u>	<u>589,049</u>
Common stock issued	<u>\$ 5,890,486</u>	<u>\$ 5,890,486</u>

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

b. Capital surplus

	December 31	
	2016	2015
Issuance of common shares	\$ 460,000	\$ 460,000
Conversion of bonds	32,494	32,494
Share options	<u>7,200</u>	<u>7,200</u>
	<u>\$ 499,694</u>	<u>\$ 499,694</u>

The capital surplus generated from shares issued in excess of par (including additional paid-in capital from issuance of common shares and conversion of bonds) may be used to offset a deficit; 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 forfeited share options may not be used for any purpose except for offsetting a deficit.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 27, 2016 and, in that meeting, had resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended 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, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of the employees' compensation or bonus, and remuneration to directors and supervisors before and after amendment, please refer to Note 21.e.

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.

The appropriations of earnings for 2015 were resolved in the stockholders' meeting on June 27, 2016 as follows:

- 1) \$106,190 thousand as legal reserve;
- 2) \$202,479 thousand as special reserve; and
- 3) \$765,763 thousand as cash dividends.

The appropriations of earnings for 2014 were resolved in the stockholders' meeting on June 17, 2015 as follows:

- 1) \$172,844 thousand as legal reserve;
- 2) \$599,760 thousand as special reserve; and
- 3) \$942,478 thousand as cash dividends.

The appropriations of earnings for 2016 had been proposed by the Corporation's Board of Directors on March 23, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 94,897	
Special reserve	184,704	
Cash dividends	706,858	\$1.2

The appropriations of earnings for 2016 are subject to the resolution in the stockholders' meeting to be held on June 21, 2017.

21. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2016	2015
Interest income	\$ 8,000	\$ 8,000
Dividend income	5,203	6,498
Others	<u>7,479</u>	<u>11,115</u>
	<u>\$ 20,682</u>	<u>\$ 25,613</u>

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Foreign exchange gain	\$ 23,880	\$ 38,303
Foreign exchange loss	(35,438)	(25,562)
Gain on disposal of property, plant and equipment	-	2,140
Impairment loss	(3,332)	(1,111)
Others	<u>(5)</u>	<u>(401)</u>
	<u>\$ (14,895)</u>	<u>\$ 13,369</u>

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest expense	\$ 36,850	\$ 46,643
Others	<u>91</u>	<u>117</u>
	<u>\$ 36,941</u>	<u>\$ 46,760</u>

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

	For the Year Ended December 31	
	2016	2015
Amount	<u>\$ -</u>	<u>\$ 34</u>
Interest rates	-	1.33%

d. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	\$ 35,332	\$ 132,008
Intangible assets	<u>762</u>	<u>3,279</u>
	<u>\$ 36,094</u>	<u>\$ 135,287</u>
An analysis of depreciation by function		
Operating costs	\$ 33,781	\$ 129,921
Operating expenses	<u>1,551</u>	<u>2,087</u>
	<u>\$ 35,332</u>	<u>\$ 132,008</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 762</u>	<u>\$ 3,279</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2016	2015
Post-employment benefits		
Defined contribution plans	\$ 4,975	\$ 3,938
Defined benefit plans	<u>7,919</u>	<u>12,084</u>
	12,894	16,022
Short-term benefits	<u>219,082</u>	<u>211,452</u>
Total employee benefits expense	<u>\$ 231,976</u>	<u>\$ 227,474</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 109,033	\$ 104,611
Operating expenses	<u>122,943</u>	<u>122,863</u>
	<u>\$ 231,976</u>	<u>\$ 227,474</u>
Short-term benefits		
Wages and salaries	\$ 196,825	\$ 189,151
Labor and health insurance	12,618	12,140
Other employee benefits	<u>9,639</u>	<u>10,161</u>
	<u>\$ 219,082</u>	<u>\$ 211,452</u>

In compliance with the Company Act as amended in May 2015, the stockholders held their meeting and resolved amendments to the Articles; the amendments stipulate distribution of employees' compensation and remuneration to directors and supervisors 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, 2016 and 2015 which had been resolved by the Corporation's Board of Directors on March 23, 2017 and March 24, 2016, respectively, were as follows:

	For the Year Ended December 31	
	2016	2015
Employees' compensation in cash	\$ 20,081	\$ 22,597
Remuneration to directors and supervisors in cash	6,694	7,532

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, 2016 and 2015.

After the amendments to the Articles had been resolved in the stockholders' meeting held on June 27, 2016, the appropriation of the employees' compensation for 2015 was reported in the stockholders' meeting.

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.

The appropriation of bonus to employees and remuneration to directors and supervisors for 2014 which had been resolved in the shareholders' meeting on June 17, 2015 were as follow:

	For the Year Ended December 31, 2014
Bonus to employees in cash	\$ 28,675
Remuneration to directors and supervisors in cash	9,558

There was no difference between the above resolved amounts and the respective amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's Board of Directors in 2017 and 2016, and bonus to employees and remuneration to directors and supervisors resolved by the stockholders in their meetings in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAX

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

	For the Year Ended December 31	
	2016	2015
Current income tax		
In respect of the current year	\$ 11,090	\$ 8,300
Income tax on undistributed earnings	17,626	55,305
Adjustments for prior years' tax	(21)	-
Deferred income tax	<u>12,589</u>	<u>28,379</u>
Income tax expense recognized in profit or loss	<u>\$ 41,284</u>	<u>\$ 91,984</u>

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

	For the Year Ended December 31	
	2016	2015
Profit before income tax	<u>\$ 990,250</u>	<u>\$ 1,153,885</u>
Income tax expense calculated the at statutory rate (17%)	\$ 168,343	\$ 196,160
Non-taxable income and non-deductible expenses in determining taxable income	(151,833)	(171,446)
Income tax on undistributed earnings	17,626	55,305
Unrecognized loss carryforwards and deductible temporary differences	7,169	11,965
Adjustments for prior years' tax	<u>(21)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 41,284</u>	<u>\$ 91,984</u>

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

	For the Year Ended December 31	
	2016	2015
<u>Deferred income tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ (1,648)	\$ (1,932)
Exchange differences on translating foreign operations	-	(1,279)
Unrealized gain on available-for-sale financial assets	-	(7,140)
Share of other comprehensive income of associates accounted for using the equity method	<u>-</u>	<u>(502)</u>
Income tax recognized in other comprehensive income	<u>\$ (1,648)</u>	<u>\$ (10,853)</u>

c. Current income tax assets and liabilities

	For the Year Ended December 31	
	2016	2015
<u>Current income tax assets</u>		
Income tax refund receivable (included in other receivables)	<u>\$ 118</u>	<u>\$ 390</u>
<u>Current income tax liabilities</u>		
Income tax payable	<u>\$ 24,439</u>	<u>\$ 63,305</u>

d. Movements of deferred income tax assets and liabilities

For the year ended December 31, 2016

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized gain on transactions with associates	\$ 81,940	\$ (4,992)	\$ -	\$ 76,948
Investment loss recognized on overseas investments using the equity method	1,105	(1,105)	-	-
Defined benefit obligation	11,216	(1,772)	1,648	11,092
Allowance for loss on inventories	3,324	(3,167)	-	157
Others	<u>1,465</u>	<u>(1,465)</u>	<u>-</u>	<u>-</u>
	<u>\$ 99,050</u>	<u>\$ (12,501)</u>	<u>\$ 1,648</u>	<u>\$ 88,197</u>

(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred income tax liabilities</u>				
Temporary difference				
Others	<u>\$ 49</u>	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ 137</u>
				(Concluded)

For the year ended December 31, 2015

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized gain on transactions with associates	\$ 86,933	\$ (4,993)	\$ -	\$ 81,940
Investment loss recognized on overseas investments using the equity method	12,733	(11,628)	-	1,105
Provisions	6,708	(6,708)	-	-
Defined benefit obligation	14,366	(5,082)	1,932	11,216
Allowance for loss on inventories	3,013	311	-	3,324
Share of other comprehensive income of associates accounted for using the equity method	572	-	(572)	-
Others	<u>2,238</u>	<u>(773)</u>	<u>-</u>	<u>1,465</u>
	<u>\$ 126,563</u>	<u>\$ (28,873)</u>	<u>\$ 1,360</u>	<u>\$ 99,050</u>
				(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred income tax liabilities				
Temporary differences				
Unrealized gain on available-for-sale financial assets	\$ 7,140	\$ -	\$ (7,140)	\$ -
Share of other comprehensive income of associates accounted for using the equity method	1,074	-	(1,074)	-
Others	<u>1,822</u>	<u>(494)</u>	<u>(1,279)</u>	<u>49</u>
	<u>\$ 10,036</u>	<u>\$ (494)</u>	<u>\$ (9,493)</u>	<u>\$ 49</u>

(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	
	2016	2015
Deductible temporary differences	<u>\$ 405,285</u>	<u>\$ 345,968</u>
Loss carryforwards		
Expire in 2022	\$ 174,545	\$ 178,713
Expire in 2023	320,876	320,876
Expire in 2024	<u>28,832</u>	<u>28,832</u>
	<u>\$ 524,253</u>	<u>\$ 528,421</u>

- f. Integrated income tax

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

	December 31	
	2016	2015
Unappropriated earnings		
Generated before January 1, 1998	\$ -	\$ 537
Generated on and after January 1, 1998	<u>1,074,349</u>	<u>1,218,331</u>
	<u>\$ 1,074,349</u>	<u>\$ 1,218,868</u>
Imputation credit account ("ICA")	<u>\$ 64,978</u>	<u>\$ 22,532</u>

	For the Year Ended December 31	
	2016 (Expected)	2015 (Actual)

Creditable ratio for distribution of earnings	8.32%	12.59%
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Under the Income Tax Law, the imputation credits allocated to stockholders of the Corporation are based on the balance of ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for distribution of 2016 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

g. Income tax assessments

The income tax returns of the Corporation through 2014 have been assessed by the tax authorities. The income tax returns of SEC through 2013 have been assessed by the tax authorities. Under the local income tax law, TCIC is not obligated to pay income tax.

23. EARNINGS PER SHARE

	For the Year Ended December 31	
	2016	2015

Basic earnings per share (NT\$)	<u>\$ 1.61</u>	<u>\$ 1.80</u>
Diluted earnings per share (NT\$)	<u>\$ 1.61</u>	<u>\$ 1.80</u>

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	
	2016	2015

Earnings used in the computation of basic earnings per share	\$ 948,966	\$ 1,061,901
Effect of potentially dilutive common shares		
Compensation or bonus to employees of the Corporation	_____ -	_____ -
Earnings used in the computation of diluted earnings per share	<u>\$ 948,966</u>	<u>\$ 1,061,901</u>

Weighted Average Number of Common Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2016	2015

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		
Compensation or bonus to employees of the Corporation	<u>1,175</u>	<u>1,053</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>590,224</u>	<u>590,102</u>

Since the Corporation offered to settle compensation or bonus paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, 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.

24. NON-CASH TRANSACTIONS

For the years ended December 31, 2016 and 2015, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

	For the Year Ended December 31	
	2016	2015
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	\$ 60,582	\$ 5,460
Change in payable for equipment	<u>(12,618)</u>	<u>-</u>
Cash payments	<u>\$ 47,964</u>	<u>\$ 5,460</u>

25. 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 from 2012.

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.

26. 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, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic unlisted securities	\$ -	\$ -	\$ 295,200	\$ 295,200

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic unlisted securities	\$ -	\$ -	\$ 261,800	\$ 261,800

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

For the year ended December 31, 2016

	Available-for-sale Unquoted Equity Instruments
Balance at January 1, 2016	\$ 261,800
Recognized in other comprehensive income	33,400
Balance at December 31, 2016	\$ 295,200

For the year ended December 31, 2015

	Available-for-sale Unquoted Equity Instruments
Balance at January 1, 2015	\$ 242,000
Recognized in other comprehensive income	19,800
Balance at December 31, 2015	\$ 261,800

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 increase in fair value.

	December 31	
	2016	2015
Long-term revenue growth rates	0%-2.46%	0%-2.22%
Long-term pre-tax operating margin	38.03%-40.24%	37.94%-39.25%
WACC	8.58%	8.5%
Discount for lack of marketability	13.23%	16.59%

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	
	2016	2015
Long-term revenue growth rates		
1% increase	\$ 25,600	\$ 16,000
1% decrease	\$ (24,600)	\$ (33,200)
WACC		
0.5% increase	\$ (33,600)	\$ (25,400)
0.5% decrease	\$ 39,200	\$ 46,000

c. Categories of financial instruments

	December 31	
	2016	2015
<u>Financial assets</u>		
Loans and receivables (Note 1)	\$ 1,256,195	\$ 1,075,783
Available-for-sale financial assets	295,200	261,800
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,165,395	3,197,683

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprised 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 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 30 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, 2016 and 2015 would have decreased by \$1,843 thousand and \$3,346 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	
	2016	2015
Fair value interest rate risk		
Financial assets	\$ 549,525	\$ 601,204
Cash flow interest rate risk		
Financial assets	463,068	255,370
Financial liabilities	2,810,000	2,660,000

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, 2016 and 2015, the borrowings with floating interest rates of the Group amounted to \$2,810 million and \$2,660 million, 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, 2016 and 2015 would have decreased by \$28.1 million and \$26.6 million, 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, 2016 and 2015, the available unutilized bank loan facilities were \$4,477 million and \$4,795 million, respectively.

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

December 31, 2016

	Within One Year	2 to 3 Years	4 to 5 Years	5+ Years	Total
Non-interest bearing liabilities	\$ 354,737	\$ 186	\$ 472	\$ -	\$ 355,395
Long-term borrowings	<u>270,000</u>	<u>2,540,000</u>	<u>-</u>	<u>-</u>	<u>2,810,000</u>
	<u>\$ 624,737</u>	<u>\$ 2,540,186</u>	<u>\$ 472</u>	<u>\$ -</u>	<u>\$ 3,165,395</u>

December 31, 2015

	Within One Year	2 to 3 Years	4 to 5 Years	5+ Years	Total
Non-interest bearing liabilities	\$ 537,683	\$ -	\$ -	\$ -	\$ 537,683
Long-term borrowings	<u>270,000</u>	<u>2,250,000</u>	<u>140,000</u>	<u>-</u>	<u>2,660,000</u>
	<u>\$ 807,683</u>	<u>\$ 2,250,000</u>	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 3,197,683</u>

27. RELATED PARTY TRANSACTIONS

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

a. Operating transactions

Related Party Category	For the Year Ended December 31	
	2016	2015
Sales		
Investors that have a significant influence over the Group	\$ 294,412	\$ 352,645
Research, consulting and construction service revenue		
Investors that have a significant influence over the Group	\$ 105,838	\$ 210,459
Associates	\$ 96,462	\$ 190,706
Cost of sales		
Investors that have a significant influence over the Group	\$ 28,082	\$ 34,587

b. Non-operating transactions

Related Party Category	For the Year Ended December 31	
	2016	2015
Other income		
Associates	\$ 7,008	\$ 5,852

c. Notes receivable from related parties

Related Party Category	December 31	
	2016	2015
Associates	\$ 2,015	\$ 226

d. Accounts receivable from related parties

Related Party Category	December 31	
	2016	2015
Investors that have a significant influence over the Group	\$ 51,622	\$ 49,403
Associates	14,013	16,550
	\$ 65,635	\$ 65,953

e. Amounts due from related parties for construction contracts

Related Party Category	December 31	
	2016	2015
Investors that have a significant influence over the Group	\$ 280,295	\$ 444,346
Associates	615	5,231
	\$ 280,910	\$ 449,577

- f. Other receivables from related parties

Related Party Category	December 31	
	2016	2015
Investors that have a significant influence over the Group	\$ <u>8,527</u>	\$ <u>795</u>

- g. Accounts payable to related parties

Related Party Category	December 31	
	2016	2015
Investors that have a significant influence over the Group	\$ <u>2,018</u>	\$ <u>2,611</u>

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

- h. Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 33,751	\$ 39,003
Post-employment benefits	<u>2,666</u>	<u>1,964</u>
	\$ <u>36,417</u>	\$ <u>40,967</u>

28. ASSETS PLEDGED

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

	December 31	
	2016	2015
Investments accounted for using the equity method	\$ 3,304,022	\$ 3,338,399
Government bonds (recorded as other current assets)	<u>65</u>	<u>82</u>
	\$ <u>3,304,087</u>	\$ <u>3,338,481</u>

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

	December 31	
	2016	2015
Government bonds	2.125%	2.000%

29. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments and of the Group as of December 31, 2016 were as follows:

- a. Commitments for construction projects undertaken were approximately \$141,000 thousand.

- b. Commitments for construction expenditure and purchase of equipment were approximately \$165,000 thousand.
- c. Under a Coal Purchase Agreement, the Group shall purchase 18 thousand tons of coal based on an agreed price.
- d. Under operating lease agreements for office premises, future minimum rental payments of the Group are as follows:

Year	Amount
2017	\$ 22,774
2018	22,774
2019	24,844
2020	2,070

- 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. These corporations will gather relevant evidence to prove this case and to clarify to the court any questionable points.

f. As TPC concluded IPPs violated the Fair Trade Act for 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, 2016, 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. However, the Taipei High Administrative Court did not rule to approve the expanded appeal. 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.
- 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. Afterwards, TPC and Sun Ba, TPC and SEPC, TPC and SBPC each jointly pleaded for the suspension of the proceedings in the Taipei District Court. Currently, the proceedings with respect to Sun Ba, SEPC and SBPC are postponed. The proceedings with respect to KKPC are still in process.

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 litigation of IPPs for violation of the Fair Trade Act with respect to Concerted Action.

30. 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, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,892	32.25	<u>\$ 254,513</u>
Non-monetary items			
Investments accounted for using the equity method			
PHP	479,133	0.6474	<u>\$ 310,201</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,176	32.25	<u>\$ 70,169</u>

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,590	32.825	<u>\$ 380,458</u>
Non-monetary items			
Investments accounted for using the equity method			
PHP	322,128	0.6959	<u>\$ 224,184</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,396	32.825	<u>\$ 45,813</u>

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

For the Year Ended December 31				
2016			2015	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	32.263 (USD:NTD)	<u>\$ (11,627)</u>	31.739 (USD:NTD)	<u>\$ 13,499</u>

31. 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:

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

a. Segment revenues and results

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

	For the Year Ended December 31, 2016			
	GCP	DCP	RCC	Total
Revenues from customers	<u>\$ 798,918</u>	<u>\$ 132,110</u>	<u>\$ 246,984</u>	<u>\$ 1,178,012</u>
Segment profit (loss)	<u>\$ 221,638</u>	<u>\$ (5,049)</u>	<u>\$ 53,676</u>	\$ 270,265
Unallocated operating expenses				(120,137)
Interest income				5,203
Interest expense				(36,850)
Share of profit of associates accounted for using the equity method				867,945
Other non-operating income and expenses				<u>3,824</u>
Profit before income tax				<u>\$ 990,250</u>
Depreciation	<u>\$ 33,704</u>	<u>\$ -</u>	<u>\$ 308</u>	
Amortization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

(Concluded)

	For the Year Ended December 31, 2015			
	GCP	DCP	RCC	Total
Revenues from customers	<u>\$ 957,600</u>	<u>\$ 157,717</u>	<u>\$ 431,598</u>	<u>\$ 1,546,915</u>
Segment profit (loss)	<u>\$ 202,807</u>	<u>\$ (5,155)</u>	<u>\$ 57,904</u>	\$ 255,556
Unallocated operating expenses				(116,135)
Interest income				6,498
Interest expense				(46,494)
Share of profit of associates accounted for using the equity method				1,022,923
Other non-operating income and expenses				<u>31,537</u>
Profit before income tax				<u>\$ 1,153,885</u>
Depreciation	<u>\$ 129,817</u>	<u>\$ -</u>	<u>\$ 430</u>	
Amortization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Segment revenues reported above represented revenues generated from external customers. Segment profit (loss) represented the profit (loss) before income tax earned or incurred by each segment without allocation of share of profit or loss of associates accounted for using the equity method, interest income, part of interest expense, and 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

	December 31	
	2016	2015
<u>Segment assets</u>		
GCP	\$ 534,652	\$ 559,961
DCP	-	11,489
RCC	<u>353,974</u>	<u>503,953</u>
Total segment assets	888,626	1,075,403
Unallocated assets		
Investments accounted for using the equity method	12,596,263	12,537,651
Others	<u>1,551,554</u>	<u>1,317,241</u>
Consolidated total assets	<u>\$ 15,036,443</u>	<u>\$ 14,930,295</u>

c. Geographical information

The Group's revenues for the years ended December 31, 2016 and 2015 were all generated domestically; therefore, there is no geographical information for the Group.

d. Information about major customers

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

	For the Year Ended December 31	
	2016	2015
Sales and research, consulting and construction service revenue from TPC	\$ 400,250	\$ 563,104
Sales from customer A	194,133	233,712
Sales from customer B	180,665	226,713
Cogeneration plant operation and maintenance revenue and interest on a financial lease revenue from customer C	132,110	157,717
Research, consulting and construction service revenue from SEPC	64,540	175,090

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

Taiwan Cogeneration Corporation

**Separate Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report**

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 balance sheets as of December 31, 2016 and 2015 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 financial position of the Corporation as of December 31, 2016 and 2015, and its financial performance and its 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, 2016. 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 2016 separate financial statements are as follows:

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

Refer to Note 24.d. and e. for detail of FTC ruling, appeal by associates and litigation against associates; Note 4.1. for the accounting policy of provisions; and Note 5.a. for critical accounting judgements 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, 2016, 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, 2016, 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 judgements 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 Construction Contracts of the Subsidiary, Star Energy Corporation

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

The construction service revenue and construction service cost of Star Energy Corporation’s construction contracts recognized for the year ended December 31, 2016 were NT\$178,737 thousand and NT\$148,919 thousand, respectively, representing 15% and 17% of the Corporation’s consolidated operating revenues and consolidated operating costs, respectively. The percentage of completion and related profits from each construction contract were assessed 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, the evaluation of profit and loss on construction contracts of the subsidiary, Star Energy Corporation is considered as one of the key audit matters.

In our audit, we visited and observed the major construction sites; we obtained the construction contracts, construction project schedules, expected total construction costs, 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 contracts, amounts due from and due to customers for construction contracts for accuracy; and we determined that if a construction contract incurred a loss, the loss was recognized immediately.

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 supervisors, 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 2016 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-Husan Ho and Chien-Hsin Hsieh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2017

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 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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 315,236	2	\$ 296,796	2
Notes receivable from related parties (Notes 4 and 22)	2,015	-	226	-
Accounts receivable (Notes 4 and 7)	82,763	1	115,412	1
Accounts receivable from related parties (Notes 4 and 22)	31,310	-	41,433	-
Dividends receivable (Note 10)	49,307	-	-	-
Other receivables (Notes 4 and 18)	301	-	431	-
Inventories (Notes 4 and 8)	7,784	-	8,807	-
Other current assets	<u>1,990</u>	<u>-</u>	<u>3,615</u>	<u>-</u>
Total current assets	<u>490,706</u>	<u>3</u>	<u>466,720</u>	<u>3</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets (Notes 4, 9 and 21)	295,200	2	261,800	2
Investments accounted for using the equity method (Notes 4, 10 and 23)	13,418,467	91	13,169,357	91
Property, plant and equipment (Notes 4 and 11)	424,714	3	416,987	3
Computer software cost	22	-	373	-
Deferred income tax assets (Notes 4 and 18)	88,197	1	97,227	1
Refundable deposits	<u>5,710</u>	<u>-</u>	<u>5,711</u>	<u>-</u>
Total non-current assets	<u>14,232,310</u>	<u>97</u>	<u>13,951,455</u>	<u>97</u>
TOTAL	<u>\$ 14,723,016</u>	<u>100</u>	<u>\$ 14,418,175</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable	\$ 23,262	-	\$ 24,475	-
Accounts payable	50,473	-	43,037	-
Accounts payable to related parties (Note 22)	2,018	-	2,611	-
Other payables (Note 13)	57,815	1	59,145	-
Current income tax liabilities (Notes 4 and 18)	24,439	-	63,305	1
Current portion of long-term borrowings (Notes 12 and 23)	270,000	2	270,000	2
Other current liabilities	<u>4,596</u>	<u>-</u>	<u>3,942</u>	<u>-</u>
Total current liabilities	<u>432,603</u>	<u>3</u>	<u>466,515</u>	<u>3</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 12 and 23)	2,540,000	17	2,390,000	17
Deferred income tax liabilities (Notes 4 and 18)	137	-	49	-
Net defined benefit liabilities (Notes 4 and 15)	80,157	1	71,938	-
Guarantee deposits received	<u>5,841</u>	<u>-</u>	<u>3,751</u>	<u>-</u>
Total non-current liabilities	<u>2,626,135</u>	<u>18</u>	<u>2,465,738</u>	<u>17</u>
Total liabilities	<u>3,058,738</u>	<u>21</u>	<u>2,932,253</u>	<u>20</u>
EQUITY (Note 16)				
Share capital				
Common stock	<u>5,890,486</u>	<u>40</u>	<u>5,890,486</u>	<u>41</u>
Capital surplus	<u>499,694</u>	<u>3</u>	<u>499,694</u>	<u>3</u>
Retained earnings				
Legal reserve	1,168,999	8	1,062,809	7
Special reserve	2,949,194	20	2,746,715	19
Unappropriated earnings	<u>1,074,349</u>	<u>7</u>	<u>1,218,868</u>	<u>9</u>
Total retained earnings	<u>5,192,542</u>	<u>35</u>	<u>5,028,392</u>	<u>35</u>
Other equity	<u>81,556</u>	<u>1</u>	<u>67,350</u>	<u>1</u>
Total equity	<u>11,664,278</u>	<u>79</u>	<u>11,485,922</u>	<u>80</u>
TOTAL	<u>\$ 14,723,016</u>	<u>100</u>	<u>\$ 14,418,175</u>	<u>100</u>

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Note 4)				
Sales (Note 22)	\$ 798,918	83	\$ 957,600	84
Cogeneration plant operation and maintenance	132,110	14	155,774	13
Interest on a finance lease	-	-	1,943	-
Research, consulting and construction services (Note 22)	<u>30,881</u>	<u>3</u>	<u>30,067</u>	<u>3</u>
Total operating revenues	<u>961,909</u>	<u>100</u>	<u>1,145,384</u>	<u>100</u>
OPERATING COSTS (Note 17)				
Cost of sales (Notes 8 and 22)	561,302	58	735,492	64
Cogeneration plant operation and maintenance	134,516	14	159,717	14
Research, consulting and construction services	<u>24,013</u>	<u>3</u>	<u>23,400</u>	<u>2</u>
Total operating costs	<u>719,831</u>	<u>75</u>	<u>918,609</u>	<u>80</u>
GROSS PROFIT	242,078	25	226,775	20
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>29,367</u>	<u>3</u>	<u>29,367</u>	<u>3</u>
REALIZED GROSS PROFIT	271,445	28	256,142	23
OPERATING EXPENSES (Notes 17 and 22)	<u>146,501</u>	<u>15</u>	<u>144,818</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>124,944</u>	<u>13</u>	<u>111,324</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 17 and 22)	18,801	2	21,686	2
Other gains and losses (Note 17)	(870)	-	828	-
Finance costs (Note 17)	(36,881)	(4)	(46,328)	(4)
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 10)	<u>883,183</u>	<u>92</u>	<u>1,066,269</u>	<u>93</u>
Total non-operating income and expenses	<u>864,233</u>	<u>90</u>	<u>1,042,455</u>	<u>91</u>
PROFIT BEFORE INCOME TAX	989,177	103	1,153,779	101
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(40,211)</u>	<u>(4)</u>	<u>(91,878)</u>	<u>(8)</u>
NET PROFIT	<u>948,966</u>	<u>99</u>	<u>1,061,901</u>	<u>93</u>

(Continued)

TAIWAN COGENERATION CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2016</u>		<u>2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of a defined benefit plan (Note 15)	\$ (14,106)	(1)	\$ (9,036)	(1)
Share of remeasurement of defined benefit plans of subsidiaries and associates accounted for using the equity method	(6,467)	(1)	(6,188)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 18)	<u>2,398</u>	<u>-</u>	<u>1,536</u>	<u>-</u>
	<u>(18,175)</u>	<u>(2)</u>	<u>(13,688)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	33,400	3	19,800	2
Share of exchange differences on translating foreign operations of subsidiaries accounted for using the equity method	(17,964)	(2)	(4,954)	(1)
Share of unrealized loss on available-for-sale financial assets of associates accounted for using the equity method	(552)	-	(4,014)	-
Share of (loss) gain on hedging instruments designated and qualifying as the effective portion of cash flow hedges of associates accounted for using the equity method	(678)	-	4,038	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 18)	<u>-</u>	<u>-</u>	<u>8,921</u>	<u>1</u>
	<u>14,206</u>	<u>1</u>	<u>23,791</u>	<u>2</u>
Other comprehensive income (loss), net of income tax	<u>(3,969)</u>	<u>(1)</u>	<u>10,103</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 944,997</u>	<u>98</u>	<u>\$ 1,072,004</u>	<u>94</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 1.61</u>		<u>\$ 1.80</u>	
Diluted	<u>\$ 1.61</u>		<u>\$ 1.80</u>	

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

			Retained Earnings			Other Equity			Total Equity
						Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Cash Flow Hedges - Effective Portion of the Gain (Loss) on the Hedging Instruments	
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 2015	\$ 5,890,486	\$ 499,694	\$ 889,965	\$ 2,146,955	\$ 1,885,737	\$ 6,245	\$ 40,102	\$ (2,788)	\$ 11,356,396
Appropriation of 2014 earnings									
Legal reserve	-	-	172,844	-	(172,844)	-	-	-	-
Special reserve	-	-	-	599,760	(599,760)	-	-	-	-
Cash dividends - NT\$1.6 per share	-	-	-	-	(942,478)	-	-	-	(942,478)
	-	-	172,844	599,760	(1,715,082)	-	-	-	(942,478)
Net profit for the year ended December 31, 2015	-	-	-	-	1,061,901	-	-	-	1,061,901
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(13,688)	(3,675)	24,000	3,466	10,103
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	1,048,213	(3,675)	24,000	3,466	1,072,004
BALANCE, DECEMBER 31, 2015	5,890,486	499,694	1,062,809	2,746,715	1,218,868	2,570	64,102	678	11,485,922
Appropriation of 2015 earnings									
Legal reserve	-	-	106,190	-	(106,190)	-	-	-	-
Special reserve	-	-	-	202,479	(202,479)	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	(765,763)	-	-	-	(765,763)
	-	-	106,190	202,479	(1,074,432)	-	-	-	(765,763)
Share of transaction cost attributable to issue of new ordinary shares of subsidiaries and associates accounted for using the equity method	-	-	-	-	(878)	-	-	-	(878)
Net profit for the year ended December 31, 2016	-	-	-	-	948,966	-	-	-	948,966
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(18,175)	(17,964)	32,848	(678)	(3,969)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	930,791	(17,964)	32,848	(678)	944,997
BALANCE, DECEMBER 31, 2016	\$ 5,890,486	\$ 499,694	\$ 1,168,999	\$ 2,949,194	\$ 1,074,349	\$ (15,394)	\$ 96,950	\$ -	\$ 11,664,278

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 989,177	\$ 1,153,779
Adjustments for:		
Depreciation expense	35,031	131,585
Amortization expense	381	1,782
Interest expense	36,807	46,253
Interest income	(2,010)	(3,321)
Dividend income	(8,000)	(8,000)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	(883,183)	(1,066,269)
Unrealized gain on foreign currency exchange, net	(803)	(290)
Realized gain on transactions with associates	(29,367)	(29,367)
Changes in operating assets and liabilities		
Notes receivable from related parties	(1,789)	1,227
Accounts receivable	32,649	45,451
Accounts receivable from related parties	10,123	(5,829)
Other receivables	256	-
Inventories	1,023	2,466
Prepayments to suppliers	-	52,925
Other current assets	1,625	(1,396)
Finance lease receivables	-	38,324
Notes payable	(1,213)	3,866
Accounts payable	7,436	3,236
Accounts payable to related parties	(593)	1,576
Other payables	(1,381)	(17,323)
Provisions	-	(39,458)
Other current liabilities	654	437
Net defined benefit liabilities	(5,887)	(675)
Cash generated from operations	180,936	310,979
Interest received	1,884	3,725
Dividends received	892,426	1,170,086
Interest paid	(36,756)	(45,767)
Income tax paid	(67,561)	(300)
Net cash generated from operating activities	<u>970,929</u>	<u>1,438,723</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(300,000)	-
Liquidation refund from associates	3,168	-
Payments for property, plant and equipment	(42,758)	(5,080)
Decrease (increase) in refundable deposits	1	(8)
Payments for computer software	(30)	(691)
Net cash used in investing activities	<u>(339,619)</u>	<u>(5,779)</u>

(Continued)

TAIWAN COGENERATION CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	\$ -	\$ (250,000)
Proceeds from long-term borrowings	3,610,000	1,695,000
Repayments of long-term borrowings	(3,460,000)	(1,965,000)
Increase (decrease) in guarantee deposits received	2,090	(8,690)
Dividends paid to owners of the Corporation	<u>(765,763)</u>	<u>(942,478)</u>
Net cash used in financing activities	<u>(613,673)</u>	<u>(1,471,168)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>803</u>	<u>290</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,440	(37,934)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>296,796</u>	<u>334,730</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 315,236</u>	<u>\$ 296,796</u>

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

(Concluded)

TAIWAN COGENERATION CORPORATION

NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 23, 2017.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. 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) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Corporation should apply the following amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2017:

New, Amended or Revised Standards and Interpretations (The “New IFRSs”)		Effective Date Announced by IASB
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
Amendment to IAS 1	Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	January 1, 2016
Amendment to IAS 19	Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27	Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets	January 1, 2014
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21	Levies	January 1, 2014

The initial application in 2017 of the above New IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Corporation’s accounting policies, except for the following:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Corporation are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Corporation has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Corporation's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The disclosures of related party transactions will be enhanced when the above amendments are retrospectively applied in 2017.

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

The Corporation has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the separate financial statements were authorized for issue, the FSC has not announced the effective dates of other New IFRSs.

New IFRSs		Effective Date Announced by IASB (Note 1)
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amendment to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures	January 1, 2018
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
Amendment to IFRS 15	Clarifications to IFRS 15	January 1, 2018
IFRS 16	Leases	January 1, 2019
Amendment to IAS 7	Disclosure Initiative	January 1, 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 40	Transfers of investment property	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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 values.

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

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

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 the using 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 and 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 asset 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 Accounts Receivable

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

Inventories

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

Available-for-sale Financial Assets

Available-for-sale financial assets 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.

Investment 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, investments in subsidiaries and associates are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiaries and the 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.

When the Corporation transacts with its subsidiaries and associates, profits and losses resulting from the transactions with the subsidiaries and associates are recognized in the Corporation's separate financial statements only to the extent of interests in the subsidiaries and associates 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 are removed from the accounts and the resulting gains or losses are included in profit or losses.

Intangible Assets

Computer software cost is amortized on a straight-line basis over 1 to 3 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.

Onerous Contracts

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

Revenue Recognition

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur, when the plan amendment or curtailment occurs, and when the 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 Law. The Corporation's current income tax liabilities are calculated by the legislated tax rate on balance sheet date.

According to the Income Tax Law, an additional tax at 10% of 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 apply in the period in which the liability is settled or the asset realized.

c. Current and deferred income tax for the year

Current 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 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 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 24.d. for detailed information. As TPC concluded these associates violated the Fair Trade Act for concerted action and caused a loss to TPC, TPC filed an administrative proceeding and a civil action to claim compensation for the loss. See Note 24.e. for detailed information. The aforementioned petition, 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 contract costs incurred for work performed to date relative to the estimated total contract 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.

Estimated total contract costs and contracted items were 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 these estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

c. Available-for-sale financial assets

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

f. Useful lives of property, plant and equipment

Depreciation on property, plant and equipment is recognized using the straight-line method. The balance of the cost of an asset less its residual value is allocated systematically throughout the expected useful life. The estimated useful lives, residual values and depreciation method are at least reviewed at the end of each year. As of December 31, 2016 and 2015, the carrying value of the property, plant, and equipment was \$424,714 thousand and \$416,987 thousand, net of accumulated depreciation of \$1,819,707 thousand and \$1,784,676 thousand, respectively.

The Corporation evaluated the reasonableness of the useful lives of the property, plant and equipment. On December 22, 2015, by referring to an appraisal report issued from China Credit Information Service, Ltd., the Board of Directors resolved to change the useful lives of main coal-fired machinery and equipment located at Guan-Tien Cogeneration Plant from 15 years to 30 years, effective from January 1, 2016. The change of the useful lives resulted in a decrease in depreciation of \$93,987 thousand for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 500	\$ 500
Checking accounts and demand deposits	71,251	114,448
Cash equivalents		
Time deposits	<u>243,485</u>	<u>181,848</u>
	<u>\$ 315,236</u>	<u>\$ 296,796</u>

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

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

	December 31	
	2016	2015
Demand deposits	0.01%-0.10%	0.01%-0.13%
Time deposits	0.38%-0.96%	0.55%-0.80%

7. ACCOUNTS RECEIVABLE

	December 31	
	2016	2015
Accounts receivable	<u>\$ 82,763</u>	<u>\$ 115,412</u>

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.

For the accounts receivable balances that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Corporation 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	
	2016	2015
Less than 60 days	\$ 82,763	\$ 98,883
61-90 days	<u>-</u>	<u>16,529</u>
	<u>\$ 82,763</u>	<u>\$ 115,412</u>

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

	December 31	
	2016	2015
Less than 60 days	\$ -	\$ -
61-90 days	<u>-</u>	<u>16,529</u>
	<u>\$ -</u>	<u>\$ 16,529</u>

8. INVENTORIES

	December 31	
	2016	2015
Raw materials	<u>\$ 7,784</u>	<u>\$ 8,807</u>

The cost of sales for the years ended December 31, 2016 and 2015 included inventory write-downs of \$184 thousand and \$698 thousand, respectively.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Unlisted shares		
Kaohsiung Arena Development Corporation ("KADC")	<u>\$ 295,200</u>	<u>\$ 261,800</u>

Refer to Note 21 for fair value information relating to available-for-sale financial assets.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	\$ 1,142,726	\$ 865,952
Investments in associates	<u>12,275,741</u>	<u>12,303,405</u>
	<u>\$ 13,418,467</u>	<u>\$ 13,169,357</u>

Investments in Subsidiaries

	December 31	
	2016	2015
Star Energy Corporation ("SEC")	\$ 597,199	\$ 285,050
Taiwan Cogeneration International Corporation ("TCIC")	<u>545,527</u>	<u>580,902</u>
	<u>\$ 1,142,726</u>	<u>\$ 865,952</u>

On December 30, 2016, the Corporation participated in a capital raising of SEC. The investment in SEC increased by \$300,000 thousand. On May 16, 2016 and July 18, 2016, TCIC participated in a capital raising of Redondo Peninsula Energy, Inc. The investment in the company increased by ₱169,631 thousand (NT\$110,588 thousand).

The Corporation's share of profit or loss of subsidiaries accounted for using the equity method was as follows:

	December 31	
	2016	2015
SEC	\$ 24,291	\$ 27,679
TCIC	<u>(16,533)</u>	<u>7,630</u>
	<u>\$ 7,758</u>	<u>\$ 35,309</u>

The proportion of ownership and voting rights of the investments in subsidiaries at the balance sheet date were summarized as follows:

	Proportion of Ownership and Voting Rights	
	December 31	
	2016	2015
TCIC	100.00%	100.00%
SEC	100.00%	100.00%

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

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the subsidiaries' financial statements audited by the auditors for the same years.

Investments in Associates

	December 31	
	2016	2015
Material associates		
Ta-Yuan Cogeneration Company ("TYC")	\$ 491,427	\$ 478,739
Sun Ba Power Corporation ("Sun Ba")	5,235,174	5,266,063
Kuo Kuang Power Company Ltd. ("KKPC")	2,330,972	2,351,198
Star Energy Power Corporation ("SEPC")	2,234,384	2,286,904
Star Buck Power Corporation ("SBPC")	<u>1,983,784</u>	<u>1,917,192</u>
	12,275,741	12,300,096
Associates that are not individually material	<u>-</u>	<u>3,309</u>
	<u>\$ 12,275,741</u>	<u>\$ 12,303,405</u>

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	
	2016	2015
Sun Ba	\$ 466,562	\$ 518,107
SBPC	150,307	174,002
SEPC	142,584	175,292
KKPC	88,947	139,234
TYC	27,166	25,572
Associates that are not individually material	<u>(141)</u>	<u>(1,247)</u>
	<u>\$ 875,425</u>	<u>\$ 1,030,960</u>

a. Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
	2016	2015
TYC	29.31%	29.31%
Sun Ba	43.00%	43.00%
KKPC	35.00%	35.00%
SEPC	40.50%	40.50%
SBPC	41.27%	41.27%

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	2016	2015
TYC	<u>\$ 740,566</u>	<u>\$ 689,112</u>

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	
	2016	2015
Current assets	\$ 908,419	\$ 713,999
Non-current assets	1,984,770	2,068,095
Current liabilities	(483,787)	(554,891)
Non-current liabilities	<u>(732,791)</u>	<u>(593,882)</u>
Equity	1,676,611	1,633,321
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 1,676,611</u>	<u>\$ 1,633,321</u>
Proportion of the Corporation's ownership	29.31%	29.31%
Equity attributable to the Corporation	<u>\$ 491,427</u>	<u>\$ 478,739</u>

	For the Year Ended December 31	
	2016	2015
Operating revenues	<u>\$ 1,313,872</u>	<u>\$ 1,346,431</u>
Net profit	\$ 92,684	\$ 87,242
Other comprehensive income	<u>(4,612)</u>	<u>(15,477)</u>
Total comprehensive income	<u>\$ 88,072</u>	<u>\$ 71,765</u>
Dividends received from TYC	<u>\$ 13,126</u>	<u>\$ 15,626</u>

Sun Ba

	December 31	
	2016	2015
Current assets	\$ 3,826,244	\$ 3,911,881
Non-current assets	14,139,757	14,839,742
Current liabilities	(1,946,380)	(1,986,237)
Non-current liabilities	<u>(3,642,870)</u>	<u>(4,300,385)</u>
Equity	12,376,751	12,465,001
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 12,376,751</u>	<u>\$ 12,465,001</u>
Proportion of the Corporation's ownership	43.00%	43.00%
Equity attributable to the Corporation	\$ 5,322,003	\$ 5,359,951
Unrealized gain with associates	(88,916)	(95,975)
Goodwill	<u>2,087</u>	<u>2,087</u>
Carrying amount	<u>\$ 5,235,174</u>	<u>\$ 5,266,063</u>

	For the Year Ended December 31	
	2016	2015
Operating revenues	\$ 8,951,998	\$ 11,098,695
Net profit	\$ 1,085,028	\$ 1,204,900
Other comprehensive income	<u>(3,279)</u>	<u>(4,845)</u>
Total comprehensive income	\$ 1,081,749	\$ 1,200,055
Dividends received from Sun Ba	\$ 503,100	\$ 593,400

KKPC

	December 31	
	2016	2015
Current assets	\$ 1,087,122	\$ 916,724
Non-current assets	8,049,899	8,299,009
Current liabilities	(1,491,188)	(954,648)
Non-current liabilities	<u>(1,520,506)</u>	<u>(2,138,117)</u>
Equity	6,125,327	6,122,968
Non-controlling interests	<u>-</u>	<u>-</u>
	\$ 6,125,327	\$ 6,122,968
Proportion of the Corporation's ownership	35.00%	35.00%
Equity attributable to the Corporation	\$ 2,143,864	\$ 2,143,039
Goodwill	19,304	19,304
Investment premium	<u>167,804</u>	<u>188,855</u>
Carrying amount	\$ 2,330,972	\$ 2,351,198

	For the Year Ended December 31	
	2016	2015
Operating revenues	\$ 4,161,399	\$ 5,105,584
Net profit	\$ 314,280	\$ 450,006
Other comprehensive income	<u>(1,045)</u>	<u>(226)</u>
Total comprehensive income	\$ 313,235	\$ 449,780
Dividends received from KKPC	\$ 59,500	\$ 155,635

As of December 31, 2016, KKPC had declared \$310,887 thousand of cash dividends. Dividends receivable in proportion to the Corporation's ownership amounted to \$49,307 thousand and had been received in February 2017.

SEPC

	December 31	
	2016	2015
Current assets	\$ 1,100,927	\$ 1,130,155
Non-current assets	7,990,098	8,129,057
Current liabilities	(1,306,599)	(923,801)
Non-current liabilities	<u>(2,029,746)</u>	<u>(2,419,251)</u>
Equity	5,754,680	5,916,160
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 5,754,680</u>	<u>\$ 5,916,160</u>
Proportion of the Corporation's ownership	40.50%	40.50%
Equity attributable to the Corporation	\$ 2,330,645	\$ 2,396,045
Unrealized gain with associates	<u>(96,261)</u>	<u>(109,141)</u>
Carrying amount	<u>\$ 2,234,384</u>	<u>\$ 2,286,904</u>
	For the Year Ended December 31	
	2016	2015
Operating revenues	<u>\$ 4,671,394</u>	<u>\$ 5,540,732</u>
Net profit	\$ 352,061	\$ 432,819
Other comprehensive income	<u>(3,541)</u>	<u>(3,400)</u>
Total comprehensive income	<u>\$ 348,520</u>	<u>\$ 429,419</u>
Dividends received from SEPC	<u>\$ 206,550</u>	<u>\$ 261,225</u>

SBPC

	December 31	
	2016	2015
Current assets	\$ 1,987,322	\$ 1,690,999
Non-current assets	9,992,241	10,172,572
Current liabilities	(1,340,812)	(1,294,165)
Non-current liabilities	<u>(5,017,932)</u>	<u>(5,063,584)</u>
Equity	5,620,819	5,505,822
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 5,620,819</u>	<u>\$ 5,505,822</u>
Proportion of the Corporation's ownership	41.27%	41.27%
Equity attributable to the Corporation	\$ 2,319,866	\$ 2,272,403
Unrealized gain with associates	<u>(336,082)</u>	<u>(355,211)</u>
Carrying amount	<u>\$ 1,983,784</u>	<u>\$ 1,917,192</u>

	For the Year Ended December 31	
	2016	2015
Operating revenues	\$ 4,738,526	\$ 5,921,724
Net profit	\$ 360,910	\$ 421,593
Other comprehensive income	<u>1,587</u>	<u>9,311</u>
Total comprehensive income	\$ <u>362,497</u>	\$ <u>430,904</u>
Dividends received from SBPC	\$ <u>102,150</u>	\$ <u>136,200</u>

SBPC's Star Buck Power Plant experienced an unexpected shutdown on January 30, 2016, when the blades of one turbine were damaged. The repair expense for the above damaged power generating unit was estimated to be \$357,371 thousand and estimated insurance claim was \$335,371 thousand. The turbine resumed normal operation on April 3, 2016.

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. The repair expense for the above damaged power generating units was estimated to be \$88,000 thousand and estimated insurance claim was \$72,850 thousand.

On June 13, 2016, KKPC's Kuo Kuang Power Plant experienced an unexpected shutdown when a steam turbine generator was damaged. The repair expense for the above damaged power generating unit was estimated to be \$44,918 thousand. The generator resumed normal operation in July, 2016.

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. The repair expense and estimated insurance claim for the above damaged power generating unit are still under evaluation.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the associates' financial statements audited by auditors for the same years.

Refer to Note 23 for the carrying amount of investments in associates pledged as collateral for bank borrowings of the Corporation.

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2016	2015
The Corporation's share of:		
Loss from continuing operations	\$ <u>(141)</u>	\$ <u>(1,247)</u>
Total comprehensive income	\$ <u>(141)</u>	\$ <u>(1,247)</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the associates' financial statements audited by auditors for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2016	\$ 214,502	\$ 78,954	\$ 1,847,545	\$ 734	\$ 40,895	\$ 19,033	\$ -	\$ 2,201,663
Additions	-	-	21,185	-	19,173	-	2,400	42,758
Reclassifications	-	-	-	-	2,400	-	(2,400)	-
Balance at December 31, 2016	<u>214,502</u>	<u>78,954</u>	<u>1,868,730</u>	<u>734</u>	<u>62,468</u>	<u>19,033</u>	<u>-</u>	<u>2,244,421</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2016	-	49,432	1,683,415	734	34,028	17,067	-	1,784,676
Depreciation expense	-	3,556	25,616	-	5,218	641	-	35,031
Balance at December 31, 2016	-	<u>52,988</u>	<u>1,709,031</u>	<u>734</u>	<u>39,246</u>	<u>17,708</u>	<u>-</u>	<u>1,819,707</u>
Carrying amounts at December 31, 2016	<u>\$ 214,502</u>	<u>\$ 25,966</u>	<u>\$ 159,699</u>	<u>\$ -</u>	<u>\$ 23,222</u>	<u>\$ 1,325</u>	<u>\$ -</u>	<u>\$ 424,714</u>
<u>Cost</u>								
Balance at January 1, 2015	\$ 214,502	\$ 78,954	\$ 1,847,545	\$ 734	\$ 44,517	\$ 19,033	\$ -	\$ 2,205,285
Additions	-	-	-	-	5,080	-	-	5,080
Disposals	-	-	-	-	(8,702)	-	-	(8,702)
Balance at December 31, 2015	<u>214,502</u>	<u>78,954</u>	<u>1,847,545</u>	<u>734</u>	<u>40,895</u>	<u>19,033</u>	<u>-</u>	<u>2,201,663</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2015	-	45,742	1,562,443	734	36,478	16,396	-	1,661,793
Depreciation expense	-	3,690	120,972	-	6,252	671	-	131,585
Disposals	-	-	-	-	(8,702)	-	-	(8,702)
Balance at December 31, 2015	-	<u>49,432</u>	<u>1,683,415</u>	<u>734</u>	<u>34,028</u>	<u>17,067</u>	<u>-</u>	<u>1,784,676</u>
Carrying amounts at December 31, 2015	<u>\$ 214,502</u>	<u>\$ 29,522</u>	<u>\$ 164,130</u>	<u>\$ -</u>	<u>\$ 6,867</u>	<u>\$ 1,966</u>	<u>\$ -</u>	<u>\$ 416,987</u>

12. LONG-TERM BORROWINGS

	December 31	
	2016	2015
<u>Secured borrowings</u>		
Repayable in annual installments through August 2018	\$ 650,000	\$ 780,000
Repayable in quarterly installments through December 2019	420,000	560,000
<u>Revolving unsecured borrowings</u>		
Revolving through September 2018	470,000	-
Revolving through March 2019	400,000	-
Revolving through September 2018	370,000	-
Revolving through March 2018	350,000	-
Revolving through July 2019	100,000	-
Revolving through March 2019	50,000	-
Revolving through August 2017	-	500,000
Revolving through September 2017	-	500,000
Revolving through December 2017	-	300,000
Revolving through November 2017	-	20,000
	<u>2,810,000</u>	<u>2,660,000</u>
Less: Current portion	<u>(270,000)</u>	<u>(270,000)</u>
	<u>\$ 2,540,000</u>	<u>\$ 2,390,000</u>

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

	December 31	
	2016	2015
Secured borrowings	1.50%-1.80%	1.584%-1.900%
Revolving unsecured borrowings	0.95%-1.01%	1.190%-1.467%

13. OTHER PAYABLES

	December 31	
	2016	2015
Payable for compensation to employees and remuneration to directors and supervisors	\$ 26,775	\$ 30,129
Payable for salaries and bonus	16,913	17,065
Payable for annual leave	6,746	4,953
Payable for professional fees	2,512	2,453
Others	<u>4,869</u>	<u>4,545</u>
	<u>\$ 57,815</u>	<u>\$ 59,145</u>

14. PROVISIONS

	Onerous Contracts
Balance at January 1, 2015	\$ 39,458
Usage	<u>(39,458)</u>

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 Law 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	
	2016	2015
Present value of defined benefit obligation	\$ 173,773	\$ 171,336
Fair value of plan assets	<u>(93,616)</u>	<u>(99,398)</u>
Deficit	<u>80,157</u>	<u>71,938</u>
Net defined benefit liabilities	<u>\$ 80,157</u>	<u>\$ 71,938</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Unrecognized Past Service Cost	Net Defined Benefit Liabilities
Balance at January 1, 2015	<u>\$ 160,609</u>	<u>\$ (95,477)</u>	<u>\$ (1,555)</u>	<u>\$ 63,577</u>
Service cost				
Current service cost	7,200	-	1,799	8,999
Net interest expense (income)	<u>2,811</u>	<u>(1,695)</u>	<u>-</u>	<u>1,116</u>
Recognized in profit or loss	<u>10,011</u>	<u>(1,695)</u>	<u>1,799</u>	<u>10,115</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(902)	(244)	(1,146)
Actuarial loss - changes in demographic assumptions	4,390	-	-	4,390
Actuarial loss - changes in financial assumptions	4,410	-	-	4,410
Actuarial loss - experience adjustments	<u>1,382</u>	<u>-</u>	<u>-</u>	<u>1,382</u>
Recognized in other comprehensive income	<u>10,182</u>	<u>(902)</u>	<u>(244)</u>	<u>9,036</u>
Contributions from employers	-	(2,814)	-	(2,814)
Benefits paid	<u>(9,466)</u>	<u>1,490</u>	<u>-</u>	<u>(7,976)</u>
	<u>(9,466)</u>	<u>(1,324)</u>	<u>-</u>	<u>(10,790)</u>
Balance at December 31, 2015	<u>\$ 171,336</u>	<u>\$ (99,398)</u>	<u>\$ -</u>	<u>\$ 71,938</u>
Balance at January 1, 2016	<u>\$ 171,336</u>	<u>\$ (99,398)</u>	<u>\$ -</u>	<u>\$ 71,938</u>
Service cost				
Current service cost	5,003	-	-	5,003
Past service cost	273	-	-	273
Net interest expense (income)	<u>2,570</u>	<u>(1,513)</u>	<u>-</u>	<u>1,057</u>
Recognized in profit or loss	<u>7,846</u>	<u>(1,513)</u>	<u>-</u>	<u>6,333</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 835	\$ -	\$ 835
Actuarial loss - changes in demographic assumptions	3,628	-	-	3,628
Actuarial loss - changes in financial assumptions	2,445	-	-	2,445
Actuarial loss - experience adjustments	<u>7,198</u>	<u>-</u>	<u>-</u>	<u>7,198</u>
Recognized in other comprehensive income	<u>13,271</u>	<u>835</u>	<u>-</u>	<u>14,106</u>
Contributions from employers	-	(2,836)	-	(2,836)
Benefits paid	<u>(18,680)</u>	<u>9,296</u>	<u>-</u>	<u>(9,384)</u>
	<u>(18,680)</u>	<u>6,460</u>	<u>-</u>	<u>(12,220)</u>
Balance at December 31, 2016	<u>\$ 173,773</u>	<u>\$ (93,616)</u>	<u>\$ -</u>	<u>\$ 80,157</u>

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	
	2016	2015
Operating costs	\$ 2,934	\$ 4,306
Operating expenses	<u>\$ 3,399</u>	<u>\$ 5,809</u>

The amounts recognized in profit or loss in respect of the defined benefit plan for the year ended December 31, 2015 included the adjustments of the Corporation's initial application of the 2013 version of IAS 19. The adjustments to past service cost in the amount of \$1,799 thousand did not have material impact; thus, the separate financial statements were not retrospectively restated.

Through the defined benefit plan under the Labor Standards Law, 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	
	2016	2015
Discount rate	1.375%	1.500%
Expected rate of salary increase	3.000%	3.000%

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

	December 31	
	2016	2015
Discount rate(s)		
0.25% increase	\$ (5,034)	\$ (4,602)
0.25% decrease	<u>\$ 5,252</u>	<u>\$ 4,798</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 5,079</u>	<u>\$ 4,639</u>
0.25% decrease	<u>\$ (4,895)</u>	<u>\$ (4,474)</u>

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	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 2,861</u>	<u>\$ 2,907</u>
The average duration of the defined benefit obligation	12.7 years	12.1 years

16. EQUITY

a. Share capital

	December 31	
	2016	2015
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>
Shares capital authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of common shares issued and fully paid (in thousands)	<u>589,049</u>	<u>589,049</u>
Common stock issued	<u>\$ 5,890,486</u>	<u>\$ 5,890,486</u>

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

b. Capital surplus

	December 31	
	2016	2015
Issuance of common shares	\$ 460,000	\$ 460,000
Conversion of bonds	32,494	32,494
Share options	<u>7,200</u>	<u>7,200</u>
	<u>\$ 499,694</u>	<u>\$ 499,694</u>

The capital surplus generated from shares issued in excess of par (including additional paid-in capital from issuance of common shares and conversion of bonds) may be used to offset a deficit; 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 forfeited share options may not be used for any purpose except for offsetting a deficit.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 27, 2016 and, in that meeting, had resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended 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, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of the employees' compensation or bonus, and remuneration to directors and supervisors before and after amendment, please refer to Note 17.e.

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.

The appropriations of earnings for 2015 were resolved in the stockholders' meeting on June 27, 2016 as follows:

- 1) \$106,190 thousand as legal reserve;
- 2) \$202,479 thousand as special reserve; and
- 3) \$765,763 thousand as cash dividends.

The appropriations of earnings for 2014 were resolved in the stockholders' meeting on June 17, 2015 as follows:

- 1) \$172,844 thousand as legal reserve;
- 2) \$599,760 thousand as special reserve; and
- 3) \$942,478 thousand as cash dividends.

The appropriations of earnings for 2016 had been proposed by the Corporation's Board of Directors on March 23, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 94,897	
Special reserve	184,704	
Cash dividends	706,858	\$1.2

The appropriations of earnings for 2016 are subject to the resolution in the stockholders' meeting to be held on June 21, 2017.

17. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2016	2015
Dividend income	\$ 8,000	\$ 8,000
Interest income	2,010	3,321
Others	<u>8,791</u>	<u>10,365</u>
	<u>\$ 18,801</u>	<u>\$ 21,686</u>

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Foreign exchange gain	\$ 3,587	\$ 8,377
Foreign exchange loss	<u>(4,457)</u>	<u>(7,549)</u>
	<u>\$ (870)</u>	<u>\$ 828</u>

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest expense	\$ 36,807	\$ 46,253
Others	<u>74</u>	<u>75</u>
	<u>\$ 36,881</u>	<u>\$ 46,328</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	\$ 35,031	\$ 131,585
Intangible assets	<u>381</u>	<u>1,782</u>
	<u>\$ 35,412</u>	<u>\$ 133,367</u>
An analysis of depreciation by function		
Operating costs	\$ 33,711	\$ 129,824
Operating expenses	<u>1,320</u>	<u>1,761</u>
	<u>\$ 35,031</u>	<u>\$ 131,585</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 381</u>	<u>\$ 1,782</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2016	2015
Post-employment benefits		
Defined contribution plan	\$ 2,689	\$ 2,344
Defined benefit plan	<u>6,333</u>	<u>10,115</u>
	9,022	12,459
Short-term benefits	<u>156,634</u>	<u>154,151</u>
Total employee benefits expense	<u>\$ 165,656</u>	<u>\$ 166,610</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 67,394	\$ 66,305
Operating expenses	<u>98,262</u>	<u>100,305</u>
	<u>\$ 165,656</u>	<u>\$ 166,610</u>
Short-term benefits		
Wages and salaries	\$ 142,336	\$ 139,315
Labor and health insurance	8,805	8,855
Other employee benefits	<u>5,493</u>	<u>5,981</u>
	<u>\$ 156,634</u>	<u>\$ 154,151</u>

In compliance with the Company Act as amended in May 2015, the stockholders held their meeting and resolved amendments to the Articles; the amendments stipulate distribution of employees' compensation and remuneration to directors and supervisors 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, 2016 and 2015 which had been resolved by the Corporation's Board of Directors on March 23, 2017 and March 24, 2016, respectively, were as follows:

	For the Year Ended December 31	
	2016	2015
Employees' compensation in cash	\$ 20,081	\$ 22,597
Remuneration to directors and supervisors in cash	6,694	7,532

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, 2016 and 2015.

After the amendments to the Articles had been resolved in the stockholders' meeting held on June 27, 2016, the appropriation of the employees' compensation for 2015 was reported in the stockholders' meeting.

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.

The appropriation of bonus to employees and remuneration to directors and supervisors for 2014 which had been resolved in the shareholders' meeting on June 17, 2015 were as follow:

	For the Year Ended December 31, 2014
Bonus to employees in cash	\$ 28,675
Remuneration to directors and supervisors in cash	9,558

There was no difference between the above resolved amounts and the respective amounts recognized in the separate financial statements for the year ended December 31, 2014.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's Board of Directors in 2017 and 2016, and bonus to employees and remuneration to directors and supervisors resolved by the stockholders in their meetings in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

18. INCOME TAX

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

	For the Year Ended December 31	
	2016	2015
Current income tax		
In respect of the current year	\$ 11,090	\$ 8,300
Income tax on undistributed earnings	17,626	55,305
Adjustments for prior years' tax	(21)	-
Deferred income tax	<u>11,516</u>	<u>28,273</u>
Income tax expense recognized in profit or loss	<u>\$ 40,211</u>	<u>\$ 91,878</u>

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

	For the Year Ended December 31	
	2016	2015
Profit before income tax	<u>\$ 989,177</u>	<u>\$ 1,153,779</u>
Income tax expense calculated the at statutory rate (17%)	\$ 168,160	\$ 196,142
Non-taxable income and non-deductible expenses in determining taxable income	(154,311)	(176,370)
Unrecognized deductible temporary differences	8,757	16,801
Income tax on undistributed earnings	17,626	55,305
Adjustments for prior years' tax	<u>(21)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 40,211</u>	<u>\$ 91,878</u>

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

	For the Year Ended December 31	
	2016	2015
<u>Deferred income tax</u>		
In respect of the current year		
Remeasurement of defined benefit plan	\$ (2,398)	\$ (1,536)
Unrealized gain on available-for-sale financial assets	-	(7,140)
Share of other comprehensive income of subsidiaries and associates accounted for the using the equity method	<u>-</u>	<u>(1,781)</u>
Income tax recognized in other comprehensive income	<u>\$ (2,398)</u>	<u>\$ (10,457)</u>

c. Current income tax assets and liabilities

	December 31	
	2016	2015
<u>Current income tax assets</u>		
Income tax refund receivable (included in other receivables)	<u>\$ -</u>	<u>\$ 256</u>
<u>Current income tax liabilities</u>		
Income tax payable	<u>\$ 24,439</u>	<u>\$ 63,305</u>

d. Movements of deferred income tax assets and liabilities

For the year ended December 31, 2016

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized gain on transactions with associates	\$ 81,940	\$ (4,992)	\$ -	\$ 76,948
Investment loss recognized on overseas investments using the equity method	1,105	(1,105)	-	-
Defined benefit obligation	9,694	(1,000)	2,398	11,092
Allowance for loss on inventories	3,324	(3,167)	-	157
Others	<u>1,164</u>	<u>(1,164)</u>	<u>-</u>	<u>-</u>
	<u>\$ 97,227</u>	<u>\$ (11,428)</u>	<u>\$ 2,398</u>	<u>\$ 88,197</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Others	<u>\$ 49</u>	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ 137</u>

For the year ended December 31, 2015

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized gain on transactions with associates	\$ 86,933	\$ (4,993)	\$ -	\$ 81,940
Investment loss recognized on overseas investments using the equity method	12,733	(11,628)	-	1,105
Provisions	6,708	(6,708)	-	-
Defined benefit obligation	13,230	(5,072)	1,536	9,694
Allowance for loss on inventories	3,013	311	-	3,324
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	\$ 572	\$ -	\$ (572)	\$ -
Others	<u>1,383</u>	<u>(219)</u>	<u>-</u>	<u>1,164</u>
	<u>\$ 124,572</u>	<u>\$ (28,309)</u>	<u>\$ 964</u>	<u>\$ 97,227</u>

Deferred income tax liabilities

Temporary differences				
Unrealized gain on available-for-sale financial assets	\$ 7,140	\$ -	\$ (7,140)	\$ -
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	2,353	-	(2,353)	-
Others	<u>85</u>	<u>(36)</u>	<u>-</u>	<u>49</u>
	<u>\$ 9,578</u>	<u>\$ (36)</u>	<u>\$ (9,493)</u>	<u>\$ 49</u>

- e. Deductible temporary differences for which no deferred income tax assets have been recognized in the separate balance sheets

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Deductible temporary differences	<u>\$ 301,089</u>	<u>\$ 247,742</u>

f. Integrated income tax

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

	December 31	
	2016	2015
Unappropriated earnings		
Generated before January 1, 1998	\$ -	\$ 537
Generated on and after January 1, 1998	<u>1,074,349</u>	<u>1,218,331</u>
	<u>\$ 1,074,349</u>	<u>\$ 1,218,868</u>
Imputation credit account ("ICA")	<u>\$ 64,978</u>	<u>\$ 22,532</u>
	For the Year Ended December 31	
	2016	2015
	(Expected)	(Actual)
Creditable ratio for distribution of earnings	8.32%	12.59%

Under the Income Tax Law, the imputation credits allocated to stockholders of the Corporation are based on the balance of ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for distribution of 2016 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

g. Income tax assessment

The income tax returns of the Corporation through 2014 have been assessed by the tax authorities.

19. EARNINGS PER SHARE

	For the Year Ended December 31	
	2016	2015
Basic earnings per share (NT\$)	<u>\$ 1.61</u>	<u>\$ 1.80</u>
Diluted earnings per share (NT\$)	<u>\$ 1.61</u>	<u>\$ 1.80</u>

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	
	2016	2015
Earnings used in the computation of basic earnings per share	\$ 948,966	\$ 1,061,901
Effect of potentially dilutive common shares		
Compensation or bonus to employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 948,966</u>	<u>\$ 1,061,901</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
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		
Compensation or bonus to employees	<u>1,175</u>	<u>1,053</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>590,224</u>	<u>509,102</u>

Since the Corporation offered to settle compensation or bonus paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, 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.

20. 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 from 2012.

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.

21. 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, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic unlisted securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,200</u>	<u>\$ 295,200</u>

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic unlisted securities	\$ _____ -	\$ _____ -	\$ 261,800	\$ 261,800

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

For the year ended December 31, 2016

	Available-for-sale Unquoted Equity Instruments
Balance at January 1, 2016	\$ 261,800
Recognized in other comprehensive income	<u>33,400</u>
Balance at December 31, 2016	<u>\$ 295,200</u>

For the year ended December 31, 2015

	Available-for-sale Unquoted Equity Instruments
Balance at January 1, 2015	\$ 242,000
Recognized in other comprehensive income	<u>19,800</u>
Balance at December 31, 2015	<u>\$ 261,800</u>

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 increase in fair value.

	December 31	
	2016	2015
Long-term revenue growth rates	0%-2.46%	0%-2.22%
Long-term pre-tax operating margin	38.03%-40.24%	37.94%-39.25%
WACC	8.58%	8.5%
Discount for lack of marketability	13.23%	16.59%

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	
	2016	2015
Long-term revenue growth rates		
1% increase	\$ 25,600	\$ 16,000
1% decrease	\$ (24,600)	\$ (33,200)
WACC		
0.5% increase	\$ (33,600)	\$ (25,400)
0.5% decrease	\$ 39,200	\$ 46,000

c. Categories of financial instruments

	December 31	
	2016	2015
<u>Financial assets</u>		
Loans and receivables (Note 1)	\$ 486,642	\$ 460,009
Available-for-sale financial assets	295,200	261,800
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	2,896,840	2,743,870

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivables, dividends receivable 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 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 25 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, 2016 and 2015 would have increased by \$481 thousand and \$167 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	
	2016	2015
Fair value interest rate risk		
Financial assets	\$ 243,485	\$ 181,848
Cash flows interest rate risk		
Financial assets	68,729	106,679
Financial liabilities	2,810,000	2,660,000

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 the 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, 2016 and 2015, the borrowings with floating interest rates of the Corporation amounted to \$2,810 million and \$2,660 million, 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, 2016 and 2015 would have decreased by \$28.1 million and \$26.6 million, 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, 2016 and 2015, the available unutilized bank loan facilities were \$2,850 million and \$3,580 million, respectively.

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

December 31, 2016

	Within One Year	2 to 3 Years	4 to 5 Years	5+ Years	Total
Non-interest bearing liabilities	\$ 86,840	\$ -	\$ -	\$ -	\$ 86,840
Long-term borrowings	<u>270,000</u>	<u>2,540,000</u>	<u>-</u>	<u>-</u>	<u>2,810,000</u>
	<u>\$ 356,840</u>	<u>\$ 2,540,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,896,840</u>

December 31, 2015

	Within One Year	2 to 3 Years	4 to 5 Years	5+ Years	Total
Non-interest bearing liabilities	\$ 83,870	\$ -	\$ -	\$ -	\$ 83,870
Long-term borrowings	<u>270,000</u>	<u>2,250,000</u>	<u>140,000</u>	<u>-</u>	<u>2,660,000</u>
	<u>\$ 353,870</u>	<u>\$ 2,250,000</u>	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 2,743,870</u>

22. RELATED PARTY TRANSACTIONS

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

a. Operating transactions

Related Party Category	For the Year Ended December 31	
	2016	2015
Sales		
Investors that have a significant influence over the Corporation	<u>\$ 294,259</u>	<u>\$ 352,645</u>
Research, consulting and construction service revenue		
Subsidiaries	<u>\$ 4,960</u>	<u>\$ 4,702</u>
Associates	<u>\$ 24,920</u>	<u>\$ 24,364</u>
Cost of sales		
Investors that have a significant influence over the Corporation	<u>\$ 28,082</u>	<u>\$ 34,587</u>
Business development expense (recorded as operating expenses)		
Subsidiaries	<u>\$ 2,808</u>	<u>\$ 2,324</u>

b. Non-operating transactions

Related Party Category	For the Year Ended December 31	
	2016	2015
Other income		
Associates	<u>\$ 3,951</u>	<u>\$ 5,852</u>
Subsidiaries	<u>\$ 1,313</u>	<u>\$ 1,191</u>

c. Notes receivable from related parties

Related Party Category	December 31	
	2016	2015
Associates	\$ <u>2,015</u>	\$ <u>226</u>

d. Accounts receivable from related parties

Related Party Category	December 31	
	2016	2015
Investors that have significant influence over the Corporation	\$ 22,326	\$ 31,592
Associates	7,366	8,440
Subsidiaries	<u>1,618</u>	<u>1,401</u>
	<u>\$ 31,310</u>	<u>\$ 41,433</u>

e. Accounts payable to related parties

Related Party Category	December 31	
	2016	2015
Investors that have a significant influence over the Corporation	\$ <u>2,018</u>	\$ <u>2,611</u>

f. Compensation of key management personnel

Related Party Category	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 23,913	\$ 25,630
Post-employment benefits	<u>1,594</u>	<u>1,242</u>
	<u>\$ 25,507</u>	<u>\$ 26,872</u>

23. ASSETS PLEDGED

The following assets had been pledged as collateral for long-term borrowings:

	December 31	
	2016	2015
Investments accounted for using the equity method	\$ <u>3,304,022</u>	\$ <u>3,338,399</u>

24. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Corporation as of December 31, 2016 were as follows:

- Commitment for purchase of equipment was approximately \$29,689 thousand.
- Under a Coal Purchase Agreement, the Corporation shall purchase 18 thousand tons of coal based on an agreed price.

- c. Under operating lease agreements for office premises, future minimum rental payments of the Corporation are as follows:

Year	Amount
2017	\$ 22,774
2018	22,774
2019	24,844
2020	2,070

- 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 needed 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. These corporations will gather relevant evidence to prove this case and to clarify to the court any questionable points.
- e. As TPC concluded IPPs violated the Fair Trade Act for 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, 2016, 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. However, the Taipei High Administrative Court did not rule to approve the expanded appeal. 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.
 - 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. Afterwards, TPC and Sun Ba, TPC and SEPC, TPC and SBPC each jointly pleaded for the suspension of the proceedings in the Taipei District Court. Currently, the proceedings with respect to Sun Ba, SEPC and SBPC are postponed. The proceedings with respect to KKPC are still in process.

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 litigation of IPPs for violation of the Fair Trade Act with respect to Concerted Action.

25. 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, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 9	32.25	\$ 298
JPY	6,693	0.2756	1,844
EUR	137	33.9	<u>4,657</u>
			<u>\$ 6,799</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	16,916	32.25	<u>\$ 545,527</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,501	32.25	<u>\$ 48,400</u>

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 212	32.825	<u>\$ 6,974</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	17,697	32.825	<u>\$ 580,902</u>
<u>Financial liabilities</u>			
Monetary items			
USD	721	32.825	<u>\$ 23,656</u>

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

For the Year Ended December 31				
	2016		2015	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	32.263 (USD:NTD)	<u>\$ (950)</u>	31.739 (USD:NTD)	<u>\$ 1,558</u>

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	2017	2016	Change	
			Increased (Decreased) Amount	Increased(De- creased) Ratio (%)
Current assets	1,351,555	1,592,410	(240,855)	(15)
Long-term investments	13,212,482	12,891,463	321,019	2
Property, plant, and equipment	568,045	442,729	125,316	28
Other assets	119,232	109,841	9,391	9
Total assets	15,251,314	15,036,443	214,871	1
Current liabilities	640,532	718,032	(77,500)	(11)
Non-current liabilities	2,732,562	2,654,133	78,429	3
Total liabilities	3,373,094	3,372,165	929	0
Share capital	5,890,486	5,890,486	0	0
Capital surplus	499,694	499,694	0	0
Retained earnings	5,458,764	5,192,542	266,222	5
Other equity	9,583	81,556	(71,973)	(88)
Total shareholder's Equity	19,693	0	19,693	-
Analysis of ratio changes				
1. Increase in property, plant, and equipment: It mainly due to the purchase of PV equipment.				
2. Reduction of other equity: It is mainly due to the exchange rate difference in the financial statements of institutions operated overseas and the reduction of unrealized profit from available-for-sale financial assets.				

2. Financial performance

(1) Comparison and analysis of financial performance

Unit: NT\$1,000

Item	2017	2016	Change	
			Increased (Decreased) Amount	Increased (Decreased) Ratio (%)
Operating revenue	1,209,414	1,178,012	31,402	3
Operating cost	931,140	883,020	48,120	5
Realized gain on transactions with associates	<u>31,871</u>	<u>39,068</u>	(7,197)	(18)
Realized gross profit	310,145	334,060	(23,915)	(7)
Operating expenses	<u>210,882</u>	<u>180,601</u>	30,281	17
Profit from operations	99,263	153,459	(54,196)	(35)
Non-operating income and expenses	888,279	836,791	51,488	6
Profit before income tax	987,542	990,250	(2,708)	-
Income tax expense	<u>20,475</u>	<u>41,284</u>	(20,809)	(50)
Net profit	<u>967,067</u>	<u>948,966</u>	18,101	2
Ratio change analysis:				
Analysis of ratio changes				
1. Reduction of net revenue: It is mainly due to the coal price rise of the Kuan Tien Plant and the increase in operating expenses.				
2. Reduction of income tax expenses: It is mainly due to the reduction of unappropriated earnings.				

(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
1,017,893	782,995	(968,470)	832,418		

A. Cash flow analysis

- 1) Business activities: Net cash inflow was about NT\$780 million gained mainly from own business and cash dividends from investees.
- 2) Investment and fundraising activities: Net cash outflow was about NT\$970 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
832,418	367,878	(787,691)	412,605		

A. Cash flow analysis

- 1) Business activities: Projected cash inflow will be about NT\$370 million gained from the cash dividends of investees.
- 2) Investment and fundraising activities: Projected cash outflow will be NT\$790 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						
				2016 (actual)	2017 (actual)	2018 (planned)	2019 (planned)	2020 (planned)	2021 (planned)	2022 (planned)
Reinvestment in Energy (300MW power plant)	Own fund +loan	2023	1,750,000	110,588	152,202		220,945	362,332	593,817	

(2) Projected benefits

The project benefits of investment will emerge after RP Energy is completed in 2022~2023.

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 2017 consolidated financial statement was NT\$919,120,000. Please refer to Annex 6 2017 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 2017 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) To prepare for the SBLC, TCIC has applied for a credit limit at US\$6 million to the bank, with this company as a joint guarantor. Therefore, we will offer a guarantee at NT\$200 million to TCIC. However, as the said credit expired in January 2018 and syndicated loan of RPE has been postponed, it is expected that the credit will not be disbursed in one year, and no renewal will be made. As a result, we already withdrew the promissory note of US\$6 million from the bank in March 2018 to revoke the endorsement credit for TCIC.

d) 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

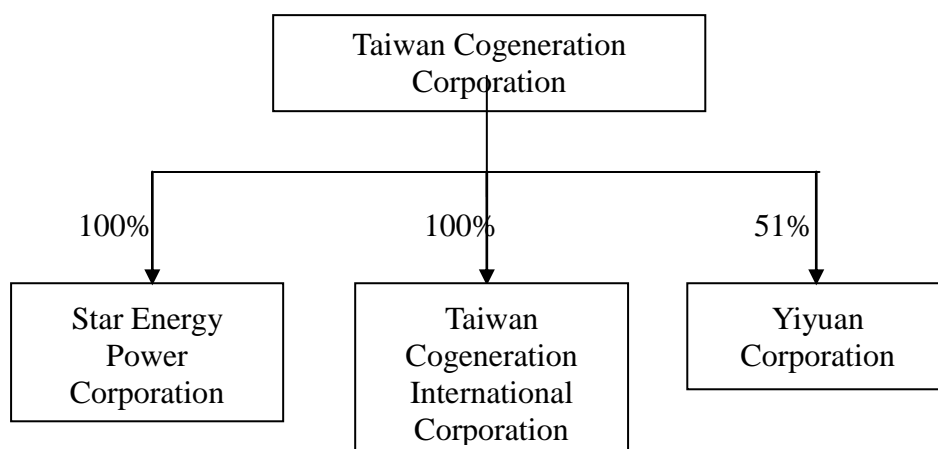
None

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

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

C. Directors, supervisors, and general managers and their shareholdings of affiliates

Unit: Shares

Affiliate	Title	Name or representative	Shareholdings	
			Shares	Proportion
Star Energy Corporation	Chairman	Taiwan Cogeneration Corporation: Representative: Chin -fa Tsai	63,000,000	100%
	Director	Taiwan Cogeneration Corporation: Representative: Ming-zhou Cheng		
	Director	Taiwan Cogeneration Corporation: Representative: De-chuan Lin		
	Supervisor	Taiwan Cogeneration Corporation: Representative: Yen-ling Chen		
Taiwan Cogeneration International Corporation	Director	Taiwan Cogeneration Corporation: Representative: Shu-shen Lin	22,260,000	100%
	Director	Taiwan Cogeneration Corporation: Representative: Xi-long Chen		
Yi-Yuan Corp.	Chairman	Taiwan Cogeneration Corporation: Representative: Der-chan Lin	2,550,000	51%
	Director	Taiwan Cogeneration Corporation: Representative:		

		Kuang-Hui Liu		
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D. Status of operations of affiliates

Unit: NT\$1,000/2017

Affiliate	Capital Amount	Total Assets	Total Liabilities	Net Worth	Revenue	Net Profit(Loss)	Current Income	EPS (NT\$)
Star Energy Corporation	630,000	830,501	209,159	621,342	345,732	25,868	22,566	0.36
Taiwan Cogeneration International Corporation	685,374	517,558	20,180	497,378	-	(947)	(14,132)	(0.63)
Yi Yuan Corp.	50,000	40,330	140	40,190	-	(9,835)	(9,810)	(1.96)

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 2, 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 after a two-year proceeding. However, both the Fair Trade Commission and participant Taipower made an appeal. 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. Regarding the case of the Star Buck Power Plant, the Taipei District Court made the decision on February 8, 2018 to deny suit of Taipower for its claims being unreasonable. However, Taipower already made an appeal on March 5, 2018, and the case has been referred to the Taiwan High Court for proceeding.