

TWSE: 8926



TAIWAN COGENERATION CORP.

**Handbook for the  
2018 Annual General Meeting of Shareholders**

20 June 2018

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## **I. Meeting Procedure**

### **Taiwan Cogeneration Corporation Procedure of the 2018 Annual General Meeting of Shareholders**

1. Report on the number of shares attended the meeting
2. Calling the meeting to order
3. Chairman's address
4. Management presentations
5. Adoption of proposals
6. Questions and motions
7. Adjournment

## **II. Agenda of the 2018 Annual General Meeting of Shareholders**

### **Taiwan Cogeneration Corporation Agenda of the 2018 Annual General Meeting of Shareholders**

Time: 9:00 a.m., Wednesday, 20 June 2018

Place: International Convention Hall

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

Attendees: All shareholders and equity representatives

Chairperson: Chairman Ming-jei Chang

1. Report on the number of shares attended the meeting
2. Calling the meeting to order
3. Chairman's address
4. Management presentations
  - (1) 2017 Business Report
  - (2) Audit Committee's review report on the 2017 financial statements
  - (3) Status report of the Company's external endorsements and/or guarantees
  - (4) Status report on the compensations for employees and remunerations for directors and supervisors in 2017
5. Adoptions
  - (1) Adoption of the 2017 Business Report and Financial Statements
  - (2) Adoption of the Proposal for Profit Distribution of 2017
6. Questions and motions
7. Adjournment

**1. Report on the number of shares attended the meeting**

**2. Calling the meeting to order.**

**3. Chairman's address**

**4. Management presentations**

(1) 2017 Business Report.

Explanation: Please refer to the 2017 Business Report in Annex 1 (p.7-8) of the Handbook of 2018 Annual General Meeting of Shareholders.

(2) Audit Committee's review report on the 2017 financial statements.

Explanation: Please refer to Audit Report of the Audit Committee in Annex 2 (p.9) of the Handbook of 2018 Annual General Meeting of Shareholders.

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

Explanation: The external endorsements and/or guarantees offered by this Company by 31 December 2017 are as follows:

- 1) This Company provides a maximum guarantee of NT\$200 million for subsidiary TCIC as it has applied to the bank for a loan credit amounting US\$6 million, and the loan required this Company to be a joint guarantor. This guarantee credit was appropriated after contract execution was completed in August 2017. The said credit expired in January 2018. As the RP Energy (RPE) syndicated loan has been postponed and the said credit will not be used within one year, renewal has been suspended temporarily. In March 2018, the bank retrieved and voided the check of US\$6 million, the endorsement and guarantee credit for TCIC was thus revoked.
- 2) TCIC, a subsidiary of this Company, has agreed to offer guarantees as follows for RPE, a re-invested enterprise in the Philippines, based on its 25% shares of RPE:
  - a. Effectuate a guarantee at a maximum of NT\$473 million prior to obtaining the PSA<sup>2</sup> approved by ERC<sup>1</sup> during the first-time appropriation of the project loan.
  - b. Effectuate a guarantee at a maximum of NT\$580 million for RPE's stock loan quasi-mortgage prior to the first-time appropriation of the project loan when RPE signs the project secured loan agreement.
  - c. A performance bond with a maximum amount of NT\$190 million was provided for presale customers in a standby letter of credit.
  - d. The total guarantee amount in the foregoing items at NT\$1.243billion is unexecuted. TCIC will re-confirm the exact guarantee amount after RPE's first-time appropriation.

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

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

- (4) Status report on the compensations for employees and remunerations for directors and supervisors in 2017.

Explanation

- 1) The 2017 net profit of this Company was NT\$971,873,907. After setting aside 10% for the legal reserve at NT\$97,187,391, a special reserve at NT\$66,635,322 (10% legal reserve has been deducted, see note) is adopted based on the effects of IFRS adjustment at NT\$74,039,247 of IPP companies, and the balance is NT\$808,051,194. 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\$24,241,536 and 1% as remunerations for directors and supervisors at NT\$8,080,512. Both are distributed in cash.  
(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.)
- 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 the Articles of Incorporation, the rate of distribution is 2.37% and 0.79% 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.
- 3) The resolved distribution amount conforms with the amount of recognized in the 2017 statements.

## 5. Adoptions

Proposal 1 Adoption of the 2017 Business Report and Financial Statements. (proposed by the BOD)

Explanation

- (1) The 2017 financial statements, including the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in 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 1 (p.7-8) and Annex 3 (p.10-30) of the Handbook of 2018 Annual General Meeting of Shareholders.

Resolutions:

Proposal 2 Adoption of the Proposal for Profit Distribution of 2017.

Explanation

- (1) Beginning unappropriated retained earnings of 2017 was NT\$87,890,507. After setting off the retained earnings at NT\$1,506,198 adopted from the re-measurement of defined benefit plan and less unappropriated retained earnings at NT\$300,488 by the equity method, unappropriated earnings after adjustment is NT\$NT\$89,096,217.
- (2) According to the Articles of Incorporation of this Company, after adding up the above adjusted unappropriated earnings at NT\$89,096,217 and the 2017 net profit at NT\$971,873,907, 10% is setting aside as the legal reserve at NT\$97,187,391. Then, the special reserve at NT\$66,635,322 (10% legal reserve has been deducted, see note) is adopted based on the effects of IFRS adjustment at NT\$74,039,247 of IPP companies. The amount of distributable profit is thus NT\$897,147,411.
- (3) Appropriate cash dividend totaling NT\$765,763,174, at NT\$1.3 per share.
- (4) Upon the approval of the Annual General Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the 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 (odd amount) by specific personnel (Employee Welfare Committee of this Company).
- (6) Please refer to Annex 4 (p. 31) of Handbook of 2018 Annual General Meeting of Shareholders.

(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:

## **6. Questions and Motions**

## **7. Adjournment**



### III. Annexes

#### Annex 1

### Business Report

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

#### 2017 Business Report

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

In 2017, the consolidated net profit after tax was NT\$967,067,000, NT\$18,101,000 more than that of 2016 at NT\$948,966,000. This result is attributed to the increase in investment income, the coal price of Guantian Plant was higher, and the net impact of standby power and environmental expenses. Based on the total number of shares at 589,049,000 shares at the end of the year, ERPS is NT\$1.65.

The table below shows the operating performance in the past two years.

Unit: NT\$1,000		
Item	2017	2016
Operating revenue	1,209,414	1,178,012
Profit from operations	99,263	153,459
Net profit before tax	987,542	990,250
Income tax expense	20,475	41,284
Net profit	967,067	948,966
EPS	1.65	1.61

##### 2. Status of budget execution

According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, this Company did not have to publish any financial forecast in 2016.

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

By the end of 2017, the gross margin of Guantian Plant was lower than that of 2016 as a result of the higher coal price and the increase in standby power and environmental expense. However, the overall profit is higher than that of 2016 as investment income increased and the income tax expense reduced. 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 comparison of financial structure over the past two years:

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

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

Chairman: Ming-jie Chang

CEO: Guang-shun Yu

CAO: Zi-jie Xu

## **Annex 2**

### **Taiwan Cogeneration Corporation Audit Report of the Audit Committee**

Date: 23 March 2018

After auditing the 2017 financial statements, 2017 Business Report (including individual and the profit distribution table produced by the Board of Directors, where the financial statements audited and certified by CPA Rui-xuan He and CPA Jian-xin Xie of Deloitte Taiwan, this Audit Committee found no nonconformity. This report is thus presented to AGM for approval in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company

To  
Taiwan Cogeneration Corporation 2018 Annual General Meeting of Shareholders

Xin-hu Yan  
Convener  
Audit Committee

### **Annex 3**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Taiwan Cogeneration Corporation

### **Opinion**

We have audited the accompanying separate financial statements of Taiwan Cogeneration Corporation (the "Corporation"), which comprise the separate balance sheets as of December 31, 2017 and 2016 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, 2017 and 2016, 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, 2017. 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 2017 separate financial statements are as follows:

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

Refer to Note 23.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 judgements and key sources of estimation uncertainty.

The FTC concluded that the Corporation's associates, Sun Ba Power Corporation, Star Energy Power Corporation, Star Buck Power Corporation, and Kuo Kuang Power Company Ltd., had violated the Fair Trade Act by jointly refusing to lower power purchase electricity rates. The FTC levied fines against these companies and the companies filed an appeal against the fines. As of December 31, 2017, 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, 2017, the claims on the administrative proceedings and civil action in progress against these associates amounted to NT\$19,163 million and NT\$9,543 million, respectively.

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

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

### **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 2017 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 23, 2018

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, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 468,019	3	\$ 315,236	2
Notes receivable from related parties (Notes 4 and 21)	685	-	2,015	-
Accounts receivable (Notes 4 and 7)	75,864	1	82,763	1
Accounts receivable from related parties (Notes 4 and 21)	39,408	-	31,310	-
Dividends receivable (Note 10)	-	-	49,307	-
Other receivables (Notes 4)	66	-	301	-
Inventories (Notes 4 and 8)	6,619	-	7,784	-
Other current assets	<u>2,854</u>	<u>-</u>	<u>1,990</u>	<u>-</u>
Total current assets	<u>593,515</u>	<u>4</u>	<u>490,706</u>	<u>3</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets (Notes 4, 9 and 20)	225,800	1	295,200	2
Investments accounted for using the equity method (Notes 4, 10 and 22)	13,691,666	91	13,418,467	91
Property, plant and equipment (Notes 4 and 11)	397,831	3	424,714	3
Computer software cost	1,481	-	22	-
Deferred income tax assets (Notes 4 and 17)	89,826	1	88,197	1
Refundable deposits	<u>5,621</u>	<u>-</u>	<u>5,710</u>	<u>-</u>
Total non-current assets	<u>14,412,225</u>	<u>96</u>	<u>14,232,310</u>	<u>97</u>
<b>TOTAL</b>	<u>\$ 15,005,740</u>	<u>100</u>	<u>\$ 14,723,016</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable	\$ 17,036	-	\$ 23,262	-
Accounts payable	59,053	-	50,473	-
Accounts payable to related parties (Note 21)	1,158	-	2,018	-
Other payables (Note 13)	67,802	1	57,815	1
Current income tax liabilities (Notes 4 and 17)	16,125	-	24,439	-
Current portion of long-term borrowings (Notes 12 and 22)	270,000	2	270,000	2
Other current liabilities	<u>2,739</u>	<u>-</u>	<u>4,596</u>	<u>-</u>
Total current liabilities	<u>433,913</u>	<u>3</u>	<u>432,603</u>	<u>3</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 12 and 22)	2,625,000	17	2,540,000	17
Deferred income tax liabilities (Notes 4 and 17)	-	-	137	-
Net defined benefit liabilities (Notes 4 and 14)	83,210	1	80,157	1
Guarantee deposits received	<u>5,090</u>	<u>-</u>	<u>5,841</u>	<u>-</u>
Total non-current liabilities	<u>2,713,300</u>	<u>18</u>	<u>2,626,135</u>	<u>18</u>
Total liabilities	<u>3,147,213</u>	<u>21</u>	<u>3,058,738</u>	<u>21</u>
<b>EQUITY (Note 15)</b>				
Share capital				
Common stock	<u>5,890,486</u>	<u>39</u>	<u>5,890,486</u>	<u>40</u>
Capital surplus	<u>499,694</u>	<u>3</u>	<u>499,694</u>	<u>3</u>
Retained earnings				
Legal reserve	1,263,896	9	1,168,999	8
Special reserve	3,133,898	21	2,949,194	20
Unappropriated earnings	<u>1,060,970</u>	<u>7</u>	<u>1,074,349</u>	<u>7</u>
Total retained earnings	<u>5,458,764</u>	<u>37</u>	<u>5,192,542</u>	<u>35</u>
Other equity	<u>9,583</u>	<u>-</u>	<u>81,556</u>	<u>1</u>
Total equity	<u>11,858,527</u>	<u>79</u>	<u>11,664,278</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 15,005,740</u>	<u>100</u>	<u>\$ 14,723,016</u>	<u>100</u>

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



# TAIWAN COGENERATION CORPORATION

## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2017</b>		<b>2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUES (Note 4)				
Sales (Note 21)	\$ 837,794	96	\$ 798,918	83
Cogeneration plant operation and maintenance	-	-	132,110	14
Research, consulting and construction services (Note 21)	<u>38,160</u>	<u>4</u>	<u>30,881</u>	<u>3</u>
Total operating revenues	<u>875,954</u>	<u>100</u>	<u>961,909</u>	<u>100</u>
OPERATING COSTS (Note 16)				
Cost of sales (Notes 8 and 21)	643,779	74	561,302	58
Cogeneration plant operation and maintenance	-	-	134,516	14
Research, consulting and construction services	<u>29,644</u>	<u>3</u>	<u>24,013</u>	<u>3</u>
Total operating costs	<u>673,423</u>	<u>77</u>	<u>719,831</u>	<u>75</u>
GROSS PROFIT	202,531	23	242,078	25
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>29,367</u>	<u>3</u>	<u>29,367</u>	<u>3</u>
REALIZED GROSS PROFIT	231,898	26	271,445	28
OPERATING EXPENSES (Notes 16 and 21)	<u>151,882</u>	<u>17</u>	<u>146,501</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>80,016</u>	<u>9</u>	<u>124,944</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 16 and 21)	19,459	2	18,801	2
Other gains and losses (Note 16)	(4,679)	-	(870)	-
Finance costs (Note 16)	(34,335)	(4)	(36,881)	(4)
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 10)	<u>931,888</u>	<u>106</u>	<u>883,183</u>	<u>92</u>
Total non-operating income and expenses	<u>912,333</u>	<u>104</u>	<u>864,233</u>	<u>90</u>
PROFIT BEFORE INCOME TAX	992,349	113	989,177	103
INCOME TAX EXPENSE (Notes 4 and 17)	<u>(20,475)</u>	<u>(2)</u>	<u>(40,211)</u>	<u>(4)</u>
NET PROFIT	<u>971,874</u>	<u>111</u>	<u>948,966</u>	<u>99</u>

(Continued)

# TAIWAN COGENERATION CORPORATION

## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of a defined benefit plan (Note 14)	\$ (2,150)	-	\$ (14,106)	(1)
Share of remeasurement of defined benefit plans of subsidiaries and associates accounted for using the equity method	3,291	-	(6,467)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 17)	<u>365</u>	<u>-</u>	<u>2,398</u>	<u>-</u>
	<u>1,506</u>	<u>-</u>	<u>(18,175)</u>	<u>(2)</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized (loss) gain on available-for-sale financial assets	(69,400)	(8)	33,400	3
Share of exchange differences on translating foreign operations of subsidiaries accounted for using the equity method	(33,647)	(4)	(17,964)	(2)
Share of unrealized gain (loss) on available-for-sale financial assets of associates accounted for using the equity method	31,074	4	(552)	-
Share of loss on hedging instruments designated and qualifying as the effective portion of cash flow hedges of associates accounted for using the equity method	<u>-</u>	<u>-</u>	<u>(678)</u>	<u>-</u>
	<u>(71,973)</u>	<u>(8)</u>	<u>14,206</u>	<u>1</u>
Other comprehensive loss, net of income tax	<u>(70,467)</u>	<u>(8)</u>	<u>(3,969)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 901,407</u>	<u>103</u>	<u>\$ 944,997</u>	<u>98</u>
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 1.65</u>		<u>\$ 1.61</u>	
Diluted	<u>\$ 1.65</u>		<u>\$ 1.61</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, 2017 AND 2016 (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 (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges - Effective Portion of the Gain (Loss) on the Hedging Instruments	
BALANCE, JANUARY 1, 2016	\$ 5,890,486	\$ 499,694	\$ 1,062,809	\$ 2,746,715	\$ 1,218,868	\$ 2,570	\$ 64,102	\$ 678	\$ 11,485,922
Appropriation of 2015 earnings									
Legal reserve	-	-	106,190	-	(106,190)	-	-	-	-
Special reserve	-	-	-	202,479	(202,479)	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	(765,763)	-	-	-	(765,763)
	-	-	106,190	202,479	(1,074,432)	-	-	-	(765,763)
Share of transaction cost attributable to issue of new ordinary shares of subsidiaries and associates accounted for using the equity method	-	-	-	-	(878)	-	-	-	(878)
Net profit for the year ended December 31, 2016	-	-	-	-	948,966	-	-	-	948,966
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(18,175)	(17,964)	32,848	(678)	(3,969)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	930,791	(17,964)	32,848	(678)	944,997
BALANCE, DECEMBER 31, 2016	5,890,486	499,694	1,168,999	2,949,194	1,074,349	(15,394)	96,950	-	11,664,278
Appropriation of 2016 earnings									
Legal reserve	-	-	94,897	-	(94,897)	-	-	-	-
Special reserve	-	-	-	184,704	(184,704)	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	(706,858)	-	-	-	(706,858)
	-	-	94,897	184,704	(986,459)	-	-	-	(706,858)
Share of transaction cost attributable to issue of new ordinary shares of subsidiaries and associates accounted for using the equity method	-	-	-	-	(300)	-	-	-	(300)
Net profit for the year ended December 31, 2017	-	-	-	-	971,874	-	-	-	971,874
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,506	(33,647)	(38,326)	-	(70,467)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	973,380	(33,647)	(38,326)	-	901,407
BALANCE, DECEMBER 31, 2017	\$ 5,890,486	\$ 499,694	\$ 1,263,896	\$ 3,133,898	\$ 1,060,970	\$ (49,041)	\$ 58,624	\$ -	\$ 11,858,527

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 992,349	\$ 989,177
Adjustments for:		
Depreciation expense	30,275	35,031
Amortization expense	394	381
Interest expense	34,276	36,807
Interest income	(1,822)	(2,010)
Dividend income	(8,000)	(8,000)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	(931,888)	(883,183)
Unrealized loss (gain) on foreign currency exchange	2,587	(803)
Realized gain on transactions with associates	(29,367)	(29,367)
Changes in operating assets and liabilities		
Notes receivable from related parties	1,330	(1,789)
Accounts receivable	6,899	32,649
Accounts receivable from related parties	(8,098)	10,123
Other receivables	(41)	256
Inventories	1,165	1,023
Other current assets	(864)	1,625
Notes payable	(6,226)	(1,213)
Accounts payable	8,580	7,436
Accounts payable to related parties	(860)	(593)
Other payables	9,349	(1,381)
Other current liabilities	(1,857)	654
Net defined benefit liabilities	903	(5,887)
Cash generated from operations	99,084	180,936
Interest received	2,098	1,884
Dividends received	771,281	892,426
Interest paid	(33,638)	(36,756)
Income tax paid	(30,190)	(67,561)
Net cash generated from operating activities	808,635	970,929
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	(25,500)	(300,000)
Liquidation refund from associates	-	3,168
Payments for property, plant and equipment	(3,392)	(42,758)
Decrease in refundable deposits	89	1
Payments for computer software	(1,853)	(30)
Net cash used in investing activities	(30,656)	(339,619)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	2,880,000	3,610,000
Repayments of long-term borrowings	(2,795,000)	(3,460,000)

(Continued)

# TAIWAN COGENERATION CORPORATION

## SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

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	2017	2016
(Decrease) increase in guarantee deposits received	\$ (751)	\$ 2,090
Dividends paid to owners of the Corporation	<u>(706,858)</u>	<u>(765,763)</u>
Net cash used in financing activities	<u>(622,609)</u>	<u>(613,673)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(2,587)</u>	<u>803</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	152,783	18,440
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>315,236</u>	<u>296,796</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 468,019</u>	<u>\$ 315,236</u>

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

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Taiwan Cogeneration Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Taiwan Cogeneration Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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 2017 consolidated financial statements are as follows:

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

Refer to Note 29.e. and f. for details of the FTC ruling, appeal by associates 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, 2017, 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, 2017, the claims on the administrative proceedings and civil action in progress against these associates amounted to NT\$19,163 million and NT\$9,543 million, respectively.

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

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

## **Other Matter**

We have also audited the separate financial statements of Taiwan Cogeneration Corporation as of and for the years ended December 31, 2017 and 2016, 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 2017 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 23, 2018

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 832,418	6	\$ 1,017,893	7
Notes receivable (Notes 4 and 27)	686	-	2,015	-
Accounts receivable (Notes 4 and 7)	90,148	1	97,555	1
Accounts receivable from related parties (Notes 4 and 27)	97,659	1	65,635	1
Amounts due from customers for construction contracts (Notes 4, 8, 19 and 27)	220,970	1	282,167	2
Dividends receivable (Note 12)	-	-	49,307	-
Other receivables (Notes 4, 22 and 27)	447	-	9,902	-
Inventories (Notes 4 and 9)	6,815	-	9,170	-
Prepaid value-added tax	61,780	-	55,274	-
Other financial assets (Note 28)	30,066	-	65	-
Other current assets	<u>10,566</u>	<u>-</u>	<u>3,427</u>	<u>-</u>
Total current assets	<u>1,351,555</u>	<u>9</u>	<u>1,592,410</u>	<u>11</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets (Notes 4, 10 and 26)	225,800	1	295,200	2
Investments accounted for using the equity method (Notes 4, 12 and 28)	12,986,682	85	12,596,263	84
Property, plant and equipment (Notes 4 and 13)	568,045	4	442,729	3
Intangible assets (Notes 4 and 14)	9,331	-	7,821	-
Deferred income tax assets (Notes 4 and 22)	89,826	1	88,197	-
Prepayments for equipment	3,833	-	-	-
Refundable deposits	<u>16,242</u>	<u>-</u>	<u>13,823</u>	<u>-</u>
Total non-current assets	<u>13,899,759</u>	<u>91</u>	<u>13,444,033</u>	<u>89</u>
<b>TOTAL</b>	<u>\$ 15,251,314</u>	<u>100</u>	<u>\$ 15,036,443</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable	\$ 18,207	-	\$ 23,158	-
Accounts payable	62,520	-	51,452	-
Construction costs payable (Note 8)	165,994	1	246,140	2
Accounts payable to related parties (Note 27)	1,158	-	2,018	-
Other payables (Note 16)	84,913	1	77,335	1
Current income tax liabilities (Notes 4 and 22)	16,125	-	24,439	-
Provisions (Notes 4, 17 and 19)	18,582	-	17,440	-
Current portion of long-term borrowings (Notes 15 and 28)	270,000	2	270,000	2
Other current liabilities	<u>3,033</u>	<u>-</u>	<u>6,050</u>	<u>-</u>
Total current liabilities	<u>640,532</u>	<u>4</u>	<u>718,032</u>	<u>5</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 15 and 28)	2,625,000	17	2,540,000	17
Deferred income tax liabilities (Notes 4 and 22)	-	-	137	-
Net defined benefit liabilities (Notes 4 and 18)	101,667	1	99,619	-
Guarantee deposits received	<u>5,895</u>	<u>-</u>	<u>14,377</u>	<u>-</u>
Total non-current liabilities	<u>2,732,562</u>	<u>18</u>	<u>2,654,133</u>	<u>17</u>
Total liabilities	<u>3,373,094</u>	<u>22</u>	<u>3,372,165</u>	<u>22</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 20)</b>				
Share capital				
Common stock	<u>5,890,486</u>	<u>39</u>	<u>5,890,486</u>	<u>39</u>
Capital surplus	<u>499,694</u>	<u>3</u>	<u>499,694</u>	<u>3</u>
Retained earnings				
Legal reserve	1,263,896	8	1,168,999	8
Special reserve	3,133,898	21	2,949,194	20
Unappropriated earnings	<u>1,060,970</u>	<u>7</u>	<u>1,074,349</u>	<u>7</u>
Total retained earnings	<u>5,458,764</u>	<u>36</u>	<u>5,192,542</u>	<u>35</u>
Other equity	<u>9,583</u>	<u>-</u>	<u>81,556</u>	<u>1</u>
Total equity attributable to owners of the Corporation	11,858,527	78	11,664,278	78
<b>NON-CONTROLLING INTERESTS</b>	<u>19,693</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>11,878,220</u>	<u>78</u>	<u>11,664,278</u>	<u>78</u>
<b>TOTAL</b>	<u>\$ 15,251,314</u>	<u>100</u>	<u>\$ 15,036,443</u>	<u>100</u>

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

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES (Note 4)				
Sales (Note 27)	\$ 849,215	70	\$ 799,071	68
Cogeneration plant operation and maintenance	-	-	132,110	11
Research, consulting and construction services (Notes 8 and 27)	<u>360,199</u>	<u>30</u>	<u>246,831</u>	<u>21</u>
Total operating revenues	<u>1,209,414</u>	<u>100</u>	<u>1,178,012</u>	<u>100</u>
OPERATING COSTS (Note 21)				
Cost of sales (Notes 9 and 27)	650,098	54	561,388	48
Cogeneration plant operation and maintenance	-	-	134,516	11
Research, consulting and construction services (Note 8)	<u>281,042</u>	<u>23</u>	<u>187,116</u>	<u>16</u>
Total operating costs	<u>931,140</u>	<u>77</u>	<u>883,020</u>	<u>75</u>
GROSS PROFIT	278,274	23	294,992	25
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>31,871</u>	<u>3</u>	<u>39,068</u>	<u>3</u>
REALIZED GROSS PROFIT	310,145	26	334,060	28
OPERATING EXPENSES (Note 21)	<u>210,882</u>	<u>18</u>	<u>180,601</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>99,263</u>	<u>8</u>	<u>153,459</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 21 and 27)	19,955	2	20,682	2
Other gains and losses (Note 21)	(16,434)	(1)	(14,895)	(1)
Finance costs (Note 21)	(34,362)	(3)	(36,941)	(3)
Share of profit or loss of associates accounted for using the equity method (Note 12)	<u>919,120</u>	<u>76</u>	<u>867,945</u>	<u>73</u>
Total non-operating income and expenses	<u>888,279</u>	<u>74</u>	<u>836,791</u>	<u>71</u>
PROFIT BEFORE INCOME TAX	987,542	82	990,250	84
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(20,475)</u>	<u>(2)</u>	<u>(41,284)</u>	<u>(4)</u>
NET PROFIT	<u>967,067</u>	<u>80</u>	<u>948,966</u>	<u>80</u>

(Continued)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (656)	-	\$ (15,797)	(1)
Share of remeasurement of defined benefit plans of associates accounted for using the equity method	1,797	-	(4,026)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	<u>365</u>	<u>-</u>	<u>1,648</u>	<u>-</u>
	<u>1,506</u>	<u>-</u>	<u>(18,175)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(33,647)	(3)	(17,964)	(2)
Unrealized (loss) gain on available-for-sale financial assets	(69,400)	(6)	33,400	3
Share of unrealized gain (loss) on available-for-sale financial assets of associates accounted for using the equity method	31,074	3	(552)	-
Share of loss on hedging instruments designated and qualifying as the effective portion of cash flow hedges of associates accounted for using the equity method	<u>-</u>	<u>-</u>	<u>(678)</u>	<u>-</u>
	<u>(71,973)</u>	<u>(6)</u>	<u>14,206</u>	<u>1</u>
Other comprehensive loss, net of income tax	<u>(70,467)</u>	<u>(6)</u>	<u>(3,969)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 896,600</u>	<u>74</u>	<u>\$ 944,997</u>	<u>80</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	971,874	80	948,966	81
Non-controlling interests	<u>(4,807)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 967,067</u>	<u>80</u>	<u>\$ 948,966</u>	<u>81</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	901,467	74	944,997	80
Non-controlling interests	<u>(4,807)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 896,660</u>	<u>74</u>	<u>\$ 944,997</u>	<u>80</u>

(Continued)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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	2017		2016	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 1.65</u>		<u>\$ 1.61</u>	
Diluted	<u>\$ 1.65</u>		<u>\$ 1.61</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, 2017 AND 2016 (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			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges - Effective Portion of the Gain (Loss) on the Hedging Instruments		
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2016	\$ 5,890,486	\$ 499,694	\$ 1,062,809	\$ 2,746,715	\$ 1,218,868	\$ 2,570	\$ 64,102	\$ 678	\$ -	\$ 11,485,922
Appropriation of 2015 earnings										
Legal reserve	-	-	106,190	-	(106,190)	-	-	-	-	-
Special reserve	-	-	-	202,479	(202,479)	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	(765,763)	-	-	-	-	(765,763)
	-	-	106,190	202,479	(1,074,432)	-	-	-	-	(765,763)
Share of transaction cost attributable to issue of new ordinary shares of associates accounted for using the equity method	-	-	-	-	(878)	-	-	-	-	(878)
Net profit for the year ended December 31, 2016	-	-	-	-	948,966	-	-	-	-	948,966
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(18,175)	(17,964)	32,848	(678)	-	(3,969)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	930,791	(17,964)	32,848	(678)	-	944,997
BALANCE, DECEMBER 31, 2016	5,890,486	499,694	1,168,999	2,949,194	1,074,349	(15,394)	96,950	-	-	11,664,278
Appropriation of 2016 earnings										
Legal reserve	-	-	94,897	-	(94,897)	-	-	-	-	-
Special reserve	-	-	-	184,704	(184,704)	-	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	(706,858)	-	-	-	-	(706,858)
	-	-	94,897	184,704	(986,459)	-	-	-	-	(706,858)
Share of transaction cost attributable to issue of new ordinary shares of associates accounted for using the equity method	-	-	-	-	(300)	-	-	-	-	(300)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	24,500	24,500
Net profit for the year ended December 31, 2017	-	-	-	-	971,874	-	-	-	(4,807)	967,067
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,506	(33,647)	(38,326)	-	-	(70,467)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	973,380	(33,647)	(38,326)	-	(4,807)	896,600
BALANCE, DECEMBER 31, 2017	\$ 5,890,486	\$ 499,694	\$ 1,263,896	\$ 3,133,898	\$ 1,060,970	\$ (49,041)	\$ 58,624	\$ -	\$ 19,693	\$ 11,878,220

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 987,542	\$ 990,250
Adjustments for:		
Depreciation expense	35,083	35,332
Amortization expense	665	762
Interest expense	34,276	36,850
Interest income	(3,968)	(5,203)
Dividend income	(8,000)	(8,000)
Share of profit or loss of associates accounted for using the equity method	(919,120)	(867,945)
Loss on disposal of property, plant and equipment, net	34	-
Impairment loss	261	3,332
Unrealized loss (gain) on foreign currency exchange	3,295	(3,604)
Realized gain on transactions with associates	(31,871)	(39,068)
Gain on reversal of warranty cost on construction	(7,783)	(4,461)
Changes in operating assets and liabilities		
Notes receivable	1,329	(1,789)
Accounts receivable	7,407	31,637
Accounts receivable from related parties	(32,024)	318
Amounts due from customers for construction contracts	61,197	167,739
Other receivables	8,801	(5,218)
Inventories	2,355	1,023
Prepaid construction costs	-	238
Other current assets	(7,139)	733
Prepaid value-added tax	(6,506)	6,006
Net defined benefit assets	-	1,086
Notes payable	(4,951)	(58,617)
Accounts payable	11,068	8,415
Construction costs payable	(78,465)	(146,586)
Accounts payable to related parties	(860)	(593)
Other payables	10,994	(2,037)
Provisions	8,925	(1,855)
Other current liabilities	(3,017)	439
Net defined benefit liabilities	1,392	(8,841)
Cash generated from operations	70,920	130,343
Interest received	4,622	4,816
Dividends received	771,281	892,426
Interest paid	(33,638)	(36,799)
Income tax paid	(30,190)	(67,561)
Net cash generated from operating activities	782,995	923,225
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	(152,202)	(110,588)
Liquidation refund from associates	-	3,168

(Continued)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Payments for property, plant and equipment (Note 24)	\$ (164,487)	\$ (47,964)
(Increase) decrease in refundable deposits	(2,419)	27,521
Increase in other financial assets	(30,001)	-
Payments for computer software	(2,436)	(246)
Decrease in other current assets	-	17
Increase in prepayments for equipment	<u>(3,833)</u>	<u>-</u>
Net cash used in investing activities	<u>(355,378)</u>	<u>(128,092)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	2,880,000	3,610,000
Repayments of long-term borrowings	(2,795,000)	(3,460,000)
(Decrease) increase in guarantee deposits received	(8,482)	2,628
Dividends paid to owners of the Corporation	(706,858)	(765,763)
Increase in non-controlling interests	<u>24,500</u>	<u>-</u>
Net cash used in financing activities	<u>(605,840)</u>	<u>(613,135)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(7,252)</u>	<u>1,207</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(185,475)	183,205
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,017,893</u>	<u>834,688</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 832,418</u>	<u>\$ 1,017,893</u>

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



**Annex 4**

**Taiwan Cogeneration Corporation**  
**Profit Distribution Table**  
**Accounting Year 2017**

Unit: NT\$

Item	Amount	Remarks
Beginning unappropriated retained earnings	87,890,507	Note 1
Add: Recognized retained earnings adopted from the re-measurement of defined benefit plan	1,506,198	
Less: Unappropriated earnings adjustment under equity method	(300,488)	
Unappropriated earnings after adjustment	89,096,217	
Add: Net profit of current period	971,873,907	
Less: Legal reserve (10%)	(97,187,391)	Note 2
Less: Self-appropriated special reserves	(66,635,322)	Note 3
Sum of distributable profit	897,147,411	
Distribution items		
Cash dividends (NT\$1.3/share)	(765,763,174)	Note 4
Year-end unappropriated retained earnings	131,384,237	
Note: 1. Implemented in accordance with Article 37 of amended Articles of Incorporation of this Company. 2. According to Article 237 of the Company Act, the legal reserve is 10% of the net profit of 2017. 3. According to Article 237, a sum of NT\$66,635,322 is appropriated as the special reserve (from the net profit of the current period). 4. Cash dividends at NT\$765,763,174 are appropriated from the 2017 earnings. 5. With the approval of the meeting of shareholders, the Board shall be authorized to determine the ex-dividend date and distribute dividends according to the shareholders in the list of shareholders and the shares they hold on the ex-dividend date.		
Chairman: Ming-jie Chang	CEO: Guang-shun Yu	CAO: Zi-jie Xu

## **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**

### 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 Cogeneration
  - (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 The company is located in Taipei City, Republic of China, and may establish its branch office, representative office, or factory anywhere domestically or overseas as required.
- 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 Audit Committee

- Article 23 This Company shall have thirteen (13) directors elected by the meeting of shareholders among competent shareholders. The total amount of registered shares held by all directors shall be lower than the ratio specified in the Rules and Review Procedures for Director Share Ownership Ratios at Public Companies. The number of independent directors shall not be less than three (3) seats and 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.
- This Company shall establish an audit committee seated by all independent directors in accordance with the Securities and Exchange Act. The committee and committee members shall exercise their authority and implement relevant affairs in accordance with the rules and regulations prescribed by the competent authorities governing securities and exchange.
- Article 24 The term of each director 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 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, 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 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 33 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 34 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 35 The account year of this Company begins on January 1 and ends on December 31 in the same year. After the end of each accounting year, the Board of Directors shall produce the following reports and submit them to the meeting of shareholders for adoption.

1. Business report.
2. Financial statements.
3. Proposal for profit distribution or covering up deficits.

Article 36 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. 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. 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.

Article 37 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 unappropriated retained earnings at the beginning of the year for the BOD to draw up the proposal of profit distribution at no less than 70% of distributable profit 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 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.

Article 38 The board of directors is authorized to discuss and determine the remunerations for directors according to their involvement in this Company's operations, their contributions to this Company, and the general level in the same industry. Directors 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 39 Matters not provided for herein shall be subject to the law of the Republic of China.

Article 40 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 41

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.

17<sup>th</sup> amendment was made on June 27, 2016.

18<sup>th</sup> amendment was made on June 21, 2017.

Ming-Jae Chang

Chairman

Taiwan Cogeneration Corporation

## Appendix 3

### Taiwan Cogeneration Corporation Shareholdings of Directors

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.
3. The table below shows the shares held by individual and all directors registered in the list of shareholders on the April 22, 2018, the date of transfer suspension for the meeting of shareholders.

Title	Name	Elected date	Term	Shares held at election	Shares currently held	
				Shares	Shares	Shareholding ratio %
<b>Chairman</b>	Ming-Jae Chang	21 Jun 2017	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	21 Jun 2017	3 yrs.			
<b>Director</b>	Yu-ming Lee	21 Jun 2017	3 yrs.			
<b>Director</b>	Jao-hua Hsu	21 Jun 2017	3 yrs.			
<b>Director</b>	Shen-reng Xiao	21 Jun 2017	3 yrs.			
<b>Director</b>	Guo-xin Chang	21 Jun 2017	3 yrs.			
<b>Director</b>	Hong-xian Lin	21 Jun 2017	3 yrs.	11,527,432 shares, representing TECO.	11,527,432 shares, representing TECO.	1.96%
<b>Director</b>	Yong-qing Chen	21 Jun 2017	3 yrs.	11,375,214 shares, representing Jin Hong Investments.	11,375,214 shares, representing Jin Hong Investments.	1.93%
<b>Director</b>	Sen-jing Wang	21 Jun 2017	3 yrs.	345,000 shares, representing Yuan Jing Investments.	345,000 shares, representing Yuan Jing Investments.	0.06%
<b>Director</b>	Hui-chu Liao	21 Jun 2017	3 yrs.	0	0	0.00%
<b>Independent director</b>	Xiao-dong Zhang	21 Jun 2017	3 yrs.	0	0	0.00%
<b>Independent director</b>	Xin-hui Yen	21 Jun 2017	3 yrs.	0	0	0.00%
<b>Independent director</b>	Yao-wen Lin	27 Jul 2017	3 yrs.	0	0	0.00%
<b>Total of all directors</b>				<b>186,201,925 shares</b>	<b>186,201,925 shares</b>	<b>31.61%</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 13-April 23, 2018. All proposals have been published on the Market Observation Post System (MOPS) according to the law.
3. No shareholder proposal was received this year.