

Stock code: 8926



TAIWAN COGENERATION CORP.

# **Handbook for the 2016 Annual General Shareholders Meeting**

June 27, 2016

## Contents

I.	Meeting Procedure .....	1
II.	Agenda of the 2016 Annual General Shareholders Meeting.....	2
1.	Report on the number of shares attended the meeting .....	3
2.	Calling the meeting to order. ....	3
3.	Chairman's address .....	3
4.	Proposals and discussions .....	3
5.	Management presentations.....	4
6.	Adoptions .....	6
7.	Other Matters .....	7
8.	Questions and Motions .....	7
9.	Adjournment .....	7
III.	Annexes .....	8
	Cross-reference of the Articles of Incorporation before and after amendments .....	8
	Business Report .....	12
	2015 Supervisor's Audit Report .....	14
	Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report.....	15
	Profit Distribution Table .....	32
IV.	Appendices.....	33
	Rules of Procedure for Meetings of Shareholders .....	33
	Articles of Incorporation (before amendment) .....	35
	Shareholdings of Directors and Supervisors .....	42
	Handling of Shareholder Proposals.....	43

## **I. Meeting Procedure**

### **Taiwan Cogeneration Corporation Procedure of the 2016 Annual General Shareholders Meeting**

1. Report on the number of shares attended the meeting.
2. Calling the meeting to order.
3. Chairman's address
4. Proposals and discussions
5. Management presentations
6. Adoptions of proposals
7. Other matters
8. Questions and motions
9. Adjournment

## **II. Agenda of the 2016 Annual General Shareholders Meeting**

### **Taiwan Cogeneration Corporation Agenda of the 2016 Annual General Shareholders Meeting**

Time: 9:00 a.m., Monday, 27 June 2016

Place: International Convention Hall

1F, No. 392, Ruiguang Road, Neihu District, Taipei City, Taiwan.

Attendees: All shareholders and equity representatives

Chairperson: Chairman Home-Joe Lee

1. Report on the number of shares attended the meeting
2. Calling the meeting to order.
3. Chairman's address
4. Proposals and discussions  
Amendment to the Company's "Articles of Incorporation"
5. Management presentations
  - (1) 2015 Business Report
  - (2) Supervisor's review report on the 2015 financial statements
  - (3) Status of the Company's external endorsements and/or guarantees.
  - (4) Report on changes in accounting estimates of the life span of major equipment of Guantian Plant.
  - (5) Status report on the compensations for employees and remunerations for directors and supervisors in 2015.
6. Adoptions
  - (1) Adoption of the 2015 Business Report and Financial Statements
  - (2) Adoption of the Proposal for Profit Distribution of 2015
7. Other matters  
Proposal: Relief of the non-compete clause on directors of this Company.
8. Questions and motions
9. Adjournment

- 1. Report on the number of shares attended the meeting**
- 2. Calling the meeting to order.**
- 3. Chairman's address**
- 4. Proposals and discussions**

Proposal: Amendment to the Company's "Articles of Incorporation" (proposed by the BOD)  
Explanation

- (1) To amend part of the Articles of Incorporation in coordination with the addition and amendment of the Company Act on May 20, 2015.
- (2) Article 235 of the Company Act was amended for the fact that profit distribution is the right of shareholders, i.e. shareholders are the only recipient. As employees are not a recipient of profit distribution, regulations regarding employee bonus are thus removed, and employee bonus will no more an item under profit distribution. This shall also apply to the remuneration for directors and supervisors.
- (3) Furthermore, referring to Article 235-1 of the Company Act, the newly added article, "A fixed amount or ratio of profit of the current year distributable as employee compensations shall be definitely specified in the Articles of Incorporation." According to the explanation of the Ministry of Economic Affairs, "profit of the current year" described above refers to the balance after deducting the compensations for employees and remuneration for directors and supervisors from the income before tax. However, the company's accumulated losses, if any, shall have been covered.
- (4) Hence, Articles 38-43 of the Articles of Incorporation of this Company should be amended. Please refer to Annex 1 of the Manual of 2016 Annual General Shareholders Meeting (pp. 8-9) for the cross-reference before and after amendments.

## **Resolutions**

## **5. Management presentations**

### **(1) 2015 Business Report**

Explanation: Please refer to the 2015 Business Report in Annex 2 (pp. 10-11) of the Manual of 2016 Annual General Shareholders Meeting.

### **(2) Supervisor's review report on the 2015 financial statements**

Explanation: Please refer to Supervisor's Audit Report in Annex 3 (p. 12) of the Manual of 2016 Annual General Shareholders Meeting.

### **(3) Status report on the Company's external endorsements and/or guarantees.**

Explanation: The external endorsements and/or guarantees offered by this Company by December 31, 2015 are as follows:

- 1) This Company makes no endorsement and/or guarantee.
- 2) This Company has agreed TCIC, a subsidiary of this Company, to invest in its re-investments in RP Energy (RPE) in the Philippines according to our shares at 25% in TCIC. If the project does not obtain the PSA<sup>2</sup> approved by ERC<sup>1</sup> during the first-time appropriation of the project loan, TCIC agrees to make an endorsement/guarantee at a maximum of NT\$473 million. The endorsement/guarantee has not been executed. The actual amount of endorsement/guarantee made by TCIC in the future will be confirmed after RPE's first-time appropriation.

<sup>1</sup>ERC: Energy Regulatory Commission

<sup>2</sup>PSA: Power Sales Agreement

### **(4) Report on changes in accounting estimates of the life span of major equipment of Guantian Plant.**

Explanation

- 1) The lifespan of the major equipment of this Company's co-generation set at Guantian Plant is 15 years (including one year of residual value). Since commercial operation in December 2000 to the end of 2015, it was 15 years then. The book value of the equipment is about NT\$100 million. The lifespan of the equipment was examined according to IAS 16 Property, Plant and Equipment, and adjusted after re-evaluation. To reasonably reflect the lifespan of equipment, it is proposed to adjust lifespan to 30 years, and the adjustment will be implemented as of 2016.
- 2) The lifespan adjustment of property, plant and equipment falls in the change of accounting estimates, and its effect applies only to the years after the change, i.e. depreciations in 2016 will be NT\$86,560,000 less. In addition, depreciations for 2017-2030 will increase by about NT\$6,220,000.
- 3) According to Article 6 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, this Company has requested CPA Rui-xuan He to express opinion on the reasonability of such change.

### **(5) Status report on the compensations for employees and remunerations for directors and supervisors in 2015.**

Explanation

- 1) The 2015 net profit of this Company was NT\$1,061,901,089. After setting aside 10% for the legal reserve at NT\$106,190,109, a special reserve at NT\$202,479,211 (10% legal reserve has been deducted, see note) is adopted based on the effects of IFRS adjustment at NT\$224,976,901 of IPP companies, and the balance is NT\$753,231,769. It is proposed that compensations for employees and remunerations for directors and supervisors should be calculated according to Article 38 of the Articles of Incorporation before the present amendment: 3% as compensations for employees at NT\$22,596,953 and 1% as remunerations for directors and supervisors at NT\$7,532,318. Both are distributed in cash.
- 2) When converting the amount of the compensations for employees and remunerations for directors and supervisors described above based on the profit of the current year, in accordance with Article 38 of the Articles of Incorporation after amendment, the rate of distribution is 1.91% and 0.64% respectively, which complies with the rule: no less than 0.5% as compensations for employees and not more than 1% as remunerations for directors and supervisors.  
(Note: As there is no cash inflow from the effects of IFRS adjustment by IPPs, the sum is first adopted as the special reserve. When there is actual cash inflow, the amount will be reverted for distribution according to the capital status at that time.)
- 3) The resolved distribution amount conforms to the amount of recognized in the 2015 statements.

## **6. Adoptions**

Proposal 1: Adoption of the 2015 Business Report and Financial Statements (proposed by the BOD)

Explanation

- (1) The 2015 financial statements, including the Statement of Financial Position, Statement of Operations and Comprehensive Income, Statement of Changes in Shareholder's Equity, and Statement of Cash Flows, have been audited and certified by CPA Rui-xuan He and CPA Jian-xin Xie of Deloitte Taiwan with an audit report.
- (2) Please refer to the Business Report, Financial Statements, and CPA Audit Report in Annex 2 (pp. 10-11) and Annex 4 (pp. 13-29) of Manual of 2016 Annual General Shareholders Meeting.

## **Resolutions:**

Proposal 2: Adoption of the Proposal for Profit Distribution of 2015

Explanation

- (1) Unappropriated retained earnings at the beginning of 2015 was NT\$170,655,539. After setting off the recognized retained earnings at NT\$13,687,945 adopted from the re-measurement of defined benefit plan, unappropriated earnings after adjustment is NT\$NT\$13,687,945.
- (2) According to the Articles of Incorporation of this Company, after adding up the above adjusted unappropriated earnings at NT\$156,967,594 and 2015 net profit at NT\$1,061,901,089, 10% is setting aside as the legal reserve at NT\$106,190,109. Then, the special reserve at NT\$202,479,211 (10% legal reserve has been deducted, see note) is adopted based on the effects of IFRS adjustment at NT\$224,976,901 of IPP companies. The amount of distributable profit is thus NT\$910,199,363.
- (3) Appropriate cash dividend totaling NT\$765,763,174, at NT\$1.3 per share.
- (4) Upon the approval of the Annual General Shareholders Meeting, it is proposed that the Board of Directors be authorized to resolve the basic ex-dividend date and distribute dividends to shareholders registered in the list of shareholders by the ex-dividend date according to the shares each shareholder actually holds.
- (5) The chairman will be authorized to adjust cash dividends less than NT\$1 (add amount) by specific personnel (Employee Welfare Committee of this Company).
- (6) Please refer to Annex 5, p. 30 of Manual of 2016 Annual General Shareholders Meeting.  
(Note: As there is no cash inflow from the effects of IFRS adjustment by IPPs, the sum is first adopted as the special reserve. When there is actual cash inflow, the amount will be reverted for distribution according to the capital status at that time.)

Resolution:



## 7. Other Matters

Proposal: Relief of the non-compete clause on directors of this Company (proposed by the BOD)

Explanation

- (1) According to paragraph 1 of Article 209 of the Company Act: A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) When a director of this Company is concurrently a director representing another company, or invests in or runs a company with the scope of business similar to that of this Company as the chairperson of that company, it is proposed that Annual General Shareholders Meeting should relieve their non-compete restriction. As such situations happen to the new directors of this Company, please relieve the non-compete restriction on these directors and their representatives.
- (3) List of directors needed the relief of the non-compete clause by the 2016 Annual General Shareholders Meeting:

Title	Name	Relief of Non-Compete Clause
Director	Yao-ting Wang	Manager of Taiwan Power Co., Ltd.
Director	Sheng-ren Shao	Manager of Taiwan Power Co., Ltd.

## Resolution

## 8. Questions and Motions

## 9. Adjournment

### III. Annexes

#### Annex 1

### Taiwan Cogeneration Corporation

#### Cross-reference of the Articles of Incorporation before and after amendments

After Amendment	Before Amendment	Description
<p>Article 38</p> <p>If there is a profit after the annual closing of books, this Company shall appropriate no less than 0.5% as compensations for employees and not more than 1% as remunerations for directors, and the ratio of appropriation of the latter shall not be higher than that of the former. If there are accumulative deficits, the amount for covering the losses of previous years shall first be retained, and the above compensations and remunerations shall be calculated afterwards.</p> <p>Compensations for employees described above shall be distributed in either stock or cash. After the approval of the BOD, the proposal for distribution shall be reported to the annual general shareholders meeting.</p> <p>Compensations for employees shall be distributed according to the Employee Compensation Distribution Regulations of this Company. Compensations for employees shall also be distributed to employees of affiliates of which this Company holds 100% shares.</p>		<ol style="list-style-type: none"> <li>1. New article.</li> <li>2. Referring to Article 235-1 of the Company Act, the newly added article, "A fixed amount or ratio of profit of the current year distributable as employee compensations shall be definitely specified in the Articles of Incorporation." However, the company's accumulated losses, if any, shall have been covered. °</li> <li>3. Referring to Article 38 of this Company's current Articles of Incorporation: remunerations for directors are 1% and compensations for employees are no less than 1%. However, as the said basis for appropriation of compensations/ remunerations sustains only after the amendment of the Company Act from the "distributable profit" to "the profit before tax before deducting the compensations for employees and remunerations for directors, the basis of appropriation is</li> </ol>

		<p>different. Therefore, based on the present level of appropriation and after calculation, it is proposed to amend the ratio of appropriation to: no less than 0.5% as compensations for employees and not more than 1% as remunerations for directors.</p> <p>4. To clearly eliminate the possibility that the ratio of appropriation of remunerations for directors is higher than that of the compensations for employees and to conform to current status of issuance approved by the company, the rule “the ratio of appropriation of remunerations for directors shall not be higher than that of the compensations for employees” is thus added to the end.</p>
<p>Article 39</p> <p>Each accounting year after the annual closing of books, after deducting <u>accumulative</u> 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. <u>If there is still a balance, it shall be combined with the unappropriated retained earnings at the beginning of the year</u> for the BOD to draw up the proposal of profit distribution and submit the proposal to the annual general shareholders meeting 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</p>	<p>Article 38</p> <p>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. Then, the BOD shall draw up a proposal of profit distribution and submit the proposal to the annual general shareholders meeting for resolution. <u>Profit shall be distributed as follows:</u></p> <ol style="list-style-type: none"> <li>1. <u>Appropriate 1% as remunerations for directors and supervisors.</u></li> <li>2. <u>Appropriate no less than 1% as employee bonus.</u></li> <li>3. <u>Add up the balance with the</u></li> </ol>	<ol style="list-style-type: none"> <li>1. Article number amendment.</li> <li>2. Article 235 of the Company Act was amended for the fact that profit distribution is the right of shareholders, i.e. shareholders are the only recipient. As employees are not a recipient of profit distribution, regulations regarding employee bonus are thus removed, and employee bonus will no more an item under profit</li> </ol>

<p>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 amount 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 is no other fund sources, this Company may report to the annual general shareholders meeting 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.</p>	<p><u>unappropriated retained earnings at the beginning of the year</u> as shareholder dividends.</p> <p>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 amount 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 general shareholders meeting 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. <u>The recipient of employee stock dividends shall include employees of affiliates.</u> The regulations for <u>distributing employee</u> shall be implemented <u>after the BOD's approval</u>.</p>	<p>distribution. This shall also apply to the remuneration for directors and supervisors.</p> <p>3. The diction of this article was thus amended with reference to the above clause to maintain consistency.</p>
<p>Article 40 Omitted. Article 41 Omitted. Article 42 Omitted</p>	<p>Article 39 Omitted. Article 40 Omitted. Article 41 Omitted</p>	<p>Article number adjustment only.</p>
<p>Article 43 1<sup>st</sup> amendment was made on September 20, 1995. 2<sup>nd</sup> amendment was made on January 28, 1997. 3<sup>rd</sup> amendment was made on June 25, 1998. 4<sup>th</sup> amendment was made on December 29, 1998. 5<sup>th</sup> amendment was made on June 21, 2000. 6<sup>th</sup> amendment was made on October 12, 2000. 7<sup>th</sup> amendment was made on October 12, 2000. 8<sup>th</sup> amendment was made on June 27, 2002. 9<sup>th</sup> amendment was made on June 19, 2003. 10<sup>th</sup> amendment was made on June 18, 2004. 11<sup>th</sup> amendment was made on June 24, 2005.</p>	<p>Article 42 1<sup>st</sup> amendment was made on September 20, 1995. 2<sup>nd</sup> amendment was made on January 28, 1997. 3<sup>rd</sup> amendment was made on June 25, 1998. 4<sup>th</sup> amendment was made on December 29, 1998. 5<sup>th</sup> amendment was made on June 21, 2000. 6<sup>th</sup> amendment was made on October 12, 2000. 7<sup>th</sup> amendment was made on October 12, 2000. 8<sup>th</sup> amendment was made on June 27, 2002. 9<sup>th</sup> amendment was made on June 19, 2003. 10<sup>th</sup> amendment was made on June 18, 2004. 11<sup>th</sup> amendment was made on June 24, 2005.</p>	<p>1. Article number amendment only 2. Amendment date.</p>

12 <sup>th</sup> amendment was made on June 28, 2007. 13 <sup>th</sup> amendment was made on June 16, 2009. 14 <sup>th</sup> amendment was made on June 22, 2011. 15 <sup>th</sup> amendment was made on June 20, 2012. 16 <sup>th</sup> amendment was made on June 21, 2013. 17 <sup>th</sup> amendment was made on June XX, 2016.	12 <sup>th</sup> amendment was made on June 28, 2007. 13 <sup>th</sup> amendment was made on June 16, 2009. 14 <sup>th</sup> amendment was made on June 22, 2011. 15 <sup>th</sup> amendment was made on June 20, 2012. 16 <sup>th</sup> amendment was made on June 21, 2013.	
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## Annex 2

### Business Report

Thank you for the support of all shareholders, the assistance of all directors and supervisors, and the continuous effort of all employees over the years, which ensure the steady growth and operations of the Company. Please accept by deepest gratitude for your support and assistance on behalf of Taiwan Cogeneration Corporation.

#### 2015 Business Report

##### 1. Results of implementation of the business plan

In 2015, the consolidated net profit after tax was NT\$1,061,901,000, which was NT\$666,539,000 less than that of 2014 (NT\$1,728,440,000). The main reasons include reduction in the profit from re-investments and the recognition of gains from bargain purchase last year. In terms of the number of shares at the end of the period at 589,049,000 shares, the earnings per share (EPS) is NT\$1.80.

The actual operating performance of the past two years are tabulated below:

Unit: NT\$1,000		
Item	2015	2014
Operating revenue	1,546,915	1,622,346
Operating gross profit	297,216	234,460
Net profit before tax	1,153,885	1,754,294
Income tax expense	91,984	25,854
Net profit	1,061,901	1,728,440
EPS	1.80	2.93

##### 2. Status of budget execution

According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, this Company did not publish any financial forecast in 2015.

##### 3. Financial structure and profitability analysis

By the end of 2015, profit from re-investments reduced as the electricity price was reduced in accordance with the price of natural gas. Together with the recognition of gains from bargain purchase in 2014, profitability in 2015 was lower than that of 2014. In financial structure and solvency, this Company continuously seeks profitable and cheap capital, and the overall financial structure is steady.

The following table shows the analysis and comparison of financial structure over the past two years:

Item		2015	2014
Financial structure analysis	Debt to total assets (%)	23	27
	Long-term capital to property, factory building & equipment (%)	3,349	2,575
Solvency analysis	Current ratio (%)	164	131

	Quick ratio (%)	109	99
Profitability analysis	Return on assets (%)	7	12
	Return on equity (%)	9	16
	Profit margin (%)	69	107

Please advise and hope you to give us your support continuously.

Chairman: Home-Joe Lee      Manager: Chuan-xian Huang      CAO: Zi-jie Hsu

**Annex 3**

**Taiwan Cogeneration Corporation  
2015 Supervisor's Audit Report**

Date: March 24, 2016

The Financial Statements, Business Report, and Profit Distribution Proposal submitted by the Board of Directors have been audited and no error is found. This report is thus issued in accordance with Article 219 of the Company Act.

Yung-qing Chen  
Shareholder Supervisor  
Taiwan Cogeneration Corporation

Chan-juan Lin  
Shareholder Supervisor  
Taiwan Cogeneration Corporation

Hong-Siang Lin  
Shareholder Supervisor  
Taiwan Cogeneration Corporation



## **Annex 4**

### **Taiwan Cogeneration Corporation and Subsidiaries**

#### **Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report**

#### **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 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, 2015 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, 2015. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2015.

Very truly yours,

TAIWAN COGENERATION CORPORATION

By

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Home-Joe Lee  
Chairman  
March 24, 2016

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Taiwan Cogeneration Corporation

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

We conducted our audits in accordance with the Regulations Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity 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 by the Financial Supervisory Commission of the Republic of China.

As stated in Note 30.e. to the consolidated financial statements, the Fair Trade Commission concluded 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 and levied fine against these companies. As stated in Note 30.f. to the consolidated financial statements, Taiwan Power Company concluded the above violation caused a loss to Taiwan Power Company and filed an administrative proceeding and a civil action against these companies.

We have also audited the separate financial statements of the Corporation as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified opinion with an emphasis of matter paragraph.

March 24, 2016

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 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, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 834,688	6	\$ 986,522	6
Notes receivable, net (Notes 4 and 7)	-	-	9	-
Notes receivable from related parties (Notes 4 and 28)	226	-	1,091	-
Accounts receivable (Notes 4 and 7)	129,192	1	348,102	2
Finance lease receivables, net (Notes 4 and 8)	-	-	38,324	-
Accounts receivable from related parties (Notes 4 and 28)	65,953	-	56,039	1
Amounts due from customers for construction contracts (Notes 4, 9 and 21)	329	-	-	-
Amounts due from related parties for construction contracts (Notes 4, 9, 21 and 28)	449,577	3	310,387	2
Other receivables (Notes 4 and 24)	3,502	-	28,668	-
Other receivables from related parties (Notes 4 and 28)	795	-	5,279	-
Inventories (Notes 4 and 10)	10,193	-	12,659	-
Prepayments to suppliers	-	-	52,925	1
Prepaid value-added tax	61,280	-	57,618	1
Prepaid construction costs (Note 21)	238	-	13,432	-
Other financial assets (Notes 11 and 29)	82	-	34,661	-
Other current assets	4,160	-	4,820	-
Total current assets	1,560,215	10	1,950,536	13
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets (Notes 4, 12 and 27)	261,800	2	242,000	2
Investments accounted for using equity method (Notes 4, 14 and 29)	12,537,651	84	12,666,584	81
Property, plant and equipment (Notes 4 and 15)	417,479	3	546,745	3
Intangible assets (Notes 4 and 16)	11,669	-	14,475	-
Deferred income tax assets (Notes 4 and 24)	99,050	1	126,563	1
Refundable deposits	41,345	-	26,514	-
Net defined benefit assets (Notes 4 and 20)	1,086	-	2,698	-
Total non-current assets	13,370,080	90	13,625,579	87
<b>TOTAL</b>	<b>\$ 14,930,295</b>	<b>100</b>	<b>\$ 15,576,115</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ -	-	\$ 351,000	2
Notes payable	81,749	1	37,066	-
Notes payable to related parties (Note 28)	26	-	23	-
Accounts payable	43,037	-	39,801	-
Construction costs payable (Note 9)	393,114	3	524,357	4
Accounts payable to related parties (Note 28)	2,611	-	1,035	-
Other payables (Note 18)	66,703	-	93,222	1
Current income tax liabilities (Notes 4 and 24)	63,305	-	-	-
Provisions (Notes 4, 19 and 21)	23,756	-	69,862	1
Current portion of long-term borrowings (Notes 17, 27 and 29)	270,000	2	360,000	2
Other current liabilities	5,611	-	22,336	-
Total current liabilities	949,912	6	1,498,702	10
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 17, 27 and 29)	2,390,000	16	2,610,000	17
Deferred income tax liabilities (Notes 4 and 24)	49	-	10,036	-
Net defined benefit liabilities (Notes 4 and 20)	92,663	1	80,542	-
Guarantee deposits received	11,749	-	20,439	-
Total non-current liabilities	2,494,461	17	2,721,017	17
Total liabilities	3,444,373	23	4,219,719	27
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION</b>				
Share capital				
Common stock	5,890,486	40	5,890,486	38
Capital surplus	499,694	3	499,694	3
Retained earnings				
Legal reserve	1,062,809	7	889,965	6
Special reserve	2,746,715	19	2,146,955	14
Unappropriated earnings	1,218,868	8	1,885,737	12
Total retained earnings	5,028,392	34	4,922,657	32
Other equity	67,350	-	43,559	-
Total equity attributable to owners of the Corporation	11,485,922	77	11,356,396	73
Total equity	11,485,922	77	11,356,396	73
<b>TOTAL</b>	<b>\$ 14,930,295</b>	<b>100</b>	<b>\$ 15,576,115</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 24, 2016)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES (Note 4)				
Sales (Note 28)	\$ 957,600	62	\$ 1,037,781	64
Cogeneration plant operation and maintenance	155,774	10	140,171	9
Interest on a finance lease	1,943	-	5,922	-
Research, consulting and construction services (Notes 9 and 28)	<u>431,598</u>	<u>28</u>	<u>438,472</u>	<u>27</u>
Total operating revenues	<u>1,546,915</u>	<u>100</u>	<u>1,622,346</u>	<u>100</u>
OPERATING COSTS (Note 23)				
Cost of sales (Notes 10 and 28)	735,486	48	746,987	46
Cogeneration plant operation and maintenance (Note 28)	159,717	10	148,772	9
Research, consulting and construction services (Notes 9 and 28)	<u>354,496</u>	<u>23</u>	<u>492,127</u>	<u>31</u>
Total operating costs	<u>1,249,699</u>	<u>81</u>	<u>1,387,886</u>	<u>86</u>
GROSS PROFIT	297,216	19	234,460	14
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>18,894</u>	<u>1</u>	<u>28,834</u>	<u>2</u>
REALIZED GROSS PROFIT	316,110	20	263,294	16
OPERATING EXPENSES (Notes 23 and 28)	<u>177,370</u>	<u>11</u>	<u>207,303</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>138,740</u>	<u>9</u>	<u>55,991</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 28)	25,613	1	29,763	2
Gain from bargain purchase - acquisition of associates (Note 14)	-	-	402,379	25
Other gains and losses (Note 23)	13,369	1	23,184	1
Finance costs (Note 23)	(46,760)	(3)	(41,203)	(2)
Share of profit or loss of associates accounted for using the equity method (Note 14)	<u>1,022,923</u>	<u>66</u>	<u>1,284,180</u>	<u>79</u>
Total non-operating income and expenses	<u>1,015,145</u>	<u>65</u>	<u>1,698,303</u>	<u>105</u>
PROFIT BEFORE INCOME TAX	1,153,885	74	1,754,294	108
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(91,984)</u>	<u>(6)</u>	<u>(25,854)</u>	<u>(2)</u>

(Continued)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014	
	Amount	%	Amount	%
NET PROFIT	<u>\$ 1,061,901</u>	<u>68</u>	<u>\$ 1,728,440</u>	<u>106</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(11,364)	(1)	1,202	-
Share of remeasurement of defined benefit plans of associates accounted for using the equity method	(4,256)	-	(1,385)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	<u>1,932</u>	<u>-</u>	<u>(204)</u>	<u>-</u>
	<u>(13,688)</u>	<u>(1)</u>	<u>(387)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(4,954)	-	14,239	1
Unrealized gain on available-for-sale financial assets	19,800	1	8,800	1
Share of unrealized gain (loss) on available-for-sale financial assets of associates accounted for using the equity method	(4,014)	-	3,542	-
Share of cash flow hedges of associates accounted for using the equity method	4,038	-	4,461	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 24)	<u>8,921</u>	<u>1</u>	<u>(5,277)</u>	<u>-</u>
	<u>23,791</u>	<u>2</u>	<u>25,765</u>	<u>2</u>
Other comprehensive income, net of income tax	<u>10,103</u>	<u>1</u>	<u>25,378</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,072,004</u>	<u>69</u>	<u>\$ 1,753,818</u>	<u>108</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.80</u>		<u>\$ 2.93</u>	
Diluted	<u>\$ 1.80</u>		<u>\$ 2.93</u>	

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

(With Deloitte & Touche auditors' report dated March 24, 2016)

(Concluded)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Equity Attributable to Owners of the Corporation (Note 22)								
	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity	Cash Flow Hedges	Total Equity
			Legal Reserve	Special Reserve	Unappropriat ed Earnings		Unrealized Gain (Loss) on Available-		
							for-sale Financial Assets		
BALANCE, JANUARY 1, 2014	\$ 5,890,486	\$ 499,694	\$ 813,357	\$ 57,431	\$ 3,030,674	\$ (5,573)	\$ 29,858	\$ (6,491)	\$ 10,309,436
Appropriation of 2013 earnings									
Legal reserve	-	-	76,608	-	(76,608)	-	-	-	-
Reversal of special reserve	-	-	-	(57,431)	57,431	-	-	-	-
Special reserve	-	-	-	2,146,955	(2,146,955)	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	(706,858)	-	-	-	(706,858)
	-	-	76,608	2,089,524	(2,872,990)	-	-	-	(706,858)
Net profit for the year ended December 31, 2014	-	-	-	-	1,728,440	-	-	-	1,728,440
Other comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(387)	11,818	10,244	3,703	25,378
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	1,728,053	11,818	10,244	3,703	1,753,818
BALANCE, DECEMBER 31, 2014	5,890,486	499,694	889,965	2,146,955	1,885,737	6,245	40,102	(2,788)	11,356,396
Appropriation of 2014 earnings									
Legal reserve	-	-	172,844	-	(172,844)	-	-	-	-
Special reserve	-	-	-	599,760	(599,760)	-	-	-	-
Cash dividends - NT\$1.6 per share	-	-	-	-	(942,478)	-	-	-	(942,478)
	-	-	172,844	599,760	(1,715,082)	-	-	-	(942,478)
Net profit for the year ended December 31, 2015	-	-	-	-	1,061,901	-	-	-	1,061,901
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(13,688)	(3,675)	24,000	3,466	10,103
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	1,048,213	(3,675)	24,000	3,466	1,072,004
BALANCE, DECEMBER 31, 2015	\$ 5,890,486	\$ 499,694	\$ 1,062,809	\$ 2,746,715	\$ 1,218,868	\$ 2,570	\$ 64,102	\$ 678	\$ 11,485,922

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

(With Deloitte & Touche auditors' report dated March 24, 2016)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,153,885	\$ 1,754,294
Adjustments for:		
Depreciation expense	132,008	132,667
Amortization expense	3,279	3,517
Interest expense	46,643	41,067
Interest income	(6,498)	(8,389)
Dividend income	(8,000)	(7,000)
Share of profit or loss of associates accounted for using the equity method	(1,022,923)	(1,284,180)
Loss (gain) on disposal of property, plant and equipment, net	(2,140)	9
Impairment loss	1,111	-
Unrealized loss (gain) on foreign currency exchange	552	(7,946)
Realized gain on transactions with associates	(18,894)	(28,834)
Gain on reversal of construction costs payable	(565)	(5,289)
Gain from bargain purchase	-	(402,379)
Changes in operating assets and liabilities		
Notes receivable	9	(9)
Notes receivable from related parties	865	(1,091)
Accounts receivable	218,910	(61,868)
Accounts receivable from related parties	(9,914)	(21,451)
Amounts due from customers for construction contracts	(329)	413,545
Amounts due from related parties for construction contracts	(139,156)	153,619
Other receivables	23,736	(20,441)
Other receivables from related parties	4,484	(2,279)
Inventories	2,466	2,213
Prepaid construction costs	13,194	4,374
Prepayments to suppliers	52,925	(17,679)
Other current assets	660	(530)
Finance lease receivables	38,324	38,006
Net defined benefit assets	1,612	(194)
Prepaid value-added tax	(3,662)	12,130
Notes payable	44,683	(25,019)
Notes payable to related parties	3	(41)
Accounts payable	3,236	2,273
Construction costs payable	(132,964)	(290,956)
Accounts payable to related parties	1,576	(720)
Other payables	(26,931)	28,643
Provisions	(45,541)	(41,824)
Other current liabilities	(16,725)	(29,815)
Net defined benefit liabilities	757	5,184
Cash generated from operations	310,676	333,607
Interest received	7,928	7,648
Dividends received	1,170,086	944,631
Interest paid	(46,265)	(43,273)

(Continued)



# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Income tax paid	\$ (300)	\$ (5,435)
Net cash generated from operating activities	<u>1,442,125</u>	<u>1,237,178</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of associates	-	(1,649,130)
Payments for property, plant and equipment	(5,460)	(46,824)
Proceeds from disposal of property, plant and equipment	4,628	1
Decrease (increase) in refundable deposits	(14,831)	11,710
Decrease in other financial assets	34,579	11,172
Payments for computer software	<u>(1,354)</u>	<u>(1,703)</u>
Net cash generated from (used in) investing activities	<u>17,562</u>	<u>(1,674,774)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(351,000)	215,635
Proceeds from long-term borrowings	1,695,000	2,260,000
Repayments of long-term borrowings	(2,005,000)	(1,359,000)
(Decrease) increase in guarantee deposits received	(8,690)	7,283
Dividends paid to owners of the Corporation	<u>(942,478)</u>	<u>(706,858)</u>
Net cash (used in) generated from financing activities	<u>(1,612,168)</u>	<u>417,060</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>647</u>	<u>9,454</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(151,834)	(11,082)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>986,522</u>	<u>997,604</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 834,688</u>	<u>\$ 986,522</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2016)

(Concluded)

# **Taiwan Cogeneration Corporation**

## **Separate Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Taiwan Cogeneration Corporation

We have audited the accompanying separate balance sheets of Taiwan Cogeneration Corporation (the "Corporation") as of December 31, 2015 and 2014 and the related separate statements of comprehensive income, changes in equity and cash flows for the years then ended. These separate financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these separate financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall separate financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of the Corporation as of December 31, 2015 and 2014, and its separate financial performance and its separate cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

As stated in Note 25.d. to the separate financial statements, the Fair Trade Commission concluded 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 and levied fine against these companies. As stated in Note 25.e. to the separate financial statements, Taiwan Power Company concluded the above violation caused a loss to Taiwan Power Company and filed an administrative proceeding and a civil action against these companies.

March 24, 2016

#### Notice to Readers

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

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

# TAIWAN COGENERATION CORPORATION

## SEPARATE BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 296,796	2	\$ 334,730	2
Notes receivable from related parties (Note 23)	226	-	1,453	-
Accounts receivable (Notes 4 and 7)	115,412	1	160,863	1
Finance lease receivables, net (Notes 4 and 8)	-	-	38,324	-
Accounts receivable from related parties (Notes 4 and 23)	41,433	-	35,604	-
Other receivables (Note 19)	431	-	835	-
Inventories (Notes 4 and 9)	8,807	-	11,273	-
Prepayments to suppliers	-	-	52,925	1
Other current assets	3,615	-	2,219	-
Total current assets	466,720	3	638,226	4
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets (Notes 4, 10 and 22)	261,800	2	242,000	2
Investments accounted for using equity method (Notes 4, 11 and 24)	13,169,357	91	13,246,925	89
Property, plant and equipment (Notes 4 and 12)	416,987	3	543,492	4
Computer software cost	373	-	1,464	-
Deferred income tax assets (Notes 4 and 19)	97,227	1	124,572	1
Refundable deposits	5,711	-	5,703	-
Total non-current assets	13,951,455	97	14,164,156	96
<b>TOTAL</b>	<b>\$ 14,418,175</b>	<b>100</b>	<b>\$ 14,802,382</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 13)	\$ -	-	\$ 250,000	2
Notes payable	24,111	-	20,586	-
Notes payable to related parties (Note 23)	364	-	23	-
Accounts payable	43,037	-	39,801	-
Accounts payable to related parties (Note 23)	2,611	-	1,035	-
Other payables (Note 14)	58,798	-	75,679	1
Other payable to related parties (Note 23)	347	-	303	-
Current income tax liabilities (Notes 4 and 19)	63,305	1	-	-
Provisions (Notes 4 and 15)	-	-	39,458	-
Current portion of long-term borrowings (Notes 13 and 24)	270,000	2	320,000	2
Other current liabilities	3,942	-	3,505	-
Total current liabilities	466,515	3	750,390	5
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 13 and 24)	2,390,000	17	2,610,000	18
Deferred income tax liabilities (Notes 4 and 19)	49	-	9,578	-
Net defined benefit liabilities (Notes 4 and 16)	71,938	-	63,577	-
Guarantee deposits received	3,751	-	12,441	-
Total non-current liabilities	2,465,738	17	2,695,596	18
Total liabilities	2,932,253	20	3,445,986	23
<b>EQUITY</b>				
Share capital				
Common stock	5,890,486	41	5,890,486	40
Capital surplus	499,694	3	499,694	4
Retained earnings				
Legal reserve	1,062,809	7	889,965	6
Special reserve	2,746,715	19	2,146,955	14
Unappropriated earnings	1,218,868	9	1,885,737	13
Total retained earnings	5,028,392	35	4,922,657	33
Other equity	67,350	1	43,559	-
Total equity	11,485,922	80	11,356,396	77
<b>TOTAL</b>	<b>\$ 14,418,175</b>	<b>100</b>	<b>\$ 14,802,382</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 24, 2016)

# TAIWAN COGENERATION CORPORATION

## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

### FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES (Note 4)				
Sales (Note 23)	\$ 957,600	84	\$ 1,037,781	85
Cogeneration plant operation and maintenance	155,774	13	140,171	12
Interest on a financial lease	1,943	-	5,922	-
Research, consulting and construction services (Note 23)	<u>30,067</u>	<u>3</u>	<u>33,014</u>	<u>3</u>
Total operating revenues	<u>1,145,384</u>	<u>100</u>	<u>1,216,888</u>	<u>100</u>
OPERATING COSTS (Note 18)				
Cost of sales (Notes 9 and 23)	735,492	64	747,643	62
Cogeneration plant operation and maintenance (Note 23)	159,717	14	148,772	12
Research, consulting and construction services	<u>23,400</u>	<u>2</u>	<u>28,152</u>	<u>2</u>
Total operating costs	<u>918,609</u>	<u>80</u>	<u>924,567</u>	<u>76</u>
GROSS PROFIT	226,775	20	292,321	24
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>29,367</u>	<u>3</u>	<u>29,367</u>	<u>2</u>
REALIZED GROSS PROFIT	256,142	23	321,688	26
OPERATING EXPENSES (Notes 18 and 23)	<u>144,818</u>	<u>13</u>	<u>157,140</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>111,324</u>	<u>10</u>	<u>164,548</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 18 and 23)	21,686	2	23,252	2
Gain from bargain purchase - acquisition of associates (Note 11)	-	-	402,379	33
Other gains and losses (Note 18)	828	-	3,492	-
Finance costs (Note 18)	(46,328)	(4)	(38,506)	(3)
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 11)	<u>1,066,269</u>	<u>93</u>	<u>1,198,935</u>	<u>99</u>
Total non-operating income and expenses	<u>1,042,455</u>	<u>91</u>	<u>1,589,552</u>	<u>131</u>
PROFIT BEFORE INCOME TAX	1,153,779	101	1,754,100	144
INCOME TAX EXPENSE (Notes 4 and 19)	<u>(91,878)</u>	<u>(8)</u>	<u>(25,660)</u>	<u>(2)</u>

(Continued)

# TAIWAN COGENERATION CORPORATION

## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

### FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014	
	Amount	%	Amount	%
NET PROFIT	<u>\$ 1,061,901</u>	<u>93</u>	<u>\$ 1,728,440</u>	<u>142</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of a defined benefit plan	(9,036)	(1)	(2,203)	-
Share of remeasurement of defined benefit plans of subsidiaries and associates accounted for using the equity method	(6,188)	-	1,442	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>1,536</u>	<u>-</u>	<u>374</u>	<u>-</u>
	<u>(13,688)</u>	<u>(1)</u>	<u>(387)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	19,800	2	8,800	1
Share of exchange differences on translating foreign operations of subsidiaries and associates accounted for using the equity method	(4,954)	(1)	14,239	1
Share of unrealized gain (loss) on available-for-sale financial assets of subsidiaries and associates accounted for using the equity method	(4,014)	-	3,542	-
Share of cash flow hedges of associates accounted for using the equity method	4,038	-	4,461	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 19)	<u>8,921</u>	<u>1</u>	<u>(5,277)</u>	<u>-</u>
	<u>23,791</u>	<u>2</u>	<u>25,765</u>	<u>2</u>
Other comprehensive income, net of income tax	<u>10,103</u>	<u>1</u>	<u>25,378</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,072,004</u>	<u>94</u>	<u>\$ 1,753,818</u>	<u>144</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 1.80</u>		<u>\$ 2.93</u>	
Diluted	<u>\$ 1.80</u>		<u>\$ 2.93</u>	

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

(With Deloitte & Touche auditors' report dated March 24, 2016)

(Concluded)

# TAIWAN COGENERATION CORPORATION

## SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

			Retained Earnings (Note 17)			Exchange Differences on Translating	Other Equity Unrealized Gain on Available- for-sale Financial Assets	Cash Flow Hedges	Total Equity
	Common Stock	Capital Surplus (Note 17)	Legal Reserve	Special Reserve	Unappropriat ed Earnings	Foreign Operations			
BALANCE, JANUARY 1, 2014	\$ 5,890,486	\$ 499,694	\$ 813,357	\$ 57,431	\$ 3,030,674	\$ (5,573)	\$ 29,858	\$ (6,491)	\$ 10,309,436
Appropriation of 2013 earnings									
Legal reserve	-	-	76,608	-	(76,608)	-	-	-	-
Reversal of special reserve	-	-	-	(57,431)	57,431	-	-	-	-
Special reserve	-	-	-	2,146,955	(2,146,955)	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	(706,858)	-	-	-	(706,858)
	-	-	76,608	2,089,524	(2,872,990)	-	-	-	(706,858)
Net profit for the year ended December 31, 2014	-	-	-	-	1,728,440	-	-	-	1,728,440
Other comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(387)	11,818	10,244	3,703	25,378
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	1,728,053	11,818	10,244	3,703	1,753,818
BALANCE, DECEMBER 31, 2014	5,890,486	499,694	889,965	2,146,955	1,885,737	6,245	40,102	(2,788)	11,356,396
Appropriation of 2014 earnings									
Legal reserve	-	-	172,844	-	(172,844)	-	-	-	-
Special reserve	-	-	-	599,760	(599,760)	-	-	-	-
Cash dividends - NT\$1.6 per share	-	-	-	-	(942,478)	-	-	-	(942,478)
	-	-	172,844	599,760	(1,715,082)	-	-	-	(942,478)
Net profit for the year ended December 31, 2015	-	-	-	-	1,061,901	-	-	-	1,061,901
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(13,688)	(3,675)	24,000	3,466	10,103
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	1,048,213	(3,675)	24,000	3,466	1,072,004
BALANCE, DECEMBER 31, 2015	\$ 5,890,486	\$ 499,694	\$ 1,062,809	\$ 2,746,715	\$ 1,218,868	\$ 2,570	\$ 64,102	\$ 678	\$ 11,485,922

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

(With Deloitte & Touche auditors' report dated March 24, 2016)

# TAIWAN COGENERATION CORPORATION

## SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,153,779	\$ 1,754,100
Adjustments for:		
Depreciation expense	131,585	131,003
Amortization expense	1,782	2,354
Interest expense	46,253	38,434
Interest income	(3,321)	(3,750)
Dividend income	(8,000)	(7,000)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	(1,066,269)	(1,198,935)
Unrealized gain on foreign currency exchange, net	(290)	(503)
Realized gain on transactions with associates	(29,367)	(29,367)
Gain from bargain purchase	-	(402,379)
Changes in operating assets and liabilities		
Notes receivable from related parties	1,227	(1,453)
Accounts receivable	45,451	15,370
Accounts receivable from related parties	(5,829)	(1,061)
Other receivables	-	(256)
Inventories	2,466	2,213
Prepayments to suppliers	52,925	(17,679)
Other current assets	(1,396)	(330)
Finance lease receivables	38,324	38,006
Notes payable	3,525	7,179
Notes payable to related parties	341	(41)
Accounts payable	3,236	2,399
Accounts payable to related parties	1,576	(720)
Other payables	(17,367)	25,938
Other payables to related parties	44	91
Provisions	(39,458)	(39,243)
Other current liabilities	437	(2,068)
Net defined benefit liabilities	(675)	3,101
Cash generated from operations	310,979	315,403
Interest received	3,725	3,519
Dividends received	1,170,086	944,631
Interest paid	(45,767)	(38,788)
Income tax paid	(300)	(3,127)
Net cash generated from operating activities	<u>1,438,723</u>	<u>1,221,638</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using equity method	-	(1,849,130)
Payments for property, plant and equipment	(5,080)	(46,066)
Decrease (increase) in refundable deposits	(8)	1,184
Payments for computer software	<u>(691)</u>	<u>(1,040)</u>

(Continued)



# TAIWAN COGENERATION CORPORATION

## SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Net cash used in investing activities	\$ (5,779)	<u>\$(1,895,052)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	(250,000)	250,000
Proceeds from long-term borrowings	1,695,000	2,020,000
Repayments of long-term borrowings	(1,965,000)	(1,039,000)
(Decrease) increase in guarantee deposits received	(8,690)	12,141
Dividends paid to owners of the Corporation	<u>(942,478)</u>	<u>(706,858)</u>
Net cash (used in) generated from financing activities	<u>(1,471,168)</u>	<u>536,283</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>290</u>	<u>503</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(37,934)	(136,628)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>334,730</u>	<u>471,358</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 296,796</u>	<u>\$ 334,730</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2016)

(Concluded)

## Annex 5

### Taiwan Cogeneration Corporation Profit Distribution Table Accounting Year 2015

Unit: NT\$

Item	Amount	Remarks
Beginning unappropriated retained earnings	170,655,539	Note 1
Less: Recognized retained earnings adopted from the re-measurement of defined benefit plan	(13,687,945)	
Unappropriated earnings after adjustment	156,967,594	
Add: Current net profit	1,061,901,089	
Less: Legal reserve (10%)	(106,190,109)	Note 2
Less: Self-adopted special reserve	(202,479,211)	Note 3
Total of distributable profit	910,199,363	
Distribution items		
Cash dividends (NT\$1.3/share)	(765,763,174)	Note 4
Year-end unappropriated earnings	144,436,189	
Note: 1. Implemented according to Article 39 of the amended Articles of Incorporation of the Company. 2. According to Article 237 of the Company Act, 10% of the net profit of 2015 is appropriated as the legal reserve. 3. According to Article 237 of the Company Act, a sum of NT\$202,479,211 is self-adopted as the special reserve (including NT\$156,967,594 from unappropriated earnings after adjustment and NT\$45,511,617 from the current net profit). 4. Cash dividends at NT\$765,763,174 are appropriated from the earnings of 2015. 5. With the approval of the annual general shareholders meeting, the Board of Directors shall be authorized to determine the basic ex-dividend date and distribute dividends according to the shareholders in the list of shareholders and the shares they hold by the basic ex-dividend date.		

Chairman: Home-Joe Lee

Manager: Chuan-xian Huang

CAO: Zi-jie Hsu

## IV. Appendices

### Appendix 1

#### **Taiwan Cogeneration Corporation Rules of Procedure for Meetings of Shareholders**

Approved by initiators meeting on April 14, 1992

1<sup>st</sup> amendment made on December 29, 1998

2<sup>nd</sup> amendment made on June 27, 2002

1. Except as otherwise specified by the law, this Company shall hold meetings of shareholders in accordance with this Rules of Procedure for Meetings of Shareholders.
2. This Company shall prepare an attendance register for shareholders to sign in, or shareholders present may hand in an attendance card in place of signing on the attendance register.
3. The presence of shareholders in a meeting of shareholders and their voting rights shall be calculated in accordance with the number of shares.
4. The place for convening the meeting of shareholders shall be held in this Company or any places convenient for the presence of shareholders and suitable for holding of a meeting of shareholders. The time for commencing the meeting of shareholders shall not be earlier than nine o'clock in the morning or later than three o'clock in the afternoon.
5. When a meeting of shareholders is convened by the Board of Directors, the chairman of the board shall preside on that meeting of shareholders. Where the chairman is unable to carry out his duty, he shall designate a director to act on his behalf. Where the chairman does not appoint an agent, directors shall elect one from amongst themselves to act on behalf of chairman.
6. This Company may assign the legal consul or certified public accountant it hires or other relevant persons to be the guest of the meeting of shareholders. Meeting service personnel shall wear an identity card or a badge.
7. This Company shall maintain a full record of the meeting of shareholders with audio or video tapes. Such video or audio tapes shall be retained for at least one year.
8. The chairman shall call the meeting to order at the appointed meeting time. However, when the shareholders present do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. Where the quorum is not met after two postponements but the shareholders present represent one third or more of the total number of issued shares, a tentative resolution may be made in accordance with paragraph 1 of Article 175 of the Company Act. When, prior to conclusion of the meeting, the shareholders present represent a majority of the total number of issued shares, the chairman may re-submit the tentative resolution for a vote by the meeting of shareholders in accordance with Article 174 of the Company Act.
9. Where the meeting of shareholders is convened by the BOD, the BOD shall determine the agenda. The meeting of shareholders shall be proceeded according to the agenda. The agenda shall not be changed without the BOD's resolution. Where a meeting of shareholders is convened by a party with the power to convene that is not the board of directors, the agenda of the meeting shall be determined by this party. The chairman shall not adjourn a meeting without resolution adopted by shareholders, where the motions (including extraordinary motions) covered in the proceedings arranged in the above two paragraphs are not resolved.

After the meeting is adjourned, shareholders shall not elect another chairperson to continue the meeting at the same or another place.

10. Before speaking, a shareholder present shall specify in a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman.  
A shareholder present does not actually speak after submitting a speaker's slip shall be deemed to have not spoken. When the content of the speech is inconsistent with the subject specified in the speaker's slip, the spoken content shall prevail.  
Except with the consent of the chairperson or the shareholder making his/her speech, a shareholder shall not disturb a speech. The chairman may stop shareholders who violate this clause.
11. Except with the consent of the chairman, a shareholder shall not speak on the same proposal more than two times, and each single speech shall not exceed 5 minutes. When a shareholder violates the said regulations or makes a speech outside of the subject matter, the chairman may stop his/her speech.
12. A corporation entrusted to attend the meeting of shareholders shall appoint only one representative to attend the meeting. When the corporation shareholder appoints two or more representatives to attend the meeting, only one of these representatives shall speak on the same proposal.
13. After a shareholder present makes a speech, the chairman may reply in person or direct relevant personnel to reply.
14. When the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairman may end the discussion and call for a vote.
15. The chairman shall appoint vote monitoring and counting personnel for the voting on a proposal, provided that all monitoring personnel shall be shareholders of this Company. The results of voting shall be announced on-site and records shall be maintained.
16. When a meeting is in progress, the chairman may announce a break based on time considerations.
17. Except as otherwise specified in the Company Act and the Articles of Incorporation of this Company, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the shareholders present.
18. Where there is an amendment or an alternative to a proposal, the chairman shall determine the order of voting of this proposal and the original proposal. Where any one of them is passed, the other one will then be deemed rejected, and no further voting shall be required.
19. The chairman may direct the proctors (or security guards) to help maintain order at the meeting place. Proctors (or security guards) maintaining order at the meeting place shall wear an armband bearing the word "Proctor".
20. This Rules, and any amendments hereto, shall be implemented after adoption by meeting of shareholders.

## Appendix 2

### **Taiwan Cogeneration Corporation Articles of Incorporation (before amendment)**

#### Chapter I General Provisions

- Article 1 This Company is incorporated as a company limited by shares in accordance with the Company Act and other applicable laws of the Republic of China in the name of 台灣汽電共生股份有限公司 in Chinese or Taiwan Cogeneration Corporation in English.
- Article 2 This Company shall conduct business in the following areas:
- (1) D101050 Steam and Electricity Paragenesis
  - (2) D101040 Non-Public Electric Power Generation
  - (3) D401010 Heat Energy Supplying
  - (4) IG03010 Energy Technical Services
  - (5) E601010 Electric Appliance Construction
  - (6) I102010 Investment Consultancy
  - (7) I103060 Manages Consultant Business
  - (8) F401010 International Trade
  - (9) E604010 Machinery Installation Construction
  - (10) JE01010 Rental and Leasing Business
  - (11) IF02010 Electricity Equipments Checking and Maintenance
  - (12) E603050 Cybernation Equipments Construction
  - (13) F113020 Wholesale of Household Appliance
  - (14) F113010 Wholesale of Machinery
  - (15) F113030 Wholesale of Precision Instruments
  - (16) EZ05010 Apparatus Installation Construction
  - (17) E603040 Fire Fighting Equipments Construction
  - (18) E603090 Illumination Equipments Construction
  - (19) J101030 Waste Collection and Transportation
  - (20) J101040 Waste Disposing
  - (21) E599010 Pipe Lines Construction
  - (22) E502010 Fuel Pipe Construction
  - (23) E603010 Cables Construction
  - (24) All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 This Company headquarter's in Taipei City, Republic of China and may establish branches, offices, and plants inside and outside of the territory of the Republic of China.
- Article 4 This Company shall make public announcements by publishing announcement in the conspicuous location of daily news in the municipalities or local counties (cities) where this Company is located, except as otherwise specified by the securities management authorities.
- Article 5 The Company may provide guarantee for and lend to a third party for business purpose in accordance with the regulations for endorsements, guarantees and

lending of this Company and the Company Act. The regulations for endorsements, guarantees and lending shall be established by the Board of Directors and approved by the meeting of shareholders.

- Article 6 The total amount of the Company's reinvestments shall not be subject to the restriction of not more than forty percent (40%) of the Company's paid-in capital as provided for in Article 13 of the Company Act. Matters regarding reinvestments shall be proceeded in accordance with the resolutions of the Board of Directors.

## Chapter II Shares

- Article 7 The total authorized capital of this Company is New Taiwan Dollar Eight Billion (NT\$8 billion) divided into eight hundred million (800,000,000) shares with a par value at New Taiwan Dollar Ten (NT\$10) each. The Board of Directors is authorized to issue such shares in common stocks in a series of issuance.
- Article 8 Stocks of this Company shall be signed by or affixed with the personal seal of at least three directors and serially numbered. These stocks shall be certified by the competent authorities or a certifying institution appointed by the competent authorities prior to issuance. After recordation by the centralized securities custody enterprise/ institution, this Company may issue shares without printing a share certificate.
- Article 9 Stocks issued by this Company are registered stocks. The real name of holders shall be indicated on the stock (share certificate). Where the holder is a corporation, the real name and address of all shareholders and/or the statutory representative shall be recorded in the list of shareholders of this Company. Where there are two more holders, one of them shall be designated as the representative.
- Article 10 After a stock is lost or extinguished, the shareholder or legal holder shall report to the law enforcement agency and complete the lost stock report and submit it to this Company for examination and registration. This shareholder or legal holder shall also apply for public summons to the jurisdiction district court in accordance with the procedure for public summons in the Taiwan Code of Civil Procedure. After the ex-right judgement, this shareholder or legal holder shall apply for the re-issuance of the lost stock to this Company with the court decision.
- Article 11 When re-issuing stocks for ownership transfer or lost/extinguished stocks, this Company may charge an appropriate fee adequate for printing the stock.
- Article 12 Shareholders shall complete their real name and address, affix their personal seals to the signature specimen card, and submit the photocopy of their identity card (corporate shareholders shall submit the photocopy of the company license and business registration certificate issued by the Ministry of Economic Affairs and the photocopy of the identity card of the statutory representative and his/her signature specimen card) to this Company or the shareholder services agent for cross examination when shareholders collect their dividends or exercise their rights. The same shall apply to any change of such.
- Article 13 Shareholders shall immediately notify this Company in writing when they lost their seal of the previous Article registered at this Company. Shareholders shall also bring the original copy of any identity documents and the new seal to this Company to register their new seals. When shareholders assign an agent to register their new seals, apart from bringing the original copy of the identity

documents, the new seal, and a power of attorney of the shareholder, the agent shall also bring the original copy of their own identify card and personal seal to register the new seal for the shareholder.

Article 14 Registration for transfer of shares shall be suspended sixty (60) days prior to the date of the annual general shareholders meeting, thirty (30) days prior to the date of a provisional meeting of shareholders, or within five (5) days prior to the day on which dividend, bonus, or any other benefit is scheduled to be paid by this Company.

Article 15 Matters not provided for in this section shall be implemented in accordance with the Company Act and the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by the competent authorities.

### Chapter III Meetings of Shareholders

Article 16 Meetings of shareholders include the following two types:

1. the annual general shareholders meeting; and
2. the provisional meeting of shareholders.

The former shall be convened once a year within six (6) months after the end of each accounting year; and the latter shall be convened according to the law where necessary.

Article 17 Written notices shall be sent to all shareholders at the last known address registered at this Company at least thirty (30) days prior to the annual general shareholders meeting and at least fifteen (15) days prior to the provisional meeting of shareholders. The reasons for calling a meeting of shareholders shall be specified in the written notice.

Article 18 Except as otherwise a higher percentage is specified in the Company Act, a meeting of shareholders shall be called to order if attended by shareholders representing over half of the total issued shares, and resolutions shall be adopted by a majority of the votes held by shareholders present at the meeting.

Article 19 Each share of stock shall be entitled to one vote.

Article 20 Where a shareholder is unable to attend a meeting of shareholders, he/she may assign a proxy to attend the meeting and exercise, all rights at the meeting on his/her behalf in accordance with Article 177 of the Company Act. A proxy does not need to be a shareholder of this Company.

Article 21 When a meeting of shareholders is convened by the Board of Directors, the chairman of the board shall preside on that meeting of shareholders. Where the chairman is unable to carry out his duty, he shall designate a director to act on his behalf. Where the chairman does not appoint an agent, directors shall elect one from amongst themselves to act on behalf of chairman. Where a meeting of shareholders is convened by a party with the power to convene that is not the BOD, the meeting shall be chaired by this party. When there are two parties, elect one to be the chairperson.

Article 22 The resolutions made by the meeting of shareholders shall be recorded in the minutes. After the chairman of this Company or the chairman of the meeting of shareholders signs the minutes, such minutes shall be distributed to all shareholders. The distribution of the minutes may be replaced by public announcements. In addition, such minutes shall be retained permanently during the existence of this Company.

## Chapter IV Directors and Supervisors

- Article 23 This Company shall have thirteen (13) directors and three (3) supervisors elected by the meeting of shareholders among competent shareholders. The total amount of registered shares held by all directors and supervisors shall be lower than the ratio specified in the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.  
The number of independent directors shall not be less than one fifth of the total number of directors. It adopts the candidate nomination system for elections of independent directors. The meeting of shareholders shall elect independent directors from the list of candidates.
- Article 24 The term of each director and supervisor is three (3) years. They shall be elected by the meeting of shareholders by the law. The Board of Directors shall buy liability insurance for the directors and supervisors of this Company.
- Article 25 Directors shall elect from amongst themselves a chairman with the consent of over half of directors at a board meeting attended by over two-third of all directors.
- Article 26 Externally, the chairman represents this Company, and internally, he presides on the meeting of shareholders and board meetings, and administers corporate business in accordance with the law, the articles of incorporation of this Company, and the resolutions made by the meeting of shareholders and board meetings.
- Article 27 Except for the first board meeting of every term of the newly established board of directors which shall be convened by the director with the majority votes in the election, board meetings shall be convened by the chairperson of the board. The convener shall also notify all directors of the date, place, and agenda of the board meeting by mail or email at least seven (7) days in advance. However, the board may convene a provisional board meeting at any time.
- Article 28 The chairman shall chair the board meeting. Where the chairman is unable to carry out his duty, he shall designate a director to act on his behalf. Where the chairman does not appoint an agent, directors shall elect one from amongst themselves to act on behalf of chairman.
- Article 29 The Board of Directors shall convene a board meeting at least once a quarter. Except as otherwise a higher percentage is specified by the Company Act or the Articles of Incorporation, the following board meetings shall be called to order with the attendance of over half of all directors, and resolutions shall be made by over half of the directors attended the meeting.
1. Proposal for dissolution and liquidation of the company or merger with other companies.
  2. Proposal for procurement of major assets of this Company.
  3. Appointment, discharge, and remunerations of managerial officers.
  4. Proposal for the amendment of the Articles of Incorporation.
  5. Proposal for profit distribution or covering up deficits.
  6. Production of the budget and final accounting of this Company.
  7. Approval for re-investments in other businesses.
  8. Establishment and withdrawal of branches.
  9. Application for the approval of public offering or listed at the OTC or stock market.
  10. Approval, revision, and termination of suggestions or expansion investment projects.



11. The acquisition, transfer, and licensing of special technology and patent rights and the approval, revision, and termination of the technological cooperation contracts.
  12. Proposal for capital increase or reduction.
  13. Approval of contracts with a certain term or a certain credit or value.
  14. Approval of capital expenditures over a certain credit or value within the approved budget or over a certain amount outside of the credit or value outside of the approved budget. For expenditure of the same purpose, do not break down the cost and disburse without prior notice.
  15. Approval of the regulations for endorsements, guarantees, and lending of this Company.
  16. Approval of this Company's application to the bank for financing, guarantee, acceptance, and other lending and loans, and advances complying with Article 15 of the Company Act at a certain credit or value.
  17. Determination or revision of the term, credit, and value specified in items 13-16.
  18. Proposal for the pawning, sale, lease, pledge, mortgage, or other forms of disposal of the Company's major property or assets.
  19. Appointment, discharge, and fees for CPAs and permanent legal advisors.
  20. Approval and correction of the Company's organization system.
  21. Approval and amendment of major company regulations and documents.
  22. Approval of the regulations governing transactions with affiliates or their shareholders, directors, supervisors, or relatives.
  23. Authority assigned by the law or resolutions made by the meeting of shareholders.
- Article 30 A director may authorize another director to represent him/her at a board meeting by written authorization. Such authorization may include exercising the voting rights of the assignor for all proposals discussed at the board meeting. Each director shall only represent one other director at a board meeting.
- Article 31 The resolutions made by the board meeting shall be recorded in the minutes. After the chairman of this Company or the chairman of the board meeting of signs the minutes, such minutes shall be distributed to all directors. Minutes may be distributed electronically. In addition, such minutes shall be retained permanently during the existence of this Company.
- Article 32 The duty of supervisors includes:
1. Review the Company's financial condition.
  2. Review and audit accounting books and documents.
  3. Other duties assigned by the law.
- Article 33 Apart from carrying out the duty assigned by the law, supervisors may attend a board meeting and express their opinion, provided that they shall not vote.
- Article 34 The board of director may have several secretaries or assistants to keep custody of the minutes of board meetings and meetings of shareholders and all important documents and contracts.

## Chapter V Managerial Officers

- Article 35 This Company shall have one general manager and several vice general managers and division heads. The chairman shall nominate the general manager, and the general manager shall nominate vice general managers and division heads. In addition to the provisions specified in Article 29, the appointment, discharge and compensations shall be subject to Article 29 of the Company Ac.

- Article 36 The general manager shall administer the business of this Company according to the chairman's order and supervise, execute, and administer the operations of this Company. Vice general managers shall assist the general manager to carry out his/her duties.

## Chapter VI Financial Statements

- Article 37 The financial year of this Company begins on January 1 and ends on December 31 in the same year. After the end of each financial year, the Board of Directors shall produce the following reports. After submitting them to the supervisors for review within thirty (30) days prior to the annual general shareholders meeting, the board of directors shall apply for adoption of these reports on the meeting of shareholders.
1. Business report.
  2. Financial statements.
  3. Proposal for profit distribution or covering up deficits.

- Article 38 Each financial 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 appropriating or reverting the balance to special reserves according to the laws and regulations or the rules of competent authorities. The, the BOD shall draw up a proposal of profit distribution and submit the proposal to the annual general shareholders meeting for resolution. Profit shall be distributed as follows:

1. Appropriate 1% as remunerations for directors and supervisors.
2. Appropriate no less than 1% as employee bonus.
3. Add up the balance with the beginning unappropriated retained earnings of the year as shareholder dividends.

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 amount 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 is no other fund sources, this Company may report to the annual general shareholders meeting 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. The recipient of employee stock dividends shall include employees of affiliates. The regulations for distributing employee shall be implemented after the BOD's approval.

- Article 39 The board of directors is authorized to discuss and determine the remunerations for directors and supervisors according to their involvement in this Company's operations, their contributions to this Company, and the general level in the same industry. Directors and supervisors may claim travel allowance each month. The board of directors shall determine the amount of the travel allowance. Shareholders or directors of this Company who are concurrently a managerial officer or employee of this Company shall be paid according to general

employees.

## **Chapter VII Addenda**

Article 40 Matters not provided for herein shall be subject to the law of the Republic of China.

Article 41 This Articles of Incorporation was established by all initiators on April 14, 1992 and can be amended with the resolution made by the meeting of shareholders.

Article 42

1<sup>st</sup> amendment was made on September 20, 1995.

2<sup>nd</sup> amendment was made on January 28, 1997.

3<sup>rd</sup> amendment was made on June 25, 1998.

4<sup>th</sup> amendment was made on December 29, 1998.

5<sup>th</sup> amendment was made on June 21, 2000.

6<sup>th</sup> amendment was made on October 12, 2000.

7<sup>th</sup> amendment was made on October 12, 2000.

8<sup>th</sup> amendment was made on June 27, 2002.

9<sup>th</sup> amendment was made on June 19, 2003.

10<sup>th</sup> amendment was made on June 18, 2004.

11<sup>th</sup> amendment was made on June 24, 2005.

12<sup>th</sup> amendment was made on June 28, 2007.

13<sup>th</sup> amendment was made on June 16, 2009.

14<sup>th</sup> amendment was made on June 22, 2011.

15<sup>th</sup> amendment was made on June 20, 2012.

16<sup>th</sup> amendment was made on June 21, 2013.

Home-Joe Lee

Chairman

Taiwan Cogeneration Corporation

## Appendix 3

### Taiwan Cogeneration Corporation Shareholdings of Directors and Supervisors

1. The paid-in capital of this Company is NT\$5,890,485,950 to issue a total of 589,048,595 shares.
2. According to Article 26 of the Securities and Exchange Act, all directors shall hold no less than 18,849,555 shares and all supervisors shall hold at least 1,884,955 shares.
3. The table below shows the shares held by individual and all directors and supervisors registered in the list of shareholders on the April 29, 2016, the date of transfer suspension for the meeting of shareholders.

Title	Name	Elected date	Term	Shares held at election	Shares currently held	
				Shares	Shares	Sharehold- ing ratio %
<b>Chairman</b>	Hong-zho u Li	19 Jun 2014	3 yrs.	162,954,279 shares, representing Taiwan Power Company Ltd.	162,954,279 shares, representing Taiwan Power Company Ltd.	27.66%
<b>Director</b>	Chen-yong Wang	19 Jun 2014	3 yrs.			
<b>Director</b>	Yao-ting Wang	19 Jun 2014	3 yrs.			
<b>Director</b>	Jao-hua Hsu	19 Jun 2014	3 yrs.			
<b>Director</b>	Li-chen Chen	19 Jun 2014	3 yrs.			
<b>Director</b>	Shen-reng Xiao	19 Jun 2014	3 yrs.			
<b>Director</b>	Chuang-xi ng Qiu	19 Jun 2014	3 yrs.	33,573,497 shares, representing Mega Bank	33,573,497 shares, representing Mega Bank	5.70%
<b>Director</b>	Wei Ding	19 Jun 2014	3 yrs.	11,375,214 shares representing Jin Hong Investments.	11,375,214 shares representing Jin Hong Investments.	1.93%
<b>Director</b>	Wen-bin Li	19 Jun 2014	3 yrs.	11,001,093 shares, representing the Taya Group	11,001,093 shares, representing the Taya Group	1.87%
<b>Director</b>	Gu-chuan Qiu	19 Jun 2014	3 yrs.	9,060,384 shares, representing Formosa Heavy Industry Corp.	9,060,384 shares, representing Formosa Heavy Industry Corp.	1.54%
<b>Independent director</b>	Xiao-dong Zhang	19 Jun 2014	3 yrs.	0	0	0.00%
<b>Independent director</b>	Shu-ren Ge	19 Jun 2014	3 yrs.	0	0	0.00%
<b>Independent director</b>	Zhi-le Hsu	17 Jun 2015	2 yrs.	0	0	0.00%
<b>Total of all directors</b>				<b>227,964,467 shares</b>	<b>227,964,467 shares</b>	<b>38.70%</b>
<b>Supervisor</b>	Hong-xian g Lin	19 Jun 2014	3 yrs.	11,527,432 shares, representing TECO.	11,527,432 shares, representing TECO.	1.96%
<b>Supervisor</b>	Yong-qin g Chen	19 Jun 2014	3 yrs.	0	0	0.00%
<b>Supervisor</b>	Chan-juan Lin	19 Jun 2014	3 yrs.	0	0	0.00%
<b>Total of all supervisors</b>				<b>11,527,432 shares</b>	<b>11,527,432 shares</b>	<b>1.96%</b>

## **Appendix 4**

### **Handling of Shareholder Proposals**

The following shows the handling of proposals made by shareholders at the present annual general shareholders meeting.

1. According to Article 172-1 of the Company Act, “Shareholders holding more than one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders’ meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words.”
2. This Company accepts proposals made by shareholders for the present annual general shareholders meeting during April 18-April 27, 2016. All proposals have been published on the Market Observation Post System (MOPS) according to the law.
3. No shareholder proposal was received this year.