

**Stock Code : 8926**



**TAIWAN COGENERATION CORP.**

## **Annual Report 2019**

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**Company Website : <http://www.cogen.com.tw>**

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## I. Letter to Shareholders

Dear Shareholders:

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

### 1. 2019 Business Report

#### (1) Business performance

The 2019 consolidated net income increased by NT\$427,471,000 from NT\$668,864,000 of 2018 to NT\$1,096,335,000. This is mainly because of the gains from settling the TPC's PV construction project in the Changhua Coastal Industrial Park under taken by Star Energy; from gross profit of the Yantian PV construction project in Tainan, the Ø rsted project, and JDN project; and the deduction of profits of Guantian Plant due to TPC's unrealized emergency purchase and additional summer-month purchase; and the reduction of profit due to coal price rises. In addition, due to the revenue increase from following investments: the electricity price of the four investee IPPs increased following the rise of gas prices in the last year, increased TPC dispatch, increased return from the Renewable Energy Development Foundation, the absence of recognition of a 3% additional income tax as in 2018, and the absence of inhibition of huge-amount capitalization for life expansion and overhaul of KKPC at the end of 2018, the 2019 earnings per share (EPS) calculated at 589,049,000 shares at the end of year was NT\$1.86.

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

Unit: NT\$1,000

Item	2019	2018
Operating revenues	7,186,086	3,814,274
Profit from operations	302,941	262,794
Non-operating revenues	799,697	413,374
Profit before income tax	1,102,638	676,168
Income tax expense	6,303	7,304
Net profit	1,096,335	668,864
Net profit attributed to the owner of the parent	1,098,048	672,295
EPS	1.86	1.14

#### (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 2019.

#### (3) Revenue and expenditure and profitability analysis

By the end of 2019, the overall income increased from 2018 because the gains from Star Energy and profit from investees increased. In financial structure and solvency, we continuously seek profitable and cheap capital, and the overall financial structure is steady.

Item		2019	2018
Financial structure analysis	Debt to total assets (%)	41	29
	Long-term capital to property, plant& equipment (%)	1,064	1,715
Solvency	Current ratio (%)	130	134
	Quick ratio (%)	35	67
Profitability analysis	Return on assets (%)	6	4
	Return on equity (%)	9	6
	Profit margin (%)	15	18

(4) Status of research and development

The focus of research included:

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

2. 2020 Business Plan overview

(1) 2020 business policy

The 2020 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. Offshore wind power: Keep track on the movement of contract winners and the government development plan in the next phase to participate in development through joint development or share investment and strive for opportunities in project undertaking.
  - B. Onshore wind power. Participate in tendering the wind power investment project in Miaoli; assess other wind farms with sound wind power condition; and implement environmental assessment or plant construction on feasible sites.
  - C. Low/medium-temperature water heating geothermal plants. Constantly implement the Qingshui BOT project and cultivate other potential sites for low/medium-temperature water heating geothermal systems for capacity analysis and plant construction feasibility study.
  - D. PV systems: Constantly develop rooftop PV, floating PV, and surface PV sites; keep track on the development of large PV sites, with potential sites distributed in the unfavorable farming areas, land subsidence areas, and PV special areas in Changhua, Yunlin, Chiayi, Tainan, and Pingtung; and engage in joint development with other developers to disperse risk.
  - E. Biofuel power plants: Engage in fuel supply, site selection, and feasibility assessment; if it is worthy of investment, system impact analysis and environmental impact assessment will follow suit.
2. Assisting investee RP Energy (RPE). And will confirming own investment benefits and continuingly monitoring RPE risks.
3. Timely increasing investments in domestic and overseas IPPs and domestic cogeneration plants.
  - A. Domestic IPPs and cogeneration plants: Keep track on the progress of KKPC phase II and SBPC phase II, complete pre-development tasks: SIA and EIA, keep close attention to the changes in electricity and natural gas supply, and keep track on the business opportunities in major direct-supply electricity users and electricity auxiliary services.
  - B. Overseas IPPs: Continue to discuss the contracts in the Yangon Htantabin Technology Park developed by Taiwanese businesses and the new industrial parks in central Java of Indonesia to assess the opportunities for investments in related power and cogeneration plants.
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-Tian 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 2020 production and sales

Major Project		Year	2020 (projected)
Electricity	(1,000kWh)	Production	267,663
		Sales	232,531
Steam	Tons	Production	319,583
		Sales	319,583

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

2) Basis of 2020 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 to achieve the goal of waste reduction.
- C. Cultivating cogeneration customers and promoting cogeneration technical service solutions to increase operating income.
- D. By complying with environmental and OH&S regulatory requirements, in 2019, we implemented ISO 45001 to establish a well-planned occupational health and safety management system (OH&SMS) to reduce operational risk and enhance corporate image. By combining with the secondary assessment of the ISO 14001 environmental management system (EMS), we revised the environmental policy into the HSE policy, which was approved and announced by the chairperson. We also constantly implemented activities relating to the healthy workplace to build a friendly workplace

environment.

- 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.
- G. The Tainan City Government (TNCG) actively promotes the establishment of the OH&S family to optimize industrial safety management with the coattail effect. The cogeneration plant OH&S family was established in 2019 with our Guantian Plant as the core business to provide OH&S education/training and onsite guidance of other 21 cogeneration plants in industrial parks.

### 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: With respect to “new-version energy policy” introduced by the Bureau of Energy in January 2019, the 2025 energy ratio planned by the government will be: natural gas 50%, renewable energy 20%, and coal and others 30%, with zero/low-emission generation using renewable energy and natural gas as the major energy structure in the future electret market. In addition, renewable-energy-based electricity retail is allowed after the amendment of the Electricity Act, the amendment to the “Renewable Energy Development Act” was promulgated on May 1, 2019 to allow retailers to switch between wholesale and indirect supply, with the wholesale at purchase rate announced by the competent authority of the central government to facilitate renewable energy development. We engaged in the business after active assessment and acquired the license for selling renewable energy in October 2019. This



Company will continue to 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: 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    President: Kuang-Hsun Yu    Financial Manager: Zhi-jie Hsu

## II. Company Profile

1. Date of establishment: 7 May 1992

### 2. Company history

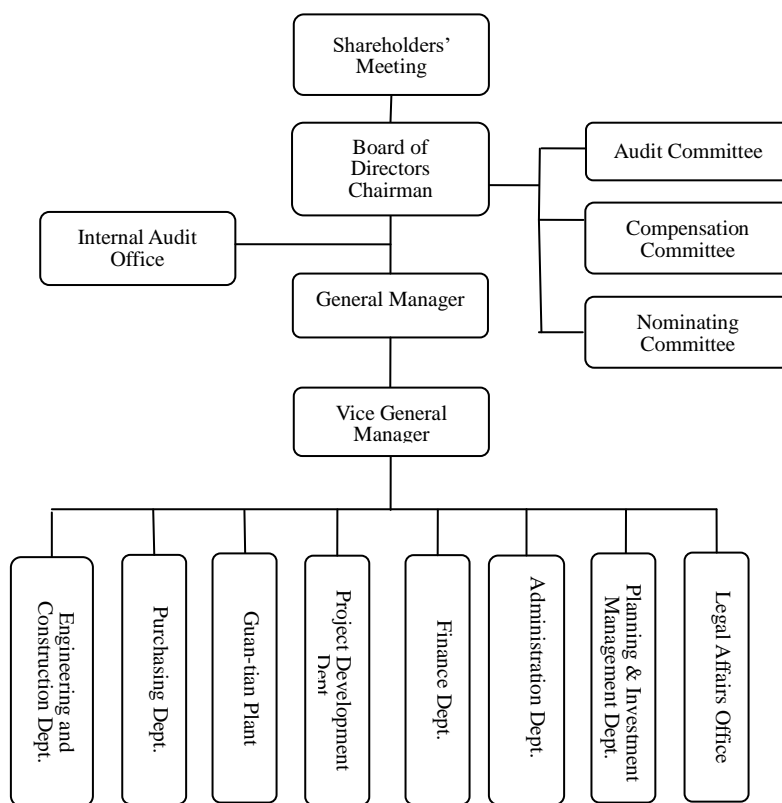
1992	Established as a professional cogeneration power plant by Taiwan Power Company, Mega Bank, China Development Industrial Bank, and a number of domestic E&M manufacturers with NT\$1 billion under the direction of the Ministry of Economic Affairs.
1996	<ul style="list-style-type: none"> <li>Commercial operation of Ta-Yuan Cogeneration Plant I of joint-venture Ta-Yuan Cogeneration Corporation</li> <li>Re-invested in Star Energy Corporation</li> </ul>
1997	<ul style="list-style-type: none"> <li>Commercial operation Imei Cogeneration Plant I in Nankan and President Cogeneration Plant in Yangmei on a BOT basis.</li> <li>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.</li> </ul>
1998	<ul style="list-style-type: none"> <li>Commercial operation of Achem Technology Cogeneration Plant in Yangmei and Universal Textile Cogeneration Plant on a BOT basis.</li> <li>Independent investments in Guan-tian Cogeneration Plant.</li> </ul>
1999	<ul style="list-style-type: none"> <li>Commercial operation Imei Cogeneration Plant II in Nankang on a BOT basis.</li> <li>Capital increase with earnings at NT\$63 million. Authorized capital to NT\$1.326 billion after capital increase.</li> </ul>
2000	<ul style="list-style-type: none"> <li>Commercial operation of Ta-Yuan Cogeneration Plant II built through joint venture in January.</li> <li>IPO on the OTC market on May 8, the first IPP to go public in Taiwan.</li> <li>Approved to establish Fong Der Gas-Fired Power Plant of Sun Ba Power Corporation and Chang Bin Gas-Fired Power Plant of Star Energy Power Corporation on July 5 to officially enter the electricity market.</li> <li>Capital increase with earnings at NT\$55 million in October. Authorized capital increased to NT\$1.381 billion after capital increase.</li> <li>Completion of Guan-tian Cogeneration Plant in December.</li> </ul>
2001	<ul style="list-style-type: none"> <li>Capital increase with cash at NT\$900 million in April. Authorized capital increased to NT\$2.281 billion after capital increase.</li> <li>Capital increase with earnings at NT\$256 million in October. Authorized capital increased to NT\$2.537 billion after capital increase.</li> <li>Established Taiwan Cogeneration International Corporation through re-investments.</li> </ul>
2002	<ul style="list-style-type: none"> <li>Issued convertible corporate bonds at NT\$900 million in July.</li> <li>Capital increase with earnings at NT\$313 million in August. Authorized capital increased to NT\$2.85 billion after capital increase.</li> <li>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.</li> </ul>
2003	Listed on Taiwan Stock Exchange on August 25.
2004	<ul style="list-style-type: none"> <li>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</li> <li>Converted corporate bonds to equity at NT\$70 million.</li> <li>Capital increase with earnings at NT\$262 million in October. Authorized capital increased to NT\$3.481 billion after capital increase.</li> </ul>
2005	<ul style="list-style-type: none"> <li>Established Sun Ba International Power Corporation through re-investments.</li> <li>Converted corporate bonds to equity at NT\$507 million.</li> </ul>
2006	<ul style="list-style-type: none"> <li>Re-invested in Star Buck Power Corporation.</li> <li>Converted corporate bonds to equity at NT\$87 million.</li> </ul>

2007	<ul style="list-style-type: none"> <li>• Maturity of convertible corporate bonds at NT\$900 million in July.</li> <li>• Converted corporate bonds to equity at NT\$209 million.</li> <li>• Capital increase with earnings at NT\$225 million in September. Authorized capital increased to NT\$4.509 billion after capital increase.</li> </ul>
2008	<ul style="list-style-type: none"> <li>• Established Redondo Peninsula Energy, Inc. in the Philippines through Taiwan Cogeneration International Corporation under joint venture.</li> <li>• Capital increase with earnings and capital surplus at NT\$284 million in July. Authorized capital increased to NT\$4.793 billion after capital increase.</li> <li>• 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.</li> </ul>
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"> <li>• Acquired 35% of stake of Kuo Kuang Power Co., Ltd. in January.</li> <li>• 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%.</li> <li>• Capital increase with earnings at NT\$385 million in September. Authorized capital increased to NT\$5.89 billion after capital increase.</li> </ul>
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"> <li>• 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.</li> <li>• Increased Acquisition 3% of stake of Star Buck in August.</li> <li>• Increased Acquired 5% of stake of Sun Ba in October.</li> </ul>
2017	Established Yi Yuan Corporation in June, 2017 through re-investment.
2018	Established TCC Green Energy Corporation in November, 2018 through re-investment.

### III. Governance

#### 1. Organization

##### (1) Organization



(2) Functions and duties of departments

Department	Functions and Duties
Internal Audit Office	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>
Planning & Investment Management Department	<ol style="list-style-type: none"> <li>1. Planning               <ol style="list-style-type: none"> <li>(1) Business planning                   <ul style="list-style-type: none"> <li>➤ Drawing up short-term, medium-term, and long-term business development plans and directions for business development.</li> <li>➤ Planning the overall operation system, operation organization, and operation improvements.</li> <li>➤ Providing assistance by shareholders' meeting.</li> </ul> </li> <li>(2) Corporate social responsibility                   <ul style="list-style-type: none"> <li>➤ Promoting CSR-related work</li> <li>➤ Assessing the concerns and expectations of stakeholders.</li> <li>➤ Promoting corporate image.</li> <li>➤ Preparing and publishing the CSR report.</li> </ul> </li> <li>(3) Risk management                   <ul style="list-style-type: none"> <li>➤ Assessing internal and external situations and promoting the risk management plan.</li> </ul> </li> </ol> </li> <li>2. Re-investment management               <ol style="list-style-type: none"> <li>(1) Control of re-invested business                   <ul style="list-style-type: none"> <li>➤ Supervising routine operations.</li> <li>➤ Coordinating business and acting as a contact window.</li> <li>➤ Analyzing and reporting proposals and resolutions of the general meeting of shareholders' meeting and board of directors of investees.</li> <li>➤ Communicating with and contacting representatives of institutional shareholders.</li> </ul> </li> <li>(2) Follow-up and review of the performance of investees                   <ul style="list-style-type: none"> <li>➤ Consolidating information regarding the operations and financial positions of investees every month.</li> <li>➤ Assessing the annual performance of investees.</li> <li>➤ Proposing improvement or settlement measures when performance is undesirable.</li> </ul> </li> <li>(3) Establishment and revisions of relevant regulations of investees.</li> <li>(4) Establishment of a performance evaluation system for investees.</li> <li>(5) Coordination of the regulations and internal audit system of investees.</li> </ol> </li> </ol>
Engineering Department	<ol style="list-style-type: none"> <li>1. Project planning: Use of project management skills and planning engineering details in coordination with commercial operation.</li> <li>2. Plant construction: Project management including construction, progress, and budget control.</li> <li>3. Preparing technical specifications.</li> <li>4. Project development: Coordination of the development of projects under progress.</li> </ol>

Purchasing Department	<ol style="list-style-type: none"> <li>1. Duty: Professional service, procurement of related equipment and instruments, engineering design, project construction, labor (service), and other items relating to procurement and construction.</li> <li>2. Construction and upgrading of the e-procurement management system.</li> <li>3. Scope of procurement and contracting <ol style="list-style-type: none"> <li>(1) Setting the base price.</li> <li>(2) Price and contract negotiations.</li> <li>(3) Contract signed</li> <li>(4) Supplier/contractor management and evaluation.</li> <li>(5) Handling performance disputes.</li> <li>(6) Market information gathering.</li> </ol> </li> </ol>
Project Development Department	<ol style="list-style-type: none"> <li>1. Business expansion <ol style="list-style-type: none"> <li>(1) Cogeneration plants</li> <li>(2) Government and independent power plants.</li> <li>(3) Renewable energy and new energy</li> <li>(4) Labor services including enquiries and consultation.</li> </ol> </li> <li>2. Feasibility study of investment projects <ol style="list-style-type: none"> <li>(1) Project environmental survey.</li> <li>(2) Technical feasibility study.</li> <li>(3) Economic and financial feasibility study.</li> <li>(4) Risk assessment.</li> <li>(5) Social acceptance assessment.</li> <li>(6) Submission of feasibility study reports.</li> </ol> </li> <li>3. Business retention <ol style="list-style-type: none"> <li>(1) Production of business reports</li> <li>(2) Customer contacts.</li> </ol> </li> <li>4. Contract negotiations and execution <ol style="list-style-type: none"> <li>(1) Negotiations for the provisions of various contracts required for the abovementioned business development activities or provide such assistance. .</li> <li>(2) Preparation of tendering documents, contract execution, and application for and transfer of pre-payments.</li> <li>(3) Contract documentation and document management.</li> </ol> </li> <li>5. Research and development <ol style="list-style-type: none"> <li>(1) Gathering and collection of new energy technologies.</li> <li>(2) Market survey and gathering and preliminary analysis of market information.</li> <li>(3) Research of business diversification.</li> <li>(4) Research of regulations relating to business expansion.</li> </ol> </li> </ol>
Administration Department	<ol style="list-style-type: none"> <li>1. General affairs <ol style="list-style-type: none"> <li>(1) Management and maintenance of organizational property, equipment, and offices, including property insurance. Dispatch and maintenance of company cars.</li> <li>(2) Procurement, management, and registration of OA items and gifts, operator service, and access management.</li> <li>(3) Management of documents and contracts by DCC, mail room management, company seal management.</li> <li>(4) Office revolving capital management; organization of the family day, year-end party, and New Year reunion, and other general affairs.</li> </ol> </li> <li>2. Human resources management: Human resources planning, recruitment and hiring, wage management, training and</li> </ol>

	<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-tian 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, assistant managers, department heads, and branch heads  
 (1) Profiles of directors and supervisors

**Profiles of Directors and Supervisors (1)**

April 24, 2020

Title <sup>1</sup>	Nationality/ Registration	Name	Gender	Elected (inaugurated) date <sup>2</sup>	Tenure	Date of initial elected office <sup>2</sup>	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 <sup>3</sup>	Concurrent positions in this and other companies	Other officers, directors, or supervisors of the company who is a spouse or relative within the 2 <sup>nd</sup> degree under the Civil Code		
							Quantity	Proportion	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Title	Name	Relationship
Directors	ROC	Taiwan Power Company	—	2017.6.30	3 years	1992.4.14	162,954,279	27.66%	162,954,279	27.66%	—	—	—	—	—	—	—	—	—
	ROC	Representative: Min-chieh Chang (Chairman)	Male	2017.6.30	3 years	Supervisor on 2006.11.21 Director on 2008.06.30 Relieved from director on 2008.10.01	0	0.00%	0	0.00%	—	—	—	—	BA in Accounting, Tamkang University MBA, National Cheng Chi University Accounting Director and vice general manager of Taiwan Power Company	—	—	—	—
	ROC	Representative: Chien-Yih Chen	Male	2018.8.31	3 years	2018.8.31	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	vice general manager of 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	vice general manager of Taiwan Power Company	—	—	—

	ROC	Representative: Yu-ming Lee	Male	2017.6.30	3 years	2017.6.30	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: Chun-Ming Tsai	Male	2017.6.30	3 years	2019.8.20	0	0.00%	0	0.00%	—	—	—	—	MA, Institute of the Law of the Sea, National Taiwan Ocean University Director and Professional General Engineer, Fuel Division, Taiwan Power Company	—	—	—	
	ROC	Representative: Guo-xin Chang	Male	2017.6.30	3 years	2016.12.08	0	0.00%	6,000	0.001%	—	—	—	—	BSc. Communications Engineering, National Chiao Tung University PhD in Electrical Engineering, Texas A&M University Chairman, Smart Grid International Communication Standard	Chairman, Star Buck Power Corporation	—	—	—
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 Wang	Male	2017.6.30	3 years	2017.6.30	0	0.00%	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%	11,534,214	1.79%	—	—	—	—	—	—	—	—	—

	ROC	Wei Ding	Female	2017.6.30	3 years	Supervisor on 2016.1.25	114	0.00002%	114	0.00002%	—	—	—	—	Ph.D., Accounting Department, Tamkang University Lecturer and Assistant Professor of the Department of Accounting, Tamkang University Associate Professor, Department of Accounting, Zhongyuan University	Associate Professor, Department of Accounting, Tamkang University	—	—	—
Director	ROC	Hui-chu Liao	Female	2017.6.30	3 years	2017.6.30	0	0.00%	0	0.00%	—	—	—	—	PhD in Economics, Ohio State University, USA	Professor, Department of Economics, Tamkang University	—	—	—
Independent director	ROC	Xiao-dong Chang	Male	2017.6.30	3 years	2014.6.30	0	0.00%	0	0.00%	—	—	—	—	MSc. in Management Science, National Chiao Tung University GM, Chunghwa Telecom Co., Ltd.	Consultant, Chunghwa Telecom Co., Ltd. Director, China Development Industrial Bank	—	—	—
Independent director	ROC	Xin-hui Yen	Male	2017.6.30	3 years	2017.6.30	0	0.00%	0	0.00%	—	—	—	—	PhD in Accounting, National Taiwan University, Taiwan	Professor, Department of Accounting, Tamkang University Independent Director of Taiwan Life and Taiwan Life Insurance Co., Ltd. Independent director of Jingrui Communication Co., Ltd. Independent Director of Qiya Communications Supervisor of Taihua Biotechnology Co., Ltd.	—	—	—

Independent director	ROC	Yao-wen Lin	Male	2017.7.27	3 years	2017.7.27	0	0.00%	0	0.00%	—	—	—	—	MA in Public Policy, National Sun Yat Sen University, Taiwan	Chairman of the New Culture Foundation Independent director of Longda Construction Co., Ltd. Director of the Kaohsiung World Games Sports Foundation	—	—	—
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Note 4: If the chairperson and the president or equivalent role is the same person, its spouse, or the kindred at the first tier, state related information, including reasons, reasonability, necessity, and countermeasures (e.g. increase the number of independent directors, and at least half of them must not be the company's employees or managers).

Table 1 Major Shareholders of Institutional shareholders

By 24 April 2020

Institutional shareholder <sup>1</sup>	Major Shareholders of Institutional shareholder <sup>2</sup>
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	PJ Asset Management Co. Ltd.: 9.87% Jia Yuan Investment Co., Ltd.: 6.46% Bank of Taiwan in custody for Silchester International Investors /International Equity Management Trust Investment Special Account: 3.96% Sales Department, Standard Chartered Bank, in custody for WGI Emerging Markets Smaller Companies Fund Investment Special Account: 2.02% Bank of Taiwan in custody for Silchester International Investors /International Equity Management Group Trust Investment Special Account: 1.99% Tong Guang Investment Co., Ltd.: 1.63% JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds: 1.61% Chunghwa Post Co., Ltd.: 1.60% CITI Bank (Taiwan) in custody for Norges Bank Investment Special Account: 1.43% JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard FTSE Emerging Markets ETF Special Account: 1.38%
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%

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

<sup>2</sup>Fill in the name of the major shareholders (top ten shareholdings) and their shareholdings of such institutional shareholders

<sup>3</sup>The name and stake of non-company institutional shareholders shall be stated as mentioned above, i.e. the name and investment amount/donation ratio of investors or donors.

Table 2 Major Shareholders of Institutional shareholders in Table 1

By 24 April 2020

Institutional shareholder <sup>1</sup>	Major Shareholders of Institutional shareholder <sup>2</sup>
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%

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

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

<sup>3</sup>The name and stake of non-company institutional shareholders shall be stated as mentioned above, i.e. the name and investment amount/donation ratio of investors or donors.

## Profiles of Directors and Supervisors (2)

By 24 April, 2020

Name <sup>1</sup>	Qualification	With 5 or more years of experience and the following professional qualifications			Status of independence <sup>2</sup>												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	11	12	
Min-chieh Chang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		無
Chein-Yih Chen				✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		無
Jao-hua Hsu				✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		無
Yu-ming Lee	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		無
Chun-Ming Tsai				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		無
Guo-xin Chang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		無
Hong-xiang Lin				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		無
Sen-jing Wang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		無
Wei Ding	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		無
Hui-chu Liao	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	無
Xiao-dong Chang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	無
Sin-hui Yen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yao-wen Lin				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

<sup>1</sup> The number of fields may be adjusted depending on the content.

<sup>2</sup> 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 the company or its affiliates (except for independent directors of concurrently the company and its parent company, subsidiaries or concurrently the subsidiaries of the same parent company 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 the spouse, the kindred at the second tier under the Civil Code or the direct kin within the third tier under the Civil Code of the managers stated in (1) or other roles stated in (2), (3).
- (5) Not a director, supervisor or employee of an corporate shareholder directly holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an corporate shareholder who is among the top 5 shareholders, or a representative of an corporate shareholders appointed as the director or supervisor of the company according to paragraph 1 or 2, Article 27, Company Act (except for independent directors of concurrently the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (6) Not a director, supervisor or employee of a company controlling over one half of the company’s director seats or voting shares under one person (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (7) Not a director, supervisor or employee of a company or institution whose chairperson and president or equivalent role is the same person or its spouse (except for independent directors of concurrently the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relation with the company (except for a specific company or institution holding over 20% but less than 50% of the company’s outstanding shares, and independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (9) Not a professional or owner, partner, director, supervisor, manager or the spouse of these roles of a sole proprietorship, partnership, company, or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating below NT\$500,000 in the last two years for the company or its affiliates; except for members of the Compensation Committee, public tender offers committee, or special committee for

merger/consolidation exercising powers with respect to the Securities and Exchange Act or Business Mergers And Acquisitions Act.

(10) Not a spouse or the kindred at the second tier under the Civil Code to any other director.

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

(12) Not being elected as representative to the government or an institution under Article 27 of the Company Act.



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

By 24 April 2020

Title <sup>1</sup>	Nationality	Name	Gender	Date of office	Shareholdings		Shareholdings of spouse and minor children		Shareholdings in the name of a third party		Education and experience <sup>2</sup>	Positions in other Company	Manager who is a spouse or relative at the 2 <sup>nd</sup> degree under the Civil Code			Remarks (Note 3)
					Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Title	Name	Relationship	
General Manager	ROC	Kuang-Hsun 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, Kuo Kuang Power Co., Ltd.	N/A	N/A	N/A	
Vice General Manager	ROC	Yi-tong Chen	Male	2015.01	-	-	-	-	-	-	MA in Energy Planning and Economics, Asian Institute of Technology BSc. in Mechanical Engineering, National Taiwan Institute of Technology Chief, Planning Section, New Business Development Office, Taiwan Power Company.	Director, Kuo Kuang Power Co., Ltd. Director, Taiwan Cogeneration International Corporation	N/A	N/A	N/A	
Vice General Manager	ROC	Shu-shen Lin	Male	2016.06	-	-	13,000	0.002%	-	-	PhD in Mechanical Engineering, Technische Universität München, Deutschland TA of Thermal Power Equipment Seminar, Mechanical Engineering, Technische Universität München, Deutschland	Chairman, Chingshuei Geothermal Power Corporation GM, Star Energy Power Corporation Chairman, Yi-Yuan Corp. Director, Redondo Peninsula Energy, Inc., the Philippines	N/A	N/A	N/A	
Manager, Business Development Department	ROC	Ming-zhou Cheng	Male	2018.08	132	0.00002%	-	-	-	-	Department of Industrial Engineering, Hsinpu Institute of Technology	Director, Star Buck Power Corporation Chairman, Shin Kuang Electric Energy Co. Ltd.	N/A	N/A	N/A	
Manager, Procurement Department	ROC	Yi-liang Ou	Male	2016.08	-	-	-	-	-	-	BSc., Department of Industrial Engineering, Tung Hai University	Director, Kuo Kuang Power Co., Ltd.	N/A	N/A	N/A	
Manager, Planning and Re-investment Department	ROC	Yi-xie Huang	Male	2016.06	10000	0.002%	-	-	-	-	PhD, Department of Electrical Engineering, National Taiwan University of Technology	Chairman, Sun Ba Power Corporation Chairman, TCC Green Energy corporation Director, Redondo Peninsula Energy, Inc., the Philippines	N/A	N/A	N/A	
Manager, Administration Department	ROC	Jia-ling Tsai	Female	2016.06	-	-	-	-	-	-	MSc. in Material Science, UCLA, USA. BSc., Department of Chemical Engineering, National Central University Project Manager, Planning and Business Department, Taiwan Cogeneration Department Manager, Corporate Planning Department, Taiwan Cogeneration Department	Director, Ta-Yuan Cogeneration Corporation	N/A	N/A	N/A	
Manager, Financial Department	ROC	Zhi-jie Hsu	Male	2013.07	-	-	-	-	-	-	BA, Department of Accounting, Soochow University Deputy Manager, Financial Department, Sun Ba Power Corporation	Manager, Financial Department, Sun Ba Power Corporation Supervisor, Star Energy Power Corporation	N/A	N/A	N/A	
Plant Manager, Guan-tian Plant	ROC	Bao-wen Kao	Male	2018.08	-	-	-	-	-	-	MSc., Department of Mechanical Engineering, National Chung Hsing University	GM, Star Buck Power Corporation Director, KHH Arena Corporation	N/A	N/A	N/A	

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

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

<sup>3</sup>If the president or equivalent role (CEO) and the chairperson is the same person, its spouse, or the kindred at the first tier, state related information, including reasons, reasonability, necessity, and countermeasures (such as increasing the number of independent directors, and over one-half of non-staff directors or manager).

### 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 <sup>1</sup>	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 or the parent 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)	Cash	Stock	Cash	Stock	Taiwan Cogeneration	All firms disclosed in the consolidated financial statements (*7)	
Main Shareholder	Taiwan Cogeneration Corporation	5,571	5,571	0	0	8,038	8,038	1,272	1,272	1.36%	1.36%	0	0	0	0	0	0	0	0	1.36%	1.36%	4,444
Chairman	Representative: Min-chieh Chang																					
Director	Representative: Jao-hua Hsu																					
Director	Representative: Sheng-ren Shao																					
Director	Representative: Guo-xin Chang																					
Director	Representative: Yuh-ming Lee																					
Director	Representative: Chien-Yih Chen																					
Former Director	Representative: Yao-tine Wan																					
Director	TECO Corporation																					
Director	Representative: Hong-xiang Lin																					
Director	Yuan June Investment Corp																					
Director	Representative: Shen-jun Wang																					
Director	Jin Hong Investment Co., Ltd.																					
Director	Representative: Wei Ding																					
Director	Hui-chu Liao																					
Former Director	Representative: Yong-qing Chen																					
Independent Director	Xiao-dong Chang	756	756	0	0	2,411	2,411	549	549	0.34%	0.34%	0	0	0	0	0	0	0	0.34%	0.34%	0	
Independent Director	Yao-wen Lin																					
Independent Director	Sin-hui Yen																					

1. State the policy, system, standard, and structure of remuneration for independent directors and the relevance to the amount of remuneration in terms of their duty, risk, and time of involvement: With respect to the Company's Articles of Incorporation, if there is profit in the year, not more than 1% will be appropriated as the profit sharing (remuneration) for directors, and this rate shall not be higher than that of the profit sharing for employees. If there is accumulated deficit, however, the amount for compensation shall be retained before calculating the profit sharing for directors and employees based on the balance. The profit sharing for directors shall be shared evenly among all directors. In addition, as independent directors are concurrently members of the remuneration, audit, nomination and other functional committees with higher workload, more risk, and longer working hours, it is approved by the board of directors that they are salaried NTS21,000 each month, while ordinary directors are unsalaried. Compared to the salary for independent directors of other listed company, this amount is fair and reasonable.

2. 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	
	General director	Independent Director	General director	Independent Director	General director	Independent Director	General director	Independent Director
Below NT\$1,000,000	Jao-hua Hsu, Guo-xin Chang, Yu-ming Lee, Chien-Yih Chen , Chun-Ming TSAI, Sheng-ren Shao , TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng-jun Wang, Jin Hong Investment Co., Ltd., Wei Ding, Yong-qing Chen,Huei-chu Liao,	Xiao-dong Chang, Yao-wenLin, Hsin-huei Yen	Jao-hua Hsu, Guo-xin Chang, Yu-ming Lee, Chien-Yih Chen , Chun-Ming TSAI, Sheng-ren Shao , TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng-jun Wang, Jin Hong Investment Co., Ltd., Wei Ding, Yong-qing Chen,Huei-chu Liao,	Xiao-dong Chang, Yao-wenLin, Hsin-huei Yen	Jao-hua Hsu, Guo-xin Chang, Yu-ming Lee, Chien-Yih Chen , Chun-Ming TSAI, Sheng-ren Shao , TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng-jun Wang, Jin Hong Investment Co., Ltd., Wei Ding, Yong-qing Chen,Huei-chu Liao,	Xiao-dong Chang, Yao-wenLin, Hsin-huei Yen	Jao-hua Hsu, Guo-xin Chang, Yu-ming Lee, Chien-Yih Chen , Chun-Ming TSAI, Sheng-ren Shao , TECO Corp, Hong-xiang Lin, Yuan June Investment Corp, Sheng-jun Wang, Jin Hong Investment Co., Ltd., Wei Ding, Yong-qing Chen,Huei-chu Liao,	Xiao-dong Chang, Yao-wenLin, Hsin-huei Yen
NT\$1,000,000 (included) - 2,000,000 (excluded)								
2,000,000 (included) - 3,500,000 (excluded)	Min-chieh Chang		Min-chieh Chang		Min-chieh Chang		Min-chieh Chang	
3,500,000 (included) - 5,000,000 (excluded)								
5,000,000 (included) - 10,000,000 (excluded)	Taiwan Power Company		Taiwan Power Company		Taiwan Power Company		Taiwan Power Company	
10,000,000 (included) - 15,000,000 (excluded)								
15,000,000 (included) - 30,000,000 (excluded)								
30,000,000 (included) - 50,000,000 (excluded)								
50,000,000 (included) - 100,000,000 (excluded)								
100,000,000 and above								
Total	15(including institutional shareholders)	3	15(including institutional shareholders)	3	15(including institutional shareholders)	3	15(including institutional shareholders)	3

Note 1: Fill in the name of each director individually (the name of institutional shareholders and their representatives shall also be listed individually), and ordinary directors and independent directors shall be listed separately to disclose the amount of remuneration to each 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 tables below (3-1) or (3-2-1) and (3-2-2).

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 or the parent shall be specified in this column (fill in “NA” for none).
- Note 11b: When a director receives remunerations from an investee other than a subsidiary or the parent, the amount of such remunerations shall be combined in column I of the Increments of Remuneration table, and the column shall be renamed “Parent and All Investees”.
- 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 or the parent as its director, supervisor, or manager.

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

(2) Remuneration for the general 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 or the parent (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	Kuang-Hsun Yu	7,358	7,358	0	0	2,912	2,912	1,725	0	1,725	0	1.09%	1.09%	140
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\$1,000,000		
NT\$1,000,000 (included) - 2,000,000 (excluded)		
2,000,000 (included) - 3,500,000 (excluded)		
3,500,000 (included) - 5,000,000 (excluded)	Kuang-Hsun Yu., Yi-tong Chen, Shu-shen Lin	Kuang-Hsun 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 the president and vice presidents receive from investees other than subsidiaries or the parent shall be specified in this column (fill in “NA” for none).

- Note 9b: When president and vice presidents receive remunerations from an investee other than a subsidiary or the parent, the amount of such remunerations shall be combined in column I of the Increments of Remuneration table, and the column shall be renamed “Parent and 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 director receives from an investee other than a subsidiary or the parent as its director, supervisor, or manager.

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

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

By 24 April 2020

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio in net earnings after tax (%)
Managers	General Manager	Kuang-Hsun Yu,	0	2,132	2,132	0.19%
	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.



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

Title	2018	2019
	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	4.1%	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 2019, BOD held six meetings (A), the attendance of directors 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	6		100%	
Director (Taipower)	Chien-yih Chen	5	1	83.3%	
Director (Taipower)	Jao-hua Hsu	5	1	83.3%	
Director (Taipower)	Chun-Ming Tsai	2		100%	Office started on 2019/8/20
Former Director (Taipower))	Sheng-ren Shao	4		100%	Office relieved on 2019/8/20
Director (Taipower)	Yu-ming Lee	6		100%	
Director (Taipower)	Guo-xin Chang	4	2	66.7%	
Director (TECO Corporation)	Hong-xiang Lin	5	1	83.3%	
Director (Yuan Jing Investments)	Sen-jing Wang	6		100%	
Director (Jin Hong Investments)	Wei Ding	6		100%	
Director	Hui-chu Liao	6		100%	
Independent Director	Xiao-dong Chang	5	1	83.3%	
Independent Director	Sin-hui Yen	5	1	83.3%	
Independent Director	Yao-wen Lin	6		100%	

Other information required for disclosure:

- The date, session, proposal content, and resolution specified and the opinion expressed by independent directors shall be specified under any one of the following circumstances:
  - Matters specified in Article 14-3 of the Securities and Exchange Act.
  - Other board resolutions to which objections or qualified opinions for the record or in writing are expressed by independent directors.
- When there is avoidance of conflicts of interest by a director, specify 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.
- Listed companies shall disclose the information regarding the cycle and duration, scope, method, and contents of self-assessment (peer assessment) of the board of directors, and fill in Table 2-(2) Board Performance Evaluation.
- Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an audit committee, improvement of information transparency etc.), and the progress of such enhancements.

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

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

- 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
2019.3.26	11 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	1.Approval of the 2018 Business Report and Financial Statements. Resolution: Approved as proposed.	1. Key audit item 2: Revised the text of paragraph 3 in the P/L Assessment of construction contracts: Before: "...if deficits are foreseeable in a construction contract, the suitability of deficit-based contract provisions shall be immediately confirmed." After: "...and verify the suitability of provisions." 2. IFRS 16 Leases Before: "...accumulated effects were adjusted to retained earnings on January 1, 2019, without reproducing the comparison data." After: "...accumulated effects were adjusted to retained earnings on January 1, 2019, and the absence of comparison data reproduction does not affect the retained earnings on that day."	Implementation as proposed by independent directors.
		2.Approval of the 2018 Earnings Distribution. Resolution: Approved as proposed.	N/A	N/A
		3.Approval of the 2018 Remuneration for Employees and Directors. Resolution: Approved as proposed.	Amendment to the text in Description (2) of the proposal approved by all members, the rest were all approved.	Implementation as proposed by independent directors.
		4.Approval of the "Statement of Internal Control" dated December 31, 2018 Resolution: Approved as proposed.	N/A	N/A
		5.Amendment to the Company's "Procedures for Acquisition and Disposition of Assets". Resolution: Approved as proposed.	N/A	N/A
		6.Amendment to the Company's "Procedures for Lending Fund to Others and Making Endorsement/Guarantee for Others". Resolution: Approved as proposed.	N/A	N/A
		Amendment to the Company's "Procedures for Acquisition and Disposition of Assets". Resolution: Approved as proposed.	N/A	N/A
2019.5.10	12 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	Amendment to the Company's "Procedures for Acquisition and Disposition of Assets". Resolution: Approved as proposed.	N/A	N/A

2019.6.21	13 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	Approval of the 2018 Remuneration for Directors Proposal. Resolution: Approved as proposed.	Request for the management to consider the effect of the seasonal difference in profit on the remuneration of directors.	Implementation as proposed by independent directors.
2019.8.12	14 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	Approval of subscription of the new shares issued by investee Star Energy for capital increase at full amount (NT\$330 million) Resolution: Approved as proposed.	The management should check the loan credit and the terms of syndicated loan guarantees with the bank before the next board meeting for the better understanding of directors. If the subscription of new shares issued by investee Star Energy for capital increase at full amount (NT\$330 million) is approved, the internal control of Star Energy should be strengthened and the control mechanism of the parent should be intensified. The enterprise investment department should submit a report on Star Energy's operating capital needs in the next 3 years.	Enhanced the controls of Star Energy based on the two recommendations of independent directors.
		Approval of making a maximum guarantee of NT\$204 million for Qingshui Geothermal. Resolution: Approved as proposed. Management should submit supplementary information as per Article 12, paragraphs 5 and 9, Procedures for "Lending Funds to Others and Making Endorsement/Guarantee for Others".	The management should submit supplementary information regarding the review procedures in paragraph 5 and the subsequent control after making endorsement/guarantee in paragraph 9 of Article 12, Procedures for "Lending Funds to Others and Making Endorsement/Guarantee for Others". In addition to the guarantee, management should promise not to raise the guarantee limit for Qingshui Geothermal to reduce the Company's risk.	Implementation as proposed by independent directors.
		Amendment of the items and contents in the "Statement of Internal Control" of 2019 Resolution: Approved as proposed.	All attending members agreed to revise the text CP101 and CX118. Others were approved as proposed.	The audit office should supervise all departments to implement internal controls as proposed by independent directors.

2019.12.20	16 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board	1.CPA Assessment, CPA Appointment, and the Fees for CPA Audit and Certification Service for the Financial Statements and Taxes in 2020 Resolution: Approved as proposed	Deloitte Taiwan should provide free “financial statement editing software”. However, to prevent impacts on CPA independence, no software will be provided in the future.	Implementation as proposed by independent directors.
		2.Approval of chairperson salary adjustment for 2020. Resolution: Approved as proposed	N/A	N/A
		3.Approval of the operation and performance bonuses for the chairperson in 2019. Resolution: Approved 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 Min-chieh Chang avoided from the Proposal of Chairperson Evaluation and Raise in 2020 and Proposal of Operational and Performance Rewards for Chairperson in 2019 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 according to the Compensation Committee Charter.
  - 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 board performance in terms of five constructs: participation in the company’s operations; improvement of the decision quality of the board of directors; composition and structure of the board of directors; selection and continuing education of directors; and internal control through self-assessment. In addition, directors are requested to measure their understanding of corporate goals and missions; understanding of their duties and responsibilities; participation in the company’s operations; internal relation maintenance and communication; expertise and continuing education; and internal control. Outcomes are reported to BOD for approval and reference. Based on the 2019 assessment outcomes, the achievement rate of performance indicators has been achieved, suggesting BOD performance was “good.”

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. A total of six committee meetings were held in 2019. Please refer to the handling of opinions expressed by Audit Committee members regarding committee operation.

- 5) We formed the Nomination Committee with five committee members, including three independent directors, and established the Nomination Committee Charter on December 20, 2019 to further optimize the function and enhanced the management mechanism of the BOD. Nomination will be applied at the 2020 board re-election.

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

A. The Audit Committee is composed of three independent directors. It aims to assist the BOD in supervising the Company's accounting, audit, and financial reporting processes and the quality and integrity in financial control. In 2019, the Audit Committee held six committee meetings to audit the following matters:

- 1) Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- 2) Assessment of the effectiveness of the internal control system.
- 3) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- 4) A matter bearing on the personal interest of a director.
- 5) A material asset or derivatives transaction.
- 6) A material monetary loan, endorsement, or provision of guarantee.
- 7) The offering, issuance, or private placement of any equity-type securities.
- 8) The hiring or dismissal of an attesting CPA, or the compensation given thereto.
- 9) The appointment or discharge of a financial, accounting, or internal auditing officer.
- 10) Annual financial statements and second-quarter financial statements that must be audited and certified by a CPA.
- 11) Other material matters as required by the Company or the competent authority.

a. Review of financial statements

The Board of Directors has prepared the business report, financial statements and proposal for profit distribution of 2019. After auditing the financial statements, Deloitte Taiwan has issued an audit report. After reviewing the business report, financial statements and proposal for profit distribution, this Audit Committee found no nonconformity.

b. Assessment of the effectiveness of the internal control system.

The Audit Committee assesses the effectiveness of the policies and procedures (including the measures for controlling finance, operations, risk management, information security, outsourcing, and legal compliance) of the internal control system, and reviews the Company's audit department and CPAs, and the management's periodic reports, including risk assessment and legal compliance. With respect to Internal Control—Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the Audit Committee found that the Company's risk management and internal control system is effective, and the Company has adopted necessary controls to supervise and correct illegal behavior.

c. Appointment of CPA

The Audit Committee is assigned to supervise the independence of CPA firms to ensure the impartiality of financial statements. In general, a CPA firm shall not provide other services than tax-related services or specifically approved items. All services provided by a CPA firm shall be approved by the Audit Committee. To ensure the independency of a CPA firm, with respect to the independency assessment sheet designed according to Article 47 of the Certified Public Accountant Act and CPA Code of Professional Ethics Bulletin 10 "Integrity, Objectivity, and Independency", the Audit Committee assesses the independency, expertise, and suitability of CPAs; if the CPAs are related parties or having business or financial interests with this Company. At the 16<sup>th</sup> meeting of the 1<sup>st</sup> Audit Committee on December 19, 2019 and the 16<sup>th</sup> meeting of the 10<sup>th</sup> Board of Directors on December 20, 2019 reviewed and approved that CPAs Jui-Husan Ho and Chien-Hsin Hsieh of Deloitte Taiwan pass the independency assessment, thus qualified for being the CPAs of this Company financial and tax affairs.

B. We established the Audit Committee on July 27, 2017. Six 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	6	0	100%	
Independent Director b	Xiao-tong Chang	6	0	100%	
Independent Director c	Yao-wen Lin	6	0	100%	

C. 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
2019.03.26 11 <sup>th</sup> meeting of the 10 <sup>th</sup> BOD	1.Approval of the 2018 Business Report and Financial Statements. Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.
	2.Approval of the 2018 Earnings Distribution. Audit Committee Resolution: Approved as proposed. In addition, the financial department should submit a report on the effects of IFRS and ROC-GAAP and the reference for decision-making before the next meeting.	N/A	Approved by all attending directors.
	3.Approval of the "Statement of Internal Control" dated December 31, 2018 Audit Committee Resolution: Approved as proposed. In addition, independent directors and chief auditor should be invited to the CPAs and annual financial audit meeting for them to understand the situation.	N/A	Approved by all attending directors.
	4.Amendment to the Company's "Procedures for Acquisition and Disposition of Assets". Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.
	5.Amendment to the Company's "Procedures for Lending Fund to Others and Making Endorsement/ Guarantee for Others". Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.
2019.05.10 12 <sup>th</sup> meeting of the 10 <sup>th</sup> BOD	1.Approval of the Company's Consolidated Financial Statements of Q1 2019 Audit Committee Resolution: Approved for reference. In addition, management should provide the projections of the future profit structure within 7 days.	N/A	Approved by all attending directors.



	2.Approval of participation in the capital increase by NT\$70,000,000 of TCC Green Energy and purchasing the PV site: “Ponds No. 7-1 and 8-2 of Guangfu Ditch, Hukou, Hsinchu”. Audit Committee Resolution: Management should voluntarily withdraw this proposal, and make the proposal to the Audit Committee and BOD again in an appropriate time.	This is because part of the procedures of the TCC Green Energy’s capital increase project required further clarification. Management voluntarily withdrew the proposal.	Approved by all attending directors for management to withdraw the proposal.
	3.Amendment to the Company’s “Procedures for Acquisition and Disposition of Assets”. Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.
	1.Approval of the Company’s Consolidated Financial Statements of Q2 2019 Audit Committee Resolution: Approved for reference.	N/A	Approved for reference by all attending directors.
2019.08.12 14 <sup>th</sup> meeting of the 10 <sup>th</sup> BOD	2.Approval of subscription of the new shares issued by investee Star Energy for capital increase at full amount (NT\$330 million) Audit Committee Resolution: Approved as the conditions listed in right column.	N/A  1. The management should check the loan credit and the terms of syndicated loan guarantees with the bank before the next board meeting for the better understanding of directors. 2. If the subscription of new shares issued by investee Star Energy for capital increase at full amount (NT\$330 million) is approved, the internal control of Star Energy should be strengthened and the control mechanism of the parent should be intensified. The enterprise investment department should submit a report on Star Energy’s operating capital needs in the next 3 years.	Approved by all attending directors.  Approved as proposed by the Audit Committee by all attending directors.
	3.Approval of making a maximum guarantee of NT\$204 million for Qingshui Geothermal.	1. The management should submit supplementary information regarding the review procedures in paragraph 5 and the subsequent control after making endorsement/ guarantee in paragraph 9 of Article 12, Procedures for “Lending Funds to Others and Making Endorsement/ Guarantee for Others”. 2. In addition to the	Approved as proposed by the Audit Committee by all attending directors. In addition, Management should submit supplementary information as per Article 12, paragraphs 5 and 9, Procedures for “Lending Funds to Others and Making Endorsement/ Guarantee for Others”.

		guarantee, management should promise not to raise the guarantee limit for Qingshui Geothermal to reduce the Company's risk.	
	4.Amendment of the items and contents in the "Statement of Internal Control" of 2019 Audit Committee Resolution: Approved as proposed.	Agreement to revise the text CP101 and CX118. Others were approved as proposed.	Approved for amendment as proposed by the Audit Committee by all attending directors.
2019.11.8 15 <sup>th</sup> meeting of the 10 <sup>th</sup> BOD	1.Approval of the Company's Consolidated Financial Statements of Q3 2019 Audit Committee Resolution: Approved for reference.	N/A	Approved for reference by all attending directors.
	2.Inclusion of the Company's material proposals, systems, strategies, and cooperation projects relating to corporate operations in the discussion of the Audit Committee. Audit Committee Resolution: Approved as proposed, and submission to the BOD for approval.	N/A	Approved to expand the duty in Article 6, paragraph 1, subparagraph 11, of the Audit Committee Charter by all attending directors.
2019.12.20 16 <sup>th</sup> meeting of the 10 <sup>th</sup> BOD	1.Approval of the Company's 2020 Business Plan and Budget. Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.
	2.CPA Assessment, CPA Appointment, and the Fees for CPA Audit and Certification Service for the Financial Statements and Taxes in 2020 Audit Committee Resolution: Approved as proposed.	Deloitte Taiwan should provide free "financial statement editing software". However, to prevent impacts on CPA independence, no software will be provided in the future.	Approved by all attending directors.
	3.Approval of the Company's 2020 Audit Program Audit Committee Resolution: Approved as proposed.	N/A	Approved by all attending directors.
	4.Approval of the 2019 Internal Control Follow-Up Management Control Table. Audit Committee Resolution: Approved as proposed. In addition, the Audit Office should present information in greater detail in the Control Table, including the estimated and actual improvement schedules of the audited unit and the results and date of completion confirmed by the audit follow-up.	Requested the audited unit to follow the estimated and actual improvement schedules and the results and date of completion confirmed by the audit follow-up. It is recommended that part one should be new findings and part two should be historical findings in the report. In addition, repeat nonconformities should be marked.	1. Approved as proposed by all attending directors, which requested the audited unit to complete improvements as required and the audit office to enforce follow-up and conformation and report the follow-up results to the BOD regularly. 2. The audit office should submit the internal audit follow-up control table until the end of March of each year in May and the same until the end of September of each year in November. After the approval of the Audit Committee, these

			reports should be submitted to the BOD for review and approval. 3. Increase the estimated and actual improvement schedules and the results and date of completion confirmed by the audit follow-up in the follow-up control table.
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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	Result of Communication
2019.3.26	Discussion and communication of 2018 Internal Control Self-Assessment Report.	Independent directors made no comment.
2019.8.9	1. Amendment to the 2019 internal control system. 2. Discussion of the periodic audit results.	1. Independent directors made recommendations for a few items. Management has completed the amendment. 2. Fully discussed with and implemented as instructed by independent directors.
2019.11.8	Adjustment and optimization of the audit report format.	Discussed audit optimization with independent directors, including defect improvements.
2019.12.19	1. Discussion and communication of the 2019 Audit Program. 2. Discussion and communication of 2019 Internal Control Implementation and Follow-Up Report.	1. Independent directors made no comment. 2. Independent directors recommended that the information in the follow-up control table should be presented in greater detail, including the estimated and actual improvement schedules of the audited unit and the results and date of completion confirmed by the audit follow-up.

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 2019 are tabulated below:

Date/Meeting	Focus of Communication	Result of Communication
2019.3.26 Communication meeting between CPAs and the governance body	Presentation, discussion, and communication of the audit results of the 2018 consolidated and individual financial statements and the internal audit.	No objection
2019.08.12 Communication meeting between CPAs and the governance body	Presentation, discussion, and communication of the review results of the consolidated financial statements of Q2 2019.	No objection
2019.12.11 16 <sup>th</sup> meeting of the 1 <sup>st</sup> Audit Committee	Discussion and communication of the audit schedule, audit foci, and key audit items of the 2019 financial statement.	No objection

### (3). Information on the Members of the Compensation Committee

#### 1.Information on the Members of the Compensation Committee

Information on the members of the Compensation Committee																
Identity Category (Note 1)	Qualification   															

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 the Company or its affiliates.
- (2) Not a director or supervisor of the company or its affiliates (except for independent directors of concurrently the company and its parent company, subsidiaries or the subsidiaries of the same parent company 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 the spouse, the kindred at the second tier under the Civil Code or the direct kin within the third tier under the Civil Code of the managers stated in (1) or other roles stated in (2), (3).
- (5) Not a director, supervisor or employee of an corporate shareholder directly holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an corporate shareholder who is among the top 5 shareholders, or a representative of an corporate shareholders appointed as the director or supervisor of the company according to paragraph 1 or 2, Article 27, Company Act (except for independent directors of concurrently the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (6) Not a director, supervisor or employee of a company controlling over one half of the company's director seats or voting shares under one person (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (7) Not a director, supervisor or employee of a company or institution whose chairperson and president or equivalent role is the same person or its spouse (except for independent directors of concurrently the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relation with the company (except for a specific company or institution holding over 20% but less than 50% of the company's outstanding shares, and independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (9) Not a professional or owner, partner, director, supervisor, manager or the spouse of these roles of a sole proprietorship, partnership, company, or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating below NT\$500,000 in the last two years for the company or its affiliates; except for members of the Compensation Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not under any one of the categories stated in Article 30 of the Company Act.

## 2.Operation of Compensation Committee

A. The Compensation Committee consist of five members.

B. The term of the current committee is between June 30, 2017 and June 29, 2020. Three 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	3		100%	
Member	Hsin-dong Yen	3		100%	
Member	Yao-wen Lin	3		100%	
Member	Cong-wei Liu	3		100%	
Member	Su-qin Zhuang	3		100%	

### Annotations

- 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
- 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

- 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.
- 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 3<sup>rd</sup> Compensation Committee with three committee members was approved by BOD on June 30, 2017. On August 10, 2018, the board of directors approved the appointment of two independent directors as remuneration committee members. 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.

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

Compensation Committee Meeting	Contents and Follow-Up of	Proposal Resolution	Company's Treatment of
7rd meeting of the 3rd Compensation Committee on March 26, 2019	1.2018 BOD Performance Assessment Report	Approved for reference by all committee members.	Submission to the BOD for approval for reference by all attending directors.
	2.Personnel Evaluation and Raise System Review Report	Approved for reference by all committee members.	Excepted for submission to the BOD for reference.
	3.Scale Difference in Profit Sharing for Managers and Employees Review Report	Approved for reference by all committee members.	Excepted for submission to the BOD for reference.
	4.Amendment to the "2019 Annual Corporate Goals"	Amendments approved by all attending members are as follows: 1. Revision of the scoring standard for 6.3 Governance Evaluation Performance (ranking announcement): 100 marks for top 5%; 80 marks for top 6-20%; 70 marks for top	Submission to the BOD for approval for amendment as approved by the Compensation Committee by all attending directors.

		<p>21-35%; 60 marks for below 36%.</p> <p>2. Revision of note in the last page: For the actual achievement of the annual corporate goals, the Compensation Committee may make adjustment according to the macroenvironment.</p>	
	5.2018 Remuneration for Employees and Directors Distribution Proposal	<p>Amendment to the text in Description (2) of the proposal approved by all members as follows, others were all approved: “The 2018 profit was NT\$739,309,150 (income before tax before deducting the remuneration for employees and directors). The proposed remuneration for directors is 1%, i.e. NT\$7,393,091; and the proposed remuneration for employees is 3.48%, e.g. NT\$25,754,713. All are distributed in cash. The remuneration for employees is distributed as in the past according to the profit sharing for employees to exclude the effects of IPP_IFRS on the net income after tax. After deducting the legal reserve and special reserve of NT\$858,490,420, 3% will be appropriated.”</p>	Submission to the BOD for approval for amendment of Description (2) in the proposal as approved by the Compensation Committee by all attending directors. The remaining parts are approved as proposed.
8rd meeting of the 3rd Compensation Committee on June 20, 2019	1.2018 Remuneration for Directors Distribution Proposal	Amendment to Description (4) of the proposal approved by all attending members as follows, others were all approved: In addition, management was requested to review the effect of seasonal profit difference on the distribution of remuneration for directors.	Submission to the BOD for approval as approved by the Compensation Committee by all attending directors. The remaining parts are approved as proposed. In addition, the Compensation Committee advised a review of the effect of seasonal profit difference on the distribution of remuneration for directors for management’s reference.
	2.2018 Remuneration for Employees—Managers Distribution Proposal	Amendment to Description (4), the same as (1) in the previous proposal, of the proposal approved by all attending members as follows, others were all approved: In addition, management was requested to review the effect of seasonal profit difference on the distribution of remuneration for managers.	Submission to the BOD for approval as approved by the Audit Committee by all attending directors. The remaining parts are approved as proposed. In addition, the Compensation Committee advised a review of the effect of seasonal profit difference on the distribution of remuneration and bonuses for managers for

			management's reference.
9rd meeting of the 3rd Compensation Committee on December 19, 2019	1.The Company's "2019 Annual Goals Achievement" and "2020 Annual Goals (draft)".	<p>Approval of the "2019 Annual Goals Achievement" and the amendment to the "2020 Annual Goals" by all attending members as follows:</p> <ol style="list-style-type: none"> <li>1. Add 1.2 ROE under 2. EPS.</li> <li>2. Add 5.2 EPS under 5. Project Undertaking Performance—Gross Profit.</li> <li>3. Delete "If it is for the reason of policy..." and revise to "70 marks for unachieved goals and explanation at the Compensation Committee" in 7.2.1 Onshore Wind Power Project scoring standard.</li> <li>4. Add 7.6.2 Revenue per employee under 7.6 Revenue from Project Undertaking.</li> <li>5. Revise the target from "Over 10 employees acquired over 600 marks in TOIEC" into "10 more employees acquired over 600 marks in TOIEC" in 9.1 Core Workforce Training Program.</li> </ol>	Submission to the BOD for approval of the "2019 Annual Goals Achievement" and amendment to the "2020 Annual Goals (draft)" as approved by the Compensation Committee by all attending directors.
	2.Amendment of the Company's "BOD Performance Assessment Regulations"	<p>Approved for amendment by all attending members:</p> <ol style="list-style-type: none"> <li>1. Add Article 3, paragraph 2: "BOD shall be assessed by an external professional organization or an external expert team at least once every three years." Revise related regulations accordingly. Change the original paragraph 2 into paragraph 3.</li> <li>2. Delete Article 7, Description II-2 "In response to...and make recommendations".</li> </ol>	Submission to the BOD for approval as approved by the Compensation Committee by all attending directors. Regarding the selection of items in the director self-assessment questionnaire, management should review the items suitable for the Company's actual operations and adjust the text with ambiguities. The chairperson is authorized to approve the questionnaire before implementation.
	3.2020 Performance Evaluation and Salary Adjustment of Employees and Managers	Approved as proposed by all attending directors. Manager was requested to submit to Compensation Committee related proposals for salary adjustment based on the EPS in the performance evaluation and salary adjustment system by the end of January.	Submission to the BOD for approval as approved by the Compensation Committee by all attending directors. In addition, management should submit related proposals for salary adjustment based on the EPS in the performance evaluation and salary adjustment system to the Compensation Committee and BOD for approval in



		March, 2020.
4.Total amount of performance bonuses and the performance bonuses for tier-1 and above officers for 2019.	Approved as proposed by all attending directors.	Submission to the BOD for approval as approved by the Compensation Committee by all attending directors.
5.2020 performance assessment and salary adjustment of the president.	Approved as proposed by all attending directors.	Submission to the BOD for approval as approved by the Compensation Committee by all attending directors.
6.2020 performance assessment and salary adjustment of the chairperson.	Approved as proposed by all attending directors.	Submission to the BOD for approval as approved by the Compensation Committee by all attending directors.
7.2019 operations and performance bonuses of the chairperson.	Approved as proposed by all attending directors.	Submission to the BOD for approval as approved by the Compensation Committee by all attending directors.

(4) Status of governance and the variations and the cause(s) of variations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies:

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 December 12, 2018. The amendment was passed by the 14 <sup>th</sup> meeting of the 10 <sup>th</sup> BOD in 2019 and disclosed on MOPS.	No material variation from the “Governance Best Practice”.
2. Structure of shareholdings and shareholder’s equity (1) Does the company establish and implement internal procedures for handling shareholder suggestions, questions, disputes and litigation? (2) Does the company keep an up-to-date list of its dominant shareholders and the parties with ultimate control over its dominant shareholders? (3) Does the company establish and implement a risk control mechanism and firewall between its affiliates? (4) Does the Company establish internal rules to prevent insider trading?	V V V V		(1) We have established and implemented the spokesperson mechanism and procedures or handling stakeholder opinions. (2) We report the shareholding of major shareholders every month and list all important institutional shareholders of major shareholders in the annual report. (3) We and our affiliates operate independently and abide by the internal control system. We have also established the “Rules Governing Financial and Business Operations Between this Company and Affiliates” and the “Investee Management Regulations” to exert investee management in order to achieve risk management between this company and our affiliates. (4) We have established the “Insider Trading Prevention Regulations” and “Code of Ethics” to prohibit insiders such as directors, officers, and employees to make profit with information inaccessible in the market; and education, training, and publicity of these Regulations and related laws and regulations are arranged for these roles at least once a year. In addition, material information is processed and disclosed according to the Company’s “Material Information Processing SOP”.	No material variation from the “Governance Best Practice”.
3. Organization and functions of the board of director (1) Does the company establish and implement a defined policy to diversify board membership?	V		(1) The board member diversification policy is defined in the Company’s “Corporate Governance Best Practice Principles” to ensure the diversity of board members. Diversified policies are established appropriately with respect to the board operation and the Company’s operational style and development needs, including (1) basic conditions and values and (2) professional knowledge and skills.  Management goals and achievements of board member diversification: A. Goals in the basic condition include gender and age diversification. The BOD is formed with members of different genders to reduce the	No material variation from the “Governance Best Practice”.

Indicator	Status (NB)			variations and causes of variations from “Governance Best Practice”
	Yes	No	Summary Description	
(2) In addition to a compensation committee and an audit committee required by law, does the company voluntarily establish other functional committees?		V	<p>proportion of gender difference. Previously, the present BOD had one female member, while two was the target. In 2019, there were two female board members, accounting for 15%. In age distribution, the three members of the present BOD are aged 30-50, and 10 are aged over 50.</p> <p>B. In professional knowledge and skills, the BOD should be formed with members of different expertise. The present (10<sup>th</sup>) BOD is formed with 13 members (including 3 independent directors, accounting for 23%; two of them are in their second term, while one is in its first term). All directors have expertise benefiting corporate operations. Directors Min-chieh Chang, Hong-xiang Lin, and Xiao-dong Chang are specialized in operational management, leadership, and decision-making; directors Min-chieh Chang, Jao-hua Hsu, Guo-xin Chang, Chein-Yih Chen, Yu-ming Lee, Chun-Ming Tsai, Xiao-dong Chang, and Yao-wen Lin are equipped with industry-specific special knowledge; directors Min-chieh Chang, Sen-jing Wang, Wei Ding, Hui-chu Liao, and Sin-hui Yen are specialized in finance and accounting; and directors Yu-ming Lee and Hui-chu Liao are environmentalists who have given much advice for the Company’s sustainable development in the environmental aspect. Each member of the present BOD has different special skills, meeting the goal of board member diversification. Related information is disclosed on the corporate website.</p> <p>(2) Apart from establishing a compensation committee and an audit committee by law, we set up a nominating committee on December 20, 2019, with Chairperson Min-chieh Chang as the chair and convener, and members including three independent directors: Xiao-dong Chang, Sin-hui Yen, and Yao-wen Lin, and Director Jao-hua Hsu, totaling five seats. Each member is equipped with own specialty, including operational management, leadership, decision-making, finance, and accounting. After the approval of the BOD, the composition, duty, and operation of the functional committees are disclosed on the corporate website according to related regulations. However, as the nominating committee was established at the end of 2019, no committee meeting has been held. The first meeting of the first nomination committee was held on March 20, 2020.</p>	
(3) Does the company establish a method to evaluate BOD performance and evaluate BOD performance every year?	V		<p>(3) The BOD (including functional committees) Performance Assessment Regulations were approved after amendment by the BOD on December 20, 2019. Accordingly, the Company should assess BOD performance every year. The scope of assessment covers the following five aspects: (1) participation in the company’s operations; (2)</p>	

Indicator	Status (NB)			variations and causes of variations from “Governance Best Practice”
	Yes	No	Summary Description	
(4) Does the company regularly evaluate the independence of certified public accountants?	V		<p>improvement of the decision quality of the board of directors; (3) composition and structure of the board of directors; (4) selection and continuing education of directors; and (5) internal control. In addition, the scope of board member self-assessment covers the following six aspects: (1) understanding of corporate goals and missions; (2) understanding of their duties and responsibilities; (3) participation in the company’s operations; (4) internal relation maintenance and communication; (5) expertise and continuing education; and (6) internal control. The assessment is implemented by the administration department with the internal questionnaire every January to assess board operation, the director’s participation, and the director’s self-assessment. The results are reported to the BOD. Directors can make recommendations for improvement. Related assessment results also serve as a reference for the salary, remuneration, and selection or nomination of directors. In 2019, the overall BOD performance was over 80 marks, i.e. “good”, and the result was reported to and approved by BOD on March 20, 2020. The performance of the audit committee and compensation committee was also assessed in 2019, with a score over 80 marks, e.g. “good”, and the result was reported to BOD on March 20, 2020. In addition, as the nomination committee was established only on December 20, 2019, and its performance will be assessed in 2020. Related information has been disclosed on the corporate website.</p> <p>(4) This Company assesses the CPAs every year (at least once a year). 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 AY2019 were hired with the approval of the 16<sup>th</sup> meeting of the 10<sup>th</sup> BOD on December 20.</p>	

Indicator	Status (NB)			variations and causes of variations from "Governance Best Practice"
	Yes	No	Summary Description	
4. Does a public company establish or assign a dedicated (concurrent) governance unit or individual to take charge of company's governance affairs (including but not limited to providing directors and supervisors with the data required for business operations, handling affairs relating to holding a BOT meeting or a general meeting of shareholders, processing company registration and change registration, and producing minutes for BOT meetings and general meetings of shareholders)?	V		The Company has established the "Corporate Governance Best Practice Principles". Based on the Company's scale, status of operations, and management needs, we have equipped the administration department with competent and a suitable number of governance personnel to take charge of the Company's corporate governance. We have also designated Administration Manager Jia-Ling Tsai as the chief governance officer (CGO). After reporting to and approving by the BOD on August 12, 2019, the appointment was reported and disclosed as material information according to related regulations. As the CGO, Tsai complies with the related CGO requirements: at least 3 years of experience in governance-related work. The duties of a CGO include: (1) handling affairs in relation to holding a board meeting or a general meeting of shareholders, (2) producing the minutes for board meetings and general meetings of shareholders, (3) assisting with the inauguration and continuing education of directors; (4) providing directors with the data required for business operations, (5) assisting directors with legal compliance, and (6) other matters specified in the company charter or contracts. The 2019 performance included: (1) assistance with the procedures of the board meetings and meetings of shareholders and resolution of compliance matters; (2) provision of the meeting notice, meeting agenda, and minutes of meeting to the BOD as scheduled; and reminding directors of proposals requiring avoidance of the conflict of interest; and (3) implementation of the rules of procedures and announcements of the meeting of shareholders by law. In addition, the CGO received 6 hours of continuing education in 2019, and the target of continuing education within one year of inauguration is 18 hours.	No material variation from the "Governance Best Practice".
5. Does the company establish channels for communication with stakeholder (including but not limited to shareholders, employees, customers, and suppliers), set up a stakeholder section in the corporate website, and respond appropriately to important CSR issues and concerns raised by shareholders?	V		The identified stakeholders in 2019 included government agencies, shareholders, customers/electricity users, employees, and suppliers. To enhance stakeholder communication, we have established the spokesperson system and set up a stakeholder section on the corporate website ( <a href="http://www.cogen.com.tw/csr/Stakeholder">http://www.cogen.com.tw/csr/Stakeholder</a> ). The eight topics that concern stakeholders most include: economic sustainability, sustainable development strategy, corporate governance, OH&S, risk management/control, supply stability and reliability, talent cultivation and development, and renewable energy. Communication and response channels for stakeholders include: meetings of shareholders (at least once a year), investor conferences (quarterly) and participation in the seminars of related industries, periodic customer satisfaction surveys, labor-management meetings, and education and training, provision of the contact and grievance hotlines and emails for different stakeholder groups, and proper responses to the topics that concern stakeholders. Report communication with stakeholders to the BOD periodically (at least once a year). This year, the report was made to the BOD at the 16 <sup>th</sup> meeting of the 10 <sup>th</sup> BOD on December 20, 2019.	No material variation from the "Governance Best Practice".

Indicator	Status (NB)			variations and causes of variations from "Governance Best Practice"
	Yes	No	Summary Description	
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)? (3) Does the company announce and report its annual financial statements within two months after the end of a fiscal year, and announce and report in advance the financial statements of Q1, Q2, and Q3 and status of monthly operations?	V  V  V		(1) We disclose our financial, business, and governance information on the corporate website at <a href="http://www.cogen.com.tw">http://www.cogen.com.tw</a> . (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.  (3) We announce and report the annual financial statements and the financial statements of Q1, Q2, and Q3 and status of monthly operations by the respective time-limits and disclose them on the MOPS.	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. On June 21, 2019, we arranged courses including "Breach of Trust and Special Breach of Trust: A Case Study", "Criminal Liabilities of Unethical Behavior of Employees in the Private Sector", and "Investigation of the Related Legal Issues in the Internet Age" to publicize ethical corporate management, insider trading prevention, and the code of ethical conduct. In 2019, all independent directors and directors completed training for the length stated in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". 2. We hold labor-management meetings to maintain the rights and benefits of employees and establish an employee welfare committee to care for employees in various aspects, including arranging health examinations to take care of the physical and mental health of employees and organizing employee travels for employees to relieve work stress. In 2019 we organized the "Elderly Family-Friendly Workplace" talk and "Healthy and Energetic Life" activity to care about the health and work-life balance of employees. 3. We proactively and aggressively implement corporate and make continual improvement of related internal control system. 4. We have established a stakeholder section on the corporate website for stakeholders to express their opinions and make recommendations. 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.	No material variation from the "Governance Best Practice".

Indicator	Status (NB)			variations and causes of variations from “Governance Best Practice”
	Yes	No	Summary Description	
			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 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 6 <sup>th</sup> Corporate Governance Evaluation in 2019, we were ranked among the top 5% out of a total of 901 enterprises, suggesting that our governance was outstanding. In 2019, 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. Does the company assess the risk of environmental, social, and governance (ESG) issues in relation to company operations based on the materiality principles and establish policies or strategies in relation to risk management to enforce corporate governance? (Note 3)	V		<div>We have established the “CSR Promotion Committee” with the planning and investment administration department being the concurrent unit to promote CSR, implement related work, prepare the CSR report every year, identify the topics that concern/interest stakeholder groups relating to corporate operations and measure the level of impact of individual topics within and outside of the company according to the materiality principles, and assess related risks and establish management approaches and related risk management policies and strategies.</div> <table><tr><th>Material Topic</th><th>Risk Management Strategy</th></tr><tr><td>Environmental—Renewable Energy Development</td><td>We identify the potential risks caused by climate change and dedicate to energy conservation, carbon emission reduction, and environmental protection. With respect to the government policy, we actively develop renewable energy including solar energy, wind power, and geothermal energy.</td></tr><tr><td>Social— (1) OH&amp;S  (2) Talent developm ent</td><td>(1) Our measures and policies for OH&amp;S management include workplace safety maintenance, construction and operation safety, occupational hazard risk management, employee health management program and health checkup. We have also established the OH&amp;S committee to enhance OH&amp;S education and training and hold industrial safety meeting periodically for management. We have established an environmental policy to make continual improvement of workplace environment OH&amp;S management and passed ISO 45001 OH&amp;SMS certification.  (2) We have established management mechanisms covering talent recruitment, talent development, and performance evaluation; arrange periodic education and training for employees; encourage employees to take internal and external training courses; and assist with employee career development to enforce experience circulation within the organization.</td></tr><tr><td>Governance— (1) Economic performan ce  (2) Supply stability</td><td>(1) We are committed to improving existing IPP operational performance, active business cultivation, and enhancing caloric value alternative of tire derived fuel to reduce coal consumption and thereby fuel cost.  (2) We are specialized in providing high-efficiency and low-pollution energy services. We make</td></tr></table>	Material Topic	Risk Management Strategy	Environmental—Renewable Energy Development	We identify the potential risks caused by climate change and dedicate to energy conservation, carbon emission reduction, and environmental protection. With respect to the government policy, we actively develop renewable energy including solar energy, wind power, and geothermal energy.	Social— (1) OH&S  (2) Talent developm ent	(1) Our measures and policies for OH&S management include workplace safety maintenance, construction and operation safety, occupational hazard risk management, employee health management program and health checkup. We have also established the OH&S committee to enhance OH&S education and training and hold industrial safety meeting periodically for management. We have established an environmental policy to make continual improvement of workplace environment OH&S management and passed ISO 45001 OH&SMS certification.  (2) We have established management mechanisms covering talent recruitment, talent development, and performance evaluation; arrange periodic education and training for employees; encourage employees to take internal and external training courses; and assist with employee career development to enforce experience circulation within the organization.	Governance— (1) Economic performan ce  (2) Supply stability	(1) We are committed to improving existing IPP operational performance, active business cultivation, and enhancing caloric value alternative of tire derived fuel to reduce coal consumption and thereby fuel cost.  (2) We are specialized in providing high-efficiency and low-pollution energy services. We make
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<p>(3) Does the company assess the present and future potential risks and opportunities of climate change on the Company and take actions to related issues?</p>	<p>V</p>	<p>Taiwan Construction Research Institute, we have co-developed the controlled low-strength material (CLSM) for construction backfilling material by adding co-fired fly ash (CFFA) to cement. In 2019, we output 22,978 tons of CFFA, and all were recycled for reuse to form the circulatory economy, in order to reduce environmental impacts, enforce environmental protection, and fulfill CSR.</p> <p>(3) We keep constant track on the potential impacts on business activities of climate change and include climate change as a risk management item. Every year, we make rolling update of the risk management plan to timely adjust the operational strategy, establish countermeasures, and take concrete actions. The risks and opportunities from climate change identified in 2019 included:</p> <p>A. Climate change transition risk—Laws and policies</p> <table border="1"> <thead> <tr> <th>Item</th><th>Impact/Influence on TCC</th><th>Countermeasure</th></tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>New energy policy</li> <li>Fuel/energy tax</li> <li>Electricity-related laws</li> </ul> </td><td> <ul style="list-style-type: none"> <li>Losses on investments/development from policy or legal changes</li> <li>Plant operating cost rises after legal amendments</li> </ul> </td><td> <ul style="list-style-type: none"> <li>Real-time collection of information of government policies and legal amendment schedule to make early assessment of related impacts and take countermeasures.</li> <li>Make timely recommendations for competent authorities for external engagement.</li> </ul> </td></tr> <tr> <td> <ul style="list-style-type: none"> <li>Greenhouse Gas Reduction and Management Act</li> <li>Carbon Credit</li> </ul> </td><td>Limits on total GHG emissions increase operating cost.</td><td> <ul style="list-style-type: none"> <li>Reduce internal energy consumption to reduce carbon emissions.</li> <li>GHG inventory and management and power plan energy audit system</li> <li>Periodic maintenance and repair and replacement of old equipment to reduce energy consumption.</li> </ul> </td></tr> </tbody> </table> <p>B. Climate change physical risk—Extreme weather</p> <table border="1"> <thead> <tr> <th>Item</th><th>Impact/Influence on TCC</th><th>Countermeasure</th></tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>Warming</li> <li>Typhoons and storms</li> </ul> </td><td>Global warming results in temperature rises to increase extreme weather events, causing construction delays or operating</td><td> <ul style="list-style-type: none"> <li>Purchase related insurance to reduce huge-amount losses from disasters.</li> <li>Review project progress every week and make timely responses to</li> </ul> </td></tr> </tbody> </table>	Item	Impact/Influence on TCC	Countermeasure	<ul style="list-style-type: none"> <li>New energy policy</li> <li>Fuel/energy tax</li> <li>Electricity-related laws</li> </ul>	<ul style="list-style-type: none"> <li>Losses on investments/development from policy or legal changes</li> <li>Plant operating cost rises after legal amendments</li> </ul>	<ul style="list-style-type: none"> <li>Real-time collection of information of government policies and legal amendment schedule to make early assessment of related impacts and take countermeasures.</li> <li>Make timely recommendations for competent authorities for external engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Greenhouse Gas Reduction and Management Act</li> <li>Carbon Credit</li> </ul>	Limits on total GHG emissions increase operating cost.	<ul style="list-style-type: none"> <li>Reduce internal energy consumption to reduce carbon emissions.</li> <li>GHG inventory and management and power plan energy audit system</li> <li>Periodic maintenance and repair and replacement of old equipment to reduce energy consumption.</li> </ul>	Item	Impact/Influence on TCC	Countermeasure	<ul style="list-style-type: none"> <li>Warming</li> <li>Typhoons and storms</li> </ul>	Global warming results in temperature rises to increase extreme weather events, causing construction delays or operating	<ul style="list-style-type: none"> <li>Purchase related insurance to reduce huge-amount losses from disasters.</li> <li>Review project progress every week and make timely responses to</li> </ul>
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(4) The Guantian Power Plan, our operations location, has established the GHG management plan and implements GHG inventory and registration every year, with accuracy approved by third-party assurance (with respect to ISO 14064-1 and ISO 14064-3). Emissions in the last two years are as follows: In 2018, Scope 1 emissions were 420.510tCO <sub>2</sub> e. Scope 2 emissions were 3.133tCO <sub>2</sub> e (water consumption was 1,022,920 m <sup>3</sup> and total waste was 25,339 tons). In 2019, Scope 1 emissions were 366.715tCO <sub>2</sub> e. Scope 2 emissions were 4.344tCO <sub>2</sub> e (water consumption was 901,945m <sup>3</sup> and total waste was 23,018tons). The plant has also established an energy conservation to reduce total electricity consumption by 5% in 5 years from 2016. The estimated reduction in 2019 was 1.27%. The total reduction between 2015 and 2019 accumulated 5.52%, averaging 1.1% each year to achieve the target of 5% in 5 years. In response to the energy conservation target announced by the Bureau of Energy on October 30, 2019, we have extended the energy conservation plan to 2024 at a minimum of 1% each year. The Guantian Power Plant will continue the energy conservation plan																

			<p>to achieve energy conservation and carbon reduction. In water consumption management, as 99% of the steam generated by the cogeneration system can all be recycled through condensation, there is no waste of water. In addition, by reclaiming the condensate from steam consumed by users in the process to the cooling tower, we can improve the quality of cooling tower water and reduce raw water consumption at about 60,000 tons to achieve full water recycling. No waste from the Guantian Plant is hazardous, including inorganic sludge, household waste, fly ash, and soil thermal and fire-retardant materials. We also recycle 100% of fly ash as materials for making backfilling materials for construction. Non-recyclable waste is disposed of according to the Waste Disposal Act by qualified waste disposal contractor, with a recycling rate over 99.7%. We have also established policies and targets for energy conservation, carbon reduction, GHG reduction, water conservation, and waste management to enforce TCC's energy conservation, carbon reduction, and environmental protection goals.</p>	
<b>4. Social issues</b>				
(1) Does the company establish management policies and procedures in accordance with relevant laws and International Bill of Human Rights?	V		(1) We establish various management systems according to labor laws and regulations, make pension contributions by law, hold labor-management meetings periodically, and is committed to complying with international human rights conventions, such as the "Universal Declaration of Human Rights" and "UN Guiding Principles on Business and Human Rights" to protect the rights and interests of employees and eliminate differential treatment in employment. Apart from the "Measures for Prevention, Grievance, and Punishment of Sexual Harassment", and "Personnel Review Committee Regulations", we have established mechanisms and channels for employee grievances, including the human rights protection hotline and email and unethical behavior reporting hotline and email to protect human right.	No material variation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Does the company establish and implement reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflect business performance and achievements in the remuneration for employees?	V		(2) We plan, establish, and implement reasonable employee benefits, and have established the performance evaluation regulations and employee remuneration system. According to Article 36 of the company charter, if there is profit in the year, a minimum of 0.5% should be appropriated as remuneration for employees and a maximum of 1% as remuneration for directors, and the latter must not be higher than the former. In addition, the "Bonus Distribution Regulations" stipulate that the performance bonus in the employee's pay includes profit sharing and performance evaluation. Every year, performance evaluation and CSR-related items form part of the KPIs of the company's general goal. The performance of officers and employees are evaluated based on the achievement of the departmental KPIs, and bonuses are calculated according to the formulas to link the results of performance evaluation and the performance bonus and employee pay. The outstanding or improper performance of employees will be administered according to the "Reward and Punishment Regulations".	
(3) Does the company provide employees with a safe and	V		(3) We provide employees with a safe and healthy work	

<p>healthy work environment and arrange regular safety and health education for employees?</p>		<p>environment and offer education and training relating to OH&amp;S and employee health. We care about the health and safety protection of the workplace environment and arrange annual health checkup for employees.</p> <p>Related measures include:</p> <ol style="list-style-type: none"> <li>1. Taipei Office (including the wholly-owned subsidiary Star Energy) <ol style="list-style-type: none"> <li>(1) 24-hour security and access control at the main entrance, driveway, and ground floor lobby, and CCTV surveillance in common area such as stairs and parking in the building.</li> <li>(2) Public safety check and reporting by law through professional public safety contractors every two years.</li> <li>(3) Emergency generators at the basement to supply electricity for emergency lighting and evacuation route indication.</li> <li>(4) Fire safety check and related training courses two times a year, fire equipment self-inspection every quarter, and certification and reporting through fire safety engineers.</li> <li>(5) Daily cleaning of each floor, refrigerator, and common facilities; daily garbage collection and disposal by professional contractors; and carpet cleaning and disinfection two times a year.</li> <li>(6) Equipment of the health management center with nurses for enquiries in the building, and arrangement of courses relating to healthy lifestyle.</li> <li>(7) Arrangement of health checkups for employees every year; and equipment of nurses at the health center; arrangement of health education courses every year; and provision of health education and consultation services for employees.</li> <li>(8) Establishment of a OH&amp;S committee superior to the legal requirements at Star Energy which has passed OHSAS 18001 and ISO 14001 EMS certification. ISO 45001 OH&amp;SMS will be implemented in 2020.</li> </ol> </li> <li>2. Guantian Plant <ol style="list-style-type: none"> <li>(1) The Guantian Plant has only 43 workers. However, to achieve the OH&amp;S management goals, an OH&amp;S committee is established to periodically discuss projects to prevent occupational injury and protect OH&amp;S. The plant has passed ISO 14001 EMS certification (valid 2017/9/1-2020/8/31) and passed in 2019 ISO 45001 OH&amp;SMS (valid 2019/10/28-2022/10/27)</li> <li>(2) Outsourced workplace environmental monitoring biannually, including sulfuric acid tank site testing, dust testing, dose noise testing, and general noise testing.</li> <li>(3) Building public safety inspection and reporting by professional institutions every year.</li> <li>(4) Drills and education/training on fire safety and related disasters two times a year.</li> <li>(5) Monthly self-imposed inspection of security supervision of public hazardous substances and reporting to the local fire units for reference.</li> <li>(6) Constant review and improvement of the workplace environment and holding periodic industrial safety meetings</li> </ol> </li> </ol>	
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<p>(4) Does the company establish effective career development and training plans for employees?</p>	V		<p>and related OH&amp;S education/training courses to ensure occupational safety.</p> <p>(4) We systematically implement workforce strengthening programs and comprehensive talent development programs. Through the study of operations-related topics, workforce inventory, training system development, and connection with operational strategies and performance management, we enhance workforce strategic planning and workforce development programs of all terms. Every year, we provide employees with various education/training programs for competence development, such as orientation training for new employees, professional and competence training, supervisor training, and other general education. In 2019, we implemented the English Optimization Program to enhance the competitiveness of employees, the supervisor training program for developing management assistants, and offered a range of comprehensive and complete career development training programs. In addition, we have established the senior officer succession program. In addition to the professional competencies required for succession, the value of successor candidates should comply with the Company's integrity culture. We also timely promote excellent talents for succession.</p>	
<p>(5) Does the company comply with the related laws and regulations and international standards regarding the customer health and safety, customer privacy, market communication, and labeling of its products and services and establish policies to protect the rights and interests of customers and procedures for grievances?</p>	V		<p>(5) As an electricity supplier, our products do not need marketing and labeling. However, we handle the health, safety and privacy of customers according to related legal requirements. We have also passed ISO 9001 QMS certification. We value privacy and intellectual property rights of customers and sign non-disclosure agreements with customers as necessary to protect their confidential information and ensure employees of related business observe the NDA. Apart from surveying customer satisfaction every year, we have established the customer complaint handling procedures and arranged helplines and emails to ensure unfettered communication and grievance channels for customers.</p>	
<p>(6) Does the company establish supplier management policies and request suppliers to comply with the relevant laws and regulations of environmental protection, occupational safety or labor human rights? Does the company keep track on the implementation of such policies?</p>	V		<p>(6) We have established the supplier management policy and the supplier management and evaluation mechanisms to request suppliers to comply with related laws and regulations in environmental protection, OH&amp;S, or labor human rights. In the contracts, we request suppliers to abide by the "Labor Standards Act", "Occupational Safety and Health Act", "Labor Inspection Act", "Hazardous Workplace Review and Inspection Regulations", and their enforcement rules. In equipment procurement and project outsourcing, we carefully select suppliers complying with laws and regulations in the social aspects, such as integrity and ethics, product quality, supply cooperation, environmental protection, and occupational safety. We also request all suppliers having contracts with us to sign the "CSR Undertaking" to ensure their compliance with requirements covering service responsibility, human rights maintenance, integrity and ethics, and environmental protection. We will terminate contracts of suppliers breaching CSR-related</p>	

			requirements. We have also established a supplier evaluation mechanism to evaluate suppliers in terms of four aspects: reliability, price, quality, and delivery. Based on the evaluation results, suppliers are divided into four grades. Suppliers with grades C and D are unqualified and will be requested to make immediate improvement and submit a solution. In 2019, there were 159 qualified suppliers, and two unqualified suppliers were disqualified.	
5. Does the company, following internationally recognized guidelines, prepare and publish reports such as its corporate social responsibility report to disclose non-financial information of the company? Does the company apply for assurance or guarantee of such reports to a third-party certification body?	V		The 2019 CSR Report has been prepared in accordance with the Core disclosure principle of the GRI Standards and audited for limited assurance by Ernst & Young in accordance with 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 disclosure principle of the GRI Standards.	
6. 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”.				
7. Other important information that helps the public understand CSR operations: (1) Every year we publish the CSR report and fully disclose related information in the report available for downloading from MOPS or our corporate website ( <a href="http://www.cogen.com.tw/csr/csr_report">http://www.cogen.com.tw/csr/csr_report</a> ). (2) In both the Chinese and English corporate website, we have established the CSR section to disclose information relating to the topics that concern or interest stakeholders, CSR performance, and employee benefits. We also provide the CSR reports over the years for reference. (3) The CSR foci in 2019 include: a. the operation of the CSR Promotion Committee and the working groups; b. awards for constant participation in enterprise and environmental sustainability; c. increase in culture and education promotion and social participation activities, and planning of annual CSR activities of all terms. The CSR performance is as follows: a. Governance (G): Won the platinum award in the Corporate Sustainability Report Awards and TOP50 Corporate Sustainability Awards at the Taiwan Corporate Sustainability Awards (TCSA); ranked the Top 6-20% at the 5 <sup>th</sup> Corporate Governance Evaluation; became a component of the TWSE CG 100 Index; won Green Leadership Award at the 2019 Asia Responsible Enterprise Awards; and rated in the Top 100 Fastest Growing Enterprises by <i>CommonWealth Magazine</i> . b. Environmental (E): Rated as an Outstanding Green Purchase Enterprise in Taipei City for green purchase over NT\$8 million; Guantian Plant passed ISO 45001 certification and rated as the MOL National Outstanding OH&S Enterprise; used plastic chips as alternative fuel up to 32.77% to reduce coal consumption; assistance for consumption of waste tires; three IPP investees reduced emissions by 1,400,000tCO <sub>2</sub> e a year, equivalent to 3,600 Daan Forest Parks. c. Social (S): Participated in the “Grid Talents Development Alliance” to offer NT\$100,000 a year as scholarship; sponsored NT\$500,000 for the TPC FUN Electricity Camp; formed the volunteer teams; and encouraged employees to participate in various volunteer services (year-end dinner for the homeless; charitable tree plantation, and charitable fairs for up to 20,000 people) to enforce care for the vulnerable and social participation. d. Renewable energy: Invested in the commercial operations (5MW) of Shin Kuang Electric Energy; undertook TPC’s Yantian 150MW PV Site Project in Tainan; invested in 10.35MW Starbao Wind Farm and Chingshuei Geothermal Power Plant as long-standing support for renewable energy promotion and environmental sustainability. (4) CSR tasks for 2020: a. Complete the CSR report and acquire third-party assurance by June 2020. b. Implement CSR-related KPIs, including the performance of using plastic chips as alternative fuel, PV development, onshore wind power development, geothermal generation projects, renewable energy sales, and workforce enhancement. c. Enforce social participation in terms of three foci: charity care, cultural and educational cooperation, and sports promotion. d. Continue to operate the CSR Committee and working groups, and rolling review and planning of CSR implementation tasks.				

Note 1: If “yes” is selected for the performance, please state the important policies, strategies, and measures adopted and their effectiveness. If “no” is selected, please explain the reasons and state the future plans to adopt related policies, strategies, and measures.

Note 2: If a CSR report is available, please specify the method to access the CSR report or its index.

Note 3: The Materiality Principles refer to the ESG issues with significant impacts on the Company’s investors and other stakeholders.

(6) Performance of ethical corporate management and the differences and cause(s) of differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies (Ethical Corporate Management Best Practice):

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 establish policies for ethical corporate management approved by the board of directors and state such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies?	V		(1) After the partial amendment made with respect to the amendment to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” promulgated by the TWSE on May 23, 2019, the Company’s “Ethical Corporate Management Best Practice Principles” were approved by the 14th meeting of the 10th BOD on August 12, 2019. In addition, we have established the “Procedures for Ethical Management and Guidelines for Conduct” and the “Code of Ethical Conduct” to state our strategy and practice of ethical corporate management. We also request directors and members of senior management to sign a statement of compliance with ethical corporate management; employees not to offer or accept undue advantage of any type in any form when conducting business in related laws and regulations; and directors, officers, and employees to comply with the Company’s ethical corporate management policy to enforce our commitment on ethical corporate management. Related information is disclosed on our corporate website and in our CSR report.	No material variation from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company establish an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing at least the preventive measures stated in Article 7, paragraph 2, the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”?	V		(2) Every year we assess the risk of unethical behavior, analyze and assess business activities of higher risk of involvement in unethical behavior, and draw up audit programs for the reference of unethical behavior audit. The scope of audit covers the precautionary actions of various unethical behaviors stated in Article 7 of the “Ethical Corporate Management Best Practice Principles”. We have also established the “Procedures for Ethical Management and Guidelines for Conduct”, “Code of Ethical Conduct”, “Unethical Behavior Reporting Regulations”, “Internal Material Information Handling SOP”, and “Personnel Management Rules” for preventing unethical behavior. In 2019, related audit results were reported in the audit report submitted to the	



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 in the preventive programs the operating procedures to prevent unethical behavior, penalties and grievance systems of breaching the guidelines for conduct, and implement and periodically review and revise them?	V		17th meeting of the 10th BOD on March 20, 2020. (3) In our “Ethical Corporate Management Best Practice Principles”, we have stated the Company’s ethical corporate management policy and practices. Apart from establishing the “Procedures for Ethical Management and Guidelines for Conduct”, “Code of Ethical Conduct”, and “Internal Material Information Handling SOP”, we arrange related education and training for directors, officers, and employees regularly. In addition, we have established the “Unethical Behavior Reporting Regulations” to provide a mechanism and channel for reporting unethical behavior anonymously. Those who violate related regulations will be punished with reference to the “Reward and Punishment Regulations”. We periodically review the programs and SOPs for preventing unethical behavior and amend them in response to the amendment to related laws and regulations.	
2. Implementation of ethical management				
(1) Does the company evaluate the ethical record of its transaction parties and explicitly include clauses on ethical conduct in contracts?	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 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.	No material variation from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company establish a unit specializing in implementing ethical corporate management under the Board of Directors and report regularly (at least once a year) to the board of directors the status of implementation and supervision of the ethical corporate management policy and preventive programs of unethical behavior?	V		(2) We have established the “Ethical Corporate Management Best Practice Principles” approved by the BOD. Accordingly, the legal affairs office is the unit specializing in implementing ethical corporate management with sufficient resources and competent personnel. At least once a year it reports to the BOD the status of implementation and supervision of the ethical corporate management policy and programs for preventing unethical behavior. At the 17 <sup>th</sup> meeting of the 10 <sup>th</sup> BOD on March 20, 2020, the legal affairs office reported that 2019 ethical corporate management was implemented in compliance with the “Ethical Corporate	

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 and implement a policy to prevent conflicts of interest and provide suitable channels for reporting such conflicts?	V		<p>Management Best Practice Principles”. The status of implementation of ethical corporate management is as follows:</p> <p>A. Education and training: A number of education and training courses, such as “Breach of Trust and Special Breach of Trust: A Case Study” and “Criminal Liabilities of Unethical Behavior of Employees in the Private Sector”. External instructors, such as public prosecutors, were invited to provide education/training and publicity for preventing insider trading and ethical corporate management principles for a total of 43 person-times, including directors, officers, and employees, for a total of 4 hours.</p> <p>B. Compliance communication: To communicate ethical corporate management, at the executive meetings, we regularly request department heads to communicate to employees related laws and regulations, such as the “Ethical Corporate Management Best Practice Principles”, “Code of Ethical Conduct”, and “Insider Trading Prevention Regulations”. Department heads also verify if employees understand related regulations through the departmental meetings.</p> <p>C. Periodic check: Every year we assess the internal control system to assess the risk of involvement in unethical behavior in business activities. The audit unit shall conduct independent audits and report the results to the BOD to ensure the effective operation of the overall mechanism.</p> <p>D. Whistleblower system: We have established the reporting (whistleblower) regulations of unethical behavior. This substantial whistleblower system includes channels like hotlines and emails, acceptance of anonymous reports, protection of whistleblower identity, and proper handling of reports to realize ethical corporate management within the organization. In 2019 no unethical behavior was reported.</p> <p>(3) Apart from establishing the policy to prevent the conflict of interest, we state the regulations for avoidance and prevention of the conflict of interest in the “Ethical Corporate Management Best Practice Principles”,</p>	

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	
<p>(4) Does the company establish an effective accounting system and an internal control system for the internal audit unit to establish related audit programs based on the results of risk assessment of involvement in unethical behavior to audit and prevent the compliance with the preventive programs of unethical behavior or hire a CPA to perform the audit?</p> <p>(5) Does the company regularly organize internal and external education and training activities for ethical management?</p>	V		<p>“Regulations Governing the Procedure for BOD Meetings”, and “Personnel management Rules”. We also establish the reporting (whistleblower) regulations, designate the units and personnel specializing in accepting related reports, provide reporting channels like hotlines and emails, and accept anonymous reporting for the reference of implementation.</p> <p>(4) We have established an effective accounting system and internal control system. Based on the results of unethical behavior risk assessment, the internal audit unit draws up the audit programs every year for departments to identify the impact of risk of individual business items and implement self-assessment of internal controls for the audit unit to audit and report to the BOD. The results of the ethics and integrity audit in 2019 were reported to the 17<sup>th</sup> meeting of the 10<sup>th</sup> BOD on March 20, 2020.</p> <p>(5) In 2019, we organized two education and training courses: “Breach of Trust and Special Breach of Trust: A Case Study” and “Criminal Liabilities of Unethical Behavior of Employees in the Private Sector”; invited external instructors to publicize related laws and regulations, such as the Securities and Exchange Act, Company Act, and Criminal Code of the Republic of China for a 43 person-times, including directors, officers, and employees. We also encouraged employees to participated in related external education and training activities: 14 person-times for 44 hours.</p>	
<p>3. Operation of the corporate whistleblower system</p> <p>(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?</p> <p>(2) Does the company establish a standard operating procedure to investigate whistleblower complaints and related mechanisms to ensure confidentiality?</p> <p>(3) Does the company establish measures to protect whistleblowers against retaliation?</p>	V	V	<p>(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.</p> <p>(2) We have established the reporting (whistleblower) regulations, investigation SOPs, and related non-disclosure mechanism; and accept anonymous reporting. After acceptance, reports are handled according to related regulations. In 2019, no report was received.</p> <p>(3) We have established reporting regulations and measures to protect whistleblowers against retaliation and accept</p>	No material variation from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”

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	
			anonymous reporting..	
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 20, 2020 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 June, 2020 the Internal Audit Office reported to BOD the audit results of business ethics and integrity and that related recommendations had been properly replied. (3) Since 2016, the company's corporate governance evaluation has been ranked in the top 20% of the more than 800 listed companies evaluated, and it has been awarded the top 5% in 2017; in addition, it has also won the TCSA Taiwan Enterprise Award in 2019. With the renewal of the "Corporate Sustainability Excellence Award" and a component of the TWSE CG 100 Index, the Company strives to become a benchmark enterprise for corporate governance and integrity management.				

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

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

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

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

A. Internal control system statement

**Taiwan Cogeneration Corporation**  
**Statement of Internal Control System**

Date: March 20, 2020

With regards to the results of the 2019 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 2019 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 20, 2020 with the presence of all directors attended the meeting.

Taiwan Cogeneration Corporation

Signature of Chairman: Min-chieh Chang

Signature of General Manager: Kuang-Hsun 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
2019.05.10	BOD Meeting	<ol style="list-style-type: none"> <li>1. Approved for reference of the Company's consolidated financial statement of Q1 2019.</li> <li>2. Approved the amendment to the Company's "Procedures for Acquisition and Disposition of Assets".</li> </ol>
2019.06.20	General Meeting of Shareholders	<p>Important resolutions:</p> <ol style="list-style-type: none"> <li>1. Announcements <ol style="list-style-type: none"> <li>(1) 2018 Business Report.</li> <li>(2) Audit Committee's Audit Report on the 2018 Financial Statements.</li> <li>(3) External Endorsement/Guarantee Report.</li> <li>(4) Report on Remuneration for Directors and Employees in 2018.</li> </ol> <p>Meeting minutes and implementation: After presentation by the meeting chair and management, the above reports were reported to the meeting of shareholders for approval.</p> </li> <li>2. Ratification <ol style="list-style-type: none"> <li>(1) Ratification of the business report and financial statements of 2019. Meeting minutes: Resolution by voting of all attending shareholders—agreed by shareholders presenting 320,422,147 votes; disagreed by shareholders representing 137,186 votes; waiver by shareholders representing 9,327,346 votes. Ratification was approved as proposed by 97.13% of votes. Implementation: Ratification of profit distribution.</li> <li>(2) 2018 profit distribution Meeting minutes: Resolution by voting of all attending shareholders—agreed by shareholders presenting 321,002,147 votes; disagreed by shareholders representing 133,186 votes; waiver by shareholders representing 8,751,346 votes. Ratification was approved as proposed by 97.3% of votes. Implementation: The BOD set July 15, 2019 as the base day of distribution and August 8, 2019 the date of dividend distribution by resolution.</li> </ol> </li> <li>3. Discussions <ol style="list-style-type: none"> <li>(1) Amendment to the company charter Meeting minutes: Resolution by voting of all attending shareholders—agreed by shareholders presenting 320,980,147 votes; disagreed by shareholders representing 148,186 votes; waiver by shareholders representing 8,758,346 votes. Ratification was approved as proposed by 97.3% of votes. Implementation: Approved for registration by the MOEA on August 2, 2019, and announced on the corporate website.</li> <li>(2) Amendment to the "Notice for Director Election at Meetings of Shareholders". Meeting minutes: Resolution by voting of all attending shareholders—agreed by shareholders presenting 320,988,147 votes; disagreed by shareholders representing 143,186 votes; waiver by shareholders representing 8,758,346 votes. Ratification was approved as proposed by 97.3% of votes. Implementation: Announced on the corporate website on July 9, 2019 and implemented as amended afterwards.</li> <li>(3) Amendment to the "Procedures for Acquisition and Disposition of Assets". Meeting minutes: Resolution by voting of all attending shareholders—agreed by shareholders presenting 320,861,147 votes; disagreed by shareholders representing 150,186 votes; waiver by shareholders representing 8,875,346 votes. Ratification was approved as proposed by 97.26% of votes. Implementation: Announced on the corporate website on July 9, 2019 and implemented as amended afterwards.</li> <li>(4) Amendment to the "Procedures for Lending Funds to Others and Making Endorsement/Guarantee for Others". Meeting minutes: Resolution by voting of all attending shareholders—agreed by shareholders presenting 320,848,559 votes; disagreed by shareholders representing</li> </ol> </li> </ol>

		<p>164,774 votes; waiver by shareholders representing 8,873,346 votes. Ratification was approved as proposed by 97.26% of votes. Implementation: Announced on the corporate website on July 9, 2019 and implemented as amended afterwards.</p> <p>4. Others Abolition on the non-compete restriction on directors. Meeting minutes: Resolution by voting of all attending shareholders—agreed by shareholders presenting 320,980,147 votes; disagreed by shareholders representing 148,186 votes; waiver by shareholders representing 8,758,346 votes. Ratification was approved as proposed by 97.3% of votes. Implementation: Implemented as proposed.</p>
2019.06.21	BOD Meeting	<p>1. Approval of determining the 2018 ex-dividend date and related matters for cash dividend.</p> <p>2. Approval of establishment of the “Response to Requests from Directors SOP”.</p> <p>3. Approval of partial amendment to the “Audit Committee Charter” and “Rules of Procedure for Board Meetings”.</p> <p>4. Approval of the 2018 remuneration distribution for directors.</p>
2019.08.12	BOD Meeting	<p>1. Approval for reference of the consolidated financial statement of Q2 2019.</p> <p>2. Approval of subscription of new shares at NT\$330 million issued by Star Energy for capital increase.</p> <p>3. Approval of provision of guarantees with a maximum limit of NT\$204 million for Chingshui Geothermal.</p> <p>4. Approval of amendment to the items and contents of the internal control system in 2019.</p> <p>5. Approval of CGO appointment.</p>
2019.11.08	BOD Meeting	<p>1. Approval for reference of the consolidated financial statement of Q3 2019.</p> <p>2. Approval of the EPC contract and outsourcing of the “Tongxiao Salt Plant Cogeneration Equipment Replacement and Construction Project” with Taiyen Biotech.</p>
2019.12.20	BOD Meeting	<p>1. Approval of the Company’s “2019 Business Plan and Budget”.</p> <p>2. Approval of the CPA Assessment, CPA Appointment, and the Fees for CPA Audit and Certification Service for the Financial Statements and Taxes in 2019.</p> <p>3. Approval of the 2020 annual audit program.</p>
2020.03.20	BOD Meeting	<p>1. Approval of the AGM Time: 09:00; Mon, June 22, 2020. Place: International Convention Hall, 1F, No. 392, Ruiguang Road, Taipei City. Cause of Meeting: (1) Announcements a. 2019 Business Report b. Audit Committee’s Audit Report on the 2019 Financial Statements c. External Endorsement/Guarantee Report. d. Report on Remuneration for Directors and Employees in 2019. (2) Ratification a. Business report and financial statements of 2019. b. Profit distribution proposal of 2019. (3) Election Approval of the board election proposal. (4) Others Approval of the abolishment of the non-compete restriction on directors.</p> <p>2. Approval of the business report and financial statements of 2019.</p> <p>3. Approval of the 2019 profit distribution: Cash dividend at NT\$1.7/ share.</p> <p>4. Approval of the time of acceptance of shareholder proposals and director nomination: April 17-27, 2020. Proposals must be made by shareholders holding at least 1% of the total issued shares.</p>

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

(13) Resignation or relief of related personnel : None

Note: Related personnel refer to the chairperson, president, CAO, CFO, chief internal auditor, CGO, and CRDO.

## 5. CPA Fee

CPA Firm	Name of CPA		Audit Period	Remarks
Deloitte Taiwan	Jui-Husan Ho	Chien-Hsin Hsieh	FY 2019	-

### 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 2019 was NT\$330,000 for services including transfer of pricing report at NT\$155,000, annual report reading NT\$40,000, XBRL NT\$50,000, supplementary description for tax report NT\$40,000, and audit of non-management officer salary NT\$45,000..
- (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:

Replacement Date	January 1, 2020		
Cause and Description of Replacement	CPA rotation requested by law. Jui-Husan Ho will continue to be the responsible CPA from 2020, while CPA Jao-Mei Chen will replace CPA Chien-Hsin Hsieh.		
Termination or rejection by the client or CPA	<div>Concerned Party</div> Status	CPA	Client
	Voluntary Termination	NA	NA
	Rejection	NA	NA
Opinions other than “unqualified opinion” in the reports audited in the last two years and the reasons	NA		
Opinions different from the issuer	Yes		Principles or practice of accounting
			Disclosure of financial statements
			Scope or steps of audit
			Other
	No	V	
	Description		



Other items for disclosures (information required for disclosures as stated in Article 10, subparagraph 6, items 1-4 to 1-7, of these Principles)	NA
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(2) Succeeding CPAs:

Name of CPA Firm	Deloitte Taiwan
Name of CPAs	CPAs Jui-Husan Ho and Jao-Mei Chen
Date of Assignment	January 1, 2020
Consultations regarding the methods of accounting of specific transactions or the accounting principles and potential audit opinions of financial reports before assignment and the results	NA
Written report on the opinion differences between the successive CPAs and former CPAs.	NA

(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	2019		By 24 April 2020	
		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: Chien-yih Chen				
Director	Representative: Jao-hua Hsu				
Director	Representative: Yu-ming Lee				
Director	Representative: Chun-Ming TSAI				
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	(841,000)-	-	-	-
Director	Representative: Wei Ding				
Director	Hui-chu Liao	--	-	-	-
Independent director	Xiao-dong Chang	-	-	-	-
Independent director	Sin-hui Yen	-	-	-	-
Independent director	Yao-wen Lin	-	-	-	-
General Manager	Kuang-Hsun 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 None.

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 <sup>nd</sup> degree to top ten shareholders (Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Company Name/Name	Relationship	
Taiwan Power Company	162,954,279	27.66%	-	-	-	-	None	None	
Representative: Min-chieh Chang	-	-	-	-	-	-	None	None	
Representative: Chien-yih Chen	-	-	-	-	-	-	None	None	
Representative: Jao-hua Hsu	-	-	-	-	-	-	None	None	
Representative: Yu-ming Lee	-	-	-	-	-	-	None	None	
Representative: Guo-xin Chang	6,000	0.001%	-	-	-	-	None	None	
Representative: Chun-Ming Tsai	-	-	-	-	-	-	None	None	
Ta Ya Electric Wire & Cable Co., Ltd	12,976,093	2.2%	-	-	-	-	None	None	
Responsible person: Shang-hong Shen	-	-	-	-	-	-	None	None	
TECO Corporation	11,527,432	1.96%	-	-	-	-	None	None	
Representative: Hong-xiang Lin	-	-	-	-	-	-	None	None	
Jin Hong Investments	10,534,214	1.79%	-	-	-	-	None	None	Couple of Jin Hong Responsible person
Representative: Wei Ding	114	0.00002%	-	-	-	-	None	None	
Jianxeng Investment Co.,Ltd.	10,439,000	1.77%	-	-	-	-	None	None	
Responsible person: Ye-chia Yen	4,696,000	0.79%	-	-	-	-	None	None	-
Bo Han Investments	9,117,000	1.55%	-	-	-	-	None	None	
Responsible person: Yi-xian Chen	136,000	0.023%	-	-	-	-	None	None	
Formosa Heavy Industries	9,060,384	1.54%	-	-	-	-	None	None	
Representative: Chien-nan Lin	-	-	-	-	-	-	None	None	
Chi-Ho Security Co. ,Ltd.	5,295,000	0.9%	-	-	-	-	None	None	
Representative: Wen-ke Hsu			-	-	-	-	None	None	
Len-yuan Wang Fund Investment Special Account of Cathay Bank	5,000,000	0.85%	-	-	-	-	None	None	Couple of Ye-yin Hong Wang
Ye-yin Hong Wang Fund Investment Special Account of Cathay Bank	5,000,000	0.85%	-	-	-	-	None	None	Couple of Len-yuan Wang

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 2020)

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	101,040,000	100.00	-	-	101,040,000	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.	35,833,827	29.31	-	-	34,127,455	29.31
Taiwan Cogeneration International Corporation <sup>1</sup>	22,260,000	100.00	-	-	22,260,000	100.00
Kuo Kuang Power Co., Ltd.	114,730,000	35.00	-	-	114,730,000	35.00
Kaohsiung Arena Development Corp.	20,000,000	8.00	-	-	20,000,000	8.00
Yi Yuan Corp.	15,300,000	51.00	-	-	15,300,000	51.00
TCC Green Energy corporation	17,500,000	100.00			17,500,000	100.00
Chingshuei Geothermal Power Corporation			12,750,000	51.00	12,750,000	51.00
Shin Kuang Electric Energy Co. Ltd.			-	100.00	-	100.00
Starbao Power Corporation			17,787,000	100.00	17,787,000	100.00
Shinlee Product Inc.			1,650,000	41.25	1,650,000	41.25
Redondo Peninsula Energy, Inc.			8,446,047	25.00	8,446,047	25.00

<sup>1</sup> A subsidiary registered in the Virgin Islands.

#### IV. Fund Raising

##### 1. Capitals and shares

###### (1) Equity sources

Unit: Shares/NT\$ by 24 April 2020

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 24 April 2020

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 24 April 2020

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign institutions and individuals	Total
Number of shareholders	1	30	136	35,676	118	38,121
Quantity of shareholdings	162,954,279	22,147,673	101,537,019	264,780,102	37,629,522	589,048,595
Proportion of shareholdings	27.66%	3.76%	17.24	44.95%	6.39%	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 24 April 2020

Ranking of shareholding	Number of shareholders	Quantity of shareholding	Proportion of shareholding (%)
1 to 999	8,386	1,938,339	0.33
1,000 to 10,000	23,219	71,123,309	12.07
10,001 to 20,000	2,208	32,627,732	5.54
20,001 to 30,000	711	18,034,843	3.06
30,001 to 40,000	326	11,600,198	1.97
40,001 to 50,000	233	10,725,697	1.82
50,001 to 100,000	470	33,722,393	5.72
100,001 to 200,000	213	29,629,050	5.03
200,001 to 400,000	87	23,505,015	3.99
400,001 to 600,000	35	17,627,876	2.99
600,001 to 800,000	17	11,642,056	1.98
800,001 to 1,000,000	14	12,792,476	2.17

1,000,001 and above	42	314,079,611	53.33
Total	35,961	589,048,595	100.00

(4) List of major shareholders

Face value: NT\$10/share; by 24 April 2020

Shareholder	Shares	Shareholding	Proportion (%)
Taiwan Power Corporation		162,954,279	27.66
Ta Ya Electric Wire & Cable Co., Ltd.		12,976,093	2.2
TECO Corporation		11,527,432	1.96
Jin Hong Investments Co., Ltd.		10,534,214	1.79
Jianxeng Investment Co., Ltd.		10,439,000	1.77
Bo Han Investments Co., Ltd.		9,117,000	1.55
Formosa Heavy Industries Corporation		9,060,384	1.54
Chi-Ho Security Co., Ltd.		5,295,000	0.9
Len-yuan Wang Fund Investment Special Account of Cathay Bank		5,000,000	0.85
Ye-yin Hong Wang Fund Investment Special Account of Cathay Bank		5,000,000	0.85

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

Item			Year	2018	2019	By 24 April 2020 (Note 8)
Market price per share (Note 1)	Highest			30.80	31.00	35.80
	Lowest			24.60	24.95	25.85
	Average			26.48	27.48	31.65
Net value per share (Note 2)	Before allocation			19.92	20.31	-
	After allocation			18.42	(Note 9)	-
EPS	Weighted average of shares (1,000 shares)			589,049	589,049	-
	EPS (Note 3)	Unadj.		1.14	1.86	-
		Adj.		1.14	(Note 9)	-
Dividend per share	Cash dividend			1.5	(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)			23.23	14.77	-
	P/P ratio (Note 6)			17.65	(Note 9)	-
	Cash dividend yield (Note 7)			5.66%	(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 2019 profit distribution has been approved by BOD. The cash dividend is NT\$1.7 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\$1.7/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
- 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 2.7% 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. Changes in the actual amount of distribution in the future will be recognized as changes in accounting estimates and registered in the next fiscal year after adjustment.
- C. Information on the proposal on compensation distribution made by BOD:
- 1) According to the BOD proposal, the compensation for employees in 2019 was NT\$28,249,967 and the remuneration for directors was NT\$10,449,264. Both amounts are consistent with amounts adopted in the 2019 Financial Statement..
  - 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.
- D. 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 actual distribution of the company's employee compensation of RMB 25,754,713 and directors' compensation of RMB 7,393,091 in 2018 were all paid in cash. The same amount as recognized in the 2018 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 2025.

#### 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. However, doubting that the evaluation process of the competent authority would be unfavorable to the general public, Filipino consumer groups filed a petition of the Filipino supreme court, which voided the evaluation procedure of that competent authority in May 2019. As a result, nearly 100 electricity purchase contracts submitted for evaluation by RP Energy were rejected, and participation in the

new round of open tendering is required. Due to the performance delay of the above matters the completed EPC contracts and the overdue syndicated loan contract require new discussion and execution. Currently, RP Energy has completed the planning of new units for significant enhancement of plant efficiency. In the future, we will continue to strive for the electricity purchase and syndicated loan contracts, and the plant construction project will be delayed accordingly due to the said matters.

## V. Business Activities

### 1. Business contents

#### (1) Scope of business

##### A. Major business at present

- 1) Construction (planning, design, procurement, installation, project management, and financial planning) of power plants, cogeneration plants, renewable energy plants, and substations.
- 2) Investments, operations, and management of power plants, cogeneration plants, and renewable energy plants.
- 3) Undertaking, technical, and consultation services of projects relating to power plants, cogeneration plants, substation, and renewable energy plants.
- 4) Development of new energy.

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

#### Income and Proportion of Major Business Items in 2019

Expressed in NT\$1,000

Income from Major Business Items	Amount	Percentage
Sales	970,601	13
Engineering income	6,152,879	86
Research, consulting and construction services	62,606	1
Total	7,186,086	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 held the 5<sup>th</sup> opening tendering from LNG IPPs Using Combined Cycle Power Generation Sets (500MW) contract in April 2019. 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 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 6.5GW by 2020 and 20GW in 2025, and the new targets for other forms of energy by 2025 include: onshore wind power at 1.2GW, offshore wind power at 3GW, offshore wind power at 5.5GW, geothermal power at 200MW, biomass energy at 813GW, hydropower at 2.15GW, and fuel cell at 60MW, totaling 29.923GW.

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

a. Photovoltaic—One Million PV Roofs Project

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

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

In onshore wind power, excellent wind farms will be prioritized, and secondary wind farms will follow suit. The 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.

d. Biomass electricity generation

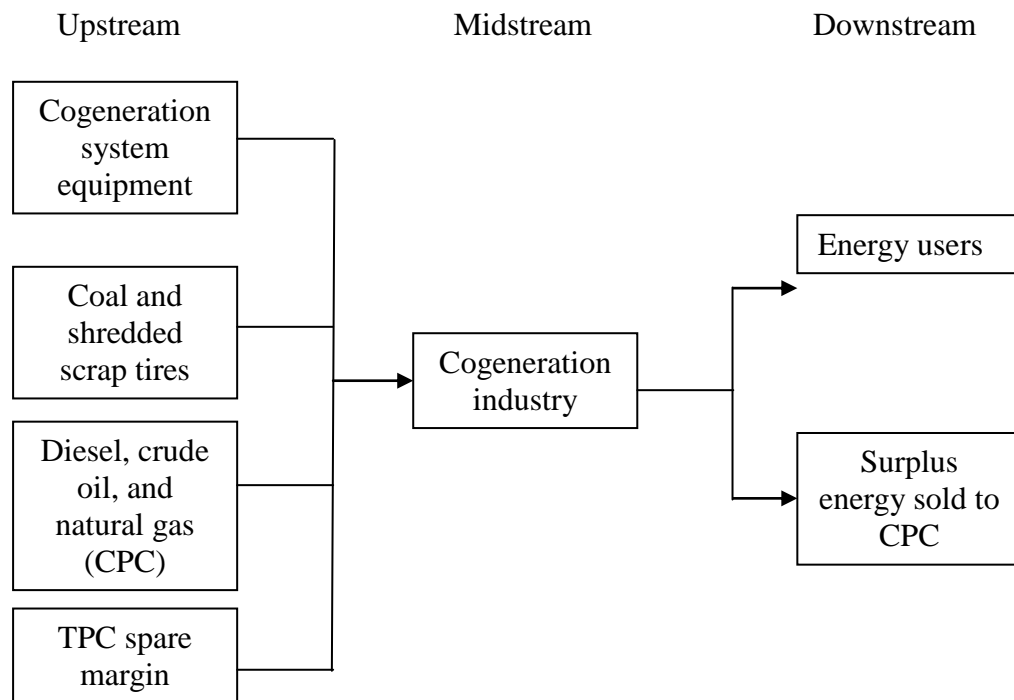
To increase the use of self-determined resources, aggressive use of domestic biomass resources (waste, agricultural and forestry materials, paddy stalks, used oil, the stool of poultry and livestock, sewage, and sludge) will be prioritized, and the domestic industry chain and supporting measures (e.g.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

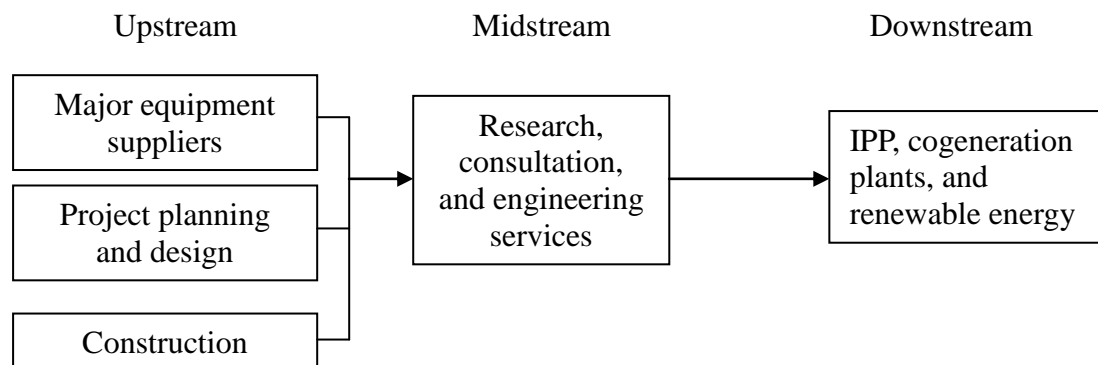
As economic growth continues in mainland China and Southeast Asia, local electricity demand will rise accordingly, bringing greater and more opportunities for the investment or construction of cogeneration plants, IPPs, renewable energy plants, and substations.

### C. Industry chain relationship

#### 1) Cogeneration plants



#### 2) Research, consultation, and engineering services



#### D. Product development trends

##### 1) Cogeneration industry

Critical power supply in recent years has been relieved. It is estimated that the space for increased purchase of remaining power from cogeneration plants will progressively reduce. Compared to the high period of critical supply in 2014-2016, the volume of remaining power wholesale has reduced 22% in the last three years. Despite the triple effects: energy efficient, economical, and eco-friendly, or cogeneration units, due to the reduction in incentives and the migration of traditional industries, the cogeneration industry will be affected.

##### 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 to the 2025 Power Supply Plan lately announced by the Executive Yuan in coordination with the government's "no nuke home" and the liberalization of the electricity industry policies, two new IPPs will be approved, each with one LNG generation set in service in 2020 and 2021 respectively to raise the reserve margin above 17% in 2023. Therefore, IPPs will continue to play a decisive role in Taiwan's electricity market.

##### 3) Renewable energy

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 6.5GW by 2020 and 20GW in 2025, and the new targets for other forms of energy by 2025 include: onshore wind power at 1.2GW, offshore wind power at 5.5GW, geothermal power at 200MW, biomass energy at 813GW, hydropower at 2.15GW, and fuel cell at 60MW, totaling 29.923GW.

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

Currently, wind power (including onshore and offshore) generation, PV, generation with biomass energy, and geothermal generation are the key types of renewable energy 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) Actively cultivate renewable energy investments, such as PV, onshore wind power, offshore wind power, geothermal generation, and biofuel generation...and develop an operations team to promote the sales of renewable energy.
- 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	2018		2019	
	Amount	%	Amount	%
Domestic sales	3,814,274	100	7,186,086	100
Export sales	—	—	—	—
Total	3,814,274	100	7,186,086	100

B. Market shares

1) Market share of installation capacity on the cogeneration market

Item	2017	2018	2019
Independent cogeneration systems	8,069	8,109.7	7,967
Taiwan Cogeneration Corporation	48	48	48
Market share	0.59%	0.59%	0.60%

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	50.6	2004.3 commercial operation
Sun Ba	Fengde #1and #2	Natural gas	101.2	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./Lee Jei Energy Corp./Taimei Thermal 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

	2018				2019				By 2020 Q1 (Note 2)			
Item	Supplier	Amount (NT\$1,000)	Percentage in annual net purchase amount	Relationship with this Company	Supplier	Amount (NT\$1,000)	Percentage in annual net purchase amount	Relationship with this Company	Supplier	Amount (NT\$1,000)	Percentage in annual net purchase amount	Relationship with this Company
1	Sino-Indo Co., Ltd	457,244	13.58	-	TSEC Corporation	1,440,161	21.59	-	--	-	-	-
2								-	-	-	-	-
3												
4	Others	2,910,895	86.42		Others	5,231,195	78.41		-	-	-	-
	Net purchase amount	3,368,139	100		Net purchase amount	6,671,356	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	2018				2019				By 2020 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	2,120,933	55.61	Director	Taiwan Power Company	4,149,809	57.75		-	-	-	
2	Taiwan Power Company	621,232	16.29		Ø rsted Energy Co., Ltd.	740,198	10.30	Director	-	-	-	
3									-	-	-	
4	Others	1,072,109	28.10		Others	2,296,079	31.95		-	-	-	
	Net sales amount	3,814,274	100.00		Net sales amount	7,186,086	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	2018			2019		
			Capacity	Volume	Value (NT\$1,000)	Capacity	Volume	Value (NT\$1,000)
Cost of sales	Power	MWh	366,910	340,215	511,985	357,463	273,368	419,469
	Steam	m.t	415,520	315,592	207,132	411,161	326,256	239,437
	PV	MWh	6,233	6,233	20,846	16,794	16,794	42,672
	Others		-	-	3,143	-	-	11,425
Research, consulting and construction services					2,625,033			5,958,353
Total					3,368,139			6,671,356

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

Vol/Val Major Product	Year	Unit	2018				2019			
			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	302,623	725,222	-	-	241,778	559,443	-	-
	Steam	m.t	315,592	293,400	-	-	326,356	319,335	-	-
	PV	MWh	6,233	37,592	-	-	16,794	79,911	-	-
	Others			3,378	-	-	-	11,912	-	-
Research, consulting and construction services			-	2,754,682	-	-	-	6,215,485	-	-
Total			-	3,814,274	-	-	-	7,186,086	-	-

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 24 April 2020

Year		2018	2019	By 24 April 2020 (Note)
Numbers of Employees	Direct manpower	104	131	143
	Indirect manpower	105	132	148
	Total	209	263	291
Average Age		46.66	44.15	43.53
Average Seniority		8.79	7.26	6.70
Education Distribution	Doctorate	0.96%	1.14%	1.03%
	Master	17.70%	23.95%	23.02%
	University, College	73.68%	68.82%	70.45%
	High school	7.18%	5.70%	5.15%
	High school below	0.48%	0.38%	0.34%

Note: Fill in data by the date of report publication

4. Information on environmental protection expenditure

(1) Losses and fines due to pollution by the date of report publication: 100,000 yuan, including 0 yuan in 2019 years, 100,000 yuan in 2018 years, 0 yuan in 2017 years.

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

1. 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.
2. According to the needs and expectations of interested parties, the installation of soundproof walls in the factory area was completed in November of 2018, at a cost of about 800,000 yuan.
3. According to the compliance of the regulations, the sampling wells were set up in December of 2018, and the cost was about 250,000 yuan.

4. Optimized the EP panel interval during the annual repair in February 2020 to enhance dust collection efficiency. As it is covered by the contractor's warranty, no extra cost is required. The dust collection effect is good after the adjustment.
5. Stormwater/sewage diversion on the plant according to the water pollution prevention regulations and the park service center requirements will be completed by the end of September 2020, with a cost estimated at NT\$2 million.

## 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 of 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 of report publication, we maintained labor relation harmonic and no additional loss from labor dispute was reported, no such loss will be expected.



## Important contracts

Type of Contract	Client	Contract Term	Description	Restrictions
Fuel procurement contract	Sino-Indo Co., Ltd.	2019.1~2019.6 2019.7~2019.8	Kuan-tien Plant Coal Supply Agreement	-
Fuel procurement contract	Lee Jei Energy Corp.	2018.10~2018.11 2019.1~2019.3	Kuan-tien Plant Coal Supply Agreement	-
Fuel procurement contract	Taimei Thermal Energy Co., Ltd.	2019.6-2019.7 2019.8-2019.11	Kuan-tien Plant Coal Supply Agreement	-
Syndicated loan agreement	Mizuho Bank	2019.9-2021.9	Bank Mortgage	-
Financial contract	Agricultural Bank of Taiwan	2019.6-2021.6	Bank Credit Loan	
Financial contract	Taiwan Bank	2019.8-2021.8	Bank Credit Loan	
Financial contract	Chang Hua Bank	2017.6-2020.6	Bank Credit Loan	
Financial contract	First Commercial Bank	2019.8-2021.8	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	Xinnong Technology Co., Ltd.	10 years since 2019.2.01	Guan-tien Plant Electricity Sales Agreement	
Engineering contract	Ø rsted Energy Co., Ltd.	2018.11.6	Dachanghua Wind Power CHW01+02a Onshore Substation Turnkey Project	
Engineering contract	Taiyan Industrial Co., Ltd.	2019.10.1	New construction of replacement of steam and electricity symbiosis equipment in Tongxiao Refinery	

## 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 2020(Note 3)
Item		2015	2016	2017	2018	2019	
Current assets		1,560,215	1,592,410	1,351,555	2,929,066	5,598,642	-
Property, plant and equipment(Note2)		417,479	442,729	568,045	849,782	1,516,774	-
Intangible assets		11,669	7,821	9,331	4,054	6,643	-
Other assets (Note2)		12,940,932	12,993,483	13,322,383	12,978,364	13,307,404	-
Total assets		14,930,295	15,036,443	15,251,314	16,761,266	20,429,463	-
Current liabilities	Before allocation	949,912	718,032	640,532	2,191,523	4,298,564	-
	After allocation	1,715,675	1,424,890	1,406,295	3,075,096	(Note4)	-
Non-current liabilities		2,494,461	2,654,133	2,732,562	2,699,177	4,028,740	-
Total liabilities	Before allocation	3,444,373	3,372,165	3,373,094	4,890,700	8,327,304	-
	After allocation	4,210,136	4,079,023	4,138,857	5,774,273	(Note4)	-
Equity attributed to owners of the parent		11,485,922	11,664,278	11,878,220	11,731,804	11,965,110	-
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	5,028,392	5,192,542	5,458,764	5,345,857	5,557,744	-
	After allocation	4,262,629	4,485,684	4,693,001	4,462,284	(Note4)	-
Other Equity		67,350	81,556	9,583	(4,233)	17,186	-
Treasury stock		-	-	-	-	-	-
Non-control Equity		-	-	19,693	138,762	137,049	-
Total equity	Before allocation	11,485,922	11,664,278	11,878,220	11,870,566	12,102,159	-
	After allocation	10,720,159	10,957,420	11,112,457	10,986,993	(Note4)	-

\* 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 2015-2019 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 2019 profit distribution is pending for resolution by the 2020 AGM.

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

**Condensed Consolidated Statement of Comprehensive Income**

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

Item \ Year	Financial Information Over the Past Five Years (Note1)					By 31 March 2019 (Note 3)
	2015	2016	2017	2018	2019	
Operating revenue	1,546,915	1,178,012	1,209,414	3,814,274	7,186,086	-
Gross profit (loss)	316,110	334,060	310,145	477,325	543,119	-
Profit (loss) from operations	138,740	153,459	99,263	262,794	302,941	-
Non-operating income and expenses	1,015,145	836,791	888,279	413,374	799,697	-
Profit before income tax	1,153,885	990,250	987,542	676,168	1,102,638	-
Profit from continuing operations	1,061,901	948,966	967,067	668,864	1,096,335	-
Loss of discontinued operations	-	-	-	-	-	-
Net Profit	1,061,901	948,966	967,067	668,864	1,096,335	-
Other comprehensive income (loss), net of income tax	10,103	(3,969)	(70,467)	(30,784)	18,831	-
Total comprehensive income	1,072,004	944,997	896,600	638,080	1,115,166	-
Net profit attributed to the owner of parent company	1,061,901	948,966	971,874	672,295	1,098,048	-
Net profit attributed to non-control equity	-	-	(4,807)	(3,431)	(1,713)	-
Total comprehensive income attributed to the owner of parent company	1,072,004	944,997	901,407	641,511	1,116,879	-
Total comprehensive income attributed to non-control equity	-	-	(4,807)	(3,431)	(1,713)	-
EPS	1.80	1.61	1.65	1.14	1.86	-

\* 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 2015-2019 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 2019
		2015	2016	2017	2018	2019	
Current assets		466,720	490,706	593,515	487,775	1,123,490	-
Property, plant and equipment(Note2)		416,987	424,714	397,831	391,923	406,813	-
Intangible assets		373	22	1,481	2,518	2,793	-
Other assets (Note2)		13,534,095	13,807,574	14,012,913	13,929,317	14,619,239	-
Total assets		14,418,175	14,723,016	15,005,740	14,811,533	16,152,335	-
Current liabilities	Before allocation	466,515	432,603	433,913	476,309	775,941	-
	After allocation	1,232,278	1,139,461	1,199,676	1,359,882	( Note4 )	-
Non-current liabilities		2,465,738	2,626,135	2,713,300	2,603,420	3,411,284	-
Total liabilities	Before allocation	2,932,253	3,058,738	3,147,213	3,079,729	4,187,225	-
	After allocation	3,698,016	3,765,596	3,912,976	3,963,302	( Note4 )	-
Equity attributed to owners of the parent		11,485,922	11,664,278	11,858,527	11,731,804	11,965,110	-
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	5,028,392	5,192,542	5,458,764	5,345,857	5,557,744	-
	After allocation	4,262,629	4,485,684	4,693,001	4,462,284	( Note4 )	-
Other Equity		67,350	81,556	9,583	(4,233)	17,186	-
Treasury stock		-	-	-	-	-	-
Non-control Equity		-	-	-	-	-	-
Total equity	Before allocation	11,485,922	11,664,278	11,858,527	11,731,804	11,965,110	-
	After allocation	10,720,159	10,957,420	11,092,764	10,848,231	( Note4 )	-

\* 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 2015-2019 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 2019 profit distribution is pending for resolution by the 2020AGM.

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 2020 (Note 3)
	2015	2016	2017	2018	2019	
Revenue	1,145,384	961,909	875,954	1,059,931	1,662,911	-
Gross profit (loss)	256,142	271,445	231,898	337,804	259,788	-
Profit (loss) from operations	111,324	124,944	80,016	176,490	91,902	-
Non-operating income and expenses	1,042,455	864,233	912,333	529,672	1,021,140	-
Profit before income tax	1,153,779	989,177	992,349	706,162	1,113,042	-
Profit from continuing operations	1,061,901	948,966	971,874	672,295	1,098,048	-
Loss of discontinued operations	-	-	-	-	-	-
Net Profit	1,061,901	948,966	971,874	672,295	1,098,048	-
Other comprehensive income (loss), net of income tax	10,103	(3,969)	(70,467)	(30,784)	18,831	-
Total comprehensive income	1,072,004	944,997	901,407	641,511	1,116,879	-
Net profit attributed to the owner of parent company	1,061,901	948,966	971,874	672,295	1,098,048	-
Net profit attributed to non-control equity	-	-	-	-	-	-
Total comprehensive income attributed to the owner of parent company	1,072,004	944,997	901,407	641,511	1,116,879	-
Total comprehensive income attributed to non-control equity	-	-	-	-	-	-
EPS	1.80	1.61	1.65	1.14	1.86	-

\* 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 2015-2019 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
2015	Deloitte Taiwan	Wan-yi Liao, CPA Chien-Hsin Hsieh, CPA	unqualified-modified wording
2016	Deloitte Taiwan	Wan-yi Liao, CPA Chien-Hsin Hsieh, CPA	Unqualified opinion
2017	Deloitte Taiwan	Jui-Husan Ho, CPA Chien-Hsin Hsieh, CPA	Unqualified opinion
2018	Deloitte Taiwan	Jui-Husan Ho, CPA Chien-Hsin Hsieh, CPA	Unqualified opinion
2019	Deloitte Taiwan	Jui-Husan Ho, CPA Chien-Hsin Hsieh, CPA	Unqualified opinion

## 2. Financial analysis of the past five years

### Consolidated Financial Analysis

Year(Note 1) Subject(Note 3)		Financial Analysis for the Past Five Years					By 31 March 2019 (Note 3)
		2015	2016	2017	2018	2019	
Financial structure (%)	Liabilities to assets ratio	23.07	22.43	22.12	29.18	40.76	-
	Long-term capital to property, plant and equipment ratio	3348.76	3234.13	2572.12	1714.53	1063.50	-
Solvency (%)	Current ratio (%)	164.25	221.77	211.01	133.65	130.24	-
	Quick ratio (%)	108.89	173.02	159.45	66.91	34.60	-
	Times interest earned	2574	2787	2981	2123	3040	-
Utility	A/R turnover (time)	5.14	6.53	6.84	13.69	16.14	-
	Average days of cash receipts	71	56	53	27	23	-
	Inventory turnover (time)	33.78	30.84	46.91	56.02	49.77	-
	A/P turnover (time)	12.17	8.65	11.75	5.90	3.95	-
	Average daily sales	11	12	8	7	7	-
	Property, plant and equipment turnover (time)	3.21	2.74	2.39	5.38	6.07	-
	Total assets turnover (time)	0.10	0.08	0.08	0.24	0.39	-
Profitability	Return on assets (%)	7.22	6.54	6.57	4.35	6.06	-
	Return on equity (%)	9.30	8.2	8.22	5.63	9.15	-
	Net income before tax as a percentage of paid-in capital (%) (Note 9)	19.59	16.81	16.77	11.48	18.72	-
	Net profit rate (%)	68.65	80.56	79.96	17.54	15.26	-
	EPS (NT\$)	1.80	1.61	1.65	1.14	1.86	-
Cash flow (%)	Cash flow ratio	151.82	128.58	122.24	26.35	9.62	-
	Cash flow adequacy ratio	131.19	113.95	121.38	112.01	78.65	-
	Cash reinvestment ratio	3.17	0.98	0.46	-1.14	-2.60	-
Leverage	Operation leverage	2.36	2.02	2.49	1.61	1.61	-
	Financial leverage	1.64	1.32	1.53	1.15	1.14	-
Reasons for changes in financial ratios in the past 2 years: (for changes of over 20%)							
<ol style="list-style-type: none"> <li>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 2019.</li> <li>Increase in stock turnover times and reduction in average sales days: These are the results of the coal price rise in 2019, which increased the sales cost.</li> <li>Increase in payable turnover times: It is mainly due to the increase in operating cost and reduction of payables in 2019.</li> <li>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 2019.</li> <li>Increase in operational leveraging: It is mainly due to the reduction of operating income in 2019.</li> <li>Increase in profitability-related ratio: mainly due to the increase in profit and loss for the current period in 2019 years.</li> <li>Cash flow related ratios reduced mainly because of the reduction of net operating cash flow and the increase in current liabilities, long-term investments, and equipment in 2019.</li> </ol>							

\*

### Individual Financial Analysis

Year(Note 1) Subject(Note 3)		Financial Analysis for the Past Five Years					By 31 March 2020 (Note 3)
		2015	2016	2017	2018	2019	
Financial structure (%)	Liabilities to assets ratio	20.34	20.78	20.97	20.79	25.92	-
	Long-term capital to property, plant and equipment ratio	3345.83	3364.71	3662.82	3657.66	3,779.72	-
Solvency (%)	Current ratio (%)	100.04	113.43	136.78	102.41	144.79	-
	Quick ratio (%)	97.38	111.17	134.6	99.95	83.83	-
	Times interest earned	2594	2787	2995	2243	3705	-
Utility	A/R turnover (time)	6.44	7.04	7.55	8.34	7.85	-
	Average days of cash receipts	56.65	51.82	48.34	43.78	46.48	-
	Inventory turnover (time)	38.45	35.99	52.06	56.74	49.77	-
	A/P turnover (time)	13.96	9.87	8.80	8.80	8.88	-
	Average daily sales	9.49	10.14	7.01	6.43	7.33	-
	Property, plant and equipment turnover (time)	2.39	2.29	2.13	2.68	4.16	-
	Total assets turnover (time)	0.08	0.07	0.06	0.07	0.11	-
Profitability	Return on assets (%)	7.53	6.72	6.73	4.69	7.25	-
	Return on equity (%)	9.3	8.2	8.26	5.70	9.27	-
	Net income before tax as a percentage of paid-in capital (%) (Note 9)	19.59	16.79	16.85	11.99	18.90	-
	Net profit rate (%)	92.71	98.65	110.95	63.43	66.03	-
	EPS (NT\$)	1.8	1.61	1.65	1.14	1.86	-
Cash flow (%)	Cash flow ratio	308.4	224.44	186.36	207.85	97.98	-
	Cash flow adequacy ratio	157.3	141.61	137.87	135.89	119.33	-
	Cash reinvestment ratio	3.15	1.27	0.62	1.38	-0.72	-
Leverage	Operation leverage	2.17	1.98	2.62	1.75	2.57	-
	Financial leverage	1.71	1.42	1.75	1.23	1.51	-

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

1. Increase in current and quick ratios: It is mainly due to the increase in current assets (cash and cash equivalent) in 2019.
2. Reduction of cash reinvestment ratio: The current ratio increased mainly because of the increase in the current assets (AR and project advances) in 2019.
3. Increase in operational and financial leveraging: It is mainly due to the reduction of operating income in 2019.
4. Real estate, plant and equipment turnover increased: Mainly due to the increase in net sales in 2019 years.
5. Increase in profitability-related ratio: mainly due to the increase in profit and loss for the current period in 2019 years.
6. Cash flow related ratios reduced mainly because of the reduction of net operating cash flow and the increase in current liabilities and long-term investments in 2019.
7. Increased operating leverage and financial leverage: Mainly due to the decrease in operating profit in 2019 years.

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

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

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

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

Note 3: Due to the special nature of capital leases, the amount of interest from capital leases and releases receivable relating to such capital releases should be eliminated when calculating A/R turnover rate and average 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 = (Gross 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 2019 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

2019 Annual General Meeting of Shareholders

Signatures of Audit Committee Convener: Xin-hui Yan

Date: March 20, 2020

4. Financial statements of the previous year

**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, 2019 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, 2019 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, 2019. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2019.

Very truly yours,

TAIWAN COGENERATION CORPORATION

By



CHANG, MIN-CHIEH  
Chairman

March 20, 2020

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Taiwan Cogeneration Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Taiwan Cogeneration Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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, 2019. 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 2019 consolidated financial statements are as follows:

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

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

The FTC concluded that the 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, 2019, 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, 2019, the claims on the administrative proceedings and civil action in progress against these associates amounted to NT\$18,540 million and NT\$12,306 million, respectively.

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

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

#### Evaluation of Profit and Loss on the Construction Contract

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

The Group has entered into a construction contract related to large-scale solar power generation in the south area of Taiwan. The construction service revenue and construction service cost of the aforementioned contract recognized for the year ended December 31, 2019 were NT\$3,610,270 thousand and NT\$3,538,039 thousand, respectively, representing 50% and 53% of the Group's consolidated operating revenues and consolidated operating costs, respectively. The percentage of completion and related profit from the construction contract were anticipated and determined by the Group's management based on the nature of activities, expected sub-contracting charges, construction periods, progress, methods, etc., and involve critical accounting judgements made by the management; thus, evaluation of profit and loss on the construction contract is considered as one of the key audit matters.

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

#### **Other Matter**

We have also audited the separate financial statements of Taiwan Cogeneration Corporation as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 20, 2020

#### 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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 962,019	5	\$ 1,096,720	7
Contract assets (Notes 4, 5, 20, 22 and 29)	3,566,984	17	1,262,711	8
Notes receivable (Notes 4, 7, 22 and 29)	93,242	-	779	-
Accounts receivable (Notes 4, 7 and 22)	316,647	2	307,283	2
Accounts receivable from related parties (Notes 4, 22 and 29)	111,974	1	60,517	-
Finance lease receivables (Notes 4 and 8)	715	-	-	-
Other receivables (Notes 24 and 29)	2,658	-	1,029	-
Inventories (Notes 4 and 9)	6,175	-	8,544	-
Prepaid construction costs	396,014	2	79,559	-
Prepaid value-added tax	69,314	-	74,523	-
Other financial assets (Note 30)	25,049	-	30,064	-
Other current assets	47,851	-	7,337	-
Total current assets	5,598,642	27	2,929,066	17
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4, 5, 10 and 28)	267,600	1	247,000	2
Investments accounted for using the equity method (Notes 4, 12 and 30)	12,671,996	62	12,545,053	75
Property, plant and equipment (Notes 4 and 13)	1,516,774	8	849,782	5
Right-of-use assets (Notes 4 and 14)	126,813	1	-	-
Intangible assets (Notes 4 and 15)	6,643	-	4,054	-
Deferred income tax assets (Notes 4, 5 and 24)	138,281	1	128,141	1
Prepayments for equipment	2,310	-	34,776	-
Refundable deposits	64,355	-	23,394	-
Other financial assets (Note 30)	36,049	-	-	-
Total non-current assets	14,830,821	73	13,832,200	83
TOTAL	\$ 20,429,463	100	\$ 16,761,266	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 875,000	4	\$ 700,000	4
Contract liabilities (Notes 4, 5, 20, 22 and 29)	621,340	3	99,362	1
Notes payable	12,971	-	15,229	-
Accounts payable	68,607	-	78,394	-
Construction costs payable	2,404,734	12	799,625	5
Accounts payable to related parties (Note 29)	1,158	-	1,158	-
Other payables (Note 17)	157,653	1	142,501	1
Current income tax liabilities (Notes 4 and 24)	1,617	-	36,947	-
Provisions (Notes 4, 18 and 20)	100,771	1	41,554	-
Lease liabilities (Notes 4 and 14)	25,808	-	-	-
Current portion of long-term borrowings (Notes 16 and 30)	25,517	-	273,777	2
Other current liabilities	3,388	-	2,976	-
Total current liabilities	4,298,564	21	2,191,523	13
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 30)	3,714,938	18	2,553,203	15
Lease liabilities (Notes 4 and 14)	105,209	1	-	-
Net defined benefit liabilities (Notes 4, 5 and 19)	123,593	1	118,521	1
Guarantee deposits received	85,000	-	27,453	-
Total non-current liabilities	4,028,740	20	2,699,177	16
Total liabilities	8,327,304	41	4,890,700	29
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)				
Share capital				
Common stock	5,890,486	29	5,890,486	35
Capital surplus	499,694	2	499,694	3
Retained earnings				
Legal reserve	1,428,312	7	1,361,083	8
Special reserve	2,947,108	14	3,200,533	19
Unappropriated earnings	1,182,324	6	784,241	5
Total retained earnings	5,557,744	27	5,345,857	32
Other equity	17,186	-	(4,233)	-
Total equity attributable to owners of the Corporation	11,965,110	58	11,731,804	70
NON-CONTROLLING INTERESTS	137,049	1	138,762	1
Total equity	12,102,159	59	11,870,566	71
TOTAL	\$ 20,429,463	100	\$ 16,761,266	100

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



# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 22 and 29)				
Sales	\$ 970,601	13	\$ 1,059,592	28
Construction service	6,152,879	86	2,647,702	69
Consulting service	<u>62,606</u>	<u>1</u>	<u>106,980</u>	<u>3</u>
Total operating revenues	<u>7,186,086</u>	<u>100</u>	<u>3,814,274</u>	<u>100</u>
OPERATING COSTS (Notes 23 and 29)				
Cost of sales	713,003	10	743,106	19
Construction service	5,907,924	82	2,553,150	67
Consulting service	<u>50,429</u>	<u>1</u>	<u>71,883</u>	<u>2</u>
Total operating costs	<u>6,671,356</u>	<u>93</u>	<u>3,368,139</u>	<u>88</u>
GROSS PROFIT	514,730	7	446,135	12
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>28,389</u>	<u>-</u>	<u>31,190</u>	<u>1</u>
REALIZED GROSS PROFIT	543,119	7	477,325	13
OPERATING EXPENSES (Note 23)	<u>240,178</u>	<u>3</u>	<u>214,531</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>302,941</u>	<u>4</u>	<u>262,794</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 29)	24,882	-	26,554	1
Other gains and losses (Note 23)	(10,466)	-	5,399	-
Finance costs (Note 23)	(37,661)	-	(33,552)	(1)
Share of profit or loss of associates accounted for using the equity method (Note 12)	<u>822,942</u>	<u>11</u>	<u>414,973</u>	<u>11</u>
Total non-operating income and expenses	<u>799,697</u>	<u>11</u>	<u>413,374</u>	<u>11</u>
PROFIT BEFORE INCOME TAX	1,102,638	15	676,168	18
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(6,303)</u>	<u>-</u>	<u>(7,304)</u>	<u>-</u>
NET PROFIT	<u>1,096,335</u>	<u>15</u>	<u>668,864</u>	<u>18</u>

(Continued)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	\$ (2,675)	-	\$ (17,713)	(1)
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	20,600	1	21,200	1
Share of unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income of associates accounted for using the equity method	(4,357)	-	(23,068)	(1)
Share of remeasurement of defined benefit plans of associates accounted for using the equity method	(478)	-	(2,906)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 24)	<u>565</u>	<u>-</u>	<u>3,651</u>	<u>-</u>
	13,655	1	(18,836)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>5,176</u>	<u>-</u>	<u>(11,948)</u>	<u>-</u>
Other comprehensive income (loss), net of income tax	<u>18,831</u>	<u>1</u>	<u>(30,784)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,115,166</u>	<u>16</u>	<u>\$ 638,080</u>	<u>17</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,098,048	15	\$ 672,295	18
Non-controlling interests	<u>(1,713)</u>	<u>-</u>	<u>(3,431)</u>	<u>-</u>
	<u>\$ 1,096,335</u>	<u>15</u>	<u>\$ 668,864</u>	<u>18</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,116,879	16	\$ 641,511	17
Non-controlling interests	<u>(1,713)</u>	<u>-</u>	<u>(3,431)</u>	<u>-</u>
	<u>\$ 1,115,166</u>	<u>16</u>	<u>\$ 638,080</u>	<u>17</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.86</u>		<u>\$ 1.14</u>	
Diluted	<u>\$ 1.86</u>		<u>\$ 1.14</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Equity Attributable to Owners of the Corporation					Other Equity			Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income		
			Legal Reserve	Special Reserve						
BALANCE, JANUARY 1, 2018	\$ 5,890,486	\$ 499,694	\$ 1,263,896	\$ 3,133,898	\$ 1,060,970	\$ (49,041)	\$ 58,624	\$ -	\$ 19,693	\$ 11,878,220
Effect of retrospective application	-	-	-	-	(1,103)	-	(58,624)	58,624	-	(1,103)
BALANCE, JANUARY 1, 2018 AS RESTATED	5,890,486	499,694	1,263,896	3,133,898	1,059,867	(49,041)	-	58,624	19,693	11,877,117
Appropriation of 2017 earnings										
Legal reserve	-	-	97,187	-	(97,187)	-	-	-	-	-
Special reserve	-	-	-	66,635	(66,635)	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	(765,763)	-	-	-	-	(765,763)
	-	-	97,187	66,635	(929,585)	-	-	-	-	(765,763)
Share of transaction cost attributable to issue of new ordinary shares of associates accounted for using the equity method	-	-	-	-	(1,368)	-	-	-	-	(1,368)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	122,500	122,500
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	672,295	-	-	-	(3,431)	668,864
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(16,968)	(11,948)	-	(1,868)	-	(30,784)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	655,327	(11,948)	-	(1,868)	(3,431)	638,080
BALANCE, DECEMBER 31, 2018	5,890,486	499,694	1,361,083	3,200,533	784,241	(60,989)	-	56,756	138,762	11,870,566
Appropriation of 2018 earnings										
Legal reserve	-	-	67,229	-	(67,229)	-	-	-	-	-
Special reserve	-	-	-	4,233	(4,233)	-	-	-	-	-
Reversal of special reserve	-	-	-	(257,658)	257,658	-	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	(883,573)	-	-	-	-	(883,573)
	-	-	67,229	(253,425)	(697,377)	-	-	-	-	(883,573)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	1,098,048	-	-	-	(1,713)	1,096,335
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(2,588)	5,176	-	16,243	-	18,831
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,095,460	5,176	-	16,243	(1,713)	1,115,166
BALANCE, DECEMBER 31, 2019	\$ 5,890,486	\$ 499,694	\$ 1,428,312	\$ 2,947,108	\$ 1,182,324	\$ (55,813)	\$ -	\$ 72,999	\$ 137,049	\$ 12,102,159

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,102,638	\$ 676,168
Adjustments for:		
Depreciation expense	93,634	43,219
Amortization expense	1,986	1,616
Interest expense	37,499	33,428
Interest income	(5,252)	(9,824)
Dividend income	(8,000)	(8,000)
Share of profit or loss of associates accounted for using the equity method	(822,942)	(414,973)
Impairment loss	952	7,526
Unrealized loss on foreign currency exchange	2,157	366
Gain on reversal of warranty cost on construction	(2,065)	(473)
Realized gain on transactions with associates	(28,389)	(31,190)
Construction service costs	5,409	-
Construction service revenue	(55,219)	-
Other losses	1,459	183
Changes in operating assets and liabilities		
Contract assets	(2,249,054)	(1,040,854)
Notes receivable	(92,463)	(93)
Accounts receivable	(9,364)	(217,135)
Accounts receivable from related parties	(51,457)	37,142
Other receivables	(376)	10
Inventories	2,369	(1,729)
Prepaid construction costs	(316,455)	(79,559)
Other current assets	(40,514)	3,229
Prepaid value-added tax	5,209	(12,743)
Contract liabilities	521,978	99,362
Notes payable	(2,258)	(2,978)
Accounts payable	(9,787)	15,874
Construction costs payable	1,605,605	632,986
Other payables	19,474	14,561
Provisions	61,282	23,445
Other current liabilities	412	(57)
Net defined benefit liabilities	2,397	(859)
Cash used in operations	(229,135)	(231,352)
Interest received	5,708	9,232
Dividends received	731,401	855,971
Interest paid	(41,524)	(35,283)
Income tax paid	(52,917)	(21,146)
Net cash generated from operating activities	<u>413,533</u>	<u>577,422</u>

(Continued)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for right-of-use assets	\$ (225)	\$ -
Payments for property, plant and equipment (Note 26)	(702,340)	(276,516)
Proceeds from disposal of property, plant and equipment	3,165	7,209
Increase in refundable deposits	(40,961)	(7,152)
Increase in other financial assets	(31,033)	-
Payments for computer software	(1,865)	(3,865)
Decrease in finance lease receivables	8,535	-
Increase in prepayments for equipment	<u>(2,310)</u>	<u>(42,780)</u>
Net cash used in investing activities	<u>(767,034)</u>	<u>(323,104)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	175,000	700,000
Proceeds from long-term borrowings	5,643,500	3,551,980
Repayments of long-term borrowings	(4,730,025)	(3,620,000)
Increase in guarantee deposits received	57,547	21,558
Repayments of the principal portion of lease liabilities	(41,371)	-
Dividends paid to owners of the Corporation	(883,573)	(765,763)
Increase in non-controlling interests	<u>-</u>	<u>122,500</u>
Net cash generated from financing activities	<u>221,078</u>	<u>10,275</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(2,278)</u>	<u>(291)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(134,701)	264,302
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,096,720</u>	<u>832,418</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 962,019</u>	<u>\$ 1,096,720</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s Board of Directors on March 20, 2020.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

#### IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both the lessee and the lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement Contains a Lease”, and a number of related interpretations. Refer to Note 4 for related accounting policies.

### Definition of a lease

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

### The Group as a lessee

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

The Group elected to apply IFRS 16 retrospectively on January 1, 2019. There was no impact on the Group's retained earnings from the retrospective application on January 1, 2019. Comparative information was not restated.

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

The Group applied the following practical expedients:

- 1) The Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounted for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group used hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.10%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 was explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 110,177
Less: Recognition exemption for short-term leases	(1,400)
Less: Recognition exemption for leases of low-value assets	<u>(1,956)</u>
Undiscounted amount on January 1, 2019	<u>\$ 106,821</u>
Discounted amount using the incremental borrowing rate on January 1, 2019	<u>\$ 100,474</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 100,474</u>

#### The Group as a lessor

Except for sublease transactions, the Group did not make any adjustments to leases in which it is a lessor, and accounted for those leases with the application of IFRS 16 starting from January 1, 2019.

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

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 was set out as follows:

	As Originally Stated as of January 1, 2019	Adjustments Arising from Initial Application	Restated as of January 1, 2019
Finance lease receivables - current	\$ -	\$ 8,731	\$ 8,731
Finance lease receivables - non-current	-	751	751
Right-of-use assets	-	<u>90,992</u>	90,992
Total effect on assets		<u>\$ 100,474</u>	
Lease liabilities - current	-	\$ 35,844	35,844
Lease liabilities - non-current	-	<u>64,630</u>	64,630
Total effect on liabilities		<u>\$ 100,474</u>	

- b. The IFRSs endorsed by the FSC for application starting from 2020

New, Amended or Revised Standards and Interpretations (The "New IFRSs")	Effective Date Announced by the International Accounting Standards Board (IASB)
Amendment to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)



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

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

As of the date the consolidated financial statements were authorized for issue, the initial application of the above New IFRSs would not have any material impact on the Group's financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

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

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

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

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

### **Basis of Consolidation**

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income or loss of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 11 and Table 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

### **Foreign Currencies**

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

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

### **Impairment of Financial Assets**

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

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

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

### **Inventories**

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

### **Financial Assets at Fair Value through Other Comprehensive Income**

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

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

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

### **Investment in Associates**

The Group uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income or loss of the associate. The Group also recognizes the changes in the Group's share of equity of associates. When an indication of impairment is identified in an investment, a loss is recognized.

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

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

## **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Major additions, replacements and betterments are capitalized; while maintenance and repairs are expensed currently.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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.

On derecognition of property, plant and equipment, the related cost and accumulated depreciation and impairment loss are removed from the accounts and the resulting gains or losses are included in profit or loss.

## **Intangible Assets**

Computer software is amortized on a straight-line basis over 1 to 5 years.

Other intangible asset represents the Grade A comprehensive construction registration certificate of Star Energy Corporation. Due to its renewable nature, it has an indefinite useful life; thus, it is not amortized but tested for impairment, at least, annually. The useful life of such asset is reviewed at each balance sheet date to determine whether events and circumstances continue to support the assessment of the indefinite useful life.

Intangible assets - right-of-use assets are the rights to the superficies of the site for the construction of the Cingshuei geothermal power generation plant that the Group acquired from the Yilan county government in accordance with the investment agreement “Yilan Cingshuei Geothermal Power Generation Build, Reconstruction, Operation, and Transfer” (referred to also as “Cingshuei Geothermal Contract”); these right-of-use assets are amortized over the contract period.

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Impairment of Assets**

When the carrying amount of an asset (mainly including property, plant and equipment, right-of-use assets and intangible assets) exceeds its recoverable amount, the excess is recognized as an impairment loss. A reversal of the impairment loss is recognized if there is a subsequent recovery in the value of the asset. However, the carrying amount after reversal cannot exceed the original cost less accumulated depreciation or amortization.

## **Provisions**

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

## **Revenue Recognition**

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

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

Revenue from consulting service is recognized when services are provided.

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

The Group signed the Cingshuei Geothermal Contract with the Yilan county government for a service concession arrangement that requires the Group to construct and operate the public infrastructure of the Cingshuei geothermal power generation equipment. The Group recognizes construction revenue and contract assets over time with reference to the stand-alone selling price of the construction services provided. The contract assets are transferred to intangible assets - concession when the construction is completed. During the operation phase, the Group recognizes the service concession income when it sells power to TPC and obtains benefits.

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

## **Leases**

### 2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

#### **a. The Group as a lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, accounted for by applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus initial direct costs and is presented as a finance lease receivable.

b. The Group as a lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets except for those that meet the definition of investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which they are incurred.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Group as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Group as a lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### **Employee Benefits**

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liability represents the actual deficit in the Group's defined benefit plans.

### **Taxation**

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

a. Current income tax

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

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

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

b. Deferred income tax

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

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

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

c. Current and deferred income tax for the year

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

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

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

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

a. Fair Trade Act ruling, appeal and litigation against associates

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

b. Profit and loss evaluation of construction contracts

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



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

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

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

d. Recognition and measurement of defined benefit plans

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

e. Realizability of the deferred income tax assets

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 2,698	\$ 1,978
Checking accounts and demand deposits	646,689	814,015
Cash equivalents		
Time deposits	<u>312,632</u>	<u>280,727</u>
	<u>\$ 962,019</u>	<u>\$ 1,096,720</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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Demand deposits	0.01%-0.23%	0.01%-0.10%
Time deposits	0.60%-2.20%	0.78%-2.83%

## 7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 93,242</u>	<u>\$ 779</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 316,647</u>	<u>\$ 307,283</u>

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Up to 60 days	<u>\$ 93,242</u>	<u>\$ 779</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Up to 60 days	\$ 295,640	\$ 120,871
61-90 days	-	184,870
91-120 days	-	451
121-180 days	19,465	-
More than 180 days	<u>1,542</u>	<u>1,091</u>
	<u>\$ 316,647</u>	<u>\$ 307,283</u>

The balances of receivables aged from 121 to 180 days on December 31, 2019 had been collected in February 2020. The balances of receivables aged from 61 to 90 days on December 31, 2018 had been collected in January 2019.

## 8. FINANCE LEASE RECEIVABLES

2019

**December 31,  
2019**

### Undiscounted lease payments

Year 1	\$ 715
Year 2	-
Year 3	-
Year 4	-
Year 5	-
	<u>715</u>
Less: Unearned finance income	-
Lease payments receivable	<u>715</u>
Net investment in leases presented as finance lease receivables	<u>\$ 715</u>

The Group subleased its leasehold office premises to associates since February 2017 with annual fixed lease payments referenced to the head lease agreement. As the Group subleased the leasehold office premises for all the remaining lease term of the head lease to the sublessees, the sublease contracts were classified as finance leases. The subleases were previously classified as operating leases under IAS 17; refer to Note 3 and Note 14 (Lease Arrangements d. subleases) for the details.

The interest rates inherent in leases were fixed at the contract dates for the entire term of the lease. The average effective interest rate contracted was approximately 1.10%.

The Group measured the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. As of December 31, 2019, no finance lease receivable was past due. The Group did not recognize a loss allowance for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables.

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Raw materials	<u>\$ 6,175</u>	<u>\$ 8,544</u>

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### **Investments in Equity Instruments at FVTOCI**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Non-current</u>		
Domestic investments		
Unlisted shares		
Kaohsiung Arena Development Corporation ("KADC")	<u>\$ 267,600</u>	<u>\$ 247,000</u>

The investment in KADC is not held for trading. Instead, it is held for medium to long-term strategic purposes. Accordingly, the management elected to designate this investment in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long-term purposes.

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

## 11. SUBSIDIARIES

Name of Investor	Name of Subsidiary	Main Businesses	Percentage of Ownership	
			December 31	
			2019	2018
The Corporation	Star Energy Corporation ("SEC")	Undertaking and installing of power and water resources engineering projects	100	100
The Corporation	Taiwan Cogeneration International Corporation ("TCIC")	Investment in foreign countries and international trading	100	100
The Corporation	Yi Yuan Corporation ("YYC")	Investment in geothermal power plant	51	51
The Corporation	TCC Green Energy Corporation ("TGE")	Investment in green power plant	100	100
TGE	Shin Kuang Electric Energy Co., Ltd. ("SKE")	Power generation	100	100
SEC	Starbao Power Corporation ("SPC")	Power generation	100	100
SEC	Sing Ye Green Energy Corporation ("SYC")	Power generation	100	-
YYC	Chingshuei Geothermal Power Corporation ("CGPC")	Power generation	100	-

On November 12, 2018, the Corporation participated in a capital raising of YYC in proportion to the percentage of the Corporation's equity interest in YYC. The investment in YYC increased by \$127,500 thousand.

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

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

On December 25, 2018, SEC invested \$20,000 thousand and established SPC. SEC owned 100% equity interest in SPC. Subsequently, on October 8, 2019, SEC participated in a capital raising of SPC. The investment in SPC increased by \$157,870 thousand.

On April 9, 2019, SEC invested \$47,000 thousand and established SYC preparatory office. SEC owned 100% equity interest in SYC. As of December 31, 2019, the procedure of registration was not completed.

On May 23, 2019, YYC invested \$250,000 thousand and established CGPC. YYC owned 100% equity interest in CGPC.

On September 11, 2019, the Corporation participated in a capital raising of SEC. The investment in SEC increased by \$330,000 thousand.

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

Refer to Table 6 for the nature of activities, principal places of business and countries of incorporation of the subsidiaries.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Investments in associates</u>		
Material associates		
Ta-Yuan Cogeneration Company (“TYC”)	\$ 530,016	\$ 514,758
Sun Ba Power Corporation (“Sun Ba”)	5,371,035	5,290,524
Star Energy Power Corporation (“SEPC”)	2,324,285	2,275,995
Star Buck Power Corporation (“SBPC”)	2,232,998	2,147,991
Kuo Kuang Power Company Ltd. (“KKPC”)	<u>1,990,259</u>	<u>2,025,240</u>
	12,448,593	12,254,508
Associates that are not individually material	<u>223,403</u>	<u>290,545</u>
	<u>\$ 12,671,996</u>	<u>\$ 12,545,053</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sun Ba	\$ 422,236	\$ 411,199
SBPC	202,247	167,423
SEPC	171,603	142,796
TYC	43,040	40,612
KKPC	54,741	(216,090)
Associates that are not individually material	<u>(70,925)</u>	<u>(130,967)</u>
	<u>\$ 822,942</u>	<u>\$ 414,973</u>

### a. Material associates

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
TYC	29.31%	29.31%
Sun Ba	43.00%	43.00%
SEPC	40.50%	40.50%
SBPC	41.27%	41.27%
KKPC	35.00%	35.00%

Refer to Table 6 for the nature of activities, principal places of business and countries of incorporation of the associates.

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

Name of Associate	December 31	
	2019	2018
TYC	<u>\$ 915,554</u>	<u>\$ 827,591</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	
	2019	2018
Current assets	\$ 939,677	\$ 932,427
Non-current assets	2,863,846	2,207,018
Current liabilities	(1,149,638)	(909,142)
Non-current liabilities	<u>(832,204)</u>	<u>(471,679)</u>
Equity	1,821,681	1,758,624
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 1,821,681</u>	<u>\$ 1,758,624</u>
Proportion of the Group's ownership	29.31%	29.31%
Equity attributable to the Group	\$ 533,948	\$ 515,466
Unrealized gain with associates	<u>(3,932)</u>	<u>(708)</u>
Carrying amount	<u>\$ 530,016</u>	<u>\$ 514,758</u>
	For the Year Ended December 31	
	2019	2018
Operating revenues	<u>\$ 1,629,623</u>	<u>\$ 1,778,517</u>
Net profit	\$ 146,843	\$ 138,556
Other comprehensive loss	<u>(13,926)</u>	<u>(78,381)</u>
Total comprehensive income	<u>\$ 132,917</u>	<u>\$ 60,175</u>
Dividends received from TYC	<u>\$ 20,476</u>	<u>\$ 30,715</u>

Sun Ba

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 4,150,539	\$ 4,578,230
Non-current assets	12,242,008	12,822,536
Current liabilities	(1,980,105)	(2,483,029)
Non-current liabilities	<u>(1,770,314)</u>	<u>(2,445,983)</u>
Equity	12,642,128	12,471,754
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 12,642,128</u>	<u>\$ 12,471,754</u>
Proportion of the Group's ownership	43.00%	43.00%
Equity attributable to the Group	\$ 5,436,115	\$ 5,362,854
Unrealized gain with associates	(67,167)	(74,417)
Goodwill	<u>2,087</u>	<u>2,087</u>
Carrying amount	<u>\$ 5,371,035</u>	<u>\$ 5,290,524</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	<u>\$11,527,494</u>	<u>\$10,872,196</u>
Net profit	\$ 981,945	\$ 956,278
Other comprehensive loss	<u>(1,571)</u>	<u>(1,783)</u>
Total comprehensive income	<u>\$ 980,374</u>	<u>\$ 954,495</u>
Dividends received from Sun Ba	<u>\$ 348,300</u>	<u>\$ 405,060</u>

SEPC

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 1,785,397	\$ 1,506,195
Non-current assets	6,911,131	7,484,100
Current liabilities	(1,385,324)	(1,472,334)
Non-current liabilities	<u>(1,374,660)</u>	<u>(1,687,727)</u>
Equity	5,936,544	5,830,234
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 5,936,544</u>	<u>\$ 5,830,234</u>
Proportion of the Group's ownership	40.50%	40.50%
Equity attributable to the Group	\$ 2,404,301	\$ 2,361,245
Unrealized gain with associates	<u>(80,016)</u>	<u>(85,250)</u>
Carrying amount	<u>\$ 2,324,285</u>	<u>\$ 2,275,995</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	<u>\$ 6,361,712</u>	<u>\$ 5,705,071</u>
Net profit	\$ 423,710	\$ 352,583
Other comprehensive income (loss)	<u>600</u>	<u>(4,871)</u>
Total comprehensive income	<u>\$ 424,310</u>	<u>\$ 347,712</u>
Dividends received from SEPC	<u>\$ 128,790</u>	<u>\$ 117,855</u>

**SBPC**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 1,634,185	\$ 1,777,085
Non-current assets	9,473,043	9,700,144
Current liabilities	(1,315,097)	(1,497,392)
Non-current liabilities	<u>(3,706,535)</u>	<u>(4,053,854)</u>
Equity	6,085,596	5,925,983
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 6,085,596</u>	<u>\$ 5,925,983</u>
Proportion of the Group's ownership	41.27%	41.27%
Equity attributable to the Group	\$ 2,511,692	\$ 2,445,814
Unrealized gain with associates	<u>(278,694)</u>	<u>(297,823)</u>
Carrying amount	<u>\$ 2,232,998</u>	<u>\$ 2,147,991</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	<u>\$ 7,170,833</u>	<u>\$ 6,914,101</u>
Net profit	\$ 490,024	\$ 405,652
Other comprehensive loss	<u>(411)</u>	<u>(254)</u>
Total comprehensive income	<u>\$ 489,613</u>	<u>\$ 405,398</u>
Dividends received from SBPC	<u>\$ 136,200</u>	<u>\$ 163,440</u>



KKPC

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 1,603,960	\$ 1,091,861
Non-current assets	6,390,039	6,663,290
Current liabilities	(1,220,153)	(1,695,155)
Non-current liabilities	<u>(1,444,955)</u>	<u>(690,170)</u>
Equity	5,328,891	5,369,826
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 5,328,891</u>	<u>\$ 5,369,826</u>
Proportion of the Group's ownership	35.00%	35.00%
Equity attributable to the Group	\$ 1,865,112	\$ 1,879,439
Goodwill	19,304	19,304
Investment premium	<u>105,843</u>	<u>126,497</u>
Carrying amount	<u>\$ 1,990,259</u>	<u>\$ 2,025,240</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	<u>\$ 5,480,488</u>	<u>\$ 4,996,183</u>
Net profit (loss)	\$ 215,411	\$ (558,390)
Other comprehensive loss	<u>(247)</u>	<u>(728)</u>
Total comprehensive income (loss)	<u>\$ 215,164</u>	<u>\$ (559,118)</u>
Dividends received from KKPC	<u>\$ 89,635</u>	<u>\$ 130,901</u>

On May 14, 2018, Sun Ba's Fong Der Power Plant experienced an unexpected shutdown when the blades of one turbine were damaged. The turbine resumed normal operation on June 17, 2018. The repair expense for the above damaged power generating unit, net of estimated insurance claim, was estimated to be \$30,000 thousand. After negotiating and confirming with insurance company about the estimated insurance claim and repair expense, the amount was determined in December 2019. Sun Ba had recognized additional loss of \$1,800 thousand.

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

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments for the years ended December 31, 2019 and 2018 were based on the associates' financial statements audited by independent auditors for the same years.

For the amount of the investments in associates that the Group pledged as loan guarantee, refer to Note 30.

b. Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Group's share of:		
Net loss	\$ (70,925)	\$(130,967)
Other comprehensive (loss) income	<u>(65)</u>	<u>99</u>
Total comprehensive loss	<u>\$ (70,990)</u>	<u>\$(130,868)</u>

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, 2019 and 2018 were based on the associates' financial statements audited by independent auditors for the same years.

The Group estimated the present value of the estimated future cash flows expected to arise from the operations of an associate and from the ultimate disposal; the discount rate was 1.1%. Based on the assessment, the recoverable amount of the Group's interests in the associate was less than its carrying amount; thus, the Group recognized \$952 thousand as impairment loss for the year ended December 31, 2019.

### 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, 2019	\$ 264,637	\$ 78,954	\$ 2,259,886	\$ 734	\$ 75,220	\$ 22,567	\$ 45,849	\$ 2,747,847
Additions	-	-	57,544	-	9,859	4,565	624,666	696,634
Disposals	-	-	(33,916)	(734)	(28,534)	-	(1,385)	(64,569)
Reclassification	-	-	350,316	-	198	-	(315,738)	34,776
Balance at December 31, 2019	<u>264,637</u>	<u>78,954</u>	<u>2,633,830</u>	<u>-</u>	<u>56,743</u>	<u>27,132</u>	<u>353,392</u>	<u>3,414,688</u>
<u>Accumulated depreciation and impairment loss</u>								
Balance at January 1, 2019	-	56,780	1,771,148	734	46,933	22,470	-	1,898,065
Depreciation expense	-	1,896	47,575	-	9,027	1,296	-	59,794
Disposals	-	-	(30,519)	(734)	(28,692)	-	-	(59,945)
Balance at December 31, 2019	<u>-</u>	<u>58,676</u>	<u>1,788,204</u>	<u>-</u>	<u>27,268</u>	<u>23,766</u>	<u>-</u>	<u>1,897,914</u>
Carrying amounts at December 31, 2019	<u>\$ 264,637</u>	<u>\$ 20,278</u>	<u>\$ 845,626</u>	<u>\$ -</u>	<u>\$ 29,475</u>	<u>\$ 3,366</u>	<u>\$ 353,392</u>	<u>\$ 1,516,774</u>
<u>Cost</u>								
Balance at January 1, 2018	\$ 214,502	\$ 78,954	\$ 2,000,361	\$ 734	\$ 64,504	\$ 22,567	\$ 43,197	\$ 2,424,819
Additions	50,135	-	6,620	-	8,080	-	255,676	320,511
Disposals	-	-	(1,011)	-	(1,928)	-	(6,381)	(9,320)
Reclassification	-	-	253,916	-	4,564	-	(246,643)	11,837
Balance at December 31, 2018	<u>264,637</u>	<u>78,954</u>	<u>2,259,886</u>	<u>734</u>	<u>75,220</u>	<u>22,567</u>	<u>45,849</u>	<u>2,747,847</u>
<u>Accumulated depreciation and impairment loss</u>								
Balance at January 1, 2018	-	54,884	1,737,333	734	42,033	21,790	-	1,856,774
Depreciation expense	-	1,896	33,815	-	6,828	680	-	43,219
Disposals	-	-	-	-	(1,928)	-	-	(1,928)
Balance at December 31, 2018	<u>-</u>	<u>56,780</u>	<u>1,771,148</u>	<u>734</u>	<u>46,933</u>	<u>22,470</u>	<u>-</u>	<u>1,898,065</u>
Carrying amounts at December 31, 2018	<u>\$ 264,637</u>	<u>\$ 22,174</u>	<u>\$ 488,738</u>	<u>\$ -</u>	<u>\$ 28,287</u>	<u>\$ 97</u>	<u>\$ 45,849</u>	<u>\$ 849,782</u>

Refer to Note 23 for information on capitalized interest for the years ended December 31, 2019 and 2018.

Refer to Note 30 for the carrying amount of property plant and equipment mortgaged as collateral for bank borrowings of the Group.

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	Land	Buildings	Transportation Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2019	\$ -	\$ 85,215	\$ 5,777	\$ -	\$ 90,992
Additions	1,896	52,906	14,868	725	70,395
Disposals	<u>-</u>	<u>(747)</u>	<u>-</u>	<u>-</u>	<u>(747)</u>
Balance at December 31, 2019	<u>1,896</u>	<u>137,374</u>	<u>20,645</u>	<u>725</u>	<u>160,640</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	-	-	-	-	-
Depreciation expense	-	28,696	5,023	121	33,840
Disposals	<u>-</u>	<u>(13)</u>	<u>-</u>	<u>-</u>	<u>(13)</u>
Balance at December 31, 2019	<u>-</u>	<u>28,683</u>	<u>5,023</u>	<u>121</u>	<u>33,827</u>
Carrying amounts at December 31, 2019	<u>\$ 1,896</u>	<u>\$ 108,691</u>	<u>\$ 15,622</u>	<u>\$ 604</u>	<u>\$ 126,813</u>

### b. Lease liabilities - 2019

**December 31,  
2019**

#### Carrying amounts

Current	<u>\$ 25,808</u>
Non-current	<u>\$ 105,209</u>

The discount rate for lease liabilities was 1.10%.

### c. Material lease activities and terms

The rental payments for some leases of solar power generation business are calculated at an agreed rate of sales of electricity generated pursuant to the power purchase agreements the Group entered into with TPC.

Refer to Note 15 for the information about the Group's acquisition of the rights to superficies from the Yilan county government.

### d. Subleases

Refer to Note 8 for the information on the Group's sublease transactions.

#### Sublease of lease arrangements under operating leases - 2018

The total future minimum sublease payments expected to be received under non-cancellable subleases at December 31, 2018 is \$9,534 thousand.

e. Other lease information

2019

**For the Year  
Ended  
December 31,  
2019**

Expenses relating to short-term leases	\$ 3,014
Expenses relating to low-value asset leases	\$ 475
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 2,674
Total cash outflow for leases	<u>\$(48,516)</u>

The Group leased certain buildings and transportation equipment which qualified as short-term leases and certain other equipment which qualified as low-value asset leases. The Group had elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

For the year ended December 31, 2019, expenses relating to short-term leases also included expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption was applied. The amount of lease commitments for short-term leases, for which the recognition exemption was applied, was \$756 thousand.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

**December 31,  
2018**

Not later than 1 year	\$ 38,424
Later than 1 year and not later than 5 years	26,049
Later than 5 years	<u>45,704</u>
	<u>\$ 110,177</u>

The Group had entered into leases of solar power generation business for business expansion. The rental payments for some leases are calculated at an agreed rate of sales of electricity generated pursuant to the power purchase agreements the Group entered into with TPC.

## 15. INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Service concession arrangement	\$ 2,602	\$ -
Computer software	4,041	4,054
Others	<u>-</u>	<u>-</u>
	<u>\$ 6,643</u>	<u>\$ 4,054</u>

a. Movements in intangible assets were as follows:

	<b>Service Concession Arrangement - Right-of-use Assets</b>	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2019	\$ -	\$ 6,035	\$ 12,000	\$ 18,035
Additions	2,710	1,865	-	4,575
Disposals	-	(200)	-	(200)
Balance at December 31, 2019	<u>2,710</u>	<u>7,700</u>	<u>12,000</u>	<u>22,410</u>
<u>Accumulated amortization and impairment loss</u>				
Balance at January 1, 2019	-	1,981	12,000	13,981
Amortization	108	1,878	-	1,986
Disposals	-	(200)	-	(200)
Balance at December 31, 2019	<u>108</u>	<u>3,659</u>	<u>12,000</u>	<u>15,767</u>
Carrying amounts at December 31, 2019	<u>\$ 2,602</u>	<u>\$ 4,041</u>	<u>\$ -</u>	<u>\$ 6,643</u>
<u>Cost</u>				
Balance at January 1, 2018	\$ -	\$ 2,212	\$ 12,000	\$ 14,212
Additions	-	3,865	-	3,865
Disposals	-	(42)	-	(14)
Balance at December 31, 2018	<u>-</u>	<u>6,035</u>	<u>12,000</u>	<u>18,035</u>
<u>Accumulated amortization and impairment loss</u>				
Balance at January 1, 2018	-	407	4,474	4,881
Amortization	-	1,616	-	1,616
Impairment losses	-	-	7,526	7,526
Disposals	-	(42)	-	(42)
Balance at December 31, 2018	<u>-</u>	<u>1,981</u>	<u>12,000</u>	<u>13,981</u>
Carrying amounts at December 31, 2018	<u>\$ -</u>	<u>\$ 4,054</u>	<u>\$ -</u>	<u>\$ 4,054</u>

For the year ended December 31, 2018, the Group recognized other intangible assets impairment losses for \$7,526 thousand. The recoverable amount of other intangible assets was determined based on a value in use calculation that used the cash flow projections in the future financial budgets assessed by management; the discount rate was 8.25%. Other key assumptions included budgeted revenue and budgeted gross margin. Such assumptions were based on past performance of the cash-generating unit and management's expectations of the market development.

b. Service concession arrangement

YYC signed the Cingshuei Geothermal Contract with Yilan county government in July 2017 for a service concession which will be operated by CGPC. YYC separately established CGPC to undertake the operation for a period of 20 years starting from the commencement date of commercial operation of the power generating unit.

The right-of-use asset was obtained by YYC from the Yilan county government under the Cingshuei Geothermal Contract to build the power plant site. The rental rate during the construction period was set at 1% of the announced land values, and the rental rate during the operation period was set at 3% of the announced land values.

## 16. BORROWINGS

a. Short-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Unsecured borrowings	<u>\$ 875,000</u>	<u>\$ 700,000</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Unsecured borrowings	0.98%-1.02%	1.06%-1.35%

b. Long-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Secured borrowings</u>		
Repayable in semi-annual installments through February 2026	\$ 189,000	\$ -
Repayable in monthly installments through January 2034	76,989	-
Repayable in quarterly installments through September 2034	39,500	-
Repayable in quarterly installments through October 2024	16,000	-
Repayable in annual installments through August 2021 (early repaid in June 2019 before its maturity)	-	390,000
Repayable in quarterly installments through December 2019 (early repaid in June 2019 before its maturity)	-	140,000
<u>Unsecured borrowings</u>		
Repayable in quarterly installments through March 2026	65,861	-
Repayable in quarterly installments through October 2025	53,105	56,980

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Revolving unsecured borrowings</u>		
Revolving through June 2021	\$ 1,000,000	\$ -
Revolving through December 2022	500,000	-
Revolving through August 2021	500,000	-
Revolving through August 2021	500,000	-
Revolving through August 2021	300,000	-
Revolving through March 2021	300,000	-
Revolving through March 2021	200,000	-
Revolving through December 2020	-	500,000
Revolving through July 2020	-	500,000
Revolving through August 2020	-	495,000
Revolving through August 2021	-	300,000
Revolving through March 2020	-	295,000
Revolving through June 2020	-	150,000
	<u>3,740,455</u>	<u>2,826,980</u>
Less: Current portion	<u>(25,517)</u>	<u>(273,777)</u>
	<u>\$ 3,714,938</u>	<u>\$ 2,553,203</u>
		(Concluded)

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Secured borrowings	1.44%-2.29%	1.50%-1.80%
Unsecured borrowings	2.00%	2.00%
Revolving unsecured borrowings	0.94%-1.05%	0.95%-1.05%

## 17. OTHER PAYABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Payable for equipment	\$ 46,610	\$ 52,559
Payable for employees' compensation and remuneration to directors	43,589	34,854
Payable for salaries and bonus	37,062	27,501
Payable for compensated absences	10,499	9,793
Payable for professional fees	6,151	4,769
Others	<u>13,742</u>	<u>13,025</u>
	<u>\$ 157,653</u>	<u>\$ 142,501</u>

## 18. PROVISIONS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current Warranties	<u>\$ 100,771</u>	<u>\$ 41,554</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 41,554	\$ 18,582
Additions	88,111	32,923
Usage	(26,829)	(9,478)
Reversal	<u>(2,065)</u>	<u>(473)</u>
Ending balance	<u>\$100,771</u>	<u>\$ 41,554</u>

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

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

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 224,173	\$ 218,347
Fair value of plan assets	<u>(100,580)</u>	<u>(99,826)</u>
Deficit	<u>123,593</u>	<u>118,521</u>
Net defined benefit liabilities	<u>\$ 123,593</u>	<u>\$ 118,521</u>



Movements in net defined benefit liabilities were as follows:

	<b>Present Value of Defined Benefit Obligation</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2018	<u>\$ 202,105</u>	<u>\$(100,438)</u>	<u>\$ 101,667</u>
Service cost			
Current service cost	4,697	-	4,697
Net interest expense (income)	<u>2,527</u>	<u>(1,276)</u>	<u>1,251</u>
Recognized in profit or loss	<u>7,224</u>	<u>(1,276)</u>	<u>5,948</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,750)	(2,750)
Actuarial loss - changes in demographic assumptions	3,067	-	3,067
Actuarial loss - changes in financial assumptions	3,097	-	3,097
Actuarial loss - experience adjustments	<u>14,299</u>	<u>-</u>	<u>14,299</u>
Recognized in other comprehensive income or loss	<u>20,463</u>	<u>(2,750)</u>	<u>17,713</u>
Contributions from employers	-	(3,609)	(3,609)
Benefits paid	<u>(11,445)</u>	<u>8,247</u>	<u>(3,198)</u>
	<u>(11,445)</u>	<u>4,638</u>	<u>(6,807)</u>
Balance at December 31, 2018	<u>\$ 218,347</u>	<u>\$ (99,826)</u>	<u>\$ 118,521</u>
Balance at January 1, 2019	<u>\$ 218,347</u>	<u>\$ (99,826)</u>	<u>\$ 118,521</u>
Service cost			
Current service cost	4,795	-	4,795
Net interest expense (income)	<u>2,443</u>	<u>(1,130)</u>	<u>1,313</u>
Recognized in profit or loss	<u>7,238</u>	<u>(1,130)</u>	<u>6,108</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,522)	(3,522)
Actuarial loss - changes in demographic assumptions	1,005	-	1,005
Actuarial loss - changes in financial assumptions	9,449	-	9,449
Actuarial loss - experience adjustments	<u>(4,257)</u>	<u>-</u>	<u>(4,257)</u>
Recognized in other comprehensive income or loss	<u>6,197</u>	<u>(3,522)</u>	<u>2,675</u>
Contributions from employers	-	(3,711)	(3,711)
Benefits paid	<u>(7,609)</u>	<u>7,609</u>	<u>-</u>
	<u>(7,609)</u>	<u>3,898</u>	<u>(3,711)</u>
Balance at December 31, 2019	<u>\$ 224,173</u>	<u>\$(100,580)</u>	<u>\$ 123,593</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	<u>\$ 3,223</u>	<u>\$ 3,182</u>
Operating expenses	<u>\$ 2,885</u>	<u>\$ 2,766</u>

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

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate	0.750%	1.125%
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 increase (decrease) as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25% increase	<u>\$ (6,371)</u>	<u>\$ (6,265)</u>
0.25% decrease	<u>\$ 6,634</u>	<u>\$ 6,531</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 6,386</u>	<u>\$ 6,310</u>
0.25% decrease	<u>\$ (6,168)</u>	<u>\$ (6,088)</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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the plans for the next year	<u>\$ 3,710</u>	<u>\$ 3,562</u>
The average duration of the defined benefit obligation	12.03 years	12.37 years

## 20. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

### December 31, 2019

	<b>Less than One Year</b>	<b>More than One Year</b>	<b>Total</b>
<u>Assets</u>			
Contract assets	<u>\$ 973,983</u>	<u>\$ 2,593,001</u>	<u>\$ 3,566,984</u>
<u>Liabilities</u>			
Contract liabilities	\$ 28,516	\$ 592,824	\$ 621,340
Provisions - warranties	<u>5,262</u>	<u>95,509</u>	<u>100,771</u>
	<u>\$ 33,778</u>	<u>\$ 688,333</u>	<u>\$ 722,111</u>

### December 31, 2018

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

## 21. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Number of authorized common shares (in thousands)	800,000	800,000
Amount of authorized common shares	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of issued and fully paid common shares (in thousands)	589,049	589,049
Amount of issued and fully paid common shares	<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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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 share options may not be used for any purpose except for offsetting a deficit.

### c. Retained earnings and dividend policy

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

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

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

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

The appropriations of earnings for 2018 and 2017 which had been resolved in the stockholders’ meeting on June 20, 2019 and June 20, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 67,229	\$ 97,187		
Special reserve	4,223	66,635		
Reversal of special reserve	(257,658)	-		
Cash dividends	883,573	765,763	\$ 1.5	\$ 1.3

The special reserve in the appropriation of earnings for 2017 was set aside according to the Company Act; the reversal of special reserve in 2018 was made in accordance with the Company Act; such reversed special reserve was set aside in prior years according to the Company Act.

The appropriations of earnings for 2019 had been proposed by the Corporation’s Board of Directors on March 20, 2020. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 109,546	
Reversal of special reserve	(56,424)	
Cash dividends	1,001,383	\$1.7

The appropriations of earnings for 2019 are subject to the resolution in the stockholders’ meeting to be held on June 22, 2020.

## 22. REVENUES

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenues from contracts with customers		
Sales		
Sales of electricity	\$ 639,354	\$ 762,814
Sales of steam	318,807	292,810
Others	12,440	3,968
	<u>970,601</u>	<u>1,059,592</u>
Construction service	6,152,879	2,647,702
Consulting service	<u>62,606</u>	<u>106,980</u>
	<u>\$ 7,186,086</u>	<u>\$ 3,814,274</u>

For the year ended December 31, 2019, the construction service revenue recognized for construction contracts was \$6,096,083 thousand; the construction service cost recognized was \$5,769,242 thousand. Among the construction service revenue recognized for the Cingshuei Geothermal Contract was \$55,219 thousand and the construction service cost recognized was \$53,563 thousand.

For the year ended December 31, 2018, the construction service revenue recognized for construction contracts was \$2,648,749 thousand; the construction service cost recognized was \$2,539,112 thousand.

a. Contract balances

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Notes receivable	<u>\$ 93,242</u>	<u>\$ 779</u>
Accounts receivable (including related parties)	<u>\$ 428,621</u>	<u>\$ 367,800</u>
Contract assets		
Construction contracts	<u>\$ 3,566,984</u>	<u>\$ 1,262,711</u>
Contract liabilities		
Construction contracts	<u>\$ 621,340</u>	<u>\$ 99,362</u>

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

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

## 23. NET PROFIT

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income	\$ 5,252	\$ 9,824
Dividend income	8,000	8,000
Others	<u>11,630</u>	<u>8,730</u>
	<u>\$ 24,882</u>	<u>\$ 26,554</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gain	\$ 9,344	\$ 31,271
Foreign exchange loss	(17,447)	(17,791)
Impairment loss	(952)	(7,526)
Others	<u>(1,411)</u>	<u>(555)</u>
	<u>\$(10,466)</u>	<u>\$ 5,399</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest expense	\$ 36,517	\$ 33,428
Interest on lease liabilities	982	-
Others	<u>162</u>	<u>124</u>
	<u>\$ 37,661</u>	<u>\$ 33,552</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Capitalized interest	\$ 243	\$ 887
Capitalized rate	1.81%	0.80%-1.35%

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 59,794	\$ 43,219
Right-of-use assets	33,840	-
Intangible assets	<u>1,986</u>	<u>1,616</u>
	<u>\$ 95,620</u>	<u>\$ 44,835</u>
An analysis of depreciation by function		
Operating costs	\$ 68,400	\$ 41,182
Operating expenses	<u>25,234</u>	<u>2,037</u>
	<u>\$ 93,634</u>	<u>\$ 43,219</u>
An analysis of amortization by function		
Operating costs	\$ 631	\$ 283
Operating expenses	<u>1,355</u>	<u>1,333</u>
	<u>\$ 1,986</u>	<u>\$ 1,616</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits		
Defined contribution plans	\$ 8,870	\$ 7,309
Defined benefit plans	<u>6,108</u>	<u>5,948</u>
	14,978	13,257
Short-term benefits	<u>335,510</u>	<u>285,288</u>
Total employee benefits expense	<u>\$ 350,488</u>	<u>\$ 298,545</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of employee benefits expense by function		
Operating costs	\$ 158,366	\$ 164,230
Operating expenses	<u>192,122</u>	<u>134,315</u>
	<u>\$ 350,488</u>	<u>\$ 298,545</u>
Short-term benefits		
Wages and salaries	\$ 302,840	\$ 255,945
Labor and health insurance	19,779	16,344
Other employee benefits	<u>12,891</u>	<u>12,999</u>
	<u>\$ 335,510</u>	<u>\$ 285,288</u>

f. Employees' compensation and remuneration to directors

The distribution of employees' compensation and remuneration to directors is set aside at the rates not less than 0.5% and not higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration to directors. The employees' compensation and remuneration to directors for the years ended December 31, 2019 and 2018 which had been resolved by the Corporation's Board of Directors on March 20, 2020 and March 26, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation in cash	\$ 28,250	\$ 25,755
Remuneration to directors in cash	10,449	7,393

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.

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

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



## 24. INCOME TAX

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax		
In respect of the current year	\$ 15,672	\$ 30,925
Income tax on undistributed earnings	167	11,043
Adjustments for prior years' tax	39	-
	<u>15,878</u>	<u>41,968</u>
Deferred income tax		
In respect of the current year	(9,575)	(19,616)
Adjustments to deferred income tax attributable to the changes in tax rates and laws	-	(15,048)
	<u>(9,575)</u>	<u>(34,664)</u>
Income tax expense recognized in profit or loss	<u>\$ 6,303</u>	<u>\$ 7,304</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before income tax	<u>\$ 1,102,638</u>	<u>\$ 676,168</u>
Income tax expense calculated at the statutory rate	\$ 220,528	\$ 135,233
Non-taxable income and non-deductible expenses in determining taxable income	(185,000)	(111,949)
Changes in unrecognized loss carryforwards and deductible temporary differences	(29,431)	(11,975)
Income tax on undistributed earnings	167	11,043
Adjustments to deferred income tax attributable to the changes in tax rates and laws	-	(15,048)
Adjustments for prior years' tax	39	-
Income tax expense recognized in profit or loss	<u>\$ 6,303</u>	<u>\$ 7,304</u>

The Income Tax Act in the Republic of China was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings was reduced from 10% to 5%.

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred income tax</u>		
Adjustments to deferred income tax attributable to the changes in tax rates and laws	\$ -	\$ (804)
In respect of the current year		
Remeasurement of defined benefit plans	<u>(565)</u>	<u>(2,847)</u>
	<u>\$ (565)</u>	<u>\$ (3,651)</u>

c. Current income tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current income tax assets</u>		
Income tax refund receivable (included in other receivables)	<u>\$ 1,712</u>	<u>\$ 299</u>
<u>Current income tax liabilities</u>		
Income tax payable	<u>\$ 1,617</u>	<u>\$ 36,947</u>

d. Movements of deferred income tax assets and liabilities

For the year ended December 31, 2019

	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
<u>Deferred income tax assets</u>				
Loss carryforwards	\$ 26,563	\$ 541	\$ -	\$ 27,104
Temporary differences				
Unrealized gain on transactions with associates	78,780	(5,873)	-	72,907
Investment loss recognized on overseas investments using the equity method	6,490	4,519	-	11,009
Defined benefit obligation	16,284	410	565	17,259
Allowance for loss on inventories	4	(4)	-	-
Others	<u>20</u>	<u>9,982</u>	<u>-</u>	<u>10,002</u>
	<u>\$ 128,141</u>	<u>\$ 9,575</u>	<u>\$ 565</u>	<u>\$ 138,281</u>

For the year ended December 31, 2018

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Deductible temporary differences	<u>\$ 635,110</u>	<u>\$ 543,834</u>
Loss carryforwards		
SEC	<u>\$ -</u>	<u>\$ 242,615</u>
YYC	<u>\$ 20,309</u>	<u>\$ 16,812</u>
TGE	<u>\$ 785</u>	<u>\$ 96</u>

- f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised:

	<b>Unused Amount</b>
<u>SEC</u>	
Expire in 2023	\$ 72,594
Expire in 2024	<u>28,832</u>
	<u>\$ 101,426</u>
	(Continued)

**Unused  
Amount**

	<b>Unused Amount</b>
<u>YYC</u>	
Expire in 2027	\$ 9,810
Expire in 2028	7,002
Expire in 2029	<u>3,497</u>
	<u>\$ 20,309</u>
<u>TGE</u>	
Expire in 2028	\$ 96
Expire in 2029	<u>689</u>
	<u>\$ 785</u>
<u>SKE</u>	
Expire in 2029	<u>\$ 15,368</u>
<u>SPC</u>	
Expire in 2028	\$ 5,191
Expire in 2029	<u>13,532</u>
	<u>\$ 18,723</u>
	(Concluded)

g. Income tax assessments

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

## 25. EARNINGS PER SHARE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Basic earnings per share (NT\$)	<u>\$ 1.86</u>	<u>\$ 1.14</u>
Diluted earnings per share (NT\$)	<u>\$ 1.86</u>	<u>\$ 1.14</u>

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

Net profit

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Earnings used in the computation of basic earnings per share	\$ 1,098,048	\$ 672,295
Effect of potentially dilutive common shares		
Employees' compensation of the Corporation	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,098,048</u>	<u>\$ 672,295</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of common shares used in the computation of basic earnings per share	589,049	589,049
Effect of potentially dilutive common shares		
Employees' compensation of the Corporation	<u>1,345</u>	<u>1,311</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>590,394</u>	<u>590,360</u>

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

## **26. NON-CASH TRANSACTIONS**

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	\$ 696,634	\$ 320,511
Capitalized interest	(243)	-
		<u>(43,995)</u>
Change in payable for equipment	<u>5,949</u>	
Cash payments	<u>\$ 702,340</u>	<u>\$ 276,516</u>

## **27. CAPITAL MANAGEMENT**

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

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising common stock, capital surplus, retained earnings and other equity).

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

## 28. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of the financial assets and financial liabilities not carried at fair value are approximately at their fair values.

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

- 1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted securities	\$ -	\$ -	\$ 267,600	\$ 267,600

December 31, 2018

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

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

For the year ended December 31, 2019

	Financial Assets at FVTOCI - Equity Investments
Beginning balance	\$ 247,000
Recognized in other comprehensive income	<u>20,600</u>
Ending balance	<u>\$ 267,600</u>

For the year ended December 31, 2018

	Financial Assets at FVTOCI - Equity Investments
Beginning balance (IAS 39)	\$ -
Effect of retrospective application of IFRS 9	<u>225,800</u>
Beginning balance (IFRS 9)	<u>225,800</u>
Recognized in other comprehensive income	<u>21,200</u>
Ending balance	<u>\$ 247,000</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 increases in fair value.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Long-term revenue growth rates	0%-2.51%	0%-2.51%
	38.39%-41.84	39.34%-41.51
Long-term pre-tax operating margin	%	%
WACC	8.79%	8.72%
Discount for lack of marketability	12.37%	14.89%

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Long-term revenue growth rates		
1% increase	<u>\$ 29,800</u>	<u>\$ 29,000</u>
1% decrease	<u>\$(28,600)</u>	<u>\$(28,000)</u>
WACC		
0.5% increase	<u>\$(30,000)</u>	<u>\$(30,000)</u>
0.5% decrease	<u>\$ 35,600</u>	<u>\$ 35,600</u>

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 1,611,993	\$ 1,519,786
Financial assets at FVTOCI	267,600	247,000
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	7,248,010	4,512,724

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

Sensitivity analysis

The Group is mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 1% increase and decrease in its functional currency against the relevant foreign currencies. A positive (negative) number below indicates a decrease (increase) in profit before income tax associated with the functional currency strengthening (weakening) 1% against the relevant foreign currency.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit or loss		
USD	\$ 1,180	\$ 850

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 373,445	\$ 310,791
Financial liabilities	131,017	-
Cash flow interest rate risk		
Financial assets	646,090	812,418
Financial liabilities	4,615,455	3,526,980

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, 2019 and 2018, the borrowings with floating interest rates of the Group amounted to \$4,615,455 thousand and \$3,526,980 thousand, respectively. If interest rates had been 1% higher and all other variables were held constant, the Group's profit before income tax for the years ended December 31, 2019 and 2018 would have decreased by \$46,155 thousand and \$35,270 thousand, respectively.

## 2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties or third parties breached the contracts. Financial instruments 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, 2019 and 2018, the available unutilized bank loan facilities were \$4,260,670 thousand and \$3,645,400 thousand, respectively.

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

### December 31, 2019

	<b>Within One Year</b>	<b>2 to 3 Years</b>	<b>4 to 5 Years</b>	<b>5+ Years</b>	<b>Total</b>
Short-term borrowings	\$ 875,000	\$ -	\$ -	\$ -	\$ 875,000
Non-interest bearing liabilities	2,587,996	42,603	1,956	-	2,632,555
Lease liabilities	26,994	37,620	23,005	51,370	138,989
Long-term borrowings	<u>25,517</u>	<u>3,356,513</u>	<u>70,032</u>	<u>288,393</u>	<u>3,740,455</u>
	<u>\$ 3,515,507</u>	<u>\$ 3,436,736</u>	<u>\$ 94,993</u>	<u>\$ 339,763</u>	<u>\$ 7,386,999</u>

### December 31, 2018

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

## 29. RELATED PARTY TRANSACTIONS

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

### a. Related parties and relationships

<u>Related Party</u>	<u>Relationship with the Group</u>
TPC	An investor with significant influence over the Group
TYC	An associate
Sun Ba	An associate
SEPC	An associate
KKPC	An associate
SBPC	An associate
Shinlee Product Inc. (“Shinlee”)	An associate

### b. Operating transactions

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2019</u>	<u>2018</u>
Sales	Investors with significant influence over the Group		
	TPC	<u>\$ 365,275</u>	<u>\$ 476,724</u>
Construction service revenue	Investors with significant influence over the Group		
	TPC	<u>\$ 3,784,335</u>	<u>\$ 144,508</u>
	Associates		
	TYC	522,233	105,857
	Others	<u>14,603</u>	<u>-</u>
		<u>536,836</u>	<u>105,857</u>
		<u>\$ 4,321,171</u>	<u>\$ 250,365</u>
Consulting service revenue	Investors with significant influence over the Group		
	TPC	<u>\$ 85</u>	<u>\$ -</u>
	Associates		
	SEPC	9,028	9,468
	SBPC	6,945	8,957
	Sun Ba	5,820	8,741
	Others	<u>2,310</u>	<u>613</u>
		<u>24,103</u>	<u>27,779</u>
		<u>\$ 24,188</u>	<u>\$ 27,779</u>
Cost of sales	Investors with significant influence over the Group		
	TPC	<u>\$ 33,754</u>	<u>\$ 32,500</u>
Consulting service cost	Investors with significant influence over the Group		
	TPC	<u>\$ -</u>	<u>\$ 496</u>

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

c. Non-operating transactions

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2019	2018
Other income	Associates		
	SEPC	\$ 2,672	\$ 1,163
	SBPC	2,179	1,754
	TYC	2,160	2,160
	Sun Ba	1,757	1,689
	KKPC	<u>1,534</u>	<u>1,341</u>
		<u>\$ 10,302</u>	<u>\$ 8,107</u>

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

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2019	2018
Notes receivable from related parties	Associates		
	SEPC	\$ 720	\$ 779
	Sun Ba	<u>400</u>	<u>-</u>
		<u>\$ 1,120</u>	<u>\$ 779</u>
Accounts receivable from related parties	Investors with significant influence over the Group		
	TPC	\$ 78,323	\$ 49,995
	Associates		
	TYC	22,970	3,080
	Others	<u>10,681</u>	<u>7,442</u>
		<u>33,651</u>	<u>10,522</u>
		<u>\$ 111,974</u>	<u>\$ 60,517</u>
Other receivable from related parties	Associates		
	TYC	<u>\$ 680</u>	<u>\$ -</u>

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized on receivables from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2019	2018
Accounts payable to related parties	Investors with significant influence over the Group		
	TPC	<u>\$ 1,158</u>	<u>\$ 1,158</u>

The outstanding payables to related parties were unsecured.

f. Contract assets

Related Party Category/Name	December 31	
	2019	2018
Investors with significant influence over the Group		
TPC	\$ 2,568,049	\$ 146,718
Associates		
Other	<u>227,834</u>	<u>504</u>
	<u>\$ 2,795,883</u>	<u>\$ 147,222</u>

g. Contract liabilities

Related Party Category/Name	December 31	
	2019	2018
Investors with significant influence over the Group		
TPC	\$ 20,351	\$ 59,814
Associates		
TYC	<u>7,273</u>	<u>39,548</u>
	<u>\$ 27,624</u>	<u>\$ 99,362</u>

h. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 50,478	\$ 42,897
Post-employment benefits	<u>2,027</u>	<u>1,926</u>
	<u>\$ 52,505</u>	<u>\$ 44,823</u>

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

### 30. ASSETS PLEDGED OR MORTGAGED

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

	December 31	
	2019	2018
Investments accounted for using the equity method	\$ -	\$ 3,011,021
Machinery and equipment, net	350,501	-
Land	50,135	-
Time deposits (recorded as other financial assets)	60,033	30,000
Demand deposits (recorded as other financial assets)	1,000	-
Government bonds (recorded as other financial assets)	<u>65</u>	<u>64</u>
	<u>\$ 461,734</u>	<u>\$ 3,041,085</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Government bonds	4.250%	4.250%
Demand deposits	0.06%	-
Time deposits	0.13%-1.90%	0.13%

### **31. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS**

Significant contingencies and unrecognized commitments of the Group as of December 31, 2019 were as follows:

- a. Commitments for construction projects undertaken had an aggregate amount of approximately \$12,947,578 thousand. Among the projects were an Engineering, Procurement and Construction Turnkey Contract entered into by the Corporation with Orsted Taiwan Limited on November 6, 2018; the contract was about onshore export cable, cable culvert and onshore substation in offshore wind farms with contract amount of about \$6,418,800 thousand plus EUR24,732 thousand, and a TPC's project named "The New Construction of Salina PV System in Tainan City" that SEC obtained on April 12, 2019; the contract amount was about \$7,047,524 thousand.
- b. Commitments for construction expenditure and purchase of equipment were approximately \$11,993,057 thousand.
- c. Under a Coal Purchase Agreement, the Group shall purchase 65 thousand tons of coal based on an agreed price.
- d. On March 15, 2013, the FTC fined Sun Ba, SEPC, SBPC, and KKPC \$530 million, \$430 million, \$130 million and \$410 million, respectively, for violation of the Fair Trade Act ("Original FTC's Ruling"). After evaluation of the legal analyses made by engaged attorneys regarding the Original FTC's Ruling, these corporations believed they and other IPPs are not competitors but, even if they are not competitors, they did not jointly refuse to lower the power purchase electricity rates and affect the power supply and demand in the market ("Concerted Action"). These corporations appealed the Original FTC's Ruling to the Petitions and Appeals Committee of the Executive Yuan ("PACEY") to protect their own benefits. On September 12, 2013, the PACEY made a decision to revoke the fine mentioned above and ordered FTC to review and reconsider the case according to applicable laws; the other matters of the appeals were dismissed.
  - 1) On November 5, 2013, the FTC ruled an amended fine of \$500 million, \$400 million, \$100 million and \$380 million, respectively, against Sun Ba, SEPC, SBPC, and KKPC ("Second FTC's Ruling"). These corporations made appeals for revocation of the amended fine. On May 9, 2014, the PACEY made a decision on the administrative appeals of these corporations, revoked the Second FTC's Ruling, and requested FTC to reconsider the fine according to applicable laws within two months. On July 9, 2014, the FTC ruled an amended fine of \$489 million, \$392 million, \$100 million and \$371 million, respectively, against Sun Ba, SEPC, SBPC, and KKPC ("Third FTC's Ruling"). These corporations appealed the Third FTC's Ruling to PACEY for revocation of the amended fine. In December 2014, PACEY notified these corporations that the proceedings for the appeal were postponed and the appeal is subject to the ruling to be made by the Supreme Administrative Court.

- 2) These corporations petitioned to the Taipei High Administrative Court for revocation of the Original FTC's Ruling and the decision made by the PACEY regarding Concerted Action. On October 29, 2014, the Taipei High Administrative Court revoked the Original FTC's Ruling and revoked the decision made by the PACEY on September 12, 2013 regarding Concerted Action. On November 27, 2014, the FTC appealed the case to the Supreme Administrative Court. In June 2015, the Supreme Administrative Court recognized that there are questionable points in the case that need clarification and the original ruling of the Taipei High Administrative Court was not supported with clear evidence. The Supreme Administrative Court revoked the original ruling and requested the Taipei High Administrative Court to reconsider the ruling according to applicable laws. On May 25, 2017, the Taipei High Administrative Court revoked the FTC's Ruling with respect to the above alleged concerted action. On June 22, 2017, the FTC appealed the case to the Supreme Administrative Court. On August 23 and September 6, 2018, respectively, the Supreme Administrative Court revoked the original ruling and requested the Taipei High Administrative Court to reconsider the ruling according to applicable laws.
- e. As TPC concluded that IPPs violated the Fair Trade Act with Concerted Action and caused a loss to TPC, in September 2015, TPC filed administrative proceedings in Taipei High Administrative Court and filed a civil action in Taipei District Court to claim compensation for the loss. As of December 31, 2019, the administrative proceedings and civil action in progress were as follows:
  - 1) TPC filed administrative proceedings in the Taipei High Administrative Court to claim compensation in the amount of \$4,400 million, \$2,500 million, \$200 million, and \$2,400 million against Sun Ba, SEPC, SBPC, and KKPC, respectively. Subsequently, TPC filed an expanded appeal to claim additional compensation against these corporations. The total claim for compensation against Sun Ba, SEPC, SBPC and KKPC was \$8,660 million, \$4,990 million, \$623 million and \$4,890 million, respectively. Afterwards, TPC filed an amended appeal against SBPC on February 14, 2019, with the total claim for compensation against SBPC reduced to \$380 thousand. The Taipei High Administrative Court considered these cases as private disputes and transferred these cases to Taipei District Court. TPC appealed the ruling to the Supreme Administrative Court. However, the Supreme Administrative Court ruled to dismiss TPC's appeal. These cases had been transferred to Taipei District Court accordingly. On August 9 and September 5, 2018, respectively, Taipei District Court ruled to postpone these cases until the administrative proceedings between SEPC and FTC as well as KKPC and FTC in the Taiwan High Administrative Court with respect to the alleged concerted action are concluded.
  - 2) TPC filed a civil action in Taipei District Court to claim \$4,257 million, \$2,489 million, \$307 million, and \$2,490 million against Sun Ba, SEPC, SBPC, and KKPC, respectively. On February 8, 2018, the Taipei District Court ruled to dismiss TPC's civil action against SBPC. On March 5, 2018, TPC appealed this case to the Taiwan High Court. Afterwards, on June 14, 2018, the Taiwan High Court ruled to postpone this case until the administrative proceedings between SBPC and FTC in the Supreme Administrative Court with respect to the alleged concerted action are concluded. Thereafter, on August 1, 2019, in order to avoid repeating trials of the same facts of the same case that will result in a waste of judicial resources, the Taiwan High Court, within its power and authority, revoked its previous ruling that suspended the proceedings. TPC appealed the ruling to the Taiwan High Court. However, the Supreme Administrative Court ruled to dismiss TPC's appeal on December 11, 2019, and the case is under trial in the Taiwan High Court. On June 19, 2018, the Taipei District Court ruled to dismiss TPC's civil action against Sun Ba, SEPC and KKPC. On July 13, 2018, TPC appealed this case to the Taiwan High Court.

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

- f. YYC entered into an investment agreement “Yilan Cingshuei Geothermal Power Generation Build, Reconstruction, Operation, and Transfer (“BOT+ROT”)” with Yilan county government in July 2017, which is effective for a period of 20 years starting from the commencement date of commercial operation of the power generating unit of the operating company that YYC established, that is CGPC. However, prior to the expiry of the construction period, two years prior to the expiry of the construction of the Yilan county government, a request may be made for a preferential contract, the duration of which is limited to 20 years and limited to one time. After the construction work of CGPC is completed, it is necessary to complete the trial operation of the power plant, obtain a power industry license, sign a power purchase and sale contract with TPC, and report to the Yilan county government for approval before it can officially operate. During the operation phase, CGPC shall pay for the annual operating rights before June 30 each year. The operating right is calculated based on the capacity of its power generating units based on its agreed proportion of annual sales of electricity. At the expiry of the contract, except for those that do not need to be transferred with the written consent of the Yilan county government, CGPC shall transfer all existing operating assets and all power plant operation technologies and operations and maintenance related to the continued operation of the plant to the Yilan county government or its designated third party.

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

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

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 5,900	29.98	<u>\$ 176,887</u>
Non-monetary items			
Investments accounted for using the equity method			
PHP	368,982	0.5908	<u>\$ 217,998</u>
<u>Foreign currency liabilities</u>			
Monetary items			
USD	1,956	29.98	<u>\$ 58,868</u>

December 31, 2018

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

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

<b>For the Year Ended December 31</b>				
	<b>2019</b>		<b>2018</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Loss</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain</b>
USD	30.912 (USD:NTD)	<u>\$ (5,405)</u>	30.149 (USD:NTD)	<u>\$ 13,394</u>

### 33. SEPARATELY DISCLOSED ITEMS

Except for those disclosed in the attached Tables 1 to 7, there were no other significant transactions, information on investees, information on investments in mainland China and the business relationships between the parent and subsidiaries and significant transactions between and among them that were required for disclosure.

### 34. SEGMENT INFORMATION

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

- Guantian cogeneration plant ("GCP")
- Segment of construction and consulting services ("CC")



a. Segment revenues and results

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

	<b>For the Year Ended December 31, 2019</b>		
	<b>GCP</b>	<b>CC</b>	<b>Total</b>
Revenues from customers	<u>\$ 878,778</u>	<u>\$ 6,307,308</u>	<u>\$ 7,186,086</u>
Segment profit	<u>\$ 202,296</u>	<u>\$ 231,740</u>	\$ 434,036
Unallocated operating expenses			(134,884)
Interest income			4,875
Interest expense			(35,602)
Share of profit of associates accounted for using the equity method			822,942
Other non-operating income and expenses			<u>11,271</u>
Profit before income tax			<u>\$ 1,102,638</u>
Depreciation	<u>\$ 23,431</u>	<u>\$ 51,882</u>	
Amortization	<u>\$ 283</u>	<u>\$ 716</u>	
	<b>For the Year Ended December 31, 2018</b>		
	<b>GCP</b>	<b>CC</b>	<b>Total</b>
Revenues from customers	<u>\$ 1,018,622</u>	<u>\$ 2,795,652</u>	<u>\$ 3,814,274</u>
Segment profit	<u>\$ 279,133</u>	<u>\$ 120,722</u>	\$ 399,855
Unallocated operating expenses			(136,992)
Interest income			9,824
Interest expense			(33,428)
Share of profit of associates accounted for using the equity method			414,973
Other non-operating income and expenses			<u>21,936</u>
Profit before income tax			<u>\$ 676,168</u>
Depreciation	<u>\$ 25,764</u>	<u>\$ 15,870</u>	
Amortization	<u>\$ 283</u>	<u>\$ 230</u>	

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

b. Segment assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Segment assets</u>		
GCP	\$ 527,035	\$ 519,508
CC	<u>5,646,539</u>	<u>2,045,653</u>
Total segment assets	6,173,574	2,565,161
Unallocated assets		
Investments accounted for using the equity method	12,671,996	12,545,053
Others	<u>1,583,893</u>	<u>1,651,052</u>
Consolidated total assets	<u>\$ 20,429,463</u>	<u>\$ 16,761,266</u>
<u>Segment liabilities</u>		
GCP	\$ 80,628	\$ 95,667
CC	<u>4,175,751</u>	<u>1,746,284</u>
Total segment liabilities	4,256,379	1,841,951
Unallocated liabilities	<u>4,070,925</u>	<u>3,048,749</u>
Consolidated total liabilities	<u>\$ 8,327,304</u>	<u>\$ 4,890,700</u>

c. Geographical information

The Group's revenues for the years ended December 31, 2019 and 2018 were all generated domestically; therefore, there is no geographical information for the Group.

d. Information about major customers

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sales and research, consulting and construction service revenue from TPC	\$ 4,149,695	\$ 621,232
Consulting and construction service revenue from customer A	376,368	2,120,933
Sales from customer B	740,198	-

## TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Provided to Each Guaranteed Party	Maximum Balance for the Period (Note 7)	Ending Balance (Note 7)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties (Note 7)	Ratio of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Corporation	CGPC	b	\$2,991,278 (Note 3)	\$204,000	\$204,000	\$	\$	1.70%	\$4,786,044 (Note 4)	Y	N	N
1	TCIC	Redondo Peninsula Energy, Inc.	f	1,172,552 (Note 5)	1,243,000	1,053,000		580,000	359%	1,465,690 (Note 6)	N	N	N

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

- "0" for the Corporation.
- Investees are numbered from "1".

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

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

Note 3: Limit on endorsement/guarantee provided by the Corporation to each subsidiary was up to \$2,991,278 thousand, which was calculated at 25% of the Corporation's net worth in the current financial statements. (\$11,965,110 thousand (net worth as of December 31, 2019) \*25%)

Note 4: Limit on total amount of endorsement/guarantee provided by the Corporation and subsidiaries to entities was up to \$4,786,044 thousand, which was calculated at 40% of the Corporation's net worth in the current financial statements. (\$11,965,110 thousand (net worth as of December 31, 2019) \*40%)

Note 5: Limit on endorsement/guarantee provided by TCIC to an entity was up to \$1,172,552 thousand, which was calculated at 400% of TCIC's net worth in the current financial statements. (\$293,138 thousand (net worth as of December 31, 2019) \*400%)

Note 6: Limit on total amount of endorsement/guarantee provided by TCIC was up to \$1,465,690 thousand, which was calculated at 500% of TCIC's net worth in the current financial statements. (\$293,138 thousand (net worth as of December 31, 2019) \*500%)

Note 7: Maximum balance for the period, ending balance and amount of endorsement/guarantee collateralized by properties represent the amount of facilities, but not actually drawn. The amount actually drawn was \$0 as of December 31, 2019.

**TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES****MARKETABLE SECURITIES HELD  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	December 31, 2019				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	<u>Stock</u> KADC	N/A	Financial assets at fair value through other comprehensive income	20,000	\$ 267,600	8.00	267,600	

## TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Market able Securiti es	Line Item	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		Not e
					Shares (In Thousand s)	Carrying Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Carrying Value	Gain/Loss on Disposal	Shares (In Thousands)	Amount	
The Corporation	<u>Stock</u> SEC	Investments accounted for using the equity method	-	N/A	63,000	\$ 1,220,020 (Note 1)	33,000	\$330,000		\$	\$	\$	96,000	\$ 1,550,020 (Notes 1 and 2)	

Note 1: The amount is original investment amount.

Note 2: The amount was eliminated upon consolidation.

**TABLE 4****TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	TPC	A director of the Corporation	Sales (Note 1)	\$ 273,524	3.81	Receivables are collected within 30 days after billing dates under agreements	-	-	\$28,806	6.00	
SEC	TPC	A director of parent company	Sales (Note 2)	3,855,321	53.65	Receivables are collected within 30 days after billing dates under agreements	-	-	28,668	5.00	
	The Corporation	Parent company	Sales (Note 4)	714,904	9.95	Receivables are collected within 30 days after billing dates under agreements	-	-	148,511	28.00	
	TYC	An investee of the Corporation accounted for using the equity method	Sales (Note 4)	524,080	7.29	Receivables are collected within 30 days after billing dates under agreements	-	-	22,970	4.00	
	SPC	Subsidiary	Sales (Note 3)	264,626	3.68	Receivables are collected within 30 days after billing dates under agreements	-	-	16,322	3.00	

Note 1: Sales of electricity.

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

Note 3: Revenues from construction services.

Note 4: Revenues from consulting and construction services.

**TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
SEC	The Corporation	Parent company	Accounts receivable \$148,511	(Note 1)	\$	-	\$148,511	\$

Note 1: Collection terms were based on each contract. Therefore, the information of turnover ratio was not applicable.

Note 2: The amount was eliminated upon consolidation.

**TABLE 6**

**TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Profit (Loss) of the Investee	Share of Profit (Loss)
				December 31, 2019	December 31, 2018	Shares (In Thousands)	%	Carrying Amount		
The Corporation	SEC	Taipei City	Undertaking and installing of power and water resources engineering projects	\$ 1,550,020	\$ 1,220,020	101,040 (Note 3)	100.00	\$ 1,263,190	\$ 201,070	\$ 200,098 (Note 2)
	TCIC	British Virgin Islands	Investment in foreign countries and international trading	685,374	685,374	22,260	100.00	293,138	(71,479)	(71,479)
	YYC	Yilan County	Investment in geothermal power plant	153,000	153,000	15,300	51.00	142,643	(3,496)	(1,782)
	TGE	Taipei City	Investment in green power plant	85,000	85,000	8,500	100.00	90,017	5,312	5,312
	TYC	Taoyuan City	Cogeneration plants, management of operations, maintenance of equipment	214,240	214,240	35,834	29.31	530,016	146,843	43,040
	Sun Ba	Tainan City	Power generation	3,073,500	3,073,500	258,000	43.00	5,371,035	981,945	422,236
	KKPC	Taoyuan City	Power generation	1,775,426	1,775,426	114,730	35.00	1,990,259	215,411	54,741 (Note 1)
	SEPC	Changhua County	Power generation	1,272,500	1,272,500	121,500	40.50	2,324,285	423,710	171,603
	SBPC	Taipei City	Power generation	1,409,130	1,409,130	136,200	41.27	2,232,998	490,024	202,247
SEC	Shinlee	Taipei City	Construction service and international trading	16,500	16,500	1,650	41.25	5,405	1,701	702
	SPC	Changhua County	Power generation	177,870	20,000	17,787	100.00	155,811	(10,826)	(10,826)
	SYC	Chiayi County	Power generation	47,000	-	4,700	100.00	47,000	-	-
TCIC	Redondo Peninsula Energy, Inc.	Philippines	Power generation	573,165	573,165	8,446	25.00	217,998	(286,508)	(71,627)
YYC	CGPC	Yilan County	Power generation	250,000	-	25,000	100.00	236,507	(13,493)	(13,493)
TGE	SKE	Hsinchu County	Power generation	80,000	38,000	-	100.00	85,802	6,001	6,001

Note 1: Including share of profit of \$79,395 thousand and amortization of investment premium of \$(20,654) thousand.

Note 2: Including share of profit of \$201,070 thousand and realized gain on construction and consulting services of \$(972) thousand.

Note 3: Including capital increased by retained earnings 5,040 thousand shares.

Note 4: The amount was eliminated upon consolidation.



**TABLE 7****TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES**
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statements Item	Amount (Note 4)	Payment Terms (Note 5)	% of Consolidated Operating Revenues or Total Assets (Note 3)
0	The Corporation	SEC	a	Consulting service revenue	\$14,623	-	-
		SEC	a	Other income	1,289	-	-
		SEC	a	Accounts receivable from related parties	2,590	-	-
		SEC	a	Prepaid construction costs	463,528	-	2
		CGPC	a	Other income	4,552	-	-
		CGPC	a	Other receivables from related parties	4,552	-	-
1	SEC	The Corporation	b	Construction revenue	714,356	-	10
		The Corporation	b	Consulting service revenue	368	-	-
		SPC	c	Other receivables from related parties	16,322	-	-
		SPC	c	Construction revenue	264,626	-	4
2	YYC	CGPC	c	Other receivables from related parties	1,491	-	-
		CGPC	c	Other income	10,740	-	-

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

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

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

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

Note 3: For assets and liabilities, amount is shown as a percentage of consolidated total assets as of December 31, 2019, while revenues, costs and expenses are shown as a percentage of consolidated revenues for the year ended December 31, 2019.

Note 4: The amount was eliminated upon consolidation.

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

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

## **INDEPENDENT AUDITORS' REPORT**

### **INDEPENDENT AUDITORS' REPO**

The Board of Directors and Stockholders  
Taiwan Cogeneration Corporation

#### **Opinion**

We have audited the accompanying separate financial statements of Taiwan Cogeneration Corporation (the "Corporation"), which comprise the separate balance sheets as of December 31, 2019 and 2018 and the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Corporation as of December 31, 2019 and 2018, and its separate financial performance and its separate cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis of Opinion**

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements for the year ended December 31, 2019. 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 2019 separate financial statements are as follows:

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

Refer to Note 28.d. and e. for details of the FTC ruling, appeal by associates and litigation against associates; Note 4 for the accounting policy on provisions; and Note 5.a. for critical accounting judgments and key sources of estimation uncertainty.

The FTC concluded that the Corporation's associates, Sun Ba Power Corporation, Star Energy Power Corporation, Star Buck Power Corporation, and Kuo Kuang Power Company Ltd., had violated the Fair Trade Act by jointly refusing to lower power purchase electricity rates. The FTC levied fines against these companies and the companies filed an appeal against the fines. As of December 31, 2019, 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, 2019, the claims on the administrative proceedings and civil action in progress against these associates amounted to NT\$18,540 million and NT\$12,306 million, respectively.

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

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

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

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

Star Energy Corporation has entered into a construction contract related to large-scale solar power generation in the south area of Taiwan. The construction service revenue and construction service cost of the aforementioned contract recognized for the year ended December 31, 2019 were NT\$3,610,270 thousand and NT\$3,538,039 thousand, respectively, representing 50% and 53% of the Corporation's consolidated operating revenues and consolidated operating costs, respectively. The percentage of completion and related profit from the construction contract were anticipated and determined by the management of Star Energy Corporation based on the nature of activities, expected sub-contracting charges, construction periods, progress, methods, etc., and involve critical accounting judgments made by the management, and have a further effect on the Corporation's investments accounted for using the equity method and share of profit or loss of subsidiaries accounted for using the equity method; thus, evaluation of profit and loss on the construction contract of the subsidiary, Star Energy Corporation is considered as one of the key audit matters.

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

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Separate Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 separate financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 20, 2020

#### Notice to Readers

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

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

# TAIWAN COGENERATION CORPORATION

## SEPARATE BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 358,825	2	\$ 337,619	2
Notes receivable (Notes 4, 7 and 19)	92,122	1	-	-
Notes receivable from related parties (Notes 4, 19 and 26)	1,120	-	779	-
Accounts receivable (Notes 4, 7 and 19)	152,889	1	101,764	1
Accounts receivable from related parties (Notes 4, 19 and 26)	39,045	-	35,816	-
Finance lease receivables (Notes 4 and 8)	1,140	-	-	-
Other receivables (Notes 4 and 26)	5,363	-	77	-
Current income tax assets (Note 21)	1,477	-	-	-
Inventories (Notes 4 and 9)	6,175	-	8,544	-
Prepaid construction costs (Note 26)	463,528	3	-	-
Other current assets	1,806	-	3,176	-
Total current assets	1,123,490	7	487,775	3
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 4, 5, 10 and 25)	267,600	2	247,000	2
Investments accounted for using the equity method (Notes 4, 11 and 27)	14,237,581	88	13,575,109	92
Property, plant and equipment (Notes 4 and 12)	406,813	2	391,923	2
Right-of-use assets (Notes 4 and 13)	4,611	-	-	-
Computer software cost	2,793	-	2,518	-
Deferred income tax assets (Notes 4, 5 and 21)	101,410	1	101,578	1
Prepayments for equipment	2,310	-	-	-
Refundable deposits	5,727	-	5,630	-
Total non-current assets	15,028,845	93	14,323,758	97
<b>TOTAL</b>	<b>\$ 16,152,335</b>	<b>100</b>	<b>\$ 14,811,533</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities (Notes 4, 5, 17 and 19)	\$ 449,555	3	\$ -	-
Notes payable	12,046	-	14,912	-
Accounts payable	67,306	-	77,476	1
Construction costs payable to related parties (Note 26)	148,417	1	-	-
Accounts payable to related parties (Note 26)	1,158	-	1,158	-
Other payables (Note 15)	90,384	1	73,269	-
Current income tax liabilities (Notes 4 and 21)	-	-	36,947	-
Lease liabilities (Notes 4 and 13)	4,427	-	-	-
Current portion of long-term borrowings (Notes 14 and 27)	-	-	270,000	2
Other current liabilities	2,648	-	2,547	-
Total current liabilities	775,941	5	476,309	3
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 14 and 27)	3,300,000	20	2,500,000	17
Lease liabilities (Notes 4 and 13)	1,367	-	-	-
Net defined benefit liabilities (Notes 4, 5 and 16)	101,210	1	96,336	1
Guarantee deposits received	8,707	-	7,084	-
Total non-current liabilities	3,411,284	21	2,603,420	18
Total liabilities	4,187,225	26	3,079,729	21
<b>EQUITY (Note 18)</b>				
Share capital				
Common stock	5,890,486	37	5,890,486	40
Capital surplus	499,694	3	499,694	3
Retained earnings				
Legal reserve	1,428,312	9	1,361,083	9
Special reserve	2,947,108	18	3,200,533	22
Unappropriated earnings	1,182,324	7	784,241	5
Total retained earnings	5,557,744	34	5,345,857	36
Other equity	17,186	-	(4,233)	-
Total equity	11,965,110	74	11,731,804	79
<b>TOTAL</b>	<b>\$ 16,152,335</b>	<b>100</b>	<b>\$ 14,811,533</b>	<b>100</b>

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, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 19 and 26)				
Sales	\$ 878,778	53	\$ 1,018,622	96
Construction service	744,534	45	-	-
Consulting service	<u>39,599</u>	<u>2</u>	<u>41,309</u>	<u>4</u>
Total operating revenues	<u>1,662,911</u>	<u>100</u>	<u>1,059,931</u>	<u>100</u>
OPERATING COSTS (Notes 20 and 26)				
Cost of sales	658,906	40	719,117	68
Construction service	740,764	44	-	-
Consulting service	<u>32,820</u>	<u>2</u>	<u>32,377</u>	<u>3</u>
Total operating costs	<u>1,432,490</u>	<u>86</u>	<u>751,494</u>	<u>71</u>
GROSS PROFIT	230,421	14	308,437	29
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>29,367</u>	<u>2</u>	<u>29,367</u>	<u>3</u>
REALIZED GROSS PROFIT	259,788	16	337,804	32
OPERATING EXPENSES (Notes 20 and 26)	<u>167,886</u>	<u>10</u>	<u>161,314</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>91,902</u>	<u>6</u>	<u>176,490</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 20 and 26)	27,743	1	23,363	2
Other gains and losses (Note 20)	(1,683)	-	5,922	1
Finance costs (Note 20)	(30,936)	(2)	(33,026)	(3)
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 11)	<u>1,026,016</u>	<u>62</u>	<u>533,413</u>	<u>50</u>
Total non-operating income and expenses	<u>1,021,140</u>	<u>61</u>	<u>529,672</u>	<u>50</u>
PROFIT BEFORE INCOME TAX	1,113,042	67	706,162	67
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(14,994)</u>	<u>(1)</u>	<u>(33,867)</u>	<u>(3)</u>
NET PROFIT	<u>1,098,048</u>	<u>66</u>	<u>672,295</u>	<u>64</u>

(Continued)

# TAIWAN COGENERATION CORPORATION

## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of a defined benefit plan (Note 16)	\$ (2,824)	-	\$ (14,240)	(1)
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	20,600	1	21,200	2
Share of remeasurement of defined benefit plans of subsidiaries and associates accounted for using the equity method	(329)	-	(6,379)	(1)
Share of unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income of associates accounted for using the equity method	(4,357)	-	(23,068)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 21)	<u>565</u>	<u>-</u>	<u>3,651</u>	<u>-</u>
	13,655	1	(18,836)	(2)
Items that may be reclassified subsequently to profit or loss:				
Share of exchange differences on translating foreign operations of subsidiaries accounted for using the equity method	<u>5,176</u>	<u>-</u>	<u>(11,948)</u>	<u>(1)</u>
Other comprehensive income (loss), net of income tax	<u>18,831</u>	<u>1</u>	<u>(30,784)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,116,879</u>	<u>67</u>	<u>\$ 641,511</u>	<u>61</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$1.86</u>		<u>\$1.14</u>	
Diluted	<u>\$1.86</u>		<u>\$1.14</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Common Stock	Capital Surplus	Retained Earnings			Other Equity			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	
BALANCE, JANUARY 1, 2018	\$ 5,890,486	\$ 499,694	\$ 1,263,896	\$ 3,133,898	\$ 1,060,970	\$ (49,041)	\$ 58,624	\$ -	\$ 11,858,527
Effect of retrospective application	-	-	-	-	(1,103)	-	(58,624)	58,624	(1,103)
BALANCE AT JANUARY 1, 2018 AS RESTATED	<u>5,890,486</u>	<u>499,694</u>	<u>1,263,896</u>	<u>3,133,898</u>	<u>1,059,867</u>	<u>(49,041)</u>	<u>-</u>	<u>58,624</u>	<u>11,857,424</u>
Appropriation of 2017 earnings									
Legal reserve	-	-	97,187	-	(97,187)	-	-	-	-
Special reserve	-	-	-	66,635	(66,635)	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	(765,763)	-	-	-	(765,763)
	-	-	<u>97,187</u>	<u>66,635</u>	<u>(929,585)</u>	-	-	-	<u>(765,763)</u>
Share of transaction cost attributable to issue of new ordinary shares of subsidiaries and associates accounted for using the equity method	-	-	-	-	(1,368)	-	-	-	(1,368)
Net profit for the year ended December 31, 2018	-	-	-	-	672,295	-	-	-	672,295
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(16,968)	(11,948)	-	(1,868)	(30,784)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	<u>655,327</u>	<u>(11,948)</u>	<u>-</u>	<u>(1,868)</u>	<u>641,511</u>
BALANCE, DECEMBER 31, 2018	<u>5,890,486</u>	<u>499,694</u>	<u>1,361,083</u>	<u>3,200,533</u>	<u>784,241</u>	<u>(60,989)</u>	<u>-</u>	<u>56,756</u>	<u>11,731,804</u>
Appropriation of 2018 earnings									
Legal reserve	-	-	67,229	-	(67,229)	-	-	-	-
Special reserve	-	-	-	4,233	(4,233)	-	-	-	-
Reversal of special reserve	-	-	-	(257,658)	257,658	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	(883,573)	-	-	-	(883,573)
	-	-	<u>67,229</u>	<u>(253,425)</u>	<u>(697,377)</u>	-	-	-	<u>(883,573)</u>
Net profit for the year ended December 31, 2019	-	-	-	-	1,098,048	-	-	-	1,098,048
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(2,588)	5,176	-	16,243	18,831
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	<u>1,095,460</u>	<u>5,176</u>	<u>-</u>	<u>16,243</u>	<u>1,116,879</u>
BALANCE, DECEMBER 31, 2019	<u>\$ 5,890,486</u>	<u>\$ 499,694</u>	<u>\$ 1,428,312</u>	<u>\$ 2,947,108</u>	<u>\$ 1,182,324</u>	<u>\$ (55,813)</u>	<u>\$ -</u>	<u>\$ 72,999</u>	<u>\$ 11,965,110</u>

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,113,042	\$ 706,162
Adjustments for:		
Depreciation expense	40,189	27,355
Amortization expense	1,270	1,068
Interest expense	30,878	32,959
Interest income	(2,410)	(5,647)
Dividend income	(8,000)	(8,000)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	(1,026,016)	(533,413)
Unrealized loss on foreign currency exchange	1,174	100
Realized gain on transactions with associates	(29,367)	(29,367)
Changes in operating assets and liabilities		
Notes receivable from related parties	(341)	(94)
Notes receivable	(92,122)	-
Accounts receivable	(51,125)	(25,900)
Accounts receivable from related parties	(3,229)	3,592
Other receivables	(5,306)	23
Inventories	2,369	(1,925)
Prepaid construction costs	(463,528)	-
Other current assets	1,370	(322)
Contract liabilities	449,555	-
Notes payable	(2,866)	(2,124)
Accounts payable	(10,170)	18,423
Construction costs payable	148,417	-
Other payables	12,657	2,185
Other current liabilities	101	(192)
Net defined benefit liabilities	2,050	(1,114)
Cash generated from operations	108,592	183,769
Interest received	2,430	5,613
Dividends received	731,401	855,971
Interest paid	(29,439)	(34,218)
Income tax paid	(52,685)	(21,146)
Net cash generated from operating activities	<u>760,299</u>	<u>989,989</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	(330,000)	(212,500)
Payments for property, plant and equipment (Note 23)	(37,279)	(8,902)
Proceeds from disposal of property, plant and equipment	74	-
Increase in refundable deposits	(97)	(9)
Payments for computer software	(1,545)	(2,105)
Decrease in finance lease receivables	12,894	-
Increase in prepayments for equipment	(2,310)	(8,004)
Net cash used in investing activities	<u>(358,263)</u>	<u>(231,520)</u>

(Continued)

# TAIWAN COGENERATION CORPORATION

## SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	\$ 5,250,000	\$ 3,495,000
Repayments of long-term borrowings	(4,720,000)	(3,620,000)
Increase in guarantee deposits received	1,623	1,994
Repayments of the principal portion of lease liabilities	(27,706)	-
Dividends paid to owners of the Corporation	<u>(883,573)</u>	<u>(765,763)</u>
Net cash used in financing activities	<u>(379,656)</u>	<u>(888,769)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(1,174)</u>	<u>(100)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,206	(130,400)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>337,619</u>	<u>468,019</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 358,825</u>	<u>\$ 337,619</u>

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

(Concluded

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# TAIWAN COGENERATION CORPORATION

## NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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 20, 2020.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

#### IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both the lessee and the lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement Contains a Lease”, and a number of related interpretations. Refer to Note 4 for related accounting policies.

### Definition of a lease

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

### The Corporation as a lessee

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

The Corporation elected to apply IFRS 16 retrospectively on January 1, 2019. There was no impact on the Corporation's retained earnings from the retrospective application on January 1, 2019. Comparative information was not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liabilities. The Corporation applied IAS 36 to all right-of-use assets for impairment evaluation.

The Corporation applied the following practical expedients:

- 1) The Corporation applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Corporation accounted for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Corporation excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Corporation used hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.10%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 was explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 31,457
Less: Recognition exemption for short-term leases	(257)
Less: Recognition exemption for leases of low-value assets	<u>(72)</u>
Undiscounted amount on January 1, 2019	<u>\$ 31,128</u>
Discounted amount using the incremental borrowing rate on January 1, 2019	<u>\$ 30,936</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 30,936</u>

#### The Corporation as a lessor

Except for sublease transactions, the Corporation did not make any adjustments to leases in which it is a lessor, and accounted for those leases with the application of IFRS 16 starting from January 1, 2019.

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

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 was set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Finance lease receivables - current	\$ -	\$ 13,124	\$ 13,124
Finance lease receivables - non-current	-	1,134	1,134
Right-of-use assets	-	<u>16,678</u>	16,678
Total effect on assets		<u>\$ 30,936</u>	
Lease liabilities - current	-	\$ 27,073	27,073
Lease liabilities - non-current	-	<u>3,863</u>	3,863
Total effect on liabilities		<u>\$ 30,936</u>	

- b. The IFRSs endorsed by the FSC for application starting from 2020

New, Amended or Revised Standards and Interpretations (The "New IFRSs")	Effective Date Announced by The International Accounting Standards Board (IASB)
Amendment to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Corporation shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

As of the date the separate financial statements were authorized for issue, the initial application of the above New IFRSs would not have any material impact on the Corporation's financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

As of the date the separate financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

The separate financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

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

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

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

When preparing the separate financial statements, the Corporation used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit, other comprehensive income and total equity in the separate financial statements to be the same with the amounts attributable to the owner of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatment between separate basis and consolidated basis were made to investments accounted for using the equity method, share of profit or loss of subsidiaries and associates accounted for using the equity method, share of other comprehensive income of subsidiaries and associates accounted for using the equity method, and related equity items, as appropriate, in the separate financial statements.

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

Current assets include cash, cash equivalents and assets that are expected to be converted into cash or consumed within one year from the balance sheet date; assets other than current assets are non-current assets. Current liabilities include liabilities incurred for trading purposes and obligations that are expected to be settled within one year from the balance sheet date; liabilities other than current liabilities are non-current liabilities. 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.

### **Foreign Currencies**

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

The financial statements of the Corporation's foreign investments accounted for using the equity method prepared in their functional currencies are translated into New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the year; equity is translated using historical exchange rates. Exchange differences arising thereof, if any, are recognized in other comprehensive income.

### **Impairment of Financial Assets**

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

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



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

## **Inventories**

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

## **Financial Assets at Fair Value through Other Comprehensive Income**

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income (i.e. FVTOCI). Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

## **Investments Accounted for Using the Equity Method**

The Corporation uses the equity method to account for its investments in subsidiaries and associates. Under the equity method, an investment in subsidiaries and associates are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of profit or loss and other comprehensive income or loss of the subsidiaries and associates. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries and associates. When an indication of impairment is identified in an investment, a loss is recognized.

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

Unrealized profit or loss resulting from downstream transactions are eliminated in full only in the Corporation's separate financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries are recognized in the Corporation's separate financial statements only to the extent of interests in the subsidiaries of entities that are not related to the Corporation.

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

## **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Major additions, replacements and betterments are capitalized; while maintenance and repairs are expensed currently.

Depreciation is provided on a straight-line basis over the following estimated service lives which range as follows: Buildings, 15 to 50 years; machinery and equipment, 3 to 30 years; transportation equipment, 5 years; other equipment, 2 to 8 years; leasehold improvements, lease terms. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of property, plant and equipment, the related cost and accumulated depreciation and impairment loss are removed from the accounts and the resulting gains or losses are included in profit or loss.

## **Intangible Assets**

Computer software is amortized on a straight-line basis over 1 to 5 years.

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Impairment of Assets**

When the carrying amount of an asset (mainly including property, plant and equipment, and intangible assets) exceeds its recoverable amount, the excess is recognized as an impairment loss. A reversal of the impairment loss is recognized if there is a subsequent recovery in the value of the asset. However, the carrying amount after reversal cannot exceed the original cost less accumulated depreciation or amortization.

## **Provisions**

A provision shall be recognized when the Corporation has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

## **Revenue Recognition**

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

Revenue from consulting service is recognized when services are provided.

As it is being constructed over time, the Corporation recognizes revenue over time. The Corporation measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligation. A contract asset is recognized during the construction and is reclassified to accounts receivable at the point at which it is invoiced to the customer. If the milestone payment

exceeds the revenue recognized to date, then the Corporation recognizes a contract liability for the difference. Certain payment retained by the customer as specified in the contract is intended to ensure that the Corporation adequately completes all its contractual obligations. Such retention receivables are recognized as contract assets until the Corporation satisfies its performance.

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

## **Leases**

### 2019

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

#### **a. The Corporation as a lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Corporation subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Corporation, as a lessee, accounted for by applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus initial direct costs and is presented as a finance lease receivable.

#### **b. The Corporation as a lessee**

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the separate balance sheets except for those that meet the definition of investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Corporation is reasonably certain to exercise that option, and payments of penalties for

terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the separate balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## 2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### a. The Corporation as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

### b. The Corporation as a lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

## **Employee Benefits**

### a. Short-term employee benefits

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

### b. Retirement benefits

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

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

Net defined benefit liability represents the actual deficit in the Corporation's defined benefit 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 separate statement of comprehensive income for the reason that certain revenue and expenses are taxable or deductible items in other period, or not taxable or deductible items according to the Income Tax Act. The Corporation's current income tax liabilities are calculated by the legislated tax rate on the balance sheet date.

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

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

### **b. Deferred income tax**

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

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

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

### **c. Current and deferred income tax for the year**

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

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

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

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

a. Fair Trade Act ruling, appeal and litigation against associates

The Fair Trade Commission (“FTC”) concluded that independent power producer companies (IPPs) had violated Fair Trade Act and levied fine against the Corporation’s associates. As a result, these associates filed petitions and administrative proceedings. See Note 28.d. for detailed information. As TPC concluded that these associates violated the Fair Trade Act with concerted action and caused a loss to TPC, TPC filed administrative proceedings and a civil action to claim compensation for the loss. See Note 28.e. for detailed information. The aforementioned petitions, administrative proceedings, and civil action are still pending; results of the cases may vary depending on the subsequent development of the cases.

b. Evaluation of profit and loss on construction contracts of the subsidiary, Star Energy Corporation

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

The expected total costs and contract items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc. for each construction contract. Changes in the estimates might affect the calculation of the percentage of completion and related profits from construction contracts and further effect the Corporation’s investments accounted for using the equity method and share of the profit or loss of subsidiaries accounted for using the equity method.

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

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

d. Recognition and measurement of defined benefit plan

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

e. Realizability of the deferred income tax assets

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 500	\$ 500
Checking accounts and demand deposits	129,505	141,918
Cash equivalents		
Time deposits	<u>228,820</u>	<u>195,201</u>
	<u>\$ 358,825</u>	<u>\$ 337,619</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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Demand deposits	0.01-0.23%	0.01%-0.10%
Time deposits	0.6-1.98%	0.78%-2.75%

## 7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 92,122</u>	<u>\$ -</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 152,889</u>	<u>\$ 101,764</u>

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Up to 60 days	<u>\$ 92,122</u>	<u>\$ -</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Up to 60 days	<u>\$ 152,889</u>	<u>\$ 101,764</u>

## 8. FINANCE LEASE RECEIVABLES

2019

	<b>December 31, 2019</b>
<u>Undiscounted lease payments</u>	
Year 1	\$ 1,140
Year 2	-
Year 3	-
Year 4	-
Year 5	-
	<u>1,140</u>
Less: Unearned finance income	-
Lease payments receivable	<u>1,140</u>
Net investment in leases presented as finance lease receivables	<u>\$ 1,140</u>

The Corporation subleased its leasehold office premises to associates since February 2017 with annual fixed lease payments referenced to the head lease agreement. As the Corporation subleased the leasehold office premises for all the remaining lease term of the head lease to the sublessees, the sublease contracts were classified as finance leases. The subleases were previously classified as operating leases under IAS 17; refer to Note 3 and Note 13 (Lease Arrangements c. subleases) for the details.

The interest rates inherent in leases were fixed at the contract dates for the entire term of the lease. The average effective interest rate contracted was approximately 1.10%.

The Corporation measured the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. As of the balance sheet date, no finance lease receivable was past due. The Corporation did not recognize a loss allowance for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables.

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Raw materials	<u>\$ 6,175</u>	<u>\$ 8,544</u>



# **10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

## **Investments in Equity Instruments at FVTOCI**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Non-current</u>		
Domestic investments		
Unlisted shares		
Kaohsiung Arena Development Corporation (“KADC”)	<u>\$ 267,600</u>	<u>\$ 247,000</u>

The investment in KADC is not held for trading. Instead, it is held for medium to long-term strategic purposes. Accordingly, the management elected to designate this investment in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in this investment’s fair value in profit or loss would not be consistent with the Corporation’s strategy of holding this investment for long-term purposes.

Refer to Note 25 for fair value information relating to financial assets at FVTOCI.

# **11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Investments in subsidiaries	\$ 1,788,988	\$ 1,320,601
Investments in associates	<u>12,448,593</u>	<u>12,254,508</u>
	<u>\$ 14,237,581</u>	<u>\$ 13,575,109</u>

## **Investments in Subsidiaries**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Star Energy Corporation (“SEC”)	\$ 1,263,190	\$ 731,965
Taiwan Cogeneration International Corporation (“TCIC”)	293,138	359,506
Yi Yuan Corporation (“YYC”)	142,643	144,425
TCC Green Energy Corporation (“TGE”)	<u>90,017</u>	<u>84,705</u>
	<u>\$ 1,788,988</u>	<u>\$ 1,320,601</u>

On November 12, 2018, the Corporation participated in a capital raising of YYC in proportion to the percentage of the Corporation’s equity interest in YYC. The investment in YYC increased by \$127,500 thousand.

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

On December 18, 2018, the Corporation paid \$38,000 thousand and acquired 100% equity interest in Shin Kuang Electric Energy Co., Ltd. (“SKE”) through TGE. Subsequently, on January 7, 2019, the Corporation participated in a capital raising of SKE through TGE. The investment in SKE increased by \$42,000 thousand.

On December 25, 2018, the Corporation invested \$20,000 thousand and established Starbao Power Corporation (“SPC”) through SEC. The Corporation indirectly owned 100% equity interest in SPC. Subsequently, on October 8, 2019, the Corporation participated in a capital raising of SPC through SEC. The investment in SPC increased by \$157,870 thousand.

On April 9, 2019, the Corporation invested \$47,000 thousand and established Sing Ye Green Energy Corporation (“SYC”) through SEC. The Corporation indirectly owned 100% equity interest in SYC. As of December 31, 2019, the procedures for the registration of the change in the equity interest was not completed.

On May 23, 2019, the Corporation invested \$250,000 thousand and established Chingshuei Geothermal Power Corporation (“CGPC”) through YYC. The Corporation indirectly owned 100% equity interest in CGPC.

On September 11, 2019, the Corporation participated in a capital raising of SEC. The investment in SEC increased by \$330,000 thousand.

The subsidiaries accounted for using the equity method and the Corporation’s share of their profit or loss were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
SEC	\$ 200,098	\$ 115,995
TCIC	(71,479)	(124,655)
YYC	(1,782)	(3,572)
TGE	<u>5,312</u>	<u>(295)</u>
	<u>\$ 132,149</u>	<u>\$ (12,527)</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
SEC	100.00%	100.00%
TCIC	100.00%	100.00%
YYC	51.00%	51.00%
TGE	100.00%	100.00%

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

Refer to Table 6 for the nature of activities, principal places of business and countries of incorporation of the subsidiaries.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries’ financial statements audited by independent auditors for the same years.

## Investments in Associates

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Material associates		
Ta-Yuan Cogeneration Company (“TYC”)	\$ 530,016	\$ 514,758
Sun Ba Power Corporation (“Sun Ba”)	5,371,035	5,290,524
Star Energy Power Corporation (“SEPC”)	2,324,285	2,275,995
Star Buck Power Corporation (“SBPC”)	2,232,998	2,147,991
Kuo Kuang Power Company Ltd. (“KKPC”)	<u>1,990,259</u>	<u>2,025,240</u>
	<u>\$ 12,448,593</u>	<u>\$ 12,254,508</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sun Ba	\$ 422,236	\$ 411,199
SBPC	202,247	167,423
SEPC	171,603	142,796
TYC	43,040	40,612
KKPC	<u>54,741</u>	<u>(216,090)</u>
	<u>\$ 893,867</u>	<u>\$ 545,940</u>

### a. Material associates

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
TYC	29.31%	29.31%
Sun Ba	43.00%	43.00%
SEPC	40.50%	40.50%
SBPC	41.27%	41.27%
KKPC	35.00%	35.00%

Refer to Table 6 for the nature of activities, principal places of business and countries of incorporation of the associates.

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

	<b>December 31</b>	
<b>Name of Associate</b>	<b>2019</b>	<b>2018</b>
TYC	<u>\$ 915,554</u>	<u>\$ 827,591</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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 939,677	\$ 932,427
Non-current assets	2,863,846	2,207,018
Current liabilities	(1,149,638)	(909,142)
Non-current liabilities	<u>(832,204)</u>	<u>(471,679)</u>
Equity	1,821,681	1,758,624
Non-controlling interests	<u>-</u>	<u>-</u>
	<u><b>\$ 1,821,681</b></u>	<u><b>\$ 1,758,624</b></u>
Proportion of the Corporation's ownership	29.31%	29.31%
Equity attributable to the Corporation	\$ 533,948	\$ 515,466
Unrealized gain with associates	<u>(3,932)</u>	<u>(708)</u>
Carrying amount	<u><b>\$ 530,016</b></u>	<u><b>\$ 514,758</b></u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	<u><b>\$ 1,629,623</b></u>	<u><b>\$ 1,778,517</b></u>
Net profit	\$ 146,843	\$ 138,556
Other comprehensive loss	<u>(13,926)</u>	<u>(78,381)</u>
Total comprehensive income	<u><b>\$ 132,917</b></u>	<u><b>\$ 60,175</b></u>
Dividends received from TYC	<u><b>\$ 20,476</b></u>	<u><b>\$ 30,715</b></u>

Sun Ba

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 4,150,539	\$ 4,578,230
Non-current assets	12,242,008	12,822,536
Current liabilities	(1,980,105)	(2,483,029)
Non-current liabilities	<u>(1,770,314)</u>	<u>(2,445,983)</u>
Equity	12,642,128	12,471,754
Non-controlling interests	<u>-</u>	<u>-</u>
	<u><b>\$ 12,642,128</b></u>	<u><b>\$ 12,471,754</b></u>
Proportion of the Corporation's ownership	43.00%	43.00%
Equity attributable to the Corporation	\$ 5,436,115	\$ 5,362,854
Unrealized gain with associates	<u>(67,167)</u>	<u>(74,417)</u>
Goodwill	<u>2,087</u>	<u>2,087</u>
Carrying amount	<u><b>\$ 5,371,035</b></u>	<u><b>\$ 5,290,524</b></u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	<u>\$ 11,527,494</u>	<u>\$ 10,872,196</u>
Net profit	\$ 981,945	\$ 956,278
Other comprehensive loss	<u>(1,571)</u>	<u>(1,783)</u>
Total comprehensive income	<u>\$ 980,374</u>	<u>\$ 954,495</u>
Dividends received from Sun Ba	<u>\$ 348,300</u>	<u>\$ 405,060</u>

### SEPC

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 1,785,397	\$ 1,506,195
Non-current assets	6,911,131	7,484,100
Current liabilities	(1,385,324)	(1,472,334)
Non-current liabilities	<u>(1,374,660)</u>	<u>(1,687,727)</u>
Equity	5,936,544	5,830,234
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 5,936,544</u>	<u>\$ 5,830,234</u>
Proportion of the Corporation's ownership	40.50%	40.50%
Equity attributable to the Corporation	\$ 2,404,301	\$ 2,361,245
Unrealized gain with associates	<u>(80,016)</u>	<u>(85,250)</u>
Carrying amount	<u>\$ 2,324,285</u>	<u>\$ 2,275,995</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	<u>\$ 6,361,712</u>	<u>\$ 5,705,071</u>
Net profit	\$ 423,710	\$ 352,583
Other comprehensive income (loss)	<u>600</u>	<u>(4,871)</u>
Total comprehensive income	<u>\$ 424,310</u>	<u>\$ 347,712</u>
Dividends received from SEPC	<u>\$ 128,790</u>	<u>\$ 117,855</u>

SBPC

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 1,634,185	\$ 1,777,085
Non-current assets	9,473,043	9,700,144
Current liabilities	(1,315,097)	(1,497,392)
Non-current liabilities	<u>(3,706,535)</u>	<u>(4,053,854)</u>
Equity	6,085,596	5,925,983
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 6,085,596</u>	<u>\$ 5,925,983</u>
Proportion of the Corporation's ownership	41.27%	41.27%
Equity attributable to the Corporation	\$ 2,511,692	\$ 2,445,814
Unrealized gain with associates	<u>(278,694)</u>	<u>(297,823)</u>
Carrying amount	<u>\$ 2,232,998</u>	<u>\$ 2,147,991</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	<u>\$ 7,170,833</u>	<u>\$ 6,914,101</u>
Net profit	\$ 490,024	\$ 405,652
Other comprehensive loss	<u>(411)</u>	<u>(254)</u>
Total comprehensive income	<u>\$ 489,613</u>	<u>\$ 405,398</u>
Dividends received from SBPC	<u>\$ 136,200</u>	<u>\$ 163,440</u>

KKPC

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 1,603,960	\$ 1,091,861
Non-current assets	6,390,039	6,663,290
Current liabilities	(1,220,153)	(1,695,155)
Non-current liabilities	<u>(1,444,955)</u>	<u>(690,170)</u>
Equity	5,328,891	5,369,826
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 5,328,891</u>	<u>\$ 5,369,826</u>
Proportion of the Corporation's ownership	35.00%	35.00%
Equity attributable to the Corporation	\$ 1,865,112	\$ 1,879,439
Goodwill	19,304	19,304
Investment premium	<u>105,843</u>	<u>126,497</u>
Carrying amount	<u>\$ 1,990,259</u>	<u>\$ 2,025,240</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	<u>\$ 5,480,488</u>	<u>\$ 4,996,183</u>
Net profit (loss)	\$ 215,411	\$ (558,390)
Other comprehensive loss	<u>(247)</u>	<u>(728)</u>
Total comprehensive income (loss)	<u>\$ 215,164</u>	<u>\$ (559,118)</u>
Dividends received from KKPC	<u>\$ 89,635</u>	<u>\$ 130,901</u>

On May 14, 2018, Sun Ba's Fong Der Power Plant experienced an unexpected shutdown when the blades of one turbine were damaged. The turbine resumed normal operation on June 17, 2018. The repair expense for the above damaged power generating unit, net of estimated insurance claim, was estimated to be \$30,000 thousand. Sun Ba subsequently negotiated and checked with insurance company about the estimated insurance claim and repair expense, and the amounts were confirmed in December 2019. Sun Ba had recognized an additional loss of \$1,800 thousand.

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

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments for the years ended December 31, 2019 and 2018 were based on the associates' financial statements audited by independent auditors for the same years.

For the amount of the investments in associates that the Corporation pledged as loan guarantee, refer to Note 27.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 214,502	\$ 78,954	\$ 1,878,790	\$ 734	\$ 71,741	\$ 19,033	\$ 2,263,754
Additions	-	-	34,472	-	5,396	430	40,298
Disposals	-	-	(28,710)	(734)	(28,639)	-	(58,083)
Balance at December 31, 2019	<u>214,502</u>	<u>78,954</u>	<u>1,884,552</u>	<u>-</u>	<u>48,498</u>	<u>19,463</u>	<u>2,245,969</u>
<u>Accumulated depreciation and impairment loss</u>							
Balance at January 1, 2019	-	56,780	1,749,589	734	45,748	18,980	1,871,831
Depreciation expense	-	1,896	15,689	-	7,660	89	25,334
Disposals	-	-	(28,710)	(734)	(28,565)	-	(58,009)
Balance at December 31, 2019	<u>-</u>	<u>58,676</u>	<u>1,736,568</u>	<u>-</u>	<u>24,843</u>	<u>19,069</u>	<u>1,839,156</u>
Carrying amounts at December 31, 2019	<u>\$ 214,502</u>	<u>\$ 20,278</u>	<u>\$ 147,984</u>	<u>\$ -</u>	<u>\$ 23,655</u>	<u>\$ 394</u>	<u>\$ 406,813</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 214,502	\$ 78,954	\$ 1,868,730	\$ 734	\$ 62,282	\$ 19,033	\$ 2,244,235
Additions	-	-	6,620	-	6,823	-	13,443
Disposals	-	-	-	-	(1,928)	-	(1,928)
Reclassification	-	-	3,440	-	4,564	-	8,004
Balance at December 31, 2018	<u>214,502</u>	<u>78,954</u>	<u>1,878,790</u>	<u>734</u>	<u>71,741</u>	<u>19,033</u>	<u>2,263,754</u>
<u>Accumulated depreciation and impairment loss</u>							
Balance at January 1, 2018	-	54,884	1,731,029	734	41,413	18,344	1,846,404
Depreciation expense	-	1,896	18,560	-	6,263	636	27,355
Disposals	-	-	-	-	(1,928)	-	(1,928)
Balance at December 31, 2018	-	<u>56,780</u>	<u>1,749,589</u>	<u>734</u>	<u>45,748</u>	<u>18,980</u>	<u>1,871,831</u>
Carrying amounts at December 31, 2018	<u>\$ 214,502</u>	<u>\$ 22,174</u>	<u>\$ 129,201</u>	<u>\$ -</u>	<u>\$ 25,993</u>	<u>\$ 53</u>	<u>\$ 391,923</u>

(Concluded)

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets - 2019

	Buildings	Transportation Equipment	Other Equipment	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 13,622	\$ 3,056	\$ -	\$ 16,678
Additions	<u>233</u>	<u>1,831</u>	<u>724</u>	<u>2,788</u>
Balance at December 31, 2019	<u>13,855</u>	<u>4,887</u>	<u>724</u>	<u>19,466</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	-	-	-	-
Depreciation expense	<u>12,763</u>	<u>1,971</u>	<u>121</u>	<u>14,855</u>
Balance at December 31, 2019	<u>12,763</u>	<u>1,971</u>	<u>121</u>	<u>14,855</u>
Carrying amounts at December 31, 2019	<u>\$ 1,092</u>	<u>\$ 2,916</u>	<u>\$ 603</u>	<u>\$ 4,611</u>

#### b. Lease liabilities - 2019

**December 31,  
2019**

#### Carrying amounts

Current	<u>\$ 4,427</u>
Non-current	<u>\$ 1,367</u>

The discount rate for lease liabilities was 1.10%.

#### c. Subleases

Refer to Note 8 for the information on the Corporation's sublease transactions.



Sublease of lease arrangements under operating leases - 2018

The total future minimum sublease payments expected to be received under non-cancellable subleases at December 31, 2018 are \$9,534 thousand.

d. Other lease information

2019

**For the Year  
Ended  
December 31,  
2019**

Expenses relating to short-term leases	<u>\$ 257</u>
Expenses relating to low-value asset leases	<u>\$ 72</u>
Total cash outflow for leases	<u>\$(28,153)</u>

The Corporation leased certain buildings and transportation equipment which qualified as short-term leases and certain other equipment which qualified as low-value asset leases. The Corporation had elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

For the year ended December 31, 2019, expenses relating to short-term leases also included expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption was applied.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

**December 31,  
2018**

Not later than 1 year	\$ 27,253
Later than 1 year and not later than 5 years	3,875
Later than 5 years	<u>-</u>
	<u>\$ 31,128</u>

## 14. LONG-TERM BORROWINGS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Secured borrowings</u>		
Repayable in annual installments through August 2021 (early repaid in June 2019 before its maturity)	\$ -	\$ 390,000
Repayable in quarterly installments through December 2019 (early repaid in June 2019 before its maturity)	-	140,000
<u>Revolving unsecured borrowings</u>		
Revolving through June 2021	1,000,000	-
Revolving through December 2022	500,000	-
Revolving through August 2021	500,000	-
Revolving through August 2021	500,000	-
Revolving through August 2021	300,000	-
Revolving through March 2021	300,000	-
Revolving through March 2021	200,000	-
Revolving through December 2020	-	500,000
Revolving through July 2020	-	500,000
Revolving through August 2020	-	495,000
Revolving through August 2021	-	300,000
Revolving through March 2020	-	295,000
Revolving through June 2020	-	150,000
	<u>3,300,000</u>	<u>2,770,000</u>
Less: Current portion	-	(270,000)
	<u>\$ 3,300,000</u>	<u>\$ 2,500,000</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Secured borrowings	-	1.50%-1.80%
Revolving unsecured borrowings	0.94%-1.05%	0.95%-1.05%

## 15. OTHER PAYABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Payable for employees' compensation and remuneration to directors	\$ 38,699	\$ 33,148
Payable for salaries and bonus	23,443	18,829
Payable for compensated absences	6,565	6,670
Payable for equipment	7,560	4,541
Payable for professional fees	4,673	3,750
Others	<u>9,444</u>	<u>6,331</u>
	<u>\$ 90,384</u>	<u>\$ 73,269</u>

## 16. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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

### b. Defined benefit plan

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

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

The amounts included in the separate balance sheets in respect of the Corporation’s defined benefit plan were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 199,139	\$ 193,918
Fair value of plan assets	<u>(97,929)</u>	<u>(97,582)</u>
Deficit	<u>101,210</u>	<u>96,336</u>
Net defined benefit liabilities	<u>\$ 101,210</u>	<u>\$ 96,336</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of Defined Benefit Obligation</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2018	<u>\$ 180,362</u>	<u>\$ (97,152)</u>	<u>\$ 83,210</u>
Service cost			
Current service cost	4,374	-	4,374
Net interest expense (income)	<u>2,255</u>	<u>(1,233)</u>	<u>1,022</u>
Recognized in profit or loss	<u>6,629</u>	<u>(1,233)</u>	<u>5,396</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,647)	(2,647)
Actuarial loss - changes in demographic assumptions	2,667	-	2,667
Actuarial loss - changes in financial assumptions	2,720	-	2,720
Actuarial loss - experience adjustments	<u>11,500</u>	<u>-</u>	<u>11,500</u>
Recognized in other comprehensive income or loss	<u>16,887</u>	<u>(2,647)</u>	<u>14,240</u>
Contributions from employers	-	(3,312)	(3,312)
Benefits paid	<u>(9,960)</u>	<u>6,762</u>	<u>(3,198)</u>
	<u>(9,960)</u>	<u>3,450</u>	<u>(6,510)</u>
Balance at December 31, 2018	<u>\$ 193,918</u>	<u>\$ (97,582)</u>	<u>\$ 96,336</u>
Balance at January 1, 2019	<u>\$ 193,918</u>	<u>\$ (97,582)</u>	<u>\$ 96,336</u>
Service cost			
Current service cost	4,429	-	4,429
Net interest expense (income)	<u>2,168</u>	<u>(1,103)</u>	<u>1,065</u>
Recognized in profit or loss	<u>6,597</u>	<u>(1,103)</u>	<u>5,494</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,409)	(3,409)
Actuarial loss - changes in demographic assumptions	853	-	853
Actuarial loss - changes in financial assumptions	8,331	-	8,331
Actuarial loss - experience adjustments	<u>(2,951)</u>	<u>-</u>	<u>(2,951)</u>
Recognized in other comprehensive income or loss	<u>6,233</u>	<u>(3,409)</u>	<u>2,824</u>
Contributions from employers	-	(3,444)	(3,444)
Benefits paid	<u>(7,609)</u>	<u>7,609</u>	<u>-</u>
	<u>(7,609)</u>	<u>4,165</u>	<u>(3,444)</u>
Balance at December 31, 2019	<u>\$ 199,139</u>	<u>\$ (97,929)</u>	<u>\$ 101,210</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 2,924	\$ 2,737
Operating expenses	<u>\$ 2,570</u>	<u>\$ 2,659</u>

Through the defined benefit plan under the Labor Standards Act, the Corporation is exposed to the following risks:

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate	0.75%	1.125%
Expected rate of salary increase	3.00%	3.00%

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25% increase	\$ (5,616)	\$ (5,498)
0.25% decrease	<u>\$ 5,846</u>	<u>\$ 5,729</u>
Expected rate(s) of salary increase		
0.25% increase	\$ 5,628	\$ 5,535
0.25% decrease	<u>\$ (5,437)</u>	<u>\$ (5,342)</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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the plan for the next year	<u>\$ 3,420</u>	<u>\$ 3,300</u>
The average duration of the defined benefit obligation	11.8 years	12.0 years

## 17. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

December 31, 2019

	<b>Less than One Year</b>	<b>More than One Year</b>	<b>Total</b>
<u>Liabilities</u>			
Contract liabilities	<u>\$ -</u>	<u>\$ 449,555</u>	<u>\$ 449,555</u>

## 18. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Number of authorized common shares (in thousands)	<u>800,000</u>	<u>800,000</u>
Amount of authorized common shares	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of issued and fully paid common shares (in thousands)	<u>589,049</u>	<u>589,049</u>
Amount of issued and fully paid common shares	<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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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 share options may not be used for any purpose except for offsetting a deficit.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Corporation's current Articles of Incorporation (the "Articles"), where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's Board of Directors as the basis for proposing a distribution plan where not less than 70% of distributable retained earnings shall be distributed; the plan should be resolved in the stockholders' meeting for distribution of dividends to stockholders. For the policies on distribution of the employees' compensation and remuneration to directors and supervisors, please refer to Note 20.f.

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

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

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

The appropriations of earnings for 2018 and 2017 which had been resolved in the stockholders' meeting on June 20, 2019 and June 20, 2018, respectively, were as follows:

	<b>Appropriation of Earnings For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 67,229	\$ 97,187
Special reserve	4,233	66,635
Reversal of special reserve	(257,658)	-
Cash dividends	883,573	765,763
Cash dividends per share (NT\$)	1.5	1.3

The special reserve in the appropriation of earnings for 2017 was set aside according to the Company Act; the reversal of special reserve in 2018 was made in accordance with the Company Act; such reversed special reserve was set aside in prior years according to the Company Act.

The appropriations of earnings for 2019 had been proposed by the Corporation's Board of Directors on March 20, 2020. The appropriations and dividends per share were as follows:

	<b>For the Year Ended December 31, 2019</b>
Legal reserve	\$ 109,546
Reversal of special reserve	(56,424)
Cash dividends	1,001,383
Cash dividends per share (NT\$)	1.7

The appropriations of earnings for 2019 are subject to the resolution in the stockholders' meeting to be held on June 22, 2020.

## 19. REVENUES

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenues from contracts with customers		
Sales		
Sales of electricity	\$ 559,443	\$ 725,222
Sales of steam	318,807	292,810
Others	528	590
	<u>878,778</u>	<u>1,018,622</u>
Construction services	744,534	-
Consulting services	<u>39,599</u>	<u>41,309</u>
	<u>\$ 1,662,911</u>	<u>\$ 1,059,931</u>

### a. Contract balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Notes receivable (including related parties)	<u>\$ 93,242</u>	<u>\$ 779</u>	<u>\$ 685</u>
Accounts receivable (including related parties)	<u>\$ 191,934</u>	<u>\$ 137,580</u>	<u>\$ 115,272</u>
Contract liabilities			
Construction contracts	<u>\$ 449,555</u>	<u>\$ -</u>	<u>\$ -</u>

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

- b. The revenues of the Corporation's Guantian cogeneration plant and the segment of research, consulting and construction services are mainly sales from the cogeneration plant and revenue from consulting and construction services.



## 20. NET PROFIT

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Dividend income	\$ 8,000	\$ 8,000
Interest income	2,410	5,647
Others (Note 26)	<u>17,333</u>	<u>9,716</u>
	<u>\$ 27,743</u>	<u>\$ 23,363</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gain	\$ 2,576	\$ 16,970
Foreign exchange loss	(4,258)	(11,048)
Others	<u>(1)</u>	<u>-</u>
	<u>\$ 1,683</u>	<u>\$ 5,922</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 30,760	\$ 32,959
Interest on lease liabilities	118	-
Others	<u>58</u>	<u>67</u>
	<u>\$ 30,936</u>	<u>\$ 33,026</u>

### d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 25,334	\$ 27,355
Right-of-use assets	14,855	-
Intangible assets	<u>1,270</u>	<u>1,068</u>
	<u>\$ 41,459</u>	<u>\$ 28,423</u>
An analysis of depreciation by function		
Operating costs	\$ 23,431	\$ 25,771
Operating expenses	<u>16,758</u>	<u>1,584</u>
	<u>\$ 40,189</u>	<u>\$ 27,355</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of amortization by function		
Operating costs	\$ 284	\$ 283
Operating expenses	<u>986</u>	<u>785</u>
	<u>\$ 1,270</u>	<u>\$ 1,068</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits		
Defined contribution plan	\$ 3,668	\$ 3,320
Defined benefit plan	<u>5,494</u>	<u>5,396</u>
	<u>9,162</u>	<u>8,716</u>
Short-term benefits	<u>194,565</u>	<u>181,403</u>
Total employee benefits expense	<u>\$ 203,727</u>	<u>\$ 190,119</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 86,194	\$ 81,393
Operating expenses	<u>117,533</u>	<u>108,726</u>
	<u>\$ 203,727</u>	<u>\$ 190,119</u>
Short-term benefits		
Wages and salaries	\$ 176,841	\$ 164,083
Labor and health insurance	10,568	9,961
Other employee benefits	<u>7,156</u>	<u>7,359</u>
	<u>\$ 194,565</u>	<u>\$ 181,403</u>

f. Employees' compensation and remuneration to directors

The distribution of employees' compensation and remuneration to directors is set aside at the rates not less than 0.5% and not higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration to directors. The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2019 and 2018 which had been resolved by the Corporation's Board of Directors on March 20, 2020 and March 26, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation in cash	\$ 28,250	\$ 25,755
Remuneration to directors in cash	10,449	7,393

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.

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

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

## 21. INCOME TAX

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax		
In respect of the current year	\$ 14,222	\$ 30,925
Income tax on undistributed earnings	-	11,043
Adjustments for prior years' tax	<u>39</u>	<u>-</u>
	<u>14,261</u>	<u>41,968</u>
Deferred income tax		
In respect of the current year	733	6,947
Adjustments to deferred income tax attributable to the changes in tax rates and laws	<u>-</u>	<u>(15,048)</u>
	<u>733</u>	<u>(8,101)</u>
Income tax expense recognized in profit or loss	<u>\$ 14,994</u>	<u>\$ 33,867</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before income tax	<u>\$ 1,113,042</u>	<u>\$ 706,162</u>
Income tax expense calculated at the statutory rate	\$ 222,608	\$ 141,232
Non-taxable income and non-deductible expenses in determining taxable income	(221,099)	(133,213)
Changes in unrecognized deductible temporary differences	13,446	29,853
Income tax on undistributed earnings	-	11,043
Adjustments to deferred income tax attributable to the changes in tax rates and laws	-	(15,048)
Adjustments for prior years' tax	<u>39</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 14,994</u>	<u>\$ 33,867</u>

The Income Tax Act in the Republic of China was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred income tax</u>		
Adjustments to deferred income tax attributable to the changes in tax rates and laws	\$ -	\$ (804)
In respect of the current year		
Remeasurement of defined benefit plan	<u>(565)</u>	<u>(2,847)</u>
	<u>\$ (565)</u>	<u>\$ (3,651)</u>

c. Current income tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current income tax assets</u>		
Income tax refund receivable	<u>\$ 1,477</u>	<u>\$ -</u>
<u>Current income tax liabilities</u>		
Income tax payable	<u>\$ -</u>	<u>\$ 36,947</u>

d. Movements of deferred income tax assets

For the year ended December 31, 2019

	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized gain on transactions with associates	\$ 78,780	\$ (5,873)	\$ -	\$ 72,907
Investment loss recognized on overseas investments using the equity method	6,490	4,519	-	11,009
Defined benefit obligation	16,284	410	565	17,259
Allowance for loss on inventories	4	(4)	-	-
Others	<u>20</u>	<u>215</u>	<u>-</u>	<u>235</u>
	<u>\$ 101,578</u>	<u>\$ (733)</u>	<u>\$ 565</u>	<u>\$ 101,410</u>

For the year ended December 31, 2018

	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	\$ 71,955	\$ 6,825	\$ -	\$ 78,780
Investment loss recognized on overseas investments using the equity method	5,735	755	-	6,490
Defined benefit obligation	11,611	1,022	3,651	16,284
Allowance for loss on inventories	85	(81)	-	4
Others	<u>440</u>	<u>(420)</u>	<u>-</u>	<u>20</u>
	<u>\$ 89,826</u>	<u>\$ 8,101</u>	<u>\$ 3,651</u>	<u>\$ 101,578</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>2019</u>	<u>2018</u>
Deductible temporary differences	<u>\$ 523,658</u>	<u>\$ 456,431</u>

- f. Income tax assessment

The income tax returns of the Corporation through 2017 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Basic earnings per share (NT\$)	<u>\$ 1.86</u>	<u>\$ 1.14</u>
Diluted earnings per share (NT\$)	<u>\$ 1.86</u>	<u>\$ 1.14</u>

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

### Net profit

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Earnings used in the computation of basic earnings per share	\$ 1,098,048	\$ 672,295
Effect of potentially dilutive common shares		
Employees' compensation	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,098,048</u>	<u>\$ 672,295</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of common shares used in the computation of basic earnings per share	589,049	589,049
Effect of potentially dilutive common shares		
Employees' compensation of the Corporation	<u>1,345</u>	<u>1,311</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>590,394</u>	<u>590,360</u>

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

## **23. NON-CASH TRANSACTIONS**

For the years ended December 31, 2019 and 2018, the Corporation entered into the following non-cash investing activities which were not reflected in the separate statements of cash flows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	\$ 40,298	\$ 13,443
Change in payable for equipment	<u>(3,019)</u>	<u>(4,541)</u>
Cash payments	<u>\$ 37,279</u>	<u>\$ 8,902</u>

## **24. CAPITAL MANAGEMENT**

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

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising common stock, capital surplus, retained earnings and other equity).

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

## 25. 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, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted securities	\$ -	\$ -	\$ 267,600	\$ 267,600

December 31, 2018

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

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

For the year ended December 31, 2019

	Financial Assets at FVTOCI - Equity Investments
Beginning balance	\$ 247,000
Recognized in other comprehensive income	<u>20,600</u>
Ending balance	<u>\$ 267,600</u>

For the year ended December 31, 2018

	Financial Assets at FVTOCI - Equity Investments
Beginning balance (IAS 39)	\$ -
Effect of retrospective application of IFRS 9	<u>225,800</u>
Beginning balance (IFRS 9)	<u>225,800</u>
Recognized in other comprehensive income	<u>21,200</u>
Ending balance	<u>\$ 247,000</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 increases in fair value.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Long-term revenue growth rates	0%-2.51%	0%-2.51%
	38.39%-41.84	39.34%-41.51
Long-term pre-tax operating margin	%	%
WACC	8.79%	8.72%
Discount for lack of marketability	12.37%	14.89%

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Long-term revenue growth rates		
1% increase	<u>\$ 29,800</u>	<u>\$ 29,000</u>
1% decrease	<u>\$(28,600)</u>	<u>\$(28,000)</u>
WACC		
0.5% increase	<u>\$(30,000)</u>	<u>\$(30,000)</u>
0.5% decrease	<u>\$ 35,600</u>	<u>\$ 35,600</u>

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 655,091	\$ 481,685
Financial assets at FVTOCI	267,600	247,000
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,556,613	2,882,667

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

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

d. Financial risk management objectives and policies



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

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

# 1) Market risk

## a) Foreign currency risk

Refer to Note 29 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, 2019 and 2018 would have decreased by \$276 thousand and \$133 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 229,960	\$ 195,201
Financial liabilities	5,794	-
Cash flow interest rate risk		
Financial assets	128,187	141,113
Financial liabilities	3,300,000	2,770,000

### Sensitivity analysis

The sensitivity analyses below were determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease in interest rates was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As of December 31, 2019 and 2018, the borrowings with floating interest rates of the Corporation amounted to \$3,300,000 thousand and \$2,770,000 thousand, respectively. If interest rates had been 1% higher and all other variables were held constant, the Corporation's profit before income tax for the years ended December 31, 2019 and 2018 would have decreased by \$33,000 thousand and \$27,700 thousand, respectively.

## 2) Credit risk

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

## 3) Liquidity risk

The Corporation manages liquidity risk by maintaining adequate cash in banks and banking facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2019 and 2018, the available unutilized bank loan facilities were \$2,291,770 thousand and \$3,060,000 thousand, respectively.

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

### December 31, 2019

	<b>Within One Year</b>	<b>2 to 3 Years</b>	<b>4 to 5 Years</b>	<b>5+ Years</b>	<b>Total</b>
Non-interest bearing liabilities	\$ 256,613	\$ -	\$ -	\$ -	\$ 256,613
Lease liabilities	4,455	1,202	180	-	5,837
Long-term borrowings	-	<u>3,300,000</u>	-	-	<u>3,300,000</u>
	<u>\$ 261,068</u>	<u>\$ 3,301,202</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ 3,562,450</u>

### December 31, 2018

	<b>Within One Year</b>	<b>2 to 3 Years</b>	<b>4 to 5 Years</b>	<b>5+ Years</b>	<b>Total</b>
Non-interest bearing liabilities	\$ 112,667	\$ -	\$ -	\$ -	\$ 112,667
Long-term borrowings	<u>270,000</u>	<u>2,500,000</u>	-	-	<u>2,770,000</u>
	<u>\$ 382,667</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,882,667</u>

## 26. RELATED PARTY TRANSACTIONS

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

### a. Related parties and relationships

<b>Related Party</b>	<b>Relationship with the Corporation</b>
TPC	An investor with significant influence over the Corporation
SEC	A subsidiary
YYC	A subsidiary
CGPC	A sub-subsidiary
TYC	An associate
Sun Ba	An associate
SEPC	An associate
KKPC	An associate
SBPC	An associate
Shinlee Product Inc. (“Shinlee”)	An associate

### b. Operating transactions

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2019</b>	<b>2018</b>
Sales	Investors with significant influence over the Corporation		
	TPC	<u>\$ 273,524</u>	<u>\$ 436,155</u>
Consulting service revenue	Subsidiaries		
	SEC	\$ 14,623	\$ 12,049
	Others	<u>960</u>	<u>480</u>
		<u>15,583</u>	<u>12,529</u>
	Sub-subsidiaries		
	Others	<u>760</u>	<u>-</u>
	Associates		
	SEPC	9,028	9,468
	SBPC	6,945	8,741
	Sun Ba	5,820	8,957
	Others	<u>463</u>	<u>614</u>
		<u>22,256</u>	<u>27,780</u>
		<u>\$ 38,599</u>	<u>\$ 40,309</u>

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2019	2018
Cost of sales	Investors with significant influence over the Corporation TPC	<u>\$ 33,754</u>	<u>\$ 32,500</u>
Construction service cost	Subsidiaries SEC	<u>\$ 714,536</u>	<u>\$ -</u>
Operating expenses	Investors with significant influence over the Corporation TPC	\$ 600	\$ 500
	Subsidiaries SEC	<u>282</u>	<u>527</u>
		<u>\$ 882</u>	<u>\$ 1,027</u>

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

c. Non-operating transactions

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2019	2018
Other income	Subsidiaries SEC	<u>\$ 1,143</u>	<u>\$ 917</u>
	Sub-subsidiaries CGPC	<u>4,552</u>	<u>-</u>
	Associates SEPC	2,672	1,163
	SBPC	2,179	1,754
	TYC	2,160	2,160
	Sun Ba	1,757	1,689
	KKPC	<u>1,534</u>	<u>1,341</u>
		<u>10,302</u>	<u>8,107</u>
		<u>\$ 15,997</u>	<u>\$ 9,024</u>

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

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2019	2018
Notes receivable from related parties	Associates		
	SEPC	\$ 720	\$ 779
	Sun Ba	<u>400</u>	<u>-</u>
		<u>\$ 1,120</u>	<u>\$ 779</u>
Accounts receivable from related parties	Investors with significant influence over the Corporation		
	TPC	\$ 28,806	\$ 24,540
	Subsidiaries		
	Others	2,670	3,154
	Sub-subsidiaries		
	Others	80	-
	Associates		
	Others	<u>7,489</u>	<u>8,122</u>
		<u>\$ 39,045</u>	<u>\$ 35,816</u>
Other receivable from related parties	Subsidiaries		
	Others	\$ 92	\$ -
	Sub-subsidiaries		
	CGPC	4,552	-
	Associates		
	TYC	<u>680</u>	<u>-</u>
		<u>\$ 5,324</u>	<u>\$ -</u>

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized on receivables from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2019	2018
Accounts payable to related parties	Investors with significant influence over the Corporation		
	TPC	<u>\$ 1,158</u>	<u>\$ 1,158</u>
Construction costs payable	Subsidiaries		
	SEC	<u>\$ 148,417</u>	<u>\$ -</u>

The outstanding payables to related parties were unsecured.

f. Prepayments

Related Party Category/Name	December 31	
	2019	2018
Subsidiaries		
SEC	<u>\$ 463,528</u>	<u>\$ -</u>

g. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 30,964	\$ 27,367
Post-employment benefits	<u>2,016</u>	<u>565</u>
	<u>\$ 32,980</u>	<u>\$ 27,932</u>

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

## 27. ASSETS PLEDGED

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Investments accounted for using the equity method	\$ <u>-</u>	\$ <u>3,011,021</u>

## 28. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Corporation as of December 31, 2019 were as follows:

- Commitments for construction projects undertaken had an aggregate amount of approximately \$7,149,521 thousand. Among the projects were an Engineering, Procurement and Construction Turnkey Contract entered into by the Corporation with Orsted Taiwan Limited on November 6, 2018; the contract was about onshore export cable, cable culvert and onshore substation in offshore wind farms with contract amount of about \$6,418,800 thousand plus EUR24,732 thousand.
- Commitments for construction expenditure and purchase of equipment were approximately \$7,107,385 thousand.
- Under a Coal Purchase Agreement, the Corporation shall purchase 65 thousand tons of coal based on an agreed price.
- On March 15, 2013, the FTC fined Sun Ba, SEPC, SBPC, and KKPC \$530 million, \$430 million, \$130 million and \$410 million, respectively, for violation of the Fair Trade Act ("Original FTC's Ruling"). After evaluation of the legal analyses made by engaged attorneys regarding the Original FTC's Ruling, these corporations believed they and other IPPs are not competitors but, even if they are not competitors, they did not jointly refuse to lower the power purchase electricity rates and affect the power supply and demand in the market ("Concerted Action"). These corporations appealed the Original FTC's Ruling to the Petitions and Appeals Committee of the Executive Yuan ("PACEY") to protect their own benefits. On September 12, 2013, the PACEY made a decision to revoke the fine mentioned above and ordered FTC to review and reconsider the case according to applicable laws; the other matters of the appeals were dismissed.

- 1) On November 5, 2013, the FTC ruled an amended fine of \$500 million, \$400 million, \$100 million and \$380 million, respectively, against Sun Ba, SEPC, SBPC, and KKPC (“Second FTC’s Ruling”). These corporations made appeals for revocation of the amended fine. On May 9, 2014, the PACEY made a decision on the administrative appeals of these corporations, revoked the Second FTC’s Ruling, and requested FTC to reconsider the fine according to applicable laws within two months. On July 9, 2014, the FTC ruled an amended fine of \$489 million, \$392 million, \$100 million and \$371 million, respectively, against Sun Ba, SEPC, SBPC, and KKPC (“Third FTC’s Ruling”). These corporations appealed the Third FTC’s Ruling to PACEY for revocation of the amended fine. In December 2014, PACEY notified these corporations that the proceedings for the appeal were postponed and the appeal is subject to the ruling to be made by the Supreme Administrative Court.
  - 2) These corporations petitioned to the Taipei High Administrative Court for revocation of the Original FTC’s Ruling and the decision made by the PACEY regarding Concerted Action. On October 29, 2014, the Taipei High Administrative Court revoked the Original FTC’s Ruling and revoked the decision made by the PACEY on September 12, 2013 regarding Concerted Action. On November 27, 2014, the FTC appealed the case to the Supreme Administrative Court. In June 2015, the Supreme Administrative Court recognized that there are questionable points in the case that need clarification and the original ruling of the Taipei High Administrative Court was not supported with clear evidence. The Supreme Administrative Court revoked the original ruling and requested the Taipei High Administrative Court to reconsider the ruling according to applicable laws. On May 25, 2017, the Taipei High Administrative Court revoked the FTC’s Ruling with respect to the above alleged concerted action. On June 22, 2017, the FTC appealed the case to the Supreme Administrative Court. On August 23 and September 6, 2018, respectively, the Supreme Administrative Court revoked the original ruling and requested the Taipei High Administrative Court to reconsider the ruling according to applicable laws.
- e. As TPC concluded that IPPs violated the Fair Trade Act with Concerted Action and caused a loss to TPC, in September 2015, TPC filed administrative proceedings in Taipei High Administrative Court and filed a civil action in Taipei District Court to claim compensation for the loss. As of December 31, 2019, the administrative proceedings and civil action in progress were as follows:
- 1) TPC filed administrative proceedings in the Taipei High Administrative Court to claim compensation in the amount of \$4,400 million, \$2,500 million, \$200 million, and \$2,400 million against Sun Ba, SEPC, SBPC, and KKPC, respectively. Subsequently, TPC filed an expanded appeal to claim additional compensation against these corporations. The total claim for compensation against Sun Ba, SEPC, SBPC and KKPC was \$8,660 million, \$4,990 million, \$623 million and \$4,890 million, respectively. Afterwards, TPC filed an amended appeal against SBPC on February 14, 2019, with the total claim for compensation against SBPC reduced to \$380 thousand. The Taipei High Administrative Court considered these cases as private disputes and transferred these cases to Taipei District Court. TPC appealed the ruling to the Supreme Administrative Court. However, the Supreme Administrative Court ruled to dismiss TPC’s appeal. These cases had been transferred to Taipei District Court accordingly. On August 9 and September 5, 2018, respectively, the Taipei District Court ruled to postpone these cases until the administrative proceedings between SEPC and FTC as well as KKPC and FTC in the Taiwan High Administrative Court with respect to the alleged concerted action are concluded.
  - 2) TPC filed a civil action in Taipei District Court to claim \$4,257 million, \$2,489 million, \$307 million, and \$2,490 million against Sun Ba, SEPC, SBPC, and KKPC, respectively. On February 8, 2018, the Taipei District Court ruled to dismiss TPC’s civil action against SBPC. On March 5, 2018, TPC appealed this case to the Taiwan High Court. Afterwards, on June 14, 2018, the Taiwan High Court ruled to postpone this case until the administrative proceedings between SBPC and FTC in the Supreme Administrative Court with respect to the alleged concerted action are concluded. Thereafter, on August 1, 2019, in order to avoid repeating trials of the same facts of the same case that will result in a waste of judicial resources, the Taiwan High Court, within its power and authority, revoked its previous ruling that suspended the proceedings. TPC appealed the ruling to the Taiwan High Court. However, the Supreme Administrative Court ruled to dismiss TPC’s appeal on

December 11, 2019, and the case is under trial in the Taiwan High Court. On June 19, 2018, the Taipei District Court ruled to dismiss TPC's civil action against Sun Ba, SEPC and KKPC. On July 13, 2018, TPC appealed this case to the Taiwan High Court.

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

## 29. 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, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 2,208	29.98	\$ 66,199
EUR	251	33.59	8,441
JPY	3,642	0.276	<u>1,005</u>
			<u>\$ 75,645</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	9,778	29.98	<u>\$ 293,138</u>
<u>Foreign currency liabilities</u>			
Monetary items			
USD	1,281	29.98	<u>\$ 38,631</u>



December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 1,887	30.715	\$ 57,953
EUR	322	35.2	11,338
JPY	12,779	0.2782	<u>3,555</u>
			<u>\$ 72,846</u>

Non-monetary items			
Investments accounted for using the equity method			
USD	11,705	30.715	<u>\$ 359,506</u>

Foreign currency liabilities

Monetary items			
USD	1,454	30.715	<u>\$ 44,655</u>

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

<b>For the Year Ended December 31</b>				
	<b>2019</b>		<b>2018</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Loss</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain</b>
USD	30.912 (USD:NTD)	<u>\$ (1,198)</u>	30.149 (USD:NTD)	<u>\$ 5,806</u>

### 30. SEPARATELY DISCLOSED ITEMS

Except for those disclosed in the attached Tables 1 to 6, there were no other significant transactions, information on investees and investments in mainland China that were required for disclosure.

**TABLE 1****TAIWAN COGENERATION CORPORATION**
**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Provided to Each Guaranteed Party	Maximum Balance for the Period (Note 7)	Ending Balance (Note 7)	Amount Actually Drawn (Note 7)	Amount of Endorsement/ Guarantee Collateralized by Properties (Note 7)	Ratio of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Corporation	CGPC	b	\$ 2,991,278 (Note 3)	\$ 204,000	\$ 204,000	\$ -	\$ -	1.70%	\$ 4,786,044 (Note 4)	Y	N	N
1	TCIC	Redondo Peninsula Energy, Inc.	f	1,172,552 (Note 5)	1,243,000	1,053,000	-	580,000	359.00%	1,465,690 (Note 6)	N	N	N

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

- “0” for the Corporation.
- Investees are numbered from “1”.

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

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

Note 3: Limit on endorsement/guarantee provided by the Corporation to each subsidiary was up to \$2,991,278 thousand, which was calculated at 25% of the Corporation’s net worth in the current financial statements. (\$11,965,110 thousand (net worth as of December 31, 2019) \*25%)

Note 4: Limit on total amount of endorsement/guarantee provided by the Corporation and subsidiaries to entities was up to \$4,786,044 thousand, which was calculated at 40% of the Corporation’s net worth in the current financial statements. (\$11,965,110 thousand (net worth as of December 31, 2019) \*40%)

Note 5: Limit on endorsement/guarantee provided by TCIC to an entity was up to \$1,172,552 thousand, which was calculated at 400% of the TCIC’s net worth in the current financial statements. (\$293,138 thousand (net worth as of December 31, 2019) \*400%)

Note 6: Limit on total amount of endorsement/guarantee provided by TCIC was up to \$1,465,690 thousand, which was calculated at 500% of the TCIC’s net worth in the current financial statements. (\$293,138 thousand (net worth as of December 31, 2019) \*500%)

Note 7: Maximum balance for the period, ending balance and amount of endorsement/guarantee collateralized by properties represent the amount of facilities, not actually drawn. The amount actually drawn was \$0 as of December 31, 2019.

**TABLE 2**

**TAIWAN COGENERATION CORPORATION**

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2019**  
**(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	December 31, 2019				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	<u>Stock</u> KADC	N/A	Financial assets at fair value through other comprehensive income	20,000	\$ 267,600	8.00	\$ 267,600	

**TABLE 3**

**TAIWAN COGENERATION CORPORATION**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
The Corporation	<u>Stock</u> SEC	Investments accounted for using the equity method	SEC (Note 2)	Subsidiaries	63,000	\$ 1,220,020 (Note 1)	33,000	\$ 330,000	-	\$ -	\$ -	\$ -	96,000	\$ 1,550,020 (Note 1)

Note 1: Original investment amount.

Note 2: The Corporation participated in the capital raising of subsidiaries.

**TABLE 4****TAIWAN COGENERATION CORPORATION**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total (Note 5)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 5)	
The Corporation	TPC	A director of the Corporation	Sales (Note 1)	\$ 273,524	3.81	Receivables are collected within 30 days after billing dates under agreements	-	-	\$ 28,806	6.00	
SEC	TPC	A director of parent company	Sales (Note 2)	3,855,321	53.65	Receivables are collected within 30 days after billing dates under agreements	-	-	28,668	5.00	
	The Corporation	Parent company	Sales (Note 4)	714,904	9.95	Receivables are collected within 30 days after billing dates under agreements	-	-	148,511	28.00	
	TYC	An investee of the Corporation accounted for using the equity method	Sales (Note 4)	524,080	7.29	Receivables are collected within 30 days after billing dates under agreements	-	-	22,970	4.00	
	SPC	Subsidiary	Sales (Note 3)	264,626	3.68	Receivables are collected within 30 days after billing dates under agreements	-	-	16,322	3.00	

Note 1: Sales of electricity.

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

Note 3: Revenues from construction services.

Note 4: Revenues from consulting and construction services.

Note 5: The ratio of notes/accounts receivable (payable) to the consolidated total notes/accounts receivable (payable).

**TABLE 5**

**TAIWAN COGENERATION CORPORATION**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
SEC	The Corporation	Parent company	Accounts receivable \$ 148,511	(Note)	\$ -	-	\$ 148,511	\$ -

Note: Collection terms were based on each contract. Therefore, the information of turnover ratio was not applicable.

**TABLE 6**

**TAIWAN COGENERATION CORPORATION**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Profit (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Shares (In Thousands)	%	Carrying Amount			
The Corporation	SEC	Taipei City	Undertaking and installing of power and water resources engineering projects	\$ 1,550,020	\$ 1,220,020	101,040 (Note 3)	100.00	\$ 1,263,190	\$ 201,070	\$ 200,098 (Note 2)	A subsidiary
	TCIC	British Virgin Islands	Investment in foreign countries and international trading	685,374	685,374	22,260	100.00	293,138	(71,479)	(71,479)	A subsidiary
	YYC	Yilan County	Investment in geothermal power plant	153,000	153,000	15,300	51.00	142,643	(3,496)	(1,782)	A subsidiary
	TGE	Taipei City	Investment in green power plant	85,000	85,000	8,500	100.00	90,017	5,312	5,312	A subsidiary
	TYC	Taoyuan City	Cogeneration plants, management of operations, maintenance of equipment	214,240	214,240	35,834	29.31	530,016	146,843	43,040	An investee of the Corporation accounted for using the equity method
	Sun Ba	Tainan City	Power generation	3,073,500	3,073,500	258,000	43.00	5,371,035	981,945	422,236	An investee of the Corporation accounted for using the equity method
	KKPC	Taoyuan City	Power generation	1,775,426	1,775,426	114,730	35.00	1,990,259	215,411	54,741 (Note 1)	An investee of the Corporation accounted for using the equity method
	SEPC	Changhua County	Power generation	1,272,500	1,272,500	121,500	40.50	2,324,285	423,710	171,603	An investee of the Corporation accounted for using the equity method
	SBPC	Taipei City	Power generation	1,409,130	1,409,130	136,200	41.27	2,232,998	490,024	202,247	An investee of the Corporation accounted for using the equity method
SEC	Shinlee	Taipei City	Construction service and international trading	16,500	16,500	1,650	41.25	5,405	1,701	702	An investee of the Corporation's subsidiary accounted for using the equity method
	SPC	Changhua County	Power generation	177,870	20,000	17,787	100.00	155,811	(10,826)	(10,826)	A sub-sub-subsidiary
	SYC	Chiayi County	Power generation	47,000	-	4,700	100.00	47,000	-	-	A sub-sub-subsidiary
TCIC	Redondo Peninsula Energy, Inc.	Philippines	Power generation	573,165	573,165	8,446	25.00	217,998	(286,508)	(71,627)	An investee of the Corporation's subsidiary accounted for using the equity method
YYC	CGPC	Yilan County	Power generation	250,000	-	25,000	100.00	236,507	(13,493)	(13,493)	A sub-sub-subsidiary
TGE	SKE	Hsinchu County	Power generation	80,000	38,000	-	100.00	85,802	6,001	6,001	A sub-sub-subsidiary

Note 1: Including share of profit of \$79,395 thousand and amortization of investment premium of \$(20,654) thousand.

Note 2: Including share of profit of \$201,070 thousand and realized gain on construction and consulting services of \$(972) thousand.

Note 3: Including capital increased by retained earnings 5,040 thousand shares.

# TAIWAN COGENERATION CORPORATION

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**STATEMENT 1****TAIWAN COGENERATION CORPORATION****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash		
Cash on hand		\$ 500
Checking accounts		<u>1,318</u>
Demand deposits		
NTD		109,504
USD	US\$308 thousand, exchange rate at 29.98	9,237
EUR	EUR251 thousand, exchange rate at 33.59	8,441
JPY	JPY3,642 thousand, exchange rate at 0.276	<u>1,005</u>
		<u>128,187</u>
Cash equivalents		
Time deposits		
NTD	Mature in June 2020, interest rate at 0.60%	171,858
USD	Mature in January 2020, interest rate at 1.98%	<u>56,962</u>
		<u>228,820</u>
		<u>\$ 358,825</u>

**TAIWAN COGENERATION CORPORATION****STATEMENT OF NOTES RECEIVABLE****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Customer Name</b>	<b>Amount</b>
Related parties	
SEPC	\$ 720
Sun Ba	<u>400</u>
	1,120
Unrelated parties	
Company A	<u>92,122</u>
	<u>\$ 93,242</u>

**TAIWAN COGENERATION CORPORATION****STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Customer Name</b>	<b>Amount</b>
Related parties	
TPC	\$ 28,806
SBPC	2,998
SEPC	2,827
SEC	2,590
Others (Note)	<u>1,824</u>
	<u>39,045</u>
Non-related parties	
Company B	59,531
Company C	52,162
Company D	23,554
Company E	9,863
Others (Note)	<u>7,779</u>
	<u>152,889</u>
	<u>\$ 191,934</u>

Note: The amount of individual customer included in others did not exceed 5% of the account balance.

**STATEMENT 4****TAIWAN COGENERATION CORPORATION****STATEMENT OF INVENTORIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realizable Value</b>
Raw materials	<u>\$ 6,175</u>	<u>\$ 6,348</u>

TAIWAN COGENERATION CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2019		Additions (Note 1)		Deductions (Note 2)		Remeasurement of Defined Benefit Plans	Share of Other Comprehensive Income or Loss (Note 3)	Realized (Unrealized) Gain on Construction Services with Associates	Share of Profit or Loss	Exchange Differences on Translating Foreign Operations	Balance, December 31, 2019			Fair Value or Net Worth (Note 3)	Assets Pledged as Collateral or for Security
	Shares	Amount	Shares	Amount	Shares	Amount						Shares	Percentage of Ownership (%)	Amount		
TYC	34,127,455	\$ 514,758	1,706,372	\$ -	-	\$ (20,476)	\$ 276	\$ (4,357)	\$ (3,225)	\$ 43,040	\$ -	35,833,827	29.31	\$ 530,016	\$ 915,554	
Sun Ba	258,000,000	5,290,524	-	-	-	(348,300)	(675)	-	7,250	422,236	-	258,000,000	43.00	5,371,035	5,436,115	(Notes 5)
KKPC	114,730,000	2,025,240	-	-	-	(89,635)	(87)	-	-	54,741	-	114,730,000	35.00	1,990,259	1,865,112	(Notes 6)
SEPC	121,500,000	2,275,995	-	-	-	(128,790)	243	-	5,234	171,603	-	121,500,000	40.50	2,324,285	2,404,301	(Notes 7)
SBPC	136,200,000	2,147,991	-	-	-	(136,200)	(170)	-	19,130	202,247	-	136,200,000	41.27	2,232,998	2,511,692	(Note 8)
SEC	63,000,000	731,965	38,040,000	330,000	-	-	149	-	978	200,098	-	101,040,000	100.00	1,263,190	1,263,253	(Note 9)
TCIC	22,260,000	359,506	-	-	-	-	(65)	-	-	(71,479)	5,176	22,260,000	100.00	293,138	293,138	
YYC	15,300,000	144,425	-	-	-	-	-	-	-	(1,782)	-	15,300,000	51.00	142,643	142,643	
TGE	8,500,000	84,705	-	-	-	-	-	-	-	5,312	-	8,500,000	100.00	90,017	90,017	
		<u>\$ 13,575,109</u>		<u>\$ 330,000</u>		<u>\$ (723,401)</u>	<u>\$ (329)</u>	<u>\$ (4,357)</u>	<u>\$ 29,367</u>	<u>\$ 1,026,016</u>	<u>\$ 5,176</u>			<u>\$ 14,237,581</u>	<u>\$ 14,921,825</u>	

Note 1: The additions were stock dividends received from TYC and SEC. The investment in SEC increased by \$33,000 thousand.

Note 2: The deductions represented cash dividends received from investees accounted for using the equity method.

Note 3: Share of other comprehensive income or loss represented recognition of the changes in unrealized gain or loss on TYC’s investment in equity instruments designated as at fair value through other comprehensive income.

Note 4: For TYC, the amount represented its fair value calculated based on its closing price on December 31, 2019. For other equity investments, the amounts represented their net worth.

Note 5: The difference between carrying amount and net worth of equity interest included \$2,087 thousand of goodwill and \$(67,167) thousand of unrealized gain on research, consulting and construction services.

Note 6: The difference between carrying amount and net worth of equity interest included \$19,304 thousand of goodwill and \$105,843 thousand of unamortized investment premium.

Note 7: The difference between carrying amount and net worth of equity interest was unrealized gain on research, consulting and construction services of \$(80,016) thousand.

Note 8: The difference between carrying amount and net worth of equity interest was unrealized gain on research, consulting and construction services of \$(278,694) thousand.

Note 9: The difference between carrying amount and net worth of equity interest was unrealized gain on research, consulting and construction services of \$(63) thousand.

**STATEMENT 6****TAIWAN COGENERATION CORPORATION****STATEMENT OF NOTES PAYABLE****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Supplier Name</b>	<b>Amount</b>
Non-related parties	
Company F	\$ 4,061
Company G	1,272
Company H	1,105
Company I	1,071
Company J	725
Others (Note)	<u>3,812</u>
	<u>\$ 12,046</u>

Note: The amount of individual supplier included in others did not exceed 5% of the account balance.

**STATEMENT 7****TAIWAN COGENERATION CORPORATION****STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Supplier Name</b>	<b>Amount</b>
Related parties	
TPC	<u>\$ 1,158</u>
Non-related parties	
Company K	38,168
Company L	7,842
Company M	5,589
Company N	3,795
Others (Note)	<u>11,912</u>
	<u>67,306</u>
	<u>\$ 68,464</u>

Note: The amount of individual supplier included in others did not exceed 5% of the account balance.

## TAIWAN COGENERATION CORPORATION

## STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Name of Creditors	Credit Period and Repayment Method	Interest Rate (%)	Amount		Total	Collateral	Note
			Less than One Year	More than One Year			
Agricultural Bank of Taiwan	Revolving unsecured borrowings, revolving through June 2021; contract term from June 2019 to June 2021	0.95	\$ -	\$ 1,000,000	\$ 1,000,000	Nil	Nil
Land Bank of Taiwan	Revolving unsecured borrowings, revolving through December 2022; contract term from December 2019 to December 2022	0.98	-	500,000	500,000	Nil	Nil
Bank of Taiwan	Revolving unsecured borrowings, revolving through August 2021; contract term from August 2019 to August 2021	0.98	-	500,000	500,000	Nil	Nil
SMBC Bank	Revolving unsecured borrowings, revolving through August 2021; contract term from August 2019 to August 2021	0.94	-	500,000	500,000	Nil	Nil
Mega International Commercial Bank	Revolving unsecured borrowings, revolving through August 2021; contract term from August 2019 to August 2021	1.04	-	300,000	300,000	Nil	Nil
DBS Bank	Revolving unsecured borrowings, revolving through March 2021; contract term from March 2019 to March 2021	1	-	300,000	300,000	Nil	Nil
KGI Bank	Revolving unsecured borrowings, revolving through March 2021; contract term from March 2019 to March 2021	1.05	-	200,000	200,000	Nil	Nil
			<u>\$ -</u>	<u>\$ 3,300,000</u>	<u>\$ 3,300,000</u>		



**TAIWAN COGENERATION CORPORATION****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Underlying Asset</b>	<b>Lease Term</b>	<b>Discount Rate (%)</b>	<b>Balance, End of Year</b>
Taipei office	2017.02.01-2020.01.31	1.10	\$ 2,070
Office parking	2017.02.01-2020.01.31	1.10	168
Company vehicle RBS-1687	2017.01.09-2021.01.08	1.10	645
Company vehicle RCD-0816	2018.06.04-2021.06.03	1.10	658
Company vehicle RCB-1661	2018.01.15-2021.01.14	1.10	330
Company vehicle RBE-8106	2019.04.01-2020.05.10	1.10	170
Company vehicle RCL-7782	2019.04.18-2021.04.17	1.10	429
Company vehicle RCP-2615	2019.09.20-2022.09.19	1.10	696
Photocopier	2019.03.01-2024.02.29	1.10	<u>628</u>
			<u>\$ 5,794</u>

**TAIWAN COGENERATION CORPORATION****STATEMENT OF OPERATING REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantity</b>	<b>Amount</b>
Sales		
	241,778 thousand	
Sales of electricity	kwh	\$ 559,443
Sales of steam	326 thousand tons	318,807
Others		<u>528</u>
		878,778
Construction services		744,534
Consulting services		<u>39,599</u>
		<u>\$ 1,662,911</u>

**TAIWAN COGENERATION CORPORATION****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Cost of sales	
Fuel costs	\$ 366,289
Variable indirect costs	101,878
Maintenance costs	71,724
Labor costs	53,209
Utilities	41,088
Others (Note)	<u>24,718</u>
	658,906
Construction service cost	740,764
Consulting service cost	<u>32,820</u>
	<u>\$ 1,432,490</u>

Note: The amount of each item in others did not exceed 5% of the account balance

**TAIWAN COGENERATION CORPORATION****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Payroll expense and pension expense	\$ 108,523
Depreciation expense	16,758
Professional fee	12,993
Others (Note)	<u>29,612</u>
	<u>\$ 167,886</u>

Note: The amount of each item in others did not exceed 5% of the account balance

## TAIWAN COGENERATION CORPORATION

STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll	\$ 72,592	\$ 91,223	\$ 163,815	\$ 69,096	\$ 85,012	\$ 154,108
Labor and health insurance	5,655	4,913	10,568	5,047	4,914	9,961
Pension	4,888	4,274	9,162	4,421	4,295	8,716
Remuneration to directors	-	13,026	13,026	-	9,975	9,975
Other personnel expense	<u>3,059</u>	<u>4,097</u>	<u>7,156</u>	<u>2,829</u>	<u>4,530</u>	<u>7,359</u>
	<u>\$ 86,194</u>	<u>\$ 117,533</u>	<u>\$ 203,727</u>	<u>\$ 81,393</u>	<u>\$ 108,726</u>	<u>\$ 190,119</u>
Depreciation expense	<u>\$ 23,431</u>	<u>\$ 16,758</u>	<u>\$ 40,189</u>	<u>\$ 25,771</u>	<u>\$ 1,584</u>	<u>\$ 27,355</u>
Amortization expense	<u>\$ 284</u>	<u>\$ 986</u>	<u>\$ 1,270</u>	<u>\$ 283</u>	<u>\$ 785</u>	<u>\$ 1,068</u>

Note 1: The number of employees as of December 31, 2019 and 2018 was 131 and 126, respectively, of which the number of non-employee directors was both 12.

Note 2: Average employee benefits expense for the years ended December 31, 2019 and 2018 was \$1,603 thousand and \$1,580 thousand, respectively. Average payroll for the years ended December 31, 2019 and 2018 was \$1,377 thousand and \$1,352 thousand, respectively. In 2019, the average payroll increased by 1.85% compared to 2018.

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

## VII. Financial position and the review and analysis of financial performance and risk

### 1. Financial position

#### Analysis on financial positions

Unit: NT\$ 1,000

<div>Year</div> <div>Subject</div>	2019	2018	Change	
			Increased (Decreased) Amount	Increased(Decreased) Ratio (%)
Current assets	5,598,642	2,929,066	2,669,576	91
Long-term investments	12,671,996	12,545,053	126,943	1
Property, plant, and equipment	1,516,774	849,782	666,992	78
Other assets	642,051	437,365	204,686	47
Total assets	20,429,463	16,761,266	3,668,197	22
Current liabilities	4,298,564	2,191,523	2,107,041	96
Non-current liabilities	4,028,740	2,699,177	1,329,563	49
Total liabilities	8,327,304	4,890,700	3,436,604	70
Share capital	5,890,486	5,890,486	0	0
Capital surplus	499,694	499,694	0	0
Retained earnings	5,557,744	5,345,857	211,887	4
Other equity	17,186	(4,233)	21,419	-
Non-controlling interests	137,049	138,762	(1,713)	(1)
Total shareholder's Equity	12,102,159	11,870,566	231,593	2

#### 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.
3. Other assets increased mainly because of the increase in right-of-use assets, refundable deposits, and other financial assets.
4. Increase in current liabilities: Mainly due to the increase in project payables, contract liabilities and liability reserves of Star Energy (shares).
5. Non-current liabilities increased mainly because of the increase in long-term loans and lease obligations.

## 2. Financial performance

### (1) Comparison and analysis of financial performance

Unit: NT\$1,000

Item	2019	2018	Change	
			Increased (Decreased) Amount	Increased (Decreased) Ratio (%)
Operating revenue	7,186,086	3,814,274	3,371,812	88
Operating cost	6,671,356	3,368,139	3,303,217	98
Realized gain on transactions with associates	<u>28,389</u>	<u>31,190</u>	(2,801)	(9)
Realized gross profit	543,119	477,325	65,794	14
Operating expenses	<u>240,178</u>	<u>214,531</u>	25,647	12
Profit from operations	302,941	262,794	40,147	15
Non-operating income and expenses	799,697	413,374	386,323	93
Profit before income tax	1,102,638	676,168	426,470	63
Income tax expense	<u>6,303</u>	<u>7,304</u>	(1,001)	(14)
Net profit	<u>1,096,335</u>	<u>668,864</u>	427,471	64
Profit attributable to owners of the parent	<u>1,098,048</u>	<u>672,295</u>	425,753	63
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. Gross profit and net income increased mainly because of the increase in projects undertaken by subsidiary Star Energy, deducting TPC's unrealized emergency purchase and additional summon-month purchase and the reduction of profit due to coal price rises and repair fees.				
3. Non-operating income and annual net income increased mainly because of the increase in the gains from four investee IPPs.				

### (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
1,096,720	413,533	(548,234)	962,019		

##### A. Cash flow analysis

- 1) Business activities: Net cash inflow was about NT\$414 million gained mainly from own business and cash dividends from investees.
- 2) Investment and fundraising activities: Net cash outflow was about NT\$548 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
962,019	1,613,589	(1,873,414)	702,194		

##### A. Cash flow analysis

- 1) Business activities: Projected cash inflow will be about NT\$1614 million gained from the cash dividends of investees.
- 2) Investment and fundraising activities: Projected cash outflow will be NT\$1873 million spent on cash dividend distribution, increase in capital expenditure, long-term stock investments, and repayment of bank loans.

B. Remedy for project cash insufficiency and liquidity analysis: None.



#### 4. Influence of major capital spending on financial position and operation

##### (1) Utilization and sources of major capital expenditure

Unit: NT\$1,000

Project	Actual or projected fund source	Actual or projected date of completion	Total amount of capital needed	Actual or projected use of capital						
				2017 (actual)	2018 (actual)	2019 (planned)	2020 (planned)	2021 (planned)	2022 (planned)	2023 (planned)
Reinvestment in RPE (coal-fired plant)	Own fund +loan	2024 year	2,266,733	152,202			4,000	623,875	623,875	623,875
Investment in PV	Own fund +loan	2020~2024 year	2,922,700		85,000	-	405,000	229,500	481,950	1,032,750
Investment in onshore wind power	Own fund +loan	2023~2024 year	708,000						177,000	354,000
Investment in geothermal generation	Own fund +loan	2020~2024 year	463,000	25,500	127,500			31,000	62,000	77,500

##### (2) Projected benefits

The project benefits of investment will emerge after RP Energy is completed.

#### 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 2019 consolidated financial statement was NT\$822,942,000. Please refer to Annex 6 2019 Consolidated Financial Statement for information of the investee. In the future, we will continue to expand the scale of investments in power plants or cogeneration plants at home and abroad.

#### 6. Risks and assessment in the previous year and by the date of report publication

##### (1) The influence the income of interest rate and exchange rate volatility and inflation and countermeasures:

###### a) Interest rate volatility(Finance)

The interest rate risk mainly comes from the long-term debts for major capital expenditure. To reduce the risk of interest rate rise, we keep constant track on market changes and draw up hedges to minimize the influence on profits/losses of interest rate change.

In terms of assets, in consideration of high liquidity, principal guarantee, and credit risks, we select term deposit in large banks or their short-term bills to secure the principal and reduce financial risks.

###### b) Forex volatility

Our foreign currency expenditure is mainly used to purchase fuels for power plans and major capital expenditure. In hedge planning for forex change, apart from gathering information on forex market changes and keeping constant track on forex rate changes to plan countermeasures, will keep close contacts with major trading banks to cope with forex rate volatility with forward exchange agreements and spot exchange in order to minimize foreign exchange risks.

###### c) Inflation and deflection

Currently, we are focusing on the domestic market. As electricity is the basic demand of industries and citizens, neither inflation nor deflation will bring significant influence on our operations.

##### (2) Policies, main reason(s) for profits or losses, and future countermeasures for engaging in high-risk

and high-leverage investments, lending, offering guarantees and endorsements, and derivatives investments:

- a) Between the beginning of 2018 and the date of report publication, we did not engage in high-risk and high-leverage investments or lending.
  - b) In addition, subsidiary ICIC agrees to provide guarantee for its investee RPE in the Philippines according to its stake at 25%: (1) provision of guarantees with a maximum limit of NT\$473 million for the bank when the power supply agreement (PSA) approved by the Filipino Energy Regulatory Commission (ERC) is not acquired at the initial disbursement of the financing project; and (2) provision of guarantees with a maximum limit of NT\$580 million when RPE mortgages stocks to the bank under the financing project. The total amount of the above guarantees is NT\$1.053 billion. No guarantee has been made so far.
  - c) Instead of trading or speculation, we invest in derivatives for the sole purpose of hedging. In addition, to control the risks from financial transactions, we have established well-designed financial-based and operational-based internal management regulations and operating procedures in accordance with relevant laws and regulations promulgated by the Financial Supervisory Commission. These management regulations include the “Loaning, Endorsements and Guarantees Operating Procedures” and “Asset Acquisition and Disposal Operating Procedures”.
- (3) Future R&D projects and planned R&D funds: None. No R&D fund is reported as both TCC and affiliates supply electricity and offer engineering consulting services.
- (4) The influence of significant changes in policies and laws at home or abroad on finance and operations and countermeasures:
- a) The increasing concerns about GHG emissions across the globe and stricter environmental regulations at home will disfavor coal-fired power plants and favor more the development of gas-fired power plants and renewable energy..
  - b) The amended Electricity Act was promulgated and implemented on January 26, 2017, with focus on the promotion of energy transformation, the encouragement of renewable energy development, and the legislation of the restriction on the carbon emission coefficients from electricity generation and “no nuke home”. We will keep track on the amendment to the bylaws and draw up countermeasures to develop business cultivation strategies and aggressively participate in electricity market development.
  - c) Apart from looking for opportunities to invest in renewable energy, cogeneration plants, and IPPs, we will actively expand to overseas electricity markets, hoping to progressively expand the scope of operations and make better performance.
- (5) The influence of technology and industry changes on finance and operations and countermeasures: None
- (6) The influence of market presence change on crisis management and countermeasures: None
- (7) The expected benefits and potential risks of mergers and acquisitions: None
- (8) The expected benefits and potential risks of factory expansion and countermeasures: None
- (9) The potential risk of procurement or sales centralization and acquisitions: None
- (10) The influence and potential risk of the massive transaction of or conversion of shares the directors, supervisors or dominant shareholders hold with over 10% of the stakes and countermeasures: None.
- (11) The influence and risks of management change and countermeasures: None.
- (12) Litigious or non-litigious events: List the major litigious events, non-litigious events, or administrative remedies with confirmed verdicts or in progress of the company and its directors, supervisors, general manager, actual person-in-charge, and shareholders holding over 10% of the stakes; subsidiaries; affiliates. When the results of such events and remedies may have potential influence on the shareholder’s equity or stock price, disclose the fact in dispute, the amount in dispute, the start date of event, principal parties involving in the event, and the status by the date of report publication: Please refer to section IX.
- (13) Other important risks and countermeasures: None.

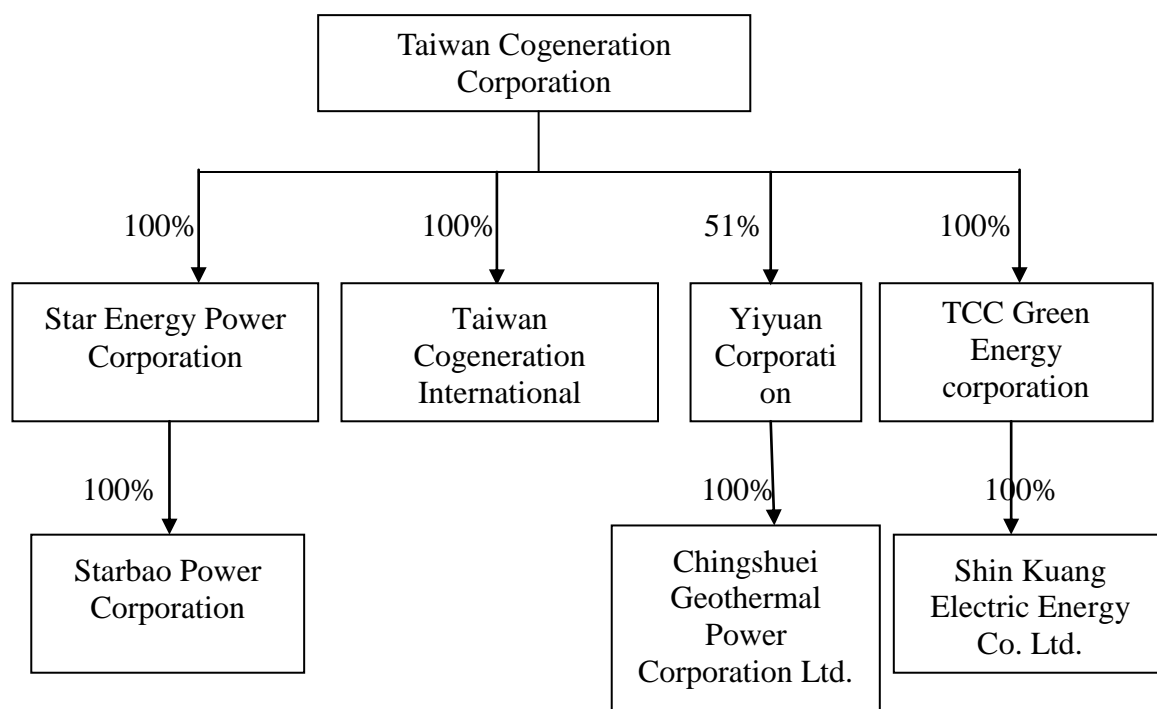
7. Other material information:None

## VIII. Special notes

### 1. Information of affiliates

#### (1) Consolidated business reports of affiliates

##### A. Organization chart of affiliates



##### B. Basic data of affiliates

Unit: NT\$1,000/2019

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	1,010,400	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	300,000	Geothermal generation investment
TCC Green Energy corporation	2018/11/28	6F, No. 392, Ruiguang Road, Neihu District, Taipei City	85,000	Invest in green power
Shin Kuang Electric Energy Co. Ltd.	2018/10/26	7F.-7, No.8, Taiyuan 1st St., Zhubei City, Hsinchu County	80,000	Invest in solar energy
Starbao Power Corporation	2018/12/25	No.64, Ziqiang Rd., Shengang Township, Changhua County	177,870	Onshore wind power
Chingshuei Geothermal Power Corporation	2019/05/23	NO. 78, sec. 6, sanxing rd., sa5nxing township, yilan county 26642, Taiwan (R.O.C.)	250,000	Geothermal generation

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	101,040,000	100%
	Director	Taiwan Cogeneration Corporation: Representative: Kuang-Hui Liu		
	Director	Taiwan Cogeneration Corporation: Representative: Zhi-hua Zheng		
	Supervisor	Taiwan Cogeneration Corporation: Representative: Hsi-hsun Wang		
Taiwan Cogeneration International Corporation	Director	Taiwan Cogeneration Corporation: Representative: Yi-tong Chen	22,260,000	100%
	Director	Taiwan Cogeneration Corporation: Representative: Sheng-chao Wu		
Yi-Yuan Corp.	Chairman	Taiwan Cogeneration Corporation: Representative: Shu-shen Lin	15,300,000	51%
	Director	Taiwan Cogeneration Corporation: Representative: Xing-zhi Xi		
	Supervisor	Ming-ye Li		
TCC Green Energy Corporation	Chairman	Taiwan Cogeneration Corporation: Representative: Yi-Hsieh Huang	8,500,000	100%
	Director	Taiwan Cogeneration Corporation: Representative: Shi-yi Ho		
	Supervisor	Taiwan Cogeneration Corporation: Representative: Kuang-Hui Liu		
Shin Kuang Electric Energy Co. Ltd.	Chairman	TCC Green Energy corporation: Representative: Ming-zhou Cheng	8,000,000	100%
Starbao Power Corporation	Chairman	Star Energy Corporation: Representative: Chin-fa Tsai	17,787,000	100%
	Director	Star Energy Corporation: Representative: De-sheng Hsu		
Chingshuei Geothermal Power Corporation	Chairman	Yi-Yuan Corp Representative: Shu-shen Lin	12,750,000	51%
	Director	Yi-Yuan Corp. Representative: Xing-zhi Xi		
	Supervisor	Ming-ye Li		

D. Status of operations of affiliates

Unit: NT\$1,000/2019

Affiliate	Capital Amount	Total Assets	Total Liabilities	Net Worth	Revenue	Net Profit(Loss)	Current Income	EPS (NT\$)
Star Energy Corporation	1,010,400	5,764,821	4,501,568	1,263,253	6,443,679	216,115	201,070	2.58
Taiwan Cogeneration International Corporation	685,374	313,375	20,237	293,138	-	(64)	(71,478)	(3.21)
Yi Yuan Corp.	300,000	282,431	2,740	279,691	-	(844)	(3,496)	(0.12)
TCC Green Energy corporation	85,000	90,187	170	90,017	-	(694)	5,312	0.62
Shin Kuang Electric Energy Co. Ltd.	80,000	297,996	212,194	85,802	20,850	9,362	6,001	0.75
Starbao Power Corporation	177,870	445,736	282,845	162,891	-	(13,559)	(10,826)	(0.61)
Chingshuei Geothermal Power Corporation	250,000	259,811	23,304	236,507	-	(14,695)	(13,493)	(0.54)

2. Private placements of securities in the previous year and by the date of report publication  
None
3. Stocks of this Company held and disposed by subsidiaries in the previous year and by the date of report publication  
None
4. Other required supplementary notes  
None

- IX. Events with material impacts on equity or stock price as specified in item 3, paragraph 2, Article 36 of the Securities and Exchange Act in the previous year and by the date of report publication
1. An investee IPP 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 Kuang 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.